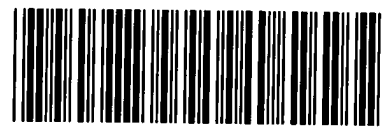


Registered number: 04129617

TECHNICOLOR DISC SERVICES
INTERNATIONAL LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

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TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED
COMPANY INFORMATION

Directors	R C Fossett P A Dave S M Hibbins
Company secretary	S I J Le Menaheze
Registered number	04129617
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

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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

Introduction and strategy

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

Principal activity

The principal activity of the company is to source and deliver optical discs for content owners.

Business review

Technicolor Disc Services International Limited and its sister company Technicolor Polska Sp. Zoo are jointly party to all client contracts. 2017 showed a contraction of business within a maturing market with a 15% decrease in volumes delivered of 328m in comparison to 2016 of 389m. The results of the company show an operating profit of £6,834,000 (2016: £1,844,000) an increase of £4,990,000 mainly due to reduced administrative expenses, the release of royalty income and foreign exchange gains.

Future developments

The company, with its associate companies and partners, continues to work with a wide range of media and entertainment industry leaders as they explore new solutions and business models for electronic content distribution, such as video-on-demand and internet-based digital delivery systems. The company, through its associate companies, is uniquely positioned to develop and provide on-going services to such media and entertainment industry leaders as they seek to more rapidly distribute and monetize their content via these new, alternative delivery platforms. Specific focus will be placed on addressing the security and scalability challenges such customers will face as these new business models emerge in providing products to the entertainment industry.

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 rates 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.

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

Principal risks and uncertainties facing the company (continued)

Business risk

The company remains focused on delivering optical discs and ensuring that the factories from which it sources DVDs drive down their costs to cope with the industry-wide price declines and slowing volume growth. The company, together with its associate companies in other parts of the world, has built capacity for Blu-Ray Discs which is the new format for high-definition DVDs. This format is expected to enhance the company's future performance. However, the principal risk and uncertainty facing the company and the industry is the impact of alternative, non-disc based, digital delivery platforms on the overall demand for optical discs.

Adapting to lower DVD volumes, Technicolor continues to streamline its DVD replication supplier operations, with an aim towards maintaining its industry-leading low cost manufacturing platform. Whilst at the same time, with our associate companies, we have maintained our world leading position in 2017 with the largest content owners.

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 accounts of Technicolor Disc Services International Limited as a result of this.

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

Employees

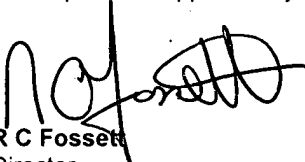
The company recognises the benefits of keeping employees informed of the progress of the business and of involving them in the company's performance. During the year, regular consultations took place with employee representatives so that the views of employees could be taken into account in making decisions which were likely to affect their interests.

It is the company's policy to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, and to ensure that any disabled person who is in employment with the company receives, so far as is practicable, the same opportunities for training, career development and promotion as other employees.

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.



R C Fossett
Director

Date: 9 August 2018

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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

Results and dividends

The profit for the year, after taxation, amounted to £9,630,000 (2016: £5,204,000).

The directors do not recommend the payment of a dividend for the year (2016: £nil).

Directors

The directors who served during the year and subsequent to the year end were:

R C Fossett
P A Dave
S M Hibbins

Research and development

Research and development cost expensed during the year was £112,000 (2016: £465,000).

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 the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the 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.

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

Auditor

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

Approval of reduced disclosures

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.



R C Fossett
Director

Date: 9 August 2018

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors are responsible for preparing 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 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.

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

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

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit 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 of Technicolor Disc Services International Limited (the 'company') which comprise:

- the profit and loss account;
- the statement of other comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

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

We have nothing to report in respect of these matters.

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

Report on other legal and regulatory requirements

Opinion 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.

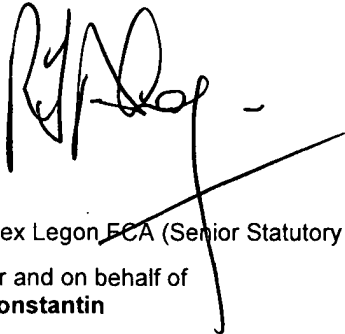
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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.



