

Registered number: 01191228

**THE MOVING PICTURE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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THE MOVING PICTURE COMPANY LIMITED

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THE MOVING PICTURE COMPANY LIMITED

COMPANY INFORMATION

Directors	M W Benson C Parke T N Ashmore
Company secretary	C Parke
Registered number	01191228
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 MOVING PICTURE COMPANY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Introduction and strategy

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

The principal activity of the company is the provision of post production and digital visual effects services for the advertising, television and film industries.

The directors consider the company's trading results and financial position to be satisfactory. The directors do not foresee that there will be any change in the company's activities for the foreseeable future and as such the company has adopted the going concern basis for its financial statements, see note 1 for further information.

Operating and business review

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 standard, but which drives expectations and sets new global benchmarks.

The results of the company show a pre-tax profit of £2,532,000 (2015: £14,656,000) and revenues of £102,590,000 (2015: £106,820,000). Revenues have decreased by 4% on prior year. The company recognises performance 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 decreased by 20%, whilst the gross profit margin decreased to 26.1% (2015: 31.5%).

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 comprises salaries, the cost of freelance contractors, third party costs and depreciation of plant and machinery. Administrative expenses mainly comprise administrative salaries, occupancy costs and other overheads.

A key non-financial measure in gauging the overall performance of the company is through entering work for judging by industry subject matter experts. In relation to 2016 work the company was nominated for a number of awards, including Academy Awards success for VFX on *The Jungle Book*, BAFTA success for Visual Effects on *The Jungle Book*, 2 Visual Effects Society (VES) awards for *The Jungle Book* and 3 VES awards for John Lewis' "Buster The Boxer" Christmas TV commercial.

Future developments

The directors expect the general level and focus of activity of the company to remain consistent with 2016 in the forthcoming year.

Principal risks and uncertainties facing the company

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. The company makes a significant investment in researching and developing new production techniques and acquiring the infrastructure to support these activities.

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 relative small global industry, the company is affected 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 need to be closely assessed against constrained margins.

THE MOVING PICTURE COMPANY LIMITED

STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

Principal risks and uncertainties facing the company (continued)

Critically, creative output must remain of the highest standard.

Credit risk

All companies 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.

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 business.

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.

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.

Employee involvement and disabled persons

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 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. The company takes active steps in ensuring all employees remain informed of key organisational developments through the company's intranet and direct messaging to staff.

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.

M W Benson
Director



Date: 14 July 2017

THE MOVING PICTURE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and the financial statements for the year ended 31 December 2016.

Results and dividends

The loss for the year, after taxation, amounted to £1,929,000 (2015: profit £12,775,000).

No dividends were paid during the year and the directors do not recommend the payment of a dividend for the year (2015: Nil).

Directors

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

M W Benson
A W Camilleri (resigned 19 May 2017)
C Parke
T N Ashmore (appointed 19 May 2017)

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.

THE MOVING PICTURE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Auditor

Constantin was appointed as auditor to the company during the year and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

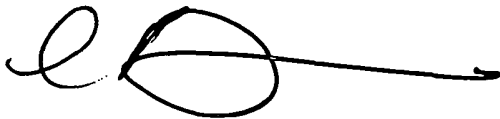
Approval of reduced disclosure

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.

A handwritten signature in black ink, consisting of a stylized 'M' and 'W' followed by a long horizontal stroke.

M W Benson
Director

Date: 14 July 2017

THE MOVING PICTURE COMPANY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors are responsible for preparing the the annual report and the audited 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 FRS102 '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 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; 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 to 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.

THE MOVING PICTURE COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF THE MOVING PICTURE COMPANY LIMITED FOR THE YEAR ENDED 31 DECEMBER 2016

We have audited the financial statements of The Moving Picture Company Limited for the year ended 31 December 2016, which comprise the profit and loss account, the balance sheet, the statements of changes in equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's member 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 member for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

THE MOVING PICTURE COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF THE MOVING PICTURE COMPANY LIMITED FOR THE YEAR ENDED 31 DECEMBER 2016

Opinion on other matter prescribed by the Companies Act 2006

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

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

In the light of our 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 Strategic Report and the Directors' Report.

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.



