Company Registration No. 03558668 (England and Wales)

Double Negative Holdings Limited

Annual Report and Consolidated Financial statements
For the year ended 31 March 2017

Double Negative Holdings Limited

Company Information

Directors	P Chiang (resigned on 26 October 2016) M Holben M Entekhabi N Malhotra P Riddle A Hope A Noble (resigned on 26 October 2016)
Company Secretary	Derringtons Limited
Company Number	03558668
Registered Office	160 Great Portland Street London United Kingdom W1W 5QA
Independent Auditor	Deloitte LLP Statutory Auditor 2 New Street Square London United Kingdom EC4A 3BZ

Double Negative Holdings Limited

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Double Negative Holdings Limited

Strategic Report
For the year ended 31 March 2017

The directors present their strategic report for the year ended 31 March 2017.

Business Review
The principal activity of the group continued to be that of the provision of digital visual effects for the global film industry. The principal activity of the company continued to be that of acting as a holding company for the Double Negative Holdings group of companies.

Double Negative worked on over 22 major film projects in the year, including:

1. Miss Peregrine's Home for Peculiar Children
2. A Cure for Wellness
3. Star Trek Beyond
4. Jason Bourne
5. Assassin's Creed
6. Fantastic Beasts and Where to Find Them
7. Baby Driver
8. Geostorm
9. Wonder Woman
10. Justice League
11. Solutrean
12. Life
13. Annihilation
14. Fast and Furious 8
15. The Mummy
16. Blade Runner
17. Bodega Bay
18. Megalodon
19. American Assassin
20. Marble
21. Pacific Rim 2
22. Hostiles

The work was performed mainly in London and Canada, with some leverage from Prime Focus World Creative Services Private Limited and Double Negative India Private Limited, a fellow subsidiary.

Principal Risks and Uncertainties
Operating within a technology-driven industry, the company must keep up to date with any such advances and keep abreast of developments, within the media industry so as to meet changing client needs. The Group makes a significant investment in researching and developing new production techniques and acquiring the infrastructure to support these activities.

Our employees are our most important asset staff retention and recruitment is crucial to our continued success. The company remains focused on providing a stimulating and safe environment for all its employees and offering both competitive remuneration and a rewarding career path in order to safeguard this asset.

As the visual effects industry is a relative small global industry, the Group is affected by international issues including foreign currency fluctuations and tax legislation changes. Remaining up to date with such changes is imperative. While competition remains high, projects need to be closely assessed against constrained margins.

As a project-based business, one risk faced by the company is around timing of cash flow. This is mitigated by taking on multiple simultaneous projects with delivery dates that are regularly spaced throughout the year.

The company also requires regular significant investment in capital equipment and software as scope of work and data requirements increase over time. Cash flow for these requirements is smoothed by the use of asset finance, which is generally spread over the expected useful life of the assets. Also, Group manages its cash and borrowing requirements centrally to minimize interest expense.

Another risk to the business is that clients will in future prefer to award VFX work in varying locations in order to maximise tax subsidies available. This is partly mitigated by the continuing strength of the UK film industry combined with attractive and recently improved UK film tax credits. Double Negative further mitigated this risk by setting up its new facility in Vancouver in 2014, so providing facilities for clients in two of the most favourable locations with regard to tax credits.

General risks include economic downturn and currency fluctuations. The film industry has proved resilient during recent global economic downturns, as film-going is generally seen as a low cost form of entertainment by the general public. Risks relating to a local economic downturn are relatively low due to the global nature of the client base.

The risks relating to currency fluctuations are reduced by using financial instruments such as forward contracts and by the globalisation of the cost base of all Double Negative subsidiaries.

Development and performance of the company

The company has grown from a facility employing 50 staff in London in 1998, to become one of the leaders in the field of visual effects for feature films, employing over 2,400 staff in four locations by March 2017.
The company has developed a reputation for cutting edge work, as evidenced by three Academy Awards to date, and works with all the leading Hollywood studios on their flagpole movies.

The company is able to perform at this level due to the artistic and creative excellence of its staff, combined with significant and continuing investment in R&D, developing software tools with unique capabilities for use on current and future projects.

An outsourcing facility in India was created and has been in operation since October 2015, reducing the cost base overall for the group.

Double Negative is also diversifying in terms of product range. A TV division was opened in 2013, and an Animated Feature division in 2016. Work on the Double Negative's first fully animated feature film commenced in early 2017.

The Directors monitors the financial performance based on Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), which reflects margins earned by the Group during the year. The Directors consider the financial performance to be good in the year to March 2017 as revenue for the year totaled £136,035,916 against £95,734,134 in previous year, leading to an EBITDA of £16,609,868 against £5,193,781 in previous year and Profit before tax of £1,509,428 against a loss of £8,232,490 in previous year.

Key Performance Indicators

An important KPI for Double Negative is gross margin, which is calculated as Revenue less costs directly attributable to projects. This gives a good indication of performance in terms of both price attained and control of the principal direct cost (wages). The gross margin in the year was £ 61,035,343 (45%) as compared to £41,266,823 (42%) for the previous year, principally due to the reasons explained above.

Another KPI which is closely monitored is staff allocation to projects. Utility rates vary through the year depending on typical holiday periods etc, but it is very important, in terms of both efficiency of operation and maintaining staff morale, that employees are occupied on projects at all times during working hours. This can be difficult to manage in a project-based business, but Double Negative has paid particular attention to actively managing workflow to maintain maximum utilisation rates. The rate for the year to 31 March 2017 was an average of 99% allocation which compares to 99% for the prior year.

Close attention is also paid to staff proportions, with the aim to maximise fee earning staff (visual effects artists) as a proportion of overall headcount. Artists as a proportion of overall staff was 77% in the year 31 March 2017, compared with an average of 74% in the year to 31 March 2016.

Going Concern

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate. The directors monitor the company's funding strategy and have prepared forecasts which underpin the going concern basis for the company. In assessing whether the going concern basis is appropriate, the directors take into account all available information about the future, which is at least, but is not limited to twelve months from the date of signing these financial statements. At the date of approval of these financial statements, the directors believe that the company will continue to operate successfully for the foreseeable future and be able to meet its liabilities as and when they fall due.

The Group has maintained a positive cash position during current period through a combination of effective working capital management and support from its holding company. The Group has made a pre-tax profit from operations of approximately £ 1.5 million (2016: pre-tax loss of £ 8.2 million). The Group has positive operating cash flows during the year of £ 24.2 million (2016: inflow of £ 3.9 million). As of March 31, 2017, the Group had an accumulated deficit of approximately £ 14.2 million (2016: £ 15.7 million). The Parent remains committed to providing support if necessary to ensure the Group has sufficient cash to fund its operations over the next twelve months.

On behalf of the board

………………………
A Hope
Director

…………………….. [Date]

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

Principal activities

The principal activity of the group continued to be that of the provision of digital visual effects for the global film industry. The principal activity of the company continued to be that of acting as a holding company for the Double Negative Holdings group of companies.

Results and dividends

The consolidated Statement of Comprehensive Income for the year is set out on page 7. The directors do not recommend payment of a dividend.

Financial risk management objectives and policies

The company makes use of foreign exchange forward contracts linked to revenue to be earned on specific contracts to be paid in foreign currency. The directors believe that this gives them the flexibility to release cash resources at short notice as well as enabling them to take advantage of changing conditions in the finance markets as they arise. All deposits are with reputable banks and the directors believe their choice of bank minimises any credit risk. At the balance sheet date the company has no bank overdraft facility, any short term financing requirements are now handled at a Prime Focus level.

Directors

The following directors have held office since 1 April 2016:

P Chiang (resigned on 26 October 2016)
M Holben
M Entekhabi
N Malhotra
P Riddle
A Hope
A Noble (resigned on 26 October 2016)

Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the group's performance.

Disabled persons

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given, once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Creditor payment policy

It is the company's policy to pay all creditors promptly as payments fall due.

Research and development and future developments

The company is able to perform at this level due to the artistic and creative excellence of its staff, combined with significant and continuing investment in R&D, developing software tools with unique capabilities for use on current and future projects.

Financial risk

Liquidity risk

The Group is financed with appropriate long-term and short-term finance to match the need of the business.

Foreign currency risk

The group is exposed to foreign currency risk on its operations, by virtue of entering into transactions in currencies other than the group's functional currency of Sterling.

In order to manage this risk, the group enters into forward currency arrangements to fix the exchange rate far known transactions. This mitigates the risk that the exchange rate may move unfavorably.

Credit risk

New credit customers are only accepted after they have been approved by the Board and credit control. Cash is only lodged with reputable financial institutions that have been pre-approved by the Board.