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: 9 August 2018

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Turnover	3	37,348	43,183
Administrative expenses		(30,514)	(41,339)
Operating profit	4	6,834	1,844
Finance income (net)	5	2,231	4,945
Profit on ordinary activities before taxation		9,065	6,789
Taxation on profit on ordinary activities	8	565	(1,585)
Profit for the financial year		9,630	5,204

All items related to continuing operations.

The notes on pages 15 to 31 form part of these financial statements.

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Profit for the financial year		9,630	5,204
Other comprehensive income			
Actuarial gain/(loss) on defined benefit schemes	16	703	(3,304)
Deferred tax arising on actuarial (gain)/loss in the pension scheme		(120)	549
Impairment of deferred tax arising on actuarial (gain)/loss in the pension scheme		773	(549)
Total comprehensive income for the financial year		10,986	1,900

The notes on pages 15 to 31 form part of these financial statements.


**TECHNICOLOR DISC SERVICES
INTERNATIONAL LIMITED**

REGISTERED NUMBER:04129617

**BALANCE SHEET
AS AT 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Tangible assets	10	-	-
Current assets			
Debtors: amounts falling due within one year	11	129,709	171,670
Cash at bank and in hand	12	1	1
		<u>129,710</u>	<u>171,671</u>
Creditors: amounts falling due within one year	13	(21,286)	(34,212)
Net current assets		<u>108,424</u>	<u>137,459</u>
Total assets less current liabilities		<u>108,424</u>	<u>137,459</u>
Pension liability	16	(6,213)	(6,506)
Net assets		<u>102,211</u>	<u>130,953</u>
Capital and reserves			
Called up share capital	15	89,325	89,325
Profit and loss account		12,886	41,628
Shareholder's funds		<u>102,211</u>	<u>130,953</u>

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


R C Fossett
Director

Date: 9 August 2018

The notes on pages 15 to 31 form part of these financial statements.

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

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

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2016	89,325	39,728	129,053
Comprehensive income for the year			
Profit for the financial year	-	5,204	5,204
Actuarial losses on pension scheme (see note 16)	-	(3,304)	(3,304)
Other comprehensive loss for the year	-	(3,304)	(3,304)
Total comprehensive income for the year	-	1,900	1,900
At 1 January 2017	89,325	41,628	130,953
Comprehensive income for the year			
Profit for the financial year	-	9,630	9,630
Actuarial gain on pension scheme (see note 16)	-	703	703
Deferred tax movements (see note 14)	-	653	653
Other comprehensive income for the year	-	1,356	1,356
Total comprehensive income for the year	-	10,986	10,986
Dividends: Equity capital	-	(39,728)	(39,728)
At 31 December 2017	89,325	12,886	102,211

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies

1.1 Basis of preparation of financial statements

Technicolor Disc Services International Limited's principal activity is to source and deliver optical discs for content owners.

The company is a private company limited by shares and is incorporated in England. The address of its principal place of business is Ground Floor, 16 Dufours Place, Soho, London W1F 7SP and its registered office is 16 Great Queen Street, Covent Garden, London, United Kingdom, WC2B 5AH.

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

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 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 2017 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.

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

1.2 Going concern

The company has net current assets of £108,424,000 (2016: £137,459,000) and made a profit before tax for the financial year then ended of £9,065,000 (2016: £6,789,000).

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 Turnover

Turnover is measured at the fair value of the amount received or to be received, after deduction of any trade discounts or volume rebates allowed by the company, including customer contract advances amortisation. Turnover derives from commission fee income which is formula-driven based on customer sales earned by Technicolor Polska Sp. Zoo, a private sister company registered in Poland who is party to all client contracts alongside the company.

1.4 Tangible fixed assets

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.

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.

The estimated useful lives range as follows:

Computer equipment	-	three years
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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 disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the profit and loss account.

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

1.5 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

1.6 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.

1.7 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 S A for the benefit of several companies within the Group including Technicolor Disc Services International 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.

1.8 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.

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

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

1.9 Finance income (net)

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

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

1.10 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.

1.11 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 statement of financial position 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.

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

1.12 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 consolidated 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 (loss)/gain 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 and loss account 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 payments obligations.

The contributions are recognised as an expense in the profit and loss account as they become payable in accordance with the rules of the defined contribution scheme in note 16. 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.

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

1.13 Current and deferred 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.

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
- 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.

1.14 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. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

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

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.

