

Axis Productions Limited

COMPANY REGISTRATION NUMBER SC306712

AXIS PRODUCTIONS LIMITED

ANNUAL REPORT

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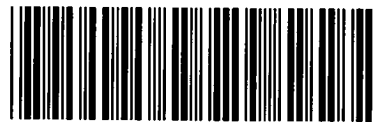
FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 NOVEMBER 2016



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Axis Productions Limited

COMPANY INFORMATION

DIRECTORS

Richard Scott, CEO
Stuart Aitken
Dan Dorian
Dana Dorian
Paul Mackman
Graham McKenna

COMPANY SECRETARY

Richard Scott

REGISTERED OFFICE

Suite 7.1 (floor 7)
Skypark 1
8 Elliott Place
Glasgow
G3 8EP

BANKERS

Barclays Bank PLC
Leicestershire
LE87 2BB

Royal Bank of Scotland
Kirkstane House
2nd Floor
139 St Vincent Street
Glasgow
G2 5JF

AUDITORS

French Duncan LLP
Chartered Accountants
133 Finnieston Street
Glasgow
G3 8HB

Axis Productions Limited

GROUP STRATEGIC REPORT for the year ended 30 November 2016

The Directors present their Strategic Report for the year ended 30 November 2016.

PRINCIPAL ACTIVITY

Our main activity is to entertain. We provide animation and visual effects content for film, television, video games, theme parks and virtual reality. Our work is crafted in Glasgow, London and Bristol. It is seen around the world and enjoyed by millions.

BUSINESS REVIEW

We strive to do great work, on time, on budget in collaboration with our clients and the most exciting creative and technology partners around the world.

Making commercial art is hard. We are doing well.

Sales were £5.6 million in 2015 and £10.6 million in 2016. In 2017 we are still growing, but at a steadier pace. Being creative, on time and on budget, doesn't work at the constant bleeding edge.

Profits were pretty good too but you will have to get into the details to see that. We are, after all, in the entertainment business and know not to lead with the punchline.

Our people are the most important part of the business. We increased Employee compensation (Note 2) from £2 million to £3 million alongside our Glasgow head count. More recently we have more than doubled the combined physical size of our Glasgow, London and Bristol studios creating a friendly collaborative environment for everyone.

FUTURE DEVELOPMENTS

The Directors continue to balance creative excellence, innovation, quality of service, and will develop and add more depth to key creative, technical and production staff. Continued expansion in virtual reality and experiential projects will offer potential new revenue opportunities as we all begin the move from 2d screens to the future of 3d experiences.

FINANCIAL INSTRUMENTS

We have cash, trade receivables and trade payables. We have improved our working capital position from a negative £0.5 million at November 2015 to a positive £1 million at November 2016 and are continuing to improve in 2017. We have credit risks and foreign currency risks. Since we deal primarily with a variety of large well-funded clients and we get progress payments (see Note 11 – deferred Income) our credit risks are limited. We have foreign currency risks, which have helped more than hurt recently but we watch them carefully and can hedge as necessary to limit risk.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk facing the business is the loss of large customers and key personnel. We are very aware of this and are focused on keeping both happy. We are at risk of falling behind technologically so are constantly reviewing our equipment and staff skills to mitigate this risk.

Axis Productions Limited

**GROUP STRATEGIC REPORT
for the year ended 30 November 2016**

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The Group is exposed to world economies and in particular the general economic climate in the UK and North America. This risk is managed by ensuring that the Group operates across a range of markets with a broad client base and remains a very competitive supplier to our customers both artistically and commercially.

APPROVED BY THE BOARD OF DIRECTORS



Richard Scott
Director

Date 31st August 2017

Axis Productions Limited

DIRECTORS' REPORT for the year ended 30 November 2016

The Directors present their Annual Report and Financial Statements of the Group and Company for the year ended 30 November 2016.

RESULTS AND DIVIDENDS

The profit for the year after tax amounted to £1,635,000 (2015: £286,000).

The Directors paid dividends in the year of £318,000 (2015: £168,000).

DIRECTORS

The Directors who served the Company during the year were as follows:

Richard Scott, CEO
Stuart Aitken
Dan Dorian
Dana Dorian
Paul Mackman
Graham McKenna

GOING CONCERN

The Group's business activities, performance and principal risks and uncertainties are set out in the Strategic Report.