Auditor

Subsequent to the signing of the audit report for the year ended 31 March 2016, Saffery Champness LLP, resigned as auditor and Deloitte LLP was appointed as an auditor. At the forthcoming annual general meeting, a resolution for the re-appointment of Deloitte LLP as auditor of the Company will be proposed.

Statement of directors' responsibilities

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

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law the directors have elected to prepare the consolidated 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 consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these consolidated financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 consolidated 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.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the group's auditors unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that Information.

On behalf of the board

………………………
A Hope
Director
…………………….. [Date]

Double Negative Holdings Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOUBLE NEGATIVE HOLDINGS LIMITED

We have audited the financial statements of Double Negative Holdings Limited for the year ended 31/03/2017 which comprise of Statement of Profit or Loss and Other Comprehensive Income Consolidated Financial Statement of Financial Position, Statement of Changes in Equity, Consolidated Statements of Cash Flows and the related notes 1 to 26. 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.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements[1]

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31/03/2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note x to the financial statements, the company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.[2]

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[1] The FRC also permits the scope of the audit to be described by reference to a description on the FRC's website or elsewhere within the annual report. If either of these options are preferred by the client, this paragraph is replaced by either "A description of the scope of an audit of financial statements is provided on the FRC's website at https://www.frc.org.uk/auditscopeukprivate" or "A description of the scope of an audit of financial statements is set out on page X of the annual report." respectively.

[2] IFRS as adopted by the EU and IFRS as issued by the IASB may differ slightly when either a new standard has not yet been endorsed for use in Europe or where there is a difference in implementation date. However, many financial statements will in fact comply with both frameworks (because the differences do not affect them, or are immaterial, or because it is possible to early adopt an EU endorsed standard in line with the IASB date. In such situations, companies are encouraged to disclose the fact that they have complied with both frameworks, and, provided that it is true and that they have disclosed

Opinion on other matters prescribed by the Companies Act 2006

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception[3]
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

[Signature]
Sukie Kooner, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, UK
[Date]

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that fact, this second opinion is encouraged (but not mandatory). ISA (UK and Ireland) 700 (revised) prohibits the old practice of combining the reporting on IFRS as adopted by the EU and IFRS as issued by the IASB in one bullet point.

[3] Where the company has taken advantage of the exemption in the directors' report for small companies and/or from preparing a strategic report, an additional bullet point is required "the directors were not entitled to take advantage of the small companies exemption [in preparing the Directors' Report] [or] [from the requirement to prepare a Strategic Report]." Where the company chooses not to take the exemption from preparing a strategic report and in the director's report, but the company prepares the financial statements in accordance with the small companies regime, the following wording should be used "the directors were not entitled to prepare the financial statements in accordance with the small companies regime." If all of these allowances are taken, the statement should read "the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Directors' Report or from the requirement to prepare a Strategic Report"

Double Negative Holdings Limited

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2017

	Notes		For the year ended 31 March 2017 £		For the year ended 31 March 2016 £
Continuing operations					
Revenue	5		136,035,916		95,734,134
Other income	6		1,456,122		6,757,018
Staff costs	7		(89,513,562)		(75,910,967)
Finance costs	8		(1,949,881)		(1,041,472)
Fair value gain on derivatives			458,308		2,003,766
Depreciation and amortisation expenses	11, 12		(13,150,558)		(12,384,799)
Other operating charges					
Rent rates and utilities		(9,896,908)		(9,694,027)	
Outsourcing cost		(11,094,811)		(2,937,779)	
Foreign exchange (loss)/gain		(4,075,073)		86,563	
Other expenses	9	(6,760,125)		(10,844,927)	
			(31,826,917)		(23,390,170)
Profit/(Loss) before tax			1,509,428		(8,232,490)
Tax (expense)	10		(86,872)		(872,205)
Profit/(Loss) for the period			**1,422,556**		**(9,104,695)**
Other comprehensive income, net of income tax					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(2,691,578)		490,514	
Other comprehensive (expense) / income for the year, net of income tax			(2,691,578)		490,514
Total comprehensive income for the year			**(1,269,022)**		**(8,614,181)**
Profit/(Loss) for the year attributable to:					
Owners of the company			1,422,556		(9,104,695)
			1,422,556		**(9,104,695)**
Total comprehensive income for the year attributable to:					
Owners of the company			(1,269,022)		(8,614,181)
			(1,269,022)		**(8,614,181)**

The result for the year for Double Negative Holdings Limited was £ Nil (2016: Nil)

The footnotes on pages 12 to 51 form an integral part of the Consolidated Financial Statements

Double Negative Holdings Limited

Statement of Financial Position
As at 31 March 2017

	Note	Company At 31 March 2017 £	Company At 31 March 2016 £	Group At 31 March 2017 £	Group At 31 March 2016 £
ASSETS					
Non-current assets					
Fixed assets					
Intangible assets	11	-	-	10,920,727	10,841,875
Intangible assets under development	11			1,580,205	-
Property and equipment	12	-	-	13,710,598	17,758,044
Investments	13	72	72	492,124	350,000
Trade and other receivables	14	-	-	5,921,372	5,919,951
Total non- current assets		72	72	32,625,026	34,869,870
Current assets					
Trade and other receivables	14	93	93	24,743,608	11,925,605
Amounts owed by group undertakings	20	-	-	8,733,767	6,988,749
Cash at bank and in hand		-	-	8,524,718	1,460,143
Total current assets		93	93	42,002,093	20,374,497
Total assets		**165**	**165**	**74,627,119**	**55,244,367**
LIABILITIES					
Capital and reserves					
Called up share capital	17	5	5	5	5
Reserves		(208)	(208)	(16,653,840)	(15,384,818)
Shareholders' deficit		(203)	(203)	(16,653,835)	(15,384,813)
Non-current liabilities					
Other payables	19	-	-	13,264,173	13,381,839
Borrowings	18	-	-	13,283,957	1,378,168
Total non-current liabilities		-	-	26,548,130	14,760,007
Current liabilities					
Trade and other payables	16	368	368	48,623,481	27,174,860
Borrowings	18	-	-	6,194,265	23,237,420
Amounts owed to group undertakings	20	-	-	8,800,056	4,156,740
Current income tax liabilities	10	-	-	1,115,022	940,153
Total current liabilities		368	368	64,732,824	55,869,173
Total liabilities		368	368	91,280,954	70,629,180
Total equity and liabilities		**165**	**165**	**74,627,119**	**55,244,367**

Statement of Financial Position
As at 31 March 2017

The footnotes on pages 12 to 51 form an integral part of the Consolidated Financial Statements

Approved by the Board and authorised for issue on _____________

____
A Hope
Director
Company Registration Number: 03558668

Double Negative Holdings Limited

Statement of Changes in Equity
As at 31 March 2017

Company

	Called up Share Capital £	Translation reserve £	Profit and Loss Account £	Total Equity £
At 31 March 2015	**5**	**-**	**(208)**	**(203)**
Total Comprehensive Income	-	-	-	-
At 31 March 2016	**5**	**-**	**(208)**	**(203)**
Total Comprehensive Income	-	-	-	-
At 31 March 2017	**5**	**-**	**(208)**	**(203)**

Group

	Issued Capital £	Translation reserve £	Profit and Loss Account £	Total Equity £
At 31 March 2015	**5**	**(181,518)**	**(6,589,119)**	**(6,770,632)**
Loss for the year	-	-	(9,104,695)	**(9,104,695)**
Other comprehensive income	-	490,514	-	**490,514**
Total Comprehensive Income	-	490,514	(9,104,695)	**(8,614,181)**
At 31 March 2016	**5**	**308,996**	**(15,693,814)**	**(15,384,813)**
Profit for the year	-	-	1,422,556	**1,422,556**
Other comprehensive income	-	(2,691,578)	-	**(2,691,578)**
Total Comprehensive Income		(2,691,578)	1,422,556	**(1,269,022)**
At 31 March 2017	**5**	**(2,382,582)**	**(14,271,258)**	**(16,653,835)**

The footnotes on pages 12 to 51 form an integral part of the Financial Statements

