

TECHNICOLOR DISC SERVICES  
INTERNATIONAL LIMITED  
ANNUAL REPORT AND FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014

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# **TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED**

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# TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	R C Fossett P A Dave S M Hibbins
<b>Company secretary</b>	S I J Le Menaheze
<b>Registered number</b>	04129617
<b>Registered office</b>	16 Great Queen Street Covent Garden London United Kingdom WC2B 5AH
<b>Independent auditor</b>	Deloitte LLP Chartered Accountants and Statutory Auditor 2 New Street Square London United Kingdom EC4A 3BZ

# TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

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The directors present their Annual Report and the audited financial statements for the year ended 31 December 2014.

### Results and dividends

The profit for the year, after taxation, amounted to £20,498,000 (2013: £12,885,000).

The directors do not recommend the payment of a dividend for the year (2013: £nil).

### Directors

The directors who served during the year and since were:

R C Fossett  
P A Dave  
S M Hibbins

### Directors' Indemnity

Appropriate directors' and officers' liability insurance cover is in place in respect of all of the company's directors.

### Research and development

Research and development cost expensed during the year was £830,112 (2013: £1,035,672).

### Matters covered in the Strategic report

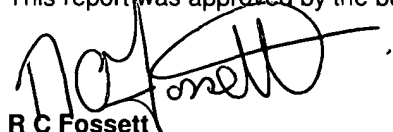
As permitted in section 414c (11) of the Companies Act 2006, the directors have elected to disclose information, required to be in the directors' report by Schedule 7 of the 'Large and Medium Sized Companies and Group (Accounts and Reports) Regulations 2008', in the strategic report.

### 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 they are aware, there is no relevant audit information of which the company's auditor is unaware, and
- they have 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 report was approved by the board and signed on its behalf.



R C Fossett

Director

Date: 11 September 2015

# **TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED**

## **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

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The directors present their Strategic report of Technicolor Disc Services International Limited ("the company") for the year ended 31 December 2014.

### **Introduction and strategy**

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

### **Principal activities**

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

### **Going concern**

The directors consider the company's trading result 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.

### **Review of the business**

2014 continued strong trading, post the simplification project which took place on 1 July 2010, where Technicolor Polska Sp. Zoo, a sister company which is registered in Poland, became a party to all client contracts alongside Technicolor Disc Services International Limited. The profit before tax for the year was £23.9 million compared to £17.0 million profit during 2013.

The improvement in profit before tax is driven by increase in sales commission revenue and reductions of royalties within administration expenses.

### **Business risks**

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 has shown substantial increase year-on-year and 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-disk 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 2014 with the largest content owners.

### **Future development**

The company, with its associate companies and partners, continues to work with a wide range of media & 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 & 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.

# **TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED**

## **STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2014**

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### **Treasury operations and financial instruments**

The company is part of the Technicolor 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 Technicolor 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.

### **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.

### **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.

This report was approved by the board on 11 September 2015 and signed on its behalf.

  
**R C Fossett**  
Director

# **TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014**

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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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TECHNICOLOR DISC**  
**SERVICES INTERNATIONAL LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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We have audited the financial statements of Technicolor Disc Services International Limited for the year ended 31 December 2014, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet 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).

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.

**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 2014 and of its profit 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.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.



**TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TECHNICOLOR DISC**  
**SERVICES INTERNATIONAL LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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**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.



Dan Wells, FCA (Senior Statutory Auditor)

for and on behalf of  
**Deloitte LLP**

Chartered Accountants and Statutory Auditor

2 New Street Square  
London  
United Kingdom  
EC4A 3BZ

11 September 2015

# TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £000	2013 £000
<b>Turnover</b>		<b>59,709</b>	62,442
Administrative expenses		<u>(40,354)</u>	<u>(50,233)</u>
<b>Operating profit</b>	3	<b>19,355</b>	12,209
Interest receivable and similar income	6	<b>4,651</b>	4,907
Interest payable and similar charges	7	<u>(84)</u>	<u>(88)</u>
<b>Profit on ordinary activities before taxation</b>		<b>23,922</b>	17,028
Tax on profit on ordinary activities	8	<u>(3,424)</u>	<u>(4,143)</u>
<b>Profit for the financial year</b>		<u><b>20,498</b></u>	<u>12,885</u>

All amounts relate to continuing operations.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents.