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Turnover

Analysis of turnover by country of destination:

	2017 £000	2016 £000
Rest of Europe	37,348	43,183

All turnover relates to the principal activity of the company.

4. Operating profit

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

	2017 £000	2016 £000
Research & development charged as an expense	112	465
Fees payable to the company's auditor for the audit of the company's annual financial statements	16	20
Other operating leases	597	554
Exchange differences	(773)	1,675

5. Finance income (net)

	2017 £000	2016 £000
Interest receivable from group companies	2,405	5,047
Financing cost in relation to pension scheme	(174)	(102)

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

6. Employees

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

	2017 £000	2016 £000
Wages and salaries	3,388	4,225
Social security costs	454	513
Cost of defined benefit scheme	81	224
Cost of defined contribution scheme	247	188
	<u>4,170</u>	<u>5,150</u>

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

	2017 No.	2016 No.
Sales	21	24
Administration	25	27
	<u>46</u>	<u>51</u>

7. Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	593	1,046
Company contributions to defined contribution pension schemes	20	-
	<u>613</u>	<u>1,046</u>

During the year retirement benefits were accruing to 1 director (2016: £NIL) in respect of defined contribution pension schemes.

During the year retirement benefits were accruing to 1 director (2016: 1) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £372,000 (2016: £780,000). This included company contributions to money purchase schemes of £NIL (2016: £NIL).

Remaining directors' emoluments for the year ended 31 December 2017 have been paid and borne by other group companies as part of the group arrangements. It is impracticable to have these costs split and recharged to the company.

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8. Taxation

	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	-	1,422
Adjustments in respect of previous periods	27	(76)
Total current tax	<u>27</u>	<u>1,346</u>
Deferred tax		
Origination and reversal of timing differences	(32)	(48)
Changes to tax rates	-	(2)
Adjustment relating to change in tax rates	-	30
Deferred tax impairment	(560)	259
Total deferred tax	<u>(592)</u>	<u>239</u>
Total tax (credit)/charge for the year	<u>(565)</u>	<u>1,585</u>

Factors affecting tax (credit)/charge for the year

The tax assessed for the year is lower 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 £000	2016 £000
Profit on ordinary activities before taxation	<u>9,065</u>	<u>6,789</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	1,745	1,358
Effects of:		
Disallowed expenses and non-taxable income	7	7
Adjustments to tax charge in respect of prior periods	27	(46)
Pension provision	-	57
Difference in tax rates between deferred and corporation tax	3	(19)
Deferred tax impairment	(560)	228
Group relief not paid for	(1,787)	-
Total tax (credit)/charge for the year	<u>(565)</u>	<u>1,585</u>

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%).

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8. Taxation (continued)

Factors that may affect future tax charges

The deferred tax asset at 31 December 2017 has been recognised in full (2016: fully impaired) based on future profit forecasts for the company and UK group.

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. Dividends

	2017 £000	2016 £000
Equity dividends paid	<u>39,728</u>	<u>-</u>

10. Tangible fixed assets

	Computer equipment £000
Cost	
At 1 January 2017 and 31 December 2017	<u>2,179</u>
Depreciation	
At 1 January 2017 and 31 December 2017	<u>2,179</u>
Net book value	
At 31 December 2017	<u>-</u>
At 31 December 2016	<u>-</u>

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. Debtors

	2017 £000	2016 £000
Trade debtors	31	37
Amounts owed by group undertakings	128,082	170,514
Other debtors	1,307	-
Prepayments and accrued income	265	256
Derivative gain	24	863
	<u>129,709</u>	<u>171,670</u>

Amounts owed by group undertakings are unsecured and repayable on demand. Please refer to note 12 regarding interest arrangements.

12. Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	<u>1</u>	<u>1</u>

Cash is held by Technicolor under a consolidated cash pooling agreement. This value bears interest of 1 month LIBOR plus 1.10% (2016: 2.33%) and is recorded under amounts owed by group undertakings (note 11) and not shown under cash. As at 31 December 2017, this cash totalled an amount of £114,625,000 (2016: £143,835,000).

13. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	2,529	4,056
Amounts owed to group undertakings	3,788	9,675
Group relief	7,480	7,454
Corporation tax	1,649	1,965
Other creditors	-	36
Accruals and deferred income	5,840	11,026
	<u>21,286</u>	<u>34,212</u>

Amounts owed to group undertakings are interest free and repayable on demand.