Double Negative Holdings Limited

Consolidated Statements of Cash Flows
For the year ended 31 March 2017

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Cash flow from operating activities		
Profit / (Loss) before tax	1,509,428	(8,232,490)
Finance costs	1,949,881	1,041,472
Depreciation and amortisation expenses	13,150,559	12,384,799
Foreign exchange (gain)/ loss	1,277,708	558,454
Operating cash flow before movements in working capital	**17,887,576**	**5,752,235**
(Increase) in trade and other receivables, and amounts owed by group undertakings	(13,707,262)	(2,713,982)
Increase in trade and other payables, and amounts owed to group undertakings	21,047,995	1,927,919
Cash generated from operations	**25,228,309**	**4,966,172**
Interest paid	(1,031,629)	(1,041,472)
Net cash from operating activities	**24,196,680**	**3,924,700**
Cash flow from investing activities		
Purchases of assets	(6,381,185)	(12,626,083)
Proceeds from sale of assets	229,473	-
Total cash (used in) investing activities	**(6,151,712)**	**(12,626,083)**
Cash flow from financing activities		
Proceeds from borrowings	1,594,162	8,792,408
Payments of financial leases	(1,401,460)	(3,734,194)
Total cash generated from financing activities	**192,702**	**5,058,214**
Effects of exchange rates on cash at bank and in hand	174,871	-
Net increase/ (decrease) in cash at bank and in hand	**18,412,541**	**(3,643,169)**
Cash at bank and in hand at the beginning of the year	(9,887,823)	(6,244,654)
Net increase in cash at bank and in hand	18,412,541	(3,643,169)
Cash at bank and in hand at the end of the year	**8,524,718**	**(9,887,823)**
Reconciliation of Cash at Bank and in hand at the end of the year		
Cash and cash equivalents	8,524,718	1,460,143
Bank Overdrafts (included in Borrowings under head "Revolving and other credit facilities"	-	(11,347,966)
Total	**8,524,718**	**(9,887,823)**

Note:
The holding company is dormant and there are no cash balances and hence no Statement of Cash Flows has been disclosed.

1. General information

Double Negative Holdings Limited (“the Company” or “DNEG”) is a limited company incorporated and domiciled in the London, United Kingdom.

The Company and its subsidiaries (together “the Group”) are a visual effects services entity providing visual effects services to clients during the year from its facilities in London, Singapore and Vancouver.

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these consolidated financial statements. The result for the financial period is made up as follows:

	For the year ended 31 March 2017 £	For the year ended 31 March 2016 £
Holding company's results for the financial period	-	-
	-	-

2. Significant accounting policies

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations as issued by the International Accounting Standards Board (collectively “IFRS”) as adopted by the European Union.

Basis of preparation

The preparation of consolidated financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing these consolidated financial statements are disclosed in note 3.

The consolidated financial statements of the Group have been prepared on the historical cost basis except for financial instruments that are measured or re-valued to their estimated fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services received.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17 and measurement that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly, and

Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

At the balance sheet date the Group had shareholders' deficit of £16,653,835 and net current liabilities of £22,730,731. Based on the forecasts, the support of Prime Focus Group companies in not seeking repayment of intra-group debts and the finance facility available to the Prime Focus Group over a period of 4 years, which Double Negative Holdings Limited belong to, from its bankers, Royal Bank of Scotland, ING Corporate Investments B.V. and BNP Paribas Fortis S.A, the directors are confident that the Group will generate sufficient cash flows to meet its obligations as they fall due for payment.

The Company continues to face significant risks associated with successful execution of its strategy. These risks include, but are not limited to, changes in the marketplace, liquidity, competition from existing and new competitors which may enter the marketplace and retention of key personnel. The Company may need additional funds for promoting new products and services and working capital required to support increased sales.

The Company's consolidated financial statements have been presented on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

Control is achieved when the Company:

a. has power over the investee;
b. is exposed, or has rights, to variable returns from its involvement with the investee; and
c. has the ability to use its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the Consolidated Financial Statements (continued)

When a Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

a. the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
b. potential voting rights held by the Company, other vote holders or other parties;
c. rights arising from other contractual arrangements; and
d. any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit and loss and other comprehensive income from the date the Company gain control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of the other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of services and products in the ordinary course of the Company's activities. Revenue is shown net of sales taxes.

The Group recognises revenue when there is evidence of an arrangement, the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Group's activities as described below. The Company bases its estimates on historic results, taking into consideration the type of transaction, the type of customer and the specifics of each arrangement.

<u>Rendering of services:</u>

The Group provides Visual Special Effects (VFX) and Two Dimension to Three Dimension Conversion services to clients in the film, broadcast and commercials sectors. These services are generally provided as fixed price contracts with contract terms generally ranging over a period of three to twenty four months.

Where the outcome of a contract can be estimated reliably, revenue under these contracts is recognised under the percentage completion method based on the services performed to the reporting date as a percentage of total services expected to be performed to deliver the contract. The Group generally measures services performed by reference to percentage of completion method, where revenue is recognized in proportion to the progress of the contract activity. The progress of the contract activity is usually determined as a proportion of days spent up to the balance sheet date, which bears to the total days estimated for the contract. If losses are expected on contracts, these are recognised in full when such losses become evident.

Unbilled revenue is included as unbilled receivables within trade and other receivables, and billing in advance of the revenue being recognised is included as deferred revenue in trade and other payables on the Statement of Financial Position.

On occasion, a contract entered into obliges the company to conduct all required work on a Film production including any further unforeseen changes which the producers may decide upon at a later date. In such circumstances, the Group tracks the communication of any changes in the agreed work and revises estimates of the stage of completion as appropriate in relation to the changes. When a value is reliably estimable for the change in scope of the work, this is applied to the overall contract when the changes were communicated to achieve appropriate cut off and proper recognition of revenue.

Government grants

The Group's operations based in British Colombia (BC), Canada and Singapore are eligible to earn tax credits on labour and related costs for the work performed. Grants are credited to deferred revenue. Grants towards revenue expenditure are released to the Statement of Profit or Loss and Other Comprehensive Income as the related expenditure is incurred.

These credits are not recognized until there is reasonable assurance that the Company will comply with the local compliance regulations attaching to them and that the credits will be received.

Tax credits are recognized in Statement of Profit or Loss and Other Comprehensive Income on a systematic basis over the periods in which the Group recognises, as expenses, the related costs which the credits are intended to compensate.

Property and equipment

Property and Equipment are recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. Property and Equipment are held at cost less accumulated depreciation and any provision for impairment. Depreciation is calculated to write down the cost of fixed assets to their residual values on a straight line basis over the estimated useful economic life as follows:

Leasehold property	Over the period of the lease or useful economic life if shorter
Leasehold improvements	Over the period of the lease or useful economic life if shorter
Equipment, fixtures & fittings	Over 3 to 6 years
Motor vehicles	Over 4 years

Acquired intangible assets

Externally acquired intangible assets with a finite life are initially recognised at cost and are subsequently amortised on a straight-line basis over their useful economic lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, and any change in estimate is accounted for on a prospective basis. These assets are also assessed for indicators of impairment annually. The assets are accounted for net of accumulated impairment loss, if any.

Intangible assets are recognised in business combinations if they are separable from the other assets of the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Acquired intangible assets with a finite life are amortised on a straight-line basis over their estimated useful life as follows:

First look rights	Upon commencement of work on each movie over the period of performance of the contract with respect to each movie

The period of amortisation only starts at the point at which the asset becomes available to produce economic returns.

Research and development costs

Expenditure on internally developed intangible assets are capitalised if it can be demonstrated that:

a. it is technically feasible to develop the intangible asset so that it will be available for use;
b. adequate technical, financial and other resources are available to complete the development;
c. there is an intention to complete and use the intangible asset;
d. use of the intangible asset will generate future economic benefits;
e. expenditure on the project can be measured reliably; and
f. The ability to use or sell the intangible asset.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred. Since incorporation, all such costs in development of products have been expensed as incurred.

Capitalised Development costs are amortised over their estimated useful economic life which is in the range of 1-10 years.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.
Notes to the Consolidated Financial Statements (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Leasing

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability.

The interest element of lease payments is charged to the statement profit or loss and other comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the Statement of Profit or Loss and other Comprehensive Income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Fixed Assets Investments

Fixed asset investments relate to an unlisted investment in a company and an investment in a film. They are stated at cost less provision for diminution in value. Amortisation is provided to write off the cost less estimated residual value over the investment's expected useful life.

Foreign currency translation

Functional and presentational currency
Items included in the financial statements of each of the Company's subsidiary entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

For the purpose of these consolidated financial statements, the results and financial position of the Group are expressed in the functional currency of the primary reporting entity which is Pound sterling. Also, major entities within the Group use their respective functional currencies on the basis of the country of operation, namely Canada.

Transactions and balances
Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the Statement of Profit or Loss and Other Comprehensive Income for the year.

Retirement benefits cost

Payments to defined contribution retirement benefit plans are recognised as an expense when the employees have rendered service entitling them to the contributions.

Taxation and deferred tax

Income tax expense represents the sum of income tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the period. Taxable profit differs from profit as reported in the Statement of Profit or Loss and Other Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods, and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit, and investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/ (assets) are settled/ (recovered).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxing authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities, at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity’ investments, ‘available for sale’ (AFS) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables including trade, other and related party receivables, less any impairment and Cash at Bank and in hand are measured at amortised cost using effective interest method.

