The Moving Picture Company Limited

Registered No. 1191228

Directors' Report and Financial Statements

31 December 2010

Contents

Company Information

Registered Number
1191228

Directors
A W Camilleri
R Sweet
M Benson
A Ouri

Secretary
R Sweet

Auditors
KPMG LLP
15 Canada Square
London
E14 5GL

Bankers
HSBC Bank PLC
27-32 Poultry
London EC2P 2BX

Registered Office
Building 1, 3rd Floor Chiswick Park
566 Chiswick High Road
London
W4 5BY

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2010

Business review and principal activities

The main services provided by the company are the provision of digital visual effects for the television and film industries Services also include colour grading, film and tape duplication and the provision of broadcast videotape facilities

The Moving Picture Company Limited is one of the largest visual effects studios in the world

Implicit in this is the production of creative output to the highest calibre, of a class that not just follows world standards, but which drives expectations and sets new global benchmarks

The results for the company show a pre-tax profit of £16,197,000 (2009 £553,000) and revenues of £64,384 000 (2009 £41,248 000) Revenues have increased 56% on prior year The company recognises such growth is contingent upon maintaining good rapport with clients To this end the company is committed to developing and building strong, long-term client relationships and producing creative output of the highest calibre

Gross profit increased by 152 9%, while the gross profit margin increased to 39 4% (2009 24 3%)

Operating profit margin increased from 1 46% to 24 2%

The current ratio of assets to liabilities increased from 125% to 189% in the year

We regularly review revenue, cost of sales administrative expenses and operating profits as these are good indicators of relative business performance Cost of sales primarily comprise of salaries, the cost of freelance contractors third party costs and depreciation of plant and machinery Administrative expenses mainly comprise of administrative salaries occupancy costs and other overheads

Risks and uncertainties

Operating within a technology-driven industry, the company must keep up to date with any such advances and keep abreast of developments within the media industry so as to meet changing client needs

Our employees are our most important asset, staff retention and recruitment is crucial to our continued success The company remains focused on providing a stimulating and safe environment for all its employees and offering both competitive remuneration and a rewarding career path in order to safeguard this asset

As the visual effects industry is a relatively small global industry the company is effected by international issues including foreign currency fluctuations and tax legislation changes Remaining up to date with such changes is imperative While competition remains high, projects needs to be closely assessed against constrained margins

Critically, creative output must remain of the highest standard

Dividends

No dividends were paid during the year (2009 – £nil)

Directors' report

Donations

The donations made by the company during the year for charitable purposes were £7,725 (2009 – £1,100)

Political donations made by the company during the year were £nil (2009 – £nil)

Directors

The directors of the company who served during the year were as follows

A W Camilleri
R Sweet
M Benson
A Ouri

Creditor payment policy

It is company policy that payments to all suppliers are made in accordance with the agreed terms, provided that the supplier is also complying with all relevant terms and conditions Trade creditor days of the company for the year ended 31 December 2010 were 15 days (2009 – 43 days), based on the ratio of company trade creditors at the year end to the amount invoiced during the year by trade creditors

Employee involvement and disabled person

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and appropriate training is arranged It is the policy of the company that the training, career development and promotion of a disabled person as far as possible, be identical to that of the person who does not suffer from a disability

Consultation with employees has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to effect their interests and that all employees are aware of the performance of the company

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware there is no relevant audit information of which the company's 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

Directors' report

Auditors

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

By order of the Board

A Camilleri

Director 29-9- **2011**

Building 1, 3rd Floor Chiswick Park
566 Chiswick High Road
London
W4 5BY

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

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

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

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

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

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

KPMG LLP
15 Canada Square
London E14 5GL
United Kingdom

Independent auditor's report to the members of The Moving Picture Company Limited

We have audited the financial statements of The Moving Picture Company Limited for the year ended 31 December 2010 set out on pages 8 to 23 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