The Group is financed by cash reserves and hire purchase arrangements. After making enquiries and reviewing forecasts and budgets, the Directors have a reasonable expectation that the Group has adequate financial resources to allow the Group and Company to continue in operational existence for the foreseeable future and therefore considers the adoption of the going concern basis as appropriate for the preparation of the Annual Report and Financial Statements.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company or Group since the year end.

STATEMENT OF DISCLOSURE TO AUDITORS

In the case of each of the Directors who were Directors at the date this Report was approved:

- so far as the Directors are aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Group's auditor is unaware, and
- each of the Directors has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

AUDITORS

The Group auditors, French Duncan LLP, have expressed their willingness to continue in office. Resolutions to re-appoint them as the Group's auditors and to authorise the Directors to determine their remuneration will be proposed at the Group's forthcoming Annual General Meeting.

Date

31 AUGUST 2017

APPROVED BY THE BOARD OF DIRECTORS



Dan Dorian
Director

Axis Productions Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group 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 which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a Report of the Directors and a Strategic Report that complies with that law and those regulations.

Axis Productions Limited

INDEPENDENT REPORT OF THE AUDITOR

TO THE SHAREHOLDERS OF AXIS PRODUCTIONS LIMITED

We have audited the financial statements of Axis Productions Limited for the year ended 30 November 2016 set out on pages 8 to 29. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU).

This report is made solely to the Company's shareholders, 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 AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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 Financial Reporting Council'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 Group and Parent 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 Group Strategic Report and the Directors 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 Group and the parent Company's affairs as at 30 November 2016 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OTHER MATTER

The comparative figures for the years ended 30 November 2015 and 30 November 2014 were unaudited.

Axis Productions Limited

INDEPENDENT REPORT OF THE AUDITOR (continued)

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the Parent Company 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.

French Duncan LLP
PAULA GALLOWAY
Senior Statutory Auditor
for and on behalf of French Duncan LLP
Statutory Auditor and Chartered Accountants
133 Finnieston Street
Glasgow

Date *31 August 2017*

Axis Productions Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 November 2016

	Notes	2016 £000	2015 £000
REVENUE	1	10,626	5,610
Cost of sales		(6,143)	(3,628)
GROSS PROFIT		<u>4,483</u>	<u>1,982</u>
Administrative expenses		(3,207)	(1,996)
Other operating income		45	160
OPERATING PROFIT	3	<u>1,321</u>	<u>146</u>
Finance costs	4	(33)	(12)
PROFIT BEFORE TAX		<u>1,288</u>	<u>134</u>
Taxation	5	347	152
PROFIT FOR THE YEAR		<u><u>1,635</u></u>	<u><u>286</u></u>
Attributable to:			
Equity shareholders		1,611	267
Non-controlling interest		24	19
		<u><u>1,635</u></u>	<u><u>286</u></u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>1,635</u></u>	<u><u>286</u></u>

All activities in both the current and previous year relate to continuing operations.

Axis Productions Limited

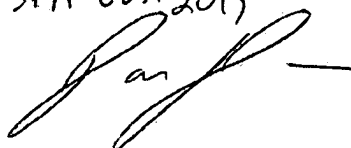
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 November 2016**

Company Number SC306712

	Notes	2016 £000	2015 £000	2014 £000
NON-CURRENT ASSETS				
Intangible assets	7	242	313	364
Tangible assets	8	1,408	1,015	633
		<u>1,650</u>	<u>1,328</u>	<u>997</u>
CURRENT ASSETS				
Trade and other receivables	9	3,032	1,194	637
Cash and cash equivalents	10	1,487	767	213
		<u>4,519</u>	<u>1,961</u>	<u>850</u>
TOTAL ASSETS		<u>6,169</u>	<u>3,289</u>	<u>1,847</u>
NON-CURRENT LIABILITIES				
Creditors due in more than one year	12	(502)	(337)	(224)
Deferred tax	14	(91)	(51)	(96)
		<u>(593)</u>	<u>(388)</u>	<u>(320)</u>
CURRENT LIABILITIES				
Creditors due in less than one year	11	(3,553)	(2,115)	(888)
TOTAL LIABILITIES		<u>(4,146)</u>	<u>(2,503)</u>	<u>(1,208)</u>
NET ASSETS		<u>2,023</u>	<u>786</u>	<u>639</u>
EQUITY				
Called up share capital	15	100	100	-
Share premium account		5	5	5
Retained earnings		1,901	674	629
Non-controlling interest		17	7	5
TOTAL EQUITY		<u>2,023</u>	<u>786</u>	<u>639</u>