Interest income on advances receivable is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Cash at Bank and in hand comprise cash on hand and demand deposits, and other short-term, highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of changes in value.

In the Consolidated statements of Cash-flow, Cash at Bank and in hand are shown net of bank overdrafts, which are included as current Borrowings in liabilities on the balance sheet.

<u>Impairment of financial assets</u>

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables and advances, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, excluding unbilled receivables, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The two categories are 'fair value through profit or loss' and 'other financial liabilities'

The Group's accounting policy for each category is as follows:

Fair value through profit or loss

They are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income. Other than the certain embedded derivatives in certain financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities comprise trade payables and Borrowings for which the accounting policy is described below:

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Borrowings and Interest payable and similar charges

Borrowings represent interest bearing loans which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Statement of Financial Position. Interest payable and similar charges in this context include initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for a period of at least twelve months after the reporting date.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized in Statement of Profit or Loss and Other Comprehensive Income in the period in which they are incurred.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

Equity instruments

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Accounting developments

At the date of authorisation of these consolidated financial statements, the following standards and interpretations relevant to the Group and which have not been applied in these consolidated financial statements, were in issue but were not yet effective. In some cases these standards and guidance have not been endorsed for use in the European Union.

Standard	Effective date, annual period beginning on or after
Amendments to IAS 12 – *Recognition of Deferred Tax for Unrealised Losses*	1 January 2017
Amendments to IAS 7 – *Disclosure Initiative*	1 January 2017
IFRS 9 *Financial instruments*	1 January 2018
IFRS 15 *Revenue from contracts with Customers* including amendments to IFRS 15: *Effective date of IFRS 15*.	1 January 2018
Clarifications to IFRS 15 *Revenue from contracts with Customers*	1 January 2018
Annual Improvements 2014 – 2016 cycle	1 January 2018
IFRS 2 (amendments) *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
IFRS 16 *Leases*	1 January 2019

IFRS 15 and IFRS 16 are expected to have an impact on the Group's consolidated financial statements, whereas the other amendments as mentioned above are not expected to have any significant impact on the consolidated financial statements of the Group.

3. Critical accounting estimates and judgments

The preparation of the consolidated financial cstatements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The judgments, estimates and associated assumptions are evaluated based on historical experience and various other factors, including expectations of future events, which are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations that have been made by the management in the process of applying the Group's accounting policies and that have the most significant effect on the amount recognised in the Consolidated Financial Statements:

Key Sources of estimation uncertainty

Useful lives of property and equipment

The Group reviews the estimated useful lives of property and equipment at the end of each reporting period. During fiscal year ended March 31, 2017, the group has reviewed and revised the estimated useful life of certain items of Equipment, Fixtures and Fittings. Accordingly, depreciation for the year ended March 31, 2017 is lower by £ 1,062,211 consequently profit is higher by the same amount.

Development costs

The Group reviews the cost of developing new visual effects tools and software and assesses the amount which should be capitalised in accordance with IAS 38. The group assesses the most appropriate useful economic life of these assets for the purposes of amortising the relevant cost and conducts an impairment review of these assets annually where it is considered appropriate.

Critical judgements in applying accounting policies

Revenue recognition

The Group derives most of its revenues from fixed price VFX and 2D to 3D content conversion contracts. The revenue recognised on these contracts is dependent on the estimated percentage of completion at a point in time, which is calculated on the basis of the man-days of work performed as a percentage of the estimated total man-days to complete a contract. The actual man-days and estimated man-days to complete a contract are updated on a monthly basis.

The estimated man-days remaining to complete a project are judgemental in nature and are estimated by experienced staff using their knowledge of the time necessary to complete the work.

If a contract is expected to be loss making, based on estimated costs to complete, the expected loss is recognized immediately.

For some contracts the Group’s ability to receive the economic benefits is contingent on a future event, such as the performance of the film at the box office. For these projects, management utilizes available market information and the historical performance of similar films to assess the likelihood that the contingent event will occur, and to reliably estimate the total value of the economic benefit. Revenue for these projects will only be recognised when this assessment shows that it is probable the contingent event will occur, and all other revenue recognition criteria have been met.

Taxation

The Group makes estimates in respect of tax liabilities and tax assets. Full provision is made for deferred and current taxation at the rates of tax prevailing at the year-end unless future rates have been substantively enacted.

These calculations represent our best estimate of the costs that will be incurred and recovered but actuals may differ from the estimates made and therefore affect future financial results. The effects would be recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Deferred tax assets arise in respect of unutilised losses and other timing differences to the extent that it is probable that future taxable profits will be available against which the asset can be utilised or to the extent they can be offset against related deferred tax liabilities. In assessing recoverability, estimation is made of the future forecasts of taxable profit. If these forecast profits do not materialise, they change, or there are changes in tax rates or to the period over which the losses or timing differences might be recognised, then the value of deferred tax assets will need to be revised in a future period.

The Group has losses and other timing differences for which no value has been recognised for deferred tax purposes in these consolidated financial statements. This situation can arise in loss-making subsidiaries where the future economic benefit of these timing differences is estimated to be not probable. It can also arise where the timing differences are of such a nature that their value is dependent on only certain types of profit being earned, such as capital profits. If trading or other appropriate profits are earned in future in these companies, these losses and other timing differences may yield benefit to the Group in the form of a reduced tax charge.

4. Capital management and financial instruments

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

a. Cash at Bank and in hand
b. Other Assets
c. Trade and other Receivables, net
d. Amounts owed by group undertakings
e. Amounts owed to group undertakings
f. Trade and other Payables
g. Other Payables
h. Borrowings
i. Derivatives (Forward exchange contracts)
j. Fixed and Floating rate bank loans
k. Finance leases

a. Categories of financial instruments

The financial instruments of the Company and Group are categorised as follows:

Double Negative Holdings Limited

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 March 2017
(Figures in £ unless specified)

At 31 March 2017	Note	Company Financial assets valued at FVTPL £	Company Loans and receivables held at amortised cost £	Company Total £	Group Financial assets valued at FVTPL £	Group Loans and receivables held at amortised cost £	Group Total £
Non-current financial assets							
Investments	13	-	72	**72**	492,124	-	**492,124**
Trade and other receivables	14	-	-	**-**	-	5,921,372	**5,921,372**
Current financial assets							
Trade and other receivables	14	-	92	**92**	260,000	15,055,374	**15,315,374**
Amounts owed by group undertakings		-	1	**1**	-	8,733,767	**8,733,767**
Other assets		-	-	**-**	-	-	**-**
Derivative financial assets	24	-	-	**-**	780,074	-	**780,074**
Cash at bank and in hand		-	-	**-**	-	8,524,718	**8,524,718**
		-	165	**165**	**1,532,198**	**38,235,231**	**39,767,429**

At 31 March 2016	Note	Company Financial assets valued at FVTPL £	Company Loans and receivables held at amortised cost £	Company Total £	Group Financial assets valued at FVTPL £	Group Loans and receivables held at amortised cost £	Group Total £
Non-current financial assets							
Investments	13	-	72	**72**	350,000	-	**350,000**
Trade and other receivables	14	-	-	**-**	-	5,919,951	**5,919,951**
Current financial assets							
Trade and other receivables	14	-	92	**92**	-	9,890,001	**9,890,001**
Amounts owed by group undertakings		-	-	**-**	-	6,988,749	**6,988,749**
Other assets		-	1	**1**	-	-	**-**
Derivative financial assets	24	-	-	**-**	102,190	-	**102,190**
Cash at bank and in hand		-	-	**-**	-	1,460,143	**1,460,143**
		-	165	**165**	452,190	24,258,844	**24,711,034**

At 31 March 2017	**Note**	**Company** Financial liabilities valued at FVTPL £	**Company** Financial liabilities held at amortised cost £	**Company** Total £	**Group** Financial liabilities valued at FVTPL £	**Group** Financial liabilities held at amortised cost £	**Group** Total £
Non-current financial liabilities							
Borrowings	18	-	-	-	-	13,283,957	**13,283,957**
Other payables	19	-	-	-	-	13,264,173	**13,264,173**
Current financial liabilities							
Borrowings	18	-	-	-	-	6,194,265	**6,194,265**
Amounts owed to group undertakings		-	-	-	-	8,800,056	**8,800,056**
Trade and other payables	16	-	368	**368**	-	10,094,471	**10,094,471**
Derivative financial liabilities		**-**	**-**	**-**	219,577	-	**219,577**
		-	**368**	**368**	**219,577**	**51,636,922**	**51,856,499**

As at 31 March 2016	**Note**	**Company** Financial liabilities valued at FVTPL £	**Company** Financial liabilities held at amortised cost £	**Company** Total £	**Group** Financial liabilities valued at FVTPL £	**Group** Financial liabilities held at amortised cost £	**Group** Total £
Non-current financial liabilities							
Borrowings	18	-	-	-	-	1,378,168	**1,378,168**
Other payables	19	-	-	-	-	13,381,839	**13,381,839**
Current financial liabilities							
Borrowings	18	-	-	-	-	23,237,420	**23,237,420**
Amounts owed to group undertakings		-	-	-	-	4,516,740	**4,516,740**
Trade and other payables	16	-	368	**368**	-	12,002,886	**12,002,886**
		-	**368**	**368**	**-**	**54,517,053**	**54,517,053**

b. Capital risk management

The capital managed by the group consists of its fixed assets, cash reserves and other financial assets. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group management sets the amounts of capital required in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets.

