**Company Registration No. 03325701 (England and Wales)**

# Double Negative Limited

## Financial statements
## For the year ended 31 March 2017

**Double Negative Limited**

## Company Information

| | |
|---|---|
| **Directors** | M Holben<br>A Hope |
| **Secretary** | Derringtons Limited |
| **Company Number** | 03325701 |
| **Registered Office** | 160 Great Portland Street<br>London<br>United Kingdom<br>W1W 5QA |
| **Independent Audit** | Deloitte LLP<br>Statutory Auditor<br>2 New Street Square<br>London<br>EC4A 3BZ |

**Double Negative Limited**

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**Double Negative 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 Double Negative Limited (Company) continued to be that of the provision of digital visual effects for the global film industry.

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

a. Miss Peregrine's Home for Peculiar Children
b. A Cure for Wellness
c. Star Trek Beyond
d. Jason Bourne
e. Assassin's Creed
f. Fantastic Beasts and Where to Find Them
g. Baby Driver
h. Geostorm
i. Wonder Woman
j. Justice League
k. Solutrean
l. Life
m. Annihilation
n. Fast and Furious 8
o. The Mummy
p. Blade Runner
q. Bodega Bay
r. Megalodon
s. American Assassin
t. Marble
u. Pacific Rim 2
v. 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 company 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 Company 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.

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.

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.

## 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 980 staff 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 Company.

Company 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 Company during the year. The Directors consider the financial performance to be good in the year to March 2017 as revenue for the year totaled £88,136,443 against £88,125,629 in previous year, leading to an EBITDA of £10,976,856 against £5,708,800 in previous year and loss before tax of £593,048 against a loss of £5,542,040 in previous year.

## Key Performance Indicators

An important KPI for Company 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 £ 58,540,571 (45%) as compared to £37,381,642 (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 79% in the year 31 March 2017, compared with an average of 75% 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 Company has maintained a positive cash position during current period through a combination of effective working capital management and support from its intermediate holding company. The Company has positive operating cash flows during the year of £ 23.7 million (2016: outflow of £ 1.9 million). As of March 31, 2017, the Company had an accumulated deficit of approximately £ 24.9 million (2016: £ 24.4 million). The intermediate holding Company remains committed to providing support if necessary to ensure the Company 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 financial statements for the year ended 31 March 2017.

## Principal activities

The principal activity of the Company continued to be that of the provision of digital visual effects for the global film industry.

## Results and dividends

The Statement of Comprehensive Income for the year is set out on page 11. 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 Statement of Financial Position 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
A Hope

## Employee involvement

The Company'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 Company's performance.

## Disabled persons

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

Foreign currency risk

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

In order to manage this risk, the Company 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 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 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 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 Company'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 Company's auditors are aware of that Information.

On behalf of the board

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

## Independent Auditors' Report to the Members of Double Negative Limited
## For the year ended 31 March 2017

We have audited the financial statements of Double Negative Limited for the year ended 31 March 2017 set out on pages 9 to 46. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

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

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

### Opinion on financial statements

In our opinion:

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

## Independent Auditors' Report to the Members of Double Negative Limited (continued)
## For the year ended 31 March 2017

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company's 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]

## 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 | | 88,136,443 | | 88,125,629 |
| Other income | 6 | | 6,445,525 | | 14,695,006 |
| Staff costs | 7 | | (59,185,991) | | (52,068,948) |
| Finance costs | 8 | | (1,699,918) | | (941,633) |
| Fair value gain on derivatives | | | 458,308 | | 2,003,766 |
| Depreciation and amortisation expenses | 11 and 12 | | (9,869,986) | | (10,309,207) |
| Other operating charges | | | | | |
| Rent rates and utilities | | (8,523,459) | | (7,602,994) | |
| Outsourcing costs | | (6,777,354) | | (32,957,742) | |
| Foreign exchange (losses) | | (4,060,371) | | (332,753) | |
| Other expenses | 9 | (5,516,245) | | (6,153,164) | |
| | | | (24,877,429) | | (47,046,653) |
| **Loss before tax** | | | (593,048) | | (5,542,040) |
| Tax expense | 10 | | (17,927) | | - |
| **Loss and total comprehensive loss for the year** | | | **(610,975)** | | **(5,542,040)** |