Alex Legon FCA (Senior Statutory Auditor)

for and on behalf of
Constantin

Chartered Accountants and Statutory Auditor
25 Hosier Lane
London
United Kingdom
EC1A 9LQ

Date:

14 JUL 2017

THE MOVING PICTURE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Turnover	3	102,590	106,820
Cost of sales		(75,775)	(73,122)
Gross profit		26,815	33,698
Administrative expenses		(18,291)	(14,186)
Other operating income		-	1,026
Other operating charges		(7,323)	(6,501)
Operating profit	4	1,201	14,037
Finance income (net)	7	1,331	619
Profit on ordinary activities before taxation		2,532	14,656
Taxation on profit on ordinary activities	8	(4,461)	(1,881)
(Loss)/profit for the financial year		(1,929)	12,775

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

All items are related to continuing operations.

The notes on pages 12 to 26 form part of these financial statements.

THE MOVING PICTURE COMPANY LIMITED

REGISTERED NUMBER:01191228

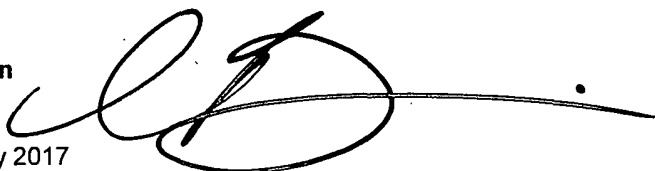
BALANCE SHEET AS AT 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Fixed assets			
Tangible assets	9	4,188	4,844
Investments	10	1,286	1,285
		<u>5,474</u>	<u>6,129</u>
Current assets			
Debtors: amounts falling due within one year	11	65,170	62,726
Cash at bank and in hand	12	113	87
		<u>65,283</u>	<u>62,813</u>
Creditors: amounts falling due within one year	13	(35,197)	(32,090)
Net current assets		<u>30,086</u>	<u>30,723</u>
Total assets less current liabilities		<u>35,560</u>	<u>36,852</u>
Creditors: amounts falling due after more than one year	14	(1,082)	(345)
Provisions for liabilities			
Provisions		-	(100)
		<u>-</u>	<u>(100)</u>
Net assets		<u><u>34,478</u></u>	<u><u>36,407</u></u>
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account		34,478	36,407
Shareholder's funds		<u><u>34,478</u></u>	<u><u>36,407</u></u>

The financial statements of The Moving Picture Company Limited on pages 9 to 26 were approved and authorised for issue by the board and were signed on its behalf by:

M W Benson
Director

Date: 14 July 2017



The notes on pages 12 to 26 form part of these financial statements.

THE MOVING PICTURE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2015	-	23,632	23,632
Comprehensive income for the year			
Profit for the financial year	-	12,775	12,775
Total comprehensive income for the year	-	12,775	12,775
At 1 January 2016	-	36,407	36,407
Comprehensive loss for the year			
Loss for the financial year	-	(1,929)	(1,929)
Total comprehensive loss for the year	-	(1,929)	(1,929)
At 31 December 2016	-	34,478	34,478

The notes on pages 12 to 26 form part of these financial statements.

THE MOVING PICTURE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies

1.1 Basis of preparation of financial statements

The Moving Picture Company Limited's principal activity is the provision of post production and digital visual effects services for the advertising, television and film industries.

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 127 Wardour Street, London, W1F 0NL.

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 ("FRS 102"), 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.

THE MOVING PICTURE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.2 Going concern

The company has net current assets of £30,086,000 as at 31 December 2016 and made a loss for the financial year then ended of £1,929,000.

The company currently meets its day-to-day working capital requirements from positive cash flow which is forecast to continue and from intercompany balances receivable from Technicolor S A which are repayable on demand.

In assessing whether the going concern basis is appropriate, the directors take into account all available information about the future, which is at least, but is not limited to, twelve months from the date of signing these financial statements.

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate.

The directors continue to monitor the company's funding strategy and have prepared forecasts which underpin the going concern basis for the company.

At the date of approval of these financial statements the directors believe that the company will continue to operate successfully for the foreseeable future and be able to meet its liabilities as and when they fall due.

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.

Post production and digital visual effects services

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

- Where facilities are being provided, revenue represents the value of the service which has been delivered.
- Where a production contract exists, revenue is recognised when contracts are completed during the year.
- Where a long-term contract exists, revenue represents the value of contracts work done based on a cost completion method (see note 1.14).

The whole of the revenue is attributable to operating as a provider of digital visual effects for the television and film industries mainly arising in the United Kingdom.

THE MOVING PICTURE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.4 Tangible fixed assets and depreciation

Tangible fixed assets 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 an 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 period 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%-20%
Plant and machinery	-	20%-33%
Fixtures and fittings	-	20%-33%

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 Operating leases: lessee

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

THE MOVING PICTURE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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.

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 held as fixed assets are shown at cost less provision for impairment.

1.8 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.

