

StudioCanal Limited
Registered Number: 03647235

Annual report and financial
statements

Year ended 31 December 2019



StudioCanal Limited

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StudioCanal Limited Company Information

Directors

S Arnould
J Gabbay
M Sheehan
N Goodman
A Hamilton

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

HSBC Bank PLC
60 Queen Victoria Street
London
EC4N 4TR

Registered Office

4 Pancras Square
London
NIC 4AG

StudioCanal Limited

Strategic report

Principal activities

The principal activity of the company is that of motion picture distribution and production.

S172(1) Statement

Stakeholder engagement

Section 172(1) of the Companies Act (2006) requires directors to act in a way that they consider, in good faith, would be most likely to promote the success of a company. In doing so, directors must take into consideration the interests of the various stakeholders, the impact of its operations on the community and the environment, take a long-term view on consequences of the decisions they make as well as aim to maintain a reputation for high standards of business conduct and fair treatment between the members.

In complying with the requirements of Section 172(1), the Directors should be able to ensure that all decisions are made in a responsible and sustainable way for the benefit of all stakeholders. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, the below explains how the Directors have discharged their duties under Section 172(1). This section serves as the Company's Section 172(1) Statement.

The section below sets out the key stakeholders of the Group and how we engage with them.

Customers:

Our customers are essential to drive revenues from our business. We regularly engage with our business customers face to face, virtually and by telephone to explore new mutual opportunities and to maintain existing arrangements. Our customers provide insight into the consumer marketplace and the directors adjust both our distribution and content strategies as a result of these engagements.

Suppliers:

We work with our suppliers to ensure that we are able to carry out effective film & TV distribution that maximises audience reach and profitability. Suppliers also act as essential sources of content with regard to film & TV production and rights acquisition. We regularly engage with our business suppliers face to face, virtually and by telephone to explore new mutual opportunities and to maintain existing arrangements. As a result of these interactions the directors make key decisions regarding our supply chain.

Colleagues:

Our people are a key asset to the business and are vital to its success. We maintain a safe and welcoming working environment with careful consideration of equality and diversity. All staff are encouraged to offer constructive ideas and provide feedback to the wider business through regular meetings and management sessions. This feedback is used to provide training and other initiatives in our workplace. We have conducted unconscious bias trainings throughout the year and created committees focusing on how to improve our diversity and inclusion as a result of this.

Parent Company:

Our parent company is a very significant stakeholder. The directors worked closely with them on a regular basis to establish and develop our key business strategies. We engage with our parent company face to face, virtually and by telephone and are highly integrated into group systems, governance, and processes. These interactions provide information regarding our business and they inform us of developments and opportunities across the wider Vivendi group.

Decision Making

The section below considers key decisions made by the board during the year and how stakeholder views were taken into account.

Board Appointments

This year the company directors have considered who is best placed to sit on the Board of Studiocanal Limited to bring meaningful insight and expertise to bring the best content for our customers, make the right decisions by our supplier base, a good working environment for our colleagues and returns on investment for our parent company. This has resulted in several new appointments to continue to drive the Company forwards.

StudioCanal Limited

Strategic report

Decision Making (continued)

Content Strategy

The company directors have worked closely with our parent company to find, develop, select and acquire film and TV content based on investment appraisal models. The selection and evaluation of content for acquisition and development is carried out in the context of our main customer and supplier relationships and agreements. Such decisions are made using the knowledge and expertise of our staff.

Distribution Strategy

The company directors have worked closely with our parent company to develop and select effective distribution strategies to maximise audience reach and profitability for both new releases and library content. The selection and evaluation of distribution strategies is carried out in the context of our main customer and supplier relationships and agreements. Such decisions are made using the knowledge and expertise of our staff.

Business review

The results for the year are shown on page 11. Financial performance in each trading period can fluctuate depending on the number of theatrical releases and the stage in the life cycle of each individual film title. Total revenues decreased by £27.9m to £34.5m for the year ended 31 December 2019. Theatrical net revenues decreased to £4.5m (2018: £11.6m) due to larger scale releases collecting revenue in 2018 such as *Early Man* and *Paddington 2*. Revenues from Home Entertainment decreased to £10.8m (2018: £21.9m) as a result of large *Paddington 2* revenues also falling into 2018. TV, Video on Demand and Electronic Sell Through revenues were £18.3m (2018: £32.5m) following the same trend.