RM Yasue **(Senior Statutory Auditor)**

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
29 September 2011

Profit and loss account

for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Turnover		64,384	41,248
Cost of sales		(39,003)	(31,213)
Gross profit		25,381	10,035
Administrative expenses		(9,007)	(8 651)
Other operating expenses		(791)	(782)
Operating profit	2	15 583	602
Interest receivable and similar income	3	616	-
Interest payable and similar expense	4	(2)	(49)
Profit on ordinary activities before taxation		16,197	553
Tax on profit on ordinary activities	7	(2 197)	(1 121)
Profit/(loss) for the financial year	18	14,000	(568)

The notes on pages 10 to 23 form part of these financial statements

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, and the historical cost equivalents

The results above are all derived from continuing operations

The company has no recognised gains or losses other than the profit for this and the previous financial year Accordingly, a statement of total recognised gains and losses has not been prepared

Balance Sheet
at 31 December 2010

	Notes		2010 £000		2009 £000
Fixed Assets					
Tangible assets	8		4,143		4,457
Investments	9		1		1
			4,144		4,458
Current assets					
Stocks	10	-		13	
Debtors	11	36,277		15,438	
Cash at bank and in hand		1,624		103	
		37,901		15,554	
Creditors: amounts falling due within one year	12	(20,035)		(12,413)	
Net current assets			17,866		3,141
Total assets less current liabilities			22,010		7,599
Creditors: amounts falling due after more than one year	13		(471)		(87)
Provisions for liabilities and charges	14		(100)		(73)
Net assets			**21,439**		**7,439**
Capital and reserves					
Called up share capital	17		-		-
Profit and loss account	18		21,439		7,439
Equity shareholders' funds	19		**21,439**		**7,439**

The notes on pages 10 to 23 form part of these financial statements

These financial statements were approved by the board of directors on 29.9.11
and were signed on its behalf by

A Camilleri
Director

Notes to the financial statements

at 31 December 2010

1 Accounting policies

The financial statements are prepared on a going concern basis and under the historical cost convention in accordance with applicable accounting standards in the United Kingdom The accounts have been prepared on a consistent basis with prior accounting periods

Basis of preparation

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts, as it is a wholly owned subsidiary of Technicolor S A (previously Thomson S A) a company incorporated in France, and is included in the consolidated financial statements of the Technicolor S A group Therefore, these financial statements present information about the company as an individual undertaking and not about its group

The company has net current assets of £17 866 000 as at 31 December 2010 and made a profit for the financial year then ended of £14,000,000

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 (previously named Thomson SA)(the Group) which are repayable on demand

The Directors have prepared cash flow forecasts for the next twelve months which show the company will continue to be reliant on 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 However, there exists uncertainty over the ability of the parent to continue to provide support, as explained below

Technicolor S A (and the Group) was faced as of 30 April 2009 with a breach of covenants contained in its financial agreements pursuant to which the Technicolor Group raised substantially all of its senior debt For this reason in February 2009 Technicolor initiated negotiations and, on 24 July 2009, signed a debt restructuring agreement with the majority of its senior creditors which sets out the terms and conditions for the restructuring of its financial debt

In the period subsequent to 24 July 2009, Technicolor attempted to reach an agreement with its creditors who did not sign the debt restructuring agreement These negotiations were unsuccessful It is in this context that the Nanterre Commercial Court opened a Sauvegarde proceeding on 30 November 2009 upon the Company's request Technicolor SA proposed a Sauvegarde Plan (Plan de Sauvegarde) based principally on the terms of the debt restructuring agreement of 24 July 2009

On 17 February 2010 the Nanterre Commercial Court approved the proposed Sauvegarde Plan after insuring it protected the interests of all creditors and offered a "viable solution for the continuation of the Group The Court judgment was appealed before the Court of Versailles in 23 February 2010 by the holders of the company s Titres Super Subordonnés (TSS)

The appellants have requested the nullification of the General Meeting of Creditors and the re-opening of the Sauvegarde proceeding The Directors of Technicolor SA believe they have sound arguments to contest the demands of the appellants and remain confident

The appeal does not stay the implementation of the Sauvegarde Plan, and the appellants did not request a temporary injunction of the execution of the judgment of the Nanterre Commercial Court of 17 February 2010, as such the Group completed the implementation of its Sauvegarde Plan

Notes to the financial statements

at 31 December 2010

Accounting policies (continued)