**The footnotes on pages 13 to 46 form an integral part of the Financial Statements**

## Statement of Financial Position
## As at 31 March 2017

| | Notes | At 31 March 2017 £ | At 31 March 2016 £ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 11 | 10,170,019 | 10,077,424 |
| Property and equipment | 12 | 6,650,313 | 9,600,484 |
| Intangible assets under development | 11 | 1,580,205 | - |
| Investments | 13 | 492,124 | 350,000 |
| Trade and other receivables | 14 | 5,796,000 | 5,796,000 |
| **Total non- current assets** | | **24,688,661** | **25,823,908** |
| **Current assets** | | | |
| Trade and other receivables | 14 | 16,844,261 | 7,563,927 |
| Receivables due from related parties | 20 | 16,028,918 | 8,346,435 |
| Other assets | | - | - |
| Cash and cash equivalents | | 6,396,072 | 1,500 |
| **Total current assets** | | **39,269,251** | **15,911,862** |
| **Total assets** | | **63,957,912** | **41,735,770** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Issued capital | 17 | 70 | 70 |
| Reserves | | (24,968,457) | (24,357,482) |
| **Total equity** | | **(24,968,387)** | **(24,357,412)** |
| **Non-current liabilities** | | | |
| Other non-current payables | 19 | 12,531,115 | 13,381,839 |
| Borrowings | 18 | 12,376,223 | 1,347,576 |
| **Total non-current liabilities** | | **24,907,338** | **14,729,415** |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 43,385,820 | 15,512,034 |
| Borrowings | 18 | 2,184,925 | 20,484,495 |
| Payables due to related parties | 20 | 18,448,216 | 15,367,238 |
| Current income tax liabilities | 10 | - | - |
| **Total current liabilities** | | **64,018,961** | **51,363,767** |
| **Total liabilities** | | **88,926,229** | **66,093,182** |
| **Total equity and liabilities** | | **63,957,912** | **41,735,770** |

**The footnotes on pages 13 to 46 form an integral part of the Financial Statements**

Approved by the Board and authorised for issue on ______________

____________________

A Hope
Director
Company Registration Number: 03325701

## Statement of Changes in Equity
## As at 31 March 2016

| | Issued Capital £ | Profit and Loss Account £ | Total Equity £ |
|---|---|---|---|
| **At 31 March 2015** | **70** | **(18,815,442)** | **(18,815,372)** |
| Loss for the year | - | (5,542,040) | (5,542,040) |
| **At 31 March 2016** | **70** | **(24,357,482)** | **(24,357,412)** |
| Loss for the year | - | (610,975) | (610,975) |
| **At 31 March 2017** | **70** | **(24,968,457)** | **(24,968,387)** |

**The footnotes on pages 13 to 46 form an integral part of the Financial Statements**

**Double Negative Limited**

**Statement 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** | | |
| Loss before tax | (593,048) | (5,542,040) |
| Finance costs | 1,699,918 | 941,633 |
| Unrealised exchange loss (net) | 1,251,241 | - |
| Fair value (loss)/ gain on derivatives | (458,308) | (2,003,766) |
| Net Gain on disposal of Tangible Assets | (220,022) | - |
| Depreciation and amortisation expenses | 9,869,986 | 10,309,207 |
| **Operating cash flow before movements in working capital** | **11,549,767** | **3,705,034** |
| Decrease in other assets | - | 530,446 |
| Increase in trade and other receivables, and receivables due from related parties | (16,105,636) | 1,430,184 |
| Increase/ (Decrease) in trade and other payables, and payables due to related parties | 29,030,383 | (6,622,492) |
| **Cash generated from / (used in) operations** | **24,474,514** | **(956,828)** |
| Interest paid | (781,666) | (941,633) |
| Tax paid | (17,927) | - |
| **Net cash from/ (used in) operating activities** | **23,674,921** | **(1,898,461)** |
| **Cash flow from investing activities** | | |
| Purchases of assets | (8,577,538) | (5,332,460) |
| Proceeds from sale of assets | 204,945 | - |
| Purchase of Investments | - | - |
| **Total cash used in investing activities** | **(8,372,593)** | **(5,332,460)** |
| **Cash flow from financing activities** | | |
| Net proceeds from borrowings | 640,912 | 6,328,947 |
| Cash inflows/ (outflows) from finance leases | 1,799,298 | (3,487,339) |
| **Total cash generated from financing activities** | **2,440,210** | **2,841,608** |
| **Net increase/ (decrease) in cash and cash equivalents** | **17,742,538** | **(4,389,313)** |
| Cash and cash equivalents at the beginning of the year | (11,346,466) | (6,957,153) |
| Net increase/ (decrease) in cash and cash equivalents | 17,742,538 | (4,389,313) |
| **Cash and cash equivalents at the end of the year** | **6,396,072** | **(11,346,466)** |
| **Reconciliation of cash at bank and in hand at the end of the year** | | |
| Cash and cash equivalents | 6,396,072 | 1,500 |
| Bank overdrafts (included in borrowings under heading "Revolving and other credit facilities" | - | (6,958,653) |
| **Total** | **6,396,072** | **(6,957,153)** |

## 1. General information

Double Negative Limited ("the Company" or "DNeg") is a limited company incorporated and domiciled in the United Kingdom.

