

# AXIS STUDIOS

## **AXIS PRODUCTIONS LIMITED**

Annual report and Financial Statements  
for the year ended 30 November 2018

COMPANY REGISTRATION NUMBER SC306712



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# Axis Productions Limited

## COMPANY INFORMATION

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### **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

### **AUDITORS**

Grant Thornton UK LLP  
110 Queen Street  
Glasgow  
G1 3BX

## Axis Productions Limited

### GROUP STRATEGIC REPORT for the year ended 30 November 2018

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#### PRINCIPAL ACTIVITY

As content makers we bring magic to the screen. It could be any screen. Our animation and visual effects are seen in many forms of entertainment and enjoyed by millions around the world. From film, to television, video games, theme parks and virtual reality.

#### BUSINESS REVIEW

Our international list of clients continues to demand the very best quality to entertain their audiences. We saw in excess of 60 million people stream, play, or just sit back and watch our work in 2018.

The demand for quality requires investment and growth. 2018 saw us craft and execute our largest number of projects in a single 12-month period. We invested in the second expansion of our Bristol studio, and significant hardware infrastructure increases in Glasgow, Bristol and London. We also invested further in our people. Especially in creative, technical and management roles, increasing employee compensation from £4.4m to £5.9m

Sales grew from £14.1m in 2017 to £14.5m for 2018. Our investments contributed to lower profitability, but we were expecting that. We foresee that over the coming years the investments we have made in space, infrastructure and staff will ensure the increases in creative quality our clients require, as well as increases in revenue and profitability.

#### FUTURE DEVELOPMENTS

We continue to push the boundaries on innovation and creative excellence. We are investing in the development our own original content which we see as an important cornerstone for the future. We also plan to invest in the core of who we are, increasing our visual effects and animation capabilities.

#### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk to the business continues to be the loss of large clients and key personnel. We continue to do everything we can to keep both happy. As an international business we are exposed to world economies. In particular, the general economic climate in the UK and North America. The range of markets we work in and our broad client base mitigate this risk. Please refer to Note 13 for discussion around our financial risks and the management of those risks.

APPROVED BY THE BOARD OF DIRECTORS



Richard Scott CEO

Date 3<sup>rd</sup> September 2019

## Axis Productions Limited

### DIRECTORS' REPORT for the year ended 30 November 2018

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The Directors present their Annual Report and Financial Statements of the Group and Company for the year ended 30 November 2018.

#### RESULTS AND DIVIDENDS

The profit for the year after tax amounted to £515,000 (2017: £1,908,000).

The Directors paid dividends in the year of £297,000 (2017: £484,000).

#### 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

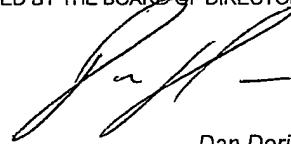
There have been no significant events affecting the Group or Company since the year end.

#### AUDITORS

The Group auditors, Grant Thornton UK 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 3 September 2019

APPROVED BY THE BOARD OF DIRECTORS



*Dan Dorian*  
Director

## Axis Productions Limited

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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#### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

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

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Date 3 September 2019

APPROVED BY THE BOARD OF DIRECTORS



Dan Dorian  
Director

# Independent auditor's report to the members of Axis Productions Limited

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## Opinion

We have audited the financial statements of Axis Productions Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 November 2018, which comprise Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, 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 (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 November 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We 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 auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work

## **Independent auditor's report to the members of Axis Productions Limited (continued)**

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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.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matter on which we are required to report under the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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 for the financial statements**

As explained more fully in the directors' responsibilities statement set out 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's and the parent 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 or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Independent auditor's report to the members of Axis Productions Limited (continued)

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### Use of our report

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



James Chadwick  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Glasgow  
6<sup>th</sup> September 2019