On 26 May 2010 the debt restructuring of Technicolor was completed pursuant to the closing of the capital markets transactions (rights offering, issuance of Obligations Remboursables en actions (ORA) and issuance of Disposal Proceed Notes (DPN)) and the closing of the transactions contemplated under the reinstated debt documentation

On 18 November 2010, the Versailles court of appeal dismissed the claims of the TSS holders and confirmed the validity of Technicolor's Sauvegarde Plan However, certain TSS holders have appealed to the French Supreme Court (Cour de cassation) through a pourvoi en cassation procedure against the decision of the Versailles court of appeal on 14 February 2011

There is therefore a risk that the Sauvegarde Plan will be terminated with retroactive effect (i) if the Cour de cassation reverses the decision of the Versailles Court of Appeal and judges on its own, that the Sauvegarde Plan is invalid, or (ii) in case the Cour de cassation remands the matter to another Court of Appeal (Cour d'appel de renvoi), if this Court of Appeal were to find in favor of the TSS holders

Technicolor SA believes it has sound arguments to contest the demands of the appellants and remains confident regarding the outcome of this proceeding

The Board of Directors of Technicolor SA have also considered the Group's cash flow projections and believes that the Group's current cash will be sufficient to meet the expected cash requirements of the Group and address potential financial consequences of ongoing litigation, for 12 months from the signing of the company accounts

In the context described above the company's Directors believe it is unlikely that Technicolor SA would not be able to provide the support offered Accordingly the directors consider that the forecasts and indication of support from Technicolor SA 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

Related Party Transactions

As the company is a wholly owned subsidiary of Technicolor S A the company has taken advantage of the exemption under Financial Reporting Standard No 8 "Related Party Disclosures" from the requirement to disclose transactions with related parties which are part of the same group or investees of that group The consolidated financial statements of Technicolor S A within which this company is included, can be obtained from the address given in note 22

There are no transactions between the company and any related parties which otherwise would require disclosure under Financial Reporting Standard No 8 "Related Party Disclosures"

Statement of cash flows

The company is a wholly owned subsidiary of Technicolor S A and the statement of cash flows of the company are included in the consolidated statement cash flow of Technicolor S A Consequently the company is exempt under the terms of Financial Reporting Standard No 1 (Revised) from publishing a cash flow statement

Notes to the financial statements

at 31 December 2010

Accounting policies (continued)

Turnover

Turnover is measured at fair value being contract price net of discounts and value added tax and is recognised at the following points

(i) Where facilities are being provided, turnover represents the value of the service which has been delivered

(ii) Where a production contract exists, turnover is recognised when contracts are completed during the year Completion is defined as when all post production work is finished

(iii) Where a long term contract exists, turnover represents the value of contracts work done based on a cost completion method

The whole of the turnover is attributable to operating as a provider of digital visual effects for the television and film industries mainly arising in the United Kingdom The directors consider that this is the only material business activity and that the other geographic segments where the company operates are not substantially different consequently, no detailed segmental analysis has been prepared

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition

Depreciation is calculated on a straight line basis so as to write off the book value of fixed assets over their economic useful lives The main annual rates adopted are as follows

Leasehold improvements	– 10%-20%
Post Production Equipment	– 20%-33%
Fixtures and fittings	– 20%-33%

Depreciation policies are reviewed on a regular basis

An impairment review of asset carrying values is performed each year

Work in progress

Work in progress on productions for third parties is valued at the lower of cost and net realisable value No value is attributed to work in progress unless there is a contract committing a customer to purchase the production Cost comprises direct costs of production Net realisable value is the estimated selling price less all further costs to completion Payments in advance are set off against work in progress in the balance sheet and any amount in excess of the value of work in progress is included in current liabilities

Stocks

Inventory held by the company is of a consumable nature They are commercial recording tapes used for duplication and film transfer and valued at the lower of costs and net realisable value

Long term contracts

Turnover on long term contracts is recognised according to the stage reached in the contract with reference to the proportion of total costs incurred A provision is made for any losses as soon as they are foreseen The amount by which turnover exceeds invoiced work is shown under debtors as accrued income The amount by which invoiced work exceeds turnover is shown under creditors as deferred income The costs on long term contracts are taken to the profit and loss account as they are incurred

