

Axis Productions Limited



AXIS PRODUCTIONS LIMITED

Annual report and Financial Statements
for the year ended 30 November 2017

COMPANY REGISTRATION NUMBER SC306712

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Axis Productions Limited

COMPANY INFORMATION

DIRECTORS

Richard Scott
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 2017

PRINCIPAL ACTIVITY

Our main activity continues to be that of creators and originators. We entertain audiences, players, and guests with animation and visual effects content for film, television, video games, theme parks and virtual reality.

BUSINESS REVIEW

We increased our focus on creating binge-worthy, shareable, memory forming, imaginative work in collaboration with our clients, who are all household names you'll recognise.

Over 40 million fans across the world watched our work online and over 29 million via television and streaming platforms. We were delighted with 13 nominations for peer awards, winning 7, including an Emmy.

Sales were £10.6m in 2016 and £14.1m in 2017. Profits increased too. If you knew where to go looking in the detail last year, you'll know where to look this year as well.

Our people remain the most important part of the business. We increased Employee compensation from £3 million to £4.4 million following the expansion of our Glasgow, Bristol and London studios, expanding senior creative talent, creating stronger support teams and research and development environments.

FUTURE DEVELOPMENT

The Directors continue to push creative excellence and innovation. Throughout 2018 we are increasing investment in the future to ensure we build an entertainment company everyone can be proud of.

We continue to invest in our people, their creativity, and our infrastructure, creating a great place to work and innovate. One of the most exciting investments is in the creation of our own original content, which will allow us to create work that really comes from the heart.

PRINCIPAL RISKS AND UNCERTAINTIES

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

APPROVED BY THE BOARD OF DIRECTORS



Richard Scott
Managing Director, CEO

Date 22 October 2018

Axis Productions Limited

**DIRECTORS' REPORT
for the year ended 30 November 2017**

The Directors present their Annual Report and Financial Statements of the Group and Company for the year ended 30 November 2017.

RESULTS AND DIVIDENDS

The profit for the year after tax amounted to £1,908,000 (2016: £1,635,000).

The Directors paid dividends in the year of £363,000 (2016: £318,000).

DIRECTORS

The Directors who served the Company during the year are listed within the Company Information on Page 1.

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 Group or Company since the year end.

STATEMENT OF DISCLOSURE OF INFORMATION 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 Company and 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 Company and Group's auditor is aware of that information.

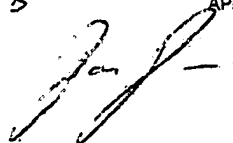
ANIMATION TAX CREDITS

The Group believes that under International Financial Reporting Standards the Animation Tax Credits provided by the government under a tax authority administered program qualify as Government Grants, as defined in IAS 20, and as such should have been included in Operating Profit. Extensive discussion of this issue resulted in a delay in filing these accounts.

Date

22 October 2018

APPROVED BY THE BOARD OF DIRECTORS



Dan Dorian, CPA (NYS)
Chairman

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.

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 2017, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Company's affairs as at 30 November 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRS's as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you 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 group's or the parent 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.

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 Auditors' 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 this regard.

INDEPENDENT REPORT OF THE AUDITOR TO THE SHAREHOLDERS OF AXIS PRODUCTIONS LIMITED

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 Group 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 Group Strategic Report and the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Company and its environment obtained during the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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 parent company 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 4, 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 Group and 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 Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 Auditors' 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.

INDEPENDENT REPORT OF THE AUDITOR TO THE SHAREHOLDERS OF AXIS PRODUCTIONS LIMITED

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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

French Duncan LLP
Paula Galloway (Senior Statutory Auditor)
For and on behalf of French Duncan LLP
Chartered Accountants and Statutory Auditor
133 Finnieston Street
Glasgow
G3 8HB