During the periods the Group's strategy was to monitor and manage the use of funds whilst developing business strategies and marketing.

The Group is not subject to any externally imposed capital requirements.

c. Financial risk management

The Group is exposed through its operations to the following financial risks:

a. Credit risk
b. Liquidity risk
c. Market risk:
    i. Foreign exchange risk
    ii. Interest rate risk

a. <u>Credit risk</u>

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from clients and cash. Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis.

The Group has a low credit risk in respect of its trade receivables, its principal customers being national broadcasters and major organisations which the Group has worked with for a number of years. However, as the Group grows its customer base and works with more independent producers it will experience an increased credit risk environment. The Group is also exposed to credit risk in respect of its cash and seeks to minimize this risk by holding funds on deposit with major financial institutions.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The highest credit risk exposure to other receivables is £5,796,000 in respect of rent deposits held by the landlord. The highest credit risk exposure within trade receivables is a single balance of £1,940,897.

Cash at Bank and in hand

Cash is held with various financial institutions at 31 March 2017. The total amount of Cash at Bank and in hand as of 31 March 2017 is £8,524,718, of which £6,393,654 was held in one bank with a credit rating of BBB+.

Notes to the Consolidated Financial Statements (continued)

b. Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Ultimate responsibility for liquidity risk management rests with the Management, which has developed a liquidity management forecasting process which aims to ensure that the Group has sufficient cash at all times to meet liabilities as they fall due.

The following analysis sets out the maturities of financial liabilities, including amounts maturing after more than twelve months.

	Less than 3 months	Between 3 and 12 months	More than 12 months	Total
Non-current financial assets				
Investments	-	-	492,124	**492,124**
Trade and other receivables	5,921,372	-	-	**5,921,372**
Current financial assets	-	-	-	
Trade and other receivables	15,055,373	260,000	-	**15,315,373**
Amounts owed by group undertakings	8,733,767	-	-	**8,733,767**
Other assets	-	-	-	**-**
Derivative financial assets	240,348	539,726	-	**780,074**
Cash at bank and in hand	8,524,718	-	-	**8,524,718**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 March 2017
(Figures in £ unless specified)

At 31 March 2017	Note	Company: Less than 3 months £	Company: Between 3 and 12 months £	Company: More than 12 months £	Company: Total £	Group: Less than 3 months £	Group: Between 3 and 12 months £	Group: More than 12 months £	Group: Total £
Non-current financial liabilities									
Borrowings	18	-	-	-	-	-	-	13,283,957	**13,283,957**
Other payables	19	-	-	-	-	-	-	13,264,173	**13,264,173**
Current financial liabilities									
Borrowings	18	-	-	-	-	4,273,047	1,921,218	-	**6,194,265**
Amounts owed to group undertakings		-	-	-	-	8,800,056	-	-	**8,800,056**
Trade and other payables	16	368	-	-	**368**	9,377,826	716,645	-	**10,094,471**
Derivative Financial liabilities		-	-	-	-	145,331	74,246	-	**219,577**
		368	**-**	**-**	**368**	**22,596,260**	**2,712,109**	**26,548,130**	**51,856,499**

As at 31 March 2016	Note	Company: Less than 3 months £	Company: Between 3 and 12 months £	Company: More than 12 months £	Company: Total £	Group: Less than 3 months £	Group: Between 3 and 12 months £	Group: More than 12 months £	Group: Total £
Non-current financial liabilities									
Borrowings	18	-	-	-	-	-	-	1,378,168	**1,378,168**
Other payables	19	-	-	-	-	-	-	13,381,839	**13,381,839**
Current financial liabilities									
Borrowings	18	-	-	-	-	21,117,112	2,120,308	-	**23,237,420**
Amounts owed to group undertakings		-	-	-	-	4,516,740	-	-	**4,516,740**
Trade and other payables	16	368	-	-	**368**	12,002,886	-	-	**12,002,886**
		368	**-**	**-**	**368**	**34,636,738**	**2,120,308**	**14,760,007**	**54,517,053**

c. Market risk

The primary market risks to which the Group is exposed are foreign currency and interest rate risk.

i. Foreign currency risk

The primary reporting entity's functional currency is Pound Sterling with some entities within the Group using Canadian Dollar, United States Dollar and Singapore Dollar as their functional currency, however these consolidated financial statements have been presented in Pound Sterling. The Group has subsidiaries operating in Canada, United States of America and Singapore, which expose it to foreign currency risk. Further, the Group has clients in the USA and other countries. Virtually all financial instruments held in a currency other than Pounds Sterling are denominated in the functional currency of the respective subsidiary. In addition, the Group as a whole is exposed to transactions which give rise to foreign exchange risk. The Group reviews its exposure on an on-going basis.

The table below shows the extent to which the Group has financial assets and liabilities in currencies other than Pounds Sterling. Foreign exchange differences on re-translation of these assets and liabilities are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

	Singapore Dollars		**Canadian Dollars**		**US Dollars**	
	31 March 2017	**31 March 2016**	**31 March 2017**	**31 March 2016**	**31 March 2017**	**31 March 2016**
Assets	2,368,928	3,042,615	15,855,867	10,410,311	-	-
Liabilities	(1,866,607)	(3,534,892)	(18,201,272)	(25,279,743)	(315,256)	-
Total	**502,321**	**(492,277)**	**(2,345,405)**	**(14,869,432)**	**(315,256)**	**-**

A 10% weakening of the Singapore Dollars against the Pound Sterling at the reporting date would have increased equity by £28,778 at 31 March 2017. There would be no impact on profit for the year which is translated based upon the average rate for the period. 10% is the sensitivity rate used when reporting foreign currency risk internally to key rates. A 10% strengthening of the Singapore Dollar against the Pound Sterling at the reporting date would have had the equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% weakening of the Canadian Dollar against the Pound Sterling at the reporting date would have decreased equity by £140,888 at 31 March 2017. There would be no impact on profit for the year which is translated based upon the average rate for the period. A 10% strengthening of the Canadian Dollar against the Pound Sterling at the reporting date would have had the equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% weakening of the United States Dollar against the Pound Sterling at the reporting date would have decreased equity by £25,243 at 31 March 2017. There would be no impact on profit for the year which is translated based upon the average rate for the period. A 10% strengthening of the United States Dollar against the Pound Sterling at the reporting date would have had the equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions occur. Actual results in the future may differ materially from those projected, due to developments in the global financial markets which may cause fluctuations in interest and exchange rates to vary from the hypothetical amounts disclosed which therefore should not be considered a projection of likely future events. The Group also enters into forward contracts to mitigate the foreign currency risk.

ii. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows in relation to a financial instrument will fluctuate due to changes in interest rates.

The Group has some interest rate risk as Borrowings are predominantly arranged at variable rates. The interest rate profile of the Group's financial assets and liabilities were:

		Company				Group			
At 31 March 2017	**Note**	**Fixed rate £**	**Floating rate £**	**Interest free £**	**Total £**	**Fixed rate £**	**Floating rate £**	**Interest free £**	**Total £**
Financial assets									
Trade and other receivables	14	-	-	92	92	-	5,796,000	15,440,746	**21,236,746**
Amounts owed by group undertakings	20	-	-	-	-	-	-	8,733,767	**8,733,767**
Investments	13	-	-	72	72	-	-	492,124	**492,124**
Other assets		-	-	1	1	-	-	-	**-**
Derivative financial assets	14/24	-	-	-	**-**	-	-	780,074	**780,074**
Cash at bank and in hand		-	-	-	-	-	-	8,524,718	**8,524,718**
		-	**-**	**162**	**165**	**-**	**5,796,000**	**33,971,429**	**39,767,429**
Financial liabilities									
Borrowings	18	-	-	-	-	7,377,775	12,100,447	-	**19,478,222**
Other payables	19	-	-	-	-	-	-	13,264,173	**13,264,173**
Amounts owed to group undertakings	20	-	-	-	-	-	-	8,800,056	**8,800,056**
Trade and other payables	16	-	-	-	**-**	-	-	10,094,471	**10,094,471**
Derivative financial liabilities		-	-	368	368	**-**	**-**	219,577	**219,577**
		-	**-**	**368**	**368**	**7,377,775**	**12,100,447**	**32,378,277**	**51,856,499**