The notes on pages 11 to 23 form part of these financial statements.

**TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	<b>Note</b>	<b>2014 £000</b>	<b>2013 £000</b>
<b>Profit for the financial year</b>		<b>20,498</b>	<b>12,885</b>
Actuarial (loss)/gain related to pension scheme	15	<b>(2,443)</b>	436
Deferred tax arising on actuarial losses in the pension scheme		<b>489</b>	(142)
Impairment of deferred tax arising on actuarial losses in the pension scheme		<b>(489)</b>	142
<b>Total recognised gains and losses relating to the year</b>		<b>18,055</b>	<b>13,321</b>

The notes on pages 11 to 23 form part of these financial statements.

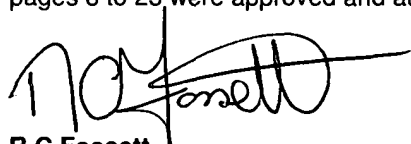
# TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

REGISTERED NUMBER: 04129617

## BALANCE SHEET AS AT 31 DECEMBER 2014

	Note	£000	2014 £000	£000	2013 £000
<b>Fixed assets</b>					
Tangible assets	9		-		-
<b>Current assets</b>					
Debtors (including deferred tax assets: £324,000 (2013: £394,000) due after more than one year)	10	152,718		137,814	
<b>Creditors:</b> amounts falling due within one year	11	(26,195)		(32,369)	
<b>Net current assets</b>			126,523		105,445
<b>Total assets less current liabilities</b>			126,523		105,445
Pensions and similar obligations	15		(5,068)		(2,045)
<b>Net assets</b>			121,455		103,400
<b>Capital and reserves</b>					
Called up share capital	13		89,325		89,325
Profit and loss account			32,130		14,075
<b>Shareholder's funds</b>	14		121,455		103,400

The financial statements of Technicolor Disc Services International Limited (registered number: 04129617) on pages 8 to 23 were approved and authorised for issue by the board and were signed on its behalf by:



**R C Fossett**  
Director

Date: 11 September 2015

The notes on pages 11 to 23 form part of these financial statements.

# TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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### 1. Accounting Policies

The following accounting policies have been applied consistently in the current and prior year in dealing with items which are considered material in relation to the financial statements.

#### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies is set out below.

#### 1.2 Cash flow

Under Financial Reporting Standard (FRS) 1, "Cash Flow Statements", the company is exempt from the requirement to prepare a statement of cash flows on the grounds that a parent undertaking includes the company in its own published consolidated financial statements. The consolidated financial statements of the Group, within which the Company is included, can be obtained from the address given in note 19.

#### 1.3 Going concern

The Company has net current assets of £126,523,000 (2013: £105,445,000) and made a profit before tax for the financial year then ended of £23,922,000 (2013: £17,028,000).

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, 12 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.

#### 1.4 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.

#### 1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Motor vehicles	-	three to five years
Software	-	three years

# **TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2014**

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#### **1. Accounting Policies (continued)**

##### **1.6 Operating leases**

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

##### **1.7 Deferred taxation**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

##### **1.8 Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Where transactions have been hedged internally with Technicolor S.A. treasury, these transactions are recorded at the hedge rate. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

##### **1.9 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.

##### **1.10 Post-retirement benefits**

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.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The company share of the pension scheme deficit is recognised in full. The movement in the scheme deficit is split between operating charges, finance items, and in the statement of total recognised gains and losses through actuarial gains and losses.

#### **2. Turnover**

All turnover arose within the European Union excluding the United Kingdom.

# TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 3. Operating profit

The operating profit is stated after charging:

	2014 £000	2013 £000
Auditor's remuneration	15	16
Operating lease rentals:		
- other operating leases	299	134
Foreign exchange loss	359	86
Research and development expenditure	830	1,036
	<u>          </u>	<u>          </u>

### 4. Staff costs

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

	2014 £000	2013 £000
Wages and salaries	4,052	4,429
Social security costs	402	358
Other pension costs	860	719
	<u>          </u>	<u>          </u>
	5,314	5,506
	<u>          </u>	<u>          </u>

Pension costs attributable to the defined benefit scheme were £688,000 (2013: £545,000) as in Note 16.