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

## 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") as adopted for use in the European Union.

### 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 £24,968,317 and net current liabilities of £24,749,440. 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.

### 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.

## 2. Significant accounting policies (continued)

### 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.

### Impairment of tangible and intangible assets

At the end of each reporting period, the Company 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 Company 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.

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.

## 2. Significant accounting policies (continued)

### 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.

### 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*
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. In some cases these standards and guidance have not been endorsed for use in the European Union.

## 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. 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.

### 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.

**4. Capital management and financial instruments (continued)**

**Principal financial instruments**

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

a. Cash and cash equivalents
b. Other Assets
c. Trade and other Receivables, net
d. Receivables due from related parties
e. Payables due to related parties
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 are categorised as follows:

## 4. Capital management and financial instruments (continued)

| **At 31 March 2017** | **Notes** | **Financial assets valued at FVTPL £** | **Loans and receivables held at amortised cost £** | **Total £** |
|---|---|---|---|---|
| **Non-current financial assets** | | | | |
| Investments | 13 | 492,124 | - | **492,124** |
| Trade and other receivables | 14 | - | 5,796,000 | **5,796,000** |
| **Current financial assets** | | | | |
| Trade and other receivables | 14 | - | 11,787,255 | **11,787,255** |
| Receivables due from related parties | 20 | - | 16,028,918 | **16,028,918** |
| Other assets | 14 | - | - | **-** |
| Derivative financial assets | 14 | 780,074 | - | **780,074** |
| Cash and cash equivalents | | - | 6,396,072 | **6,396,072** |
| | | 1,272,198 | 40,008,245 | **41,280,443** |

| **At 31 March 2016** | **Notes** | **Financial assets valued at FVTPL £** | **Loans and receivables held at amortised cost £** | **Total £** |
|---|---|---|---|---|
| **Non-current financial assets** | | | | |
| Investments | 13 | 350,000 | - | **350,000** |
| Trade and other receivables | 14 | - | 5,796,000 | **5,796,000** |
| **Current financial assets** | | | | |
| Trade and other receivables | 14 | - | 5,599,175 | **5,599,175** |
| Receivables due from related parties | 20 | - | 8,346,435 | **8,346,435** |
| Other assets | 14 | - | - | **-** |
| Derivative financial assets | 14 | 102,190 | - | **102,190** |
| Cash and cash equivalents | | - | 1,500 | **1,500** |
| | | 452,190 | 19,743,110 | **20,195,300** |

| **At 31 March 2017** | **Notes** | **Financial liabilities valued at FVTPL £** | **Financial liabilities held at amortised cost £** | **Total £** |
|---|---|---|---|---|
| **Non-current financial liabilities** | | | | |
| Borrowings | 18 | - | 12,376,223 | **12,376,223** |
| Other non-current payables | 19 | - | 12,531,045 | **12,531,045** |
| **Current financial liabilities** | | | | |
| Borrowings | 18 | - | 2,184,925 | **2,184,925** |
| Payables due to related parties | 20 | - | 18,448,216 | **18,448,216** |
| Trade and other payables | 16 | - | 4,399,722 | **4,399,722** |
| Derivative financial liabilities | | 219,577 | - | **219,577** |
| | | **219,577** | **49,940,131** | **50,159,708** |

**4. Capital management and financial instruments (continued)**

| **As at 31 March 2016** | **Notes** | **Financial liabilities valued at FVTPL £** | **Financial liabilities held at amortised cost £** | **Total £** |
|---|---|---|---|---|
| **Non-current financial liabilities** | | | | |
| Borrowings | 18 | - | 1,347,576 | **1,347,576** |
| Other non-current payables | 19 | - | 13,381,839 | **13,381,839** |
| **Current financial liabilities** | | | | |
| Borrowings | 18 | - | 20,484,495 | **20,484,495** |
| Payables due to related parties | 20 | - | 15,367,238 | **15,367,238** |
| Trade and other payables | 16 | - | 9,687,209 | **9,687,209** |
| | | **-** | **60,268,357** | **60,268,357** |

b. Capital risk management

The capital managed by the company consists of its fixed assets, cash reserves and other financial assets. The Company's objectives when managing capital are to safeguard the Company'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 Company management sets the amounts of capital required in proportion to risk. The Company 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 Company's strategy was to monitor and manage the use of funds whilst developing business strategies and marketing.

