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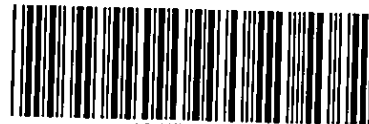
**AARDMAN ANIMATIONS LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**AARDMAN ANIMATIONS LIMITED**

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**AARDMAN ANIMATIONS LIMITED**

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**COMPANY INFORMATION**

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<b>DIRECTORS</b>	D A Sproxton P D F Lord N W Park
<b>COMPANY SECRETARY</b>	D A Sproxton
<b>COMPANY NUMBER</b>	02050843
<b>REGISTERED OFFICE</b>	Gas Ferry Road Bristol BS1 6UN
<b>AUDITORS</b>	Nexia Smith & Williamson Chartered Accountants & Statutory Auditor Portwall Place Portwall Lane Bristol BS1 6NA
<b>BANKERS</b>	Coutts & Co Media Banking 440 Strand London WC2R 0QS

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## **AARDMAN ANIMATIONS LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011**

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The directors present their report and the financial statements for the year ended 31 December 2011

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the year was that of Film, Broadcast, Commercial and Digital creators, producers and distributors

The directors are satisfied with the performance of the business during the year and the position of the company at the year end

#### **RESULTS**

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements

The directors have not recommended a dividend (2010 - £nil)

#### **FINANCIAL RISK MANAGEMENT**

Prudent liquidity risk management implies maintaining sufficient cash on deposit and the availability of funding through an adequate amount of committed credit facilities

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The directors of Aardman Holdings Limited manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of Aardman Animations Limited's business. The principal risks and uncertainties of the Aardman Holdings Limited group, which include those of the company, are discussed in the Directors' Report of the group's annual report which does not form part of this report.

#### **KEY PERFORMANCE INDICATORS**

The directors of Aardman Holdings Limited manage the group's operations on a group basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Aardman Animations Limited. The development, performance and position of the group is discussed in the Directors' Report of the group's annual report which does not form part of this report.

#### **DIRECTORS**

The directors who served during the year were

D A Sproton  
P D F Lord  
N W Park

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## **AARDMAN ANIMATIONS LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011**

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#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

#### **EMPLOYEES**

The directors acknowledge the importance of good communications and relations with their employees, and believe that they should be aware of matters which affect the company which employs them. Employees are provided with regular information by various means and are represented at discussions concerning their welfare.

The company recognises its obligations towards less able people and endeavours to provide as much employment as the demands of the group's operations and the abilities of the less able persons allow. Applications for employment from less able people are studied with care, and if existing employees became less able, every effort is made to find appropriate employment within the group. Opportunities are offered to less able employees to develop their knowledge and skills and undertake greater responsibility.

#### **PROVISION OF INFORMATION TO AUDITORS**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

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**AARDMAN ANIMATIONS LIMITED**

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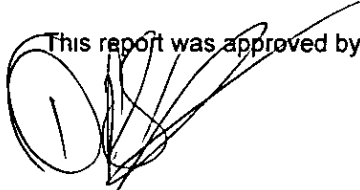
**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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**AUDITORS**

The auditors, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board and signed on its behalf

A handwritten signature in black ink, appearing to be 'D A Sproxton', written over a circular stamp or seal.

**D A Sproxton**  
Director

Date 27 September 2012

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## **AARDMAN ANIMATIONS LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AARDMAN ANIMATIONS LIMITED**

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We have audited the financial statements of Aardman Animations Limited for the year ended 31 December 2011, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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**

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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**AARDMAN ANIMATIONS LIMITED**

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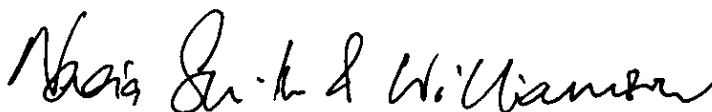
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AARDMAN ANIMATIONS LIMITED**