Date: *26 October 2018*

Axis Productions Limited

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 November 2017**

	Notes	2017 £000	As restated 2016 £000
REVENUE	1	14,114	10,626
Cost of sales		<u>(7,267)</u>	<u>(6,143)</u>
GROSS PROFIT		6,847	4,483
Administrative expenses		(5,186)	(3,207)
Grant income		<u>209</u>	<u>45</u>
OPERATING PROFIT	3	1,870	1,321
Finance costs	4	<u>(62)</u>	<u>(33)</u>
PROFIT BEFORE ANIMATION TAX CREDIT AND TAX ON INCOME		1,808	1,288
Animation Tax Credit	5	<u>365</u>	<u>522</u>
PROFIT BEFORE TAX ON INCOME		2,173	1,810
Tax on Income	5	<u>(265)</u>	<u>(175)</u>
NET PROFIT FOR THE YEAR		<u>1,908</u>	<u>1,635</u>
Attributable to:			
Equity shareholders		1,615	1,611
Non-controlling interest		<u>293</u>	<u>24</u>
		<u>1,908</u>	<u>1,635</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,908</u>	<u>1,635</u>

All activities in both the current and previous years relate to continuing operations.
The 2016 Accounts have been restated to reflect account categories used in 2017. (See note 5)

Axis Productions Limited

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 November 2017**

Company Number SC306712

	Notes	2017 £000	2016 £000
NON-CURRENT ASSETS			
Intangible assets	7	389	242
Tangible assets	8	2,547	1,408
		<u>2,936</u>	<u>1,650</u>
CURRENT ASSETS			
Trade and other receivables	9	3,386	3,032
Cash and cash equivalents	10	1,138	1,487
		<u>4,524</u>	<u>4,519</u>
TOTAL ASSETS		<u><u>7,460</u></u>	<u><u>6,169</u></u>
NON-CURRENT LIABILITIES			
Creditors due in more than one year	12	(601)	(502)
Deferred taxation	14	(173)	(91)
		<u>(774)</u>	<u>(593)</u>
CURRENT LIABILITIES			
Creditors due in less than one year	11	(3,239)	(3,553)
TOTAL LIABILITIES		<u><u>(4,013)</u></u>	<u><u>(4,146)</u></u>
NET ASSETS		<u><u>3,447</u></u>	<u><u>2,023</u></u>
EQUITY			
Called up share capital	15	100	100
Share premium account	16	5	5
Retained earnings	16	3,081	1,901
Non-controlling interest		261	17
TOTAL EQUITY		<u><u>3,447</u></u>	<u><u>2,023</u></u>

The financial statements on pages 8 to 30 were approved by the Board of Directors and authorised for issue on 22 October 2018 and were signed on its behalf by

Dan Dorian
Director

22 OCTOBER 2018


Axis Productions Limited**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as at 30 November 2017**

	Share Capital £000	Share Premium £000	Retained Earnings £000	Non- controlling Interest £000	Total £000
At 30 November 2015	100	5	674	7	786
Profit for the year	-	-	1,611	24	1,635
Impact of dividend waiver by parent	-	-	(66)	66	-
Dividends: Equity capital	-	-	(318)	(80)	(398)
At 30 November 2016	100	5	1,901	17	2,023
Profit for the year	-	-	1,615	293	1,908
Impact of dividend waiver by parent	-	-	(72)	72	-
Dividends: Equity capital	-	-	(363)	(121)	(484)
At 30 November 2017	100	5	3,081	261	3,447

Axis Productions Limited**CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 November 2017**

	2017 £000	2016 £000
Cash flows from operating activities		
Profit before animation tax credit and tax on income	1,808	1,288
Depreciation and amortisation	682	517
Interest expense	62	33
Increase in trade and other receivables	(406)	(1,485)
(Decrease)/Increase in payables and other liabilities	(622)	1,344
Animation tax credit / Income tax received (net)	429	35
Net cash from operating activities	<u>1,953</u>	<u>1,732</u>
Cash flows from investing activities		
Purchase of fixed assets	(1,033)	(229)
Purchase of intangible assets	(312)	(78)
Net cash used in investing activities	<u>(1,345)</u>	<u>(307)</u>
Cash flows from financing activities		
Dividends paid	(363)	(318)
Dividends paid to non-controlling interest	(121)	(80)
Interest paid	(62)	(33)
Repayment of finance lease obligations	(411)	(273)
Net cash used in financing activities	<u>(957)</u>	<u>(704)</u>
(Decrease)/increase in cash and cash equivalents	(349)	720
Cash and cash equivalents at beginning of year	1,487	767
Cash and cash equivalents at end of year	<u>1,138</u>	<u>1,487</u>