The gross loss for the year ended 31 December 2019 amounted to £0.0m (2018: gross profit of £6.0m). At the year end, net assets totalled £14.6m, a decrease of £5.7m on the prior year, due to the loss in the year.

The key financial and other performance indicators during the year were as follows:

	2019	2018	Change%
Turnover	£34.5m	£62.4m	(45)%
Gross profit	£0.0m	£6.0m	(100)%
(Loss) before taxation	£(7.0)m	£(0.7)m	(907)%
Shareholders' funds	£14.6m	£20.3m	(39)%
Average number of employees	56	53	6%

Future developments

The directors expect to continue the development of the company's business in the forthcoming year and take advantage of opportunities arising in Digital and New Media technology. We have delayed releases of films slated for 2020 release, which has deferred revenues and are now expected to be realised in 2021. However, we have also seen a decrease in costs as our travel and office costs have also shown reductions. Our cashflows have remained in line with expectations. Delays in our cash outflow on productions have mitigated our temporary reduction of cash inflows from the closure of cinemas across the UK. The directors continue to explore how best to navigate the pandemic and the best strategy going forward for the company.

StudioCanal Limited

Strategic report (continued)

Principal risks and uncertainties

The company's operations expose it to the following risks:

- (i) **COVID-19:** The motion picture distribution and production industry has encountered delays in production and releases of content over the period of the pandemic. The full impact of these on the business and wider industry will become clearer over the next 12-18 months.
- (ii) **Piracy:** The media industry continues to be affected adversely by the issue of piracy. The directors take reasonable steps to protect the Company's intellectual property.
- (iii) **Competitive risk:** The market in which the Company operates remains highly competitive. Although the revenues and margins on physical media such as DVDs are under pressure, new media formats and distribution channels provide significant growth opportunities.
- (iv) **Credit risk:** The exposure to credit risk is continually monitored by management. The directors consider that an appropriate level of credit insurance is in place and that appropriate credit controls are in operation.
- (v) **Foreign exchange risk:** The Company is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than sterling. The Company co-ordinates with the Group treasury function to mitigate this risk, including the use of currency hedging instruments as appropriate.

Given the size of the company, the directors have not delegated the responsibility of monitoring the financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Going concern

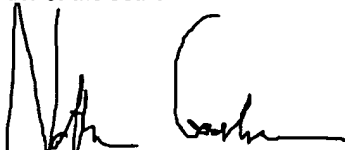
The effect of the COVID-19 pandemic continues to affect the strategy of the Company, and the directors are continually analysing the impact of this and the best strategy going forward for future releases. Although this period is likely to cause delays in releases of films for the Company, the company's investments and content are sound, and any delayed revenues will be negated by cashflow support from the group.

Films slated for 2020 release have been delayed, which has also delayed revenues that are now expected to be realised in 2021. However, there has also been a decrease in costs as particularly travel and office costs have shown reductions. Cashflows have remained in line with expectations. Delays in cash outflow on productions have mitigated the temporary reduction of cash inflows from the closure of cinemas across the UK. The directors continue to explore how best to navigate the pandemic and the best strategy going forward for the company.

The Company is supported in terms of cash flow by the immediate parent company, StudioCanal S.A. in the form of an intercompany loan and further support available if necessary. The Company has received a letter of support from (its ultimate parent company) Vivendi S.A. confirming that they will continue to support the Company for a period of no less than twelve months from the date of approval of these financial statements.

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 financial statements.

By order of the board



.....
Nathan Goodman
Director

23 October 2020

StudioCanal Limited

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2019.

Proposed dividend

The directors do not recommend the payment of a dividend (2018: Nil).

Directors

The directors who held office during the year and to the date of this report are as follows:

D Lupfer (resigned 13 December 2019)
J Forde (resigned 1 October 2019)
S Arnould
N Shindler (resigned 27 May 2020)
J Gabbay
M Sheehan
A Marsh (appointed 1 October 2019, resigned 27 May 2020)
N Goodman (appointed 27 May 2020)
A Hamilton (appointed 27 May 2020)

Charitable contributions

Donations to UK charities amounted to £nil (2018: £nil).