1.9 Leased assets: the company as lessee

Assets obtained under hire purchase contract 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.

THE MOVING PICTURE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.10 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.

1.11 Financial instruments

The Group uses forward foreign exchange contracts to mitigate exchange rate exposure. All forward exchange contracts are contracted by the parent company Technicolor SA for the benefit of several companies within the Group including The Moving Picture Company Limited. The company records accounting entries which mirror the effects of the transactions in its financial statements in accordance with FRS 102 and the Group's accounting policies which are to record the monetary effects of all such transactions in the profit and loss account to reflect the gain/loss on hedging contracts in the period.

1.12 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 period 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.

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

THE MOVING PICTURE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.13 Pensions

Defined contribution pension plan

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 payments 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.

1.14 Finance income (net)

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

1.15 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.

THE MOVING PICTURE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account.

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.

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 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 is an agreement between members of this tax group that such losses will be paid for by the recipient company at 100% of the tax value. Where there is reasonable certainty that taxable losses can be relieved, the group relief receivable or payable is 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.

1.17 Research and development

The company is entitled to claim a research and development expenditure credit ("RDEC") in respect of research and development activities carried out by its employees during the period. The RDEC is claimed as a government grant and reported within other operating income in the profit and loss account.

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

Recognition of long-term contracts

FRS 102 accounting requires management judgment to determine the appropriateness of calculating the revenue and profit to be recognised. This includes estimating the total expected costs to complete each contract, the future profitability of the contract and also the percentage of completion at the balance sheet date. These judgments directly influence revenue and profit that can be recognised in relation to such contracts. Material changes in these estimates could affect the overall amounts recognised on individual contracts.

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.

THE MOVING PICTURE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

3. Turnover

Analysis of turnover by country of destination:

	2016 £000	2015 £000
United Kingdom	<u>102,590</u>	<u>106,820</u>

Turnover represents income solely from post production and digital visual effects services.

Turnover is stated after trade discounts, other sales taxes and net of VAT.

4. Operating profit

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

	2016 £000	2015 £000
Operating lease rentals:		
- plant and machinery	1,265	1,157
- other operating leases	3,442	3,769
Depreciation of tangible fixed assets	2,070	2,477
Research and development grant	-	(1,026)
Fees payable to the company's auditor for the audit of the company's annual financial statements	66	67
Exchange differences	<u>1,470</u>	<u>834</u>

THE MOVING PICTURE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

5. Employees

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

	2016 £000	2015 £000
Wages and salaries	40,298	46,319
Social security costs	4,554	5,171
Cost of defined contribution scheme	1,061	1,097
	<u>45,913</u>	<u>52,587</u>

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

	2016 No.	2015 No.
Production	773	965
Selling	3	5
Administration	24	24
Directors	2	2
	<u>802</u>	<u>996</u>

6. Directors' remuneration

	2016 £000	2015 £000
Directors' emoluments	831	740
Company contribution to defined contribution pension schemes	4	14
	<u>835</u>	<u>754</u>

During the year retirement benefits were accruing to 1 director (2015: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £606,220 (2015: £534,037). The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2015: £NIL).

Remaining directors' emoluments for the year ended 31 December 2016 have been paid and borne by other group companies as part of group arrangements. It is impracticable to have these costs split and recharged to the company.

7. Finance income (net)

	2016 £000	2015 £000
Interest receivable from group companies	<u>1,331</u>	<u>619</u>

THE MOVING PICTURE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8. Taxation

	2016 £000	2015 £000
Corporation tax		
Current tax on profits for the year	916	1,754
Adjustments in respect of prior periods	1,276	(342)
Total current tax	2,192	1,412
Deferred tax		
Origination and reversal of timing differences	(287)	234
Changes to tax rates	126	274
Adjustments in respect of prior periods	(11)	(39)
Impairment of deferred tax asset	2,441	-
Total deferred tax	2,269	469
Taxation on profit on ordinary activities	4,461	1,881

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015: lower than) the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	2,532	14,656
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%).	506	2,968
Effects of:		
Disallowable expenses and non-taxable income	72	75
Difference in applicable tax rates between current and deferred tax	51	(29)
Adjustments to tax charge in respect of prior periods	1,391	(107)
Research and development tax credits	-	(1,026)
Impairment of deferred tax asset	2,441	-
Total tax charge for the year	4,461	1,881

The standard rate of tax applied to reported profit on ordinary activities is 20.00% (2015: 20.25%). The applicable tax rate change from 21% to 20% was substantively enacted on 2 July 2013.