The financial statements on pages 8 to 29 were approved by the Board of Directors and authorised for issue on 31 August 2017 and were signed on its behalf by:

Dan Dorian
Director



Axis Productions Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY as at 30 November 2016

	Share Capital £000	Share Premium £000	Retained Earnings £000	Non- controlling Interest £000	Total £000
At 1 December 2014	-	5	629	5	639
Profit for the year	-	-	267	19	286
Impact of dividend waiver by controlling shareholder	-	-	(54)	54	-
Dividends: Equity capital	-	-	(168)	(71)	(239)
Shares issued	100	-	-	-	100
At 30 November 2015	100	5	674	7	786
Profit for the year	-	-	1,611	24	1,635
Impact of dividend waiver by controlling shareholder	-	-	(66)	66	-
Dividends: Equity capital	-	-	(318)	(80)	(398)
At 30 November 2016	100	5	1,901	17	2,023

Axis Productions Limited

CONSOLIDATED STATEMENT OF CASHFLOW for the year ended 30 November 2016


	2016 £000	2015 £000
Cash flows from operating activities		
Profit before tax	1,288	134
Depreciation and amortisation	517	367
Interest expense	33	12
Increase in trade and other receivables	(1,485)	(450)
Increase in payables and other liabilities	<u>1,344</u>	<u>1,150</u>
Cash flows from operating activities	1,697	1,213
Income tax received	<u>35</u>	<u>-</u>
Net cash flows from operating activities	<u>1,732</u>	<u>1,213</u>
Cash flows from investing activities		
Purchase of fixed assets	(229)	(127)
Purchase of intangible assets	<u>(78)</u>	<u>(78)</u>
Net cash flows from investing activities	<u>(307)</u>	<u>(205)</u>
Cash flows from financing activities		
Equity shares issued	-	100
Dividends paid	(318)	(168)
Dividends paid to non-controlling interest	(80)	(71)
Loan repayment	-	(128)
Interest paid	(33)	(12)
Repayment of finance lease obligations	<u>(273)</u>	<u>(175)</u>
Net cash flows from financing activities	<u>(704)</u>	<u>(454)</u>
Increase in cash and cash equivalents	720	554
Cash and cash equivalents at beginning of year	<u>767</u>	<u>213</u>
Cash and cash equivalents at end of year	<u>1,487</u>	<u>767</u>

Axis Productions Limited

**COMPANY STATEMENT OF FINANCIAL POSITION
as at 30 November 2016**

Company Number SC306712

	Notes	2016 £000	2015 Restated £000	2014 £000
NON-CURRENT ASSETS				
Intangible assets	7	242	313	364
Tangible assets	8	1,338	977	603
Investments	6	-	-	-
		<u>1,580</u>	<u>1,290</u>	<u>967</u>
CURRENT ASSETS				
Trade and other receivables	9	2,632	459	573
Cash and cash equivalents	10	1,258	724	158
		<u>3,890</u>	<u>1,183</u>	<u>731</u>
TOTAL ASSETS		<u>5,470</u>	<u>2,473</u>	<u>1,698</u>
NON-CURRENT LIABILITIES				
Creditors due in more than one year	12	(502)	(337)	(224)
Deferred tax	14	(87)	(46)	(90)
		<u>(589)</u>	<u>(383)</u>	<u>(314)</u>
CURRENT LIABILITIES				
Creditors due in less than one year	11	(2,932)	(1,357)	(765)
TOTAL LIABILITIES		<u>(3,521)</u>	<u>(1,740)</u>	<u>(1,079)</u>
NET ASSETS		<u>1,949</u>	<u>733</u>	<u>619</u>
EQUITY				
Called up share capital	15	100	100	-
Share premium account		5	5	5
Retained earnings		1,844	628	614
TOTAL EQUITY		<u>1,949</u>	<u>733</u>	<u>619</u>


