StudioCanal Films Ltd
(formerly Canal + Image UK Limited)

Directors' report and financial statements
Registered number 02668459
31 December 2012

Contents

Officers

Directors

S Legrand

R Bessi

S Arnould

Registered office

50 Marshall Street

London

W1F 9BQ

Directors' report

The directors present their report and financial statements for the year ended 31 December 2012 On 17 May 2012 the Company changed its name to StudioCanal Films Ltd (formerly Canal+ Image UK limited)

Principal activity and review of the business

In 2012, the main activities of the company were the licensing of film and television rights and the UK production of films

The results for the year are shown on page 7 Revenues amounted to £12 0m (2011 £16 5m) decreasing from last year mainly due to the lack of release of movies co-produced by the company this year

The gross profit margin for the year amounted to £2 7m (2011 £1 6m), showing an increase in spite of turnover evolution, due to the decrease in cost of sales This is explained by the diminution of amortisation of films investments

The directors do not recommend a dividend for the year ended 31 December 2012 (2011 $nil)

The functional currency of the company was changed from USD to GBP effective 1 January 2012, to take into account the latest changes regarding its core activities The company is making increasingly more UK productions and its cash flow is now predominantly in GBP

Future developments

The directors expect continued further development of the company's business in the forthcoming year in the licensing and in the production of films

Financial risk management

The company's operations expose it to financial risks that include the effects of changes in exchange rates and interest rates The policies set by StudioCanal SA, the company's parent undertaking, to prevent those risks are implemented by the directors of the company

Directors

The directors, who served throughout the year and since year-end are as follows

S Legrand
R Bessi
S Arnoud

Political and charitable contributions

The company made no political contributions during the year (2011 $nil) Donations to UK charities amounted to £nil (2011 $nil)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Directors' report (*continued*)

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

R Bessi
Director

20 May 2013

Company number 02668459

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG

Independent auditors' report to the members of StudioCanal Films Limited

We have audited the financial statements of Canal + Image UK Limited for the year ended 31 December 2012 set out on pages 7 to 17 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Councils website www frc org uk/auditscopeukprivate

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

KPMG

Independent auditors' report to the members of StudioCanal Films Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or

• the financial statements are not in agreement with the accounting records and returns, or

• certain disclosures of directors' remuneration specified by law are not made, or

• we have not received all the information and explanations we require for our audit

Tudor Aw
(Senior Statutory Auditor) for and on behalf of
KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

24 May 2013

Profit and Loss Account
for the year ended 31 December 2012

	Notes	2012	2011	2011
		£	£	$
Turnover	1	**11,980,083**	16,519,300	26,494,467
Cost of sales		**(9,228,984)**	(14,900,531)	(23,898,207)
Gross profit		**2,751,099**	1,618,769	2,596,260
Administrative expenses		**(2,593,391)**	(1,556,964)	(2,497,135)
Operating profit		**157,708**	61,805	99,125
Other interest receivable and similar income	3	**169,130**	148,723	238,529
Interest payable and similar charges	4	**(109,621)**	(261,169)	(418,875)
Profit/(loss) on ordinary activities before taxation	2	**217,217**	(50,641)	(81,221)
Tax on profit on ordinary activities	7	**(94,098)**	317,790	509,687
Profit/(loss) on ordinary activities after taxation		**123,119**	267,149	428,466

The results shown above are derived from continuing activities

There were no recognised gains and losses in either the current or prior year except as shown above Consequently a statement of total recognised gains and losses has not been presented