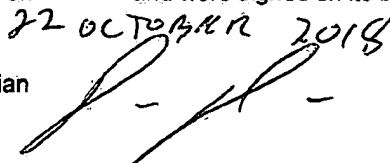
Axis Productions Limited**COMPANY STATEMENT OF FINANCIAL POSITION
as at 30 November 2017**

Company Number: SC306712

	Notes	2017 £000	2016 £000
NON-CURRENT ASSETS			
Intangible assets	7	389	242
Tangible assets	8	2,234	1,338
Investments	6	-	-
		<u>2,623</u>	<u>1,580</u>
CURRENT ASSETS			
Trade and other receivables	9	2,371	2,632
Cash and cash equivalents	10	872	1,258
		<u>3,243</u>	<u>3,890</u>
TOTAL ASSETS		<u>5,866</u>	<u>5,470</u>
NON-CURRENT LIABILITIES			
Creditors due in more than one year	12	(548)	(502)
Deferred tax	14	(163)	(87)
		<u>(711)</u>	<u>(589)</u>
CURRENT LIABILITIES			
Creditors due in less than one year	11	(2,439)	(2,932)
TOTAL LIABILITIES		<u>(3,150)</u>	<u>(3,521)</u>
NET ASSETS		<u>2,716</u>	<u>1,949</u>
EQUITY			
Called up share capital	15	100	100
Share premium account	16	5	5
Retained earnings	16	2,611	1,844
TOTAL EQUITY		<u>2,716</u>	<u>1,949</u>

The financial statements on pages 8 to 30 were approved by the Board of Directors and authorised for issue on 22 OCTOBER 2018 and were signed on its behalf by

Dan Dorian
Director

22 OCTOBER 2018


Axis Productions Limited**COMPANY STATEMENT OF CHANGES IN EQUITY
as at 30 November 2017**

	Share Capital £000	Share Premium £000	Retained Earnings £000	Total £000
At 30 November 2015	100	5	628	733
Profit for the year	-	-	1,534	1,534
Dividends: Equity capital	-	-	(318)	(318)
At 30 November 2016	100	5	1,844	1,949
Profit for the year	-	-	1,130	1,130
Dividends: Equity capital	-	-	(363)	(363)
At 30 November 2017	100	5	2,611	2,716

Axis Productions Limited**COMPANY STATEMENT OF CASH FLOWS
for the year ended 30 November 2017**

	2017 £000	2016 £000
Cash flows from operating activities		
Profit before tax on income	1,242	1,686
Depreciation and amortisation	643	507
Interest expense	62	33
Decrease/(Increase) in trade and other receivables	261	(2,228)
(Decrease)/Increase in payables and other liabilities	(493)	1,389
Income tax received	(97)	35
Net cash from operating activities	<u>1,618</u>	<u>1,422</u>
Cash flows from investing activities		
Purchase of fixed assets and investments	(893)	(186)
Purchase of intangible assets	(312)	(78)
Net cash used in investing activities	<u>(1,205)</u>	<u>(264)</u>
Cash flows from financing activities		
Dividends paid	(363)	(318)
Interest paid	(62)	(33)
Repayment of finance lease obligations	(374)	(273)
Net cash used in financing activities	<u>(799)</u>	<u>(624)</u>
(Decrease)/increase in cash and cash equivalents	(386)	534
Cash and cash equivalents at beginning of year	1,258	724
Cash and cash equivalents at end of year	<u>872</u>	<u>1,258</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.

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 2017

The following new standards and amendments to standards and interpretations relevant to the Group and Company have been issued by the International Accounting Standards Board and are mandatory for the first time for the financial year to 30 November 2017 but had no material impact on the financial statements:

- IAS 1 (amended): Presentation of financial statements
- IAS 19 (amended): Employee Benefits

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 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).
- IAS 7 (amended): Statement of Cash Flows (effective in the year ending 30 November 2018).
- IAS 12 (amended): Income Taxes (effective in the year ending 30 November 2018).