 30 August 2017
 Dan Dorian
 Director

Axis Productions Limited

COMPANY STATEMENT OF CHANGES IN EQUITY as at 30 November 2016

	Share Capital £000	Share Premium £000	Retained Earnings £000	Total £000
At 1 December 2014	-	5	614	619
Profit for the year	-	-	182	182
Dividends: Equity capital	-	-	(168)	(168)
Shares issued	100	-	-	100
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 November 2015	100	5	628	733
Profit for the year	-	-	1,534	1,534
Dividends: Equity capital	-	-	(318)	(318)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 November 2016	<u>100</u>	<u>5</u>	<u>1,844</u>	<u>1,949</u>

Axis Productions Limited

COMPANY STATEMENT OF CASHFLOW for the year ended 30 November 2016

	2016 £000	2015 £000
Cash flows from operating activities		
Profit before tax	1,686	192
Depreciation and amortisation	507	361
Interest expense	33	12
(Increase)/decrease in trade and other receivables	(2,228)	61
Increase in payables and other liabilities	<u>1,389</u>	<u>514</u>
Cash flows from operating activities	<u>1,387</u>	<u>1,139</u>
Income tax received	<u>35</u>	<u>-</u>
Net cash flows from operating activities	<u>1,422</u>	<u>1,139</u>
Cash flows from investing activities		
Purchase of fixed assets and investments	(186)	(112)
Purchase of intangible assets	(78)	(78)
Proceeds from sale of investment in subsidiary	<u>-</u>	<u>-</u>
Net cash flows from investing activities	<u>(264)</u>	<u>(190)</u>
Cash flows from financing activities		
Equity shares issued	-	100
Dividends paid	(318)	(168)
Interest paid	(33)	(12)
Loan repayment	-	(128)
Repayment of finance lease obligations	<u>(273)</u>	<u>(175)</u>
Net cash flows from financing activities	<u>(624)</u>	<u>(383)</u>
Increase in cash and cash equivalents	534	566
Cash and cash equivalents at beginning of year	<u>724</u>	<u>158</u>
Cash and cash equivalents at end of year	<u>1,258</u>	<u>724</u>

Axis Productions Limited

NOTES TO THE ACCOUNTS

ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

GENERAL INFORMATION

Axis Productions Limited is a limited company registered in Scotland and incorporated in the United Kingdom. The accounts have been prepared in Sterling and are rounded to the nearest £000.

BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 2006 applicable to Companies reporting under IFRS.

For all periods up to and including the year ended 30 November 2015, the Group prepared its financial statements in accordance with UK generally accepted accounting practice (UK GAAP). These financial statements for the year ended 30 November 2016 are the first the Group has prepared in accordance with IFRS. Accordingly, the Group has prepared financial statements which comply with IFRS applicable for periods ending on 30 November 2016, together with the comparative period data as at, and for the year ended, 30 November 2015, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 December 2014, the Group's date of transition to IFRS. An explanation of how the transition to IFRS has impacted the reported financial position and financial performance of the Group and Company is given in note 22.

The accounts have been prepared on a going concern basis and under the historical cost convention.

The accounting policies set out below have been consistently applied to all periods presented in these accounts.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE YEAR TO 30 NOVEMBER 2016

There have been no new International Financial Reporting Standards or amendments to existing standards which impact the Group and Company's financial statements in the year to 30 November 2016.

NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The following new standards, amendments to standards and interpretations relevant to the Group and Company have been issued by the International Accounting Standards Board but are not yet effective for the Group and Company at the date of these financial statements, and have not been adopted early:

- IFRS 7: Financial Instruments: Disclosures (effective in the year ending 30 November 2017).
- IFRS 9: Financial Instruments (effective in the year ending 30 November 2019).
- IFRS 15: Revenue from Contracts with Customers (effective in the year ending 30 November 2019).
- IFRS 16: Leases (effective in the year ending 30 November 2020).

The Directors are to fully consider the implications and impact on the financial statements of these Standards, especially IFRS 15.

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make estimates and assumptions concerning the future that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Management believe that the estimates and assumptions used in the preparation of these accounts are reasonable. However, actual outcomes may differ from those anticipated.