Notes to the financial statements

at 31 December 2010

Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation

Dilapidation provision

The company has operating leases over its offices that require the assets to be returned to the lessor in its original condition The operating lease payments do not include an element for the repairs/overhauls A dilapidation provision is recognised at the time it is determined that it is probable that such costs will be incurred in a future period, measured at the expected cost of returning the asset to the lessor in original condition The company is expected to incur the liability within the next 4 years An offsetting asset of the same value is also recognised and is classified in tangible fixed assets This asset is depreciated to the profit and loss account over the life of the lease

Pensions

Contributions in respect of defined contribution pension schemes and multi-employer defined benefit schemes where, the employer's contributions are set in relation to the current service period only, are charged to the profit and loss account as they fall due

Leases

Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term

Foreign currencies

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date Exchange differences are taken to the profit and loss account in the year in which they arise

Taxation

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

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items to taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19

2. Operating profit

Operating profit is stated after charging

	2010	*2009*
	£000	*£000*
Depreciation charge	2,761	3,015
Operating lease rentals – plant and machinery	421	512
– other	1,817	1,579
Exchange gains	17	20

Remuneration of the company s auditors for provision of audit services to the company was £92,000 (2009 – £90,000) and for non-audit services was £nil (2009 – £nil) during the year

Notes to the financial statements

at 31 December 2010

3 Interest receivable and similar income

	2010 £000	2009 £000
Interest receivable	79	-
Interest receivable from group undertakings	501	-
Foreign exchange gain	17	-
Forward points on hedge	19	-
	616	-

4. Interest payable and similar expense

	2010 £000	2009 £000
Interest payable from group undertakings	2	49
	2	49

5. Directors' emoluments

The remuneration of the directors of The Moving Picture Company Limited was

	2010 £000	2009 £000
Directors' emoluments	685	568
Contributions towards defined contribution scheme	33	33
Other emoluments (including benefits in kind)	3	3
	721	604

Notes to the financial statements

at 31 December 2010

5 Directors' emoluments (continued)

Highest paid director

	2010	*2009*
	£000	*£000*
Total emoluments	446	374
Contributions towards defined contribution scheme	20	20
	466	394

Retirement benefits are accruing to two directors (2009 – two directors) under a defined contribution scheme

6. Staff costs (including executive directors and short term contractors)

(a) Staff costs

	2010	*2009*
	£000	*£000*
Wages and salaries	28,326	24,041
Social security costs	3 077	2,670
Pension costs	644	668
	32,047	27,379

(b) The average number of persons (including executive directors and short term contractors) employed during the year, analysed by category was as follows

	2010	*2009*
Production	488	409
Selling	50	50
Administration	70	70
Directors	2	2
	610	531

Notes to the financial statements

at 31 December 2010

7. Tax on profit on ordinary activities

(a) Analysis of tax charge for the year

	2010 *£000*	*2009* *£000*
UK Corporation tax on profit for the year	5,231	991
Adjustments in respect of previous periods	295	130
Total current tax charge (note 7b)	5 526	1,121
Deferred taxation		
Originating and reversal of timing differences	(606)	-
Adjustments relating to previous years	(293)	-
Release of deferred tax impairment	(2 430)	-
	3,329	-
Tax on profit on ordinary activities	2 197	1,121

(b) Factors affecting tax for the year

The tax assessed on the profit on ordinary activities is higher (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 *£000*	*2009* *£000*
Profit on ordinary activities before taxation	16,197	553
Current tax at 28% (2009 28%)	4,535	155
Effect of		
Disallowed expenses and non-taxable income	67	165
Depreciation in excess of capital allowances	745	716
Timing differences	(116)	(45)
Adjustment relating to previous years	295	130
Current tax charge for the year (note 7a)	5 526	1,121

Notes to the financial statements

at 31 December 2010

7. Tax on profit on ordinary activities (continued)

The deferred tax asset at 31 December 2010 has been partially recognised (at 31 December 2009 – fully depreciated) to the extent that profit for the company, and for the UK group as a whole, indicate that the deferred tax asset will be realised in the foreseeable future