Events after the balance sheet date

In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. As a result, there have been changes in macroeconomic conditions because of the threat and uncertainty posed by the outbreak. There has been no impact on the 2019 results, but the directors continue to monitor the impact on the company going forward. See further details on COVID-19 in the Strategic Report (page 6).

Stakeholder relationships and engagements

The Section 172(1) statement on page 4 details the list of key stakeholders and how their interests are reflected in the Board of Directors' agenda.

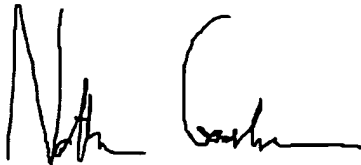
Disclosure of information to auditor

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

Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf



.....
Nathan Goodman
Director

4 Pancras Square
London
NIC 4AG

Registered Number: 03647235

23 October 2020

StudioCanal Limited

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

The directors are responsible for preparing the Strategic Report, 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 period. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework. 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STUDIOCANAL LIMITED

Opinion

We have audited the financial statements of StudioCanal Limited for the year ended 31 December 2019 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Effects of COVID-19

We draw attention to Notes 1 and 19 of the financial statements, which describe the economic and social consequences the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STUDIOCANAL LIMITED (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

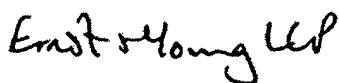
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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 auditor's 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



Neil Cullum (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

StudioCanal Limited
Statement of comprehensive income
For the year ended 31 December 2019

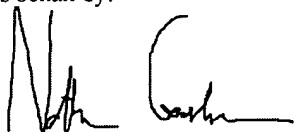
		2019	2018
	<i>Notes</i>	£000	£000
Turnover	2	34,459	62,382
Cost of sales		(34,479)	(56,372)
Gross (loss)/profit		(20)	6,010
Administrative expenses		(6,879)	(6,180)
Operating loss		(6,899)	(170)
Interest payable and similar charges	6	(154)	(528)
Interest receivable and similar income	7	102	8
Loss before taxation	3	(6,951)	(690)
Taxation	8	1,255	142
Loss after taxation		(5,696)	(548)
Other comprehensive income		-	-
Total comprehensive loss for the year		(5,696)	(548)

The notes on pages 14 to 25 form part of these financial statements.

StudioCanal Limited
Balance sheet
At 31 December 2019

		2019		2018	
	Notes	£000	£000	£000	£000
Non-current assets					
Intangible assets	9		4,690		4,838
Tangible assets	10		83		95
Investments	11		1,830		1,830
Debtors	13		633		6,135
			<u>7,236</u>		<u>12,898</u>
Current assets					
Stocks	12	1,638		3,364	
Debtors	13	27,925		31,515	
Cash at bank and in hand		105		-	
		<u>29,668</u>		<u>34,879</u>	
Creditors falling due within one year	14	<u>(7,404)</u>		<u>(11,879)</u>	
Net current assets			22,264		23,000
Total assets less current liabilities			<u>29,500</u>		<u>35,898</u>
Creditors falling due after one year	14		(14,926)		(15,628)
Net assets			<u>14,574</u>		<u>20,270</u>
Capital and reserves					
Called up share capital	15		1		1
Capital redemption reserve			50		50
Profit and loss account			14,523		20,219
Shareholders' funds			<u>14,574</u>		<u>20,270</u>

The financial statements on pages 11 to 25 were approved by the board of directors on 23rd October 2020 and were signed on its behalf by:



.....
Nathan Goodman
Director
StudioCanal Limited
Registered Number: 03647235

The notes on pages 14 to 25 form part of these financial statements.

StudioCanal Limited
Statement of changes in equity
For the year ended 31 December 2019

	Called up Share capital £000	Capital Redemption Reserve* £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	1	50	20,767	20,818
Loss for the year	-	-	(548)	(548)
Total comprehensive loss for the year			(548)	(548)
Balance at 31 December 2018	1	50	20,219	20,270
Loss for the year	-	-	(5,696)	(5,696)
Total comprehensive loss for the year	-	-	(5,696)	(5,696)
Balance at 31 December 2019	1	50	14,523	14,523

* The capital redemption reserve relates to the buyback of preference shares.

The notes on pages 14 to 25 form part of these financial statements.

StudioCanal Limited

Notes to 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.