REVENUE RECOGNITION ON LONG TERM CONTRACTS

The recognition of revenue and profit on long term contracts requires judgements to be made as regards the estimated costs to complete and the percentage stage of completion of current contracts. Management base this assessment on detailed costings and progress reports and their experience of similar contracts in the past.

AMORTISATION AND DEPRECIATION

The estimates and assumptions made to determine asset lives requires judgements to be made as regards to useful lives and residual values. The useful lives and residual values are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets. Historically, changes in useful lives have not resulted in material changes to the Group's depreciation charge.

CAPITAL MANAGEMENT

Company objectives in managing capital are to safeguard the interest of the Group and Company to operate as a going concern.

The capital structure of the Group and Company consists of issued share capital and retained earnings. The Group and Company have sufficient cash reserves and assets available to meet its foreseeable commitments.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and Company and the cost of them can be measured reliably. All other repair and maintenance expenditure is charged to the Statement of Comprehensive Income as incurred.

Depreciation is provided on all items of property, plant and equipment, at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment - over 5 years

BASIS OF CONSOLIDATION

The Group accounts consolidate the accounts of Axis Productions Limited and all of its Subsidiaries. Flaunt MH Limited's accounting year end is 31 August to facilitate the monitoring of ongoing contracts. Subsidiaries are entities controlled by the Company. Control is assumed where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Intra-group balances and any income or expenses arising from intra-group transactions are eliminated in preparing the Group accounts.

No income statement is presented for the Parent Company as provided by section 408 of the Companies Act 2006.

NOTES TO THE ACCOUNTS (continued)

ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

BUSINESS COMBINATIONS AND GOODWILL

Subsidiaries acquired in the year are accounted for using the acquisition method of accounting. Identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The consideration transferred for the acquisition is the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

For each business combination, the Group elects to measure any non-controlling interests at the proportionate share of the subsidiary's net assets. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for in equity.

IMPAIRMENT OF ASSETS

The Group and Company assesses, at each Balance Sheet date, whether there is an indication that an asset may be impaired. If an indication exists the directors make an estimate of the recoverable amount of each asset group, being the higher of its fair value less costs to sell and its value in use, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. An impairment loss is recognised where the recoverable amount is lower than the carrying value of assets.

If there is an indication that previously recognised impairment losses may have decreased or no longer exist, a reversal of the loss may be made. The carrying amount of the asset is increased to its recoverable amount only up to the carrying amount that would have resulted, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Impairment losses and any subsequent reversals are recognised in the Statement of Comprehensive Income.

INCOME TAX

The charge for current UK corporation tax is based on results for the year as adjusted for items that are non-assessable or disallowed and any adjustments for tax payable in respect of previous years. It is calculated using rates that have been enacted or substantially enacted at the Balance Sheet date.

DEFERRED TAXATION

Deferred tax is provided using the liability method in respect of temporary differences between the carrying value of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is provided on all temporary differences.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the Balance Sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. It is recognised in the Statement of Comprehensive Income except when it relates to items credited or charged directly to Equity, in which case the deferred tax is also dealt with in Equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

PENSIONS

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

FOREIGN CURRENCIES

The functional and reporting currency of the entity is Sterling. Transactions in foreign currencies are translated at an exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All foreign currency differences arising on translation are taken to the Statement of Comprehensive Income.

REVENUE

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

- The amount of revenue can be measured reliably;
- It is probable that the Group and Company will receive the consideration due;
- The costs incurred can be measured reliably.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognised as tangible assets of the Group at their fair value as determined at the inception of the lease. Depreciation is provided in accordance with the Group's accounting policy for the class of tangible asset concerned. Interest costs are charged over the lease term and future obligations, comprising the corresponding liability to the lessor, are included in the Statement of Financial Position as finance lease liabilities.

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the relevant lease. Incentives to enter into an operating lease are initially recorded as a liability and then treated as a reduction in the rental expense on a straight-line basis over the lease term.

RESEARCH AND DEVELOPMENT

Research expenditure is written off to the Statement of Comprehensive Income in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is capitalised and amortised over the period of 5 years during which the Group and Company is expected to benefit.

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued) **FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised on the Statement of Financial Position when the Group and Company becomes a party to the contractual provision of the instrument.