		Company				Group			
At 31 March 2016	**Note**	**Fixed rate £**	**Floating rate £**	**Interest free £**	**Total £**	**Fixed rate £**	**Floating rate £**	**Interest free £**	**Total £**
Financial assets									
Trade and other receivables	14	-	-	92	**92**	-	5,796,000	10,013,952	**15,809,952**
Amounts owed by group undertakings	20	-	-	-	**-**	-	-	6,988,749	**6,988,749**
Investments	13	-	-	72	**72**	-	-	350,000	**350,000**
Other assets		-	-	1	**1**	-	-	-	**-**
Derivative financial assets	14/24	-	-	-	**-**	-	-	102,190	**102,190**
Cash at bank and in hand		-	-	-	**-**	-	-	1,460,143	**1,460,143**
		-	**-**	**165**	**165**	**-**	**5,796,000**	**18,915,034**	**24,711,034**
Financial liabilities									
Borrowings	18	-	-	-	**-**	10,783,547	13,832,041	-	**24,615,588**
Other payables	19	-	-	-	**-**	-	-	13,381,839	**13,381,839**
Amounts owed to group undertakings	20	-	-	-	**-**	-	-	4,516,740	**4,516,740**
Trade and other payables	16	-	-	368	**368**	-	-	12,002,886	**12,002,886**
		-	**-**	**368**	**368**	**10,783,547**	**13,832,041**	**29,901,465**	**54,517,053**

A 1% increase in floating interest rates at the reporting date would have decreased equity and profit for the year by £ 0.1 million for 31 March 2017 (2016: £ 0.1 million). A 1% decrease in floating interest rates at the reporting date would have had the equal but opposite effect. This analysis assumes that all other variables remain constant. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group's policy is to keep between 40% and 60% of its borrowings at fixed rates of interest. The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

5. Turnover

The total revenue of the group for the year has been derived from its principal activity of the rendering of services:

	Group	
	For the year ended 31 March 2017	**For the year ended 31 March 2016**
Segmental analysis by geographical area	**£**	**£**
United Kingdom	76,749,825	38,995,805
Overseas	59,286,091	56,738,329
	136,035,916	**95,734,134**

6. Other operating income

	Group	
	For the year ended 31 March 2017	**For the year ended 31 March 2016**
	£	**£**
Rent income	630,402	443,420
Gain on sale of fixed assets	229,473	-
Tax credits	92,288	5,914,545
Others	503,959	399,053
	1,456,122	**6,757,018**

In respect of some of the operations based in British Colombia (BC), Canada, the Group is eligible to earn tax credits on labour costs for the work performed. These credits are not recognized until there is reasonable assurance that the Double Negative Canada Productions Limited will comply with the local compliance regulations attached to them and that the credits will be received. It is recognised on a systematic basis over the periods in which the Group recognises as expenses the related costs which the credits are intended to compensate.

7. Staff costs

The total personnel costs incurred by the Group were:

	Group	
	For the year ended 31 March 2017	**For the year ended 31 March 2016**
	£	**£**
Wages and salaries	82,991,241	70,216,134
Social security costs	5,788,908	5,254,916
Other pension costs	733,413	439,917
	89,513,562	**75,910,967**

Number of employees

The average monthly number of employees (including directors) during the year was	For the year ended 31 March 2017 £	For the year ended 31 March 2016 £
Number of production staff	1,165	1,047
Number of administrative staff	282	272
Total	**1,447**	**1,319**

Directors' remuneration

	For the year ended 31 March 2017 £	For the year ended 31 March 2016 £
Remuneration for qualifying services	1,541,375	1,777,518
Total	**1,541,375**	**1,777,518**

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2016 - 0).

Remuneration disclosed above includes the following amounts paid to highest paid director:

	For the year ended 31 March 2017 £	For the year ended 31 March 2016 £
Remuneration for qualifying services	375,866	442,047

During the year, directors' fees of £316,535 (2016: £442,047) were charged by Rocketship Limited, a company of which P Chiang is the director. The fees relate to services for P Chiang during the period. At the period end £nil (2016: £35,171) remained outstanding.

Key management personnel remuneration

	For the year ended 31 March 2017 £	For the year ended 31 March 2016 £
Remuneration for qualifying services & short term benefits	2,111,419	2,418,156
Total	**2,111,419**	**2,418,156**

8. Interest payable and similar charges

	Group	
	For the year ended 31 March 2017	For the year ended 31 March 2016
	£	£
Interest on obligation under finance leases	395,240	417,600
Interest expense on intercompany loan	918,252	-
Other interest expense	636,389	634,795
Interest income	-	(10,923)
	1,949,881	**1,041,472**

Total interest income and total interest expense was all derived from financial assets and financial liabilities held at amortised cost.

9. Other expenses

		Group	
		For the year ended 31 March 2017	For the year Ended 31 March 2016
	Notes	£	£
Travel and entertainment		1,362,033	2,024,314
Legal and insurance		954,748	1,434,126
Communication		776,843	568,541
Professional fees		1,078,072	752,366
Fees payable to component auditors for audit services		193,754	140,945
Fees payable to component auditors for non audit services		199,368	300,122
Fees payable to group auditors for audit services		90,591	110,587
Impairment of financial assets	25	-	2,106,168
Other expenses		2,104,716	3,407,758
		6,760,125	**10,844,927**

10. Taxation

Income tax recognized in the Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 March 2017 £	For the year ended 31 March 2016 £
Tax expense		
Current year tax	-	104,251
Provision for earlier years	86,872	767,954
Total tax expense (benefit)	**86,872**	872,205

The difference between the tax charge and the amount calculated by applying the standard rate (23.2%) of corporation tax to the profit before tax is shown below:

	For the year ended 31 March 2017 £	For the year ended 31 March 2016 £
Gross profit / (loss) on ordinary activities before tax	1,509,428	(8,232,490)
Income tax expense calculated at 23.2% (2016: 18.0%)	350,188	(1,485,081)
Effects of:		
Non-deductible expenses	7,762	180,727
Depreciation on ineligible fixed assets	-	-
Depreciation in excess of capital allowances	821,756	10,226
Capital lease payments tax deductible	(99,259)	-
Tax rebate	-	(23,618)
Income not subject to tax	-	(4,898)
Overseas tax rates	-	(89,422)
Under provision in prior periods	86,272	767,954
Other tax adjustments – profit on disposal	-	-
Tax losses utilised	(583,749)	-
Unrecognised deductible temporary differences	-	429,043
Tax losses carried forward	(496,098)	1,087,274
Current tax charge	86,872	872,205

The tax rate used for the 2017 and 2016 reconciliations above is the average of the corporate tax rate payable by entities on taxable profits under tax law in the respective jurisdiction.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 March 2017
(Figures in £ unless specified)

10. Taxation (continued)

Current tax assets and liabilities:

	Group	
	As at 31 March 2017 £	As at 31 March 2016 £
Current tax liabilities		
Income tax payable	1,115,022	940,153
	1,115,022	940,153

11. Intangible assets

	Group			
	First look rights £	Assets Under Construction £	Software and developed technology £	Total £
Cost				
At 1 April 2016	**502,807**	**-**	**15,638,939**	**16,141,746**
Additions	-	1,580,205	2,674,125	4,254,330
Reclassification of assets (refer note 12)	-	-	7,027,245	7,027,245
Disposals	-	-	-	-
Exchange rate impact	-	-	127,883	127,883
At 31 March 2017	**502,807**	**1,580,205**	**25,468,192**	**27,551,204**
Accumulated amortisation				
At 1 April 2016	**-**	**-**	**5,299,871**	**5,299,871**
Amortisation	-	-	5,722,018	5,722,018
Reclassification of assets (refer note 12)	-	-	3,935,837	3,935,837
Disposals	-	-		
Exchange rate impact	-	-	92,546	92,546
At 31 March 2017	**-**	**-**	**15,050,272**	**15,050,272**
Net carrying value				
At 31 March 2017	**502,807**	**1,580,205**	**10,417,920**	**12,500,932**
At 31 March 2016	502,807	-	10,339,068	10,841,875

* reclassification pertains to regrouping for class of assets from Tangible to Intangible (Software and Developed Technology)

12. Property and equipment

	Leasehold improvements	Group Equipment, fixtures & fittings	Total
	£	£	£
Cost			
At 1 April 2016	17,854,995	44,561,652	62,416,647
Additions	18,904	5,569,428	5,588,332
Reclassification of assets*	211,264	(7,238,509)	(9,769,857)
Disposals	-	(17,812,103)	(17,812,103)
Exchange rate impact	587,954	400,242	988,196
At 31 March 2017	**18,673,117**	**25,480,710**	**44,153,827**
Accumulated depreciation and amortisation			
At 1 April 2016	9,294,011	35,364,592	44,658,603
Depreciation / amortisation	4,010,919	3,417,621	7,428,540
Reclassification of assets*	175,402	(4,147,101)	(6,714,311)
Disposals		(17,827,182)	(17,827,182)
Exchange rate impact	90,033	64,934	154,967
At 31 March 2017	**13,570,365**	**16,872,864**	**30,443,229**
Net carrying value			
At 31 March 2017	**5,102,752**	**8,607,846**	**13,710,598**
At 31 March 2016	8,560,984	9,197,060	17,758,044

The net book value of equipment, fixtures & fittings includes an amount in respect of assets held under finance lease agreements of 31 March 2017: £4,786,731 (31 March 2016: £2,882,986). The charge for depreciation for the year ended on these assets is 31 March 2017: £1,707,861 (31 March 2016: £2,979,404). Also, refer to Note 18.