On 22 June 2010 the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 27% with effect from 1 April 2011 This tax change became substantively enacted in July 2010 and therefore the effect of the rate reduction on the deferred tax balances as at 31 December 2010 has been included in the figures above

On 23 March 2011 the Chancellor announced a further reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011 This change became substantively enacted on 29 March 2011 and therefore the effect of the rate would create an additional reduction in the deferred tax asset of approximately £123,000 and in the unrecognised deferred tax asset of approximately £5,000 This has not been reflected in the figures above as it was not substantively enacted at the balance sheet date

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one percent per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above

The overall effect of the further reductions from 27% to 23%, if these applied to the deferred tax balance at 31 December 2010 would be to further reduce the recognised deferred tax asset by approximately £493,000 and the unrecognised deferred tax asset by approximately £13,000

8. Tangible fixed assets

	Improvements to short leasehold properties *£000*	*Post-Production equipment* *£000*	*Fixtures fittings and motor vehicles* *£000*	*Total* *£000*
Cost				
At 1 January 2010	4,519	31,445	1,842	37,806
Additions	466	1,856	125	2,447
At 31 December 2010	4,985	33,301	1,967	40,253
Depreciation				
At 1 January 2010	3,686	28,030	1,633	33,349
Charge for year	523	2,138	100	2 761
At 31 December 2010	4,209	30,168	1,733	36,110
Net book value 31 December 2010	776	3,133	234	4,143
Net book value At 1 January 2010	833	3,415	209	4,457

Notes to the financial statements

at 31 December 2010

9. Fixed asset investments

	2010	*2009*
	£000	*£000*
Shares in subsidiary undertakings	1	1

Interest in group undertakings held directly by the company

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares and voting rights held	Principal activity
Digital Film Limited	England & Wales	Ordinary £1	100%	Dormant
Blonde Films Limited	England & Wales	Ordinary £1	100%	Dormant
Liar Liar Pants on Fire Limited	England & Wales	Ordinary £1	100%	Dormant
The Moving Picture Production Company Ltd	England & Wales	Ordinary £1	100%	Dormant
The Printed Picture Company Limited	England & Wales	Ordinary £1	100%	Dormant
Light Parade Limited	England & Wales	Ordinary £1	100%	Dormant

10 Stocks

	2010	*2009*
	£000	*£000*
Raw materials and consumables	-	13
	-	13

Notes to the financial statements

at 31 December 2010

11. Debtors

	2010	*2009*
	£000	*£000*
Trade debtors	8,171	6,735
Amounts owed by group undertakings	24,313	8 201
Net deferred tax (note 15)	3,329	-
Prepayments and accrued income	464	502
	36.277	15,438

12. Creditors: amounts falling due within one year

	2010	*2009*
	£000	*£000*
Trade creditors	358	1 053
Bank overdrafts and loans	-	17
Amounts owed to group undertakings	1,304	446
Other creditors	79	79
Other taxation and social security	9,321	4,293
Accruals and deferred income	8,973	6 525
	20,035	12,413

The company together with certain other group companies, has entered into a cash pooling arrangement with HSBC Bank plc Funds are held with a central treasury account where HSBC Bank plc has the right to apply positive cash balances of the company against indebtedness or liabilities of other companies named in the agreement Treasury funds are reported as an intercompany debtor/creditor in the financial statements This facility is guaranteed by Technicolor S A

13. Creditors: amounts falling due after one year

	2010	*2009*
	£000	*£000*
Other creditors	471	87

Notes to the financial statements

at 31 December 2010

14. Provisions

	Reorganisation & Restructuring £000	*Other Provisions £000*	*Total £000*
At 1 January 2010	23	50	73
Charged to profit and loss account	-	50	50
Utilised during the year	(23)	-	(23)
At 31 December 2010	-	100	100

Other provisions include amounts in respect of dilapidation provisions on existing UK properties, which will unwind over the remaining lease terms (see note 1)

Restructuring provisions include amounts in respect of salary payments required to facilitate staff reorganisation across the company