The notes on pages 9 to 17 form part of these financial statements

Balance Sheet
at 31 December 2012

	Notes	2012		2011		2011	
		£	£	£	£	$	$
Fixed assets							
Intangible assets	8		**2,370,662**		4,675,013		7,225,677
Tangible assets	9		**1,069,581**		1,500,289		2,318,839
Investments	10		**-**		-		-
			3,440,243		6,175,302		9,544,516
Current assets							
Debtors	11	**42,062,587**		61,078,139		94,402,069	
Cash at bank and in hand		**66,734**		37,254		57,580	
		42,129,321		61,115,393		94,459,649	
Creditors amounts falling due within one year	12	**(21,850,749)**		(43,694,999)		(67,534,847)	
Net current assets			**20,278,572**		17,420,394		26,924,802
Total assets less current liabilities			**23,718,815**		23,595,696		36,469,318
Net assets			**23,718,815**		23,595,696		36,469,318
Capital and reserves							
Called up share capital	13		**87**		87		146
Share premium account	14		**17,145,462**		17,145,462		26,499,854
Profit and loss account	14		**6,573,266**		6,450,147		9,969,318
Equity shareholders' funds	15		**23,718,815**		23,595,696		36,469,318

These financial statements were approved by the board of directors on 20 May 2013 and were signed on its behalf by

R Bessi
Director

Company number 02668459

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The company is exempt by virtue of s 400 of the Companies Act 2006 from the requirement to prepare group accounts as the company is included in the consolidated accounts of a larger group headed by Vivendi S A , a parent undertaking established under the law of a member state of the European Union These financial statements present information about the company as an individual undertaking and not about its group

Under Financial Reporting Standard ("FRS") 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of Vivendi S A which includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Vivendi S A , the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Vivendi S A , within which this company is included, can be obtained from the address given in note 17

Going Concern

No material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2

The company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries StudioCanal S A , the company's immediate parent undertaking, has formally confirmed that it will provide financial support to the company for the foreseeable future and for a period of not less than the next twelve months from the date of approval of these accounts As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) in the normal course of business Turnover from direct sales of licenses to customers is recognised on the later of delivery of rights or the start of the license period Turnover from sales through distributors is recognised upon notification of amounts receivable

Turnover also comprises revenues from the production of films, including from the sale of distribution rights on which revenue is recognised when the company has the right to the income

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover (continued)

In certain circumstances, the Company enters into arrangements whereby contributions to the production costs of a film are received from investors in return for a share of future revenues Where the terms of these arrangements are such that the arrangement is not a clear financing transaction, or the disposal of an economic interest in the title, judgment is required to account for such transactions The Company recognise the amounts received as a reduction in the capitalised cost of the intangible asset Tax credits received for the productions are also recognised as a reduction in the capitalised cost of the intangible asset

The directors have not disclosed the segmental analysis of turnover on the grounds that it would be seriously prejudicial and against the interests of the company

Intangible fixed assets

The cost of acquired film licensing rights is capitalised and amortised on a straight line basis over their expected useful economic life, not exceeding 20 years The cost of film licensing rights generated through the Company's involvement in the UK production of films is capitalised and amortised in accordance with the revenue generated in the period in proportion to the total expected revenue Amortisation charges are expensed as a cost of sale

Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives, as follows

Film masters	5 years

Investments

Fixed asset investments are shown at cost less provisions for permanent diminution in value

Taxation

The charge/(credit) for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of the timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 Timing differences are differences between the company's taxable profit and loss and its results as stated in the financial statements No deferred tax is recognised on permanent differences

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and law that have been enacted or substantively enacted by the balance sheet date Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease period

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currency

The functional currency of the company was changed from USD to GBP effective 1 January 2012, to take into account the latest changes regarding its core activities The company is making increasingly more UK productions and its cash flow is now predominantly in GBP The comparatives have been retranslated to GBP using the net investment method

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account

2 Profit /(loss) on ordinary activities before taxation

	2012	2011	2011
	£	£	$
Profit/(loss) on ordinary activities before taxation is stated after charging			
Amortisation, depreciation and amounts written off			
- Intangible fixed assets	**2,952,505**	7,405,541	11,877,372
- Tangible fixed assets	**651,387**	810,536	1,299,978
Operating lease rentals	**12,611**	19,678	31,560
Foreign exchange loss	**1,497,358**	568,780	912,237

	2012	2011	2011
	£	£	$
Auditors' remuneration			
Audit of these financial statements	**26,573**	46,608	74,753

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent undertaking

3 Other interest receivable and similar income

	2012	2011	2011
	£	£	$
Interest receivable from group companies	**169,111**	146,859	235,539
Interest on tax repayments	-	1,823	2,924
Interest receivable from bank deposits	**19**	41	66
	169,130	148,723	238,529