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

c. Financial risk management

The company 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 Company if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company'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.

## 4. Capital management and financial instruments (continued)

The Company has a low credit risk in respect of its trade receivables, its principal customers being national broadcasters and major organisations which the Company has worked with for a number of years. However, as the Company grows its customer base and works with more independent producers it will experience an increased credit risk environment. The Company 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 Statement of Financial Position. 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 and cash equivalents*
Cash is held with various financial institutions at 31 March 2017. The total amount of Cash and cash equivalents as of 31 March 2017 is £ 6,396,072.

## 4. Capital management and financial instruments (continued)

b. Liquidity risk

Liquidity risk is the risk that the Company 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.

**At 31 March 2017**

| | Notes | Less than 3 months £ | Between 3 and 12 months £ | More than 12 months £ | Total £ |
|---|---|---|---|---|---|
| **Non-current financial liabilities** | | | | | |
| Borrowings | 18 | - | - | 12,376,223 | **12,376,223** |
| Other non-current payables | 19 | - | - | 12,531,045 | **12,531,045** |
| **Current financial liabilities** | | | | | |
| Borrowings | 18 | 652,372 | 1,532,553 | - | **2,184,925** |
| Payables due to related parties | | 18,448,216 | - | - | **18,448,216** |
| Trade and other payables | 16 | 3,761,626 | 638,096 | - | **4,399,722** |
| Derivative financial liabilities | | 145,331 | 74,246 | - | **219,577** |
| | | **23,007,545** | **2,244,895** | **24,907,268** | **50,159,708** |

**At 31 March 2016**

| | Notes | Less than 3 months £ | Between 3 and 12 months £ | More than 12 months £ | Total £ |
|---|---|---|---|---|---|
| **Non-current financial liabilities** | | | | | |
| Borrowings | 18 | - | - | 1,347,576 | **1,347,576** |
| Other non-current payables | 19 | - | - | 13,381,839 | **13,381,839** |
| **Current financial liabilities** | | | | | |
| Borrowings | 18 | 18,534,666 | 1,949,829 | - | **20,484,495** |
| Payables due to related parties | | 15,367,238 | - | - | **15,367,238** |
| Trade and other payables | 16 | 9,687,209 | - | - | **9,687,209** |
| | | **43,589,113** | **1,949,829** | **14,729,41** | **60,268,357** |

## 4. Capital management and financial instruments (continued)

c. Market risk

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

*i. Foreign currency risk*

The Company enters into forward contracts to mitigate the foreign currency risk. Other than that, a substantial portion of the receivables and payables for the Company are in sterling.

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

| **At 31 March 2017** | **Notes** | **Fixed rate £** | **Floating rate £** | **Interest free £** | **Total £** |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Trade and other receivables | 14 | - | 5,796,000 | 11,787,255 | **17,583,255** |
| Receivables due from related parties | 20 | - | - | 16,028,918 | **16,028,918** |
| Investments | 13 | - | - | 492,124 | **492,124** |
| Derivative financial assets | 24 | - | - | 780,074 | **780,074** |
| Cash and cash equivalents | | - | - | 6,396,072 | **6,396,072** |
| | | **-** | **5,796,000** | **35,484,443** | **41,280,443** |
| **Financial liabilities** | | | | | |
| Borrowings | 18 | 5,954,456 | 8,606,692 | - | **14,561,158** |
| Other non-current payables | 19 | - | - | 12,531,045 | **12,531,045** |
| Payables due to related parties | 20 | - | - | 18,448,216 | **18,448,216** |
| Trade and other payables | 16 | - | - | 4,399,722 | **4,399,722** |
| Derivative financial liabilities | | - | - | 219,577 | **219,577** |
| | | **5,954,456** | **8,606,692** | **35,598,560** | **50,159,708** |