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



Carl Deane  
Senior Statutory Auditor

for and on behalf of  
**Nexia Smith & Williamson**

Chartered Accountants  
Statutory Auditors

Portwall Place  
Portwall Lane  
Bristol  
BS1 6NA

27 September 2012



**AARDMAN ANIMATIONS LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £	2010 £
<b>TURNOVER</b>	2	<b>14,861,699</b>	<b>19 825,026</b>
Cost of sales		<u>(7,396,674)</u>	<u>(10,989,395)</u>
<b>GROSS PROFIT</b>		<b>7,465,025</b>	<b>8,835,631</b>
Distribution costs		<u>(21,684)</u>	<u>(23,440)</u>
Administrative expenses		<u>(9,589,751)</u>	<u>(9,246,738)</u>
Other operating income	3	<u>2,363,418</u>	<u>2,946,537</u>
<b>OPERATING PROFIT</b>	4	<b>217,008</b>	<b>2,511,990</b>
Interest receivable and similar income		<u>4,684</u>	<u>5,412</u>
Interest payable and similar charges		<u>(1,464)</u>	<u>(5,155)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>220,228</b>	<b>2,512,247</b>
Tax on profit on ordinary activities	7	<u>(111,381)</u>	<u>(716,036)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	15	<u><b>108,847</b></u>	<u><b>1,796,211</b></u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and Loss Account

The notes on pages 9 to 20 form part of these financial statements

**AARDMAN ANIMATIONS LIMITED**  
**REGISTERED NUMBER: 02050843**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2011**

	Note	£	2011 £	£	2010 £
<b>FIXED ASSETS</b>					
Tangible assets	8		1,868,964		2,099,680
Investments	9		102		102
			<u>1,869,066</u>		<u>2,099,782</u>
<b>CURRENT ASSETS</b>					
Stocks	10	4,276,977		3,374,479	
Debtors	11	4,378,327		4,521,917	
Cash at bank and in hand		2,193,542		3,150,424	
		<u>10,848,846</u>		<u>11,046,820</u>	
<b>CREDITORS:</b> amounts falling due within one year	12	(2,860,749)		(3,398,286)	
<b>NET CURRENT ASSETS</b>			<u>7,988,097</u>		<u>7,648,534</u>
<b>NET ASSETS</b>			<u><u>9,857,163</u></u>		<u><u>9,748,316</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		1,000		1,000
Profit and loss account	15		9,856,163		9,747,316
<b>SHAREHOLDERS' FUNDS</b>	16		<u><u>9,857,163</u></u>		<u><u>9,748,316</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by



D A Sproxton  
Director

Date 27 September 2012

The notes on pages 9 to 20 form part of these financial statements

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## AARDMAN ANIMATIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

##### 1.2 Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EU and, in accordance with section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts. Accordingly the accounts present information about the company as an individual undertaking and not about its group.

##### 1.3 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

##### 1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

##### 1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Improvements to property	-	over the period of the lease
Short life studio equipment	-	33% on cost
Studio equipment	-	15% on reducing balance
Fixtures & fittings	-	15% on reducing balance
Motor vehicles	-	25% on reducing balance
Computer equipment	-	33% on cost
Bicycles	-	100% on cost

##### 1.6 Stocks and work in progress

Stock reflects the production cost of completed films, broadcasts, commercials and other projects. Production costs are matched with income and charged through the profit and loss account over the recoupment period as specified in the production agreements, except where the conditions of UITF40 are met and the costs and income can be matched against the work performed in accordance with the relevant contracts.

Work in progress reflects the cost of films, broadcasts, commercials and other projects which are still in production and also includes development expenditure on feature film projects not yet in production.

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## AARDMAN ANIMATIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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#### 1. ACCOUNTING POLICIES (continued)

##### 1.7 Royalties received

Royalty income is included on a receivable basis, calculated on distribution income and sales of merchandise arising during each accounting period, as reported by licensees

##### 1.8 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company

##### 1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

##### 1.10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

##### 1.11 Fees received in advance

Monies received in respect of films and other projects in progress at the balance sheet date are initially treated as deferred income. Income is recognised on contract completion or when the right to consideration is earned, in accordance with UITF 40

##### 1.12 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term

##### 1.13 Commission receivable

Commission income is included on a receivable basis

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**AARDMAN ANIMATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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**1. ACCOUNTING POLICIES (continued)**