The Directors are to fully consider the implications and impact on the financial statements of these Standards, especially IFRS 15. Based on the review to date, no material transitional impact has been identified as at 30 November 2017 in respect of IFRS 9 and 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 their 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 are charged to the Statement of Comprehensive Income as incurred.

Depreciation is provided on all items of 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 as at 30 November 2017 and for the year then ended. Flaunt MH Limited's accounting year end is 31 May 2017, Flaunt PM Limited's accounting year is 31 August 2017 and Axis HH Limited's accounting year is 31 July 2018 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.

Axis Productions Limited

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)

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.

LONG-TERM CONTRACTS

Amounts recoverable on contracts which are included in debtors are stated at cost plus profit to the extent that this is reasonably certain after making provision for maintenance costs, less any losses incurred or foreseen in bringing contracts to completion, and less amounts received as progress payments.

For any contracts where receipts exceed the book value of work done, the excess is included in accruals and deferred income as payments on account.

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.

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.

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 as intangible assets 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)

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.

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.

FINANCE COSTS

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

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.

GOVERNMENT GRANTS

Grants are accounted under the accruals model. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Income and retained earnings in the same period as the related expenditure.

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

	2017 £000	2016 £000
Staff costs during the year amounted to:		
Wages, salaries and short-term benefits	3,966	2,740
Social security costs	415	261
Company pension scheme	28	10
	<u>4,409</u>	<u>3,011</u>

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

	No.	No.
Production staff	63	43
Office and management	35	20
	<u>98</u>	<u>63</u>

Directors' remuneration:

	2017 £000	2016 £000
Salaries and short-term benefits	<u>398</u>	<u>108</u>

The highest paid director received remuneration of £152,000 (2016 - £62,000).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £383 (2016 - £217).

3. OPERATING PROFIT

	2017 £000	2016 £000
This is stated after charging/(crediting):		
Foreign exchange differences	165	(227)
Depreciation of fixed assets	517	368
Amortisation of intangible assets	165	149
Auditors' remuneration and expenses	8	8
Grant income	<u>(209)</u>	<u>(45)</u>

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

4. FINANCE COSTS

	2017 £000	2016 £000
Interest on finance lease arrangements	<u>62</u>	<u>33</u>

5. TAXATION

	2017 £000	As Restated 2016 £000
UK Corporation Tax		
Current tax on income for the year	183	135
Deferred taxation (note 14)	<u>82</u>	<u>40</u>
Tax on Income	<u>265</u>	<u>175</u>
Tax Reconciliation		
<i>Profit before Tax on Income</i>	<u>2,173</u>	<u>1,810</u>
Profit before Tax on Income multiplied by the standard rate of corporation tax in the UK of 19.33% (2016 – 20%)	420	362
Effects of:		
Adjustment in respect of prior period	54	31
Effect of changes in tax rate	(6)	(16)
Effect of non-taxable nature of Animation Tax Credit	(71)	(104)
R&D tax deductions	(210)	(120)
Other differences	<u>78</u>	<u>22</u>
Tax on Income	<u>265</u>	<u>175</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 of corporation tax to 17% for financial years commencing 1st April 2020.

Animation tax credit

The company's business model of financing animation incorporates claims under the UK animation tax credit legislation. These claims are considered to be part of the ordinary activities of the company and therefore the tax credit claims are separately disclosed on the face of the profit and loss account above profit before tax on income. The prior year comparatives have been restated to reflect the current year presentation. This has no impact on the reported result for the year.

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

6. INVESTMENTS

Company	Shares in group undertakings and participating interests £
Cost:	
At 1 December 2016	61
Additions	3
At 30 November 2017	64
Net book value:	
At 30 November 2017	64
At 30 November 2016	61

Holdings of more than 20%

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

Company	Company Number	Country of registration or incorporation	Class	Shares held %
Axis VFX Limited	SC466154	Scotland	Ordinary	60
Flaunt MH Limited	SC509584	Scotland	Ordinary	100
Flaunt PM Limited	SC543194	Scotland	Ordinary	100
Axis HH Limited	SC572043	Scotland	Ordinary	100
Flaunt Animation Ltee	NEQ1172230576	Canadian	Ordinary	100

In the current year, on incorporation of Flaunt PM Limited and Axis HH Ltd, Axis Productions Limited acquired the entire share capital for £1 each.