The principal treasury objective is to provide sufficient liquidity to meet operational cash requirements.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised at invoiced value less provisions for impairment. A provision for impairment of trade receivables is established where there is objective evidence that the Group and Company will not be able to collect all amounts due according to the terms of the receivables concerned.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits with banks and other short-term, highly liquid investments with original maturities of three months or less. For the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

TRADE AND OTHER PAYABLES

Trade and other payables are non-interest bearing and are recognised at invoiced amount.

HIRE PURCHASE CONTRACTS

Assets held under hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful life. The corresponding hire purchase obligation is capitalised in the Statement of Financial Position as a liability. The interest element of the rental obligation is charged to the Statement of Comprehensive Income over the period of the contract and represents a constant proportion of the balance sheet capital repayments outstanding.

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from the equity.

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

1. REVENUE

The whole of the revenue is attributable to the principal activity of the Group.

The Group has supplied services to more than one geographical market during the financial year. This information is not disclosed as, in the opinion of the directors, it would seriously prejudice the Group's interests.

2. STAFF COSTS AND DIRECTORS' REMUNERATION

	2016 £000	2015 £000
Staff costs during the year amounted to:		
Wages, salaries and short term benefits	2,740	1,794
Social security costs	261	193
Post-employment benefits	10	-
	<u>3,011</u>	<u>1,987</u>

The average weekly number of employees during the year was made up as follows:

	No.	No.
Production staff	43	30
Office and management	20	18
	<u>63</u>	<u>48</u>

Directors' remuneration:

	2016 £000	2015 £000
Salaries and short term benefits	108	44

3. OPERATING PROFIT

	2016 £000	2015 £000
This is stated after charging/(crediting):		
Foreign exchange differences	(227)	(8)
Depreciation of fixed assets	368	232
Amortisation of intangible assets	149	129
Auditors' remuneration and expenses	8	-
	<u>8</u>	<u>253</u>

4. FINANCE COSTS

	2016 £000	2015 £000
Interest on finance lease arrangements	33	12

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

5. TAXATION

	2016 £000	2015 £000
UK Corporation Tax		
Current tax on income for the year	135	74
Creative tax credits	(522)	(181)
Deferred taxation (note 14)	40	(45)
	<u>(347)</u>	<u>(152)</u>

Tax Reconciliation

Profit on ordinary activities before tax	<u>1,288</u>	<u>134</u>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 20% (2015 – 20.045%)	258	27

Effects of:

Adjustment in respect of prior period	31	65
Effect of changes in tax rate	(16)	-
Deferred tax asset not recognised	-	16
Creative tax credits receivable	(522)	(181)
R&D tax deductions	(120)	(79)
Other differences	<u>22</u>	<u>-</u>
Total tax credit for the year	<u>(347)</u>	<u>(152)</u>

Factors affecting future tax charges

The Finance (No.2) Act 2015, which received Royal Assent on 18th November 2015, reduced the UK corporation tax rate to 19% for financial years commencing 1st April 2017 to 1st April 2019. The Finance Act 2016, which received Royal Assent on 15th September 2016, reduced the rate to 17% for financial years commencing 1st April 2020.

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

6. FIXED ASSET INVESTMENTS

Company	Shares in group undertakings and participating interests £
Cost:	
At 1 December 2014	76
Additions	<u>1</u>
At 1 December 2015	77
Disposals	<u>(16)</u>
At 30 November 2016	61
Net book value:	
At 30 November 2016	61
At 30 November 2015	<u>77</u>
At 30 November 2014	<u>76</u>

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Axis VFX Limited	Scotland	Ordinary	60
Flaunt MH Limited	Scotland	Ordinary	100

On incorporation of Flaunt MH Limited, Axis Productions Limited acquired the entire share capital for £1.

On 22 September 2016 the company disposed of 16% of the shares in Axis VFX Limited for the nominal value of the shares sold. The difference between the net assets of Axis VFX Limited at the time of disposal and the consideration received was not material.

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

7. INTANGIBLE FIXED ASSETS

Group and Company	£000
Cost:	
At 1 December 2014	744
Additions	<u>78</u>
At 1 December 2015	822
Additions	<u>78</u>
At 30 November 2016	<u>900</u>
Amortisation:	
At 1 December 2014	380
Charge for the year	<u>129</u>
At 1 December 2015	509
Charge for the year	<u>149</u>
At 30 November 2016	<u>658</u>
Net Book Value:	
At 30 November 2016	<u>242</u>
At 30 November 2015	<u>313</u>
At 30 November 2014	<u>364</u>

Intangible assets include software developed by the Group which is used to generate future economic benefit in the animation process used in the Group's ongoing contracts.