* reclassification pertains to regrouping for class of assets from Tangible to Intangible (Software and Developed Technology)

13. Investments

	Company		Group	
	As at 31 March 2017 £	As at 31 March 2016 £	As at 31 March 2017 £	As at 31 March 2016 £
Unquoted Investment in an animation company	-	-	492,124	350,000
Investment in Subsidiaries	72	72	-	-
	72	72	492,124	350,000

The group made a long term investment during the 9 month period ended 31 March 2015 in an unquoted private limited company.

14. Trade and other receivables

	Company		Group	
	As at 31 March 2017 £	As at 31 March 2016 £	As at 31 March 2017 £	As at 31 March 2016 £
Amounts falling due within one year:				
Trade receivables	92	92	10,428,023	3,392,308
	92	92	10,428,023	3,392,308
Other receivables	-	-	4,918,165	2,309,572
	92	92	15,346,188	5,804,070
Tax credits receivable			4,195,952	3,748,088
Derivative financial assets	-	-	780,074	102,190
Unbilled receivables	-	-	4,421,394	2,373,447
	92	92	24,743,608	11,925,605
Amounts falling due after one year:				
Other receivables	-	-	5,921,372	5,919,951
	-	-	5,921,372	5,919,951

The average credit period for group trade receivables at the end of 2017 was 40 days (2016: 22 days). No interest is charged on trade receivables. Included in other receivables are prepayments of £ 4,452,208 (2016: £1,933,414).

An analysis of the ageing for group trade and unbilled receivables and related allowance is as follows:

	31 March 2017			31 March 2016		
	Gross receivables	Allowance for doubtful debts	Net receivables	Gross receivables	Allowance for doubtful debts	Net receivables
	£	£	£	£	£	£
Not due	4,421,394	-	4,421,394	2,373,447	-	2,373,447
Up to 3 months	10,398,752	-	10,398,752	3,392,308	-	3,392,308
3 to 6 months	25,693	-	25,693	-	-	-
Over 6 months	3,578	-	3,578	-	-	-
	14,849,417	-	14,849,417	5,765,755	-	5,765,755

15. Deferred tax

Deferred tax is calculated on full temporary differences under the liability method using a tax rate dependent upon the tax jurisdiction of the relevant asset. The analysis of deferred tax assets and liabilities is as follows:

	31 March 2017	31 March 2016
	£	£
Deferred tax assets	(4,425,895)	(4,033,114)

The balances of deferred tax assets for the year were as follows:

	Temporary differences*	Losses	Total
	£	£	£
At 31 March 2015	(1,063,922)	(2,205,840)	(3,269,762)
Deferred Tax movement not recognised	(189,957)	(573,395)	(763,352)
At 31 March 2016	(1,253,879)	(2,779,235)	(4,033,114)
Deferred Tax movement not recognised	(627,366)	424,585	(202,781)
At 31 March 2017	(1,881,245)	(2,354,650)	(4,235,895)

* Deferred tax provision in respect of temporary differences is on account of temporary differences on plant & equipment.

Deferred tax assets are recognised for tax losses to the extent that the realisation of the related tax benefit through future taxable income is probable. Deferred tax assets which have been recognised only to the extent to which they offset a deferred tax liability are shown net against that corresponding liability.

The Company did not recognise a deferred tax asset at 31 March 2017, as there was no certainty that the deferred tax asset in respect of the losses would reverse in future periods.

16. Trade and other payables

	Company		Group	
	At 31 March 2017 £	**At 31 March 2016 £**	**At 31 March 2017 £**	**At 31 March 2016 £**
Trade payables and accrued expenses	368	368	10,094,471	12,002,886
Provision for Singapore office cost	-	-	-	705,206
Derivative financial liabilities	-	-	219,577	-
Statutory dues	-	-	7,642,643	1,513,438
Deferred income	-	-	30,666,790	12,953,330
	368	368	48,623,481	27,174,860

	Onerous Contract £	**Singapore Office £**
At 31 March 2015	726,901	-
Statement of Profit or Loss and Other Comprehensive Income	(726,901)	705,206
At 31 March 2016	-	705,206
Statement of Profit or Loss and Other Comprehensive Income		(705,206)
At 31 March 2017	-	-

The onerous contract provision represents management's best estimate of the company's liability for loss-making VFX contracts at the date of the Statement of Financial Position. This assessment has been determined on estimated costs to completion based on industry knowledge and past experience.

The provision of £705,206 in the year to 31 March 2016 is in respect of costs as a result of the announcement of the closure of the Singapore office, including office leases and redundancy costs. The office closed in May 2016. No provision is required in the year to 31 March 2017.

17. Share Capital

Allotted, called up and fully paid up

	Group	
	31 March 2017 £	**31 March 2016 £**
5,161 Ordinary shares of £0.001 each	**5**	**5**

18. Borrowings

	Company		Group	
	At 31 March 2017	At 31 March 2016	At 31 March 2017	At 31 March 2016
Due within one year	£	£	£	£
Revolving and other credit facilities	-	-	3,493,755	20,217,338
Finance lease liabilities	-	-	2,700,510	3,020,082
	-	-	**6,194,265**	**23,237,420**

	Company		Group	
	At 31 March 2017	At 31 March 2016	At 31 March 2017	At 31 March 2016
Due after one year	£	£	£	£
Loan from related party (refer note 20)	-	-	8,606,692	-
Finance lease liabilities	-	-	4,677,265	1,378,168
	-	-	**13,283,957**	**1,378,168**

Analysis of debt maturity:

Repayable within one year				
Revolving and other credit facilities	-	-	3,493,755	20,217,338
Finance lease liabilities	-	-	2,700,510	3,020,082
	-	-	**6,194,265**	**23,237,420**
Repayable between one and two years				
Finance lease liabilities	-	-	1,801,769	870,074
Repayable between two and five years				
Finance lease liabilities	-	-	2,875,496	508,094
Repayable after five years				
Intercompany loan	-	-	8,606,692	-
	-	-	**13,283,957**	**1,378,168**

a. The revolving and other credit facilities include the following: A Bank held a fixed and floating charge in respect of all present and future liabilities and obligations secured on the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures, and fixed plant & machinery with respect to a subsidiary of the Company for the line of credit of £11,347,966. The loan was repaid during the year.

b. A lender held a fixed and floating charge in respect of all present and future liabilities and obligations secured on the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures, and fixed plant & machinery of £6,385,296. The loan was repaid during the year.

c. Bank loan of £3,493,754 (2016: £2,484,075) falling due within one year which is collateralized by the tax credit receivables. The line of credit is bearing interest rate at the bank prime rate plus 0.75%.