15. Deferred taxation

Movement in deferred tax

	Deferred Tax Asset 2010 £000	*Deferred Tax Asset 2009 £000*
At 1 January 2010	-	-
Profit and loss account	3,036	-
Adjustments relating to previous years	293	-
At 31 December 2010	3,329	-

Deferred tax comprises

	2010 £000	*2009 £000*
Differences between accumulated depreciation and amortisation and capital allowances	3,452	2,537
Other timing differences	103	119
Deferred tax impairment	(226)	(2,656)
Total deferred tax	3,329	-

Notes to the financial statements

at 31 December 2010

15 Deferred taxation (continued)

Unrecognised deferred tax assets

	2010 £000	2009 £000
Deferred tax assets have not been recognised in respect of the following items		
Accelerated capital allowances	226	2 537
Other timing differences	-	119
Total unrecognised deferred tax	226	2,656
Excluding deferred tax on pension liability		
Accelerated capital allowances	226	2,537
Other timing differences	-	119
Total unrecognised deferred tax	226	2,656

On 22 June 2010 the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 27% with effect from 1 April 2011 This tax change became substantively enacted in July 2010 and therefore the effect of the rate reduction on the deferred tax balances as at 31 December 2010 has been included in the figures above

On 23 March 2011 the Chancellor announced a further reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011 This change became substantively enacted on 29 March 2011 and therefore the effect of the rate would create an additional reduction in the deferred tax asset of approximately £ 123 000 and in the unrecognised deferred tax asset of approximately £5,000 This has not been reflected in the figures above as it was not substantively enacted at the balance sheet date

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one percent per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above

The overall effect of the further reductions from 27% to 23%, if these applied to the deferred tax balance at 31 December 2010 would be to further reduce the recognised deferred tax asset by approximately £493,000 and the unrecognised deferred tax asset by approximately £13,000

Notes to the financial statements

at 31 December 2010

16. Pension and similar obligations

The Company offers eligible employees membership of the Technicolor Group stakeholder defined contribution pension scheme The total cost of this scheme to the company in the year ended was £610,567 (2009 – £668,309)

In addition two current employees are members of three defined contributions pension schemes The total cost of these schemes to the company for the year ended was £33,350 (2009 – £21 590)

As a member of a multi-employer defined benefit scheme where the employers contributions are set in relation to the current service period only, the pension scheme has been accounted for as a defined contribution scheme in accordance with paragraph 9a of FRS 17 'Retirement Benefits

The total amount of all employer contributions owing at 31 December 2010 was £58,825 (2009 £55,266)

17. Share capital

	2010	*2009*
	£000	*£000*
Allotted, called up and fully paid	*£000*	*£000*
200 ordinary shares of £1 each	–	–

18 Reserves

	Profit and loss account
At 1 January 2010	7,439
Profit for the year	14,000
At 31 December 2010	21,439

Notes to the financial statements
at 31 December 2010

19. Reconciliation of movements in shareholders' funds

	£000	£000
Profit/(loss) for the financial year	14,000	(568)
Net increase/(reduction) in shareholders funds	14,000	(568)
Opening shareholders funds	7,439	8,007
Closing shareholders' funds	21,439	7,439

20. Financial commitments

As at 31 December 2010, the company was committed to payments during the next year under non-cancellable operating leases, expiring as set out below

	2010 Land & Buildings £000	*2010 Plant & Machinery £000*	*2009 Land & Buildings £000*	*2009 Plant & Machinery £000*
Expiring within				
Within one year	-	48	111	297
Between two and five years	1,414	172	-	48
Over five years	-	-	8,405	-
At 31 December 2010	1,414	220	8,516	345

21. Capital commitments

As at 31 December 2010 there were capital commitments of £nil (2009 £nil)

22. Ultimate parent undertaking

The immediate parent undertaking is Technicolor Holdings Limited, a company incorporated in England & Wales

The company s ultimate controlling and parent undertaking at the balance sheet date is Technicolor S A (previously Thomson S A), a company incorporated in France This is the holding company in which the results of the company are consolidated, and these consolidated financial statements are available from Technicolor S A 1 rue Jeanne d'Arc, 92443 Issy-les-Moulineaux Cedex, France