4 Interest payable and similar charges

	2012	2011	2011
	£	£	$
Interest payable to group undertakings	**109,621**	261,169	418,875
	109,621	261,169	418,875

Notes *(continued)*

5 Staff costs

The Company no longer employs staff since September 2009 Activities are handled by staff of another group company

6 Remuneration of directors

Directors' remuneration is borne by another group company Directors' emoluments for the year were £nil (2011 £nil)

7 Tax on profit on ordinary activities

(a) Analysis of tax charge/(credit) in the year

	2012	2011	2011
	£	£	$
Current tax on income for the year			
UK Corporation tax on income for the period	**81,303**	-	-
Foreign tax on income for the period	**6,288**	-	-
Double tax relief	**(6,288)**	-	-
Adjustments in respect of prior periods	**(29,798)**	(312,859)	(501,779)
Total current tax (note 7b)	**51,505**	(312,859)	(501,779)
Deferred tax			
Origination and reversal of timing differences	**13,129**	(4,931)	(7,908)
Adjustments in respect of previous years	**29,464**	-	-
Total deferred tax (note 7c)	**42,593**	(4,931)	(7,908)
Tax on profit/(loss) on ordinary activities	**94,098**	(317,790)	(509,687)

Notes *(continued)*

7 Tax on profit on ordinary activities (continued)

(b) Factors affecting the tax charge/(credit) for the current year

The UK standard corporation tax rate for 2012 financial year was 26% from January to March 2012, this was changed to 24% from 1 April 2012 (January 2011 to March 2011 28% and April 2011 to December 2011 26%) The tax assessed on the profit on ordinary activities for the year is lower (2011 lower) than the standard rate of corporation tax in the UK of 24 5% (2011 26 5%)

	2012	2011	2011
	£	£	$
Profit/(loss) on ordinary activities before tax	**217,217**	(50,641)	(81,221)
Current tax at 24 5 % (2011 26 5%) thereon	**53,218**	(13,420)	(21,523)
Effects of			
Expenses not deductible for tax purposes	**40,156**	4,877	7,822
Movement in timing differences	**(13,129)**	4,931	7,908
Adjustments in respect of prior periods	**(29,798)**	(312,859)	(501,779)
Impact of change in tax rate	**1,058**	3,612	5,793
Current tax charge/(credit)	**51,505**	(312,859)	(501,779)

(c) Factors that may affect future current and total tax charges

It was announced that the main rate of UK corporation tax would be reduced from 24% to 23% effective from 1 April 2013 and to 21% effective from 1 April 2014

Deferred tax assets are measured at the tax rated that are expected to apply to the period when the asset is realised, based on the rates that have been enacted or substantively enacted at the balance sheet date Therefore, at 31 December 2012, deferred tax assets have been calculated based on a rate of 23%, where the temporary difference is expected to reverse after 1 April 2012 No account will be taken of the further 1% reduction in tax rates until substantive enactment of this change, however it is estimated that this will not have a material impact on the Company

Deferred taxation asset movements :

	2012 Provided	2011 Provided	2 011 Provided
	£	£	$
Excess of depreciation over capital allowances on fixed assets	**8,005**	10,281	16,489
Tax losses available	-	38,479	61,715
	8,005	48,760	78,204

	2012	2011	2 011
	£	£	$
Asset at the start of year	**50,598**	45,482	70,296
Deferred tax charge/(credit) in profit & loss account	**(13,129)**	4,931	7,908
Adjustment in respect of prior periods	**(29,464)**	-	-
Exchange difference arising from change in functional currency	-	185	-
Asset at end of the year	**8,005**	50,598	78,204

Notes *(continued)*

8 Intangible fixed assets

	Film rights
Cost	**£**
1 January 2012	68,774,720
Additions	1,443,315
Disposals	(795,184)
31 December 2012	69,422,851
Amortisation	
1 January 2012	64,099,707
Charge for the year	2,952,482
31 December 2012	67,052,189
Net book value	
31 December 2012	**2,370,662**
31 December 2011	4,675,013