## 4. Capital management and financial instruments (continued)

| At 31 March 2016 | Notes | Fixed rate £ | Floating rate £ | Interest free £ | Total £ |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Trade and other receivables | 14 | - | 5,796,000 | 5,599,175 | **11,395,175** |
| Receivables due from related parties | 20 | - | - | 8,346,435 | **8,346,435** |
| Investments | 13 | - | - | 350,000 | **350,000** |
| Derivative financial assets | 24 | - | - | 102,190 | **102,190** |
| Cash and cash equivalents | | - | - | 1,500 | **1,500** |
| | | **-** | **5,796,000** | **14,399,300** | **20,195,300** |
| **Financial liabilities** | | | | | |
| Borrowings | 18 | 10,484,105 | 11,347,966 | - | **21,832,071** |
| Other non-current payables | 19 | - | - | 13,381,839 | **13,381,839** |
| Payables due to related parties | 20 | - | - | 15,367,238 | **15,367,238** |
| Trade and other payables | 16 | - | - | 9,687,209 | **9,687,209** |
| | | **10,484,105** | **11,347,966** | **38,436,286** | **60,268,357** |

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 and 31 March 2016. 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.

## 5. Revenue

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

| Segmental analysis by geographical area | For the year ended 31 March 2017 £ | For the year ended 31 March 2016 £ |
|---|---|---|
| United Kingdom | 76,749,825 | 39,584,559 |
| Overseas | 11,386,618 | 48,541,070 |
| | **88,136,443** | **88,125,629** |

## 6. Other Income

| | For the year ended 31 March 2017 £ | For the year ended 31 March 2016 £ |
|---|---|---|
| Rent Income | 630,401 | 443,420 |
| Government Grants | - | 3,268 |
| Marketing fees | 3,626,464 | - |
| Management fee | 1,570,000 | 2,983,347 |
| Profit on sale of assets | 220,022 | - |
| Subcontracted income | - | 10,869,186 |
| Others | 398,638 | 395,785 |
| | **6,445,525** | **14,695,006** |

## 7. Staff costs

The total personnel costs incurred by the Company were:

| | For the year ended 31 March 2017 £ | For the year ended 31 March 2016 £ |
|---|---|---|
| Wages and salaries | 52,663,670 | 46,325,523 |
| Social Security costs | 5,788,908 | 5,254,916 |
| Other pension costs | 733,413 | 502,995 |
| | **59,185,991** | **52,068,948** |

**Number of employees**

| The average monthly number of employees (including directors) during the year was | For the year ended 31 March 2017 Nos. | For the year ended 31 March 2016 Nos. |
|---|---|---|
| Number of production staff | 770 | 602 |
| Number of administrative staff | 210 | 202 |
| | **980** | **804** |

**Directors' Remuneration**

| | For the year ended 31 March 2017 £ | For the year ended 31 March 2016 £ |
|---|---|---|
| Remuneration for qualifying services and short term benefits | **1,541,375** | **1,262,117** |

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

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

| | | |
|---|---|---|
| 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 and short-term benefits | **2,111,419** | **2,418,156** |

## 8. Finance Costs

| | For the year ended 31 March, 2017 £ | For the year ended 31 March 2016 £ |
|---|---|---|
| Interest on obligation under finance leases | 320,978 | 332,439 |
| Interest on bank loans and overdrafts | - | 607,945 |
| Interest expense on intercompany loan | 918,252 | - |
| Other interest expense | 460,688 | 12,087 |
| Interest income | - | (10,838) |
| | **1,699,918** | **941,633** |

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

## 9. Other expenses

| | For the year Ended 31 March 2017 £ | For the year Ended 31 March 2016 £ |
|---|---|---|
| Travel and entertainment | 924,637 | 1,421,183 |
| Legal and insurance | 517,575 | 867,910 |
| Communication | 384,539 | 255,355 |
| Professional fees | 697,359 | 589,573 |
| Subcontracted expenses | 1,420,811 | - |
| Fees payable to auditors for audit of the company | 90,591 | 140,945 |
| Fees payable to auditors for non-audit services | 337,145 | 300,122 |
| Fees Payable to auditors for audit of the parent company | - | 110,587 |
| Other expenses | 1,143,588 | 2,467,489 |
| | **5,516,245** | **6,153,164** |

## 10. Taxation

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

| | For the year ended 31 March 2017 £ | For the year ended 31 March 2016 £ |
|---|---|---|
| **Current tax expense** | | |
| Current year tax | 17,927 | - |
| **Total tax expense benefit** | 17,927 | - |