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

8. TANGIBLE ASSETS

Group	Fixtures, fittings and equipment £000
Cost:	
At 1 December 2014	1,459
Additions	<u>620</u>
At 1 December 2015	2,079
Additions	<u>761</u>
At 30 November 2016	<u>2,840</u>
Depreciation:	
At 1 December 2014	826
Charged during year	<u>238</u>
At 1 December 2015	1,064
Charged during year	<u>368</u>
At 30 November 2016	<u>1,432</u>
Net book value:	
At 30 November 2016	<u>1,408</u>
At 30 November 2015	<u>1,015</u>
At 30 November 2014	<u>633</u>
Company	Fixtures, fittings and equipment £000
Cost:	
At 1 December 2014	1,423
Additions	<u>606</u>
At 1 December 2015	2,029
Additions	<u>719</u>
At 30 November 2016	<u>2,748</u>
Depreciation:	
At 1 December 2014	820
Charged during year	<u>232</u>
At 1 December 2015	1,052
Charged during year	<u>358</u>
At 30 November 2016	<u>1,410</u>
Net book value:	
At 30 November 2016	<u>1,338</u>
At 30 November 2015	<u>977</u>
At 30 November 2014	<u>603</u>

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

9. TRADE AND OTHER RECEIVABLES

	Group			Company		
	2016	2015	2014	2016	2015 <i>restated</i>	2014
	£000	£000	£000	£000	£000	£000
Trade receivables	1,745	737	367	1,307	308	343
Amounts due from subsidiary undertakings	-	-	-	924	12	-
Prepayments and accrued income	719	179	88	401	69	76
Other debtors	-	63	74	-	14	46
Corporation tax	568	215	108	-	55	108
	3,032	1,194	637	2,632	459	573

Flaunt MH Limited intercompany debt of £295,000 was reclassified at 30 November 2015 between receivables and creditors. As a result the prior period Statement of Financial Position has been restated to show the revised position. There is no overall impact on reserves.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Group			Company		
	2016	2015	2014	2016	2015	2014
	£000	£000	£000	£000	£000	£000
Cash at bank and on hand	1,487	767	213	1,258	724	158

11. CREDITORS DUE IN LESS THAN ONE YEAR

	Group			Company		
	2016	2015	2014	2016	2015 <i>restated</i>	2014
	£000	£000	£000	£000	£000	£000
Trade payables	459	322	239	386	255	193
Other taxes and social security costs	318	194	138	197	133	98
Other creditors	378	345	246	376	327	222
Accruals and deferred income	2,052	1,002	90	1,534	390	77
Net obligations under hire purchase contracts	346	252	175	346	252	175
Corporation tax	-	-	-	92	-	-
	3,553	2,115	888	2,932	1,357	765

Flaunt MH Limited intercompany debt of £295,000 was reclassified at 30 November 2015 between receivables and creditors. As a result the prior period Statement of Financial Position has been restated to show the revised position. There is no overall impact on reserves.

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

12. CREDITORS DUE IN MORE THAN ONE YEAR

	Group			Company		
	2016 £000	2015 £000	2014 £000	2016 £000	2015 £000	2014 £000
Net obligations under hire purchase contracts	502	337	95	502	337	95
Other creditors	-	-	129	-	-	129
	<u>502</u>	<u>337</u>	<u>224</u>	<u>502</u>	<u>337</u>	<u>224</u>

13. FINANCIAL INSTRUMENTS

	Group			Company		
	2016 £000	2015 £000	2014 £000	2016 £000	2015 £000	2014 £000
Financial assets						
Financial assets that are debt instruments measured at amortised cost	2,179	873	441	2,388	335	389
	<u>2,179</u>	<u>873</u>	<u>441</u>	<u>2,388</u>	<u>335</u>	<u>389</u>
Financial liabilities						
Financial liabilities measured at amortised cost	2,064	2,009	750	1,681	1,116	667
	<u>2,064</u>	<u>2,009</u>	<u>750</u>	<u>1,681</u>	<u>1,116</u>	<u>667</u>

Financial assets measured at amortised cost comprise trade receivables, prepayments and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

The principal financial risks to which the Group is exposed are those relating to foreign currency and credit.

