Registered number: 00303309

TECHNICOLOR LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

TECHNICOLOR LIMITED

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TECHNICOLOR LIMITED

COMPANY INFORMATION

Directors	M J Adams J Fleming S I J Menaheze F B Rose
Company secretary	S I J Le Menaheze
Registered number	00303309
Registered office	16 Great Queen Street Covent Garden London United Kingdom WC2B 5AH
Independent auditor	Constantin Chartered Accountants and Statutory Auditor 25 Hosier Lane London United Kingdom EC1A 9LQ

The directors present their strategic report of Technicolor Limited ("the company") for the year ended 31 December 2017.

Introduction

The directors, in preparing the strategic report, have complied with section 414C of the Companies Act 2006.

Principal activity

The principal activity of the company in the year was providing certain digital front end and post production services to the film and TV markets.

Results and key performance indicators

The profit and loss account for the year is set out on page 11.

Management monitors the business using information similar to that disclosed in these financial statements. In addition to financial information, management monitors business performance with the use of operational KPI metrics such as utilisation of key rooms/resources and revenue generation of key creative talent. Other non-financial key performance indicators considered by the directors include regularly monitoring headcount. Information on headcount is given in note 5.

In 2017 turnover increased by £10,322,000 to £20,874,000 (2016: £10,552,000). The company had a gross profit margin of 8% (2016: gross loss margin of 7%). The company made a loss for the year before taxation of £3,913,000 with loss after taxation of £3,985,000 (2016: loss before taxation £5,114,000, loss after taxation £5,587,000). The results have increased net current liabilities to £19,642,000 (2016: £15,473,000) and increased the net deficit to £33,996,000 (2016: £30,090,000).

Review of business and future development

Both the level of business and the year end financial position were in line with expectations.

The company continues to be reliant on group support (see note 1.2) as it positions itself to providing market leading digital based solutions for post-production. Adapting to customer demands, Technicolor continues to streamline its operations, with an aim towards maintaining its industry leading service solutions that combine high quality with cost effectiveness. Whilst at the same time, with our associate companies, we have maintained our leading position in 2017 through ongoing contracts with large content owners.

The directors consider the company's trading and financial position as satisfactory and expect that the focus on core post-production activity will see it achieve success in the future.

Going concern

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

Further details regarding the adoption of the going concern basis can be found in the accounting policies (note 1.2).

Principal risks and uncertainties facing the company

Treasury operations and financial instruments

The company is part of the Technicolor group ("the Group"), which operates a centralised treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the group's activities.

The Group's principal financial instruments include derivative financial instruments, the purpose of which is to manage currency risks and interest rate risks arising from the Group's activities, and bank overdrafts, loans and corporate bonds, the main purpose of which is to raise finance for the Group's operations. In addition, the Group has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations. Derivative transactions which the Group enters into principally comprise forward exchange contracts.. In accordance with the Group's treasury policy, derivative instruments are not entered into for speculative purposes.

Business risk

Operating within a technology-driven industry, the company must keep up to date with any such advances and keep abreast of developments within the industry to service changing client needs. The main risks affecting the company are loss of key contracts and loss of key personnel. Key programmes are in place to ensure risks identified are mitigated and the company maintains best-in-class operational efficiency. These centre on key client management and dedicated commercial development teams exploring new marketing and opportunities. In addition, human resource talent programmes are in place for the development and retention of staff.

Liquidity risk

The Group manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the group has sufficient liquid resources to meet the operating needs of its businesses.

Interest rate risk

The Group is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. The Group uses interest rate derivatives to manage the mix of fixed and variable rate debt so as to reduce its exposure to changes in interest rates. There is no local impact in the company's accounts as a result of this.

Principal risks and uncertainties facing the company (continued)

Foreign currency risk

The Group's principal foreign currency exposures arise from trading operations in overseas companies. Group policy permits, but does not demand, that these exposures may be hedged in order to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts. There is no local impact in the company's accounts as a result of this.

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the board. All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Employee matters

The company is committed to equality of opportunity and does not discriminate between employees or potential employees on any grounds. Full and fair consideration is given to the recruitment, promotion and training of disabled people, having due regard to their aptitudes and abilities. Should staff become disabled during the course of their employment, efforts are made to provide appropriate re-training.