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

	2014 No.	2013 No.
Sales	26	21
Administration	24	26
	<u>          </u>	<u>          </u>
	50	47
	<u>          </u>	<u>          </u>

### 5. Directors' remuneration

	2014 £000	2013 £000
Remuneration	817	654
	<u>          </u>	<u>          </u>

During the year retirement benefits were accruing to 1 director (2013: 1) in respect of defined benefit pension schemes.

The highest paid director received remuneration (including pension contributions) of £547,000 (2013: £341,000).

# TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 6. Interest receivable and similar income

	2014 £000	2013 £000
Interest receivable from group companies	4,651	4,907

### 7. Interest payable and similar charges

	2014 £000	2013 £000
Financing cost in relation to pension scheme	84	88

### 8. Tax on profit on ordinary activities

	2014 £000	2013 £000
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax	5,116	3,933
Adjustments in respect of prior years	(1,762)	52
<b>Total current tax</b>	<b>3,354</b>	<b>3,985</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(24)	29
Adjustments relating to previous year	(22)	51
Deferred tax impairment	116	78
<b>Total deferred tax</b> (see note 12)	<b>70</b>	<b>158</b>
<b>Tax on profit on ordinary activities</b>	<b>3,424</b>	<b>4,143</b>



# TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 8. Tax on profit on ordinary activities (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013: higher than) the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before tax	23,922	17,028
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	5,143	3,959
<b>Effects of:</b>		
Disallowed expenses and non-taxable income	(53)	8
Capital allowances for year in excess of depreciation	(76)	(100)
Adjustments to tax charge in respect of prior years	(1,762)	52
Pension provision	125	99
Short term timing differences	(23)	(33)
<b>Current tax charge for the year (see note above)</b>	<b>3,354</b>	<b>3,985</b>

#### Factors that may affect future tax charges

The deferred tax asset at 31 December 2014 has been partially recognised (at 31 December 2013: partially recognised) to the extent that profit forecasts for the company and for the UK group indicate that the deferred tax asset will not be realised in the foreseeable future.

Reductions in the rate of corporation tax from 23% to 21% (effective from 1 April 2014) and from 21% to 20% (effective from 1 April 2015) were substantially enacted on 2 July 2013.

The 20% rate has been used to calculate all deferred tax balances at 31 December 2014, as the difference resulting from this simplification is not material.

### 9. Tangible fixed assets

	Computer equipment £000
<b>Cost</b>	
At 1 January 2014 and 31 December 2014	2,179
<b>Depreciation</b>	
At 1 January 2014 and 31 December 2014	2,179
<b>Net book value</b>	
At 31 December 2014	-
At 31 December 2013	-

# TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 10. Debtors

	2014 £000	2013 £000
<b>Due after more than one year</b>		
Deferred tax asset (see note 12)	324	394
<b>Due within one year</b>		
Amounts owed by group undertakings	150,396	136,068
Other debtors	1,707	223
Prepayments and accrued income	291	1,129
	<u>152,718</u>	<u>137,814</u>

Included in amounts owed by group undertakings is £135,397,000 (2013: £124,151,000) owed by the Company's ultimate parent, Technicolor S.A., in respect of the cash pooling arrangement described in note 1.

Interest is charged at a rate of 1 month LIBOR plus 2.60%

### 11. Creditors: Amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	3,126	1,464
Amounts owed to group undertakings	9,152	7,348
Group relief payable	3,075	4,836
Corporation tax	2,580	-
Other creditors	-	4,191
Accruals and deferred income	8,262	14,530
	<u>26,195</u>	<u>32,369</u>

### 12. Deferred tax asset

	2014 £000	2013 £000
At beginning of the year	394	552
Movement during the year	(70)	(158)
	<u>324</u>	<u>394</u>

# TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 12. Deferred tax asset (continued)

The deferred tax asset is made up as follows:

	2014 £000	2013 £000
At beginning of the year	394	552
Adjustment relating to prior years (profit and loss account)	22	(79)
Timing differences (profit and loss account)	24	(1)
Impairment of deferred tax (profit and loss account)	(116)	(78)
Adjustment relating to prior year (shareholder's funds)	-	(55)
Transfer to pension reserve (shareholder's funds)	489	(87)
Impairment of deferred tax (shareholder's funds)	(489)	142
	<u>324</u>	<u>394</u>