## Axis Productions Limited

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 November 2018

	Notes	2018 £000	As restated 2017 £000
<b>REVENUE</b>	<b>1</b>	<b>14,481</b>	<b>14,114</b>
Cost of sales		<b>(8,779)</b>	<b>(7,267)</b>
Animation and video games tax credit	<b>5</b>	<b>133</b>	<b>365</b>
<b>GROSS PROFIT</b>		<b>5,835</b>	<b>7,212</b>
Administrative expenses		<b>(5,522)</b>	<b>(5,186)</b>
Other operating income		<b>106</b>	<b>209</b>
<b>OPERATING PROFIT</b>	<b>3</b>	<b>419</b>	<b>2,235</b>
Finance costs	<b>4</b>	<b>(50)</b>	<b>(62)</b>
<b>PROFIT BEFORE TAX</b>		<b>369</b>	<b>2,173</b>
Taxation	<b>5</b>	<b>146</b>	<b>(265)</b>
<b>NET PROFIT FOR THE YEAR</b>		<b>515</b>	<b>1,908</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>515</b>	<b>1,908</b>
Attributable to:			
Equity shareholders		<b>397</b>	<b>1,615</b>
Non-controlling interest		<b>118</b>	<b>293</b>
		<b>515</b>	<b>1,908</b>

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

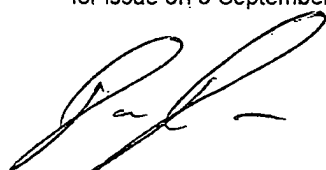
**Axis Productions Limited**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
as at 30 November 2018**

Company Number: SC306712

	Notes	2018 £000	2017 £000
<b>NON-CURRENT ASSETS</b>			
Intangible assets	7	762	389
Tangible assets	8	<u>2,578</u>	<u>2,547</u>
		<u>3,340</u>	<u>2,936</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	9	3,153	3,386
Cash and cash equivalents	10	<u>1,507</u>	<u>1,138</u>
		<u>4,660</u>	<u>4,524</u>
<b>TOTAL ASSETS</b>		<u><u>8,000</u></u>	<u><u>7,460</u></u>
<b>NON-CURRENT LIABILITIES</b>			
Creditors due in more than one year	12	(435)	(601)
Deferred taxation	14	<u>(155)</u>	<u>(173)</u>
		(590)	(774)
<b>CURRENT LIABILITIES</b>			
Creditors due in less than one year	11	(3,745)	(3,239)
<b>TOTAL LIABILITIES</b>		<u>(4,335)</u>	<u>(4,013)</u>
<b>NET ASSETS</b>		<u><u>3,665</u></u>	<u><u>3,447</u></u>
<b>EQUITY</b>			
Called up share capital	15	100	100
Share premium account	16	5	5
Retained earnings	16	3,219	3,081
Non-controlling interest		341	261
<b>TOTAL EQUITY</b>		<u><u>3,665</u></u>	<u><u>3,447</u></u>

The financial statements on pages 8 to 29 were approved by the Board of Directors and authorised for issue on 3 September 2019 and were signed on its behalf by



Dan Dorian  
Director

## Axis Productions Limited

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY as at 30 November 2018

	Share Capital £000	Share Premium £000	Retained Earnings £000	Non- controlling Interest £000	Total £000
<b>At 30 November 2016</b>	<b>100</b>	<b>5</b>	<b>1,901</b>	<b>17</b>	<b>2,023</b>
Profit for the year	-	-	1,615	293	1,908
Impact of dividend waiver by parent	-	-	(72)	72	-
Dividends: Equity capital	-	-	(363)	(121)	(484)
<b>At 30 November 2017</b>	<b>100</b>	<b>5</b>	<b>3,081</b>	<b>261</b>	<b>3,447</b>
Profit for the year	-	-	397	118	515
Impact of dividend waiver by parent	-	-	(55)	55	-
Dividends: Equity capital	-	-	(204)	(93)	(297)
<b>At 30 November 2018</b>	<b>100</b>	<b>5</b>	<b>3,219</b>	<b>341</b>	<b>3,665</b>

## Axis Productions Limited

### CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 30 November 2018

	2018 £000	<i>As restated</i> 2017 £000
<b>Cash flows from operating activities</b>		
Profit before tax	369	2,173
Depreciation and amortisation	938	682
Interest expense	50	62
Increase/(Decrease) in trade and other receivables	315	(406)
Decrease in payables and other liabilities	(111)	(622)
Income tax received	497	64
<b>Net cash from operating activities</b>	<b>2,058</b>	<b>1,953</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(824)	(1,033)
Sale of fixed assets	21	-
Purchase of intangible assets	(539)	(312)
<b>Net cash used in investing activities</b>	<b>(1,342)</b>	<b>(1,345)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(204)	(363)
Dividends paid to non-controlling interest	(93)	(121)
Interest paid	(50)	(62)
Repayment of finance lease obligations	-	(411)
<b>Net cash used in financing activities</b>	<b>(347)</b>	<b>(957)</b>
Increase/(Decrease) in cash and cash equivalents	369	(349)
Cash and cash equivalents at beginning of year	1,138	1,487
Cash and cash equivalents at end of year	<b>1,507</b>	<b>1,138</b>