The importance of maximising staff involvement is fully recognised. The company is responsible for deciding on the appropriate forum for, and level of consultation with, its staff in order to promote a better understanding of its business aims and performance. Information is provided to employees, as required, on matters of concern to them.

Environmental matters

All waste is disposed of in the most environmentally friendly way possible. If it can be recycled it is. Examples of recycled contents are: wood, plastic film, paper, cardboard, metal. If it cannot be recycled it is transported by a licensed waste carrier to a licensed waste site.

Post balance sheet events

There have not been any significant events since the balance sheet date which require disclosure in the financial statements.

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

J Fleming
Director

Date: 30 August 2018

The directors present their report and the financial statements for the year ended 31 December 2017.

Results and dividends

The loss for the year, after taxation, amounted to £3,985,000 (2016: loss £5,587,000).

No dividends were paid in the year and the directors do not recommend the payment of a dividend for the year (2016: £nil).

Directors

The directors who served during the year and up to the date of this report were:

M J Adams
J Fleming
S I J Menaheze
F B Rose

Matters covered in the strategic report

The information that fulfils the Companies Act requirements of the business review is included within the strategic report. This includes a review of the development of the business, financial risk management and likely future developments within the business and subsequent events.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Constantin will be proposed for reappointment as auditor in accordance with section 485 of the Companies Act 2006.

Approval of reduced disclosure

The company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12.

Going Concern

The financial statements have been prepared using the going concern basis of accounting. Further details regarding the adoption of the going concern basis can be found in the accounting policy 1.2 in the notes to the financial statements.

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

J Fleming
Director

Date: 30 August 2018

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors are responsible for preparing the the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 accounting 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;
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF TECHNICOLOR LIMITED FOR THE YEAR ENDED 31 DECEMBER 2017

Opinion

In our opinion the financial statements of Technicolor Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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.

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 Financial Reporting Council's (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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Alex Legon FCA (Senior Statutory Auditor)

For and on behalf of
Constantin

Chartered Accountants and Statutory Auditor

25 Hosier Lane
London
United Kingdom

30 August 2018

TECHNICOLOR LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Turnover	3	**20,874**	10,552
Cost of sales		**(19,129)**	(11,325)
Gross profit/(loss)		**1,745**	(773)
Administrative expenses		**(4,664)**	(4,324)
Operating loss	4	**(2,919)**	(5,097)
Finance costs (net)	7	**(994)**	(17)
Loss on ordinary activities before taxation		**(3,913)**	(5,114)
Taxation on loss on ordinary activities	8	**(72)**	(473)
Loss for the financial year		**(3,985)**	(5,587)

There are no other items of Other Comprehensive Income for either this year or the prior year other than the loss for the year. Accordingly, no Statement of Other Comprehensive Income has been presented.

All items are related to continuing operations.

The notes on pages 15 to 36 form part of these financial statements.

TECHNICOLOR LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Loss for the financial year		**(3,985)**	(5,587)
Other comprehensive income/(loss)			
Actuarial gain/(loss) on defined benefit schemes	20	**79**	(9,226)
Deferred tax on actuarial (gain)/loss on defined benefit schemes		**(13)**	1,459
Impairment of deferred tax arising on actuarial gain/(loss) on defined benefit schemes		**13**	(1,459)
Total comprehensive loss for the year		**(3,906)**	(14,813)

The notes on pages 15 to 36 form part of these financial statements.

TECHNICOLOR LIMITED

REGISTERED NUMBER:00303309

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note		2017 £000		2016 £000
Fixed assets					
Tangible assets	9		**1,791**		1,479
Investments	10		**-**		79
			1,791		1,558
Current assets					
Stocks	11	**52**		38	
Debtors: amounts falling due after more than one year	12	**-**		1,016	
Debtors: amounts falling due within one year	12	**8,183**		9,864	
Cash at bank and in hand	13	**35**		97	
		8,270		11,015	
Creditors: amounts falling due within one year	14	**(27,912)**		(26,488)	
Net current liabilities			**(19,642)**		(15,473)
Total assets less current liabilities			**(17,851)**		(13,915)
Creditors: amounts falling due after more than one year	15		**(973)**		-
Provisions for liabilities					
Other provisions	18	**(109)**		(226)	
			(109)		(226)
Pension liability	20		**(15,063)**		(15,949)
Net liabilities			**(33,996)**		(30,090)
Capital and reserves					
Called up share capital	19		**1,100**		1,100
Capital redemption reserve			**309**		309
Profit and loss account			**(35,405)**		(31,499)
Shareholders' deficit			**(33,996)**		(30,090)

The financial statements of Technicolor Limited were approved and authorised for issue by the board and were signed on its behalf by:

J Fleming
Director

Date: 30 August 2018

The notes on pages 15 to 36 form part of these financial statements.