The difference between the tax charge and the amount calculated by applying the standard rate (20%) 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 £** |
|---|---|---|
| Loss on ordinary activities before tax | (593,048) | (5,542,040) |
| | | |
| Income tax expense calculated at 20% (2015: 20%) | (118,610) | (1,163,828) |
| Effects of: | | |
| Non-deductible expenses | - | (141,445) |
| Depreciation in excess of capital allowances | 820,031 | 61,159 |
| Adjustment to closing deferred tax | - | 445,846 |
| Deferred tax not recognised | (820,031) | 798,268 |
| Underprovision in previous years | 17,927 | - |
| Tax losses carried forward | - | - |
| Effect of transition to IFRS | - | - |
| Current tax charge | 17,927 | - |

## 11. Intangible assets

| | **Intangible assets under development £** | **First look rights £** | **Software and developed technology £** | **Total £** |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2016 | - | 502,807 | 14,740,477 | **15,243,284** |
| Additions | 1,580,205 | - | 2,674,125 | **4,254,330** |
| Reclassification | - | - | 6,497,440 | **6,497,440** |
| Disposals | - | - | - | **-** |
| **At 31 March 2017** | **1,580,205** | **502,807** | **23,912,042** | **25,995,054** |
| | | | | |
| **Accumulated amortisation** | | | | |
| At 1 April 2016 | - | - | 5,165,860 | **5,165,860** |
| Amortisation | - | - | 5,314,902 | **5,314,902** |
| Reclassification | - | - | 3,764,068 | **3,764,068** |
| Disposals | - | - | - | **-** |
| **At 31 March 2017** | **-** | **-** | **14,244,830** | **14,244,830** |
| | | | | |
| **Net carrying value** | | | | |
| **At 31 March 2017** | **1,580,205** | **502,807** | **9,667,212** | **11,750,224** |

| | First look rights | Software and developed technology | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Cost** | | | |
| At 1 April 2015 | 502,807 | 11,150,904 | **11,653,711** |
| Additions | - | 3,589,573 | **3,589,573** |
| Disposals | - | - | - |
| **At 31 March 2016** | **502,807** | **14,740,477** | **15,243,284** |
| **Accumulated amortisation** | | | |
| At 1 April 2015 | - | 1,944,204 | **1,944,204** |
| Amortisation | - | 3,221,656 | **3,221,656** |
| Disposals | - | - | - |
| **At 31 March 2016** | **-** | **5,165,860** | **5,165,860** |
| **Net carrying value** | | | |
| **At 31 March 2016** | **502,807** | **9,574,617** | **10,077,424** |

## 12. Property and equipment

| | Leasehold improvements £ | Equipment, fixtures & fittings £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 1 April, 2016 | 12,492,829 | 37,993,575 | **50,486,404** |
| Additions | 18,904 | 4,304,304 | **4,323,208** |
| Reclassification | 211,264 | (6,708,704) | **(6,497,440)** |
| Disposals | - | (17,983,874) | **(17,983,874)** |
| **At 31 March 2017** | **12,722,997** | **17,605,301** | **30,328,298** |
| **Accumulated depreciation** | | | |
| Opening | 8,898,936 | 31,986,984 | **40,885,920** |
| Depreciation | 2,486,750 | 2,068,334 | **4,555,084** |
| Reclassification | 175,402 | (3,939,470) | **(3,764,068)** |
| Disposals | - | (17,998,951) | **(17,998,951)** |
| **At 31 March 2017** | **11,561,088** | **12,116,897** | **23,677,985** |
| **Net carrying value** | | | |
| **At 31 March 2017** | **1,161,909** | **5,488,404** | **6,650,313** |

| | Leasehold improvements £ | Equipment, fixtures & fittings £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 1 April, 2015 | 12,465,157 | 35,276,084 | **47,741,241** |
| Additions | 27,672 | 2,717,491 | **2,745,163** |
| **At 31 March 2016** | **12,492,829** | **37,993,575** | **50,486,404** |
| **Accumulated depreciation** | | | |
| Opening | 6,392,024 | 27,406,345 | **33,798,369** |
| Depreciation | 2,506,912 | 4,580,639 | **7,087,551** |
| **At 31 March 2016** | **8,898,936** | **31,986,984** | **40,885,920** |
| **Net carrying value** | | | |
| **At 31 March 2016** | **3,593,893** | **6,006,591** | **9,600,484** |

The net book value of equipment, fixtures & fittings includes an amount in respect of assets held under finance lease agreements of 31 March 2017: £4,032,568 (31 March 2016: £2,595,582). The charge for depreciation for the year ended on these assets is 31 March 2017: £1,298,986 (31 March 2016: £2,816,577).