Basis of preparation

The company is a private company limited by shares.

These financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts as the company is included in the published 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.

The consolidated financial statements of Vivendi S.A are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 42 Avenue Friedland, 75380 Paris, Cedex 08, France.

The financial statements are prepared in the Company's functional currency which is pounds Sterling, rounded to the nearest thousand (£000) unless otherwise stated.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Vivendi S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 2 Share-based Payments
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

StudioCanal Limited

Notes to the financial statements (continued)

1 Accounting policies (continued)

Going concern

The effect of the COVID-19 pandemic continues to affect the strategy of the Company, and the directors are continually analysing the impact of this and the best strategy going forward for future releases. Although this period is likely to cause delays for the Company, the company's investments and content are sound, and any delayed revenues will be negated by cashflow support from the group.

Films slated for 2020 release have been delayed, which has also delayed revenues that are now expected to be realised in 2021. However, there has also been a decrease in costs as particularly travel and office costs have shown reductions. Cashflows have remained in line with expectations. Delays in cash outflow on productions have mitigated the temporary reduction of cash inflows from the closure of cinemas across the UK. The directors continue to explore how best to navigate the pandemic and the best strategy going forward for the company. The Company is supported in terms of cash flow by the immediate parent company, StudioCanal S.A. in the form of an intercompany loan and further support available if necessary. The Company has received a letter of support from (its ultimate parent company) Vivendi S.A. confirming that they will continue to support the Company for a period of no less than twelve months from the date of approval of these financial statements.

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 financial statements.

Intangible fixed assets

The cost of acquiring film licensing rights are capitalised and amortised in accordance with the revenue generated in the period in proportion to the total expected revenue. At the end of the useful life of the asset, any carrying value on the asset is impaired. The remaining useful economic life of each asset cannot be estimated as it depends on over which period revenue is forecast to be generated and how quickly revenue is generated compared to the forecast.

Amortisation of software is charged to the income statement on a straight-line basis over the estimated useful life of the asset.

The estimated useful lives are as follows:

Film licencing rights	5 years
Software	3 years

At each reporting date, the company assesses whether there are any indications that an asset is impaired. Impairment is assessed on an individual film basis by comparison between the carrying value and recoverable amount. Where the carrying value exceeds the recoverable amount, the asset is impaired to its recoverable amount.

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 agreements 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 recognises the amounts received as a reduction in the capitalised cost of the intangible asset.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows

Office equipment, fixtures and fittings	3 years
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Investments

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

StudioCanal Limited

Notes to the financial statements (continued)

1 Accounting policies (continued)

Work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Costs incurred to acquire film rights are recognised and retained as work in progress until the film's theatre release date or significant revenues are generated. At the earlier of these two events, the costs are capitalised as an intangible fixed asset. The capitalised amount is then amortised as described above. Foreseeable losses are recognised in the accounting period in which they are identified. Other acquisition costs relating to television release dates and other media transmissions release dates are released when the film has been delivered and can be released via that media. All other printing and advertising costs are written off to the income statement as incurred.

Operating leases

Operating lease rentals are charged to the income statement on a straight-line basis over the term of the lease period.

Foreign currency

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 using the contracted rate or 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.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Advance income in relation to sale of distribution rights

The company enters into arrangements with broadcasters for the airing of films at a future date. The revenue is recognised at the point that:

- The significant risks and rewards of ownership are transferred to the customer;
- There is relative certainty that the economic benefits will flow to the company;
- The revenues are measurable, being the fair value of consideration received or receivable.

This will usually be at the point when the right sold is available for exploitation by the acquirer. Advance income received is credited to accruals and deferred income until it is recognised as income.

Pensions

Pension costs under the defined contribution scheme are charged against profits for the year in accordance with the amount of contributions payable to the pension scheme in respect of the accounting period.

Pension costs include commitments of £44,774 (2018: £nil) which have been accrued in the Company's balance sheet.

StudioCanal Limited

Notes to the financial statements (continued)

1 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Trade debtors

Trade debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash in the balance sheet comprises cash at bank and in hand.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable, stated net of discounts, returns and value added tax. Revenue is recognised when the performance obligations have been satisfied as outlined below.

Turnover from theatrical sales is recognised when the film is exhibited and represents a contractually determined percentage share of Box Office receipts.