TECHNICOLOR LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Capital redemption reserve	Profit and loss account	Total deficit
	£000	£000	£000	£000
At 1 January 2016	**1,100**	**309**	**(16,686)**	**(15,277)**
Comprehensive loss for the year				
Loss for the financial year	-	-	(5,587)	(5,587)
Actuarial loss on pension scheme (see note 20)	-	-	(9,226)	(9,226)
Other comprehensive loss for the year	-	-	(9,226)	(9,226)
Total comprehensive loss for the year	-	-	(14,813)	(14,813)
At 1 January 2017	**1,100**	**309**	**(31,499)**	**(30,090)**
Comprehensive loss for the year				
Loss for the financial year	-	-	(3,985)	(3,985)
Actuarial gain on pension scheme (see note 20)	-	-	79	79
Other comprehensive income for the year	-	-	79	79
Total comprehensive loss for the year	-	-	(3,906)	(3,906)
At 31 December 2017	**1,100**	**309**	**(35,405)**	**(33,996)**

1. Accounting policies

1.1 Basis of preparation of financial statements

Technicolor Limited's principal activity is the provision of certain digital front end and post production services to the film and TV markets.

The company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The company is incorporated and domiciled in England. Its principal place of business is 28-32 Lexington Street, Soho, London W1F 0LF.

The financial statements are presented in Sterling (£). Monetary amounts in these financial statements have been rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 ("FRS102"), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006. These accounting standards have been consistently applied throughout the current and preceding year.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are significant to the financial statements, are disclosed in note 2.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102:

- exemption from the requirement to present a statement of cash flows; and
- exemption from the requirement to disclose key management personnel compensation.

The company has also taken advantage of the following disclosure exemption in preparing these financial statements as permitted by FRS 102 on the basis that equivalent information is included in the consolidated financial statements of Technicolor S A as at December 2016 and these financial statements may be obtained from 1, Rue Jeanne d'Arc, Issy-les-Moulineaux 92443, France.

- exemption from certain disclosures relating to financial instruments required by Section 11.

The company has taken advantage of the exemption contained in FRS 102 section 33 "Related Party Disclosures" from disclosing transactions with entities which are wholly owned part of the Group.

1. Accounting policies (continued)

1.2 Going concern

The company has net current liabilities of £19,642,000 as at 31 December 2017 and made a loss for the financial year then ended of £3,985,000.

The company currently meets its day-to-day working capital requirements from intercompany loans and balances with fellow group companies of the group headed by Technicolor S A ("the Group") which are repayable on demand.

The directors have prepared cash flow forecasts for twelve months from the date of the approval of the Financial Statements which show the company will continue to be reliant on the Group to support their working capital needs. These forecasts include key assumptions specifically over the company's future trading activity and acknowledge that variations in the trading assumptions would impact the timing and quantum of cash flows.

On the basis of these forecasts Technicolor S A has confirmed to the directors its intention to keep providing the necessary support for at least the next twelve months from the date of approval of these financial statements to enable the company to continue to settle its liabilities as they fall due.

The company's directors believe it is likely that Technicolor S A will be able to provide the support offered. Accordingly, the directors consider that the forecasts and indication of support from Technicolor S A should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment and have prepared the financial statements on a going concern basis. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

1.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding value added tax.

Provision of services

Revenue from a contract to provide services is recognised in the period in which the services are provided when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract; and
- the costs incurred and the costs to complete the contract can be measured reliably.

1. Accounting policies (continued)

1.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined as the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying value exceeds the recoverable amount.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. Assets under construction are not depreciated as they are not yet in use.

Depreciation is provided on the following bases:

Leasehold improvements	-	10%
Plant and machinery	-	5% - 25%
Fixtures and fittings	-	10% - 25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the profit and loss account.