### 13. Called up share capital

	2014 £000	2013 £000
<b>Allotted, called up and fully paid</b>		
89,325,000 Ordinary shares of £1 each	<u>89,325</u>	<u>89,325</u>

### 14. Reconciliation of movement in shareholder's funds

	2014 £000	2013 £000
Opening shareholders' funds	103,400	90,079
Profit for the financial year	20,498	12,885
Actuarial (loss)/gain recognised in the pension scheme	(2,443)	436
Closing shareholders' funds	<u>121,455</u>	<u>103,400</u>

# TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 15. Pension commitments

The Company participates in a group-wide pension scheme providing benefits based on final pensionable pay. The latest full actuarial valuation was carried out at 1 April 2012 and was updated for FRS 17, 'Retirement benefits,' purposes to 31 December 2014 by a qualified independent actuary.

In 2014 an amount of £772,000 (2013: £633,000) has been taken to the profit and loss account.

The main financial assumptions (expressed as weighted averages) used by the actuaries were:

	2014 %	2013 %
Discount rate applied to the scheme liabilities	3.6	4.4
Inflation - CPI	2.0	2.5
Inflation - RPI	3.1	3.4
Expected return on scheme assets	5.9	5.9
Rate of increase in salaries	2.1	4.5
Rate of increase for pensions in payment and deferred pensions	3.0	3.2
Mortality	95% S1NXA 2011_X (1.5%) YOB	95% S1NXA 2011_X (1.5%) YOB

The assumed life expectancy of retirement at age 65 is:

	2014	2013
Retiring today		
- Males	88.2	88.1
- Females	90.7	90.6
Retiring in 20 years		
- Males	90.4	90.3
- Females	93.1	92.9

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

Assumptions	Change in assumption	Impact on scheme
Discount rate	Increase/(decrease) by 1.0%	(Decrease)/increase by 17%/22%
Rate of inflation	Increase/(decrease) by 0.25%	Increase/(decrease) by 3.0%/3.0%
Rate of salary growth	Increase/(decrease) by 0.25%	Increase/(decrease) by 1.0%/1.0%

# TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 15. Pension commitments (continued)

#### Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are therefore inherently uncertain, were:

	2014 %	2014 £'000	2013 %	2013 £'000
Equities	25	5,286	26	2,994
Bonds	14	2,960	12	1,382
Insurance	38	8,034	39	4,491
Other - cash	23	4,862	23	2,649
Total market value of assets	<u>100</u>	<u>21,142</u>	<u>100</u>	<u>11,516</u>

#### Analysis of actual return on scheme assets

	2014 £'000	2013 £'000
Actual return of scheme assets	<u>1,030</u>	<u>1,771</u>

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected return on growth assets has been taken to be 4% above gilt yields, whereas the corporate bond return is the current market yield on long term bonds. The return on the buy-in policy has been taken to be equal to the discount rate. The expected return on cash is the current interest rate set by the Bank of England.

# TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 15. Pension commitments (continued)

#### Amounts to be recognised in the balance sheet

	2014 £'000	2013 £'000
Present value of funded obligation	(26,210)	(13,561)
Fair value of scheme assets	21,142	11,516
Deficit in the pension scheme	<u>(5,068)</u>	<u>(2,045)</u>

#### Analysis of defined benefit obligation

	2014 £'000	2013 £'000
Present value of unfunded defined benefit obligation	-	-
Present value of funded defined benefit obligation	(26,210)	(11,516)
Deficit at the end of the year	<u>(26,210)</u>	<u>(11,516)</u>

#### Deficit movement during the year

	2014 £'000	2013 £'000
Deficit in scheme at beginning of year	(2,045)	(2,057)
Current service cost	(688)	(545)
Contributions paid	192	209
Other finance cost	(84)	(88)
Actuarial (loss)/gain	(2,443)	436
Deficit at the end of the year	<u>(5,068)</u>	<u>(2,045)</u>

# TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 15. Pension commitments (continued)

#### Reconciliation of the present value of the defined benefit obligation

	2014 £'000	2013 £'000
Present value of defined benefit obligation at the beginning of the year	(13,561)	(11,801)
Service cost (Employer cost)	(688)	(545)
Interest cost	(593)	(545)
Members contributions	(65)	(72)
Actuarial loss	(11,828)	(878)
Benefits paid	525	390
Disposal	-	(110)
Present value of defined benefit obligation at end of the year	<u>(26,210)</u>	<u>(13,561)</u>

#### Reconciliation of the fair value of scheme assets

	2014 £'000	2013 £'000
Fair value of scheme assets at the start of the year	11,516	9,744
Expected return on scheme assets	509	457
Actuarial gain on scheme assets	9,385	1,314
Contributions by the company	192	209
Contributions by the members	65	72
Benefits paid	(525)	(390)
Disposal	-	110
Fair value of scheme assets at the end of the year	<u>21,142</u>	<u>11,516</u>

#### Amounts to be recognised in the income statement

	2014 £'000	2013 £'000
Current service cost	688	545
Interest on obligation	593	545
Expected return on scheme assets	(509)	(457)
Total expense	<u>772</u>	<u>633</u>

The expense is recognised in the following line items in the profit and loss account.

	2014 £000	2013 £000
Administration expenses	688	545
Interest payable and similar charges	84	88
Total	<u>772</u>	<u>633</u>

# TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 15. Pension commitments (continued)

#### Amount to be recognised in statement of recognised gains and losses

	2014 £'000	2013 £'000
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	<u>(2,443)</u>	<u>436</u>

Actuarial loss of £2,443,000 includes £2,125,000 which relates to the allocation of liability of a group member of the Thomson Pension Fund which ceased to participate in the scheme this year. Allocation of the liability has been made between the remaining employers of the scheme based by liability. The remaining £318,000 relates to the actuarial loss on the opening share of assets and obligation. Actuarial losses recognised to date are £3,808,000 (2013:£1,365,000).

#### History of assets, liabilities and actuarial gains and losses:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Present value of defined benefit obligation	(26,210)	(13,561)	(11,801)	(9,851)	(8,636)
Fair value of assets	21,142	11,516	9,744	8,163	7,420
Deficit	<u>(5,068)</u>	<u>(2,045)</u>	<u>(2,057)</u>	<u>(1,688)</u>	<u>(1,216)</u>

#### Experience gain/(loss) on scheme liabilities

	2014	2013	2012	2011	2010
Amount (£'000s)	168	368	(82)	(20)	296
Percentage of the present value of scheme liabilities	1%	3%	(1%)	(0%)	3%

#### Difference between the expected and actual return on scheme assets

	2014	2013	2012	2011	2010
Amount (£'000s)	9,385	1,314	1,134	(176)	541
Percentage of the present value of the scheme assets	44%	12%	12%	(2%)	7%

The employer's best estimate of contributions to be paid to the scheme by the company next year is £149,000 (2013: £223,000).



# TECHNICOLOR DISC SERVICES INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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### 16. Operating lease commitments

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2014	2013	2014	2013
	£000	£000	£000	£000
<b>Expiry date:</b>				
Within 1 year	-	-	3	7
Between 2 and 5 years	290	290	4	-

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### 17. 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. In addition Technicolor Holdings Ltd and its subsidiaries (the UK group) are party to a cross guarantee regarding intercompany borrowings held by the UK group with other members of the Technicolor Group. The total value of borrowings payable by the UK group as at 31 December 2014 amounts to £243,062,000 (2013: £225,452,000). Such debts are separately reported as liabilities in the financial statements of the individual group members.

### 18. Related party transactions

As a subsidiary undertaking of Technicolor S.A., the Company has taken advantage of the exemption in FRS 8, 'Related party disclosures,' from disclosing transactions with other members of the group headed by Technicolor S.A.

### 19. Parent undertakings

The immediate parent is Technicolor Videocassette Holdings (UK) Limited. The Company's ultimate parent company and ultimate controlling party (in accordance with FRS8) at the balance sheet date, and the smallest and largest group which prepares consolidated financial statements and of which the Company forms a part, was Technicolor S.A., whose financial statements are publicly available, from 1, rue Jeanne d'Arc, Issy-les-Moulineaux 92443, France.