In the current year, on incorporation of Flaunt Animation Ltee, Axis Productions Limited acquired the entire share capital for CAN\$1.

The net assets as at 30 November 2017 and the profit for the year ended on that date for the subsidiary undertakings were as follows:

Company	Net assets £	Net profit £
Axis VFX Limited	651,837	731,338
Flaunt MH Limited	76,781	43,444
Flaunt PM Limited	2,692	2,692
Axis HH Limited	-	-
Flaunt Animation Ltee	-	-

The subsidiaries mentioned above, other than Flaunt Animation Ltee, have claimed the exemption from audit under s479A of the Companies Act 2006.

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

7. INTANGIBLE FIXED ASSETS

Group and Company	£000
Cost:	
At 1 December 2016	900
Additions	312
At 30 November 2017	<u>1,212</u>
Amortisation:	
At 1 December 2016	658
Charge for the year	165
At 30 November 2017	<u>823</u>
Net Book Value:	
At 30 November 2017	<u>389</u>
At 30 November 2016	<u><u>242</u></u>

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

Axis Productions Limited**NOTES TO THE ACCOUNTS (continued)****8. TANGIBLE ASSETS**

Group	Fixtures, fittings and equipment £000
Cost:	
At 1 December 2016	2,840
Additions	1,655
At 30 November 2017	4,495
Depreciation:	
At 1 December 2016	1,431
Charged during year	517
At 30 November 2017	1,948
Net book value:	
At 30 November 2017	2,547
At 30 November 2016	1,408
Company	Fixtures, fittings and equipment £000
Cost:	
At 1 December 2016	2,748
Additions	1,374
At 30 November 2017	4,122
Depreciation:	
At 1 December 2016	1,410
Charged during year	478
At 30 November 2017	1,888
Net book value:	
At 30 November 2017	2,234
At 30 November 2016	1,338

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade receivables	1,477	1,745	809	1,307
Amounts due from group companies	-	-	622	924
Prepayments and accrued income	1,256	719	803	401
Other debtors	137	-	137	-
Corporation tax	516	568	-	-
	<u>3,386</u>	<u>3,032</u>	<u>2,371</u>	<u>2,632</u>

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Cash at bank and on hand	<u>1,138</u>	<u>1,487</u>	<u>872</u>	<u>1,258</u>

11. CREDITORS DUE IN LESS THAN ONE YEAR

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade payables	617	459	451	386
Amounts due to group companies	-	-	110	-
Other taxes and social security costs	375	318	117	197
Other creditors	375	378	356	376
Accruals and deferred income	1,218	2,052	967	1,535
Net obligations under hire purchase contracts	458	346	407	346
Corporation tax	196	-	31	92
	<u>3,239</u>	<u>3,553</u>	<u>2,439</u>	<u>2,932</u>

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

12. CREDITORS DUE IN MORE THAN ONE YEAR

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Net obligations under hire purchase contracts	<u>601</u>	<u>502</u>	<u>548</u>	<u>502</u>

13. FINANCIAL INSTRUMENTS

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Financial assets				
Financial assets that are debt instruments measured at cost	<u>1,926</u>	<u>2,179</u>	<u>1,799</u>	<u>2,388</u>
	<u>1,926</u>	<u>2,179</u>	<u>1,799</u>	<u>2,388</u>
Financial liabilities				
Financial liabilities measured at cost	<u>3,072</u>	<u>2,064</u>	<u>2,643</u>	<u>1,681</u>
	<u>3,072</u>	<u>2,064</u>	<u>2,643</u>	<u>1,681</u>

Group

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

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

Company

Financial assets are measured at amortised cost comprise trade receivables, accrued income, other debtors and amounts due from subsidiary undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals, hire purchase and amounts due to subsidiary undertakings.