1.5 Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

1. Accounting policies (continued)

1.6 Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the assets' continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

1.7 Fixed asset investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.8 Research and development

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

1.9 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Sterling (£).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

All foreign exchange gains and losses are presented in the profit and loss account within administrative expenses.

1. Accounting policies (continued)

1.10 Finance costs (net)

Finance costs (net) are recognised in the profit and loss account using the effective interest method.

1.11 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income..

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The company and its fellow group undertakings are able to relieve their tax losses by surrendering them to other group companies within the UK where capacity to utilise those losses exists. There was an agreement between members of this tax group that losses surrendered in relation to periods of account up to 31 December 2016 would be paid for by the recipient company at 100% of the tax value. For tax losses relating to subsequent periods, this policy has ended and losses will not be paid for.

For tax losses relating to periods up to 31 December 2016, where there is reasonable certainty that taxable losses can be relieved, the group relief receivable or payable has been included in the taxation charge or credit for the period and the corresponding intercompany receivable or payable is recognised in the statement of financial position/balance sheet.

1.12 Stocks

Stocks are valued at the lower of cost and net realisable value. In general, cost is determined on a first-in, first-out basis and, in the case of work-in-progress and finished goods, includes all direct expenditure and production overheads based on the normal level of activity.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1. Accounting policies (continued)

1.13 Leases and leased assets

Rentals paid under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.14 Provision for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

1.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

1. Accounting policies (continued)

1.16 Pensions

Defined benefit scheme

The company participates in a Group-wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. A defined benefit plan defines the pension benefit that the employee will receive on retirement usually dependent upon several factors including age, length of service and remuneration.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the year end of the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ("discount rate").

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Actuarial gain/(loss) on defined benefit schemes'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

(a) the increase in pension benefit liability arising from employee service during the year; and
(b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the profit or loss as interest expense.

Defined contribution scheme

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account as they become payable in accordance with the rule of the scheme. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2. Critical judgments in applying accounting policies and key sources of estimation uncertainty

Impairment of investments

The company considers whether investments are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows (see note 10 for further information).

Retirement benefits

Accounting for a defined benefit pension scheme and the value of liabilities is dependent on significant assumptions, including an assessment of the discount rate, price inflation and key demographic figures including life expectancy and mortality rates.

These accounting judgments are inherently complex and require a high level of management judgment and specialist input by an actuary in the calculation of the value of the liabilities (see note 20 for further information).

3. Analysis of turnover

An analysis of turnover by class of business is as follows:

	2017	2016
	£000	£000
Digital front and post production service	**20,874**	10,552

Analysis of turnover by country of destination:

	2017	2016
	£000	£000
United Kingdom	**16,995**	7,642
Rest of Europe	**693**	685
USA	**3,186**	2,116
Rest of world	**-**	109
	20,874	10,552

4. Operating loss

The operating loss is stated after charging/(crediting):

	2017 £000	2016 £000
Research and development (group allocation)	**12**	(56)
Depreciation of tangible fixed assets	**1,307**	982
Operating leases	**1,699**	1,579
Fees payable to the company's auditor for the audit of the company's annual financial statements	**19**	16
Exchange differences	**(77)**	(245)
Pension costs	**279**	368
Loss on disposal of fixed assets	**-**	35

5. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £000	2016 £000
Wages and salaries	**10,470**	6,268
Social security costs	**1,282**	736
Cost of defined benefit scheme	**51**	176
Cost of defined contribution scheme	**228**	192
	12,031	7,372

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
Production	**181**	84
Selling	**3**	3
Administration	**10**	10
	194	97

6. Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	909	872
Company contributions to defined contribution pension schemes	37	36
	946	908

During the year retirement benefits were accruing to 3 directors (2016: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £559,000 (2016: £574,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £25,000 (2016: £25,000).