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14. Deferred taxation

	2017 £000	2016 £000
At beginning of year	-	-
Credited to profit or loss	592	-
Credited to other comprehensive income	653	-
	<u>1,245</u>	<u>-</u>
At end of year	<u>1,245</u>	<u>-</u>
The deferred tax asset is made up as follows:		
At beginning of the year	-	239
Adjustment relating to prior years (profit and loss account)	-	(28)
Timing differences (profit and loss account)	32	48
Impairment of deferred tax (profit and loss account)	560	(259)
Equity adjustment	653	-
	<u>1,245</u>	<u>-</u>

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

	2017 £000	2016 £000
Other timing differences	94	-
	<u>94</u>	<u>-</u>

15. Called up share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
89,325,000 Ordinary shares of £1 each	<u>89,325</u>	<u>89,325</u>

All shares rank pari-passu in all respects.

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

16. 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 on-going 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

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

16. Pensions commitments (continued)

The mortality assumptions are based on the actuarial table 93% S2PXA 2014_X{1.5%}YOB (2016: 93% S2PXA 2014_X{1.5%}YOB).

The assumed life expectancy of retirement at age 65 is:

	2017	2016
Retiring today		
- Males	88.4	88.3
- Females	90.5	90.4
Retiring in 20 years		
- Males	90.6	90.5
- Females	92.8	92.7

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	4,078	14	3,359
Bonds	42	10,075	35	8,396
Insurance	34	8,156	36	8,637
Cash and others	7	1,679	15	3,599
Total	100	23,988	100	23,991

Amounts to be recognised in the balance sheet

	2017 £000	2016 £000
Total market value of assets	23,988	23,991
Present value of scheme liabilities	(30,201)	(30,497)
Net liability	(6,213)	(6,506)

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

16. Pensions commitments (continued)

Analysis of the defined benefit obligation

	2017 £000	2016 £000
Present value of unfunded defined benefit obligation	-	-
Present value of funded defined benefit obligation	(30,201)	(30,497)
	<u>(30,201)</u>	<u>(30,497)</u>

Reconciliation of present value of scheme liabilities

	2017 £000	2016 £000
At 1 January	(30,497)	(22,756)
Service cost (Employer cost)	(343)	(435)
Members' contributions	(21)	(63)
Actuarial gain/(loss) on scheme liabilities	617	(6,994)
Benefits paid	858	586
Interest cost	(815)	(835)
At 31 December	<u>(30,201)</u>	<u>(30,497)</u>

Reconciliation of fair value of scheme assets

	2017 £000	2016 £000
At 1 January	23,991	19,837
Actual returns on scheme assets	641	733
Actuarial gain on scheme assets	86	3,690
Benefits paid	(859)	(586)
Contributions by company	108	254
Contributions by members	21	63
At 31 December	<u>23,988</u>	<u>23,991</u>

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

16. Pensions commitments (continued)

Amounts to be recognised in the profit and loss

	2017 £000	2016 £000
Current service cost	81	224
Net interest cost	174	102
Administration expenses	262	211
	<u>517</u>	<u>537</u>

Total amount recognised in other recognised income in respect of actuarial gain is £703,000 (2016: loss of £3,304,000).

Actuarial losses recognised to date are £3,848,000 (2016: £4,551,000).

Defined contribution scheme

The company participates in a group personal scheme. In 2017, a charge of £247,000 (2016: £188,000) has been taken to the profit and loss account. An amount of £39,000 (2016: £25,000) was included in accruals at the end of year in respect of unpaid contribution.

17. 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
Not later than 1 year	361	841
Later than 1 year and not later than 5 years	706	1,056
Total	<u>1,067</u>	<u>1,897</u>

18. Guarantees

The company is part of an Unlimited Multilateral Guarantee given by Technicolor Holdings Ltd, the ultimate parent company in the UK, to the group's bank, Barclays Bank Plc, to cover group banking arrangements.

TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

19. Financial instruments

Derivative assets and derivative liabilities amounts represents the fair value as at the balance sheet date of the foreign exchange contracts. At the year end there were forward rate contract commitments (received)/given as described below:

	2017 £000 Received	2017 £000 Given	2016 £000 Received	2016 £000 Given
Euros	-	3,816	-	1,977
US Dollars	(4,822)	10,259	(10,121)	13,914

20. Immediate and ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Technicolor Videocassette Holdings (UK) 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.