Also, refer Note 14 for details on pledge/ charge on assets.

## 13. Investments

| | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| | £ | £ |
| Unquoted investment in an animation company | **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. The carrying value of the unquoted investment is £492,124 (2016 - £350,000). The fair value for this instrument has not been disclosed because since it is an unquoted private limited company its fair value cannot be measured reliably.

## 14. Trade and other receivables

| | As At 31 March 2017 £ | As At 31 March 2016 £ |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade receivables | 9,093,274 | 2,974,316 |
| Less: Allowance for doubtful debts | - | - |
| | 9,093,274 | 2,974,316 |
| Other receivables | 4,398,566 | 2,113,974 |
| | 13,491,840 | 5,088,290 |
| Derivative financial assets | 780,074 | 102,190 |
| Unbilled receivables | 2,572,347 | 2,373,447 |
| | **16,844,261** | **7,563,927** |
| **Amounts falling due after one year:** | | |
| Other receivables | 5,796,000 | 5,796,000 |
| | **5,796,000** | **5,796,000** |

The average credit period for group trade receivables at the end of 2017 was 48 days (2016: 22 days). No interest is charged on trade receivables. The Company recognises an allowance for doubtful receivables based on the determination of the recoverable amounts considering future cash flows. Included in other receivables are prepayments of £4,276,931 (2016: £ 1,862,562)

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

| | Ageing | | | |
|---|---|---|---|---|
| | Receivables | | Allowances | |
| **Year** | **Not Due** | **Up to 3 months** | **Not Due** | **Up to 3 months** |
| 2016-17 | 2,572,347 | 9,093,274 | - | - |
| 2015-16 | 2,373,447 | 3,076,506 | - | - |

## 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 | | (742,848) |

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

| | Temporary differences* £ | Losses £ | Other £ | Total £ |
|---|---|---|---|---|
| **At 31 March 2016** | 189,957 | 552,891 | - | 742,848 |
| **At 31 March 2017** | | | | |

* 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 deferred tax assets of 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

| | As at 31 March 2017 £ | As at 31 March 2016 £ |
|---|---|---|
| Trade payables and accrued expenses | 4,399,722 | 9,687,209 |
| Accrued Salaries and Benefits | 3,431,376 | - |
| Derivative financial liabilities | 219,577 | - |
| Statutory Dues | 7,515,306 | - |
| Deferred income | 27,819,840 | 5,824,825 |
| | **43,385,820** | **15,512,034** |

The onerous contract provision represented 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 was determined on estimated costs to completion based on industry knowledge and past experience.

## 17. Share Capital

### Allotted, called up and fully paid up

| | As at 31 March 2017 £ | As at 31 March 2016 £ |
|---|---|---|
| 70 Ordinary shares of £1 each | 70 | 70 |

## 18. Borrowings

| **Due within one year** | **As at 31 March 2017 £** | **As at 31 March 2016 £** |
|---|---|---|
| Revolving and other credit facilities | - | 17,676,913 |
| Finance lease liabilities | 2,184,925 | 2,807,582 |
| | **2,184,925** | **20,484,495** |

| **Due after one year** | **As at 31 March 2017 £** | **As at 31 March 2016 £** |
|---|---|---|
| Loan from Intercompany | 8,606,692 | - |
| Finance lease liabilities | 1,347,576 | 1,347,576 |
| | **9,954,268** | **1,347,576** |

**Analysis of debt maturity:**

| | | |
|---|---|---|
| <u>Repayable within one year</u> | | |
| Revolving and other credit facilities | - | 17,676,913 |
| Finance lease liabilities | 2,184,925 | 2,807,582 |
| | **2,184,925** | **20,484,495** |
| <u>Repayable between one and two years</u> | | |
| Finance lease liabilities | 1,264,593 | 870,074 |
| <u>Repayable between two and five years</u> | | |
| Finance lease liabilities | 2,504,937 | 477,502 |
| <u>Repayable after five years</u> | | |
| Loan from Intercompany | 8,606,692 | - |
| | **12,376,222** | **1,347,576** |

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. It 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 £6,328,947. It was repaid during the year

c. Loan received from holding company £8,606,692 payable as and when sufficient cash is available with the Company.