9 Tangible fixed assets

	Film masters
	£
Cost	
1 January 2012	8,599,032
Additions	220,680
31 December 2012	**8,819,712**
Depreciation	
1 January 2012	7,098,743
Charge for the year	651,388
31 December 2012	**7,750,131**
Net book value	
31 December 2012	**1,069,581**
31 December 2011	1,500,289

Notes *(continued)*

10 Fixed asset investments

Cost	Share in group undertakings £	Share in group undertakings $
At beginning and end of year	**163,925**	253,361
Amounts written off at beginning and end of year	**(163,925)**	(253,361)
Net book value at beginning and end of year	**-**	**-**

The principal companies in which the company's interest at the year end is more than 20% are as follows

	Country of incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
Springscreen Entertainment Inc	USA	Dormant	Ordinary 100%

11 Debtors

Amounts falling due within one year	2012 £	2011 £	2011 $
Trade debtors	**938,782**	390,720	603,896
Amounts recoverable on contracts	**349,479**	701,470	1,084,188
Amounts owed by group undertakings	**35,062,302**	48,615,991	75,140,636
Other debtors	**363,713**	393,883	608,784
Deferred tax asset (note 7c)	**8,005**	50,598	78,204
Prepayments and accrued income	**1,656,912**	8,792,504	13,589,650
	38,379,193	58,945,166	91,105,358

Amounts falling due after more than one year	2012 £	2011 £	2011 $
Amounts recoverable on contracts	**1,796,118**	1,802,105	2,785,324
Prepayments and accrued income	**1,887,276**	330,868	511,387
	3,683,394	2,132,973	3,296,711
	42,062,587	61,078,139	94,402,069

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2012	2011	2011
	£	£	$
Bank loans and overdraft	**251,650**	984,656	1,521,880
Trade creditors	**147,628**	1,617,965	2,500,718
Amounts owed to subsidiary undertakings	**163,925**	163,925	253,362
Amounts owed to other group undertakings	**652,550**	17,602,684	27,206,621
Taxation and social security	**588,819**	473,543	731,906
Accruals for royalty payments	**17,947,153**	17,945,320	27,736,198
Accruals and deferred income	**2,099,024**	4,906,906	7,584,162
	21,850,749	43,694,999	67,534,847

13 Called up share capital

	2012	2011	2011
Allotted, called up and fully paid	£	£	$
87 ordinary shares of £1 each	**87**	87	146

14 Share premium and reserves

	Share premium account	Profit and loss account
	£	£
At 1 January 2012	17,145,462	6,450,147
Retained profit for the year	-	123,119
At 31 December 2012	17,145,462	6,573,266

Notes *(continued)*

15 Reconciliation of movement in shareholders' funds

	2012	2011	2011
	£	£	$
Retained profit for the year	123,119	267,149	428,466
Exchange adjustment arising from change in functional currency	-	10,068	-
Net addition to shareholders' funds	123,119	277,217	428,466
Opening shareholders' fund	23,595,696	23,318,479	36,040,852
Closing shareholders' funds	23,718,815	23,595,696	36,469,318

16 Financial commitments

Annual commitments under non-cancellable operating leases are as follows

	Land & buildings		
Lease commitments	2012	2011	2011
	£	£	$
Operating leases which expire			
- within 2 to 5 years	12,611	11,565	18,549

	Other		
	2012	2011	2011
	£	£	$
Operating leases which expire			
- within 2 to 5 years	-	8,112	13,010

The Company has no capital commitments at the end of the financial year for which no provision has been made (2011 nil)

17 Parent undertaking and controlling party

The company's immediate parent undertaking is Studio Canal S A , incorporated in France Studio Canal S A does not prepare consolidated financial statements

The ultimate parent company and controlling party is Vivendi S A , a company incorporated in France

The largest and smallest group of which the company is a member and for which consolidated financial statements are drawn up is that headed by Vivendi S A These consolidated financial statements are available at 42 Avenue Friedland, 75380 Paris, Cedex 08, France