7. Finance costs (net)

	2017 £000	2016 £000
Interest payable from group undertakings	584	(96)
Unwinding of discounts	(19)	(151)
Net finance cost in respect of pension scheme	413	264
Finance leases and hire purchase contracts	16	-
	994	17

8. Taxation

	2017	2016
	£000	£000
Corporation tax		
UK group relief credit on tax loss for the year	**-**	(1,062)
Adjustments in respect of prior years	**72**	(32)
Total current tax	**72**	(1,094)
Deferred tax		
Origination and reversal of timing differences	**(205)**	(167)
Origination and reversal of timing differences on pension liability	**-**	221
Adjustments in respect of prior years	**23**	271
Impairment of deferred tax	**182**	1,242
Total deferred tax	**-**	1,567
Tax charge for the year	**72**	473

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are explained below:

	2017	2016
	£000	£000
Loss on ordinary activities before taxation	**(3,913)**	(5,114)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	**(753)**	(1,023)
Effects of:		
Impairment of deferred tax	**182**	1,242
Adjustments to tax charge in respect of prior years	**72**	239
Deferred tax arising on transfer of fixed assets from fellow group companies	**(615)**	-
Disallowed expenses and non-taxable income	**133**	24
Difference between deferred tax and current tax rate	**45**	(9)
Group relief not paid for	**1,008**	-
Tax charge for the year	**72**	473

The applicable rate of Corporation Tax changed from 20% to 19% on 1 April 2017, so the blended tax rate for the year is 19.25% (2016: 20%).

8. Taxation (continued)

Factors that may affect future tax charges

The deferred tax asset at 31 December 2017 remains fully impaired (2016: fully impaired) on the basis that profit forecasts for the company and the Group indicate that the deferred tax asset is not expected to reverse in the foreseeable future.

A reduction in the UK corporation tax rate to 17%, effective from 1 April 2020, was substantively enacted as part of the Finance (No. 2) Act 2016 on 6 September 2016.

The 17% rate has been used to calculate the deferred tax balance at 31 December 2017, as it is unlikely to be realised before 2021.

9. Tangible fixed assets

	Long-term leasehold property £000	Plant and machinery £000	Fixtures and fittings £000	Construction in progress £000	Total £000
Cost					
At 1 January 2017	**3,530**	**8,317**	**220**	**190**	**12,257**
Additions	-	**1,563**	**19**	**37**	**1,619**
Transfers between classes	-	**186**	-	**(186)**	-
At 31 December 2017	**3,530**	**10,066**	**239**	**41**	**13,876**
Depreciation					
At 1 January 2017	**3,020**	**7,618**	**140**	-	**10,778**
Charge for the year	**378**	**849**	**80**	-	**1,307**
At 31 December 2017	**3,398**	**8,467**	**220**	-	**12,085**
Net book value					
At 31 December 2017	**132**	**1,599**	**19**	**41**	**1,791**
At 31 December 2016	510	699	80	190	1,479

The net book value of land and buildings may be further analysed as follows:

	2017 £000	2016 £000
Long leasehold	**132**	510

10. Fixed asset investments

	Investments in subsidiary companies
	£000
Cost or valuation	
At 1 January 2017	27,485
Return of capital	(79)
At 31 December 2017	27,406
Impairment	
At 1 January 2017	27,406
At 31 December 2017	27,406
Net book value	
At 31 December 2017	-
At 31 December 2016	79

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Technicolor Imaging Limited	UK	Ordinary 25p shares	100%	Dormant company
Technicolor Media Services (UK) Ltd	UK	Ordinary £1 shares	100%	Film and video production
Technicolor (Thailand) Limited	Thailand	Ordinary 62.50 Baht shares	99.9%	Film processing

The registered office of Technicolor Imaging Limited and Technicolor Media Services (UK) Limited is 16 Great Queen Street, Covent Garden, London, WC2B 5AH. The registered office of Technicolor (Thailand) Limited is 40/19 Soi Amornphannives 4, Vipavadee Rangsit Road, Kwang Ladyao, Khet Jatujak, Bangkok, Thailand.

11. Stocks

	2017 £000	2016 £000
Raw materials and consumables	**52**	38

12. Debtors

	2017 £000	2016 £000
Due after more than one year		
Other debtors	**-**	1,016

	2017 £000	2016 £000
Due within one year		
Trade debtors	**1,717**	1,449
Amounts owed by group undertakings	**530**	2,245
Other debtors	**1,204**	1,275
Prepayments and accrued income	**797**	890
Group relief receivable	**3,935**	4,008
	8,183	9,867

Amounts owed by group undertakings are unsecured and repayable on demand. Please refer to note 13 regarding interest arrangements.

13. Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	**35**	97

Cash is held by Technicolor under a consolidated cash pooling agreement. This value bears interest of 1 month LIBOR plus 2.90% on new payables (2016: LIBOR plus 2.33% on receivables) and is recorded under amounts owed to group undertakings (note 14) (2016: owed by group undertakings - note 12) and not shown under cash. As at 31 December 2017, this cash totalled an amount of (£22,020,000) (2016: £1,361,000).

14. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	**173**	34
Amounts owed to group undertakings	**24,150**	19,827
Other taxation and social security	**569**	510
Net obligations under finance leases	**137**	-
Accruals and deferred income	**2,883**	6,117
	27,912	26,488

Amounts owed to group undertakings are unsecured and repayable on demand. Please refer to note 13 regarding interest arrangements.

Assets under finance leases are secured against the relevant fixed assets acquired.

15. Creditors: amounts falling due after more than one year

	2017 £000	2016 £000
Net obligations under finance leases	**973**	-

Assets under finance leases are secured against the relevant fixed assets acquired.

16. Finance leases

Minimum lease payments under finance leases fall due as follows:

	2017 £000	2016 £000
Within one year	**137**	-
Between 1-5 years	**973**	-
	1,110	-

17. Deferred taxation

	2017	2016
	£000	£000
At beginning of year	**-**	1,567
Credited/(Charged) to profit or loss	**182**	(325)
(Charged)/Credited to equity	**(13)**	1,459
Impairment of deferred tax asset	**(169)**	(2,701)
At end of year	**-**	-

The deferred tax asset is made up as follows:

	2017	2016
	£000	£000
Accelerated capital allowances	**1,727**	1,409
Other timing differences	**81**	81
Tax losses	**926**	926
Timing differences on the pension scheme	**2,562**	2,711
Impairment of deferred tax asset	**(5,296)**	(5,127)
	-	-

18. Provisions

	Restructuring provision £000
At 1 January 2017	**226**
Utilised	**(117)**
At 31 December 2017	**109**

Restructuring provision

Restructuring comprises provisions for the shutdown of the Release Film Print section of the business created in 2011 and the shutdown of the Front End Film Tape business in 2013.

19. Called up share capital

	2017 £000	2016 £000
Shares classified as equity		
Allotted, called up and fully paid		
400,000 Ordinary shares of £0.25 each	**100**	100
4,000,000 Deferred shares of £0.25 each	**1,000**	1,000
	1,100	1,100

All shares rank pari-passu in all respects. The deferred shares do not have any voting rights or rights to participate in the profits or assets of the company except in the case of its winding up when they will receive the amount paid up on those shares.

20. Pension commitments

The company participates in a group wide funded defined benefit pension plan in the UK. The Fund was closed to future benefit accrual on 31 March 2017.The level of benefits provided by the Fund depends on a member's length of service and their salary at their date of leaving the Fund. The last full funding valuation of the Fund was carried out by a qualified actuary as at 1 April 2015. The liabilities used when preparing the disclosures have been rolled forward from the actuarial valuation as at 1 April 2015. The results of the funding valuation at 1 April 2015 have been adjusted to the balance sheet date taking account of experience over the period since 1 April 2015, changes in market conditions and differences in the financial and demographic assumptions. The present value of the defined benefit obligation was measured using the Projected Unit Credit Method.

The IAS disclosures have been split by participating employer using a consistent approach as that adopted for the 2016 year-end disclosures. The liabilities have been split between employers based on each member's current or final employer. Assets have been split pro-rata to the liabilities. Assumed expenses have been split in proportion to the gross service cost, whereas benefits payments have been split in proportion to the value of the pensioner liabilities. Liabilities relating to companies which have ceased to participate have been treated as "orphan" liabilities and allocated between the remaining employers pro-rata by liabilities. Company contributions relating to future service benefits have been split based on payment schedules provided by the Company. The deficit reduction contributions and expense contributions have been split between Technicolor Ltd at 86% and Technicolor Video Services (UK) Ltd at 14%. The Fund is a funded multi-employer defined benefit pension plan in the UK. The funding objective is to ensure that the Fund is fully funded, using assumptions that contain a modest margin for prudence and assets taken at market value.