## Axis Productions Limited

### COMPANY STATEMENT OF FINANCIAL POSITION as at 30 November 2018

Company Number: SC306712

	Notes	2018 £000	2017 £000
<b>NON-CURRENT ASSETS</b>			
Intangible assets	7	762	389
Tangible assets	8	1,971	2,234
Investments	6	-	-
		<u>2,733</u>	<u>2,623</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	9	2,889	2,371
Cash and cash equivalents	10	344	872
		<u>3,233</u>	<u>3,243</u>
<b>TOTAL ASSETS</b>		<u>5,966</u>	<u>5,866</u>
<b>NON-CURRENT LIABILITIES</b>			
Creditors due in more than one year	12	(299)	(548)
Deferred tax	14	(122)	(163)
		<u>(421)</u>	<u>(711)</u>
<b>CURRENT LIABILITIES</b>			
Creditors due in less than one year	11	(2,696)	(2,439)
<b>TOTAL LIABILITIES</b>		<u>(3,117)</u>	<u>(3,150)</u>
<b>NET ASSETS</b>		<u>2,849</u>	<u>2,716</u>
<b>EQUITY</b>			
Called up share capital	15	100	100
Share premium account	16	5	5
Retained earnings	16	2,744	2,611
<b>TOTAL EQUITY</b>		<u>2,849</u>	<u>2,716</u>

As permitted by section 408(3) of the Companies Act 2006, no profit and loss account of the company is presented. The profit for the financial year, dealt with in the profit and loss account of the company was £337,000 (2017: £1,130,000).

The financial statements on pages 8 to 29 were approved by the Board of Directors and authorised for issue on 3 September 2019 and were signed on its behalf by



Darf Dorian  
Director

**Axis Productions Limited****COMPANY STATEMENT OF CHANGES IN EQUITY  
as at 30 November 2018**

	Share Capital £000	Share Premium £000	Retained Earnings £000	Total £000
<b>At 30 November 2016</b>	<b>100</b>	<b>5</b>	<b>1,844</b>	<b>1,949</b>
Profit for the year	-	-	1,130	1,130
Dividends: Equity capital	-	-	(363)	(363)
<b>At 30 November 2017</b>	<b>100</b>	<b>5</b>	<b>2,611</b>	<b>2,716</b>
Profit for the year	-	-	337	337
Dividends: Equity capital	-	-	(204)	(204)
<b>At 30 November 2018</b>	<b>100</b>	<b>5</b>	<b>2,744</b>	<b>2,849</b>

**NOTES TO THE ACCOUNTS**

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**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 parent company is reporting under FRS 101.

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.

**DISCLOSURE EXEMPTIONS ADOPTED**

In preparing these financial statements the Company has taken advantage of some of the disclosure exemptions covered by FRS 101. Therefore these financial statements do not include:

- A statement of cash flows and related notes
- The requirement of IAS 24 related party disclosures to disclose related party transactions entered into between two or more members of Axis Production Limited group as they are wholly owned within the group
- Disclosure of key management personnel compensation
- Capital management disclosures

**STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE YEAR TO 30 NOVEMBER 2018**

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 2018 but had no material impact on the financial statements:

- IAS 7 (amended): Statement of Cash Flows
- IAS 12 (amended): Income Taxes

**NOTES TO THE ACCOUNTS (continued)**

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

**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).
- IFRIC 22: Foreign currency transactions and advance consideration (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. Based on the review to date, no material transitional impact has been identified as at 30 November 2018 in respect of the above standards and amendments.

**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.

**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 is 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

# Axis Productions Limited

## NOTES TO THE ACCOUNTS (continued)

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### ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (*continued*)

#### BASIS OF CONSOLIDATION

The Group accounts consolidate the accounts of Axis Productions Limited and all of its subsidiaries as at 30 November 2018 and for the year then ended. Flaunt MH Limited's accounting year end is 31 May 2018, Flaunt PM Limited's accounting year is 31 August 2018 and Axis HH Limited's accounting year is 31 July 2019 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.