Turnover from home entertainment sales is recognised when the product is delivered to the retailer, unless on consignment terms. For such consignment sales, the turnover is recognised when sale is made to the consumer. For non-consignment sales, a provision is made against turnover for returns and price reductions. This provision is estimated based on recent and historical sales data, historical returns and inventory levels at each reporting date and is included within creditors.

Turnover from television licensing and subscription sales is recognised once contractual terms have been agreed, delivery of materials has been achieved and the license availability period has commenced. The receipt of cash from licensing and subscription sales often does not occur until a number of months after and hence there are significant levels of accrued income. As the right to payment is unconditional, the accrued income is not a contract asset but a contract receivable.

Judgement and estimation uncertainty

The preparation of financial statements necessitates management make judgements and estimates that affect the amounts reported for the financial statements. The actual outcomes could differ from such estimates. The key sources of estimation uncertainty are as follows;

- *Useful economic lives of intangible and tangible assets*
The useful economic lives and residual value of assets are assessed at least annually and are amended as necessary to reflect current estimates, technological advancements, economic utilisation and the physical condition of assets.
- *Provisions*
Revenue from sales of home entertainment products is reduced for estimated returns. The process of estimating this returns provision involves regular, detailed review of recent and historical sales data for actual and similar titles, seasonality, market conditions and current inventory levels.

Management does not consider there are any further key judgements.

StudioCanal Limited
Notes to the financial statements (continued)

1 Accounting policies (continued)

New Standards, Amendments and Interpretations

The Company adopted IFRS 16 *Leases* for the year ended 31 December 2019. The adoption of this accounting standard did not have a material impact on the company's financial statements. There were no amendments to accounting standards or new IFRS interpretations that have had a material impact on the financial statements.

Until 31 December 2018, the Company had classified all its leases of property, plant and equipment as operating leases and the payments made under such leases were charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease. At 1 January 2019, the Company did not hold any contracts which meet the criteria for operating leases and hence there was no accounting impact of the adoption of IFRS16. The lease held by the company during 2018 was cancelled in June 2018 and as the Company applied the Modified Retrospective approach for transition, the 2018 comparatives were not restated. See further in note 17.

2 Turnover

A segmental analysis by territory is shown below:

	2019	2018
UK	97%	97%
Ireland	3%	3%

A segmental analysis by class of business is shown below;

	2019	2018
Theatrical sales	13%	19%
Home Entertainment sales	31%	28%
Television sales	53%	52%
Other sales	2%	1%

3 (Loss) before taxation

	2019	2018
	£000	£000
(Loss) before taxation is stated after charging		
Amortisation, depreciation and amounts written off:		
- Tangible fixed assets	59	62
- Intangible fixed assets	5,680	8,949
Operating lease rentals - Land and buildings	-	355
Loss on disposal of fixed assets	30	-
Cost of stock recognised as an expense	1,390	1,877
Auditor's remuneration:		
- audit fees (audit of these financial statements)	52	52

4 Staff costs

	2019	2018
	£000	£000
Wages and salaries	3,469	3,244
Social security costs	427	395
Pension costs	192	232
	4,088	3,871

StudioCanal Limited
Notes to the financial statements (continued)

4 Staff costs (continued)

The average weekly number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2019	2018
	Number	Number
Sales	32	29
Administration	24	24
	<u>56</u>	<u>53</u>

5 Directors' remuneration

	2019	2018
	£000	£000
Aggregate emoluments including benefits in kind	903	885
Company contributions to money purchase pension scheme	67	105
	<u>970</u>	<u>990</u>

Out of the total amount above, £180,000 was paid in compensation for loss of office (2018: £231,000).

Retirement benefits are accruing to one director (2018: three) under a money purchase pension scheme.

No directors exercised any stock options in the year (2018: none).

The remuneration of the highest paid director was as follows:

	2019	2018
	£000	£000
Aggregate emoluments including benefits in kind	316	520
Company contributions to money purchase pension scheme	17	30
	<u>333</u>	<u>550</u>

The company did not pay third parties for the services of any director (2018: Nil).

The remuneration of certain directors is borne by other group companies and, in the opinion of the directors, it is not practicable to apportion their remuneration between qualifying services to the company and services to the rest of the group.