19. Other payables

	Company		Group	
	At 31 March 2017 £	At 31 March 2016 £	At 31 March 2017 £	At 31 March 2016 £
Lease expenses	-	-	13,264,173	13,381,839
	-	**-**	**13,264,173**	**13,381,839**

20. Related party transactions

Name of related party	Relationship to group
Prime Focus Limited	Ultimate Holding Company (the parent) (control exists)
PF World Limited	Intermediate Holding Company (control exists)
Prime Focus Luxembourg S.a.r.l	Intermediate Holding Company (control exists)
Prime Focus 3D Cooperatief UA	Holding Company (control exists)
De-Fi Media Limited	Fellow Subsidiary
Gener8 Digital Media Services Limited	Fellow Subsidiary
Prime Focus London plc	Fellow Subsidiary
Prime Focus Technologies Private Limited	Fellow Subsidiary } Prime Focus Technologies Group
Prime Focus Technologies, Inc.	Fellow Subsidiary
Prime Focus Motion Pictures Limited	Fellow Subsidiary
Prime Focus World N.V.	Holding Company
Prime Focus North America Inc.	Fellow Subsidiary
Prime Focus Creative Services Inc.	Fellow Subsidiary
Prime Focus World Creative Services Private Limited	Fellow Subsidiary
Prime Focus World Malaysia Sdn Bhd.	Fellow Subsidiary
Prime Focus International Services UK Limited	Fellow Subsidiary
Double Negative India Private Limited (formerly known as Reliable Laptops Private Limited)	Fellow Subsidiary
M Holben	Director#
A Hope	Director#
P Chiang	Director (resigned 16 October 2016)#
Rocketship Limited	Director (P Chiang) is a shareholder#

Refer Note 7 – Directors' and Key Management Personnel Remuneration

During the normal course of its business, the Group enters into various transactions with both the Ultimate Holding Company and other commonly controlled entities in the Prime Focus Group.

i. During the year Double Negative Singapore Pte Limited invoiced Gener8 Digital Media Services Limited for services of £nil (2016 - £1,142,637) during the year. A gain on translation of £125,884 was made during the year. At the year end, a balance of £1,268,521 (2016 - £1,142,637) is due from Gener8 Digital Media Services Limited.

ii. During the year funds totalling £172,200 (2016: £388,050) were paid to Prime Focus World N.V. Loans of £8,866,692 (2016: £nil) were made by Prime Focus World N.V., with resulting interest of £1,146,812 (2016: £nil) charged in the year. A gain on translation of £264,177 was made during the period. At the year end, a balance of £10,914,077 (2016: £ 1,336,950) is due to Prime Focus World N.V.

iii. During the year funds totalling (net) £1,458,199 (2016: -£2,084,762) were received from / (paid to) Prime Focus International Services UK Limited. Double Negative Limited invoiced Prime Focus International Services UK Limited for recharges of £4,037,264 (2016: £880,059) during the year. Prime Focus International Services UK Limited invoiced Double Negative Limited for recharges of £326,376 (2016: £nil) during the year. At the year end, a balance of £7,088,207 (2016: £4,835,518) is due from Prime Focus International Services UK Limited and bills received in advance £ 2,751,851 (2016: Nil).

iv. During the year Prime Focus World Creative Services Private Limited invoiced Double Negative £2,244,202 (2016: £3,179,790) for services rendered. Repayments made during the year are £5,243,850 (2016: £nil). At the year end, a balance of £180,142 (2016: £3,179,790) is due to Prime Focus World Creative Services Private Limited.

v. During the year Double Negative India Private Limited invoiced Double Negative £ 6,936,149 (2016: £ Nil) for services rendered. Repayments made during the year are £1,035,792 (2016: £nil). At the year end, a balance of £5,900,357 (2016: £ Nil) is due to Double Negative India Private Limited.

vi. During the year funds totalling (net) £451,413 (2016: -£742,346) were received from /(paid to) Prime Focus North America Inc. Prime Focus North America Inc. invoiced Double Negative Limited for recharges of £322,596 (2016: £nil) during the year. At the year end, a balance of £31,663 (2016: -£742,346) is due to/ (from) Prime Focus North America Inc.

vii. During the year funds totalling (net) £1,056,704 (2016: -£312,979) were received from / (paid to) Prime Focus Creative Services Canada Inc. Double Negative Limited invoiced (net) £781,092 during the year. At the year end, a balance of £3,466 (2016: £268,248) is due to Prime Focus Creative Services Canada Inc.

21. Control

As at 31 March 2017 the company is a wholly owned subsidiary of Prime Focus Worldwide, N.V., a company incorporated in the Netherlands. Prime Focus Worldwide, N.V. is the smallest group of undertakings for which group accounts were drawn up. At 31 March 2017, Prime Focus Limited, a company incorporated in India was the ultimate parent undertaking. Prime Focus Limited was the largest group of undertakings for which group accounts were drawn up.

22. Leasing arrangements

Finance lease arrangements generally stem from equipment leases with terms of up to 3 years. The Group has options to purchase the equipment for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are collaterised by the lessors' title to the leased assets. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.52% to 13.51% per annum.

The liabilities are due as follows:

	Company		Group	
	£	£	£	£
Future minimum lease payments				
due not later than one year	-	-	3,160,844	3,567,085
due later than one year and not later than five years	-	-	5,301,835	1,461,250
due later than five years	-	-	-	-
Interest portion contained in the future minimum lease payments	-	-		
due not later than one year			460,334	547,003
due later than one year and not later than five	-	-		
years	-	-	644,913	83,082
due later than five years	-	-	-	-
Present value of outstanding minimum lease payments				
due not later than one year	-	-	2,700,510	3,020,082
due later than one year and not later than five years	-	-	4,656,921	1,378,168
due later than five years	-	-		-

23. Operating lease commitments

The Group leases various offices under non-cancellable operating lease agreements with lease terms of up to 20 years. with certain agreements wherein the Group has an option to renew based on contractual terms for a period of 5 years.

Payments recognised as expense

	Group	
	31 March 2017	**31 March 2016**
	£	**£**
Minimum lease payments	4,952,842	4,830,000

Non-cancellable operating lease commitments	**31 March 2017**	**31 March 2016**
	£	**£**
Not later than one year from the reporting date	4,781,500	4,830,000
Later than one year and no later than five years	19,146,513	20,096,250
After five years	44,262,108	56,196,250
Total of Future Minimum Lease Payments	**68,190,121**	**81,122,500**

24. Fair value measurements

This note provides information about how the Company determines fair values of various financial assets and financial liabilities.

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis:

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

(Financial Assets)/ Financial Liabilities	**Fair Value as at 31 March 2017**	**Fair Value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
Forward contracts for receivables from customers	(560,497)	Level 2	Forward rate quotes for same periods obtained from Bankers	None	Not applicable
Revenue participation in movie	260,000	Level 3	Undiscounted cash flow based on estimated theatrical box office performance	Future estimated theatrical box office performance. These estimates are based on available historical market information in respect of the actual performance of the films deemed to be generally comparable.	Higher the estimated theatrical box office performance, the higher is the fair value
Investment in animation company	492,124	Level 3	Discounted cash flows	Discount rate and probable cash flows	Higher the discount rate, lower the fair value
Financial Assets/ Financial Liabilities	**Fair Value as at 31 March 2016**	**Fair Value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
Forward contracts for receivables from customers	(102,190)	Level 2	Forward rate quotes for same periods obtained from Bankers	None	Not applicable
Investment in animation company	350,000	Level 3	Discounted cash flows	Discount rate and probable cash flows	Higher the discount rate, lower the fair value

Reconciliation of level 3 fair value measurements

Closing balance at March 31, 2016 (Financial Asset)	**350,000**
Payments made for revenue participation in movies	260,000
Additional Investment	142,124
Closing balance at March 31, 2017 (Financial Asset)	**752,124**

25. Restructuring and integration costs

An announcement was made in September 2015 to staff for the planned curtailment of Double Negative Singapore Pte Limited and a public announcement of closure was made in March 2016. Consequent to which closure of the Singapore operations has been done during the year, however, discussions are in progress with the Economic Development Board (EDB) for the closure of the Company.

The total expenditure incurred by Double Negative Singapore Pte Limited for the year is £366,926 (2016: £ 6,010,370) which include:

1. Redundancy costs of £ 335,611 (2016: £75,019)
2. Other expenses of £ 173,211
3. Provision for dilapidations of £Nil (2016: £480,984)
4. Other Income of £ (141,896)
5. The write off of receivables from the Economic Development Board of £ Nil (2016: £2,102,930)

26. Subsidiary undertakings

Subsidiary undertakings

The subsidiary undertakings at the end of the reporting period are as follows:

Subsidiary undertakings:	Principal activity	Address and Country of incorporation	Percentage of ordinary shares held 31 March 2017	Percentage of ordinary shares held 31 March 2016
Double Negative Limited	Visual effects	160 Great Portland Street, London W1W 5QA, UK	100%	100%
Double Negative Singapore PTE Limited	Visual effects	80 Raffles Place #32-01, UOB Plaza, Singapore (048624)	100%	100%
Double Negative Films Limited	Dormant	160 Great Portland Street, London W1W 5QA, UK	100%	100%

Double Negative Canada Productions Limited	Visual effects	149 W 4th Ave, Vancouver, BC V5Y 4A6, Canada	100%	100%
Double Negative Huntsman VFX Limited	Visual effects	149 W 4th Ave, Vancouver, BC V5Y 4A6, Canada	100%	100%
Double Negative LA LLC	Visual effects	6725 Sunset Blvd Suite 110, Los Angeles, CA 90028, USA	100%	-

All subsidiary undertakings are included in the consolidation.