#### 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.

**NOTES TO THE ACCOUNTS (continued)**

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

**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.

**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.

**NOTES TO THE ACCOUNTS (continued)**

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

**LEASING (continued)**

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 and amortised over the period of 5 years during which the Group and Company is expected to benefit.

**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.

**DIVIDENDS**

Equity dividends are recognised when they become legally payable.

# Axis Productions Limited

## NOTES TO THE ACCOUNTS (continued)

### ANIMATION TAX CREDITS

These tax credits are recognised in line with the allowable expenditure incurred and recognised within the Statement of Comprehensive Income.

During the current year we have reclassified these credits within our cost of sales to better reflect that these are a direct consideration within the budgeting process and within the margin expected from any project entered into where these are applicable. The impact of this reclassification was £365k into the cost of sales, with no impact on profit.

#### 1. REVENUE

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

#### 2. STAFF COSTS AND DIRECTORS' REMUNERATION

	2018 £000	2017 £000
Staff costs during the year amounted to:		
Wages, salaries and short term benefits	5,287	3,966
Social security costs	531	415
Company pension scheme	63	28
	<u>5,881</u>	<u>4,409</u>

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

	No.	No.
Production staff	81	63
Office and management	54	35
	<u>135</u>	<u>98</u>

Directors' remuneration:

	2018 £000	2017 £000
Salaries and short-term benefits	154	398

#### 3. OPERATING PROFIT

	2018 £000	2017 £000
This is stated after charging/(crediting):		
Foreign exchange differences	(254)	165
Depreciation of fixed assets	772	517
Amortisation of intangible assets	166	165
Auditors' remuneration and expenses	19	5
<b>Fees to auditor for non-audit services:</b>		
Tax advisory	15	-
Tax compliance	29	3
Accounting services	6	-
Payroll services	-	10
Operating lease rentals	340	310
Grant income	(106)	(209)

# Axis Productions Limited

## NOTES TO THE ACCOUNTS (continued)

### 4. FINANCE COSTS

	2018 £000	2017 £000
Interest on finance lease arrangements	50	62

### 5. TAXATION

	2018 £000	2017 £000
<b>UK Corporation Tax</b>		
UK corporation tax	(127)	183
Adjustments in respect of prior periods	(2)	-
Total current tax (credit)/charge	<u>(129)</u>	<u>183</u>
Origination and reversal of temporary differences	(28)	82
Adjustments in respect of prior periods	10	-
Total deferred tax (credit)/charge	<u>(17)</u>	<u>82</u>
Total tax (credit)/charge for the period	<u>(146)</u>	<u>265</u>

### Tax Reconciliation

Profit on ordinary activities before tax	369	2,173
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 19.00% (2017 – 19.33%)	70	420
<b>Effects of:</b>		
Fixed asset differences	18	-
Expenses not deductible for tax purposes	4	78
Additional relief for animation tax credits	(13)	(71)
Television production tax profit adjustment	(25)	-
Additional deduction for R&D expenditure	(262)	(210)
Surrender of tax losses for R&D expenditure	36	-
Adjustment to tax charge in respect of prior periods	(2)	54
Adjustment to tax charge in respect of prior periods – deferred tax	10	-
Other adjustments	15	-
Effect of changes in tax rate	3	(6)
<b>Total tax (credit)/charge for the year</b>	<u>(146)</u>	<u>265</u>

### Factors affecting future tax charges

The Finance (No.2) Act 2015 includes legislation which reduced the rate to 19% from 1 April 2017. The Finance (No.2) Act 2015 was substantively enacted on 26 October 2015.

## Axis Productions Limited

### NOTES TO THE ACCOUNTS (continued)

#### 5. TAXATION (continued)

A further reduction to 17% with effect from 1 April 2020 has been substantively enacted in Finance Act 2016 on 15 September 2016. Deferred tax balances have been recognised at 17% where relevant.

#### Animation and video games tax credit

The animation and video games tax credit are made up as follows: Flaunt LG Ltd £127k, Flaunt MH Ltd recognised a reversal of an overprovision of £77k and Axis Productions HH Ltd £83k.