THE MOVING PICTURE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8. Taxation (continued)

Factors that may affect future tax charges

The deferred tax asset at 31 December 2016 has been fully impaired (2015: recognised in full) 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.

Changes to the UK corporation tax rates were substantively enacted as part of the Finance (No. 2) Act 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017. A further 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. Deferred taxes at the balance sheet date have been measured using these enacted tax rates based on when the timing difference is expected to reverse and reflected in these financial statements.

The 17% rate has been used to calculate the deferred tax balance at 31 December 2016, as it is unlikely to be realised before 2021.

9. Tangible fixed assets

	Leasehold improve- ments £000	Plant and machinery £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost					
At 1 January 2016	2,947	12,762	639	67	16,415
Additions	550	671	123	383	1,727
Disposals	-	(638)	-	-	(638)
At 31 December 2016	3,497	12,795	762	450	17,504
Depreciation					
At 1 January 2016	1,996	9,261	314	-	11,571
Charge for the period	364	1,620	86	-	2,070
Disposals	-	(325)	-	-	(325)
At 31 December 2016	2,360	10,556	400	-	13,316
At 31 December 2016	1,137	2,239	362	450	4,188
At 31 December 2015	951	3,501	325	67	4,844

Plant and machinery at 31 December 2016 includes leased assets with a net book value of £101,628 (2015: nil).

THE MOVING PICTURE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

10. Fixed asset investments

	Investments £000
Cost	
At 1 January 2016	1,285
Additions	1
At 31 December 2016	1,286
 At 31 December 2016	 1,286
At 31 December 2015	1,285
Subsidiary undertakings	

The following was a subsidiary undertaking of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
MPC (Shanghai) Digital Technology Co. Ltd	China	Ordinary	80 %	Digital imaging & multimedia technology and services

The registered office of MPC (Shanghai) Digital Technology Co. Ltd is 1/F, Building 4, No.727 Dingxi Road, Changning District, Shanghai, China.

11. Debtors: amounts falling due within one year

	2016 £000	2015 £000
Trade debtors	12,526	5,852
Amounts owed by group undertakings	47,453	46,333
Other debtors	120	-
Prepayments and accrued income	2,153	5,596
Tax recoverable	2,918	2,676
Deferred taxation (see note 15)	-	2,269
	65,170	62,726

THE MOVING PICTURE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

12. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	113	87

Cash is held by Technicolor under a consolidated cash pooling agreement. This value bears interest of 1 month LIBOR plus 2.33% (2015: 3.05%) and is recorded under amounts owed by group undertakings (see note 11) and not shown under cash. As at 31 December 2016, this cash totalled an amount of £45,635,000 (2015: £43,827,000).

13. Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	4,094	984
Amounts owed to group undertakings	14,898	7,344
Group relief	7,025	4,834
Taxation and social security	2,314	2,536
Obligations under finance lease and hire purchase contracts	32	-
Other creditors	-	28
Accruals and deferred income	6,834	16,364
	35,197	32,090

The company, together with certain other group companies, has entered into a cash pooling arrangement with Barclays Bank PLC. Funds are held with a central treasury account where Barclays 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.

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

	2016 £000	2015 £000
Net obligations under finance leases	69	-
Other creditors	1,013	345
	1,082	345

THE MOVING PICTURE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

15. Deferred taxation

	2016 £000	2015 £000
At beginning of year	2,269	2,738
Charged to profit or loss	172	(469)
Impairment of deferred tax asset	(2,441)	-
At end of year	-	2,269

The deferred tax asset is made up as follows:

	2016 £000	2015 £000
Accelerated capital allowances	-	2,236
Other timing differences	-	33
	-	2,269

Net deferred tax assets expected to reverse in the following year:

	2016 £000	2015 £000
Accelerated capital allowances	-	349
Other timing differences	-	16
	-	365

16. Called up share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
200 ordinary shares of £1 each	200	200

All shares rank pari-passu in all respects.

THE MOVING PICTURE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

17. Pension commitments

The company offers eligible employees membership of the Technicolor UK defined contribution pension scheme. The total cost of this scheme to the company in the year ended 31 December 2016 was £1,061,000 (2015: £1,097,000). An amount of £84,000 (2015: £82,000) was included in accruals at the end of the year in respect of unpaid contribution.

18. Commitments under operating leases

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
Within 1 year	4,543	3,584
Between 2 and 5 years	13,547	5,238
After more than 5 years	8,096	-
Total	26,186	8,822

19. Immediate and ultimate parent undertaking

The immediate parent undertaking is Technicolor Holdings Limited, a company registered in England. The company's ultimate controlling and parent undertaking at the balance sheet date 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.