Double Negative LA LLC

Financial statements
For the year ended 31 March 2017

Double Negative Huntsman VFX Limited

Company Information

Directors	M Holben A Hope
Registered Office	149 West 4th Avenue, Vancouver, BC, V5Y 1G4, Canada

Double Negative LA LLC

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

	Notes	For the year ended 31 March 2017 $
Continuing operations		
Revenue		-
Staff costs		(144,713)
Other operating charges		
Communication Charges		(1,858)
Legal and Professional fees		(4,866)
Rental Expenses		(24,563)
Travelling Expenses		(36,570)
Consumables		(10,858)
Miscellaneous Expenses		(91,828)
Loss before tax		(315,257)
Tax expense		-
Loss and total comprehensive loss for the year		**(315,257)**

The footnotes form an integral part of the Financial Statements

Double Negative LA LLC

Statement of Financial Position
As at 31 March 2017

	Notes	At 31 March 2017 $
EQUITY AND LIABILITIES		
Equity		
Reserves		(315,257)
Total equity		**(315,257)**
Current liabilities		
Payables due to related parties (net)		315,257
Current income tax liabilities		-
Total current liabilities		**315,257**
Total liabilities		**315,257**
Total equity and liabilities		**-**

The footnotes form an integral part of the Financial Statements

Approved by the Board and authorised for issue on ______________

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A Hope
Director

Double Negative LA LLC

Statement of Changes in Equity
As at 31 March 2017

	Profit and Loss Account $	Total Equity $
At 31 March 2016	**-**	**-**
Profit for the year	(315,257)	(315,257)
At 31 March 2017	**(315,257)**	**(315,257)**

The footnotes form an integral part of the Financial Statements

1. General information

Double Negative LA LLC ("the Company" or "DNeg") is a company incorporated and domiciled in the Los Angeles, United States of America.

The Company is a visual effects services entity providing visual effects services to clients from its facilities in United States.

2. Significant accounting policies

Statement of Compliance

The 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").

Basis of preparation

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

The financial statements 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, including directly observable prices 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 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.

2. Significant accounting policies (continued)

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 Statement of Financial Position date, the Company had shareholders' deficit of $ 315,257 and net current liabilities of $ 315,257. Based on the forecasts and the finance facility available to the Prime Focus Group, which Double Negative belongs 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 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.

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 Company 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 Company’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.

Rendering of services:

The Company provides Visual Special Effects (VFX) services to clients in the film and broadcast sectors. These services are generally provided as fixed price contracts with contract terms generally ranging over a period of three to twelve 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 Company generally measures services performed by reference to man days spent. If losses are expected on contracts these are recognised 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.

2. Significant accounting policies (continued)

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 Company 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.

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 of 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.

Foreign currency translation

Functional and presentational currency
For the purpose of these financial statements, the results and financial position of the Company are expressed in the functional currency of the primary reporting entity which is pound sterling.

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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2. Significant accounting policies (continued)

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 Company 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 Company 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 Company 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 and cash equivalents are measured at amortised cost using effective interest method.

2. Significant accounting policies (continued)

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 and cash equivalents comprise cash in 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 cash-flow statement, Cash and cash equivalents are shown net of bank overdrafts, which are included as current Borrowings in liabilities on the Statement of Financial Position.

Impairment of financial assets

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 Company’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.

2. Significant accounting policies (continued)

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 Company 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 Company'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 Company 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 Company 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.

2. Significant accounting policies (continued)

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 Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company'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 Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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 financial statements, the following standards and interpretations relevant to the Company and which have not been applied in these financial statements, were in issue but were not yet effective.

2. Significant accounting policies (continued)

Standard	Effective date, annual period beginning on or after
Annual Improvements 2012-2014 cycle	1 January 2016
IAS 16 *Property, Plant & Equipment* and IAS 38 – *Intangible assets* (amendments)	1 January 2016
IAS 1 Disclosure Initiative	1 January 2016
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 16 *Leases*	1 January 2019

The directors are evaluating the impact that these standards will have on the financial statements of the Company.

3. Critical accounting estimates and judgements

The preparation of the financial statements 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, which are those involving estimates that have been made by the management in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognised in the Financial Statements:

Useful lives of property and equipment

The Group reviews the estimated useful lives of property and equipment at the end of each reporting period.

Revenue recognition

The Company derives most of its revenues from fixed price VFX 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.

3. Critical accounting estimates and judgments (continued)

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.

Taxation

The Company 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 Company has losses and other timing differences for which no value has been recognised for deferred tax purposes in these 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, these losses and other timing differences may yield benefit to the Company in the form of a reduced tax charge.

4. Capital management and financial instruments

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company'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 financial statements.

There have been no substantive changes in the Company'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.

5. Control

As at 31 March 2017 the Company is a wholly owned subsidiary of Double Negative Holdings Limited, a company incorporated in the United Kingdom.

6. The company leases an office under a non-cancellable operating lease agreement with a lease term of 3 years.

Payments recognised as expense

	31 March 2017
	$
Minimum lease payments	24,563

Non-cancellable operating lease commitments

	31 March 2017
	£
Not later than one year from the reporting date	119,369
Later than one year and no later than five years	123,011