6 Interest payable and similar charges

	2019	2018
	£000	£000
Interest on intercompany loan	154	221
Net foreign exchange losses	-	307
	<u>154</u>	<u>528</u>

StudioCanal Limited
Notes to the financial statements (continued)

7 Interest receivable and similar income

	2019	2018
	£000	£000
Bank interest	2	8
Net foreign exchange gains	100	-
	<u>102</u>	<u>8</u>

8 Taxation

a) Analysis of tax charge in the year:

	2019	2018
	£000	£000
UK Corporation tax		
Current tax on loss for the year	-	-
Group relief receivable for losses surrendered to other group undertakings	(1,276)	(153)
Adjustment in respect of prior years	-	6
Foreign tax suffered	19	-
Total current tax	<u>(1,257)</u>	<u>(147)</u>
Deferred taxation (see note 8c)		
Origination and reversal of temporary differences	2	5
Total deferred tax credit	<u>2</u>	<u>5</u>
Total tax	<u>(1,255)</u>	<u>(142)</u>

The tax assessed for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19.25%). The differences are explained in b) below:

b) Factors affecting the tax charge for the year:

	2019	2018
	£000	£000
Loss before tax	<u>(6,951)</u>	<u>(689)</u>
Loss multiplied by the standard rate in the UK of 19% (2018: 19%)	(1,321)	(131)
Effects of:		
Expenses not deductible for tax purposes	45	(16)
Movement in timing differences (no deferred tax provided)	3	-
Foreign tax suffered in the period	18	-
Impact of change in tax rate	-	(1)
Adjustments in respect of prior years	-	6
Total tax credit for the year	<u>(1,255)</u>	<u>(142)</u>

StudioCanal Limited
Notes to the financial statements (continued)

8 Taxation (continued)

c) Deferred taxation

	2019	2018
	£000	£000
At the beginning of the year	56	61
Credited to the profit and loss account	(2)	(5)
	<u>54</u>	<u>56</u>
At the end of the year (note 13)		
<i>Analysis of deferred tax asset</i>		
Excess of depreciation over capital allowances	<u>54</u>	<u>56</u>
	<u>54</u>	<u>56</u>

The company has total unutilised tax losses carried forward estimated at £8,479,002 (2018 £8,479,002) which may reduce future tax charges. No deferred tax asset has been recognised in respect of these losses due to uncertainty as to their future recoverability.

9 Intangible assets

	Film rights	Software	Total
	£000	£000	£000
Cost			
Balance at 1 January 2019	137,743	170	137,913
Additions	5,540	7	5,547
Transfers	-	(150)	(150)
Disposals	(5,202)	(1)	(5,203)
Balance at 31 December 2019	<u>138,081</u>	<u>26</u>	<u>138,107</u>
Amortisation			
Balance at 1 January 2019	132,931	144	133,075
Charge for the year	5,668	11	5,679
Transfers	-	(134)	(134)
Disposals	(5,202)	(1)	(5,203)
Balance at 31 December 2019	<u>133,397</u>	<u>20</u>	<u>133,417</u>
Net book value			
At 1 January 2019	4,812	26	4,838
At 31 December 2019	<u>4,684</u>	<u>6</u>	<u>4,690</u>

StudioCanal Limited
Notes to the financial statements (continued)

10 Tangible fixed assets

	Office equipment, fixtures & fittings £000
Cost	
Balance at 1 January 2019	527
Additions	61
Transfers	150
Disposals	(587)
Balance at 31 December 2019	151
Depreciation	
Balance at 1 January 2019	432
Charge for the year	59
Transfers	134
Disposals	(557)
Balance at 31 December 2019	68
Net book value	
At 1 January 2019	95
At 31 December 2019	83

11 Investments

	Share in joint-venture undertakings £000
Cost/net book value at the beginning of the year	1,830
Cost/net book value at the end of the year	1,830

The Company has the following investments in subsidiaries, associates and jointly controlled entities:

	Country of incorporation or registration	Principal activity	Class and percentage of shares held
Joint venture undertakings			
Elevation Sales Limited	England and Wales	DVD distributor and sales agent	Ordinary 50%

Elevation Sales Limited is operated under a Shareholders Agreement with Lions Gate UK Limited. Under the terms of this agreement, Elevation Sales Limited acts as a sales agent on behalf of StudioCanal Limited.