## 19. Other Payables

| | As at 31 March 2017 £ | As at 31 March 2016 £ |
|---|---|---|
| Lease incentive accrual | **12,531,115** | **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 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 | Fellow Subsidiary | |
| Limited | Fellow Subsidiary | |
| Reliable Laptops Private Limited | Fellow Subsidiary | |
| Prime Focus World Malaysia Sdn Bhd. | Fellow Subsidiary | |
| Prime Focus International Services UK Limited | Fellow Subsidiary | |
| Double Negative LA LLC | Fellow Subsidiary | |
| M Holben | Director | |
| A Hope | Director | |
| P Chiang | Director | |
| Rocketship Limited | Director (P Chiang) is a shareholder | |

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 Canada Productions Limited has charged £1,642,130 (2016: £10,869,186) towards services rendered to Double Negative Limited and was charged Management fees of £1,800,000, Marketing Commission of £3,626,464 and payments of £1,125,033 (2016: £12,257,127). At the year end, the balance receivable from Double Negative Canada Productions Limited was £8,509,694 (2016 - £2,566,134).

ii. During the year, Double Negative Singapore Pte Limited has invoiced £ Nil (2016: £9,452,575) towards services rendered. At the year end, the balance payable to Double Negative Singapore Pte Limited was £10,654,077 (2016: £10,850,548).

iii. During the year Prime Focus World Creative Services invoiced Double Negative Limited £ 2,064,060 (2016: £3,179,790) for services rendered and payments made of £5,243,850. At the year end, a balance of £ Nil (2016 - £3,179,790) is due to Prime Focus World Creative Services Private Limited.

iv. During the year funds totalling £8,606,692 (2016: £388,050) were (received from) / paid to Prime Focus World N.V., recharges given of £172,200 and interest expense of £ 918,252. At the year end, a balance of £ 10,654,077 (2016: £1,336,900) is due to Prime Focus World N.V.

v. 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: £4,838,894) is due from Prime Focus International Services UK Limited and bills received in advance £ 2,751,851 (2016: Nil).

vi. During the year funds totalling (net) £531,482 (2016: £742,346) were (received from)/paid to Prime Focus North America Inc. and recharges of £322,596 were received. At the period end, a balance of £111,932 (2016: £742,346) is due from Prime Focus North America Inc.

vii. During the year, recharges received of £36,085, income from operation of £ 819,673 and funds totalling (net) of £689,538 (2016: £199,029) were paid to Prime Focus Creative Services Canada Inc. At the period end, a balance of £293,079 (2016: £199,029) is due from Prime Focus Creative Services Canada Inc.

viii. During the year, expenses of £137,937 were incurred on behalf of Double Negative LA LLC and was receivable as at year end.

ix. 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.

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## 21. 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. Double Negative Holdings Limited is the smallest group of undertakings for which group Financial statements 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 Company has options to purchase the equipment for a nominal amount at the end of the lease terms. The Company's obligations under finance leases are held as collateral by the lessors' title to the leased assets. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 5.76% to 6.67% per annum.

The liabilities are due as follows:

| | 31 March 2017<br>£ | 31 March 2016<br>£ |
|---|---|---|
| **Future minimum lease payments** | | |
| due not later than one year | 2,464,265 | 2,958,560 |
| due later than one year and not later than five years | 4,139,082 | 1,430,658 |
| due later than five years | | - |
| **Interest portion contained in the future minimum lease payments** | | |
| due not later than one year | 279,340 | 150,978 |
| due later than one year and not later than five years | 369,551 | 83,082 |
| due later than five years | - | - |
| **Present value of outstanding minimum lease payments** | | |
| due not later than one year | 2,184,925 | 2,807,582 |
| due later than one year and not later than five years | 3,769,530 | 3,320,907 |
| due later than five years | - | - |

## 23. Operating lease commitments

The company leases an office under a non-cancellable operating lease agreement with a lease term of 20 years.

**Payments recognised as expense**

| | 31 March 2017<br>£ | 31 March 2016<br>£ |
|---|---|---|
| Minimum lease payments | 4,191,010 | 4,830,000 |

| **Non-cancellable operating lease commitments** | 31 March 2017<br>£ | 31 March 2016<br>£ |
|---|---|---|
| Not later than one year from the reporting date | 4,147,956 | 4,830,000 |
| Later than one year and no later than five years | 16,591,823 | 20,096,250 |
| After five years | 42,170,882 | 56,196,250 |
| | 62,910,661 | 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 |
| 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 |

**<u>Reconciliation of level 3 fair value measurements</u>**

| | |
|---|---|
| **Closing balance at March 31, 2016 (Financial Asset)** | **350,000** |
| Additional Investment | 142,124 |
| **Closing balance at March 31, 2017 (Financial Asset)** | **492,124** |