The major assumptions used by the actuary were:

	2017	2016
	%	%
Discount rate applied to scheme liabilities	**2.70**	2.70
Rate of increase in salaries	**N/A**	2.30
Price inflation - RPI	**3.20**	3.30
Price inflation - CPI	**2.10**	2.20
Pension increases		
- Pension accrued before 6 April 1997	**3.10**	3.20
- Pension accrued after 6 April 1997	**3.10**	3.20

The mortality assumptions are based on actuarial table 93% S2PXA 2014_X{1.50%}YOB. (2016: 93% S2PXA 2014_X{1.50%}YOB).

The assumed life expectancy of retirement at age 65 is:

	2017	2016
Retiring today		
- Males	**88.40**	88.30
- Females	**90.50**	90.40
Retiring in 20 years		
- Males	**90.60**	90.50
- Females	**92.80**	92.70

20. Pension commitments (continued)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are:

Assumptions	**Change in assumption**	**Impact on scheme**
Discount rate	Increase/(decrease) of 1% p.a.	(Decrease)/increase by 16% to 21%
Rate of inflation	Increase/(decrease) of 0.25% p.a.	Increase/(decrease) by 4% to 3%

Scheme assets at the year end

	31 December 2017 %	**Value at 31 December 2017 £000**	31 December 2016 %	Value at 31 December 2016 £000
Equities	**17**	**9,886**	14	8,233
Bonds	**42**	**24,426**	35	20,583
Insurance	**34**	**19,773**	36	21,171
Cash and others	**7**	**4,071**	15	8,821
Total	**100**	**58,156**	100	58,808

Amounts to be recognised in the balance sheet

	2017 £000	2016 £000
Total market value of assets	**58,156**	58,808
Present value of scheme liabilities	**(73,219)**	(74,757)
Deficit in scheme	**(15,063)**	(15,949)
Related deferred tax asset after impairment	**-**	-
Net liability	**(15,063)**	(15,949)

Analysis of the defined benefit obligation

	2017 £000	2016 £000
Present value of unfunded defined benefit obligation	**-**	-
Present value of funded defined benefit obligation	**73,219**	74,757
Total	**73,219**	74,757

20. Pension commitments (continued)

Reconciliation of present value of scheme liabilities

	2017 £000	2016 £000
At 1 January	**74,757**	62,560
Service cost (Employer cost)	**51**	176
Members' contributions	**3**	11
Actuarial loss/(gain) on scheme liabilities	**1,297**	12,836
Benefits paid	**(4,843)**	(3,085)
Interest cost	**1,954**	2,259
At 31 December	**73,219**	74,757

Reconciliation of fair value of scheme assets

	2017 £000	2016 £000
At 1 January	**58,808**	54,538
Actual returns on scheme assets	**1,540**	1,995
Actuarial gain on scheme assets	**1,376**	3,610
Benefits paid	**(4,843)**	(3,085)
Contributions by the company	**1,272**	1,739
Contributions by members	**3**	11
At 31 December	**58,156**	58,808

20. Pension commitments (continued)

Amounts to be recognised in the profit and loss account

	2017 £000	2016 £000
Current service cost	**12**	97
Net interest cost	**413**	264
Administration expenses	**39**	79
	464	440

Total amount recognised in other recognised income in respect of actuarial gain is £79,000 (2016: loss of £9,226,000)

Actuarial losses recognised to date are £20,100,000 (2016: £20,179,000).

Defined contribution scheme

The company participates in a group personal scheme. In 2017, a charge of £228,000 (2016: 192,000) has been taken to the profit and loss account. An amount of £34,000 (2016: £30,000) was included in accruals at the end of year in respect of unpaid contribution.

21. Commitments under operating leases

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Less than 1 year	**339**	960
2 - 5 years	**23**	282
	362	1,242

22. Guarantees

The company has provided:

i.) an unlimited multilateral cross guarantee of £293,348,000 (2016: £396,535,000) to secure the banking arrangements of the company and its fellow group undertakings; and

ii.) a guarantee in favour of HM Revenue and Customs amounting to £200,000 (2016: £200,000).

23. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Technivision Limited, a company registered in England. The company's ultimate parent undertaking and ultimate controlling party is Technicolor S A, a company registered in France.

The company's results are consolidated within the Technicolor S A group financial statements, which can be obtained from the Registered Office at 1, Rue Jeanne d'Arc, Issy-les-Moulineaux 92443, France. The company is not consolidated within any other group.