In relation to the Group's financial instruments the principal financial risks to which the Group is exposed are those relating to foreign currency and credit.

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

13. FINANCIAL INSTRUMENTS (continued)

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. As the Group operates on an international basis and as such is impacted by currency fluctuations, any strengthening in Sterling against USD which is our primary trading currency will adversely impact the Group profitability.

The following table demonstrates the sensitivity to a possible change in currency rates on the Groups profit before tax through movement in Sterling against the US Dollar.

	<i>Movement in currency rate</i>	<i>Effect on profit before tax and equity £000</i>
Trade receivables	+5%	(59)
Trade receivables	-5%	66

Credit Risk

The Group's 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

	<i>Accelerated Capital Allowances £000</i>
At 1 December 2016	91
Charged to Statement of Comprehensive Income	82
At 30 November 2017	<u>173</u>

Company

	<i>Accelerated Capital Allowances £000</i>
At 1 December 2016	87
Charged to Statement of Comprehensive Income	76
At 30 November 2017	<u>163</u>

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

15. SHARE CAPITAL

	2017 £	2016 £
Allotted called up and fully paid		
500 (2016: 500) Ordinary A shares of £1 each	500	500
100 (2016: 100) Ordinary B shares of £1,000 each	100,000	100,000
	<u>100,500</u>	<u>100,500</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.

Ordinary B shares are non-voting shares, redeemable at 125% of nominal value and accruing dividends at 5% per month at the discretion of the Company.

16. RESERVES

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Retained earnings

The profit and loss account represents the accumulated profits and losses of the Group and Company less distributions made to shareholders.

17. NON-CONTROLLING INTEREST

During the year to 30 November 2017 a dividend of £121,000 (2016 - £80,000) was paid to the holders of ordinary shares in Axis VFX Limited. Axis Productions Limited waived their right to payment of a dividend.

18. FUTURE CAPITAL EXPENDITURE

There were no amounts of capital expenditure relating to property, plant and equipment contracted for at 30 November 2017 or 30 November 2016.

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

19. LEASING AGREEMENTS

Group

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

	2017	2016
	£000	£000
Within one year	337	135
Within two to five years	1,296	519
Out with five years	356	293
	<u>1,989</u>	<u>947</u>

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

	2017	2016
	£000	£000
Within one year	458	346
Within two to five years	601	502
	<u>1,059</u>	<u>848</u>

Company

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

	2017	2016
	£000	£000
Within one year	283	135
Within two to five years	1,133	519
Out with five years	356	293
	<u>1,772</u>	<u>947</u>

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

	2017	2016
	£000	£000
Within one year	407	346
Within two to five years	548	502
	<u>955</u>	<u>848</u>

Axis Productions Limited

NOTES TO THE ACCOUNTS (continued)

20. RELATED PARTY TRANSACTIONS

(a) GROUP COMPANIES

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

Sales to Flaunt MH Limited totalled £25,000 (2016: £2,960,000). The amount due from Flaunt MH Limited at the year-end totalled £83,000 (2016: £924,000).

Sales to Flaunt PM Limited totalled £1,259,000 (2016: £Nil). The amount due from Flaunt PM Limited at the year-end totalled £302,000 (2016: £Nil).

Sales to Axis HH Limited totalled £237,000 (2016: £Nil). The amount due from Axis HH Limited at the year-end totalled £237,000 (2016: £Nil).

Sales to Axis VFX Limited totalled £1,056,000 (2016: £Nil). The amount due to Axis VFX Limited at the year-end totalled £110,000 (2016: £Nil).

A management charge totalling £239,000 (2016: £58,000) was paid by Axis VFX Limited to Axis Productions Limited. There was no balance outstanding at the year-end (2016: £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 £398,000 (2016: £108,000).

21. DIVIDENDS

Dividends of £363,000 (2016: £318,000) were paid to the Ordinary A shareholders during the year, representing £726 (2016: £636) per share.

22. ULTIMATE CONTROLLING PARTY

Axis Productions Limited has no ultimate controlling party.