#### 6. FIXED ASSET INVESTMENTS

Company	Shares in group undertakings and participating interests £
Cost:	
At 1 December 2017	64
Additions	1
<b>At 30 November 2018</b>	<b>65</b>
Net book value:	
<b>At 30 November 2018</b>	<b>65</b>
At 30 November 2017	64

#### 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 Productions HH Limited	SC572043	Scotland	Ordinary	100
Flaunt Animation Ltee	NEQ1172230576	Canadian	Ordinary	100
Flaunt LG Limited	SC591909	Scotland	Ordinary	100

\* Registered office – Suite 7.1, Skypark 1 8 Elliot Place, Glasgow, G3 8EP

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

The subsidiaries mentioned above have claimed the exemption from audit under s479A of the Companies Act 2006.

## Axis Productions Limited

### NOTES TO THE ACCOUNTS (continued)

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<b>7. INTANGIBLE FIXED ASSETS</b>	<b>Development Costs</b>
<b>Group and Company</b>	£000
Cost:	
At 1 December 2017	1,212
Additions	539
<b>At 30 November 2018</b>	<u><b>1,751</b></u>
Amortisation:	
At 1 December 2017	823
Charge for the year	166
<b>At 30 November 2018</b>	<u><b>989</b></u>
Net Book Value:	
<b>At 30 November 2018</b>	<u><b>762</b></u>
At 30 November 2017	<u>389</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

<b>Group</b>	Fixtures, fittings and equipment £000
Cost:	
At 1 December 2017	4,495
Additions	824
Disposals	(21)
<b>At 30 November 2018</b>	<b>5,298</b>
Depreciation:	
At 1 December 2017	1,948
Charged during year	772
<b>At 30 November 2018</b>	<b>2,720</b>
Net book value:	
<b>At 30 November 2018</b>	<b>2,578</b>
At 30 November 2017	2,547

The net book value of Fixtures, fittings and equipment held under finance lease at 30 November 2018 was £1,116,000 (2017: £1,095,000). The variance to the finance lease creditor is as a result of the depreciation period not correlating with the term of the finance lease, with the group retaining control of all assets at the end of these leases therefore the useful estimated life is the correct term to depreciate over.

<b>Company</b>	Fixtures, fittings and equipment £000
Cost:	
At 1 December 2017	4,122
Additions	407
Disposals	(21)
<b>At 30 November 2018</b>	<b>4,508</b>
Depreciation:	
At 1 December 2017	1,888
Charged during year	649
<b>At 30 November 2018</b>	<b>2,537</b>
Net book value:	
<b>At 30 November 2018</b>	<b>1,971</b>
At 30 November 2017	2,234

The net book value of Fixtures, fittings and equipment held under finance lease at 30 November 2018 was £828,000 (2017: £984,000). The variance to the finance lease creditor is as referred to above in the group.

# Axis Productions Limited

## NOTES TO THE ACCOUNTS (continued)

### 9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Trade receivables	1,613	1,477	294	809
Amounts due from group companies	-	-	1,403	622
Prepayments and accrued income	1,268	1,256	1,064	803
Other debtors	272	137	-	137
Corporation tax	-	516	128	-
	<u>3,153</u>	<u>3,386</u>	<u>2,889</u>	<u>2,371</u>

### 10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Cash at bank and on hand	<u>1,507</u>	<u>1,138</u>	<u>344</u>	<u>872</u>

### 11. CREDITORS DUE IN LESS THAN ONE YEAR

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Trade payables	596	617	408	451
Amounts due to group companies	-	-	581	110
Other taxes and social security costs	733	375	244	117
Other creditors	368	375	370	356
Accruals and deferred income	1,547	1,218	740	967
Net obligations under hire purchase contracts	452	458	353	407
Corporation tax	49	196	-	31
	<u>3,745</u>	<u>3,239</u>	<u>2,696</u>	<u>2,439</u>

# Axis Productions Limited

## NOTES TO THE ACCOUNTS (continued)

### 12. CREDITORS DUE IN MORE THAN ONE YEAR

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Net obligations under hire purchase contracts	<u>435</u>	<u>601</u>	<u>299</u>	<u>548</u>

### 13. FINANCIAL INSTRUMENTS

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
<b>Financial assets</b>				
Financial assets that are debt instruments measured at amortised cost	<u>4,656</u>	<u>1,926</u>	<u>2,707</u>	<u>1,799</u>
	<u><u>4,656</u></u>	<u><u>1,926</u></u>	<u><u>2,707</u></u>	<u><u>1,799</u></u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	<u>3,822</u>	<u>3,072</u>	<u>2,578</u>	<u>2,643</u>
	<u><u>3,822</u></u>	<u><u>3,072</u></u>	<u><u>2,578</u></u>	<u><u>2,643</u></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.