Foreign Currency Risk

The Group sells services in currencies other than in the functional currency of its operations. The Group has US dollar denominated sales. The Group's non-sterling revenues, profits, assets and cash flows can be affected by movements in exchange rates.

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

13. FINANCIAL INSTRUMENTS (continued)

The following table demonstrates the sensitivity to a possible change in currency rates on the Group's profit before tax through the impact of sterling strengthening against the US Dollar:

	Change in currency rate	Effect on profit before tax and equity £000
Trade receivables - 2016	5%	58
Trade receivables - 2015	5%	<u>14</u>

Credit Risk

The Groups credit risk is primarily attributable to its trade receivables. New customers and contracts are reviewed and credit limits are set as appropriate. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

14. DEFERRED TAXATION

Group

	Accelerated Capital Allowances £000
At 1 December 2014	96
Credited to Statement of Comprehensive Income	<u>(45)</u>
At 1 December 2015	51
Charged to Statement of Comprehensive Income	<u>40</u>
At 30 November 2016	<u><u>91</u></u>

Company

	Accelerated Capital Allowances £000
At 1 December 2014	90
Credited to Statement of Comprehensive Income	<u>(44)</u>
At 1 December 2015	46
Charged to Statement of Comprehensive Income	<u>41</u>
At 30 November 2016	<u><u>87</u></u>

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

15. SHARE CAPITAL

	2016 £	2015 £	2014 £
Allotted called up and fully paid			
500 (2015: 500) Ordinary A shares of £1 each	500	500	500
100 (2015: 100) Ordinary B shares of £1,000 each	100,000	100,000	-
	<u>100,500</u>	<u>100,500</u>	<u>-</u>

All shareholders of ordinary A shares have a right to receive dividends paid by the Company in accordance with their shareholding. Each shareholder has the right to attend and vote at a General Meeting, each share attracts one vote. There are no restrictions on the distribution of dividends or repayment of capital.

100 Ordinary B shares were issued in November 2015. These are non-voting shares, redeemable at 125% of nominal value at the discretion of the Company.

16. NON CONTROLLING INTEREST

During the year to 30 November 2016 a dividend of £80,000 (2015 - £71,000) was paid to the holders of ordinary shares in Axis VFX Limited. Axis Productions Limited waived their right to payment of a dividend.

17. FUTURE CAPITAL EXPENDITURE

There were no amounts of Capital Expenditure relating to Property, plant and equipment contracted for at 30 November 2016 or 30 November 2015.

18. LEASING AGREEMENTS

Group and Company

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2016 £000	2015 £000
Within one year	135	194
Within two to five years	519	524
Outwith five years	<u>293</u>	<u>422</u>

Minimum lease payments under hire purchase agreements fall due as follows:

	2016 £000	2015 £000
Within one year	346	252
Within two to five years	<u>502</u>	<u>337</u>

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

19. RELATED PARTY TRANSACTIONS

(a) GROUP COMPANIES

Transactions between the Company and its fellow Group Companies are as follows:

Sales to Flaunt MH Limited totalled £2,960,000 (2015: £904,000). The amount due from Flaunt MH Limited at the year-end totalled £924,000 (2015: £12,000).

A management charge totalling £58,000 (2015: £24,000) was paid by Axis VFX Limited to Axis Productions Limited. There was no balance outstanding at the year-end (2015: £Nil). The amounts outstanding are unsecured and were settled for cash. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by Group Companies.

All transactions were at normal commercial rates.

(b) DIRECTORS' REMUNERATION

The remuneration of the Directors, who are the key management in the Group, is set out in Note 2.

20. DIVIDENDS

Dividends of £318,000 (2015: £168,000) were paid to the Ordinary A shareholders during the year, representing £636 (2015: £336) per share.

21. ULTIMATE CONTROLLING PARTY

Axis Productions Limited has no ultimate controlling party.

22. IFRS TRANSITION

The Company transitioned to IFRS from UK GAAP as at 1 December 2014.

The impact of the transition is on disclosure in the financial statements, there was no impact on the accounting policies of the Group or Company.