During the year, transactions with Elevation Sales Limited included sales of £7,098,023 (2018: £15,910,962) and expenses of £2,988,199 (2018: £4,460,855). At the year end, there was a balance of £1,861,828 (2018: £2,764,939) included within debtors due from Elevation Sales Limited.

StudioCanal Limited
Notes to the financial statements (continued)

12 Stocks

	2019	2018
	£000	£000
Finished goods	875	1,022
Work in progress	763	2,342
	<u>1,638</u>	<u>3,364</u>

13 Debtors

	2019	2018
	£000	£000
Trade debtors	4,390	2,121
Accrued income	18,369	28,346
Amounts owed by other group undertakings	1,676	927
Amounts owed by joint venture	1,862	2,765
Other debtors	909	2,496
Prepayments	1,298	939
Deferred tax asset (note 8c)	54	56
	<u>28,558</u>	<u>37,650</u>
Non-current	633	6,135
Current	<u>27,925</u>	<u>31,515</u>
	<u>28,558</u>	<u>37,650</u>

Total debtors include accrued income of £0.6m (2018: £6.1m) due after more than one year.

14 Creditors

	2019	2018
	£000	£000
Trade creditors	383	136
Amounts owed to parent undertaking	14,958	15,714
Amounts owed to other group undertakings	2	467
Amounts payable under distribution agreements	4,092	6,829
Other taxation and social security	459	724
Bank overdraft	-	21
Accruals and other creditors	2,080	3,077
Contract liabilities	356	539
	<u>22,330</u>	<u>27,507</u>
Non-current	14,926	15,628
Current	<u>7,404</u>	<u>11,879</u>
	<u>22,330</u>	<u>27,507</u>

StudioCanal Limited
Notes to the financial statements (continued)

14 Creditors (continued)

Total creditors include £14.9m (2018: £15.6m) due to the parent undertaking after more than one year. This loan is repayable on demand and is measured at amortised cost. Interest is calculated at 1-month GBP LIBOR + 0.6%.

Revenue recognised in 2019 from contract liabilities as at 31 December 2018 amounted to £499k (in 2018 from liabilities at 31 December 2017 £nil).

Amounts payable under distribution agreements include £0.7m (2018: £0.9m) due to other group undertakings.

15 Called up share capital

	2019 £000	2018 £000
Authorised		
50,000 ordinary shares of £1 each	50	50
50,000 preference shares of £1 each	50	50
	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

16 Share-based payments

Vivendi S.A, the ultimate parent company of StudioCanal, operates a leveraged employee share offering for employees. Employees can invest in Vivendi shares on preferential terms, through the Opus Vivendi shareholding fund. This plan is offered through the Vivendi International Group Savings Plan (Plan d'Epargne Groupe International or PEGI).

These shares are subject to certain sale or transfer restrictions during a five-year period, are subscribed to at a discount of up to 15% on the average opening market price for Vivendi shares during the 20 trading days preceding the date of the Management Board meeting which set the subscription price for the new shares to be issued.

Six (2018: six) employees have subscribed to shares through the fund, and no charge has been recognised for the Opus fund (2018: nil) as the amounts are not material.

17 Financial commitments

As of June 2018, the company operates from the premises of another group company for which an allocation of rent is recharged to the company. As at 31 December 2019 (31 December 2018: nil) the company had no ongoing lease commitments.

During the year nil was recognised as an expense in the income statement account in respect of operating leases (2018: £354,607).

Contractual commitments

At 31 December 2019, the company had outstanding contractual commitments totalling £767,029 (2018: £4,189,369) in relation to future rights to distribute motion pictures.

StudioCanal Limited
Notes to the financial statements (continued)

18 Parent undertaking and controlling party

The company's immediate parent undertaking is StudioCanal Holdings UK. The ultimate parent company and controlling party is Vivendi S.A. a company incorporated in France.

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

19 Events after the balance sheet date

In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. As a result, there have been changes in macroeconomic conditions because of the threat and uncertainty posed by the outbreak. There has been no impact on the 2019 results, but the directors continue to monitor the impact on the company going forward. Further information concerning the effect on the company can be found in the Accounting Policies Note (page 15).