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 weakening 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>Change in currency rate</i>	<i>Effect on profit before tax and equity £000</i>
Trade receivables	+5%	(39)
Trade receivables	-5%	36

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

	Accelerated Capital Allowances £000
At 1 December 2017	173
Charged to Statement of Comprehensive Income	(18)
At 30 November 2018	<u>155</u>

Company

	Accelerated Capital Allowances £000
At 1 December 2017	163
Charged to Statement of Comprehensive Income	(41)
At 30 November 2018	<u>122</u>

# Axis Productions Limited

## NOTES TO THE ACCOUNTS (continued)

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### 15. SHARE CAPITAL

	2018 £	2017 £
Allotted called up and fully paid		
500 (2017: 500) Ordinary A shares of £1 each	500	500
100 (2017: 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 by the Company at 125% of nominal value and accruing dividends at the fixed rate of 5% per month payable at the discretion of the Company.

As of 30 November 2018 no dividends on the B shares have been paid or are payable

### 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 2018 a dividend of £93,000 (2017 - £121,000) was paid to the holders of ordinary shares in Axis VFX Limited. Axis Productions Limited waived their right to payment of a dividend.

The following information is given in respect of the financial information for Axis VFX Limited for which there is a 40% non-controlling interest:

	£000's
Assets (prior to intercompany elimination)	3,080
Liabilities	2,227
Profit for period	295
Dividends paid	(93)

## Axis Productions Limited

### NOTES TO THE ACCOUNTS (continued)

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#### 18. FUTURE CAPITAL EXPENDITURE

There were no amounts of capital expenditure relating to property, plant and equipment contracted for at 30 November 2018 or 30 November 2017.

#### 19. LEASING AGREEMENTS

##### Group

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

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Within one year	337	337
Within two to five years	1,296	1,296
Outwith five years	79	356
	<u>1,712</u>	<u>1,989</u>

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

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Within one year	470	458
Within two to five years	416	601
	<u>886</u>	<u>1,059</u>

##### Company

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

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Within one year	283	283
Within two to five years	1,133	1,133
Outwith five years	134	356
	<u>1,550</u>	<u>1,772</u>

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

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Within one year	352	407
Within two to five years	299	548
	<u>651</u>	<u>955</u>

**NOTES TO THE ACCOUNTS (continued)**

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**20. RELATED PARTY TRANSACTIONS**

**(a) GROUP COMPANIES**

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

Sales to Axis Productions HH Limited totalled £428,000 (2017: £237,000). The amount due from Axis HH Limited at the year-end totalled £163,000 (2017: £237,000).

Sales to Axis VFX Limited totalled £975,000 (2017: £1,056,000). The amount due to Axis VFX Limited at the year-end totalled £261,000 (2017: £110,000).

Sales to Flaunt MH Limited totalled £Nil (2017 : £25,000). The amount due from Flaunt MH Limited at the year-end totalling £Nil : £83,000)

Sales to Flaunt PM Limited totalled £Nil (2017 : £1,259,000). The amount due from Flaunt PM Limited at the year-end totalled £Nil (2017 : £302,000)

Sales to Flaunt LG totalled £2,694,000 (2017 : £Nil). The amount due from Flaunt LG Limited at the year-end totalled £1,140,000 (2017 : £Nil)

A management charge totalling £192,000 (2017: £239,000) was paid by Axis VFX Limited to Axis Productions Limited. There was no balance outstanding at the year-end (2017: £0).

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 £154,000 (2017: £398,000).

**21. DIVIDENDS**

Dividends of £204,000 (2017: £363,000) were paid to the Ordinary A shareholders during the year, representing £510 (2017: £907.50) per share.

The corporate holders of 100 Ordinary A shares have waived their entitlement to receive dividends in the current and prior year

**22. ULTIMATE CONTROLLING PARTY**

Axis Productions Limited has no ultimate controlling party.