**1.14 Investments**

Investments held as fixed assets are shown at cost less provision for impairment

**2. TURNOVER**

The whole of the turnover is attributable to the one principal activity of the company

A geographical analysis of turnover is as follows

	2011 £	2010 £
United Kingdom	8,216,712	11,092,423
European Union	1,596,048	3,790,575
United States of America	3,416,786	3,366,019
Other	1,632,153	1,576,009
	<u>14,861,699</u>	<u>19,825,026</u>

**3. OTHER OPERATING INCOME**

	2011 £	2010 £
Royalty receivable	178,018	276,497
Bike lease scheme	3,204	15,418
Commissions receivable	2,182,196	2,654,622
	<u>2,363,418</u>	<u>2,946,537</u>

**4. OPERATING PROFIT**

Operating profit is stated after charging

	2011 £	2010 £
Depreciation	635,552	663,050
Auditor's remuneration	15,500	15,900
Auditor's remuneration - non-audit	9,072	12,859
Difference on foreign exchange	(10,829)	36,583
Loss on sale of tangible assets	17,779	7,227
Other operating lease costs	132,723	89,124
	<u>790,797</u>	<u>825,643</u>

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**AARDMAN ANIMATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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**5. STAFF COSTS**

Staff costs, including directors' remuneration, were as follows

	2011 £	<i>As restated</i> 2010 £
Wages and salaries	9,226,767	8,545,041
Social security costs	1,098,936	923,522
Other pension costs	362,097	364,243
	<u>10,687,800</u>	<u>9,832,806</u>

The average monthly number of employees, including the directors, during the year was as follows

	2011 No	2010 No
Core staff	113	113
Project related freelancers	126	126
	<u>239</u>	<u>239</u>

**6. DIRECTORS' REMUNERATION**

	2011 £	2010 £
Emoluments	<u>115,970</u>	<u>115,776</u>
Company pension contributions to defined contribution pension schemes	<u>9,970</u>	<u>10,853</u>

During the year retirement benefits were accruing to 1 director (2010 - 1) in respect of defined contribution pension schemes

**AARDMAN ANIMATIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**7 TAXATION**

	2011 £	2010 £
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	104,479	721,050
Adjustments in respect of prior periods	5,600	(6,850)
	<u>110,079</u>	<u>714,200</u>
Double taxation relief	(103,625)	(58,436)
	<u>6,454</u>	<u>655,764</u>
Foreign tax on income for the year	103,631	58,436
<b>Total current tax</b>	<u>110,085</u>	<u>714,200</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	647	1,836
Effect of tax rate change on opening balance	649	-
<b>Total deferred tax</b> (see note 13)	<u>1,296</u>	<u>1,836</u>
<b>Tax on profit on ordinary activities</b>	<u>111,381</u>	<u>716,036</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2010 - *higher than*) the standard rate of corporation tax in the UK of 26.5% (2010 - 28%). The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	<u>220,228</u>	<u>2,512,247</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 - 28%)	58,360	703,429
<b>Effects of</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	6,960	9,443
Depreciation for year in excess of capital allowances	40,486	10,087
Adjustments to tax charge in respect of prior periods	5,600	(6,850)
Other timing differences leading to a decrease in taxation	(686)	(1,512)
Non-taxable income	(616)	(397)
Tax credits	(19)	-
<b>Current tax charge for the year</b> (see note above)	<u>110,085</u>	<u>714,200</u>

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**AARDMAN ANIMATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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**7. TAXATION (continued)**

**Factors that may affect future tax charges**

Finance Act 2011 included legislation to reduce the main rate of corporation tax from 28 percent to 26 percent from 1 April 2011, and to 25% from 1 April 2012. The impact of these changes have been reflected in the above figures.

Finance Bill 2012 proposes a further reduction to 24 percent from 1 April 2012 with further annual reductions of 1 percent culminating in a rate of 22 percent from 1 April 2014. The full anticipated effect of these proposed changes combined with any reductions to the rates of capital allowances is not considered material.



**AARDMAN ANIMATIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**8. TANGIBLE FIXED ASSETS**

	Improvements to property £	Short life studio equipment £	Studio equipment £	Fixtures & fittings £
<b>Cost</b>				
At 1 January 2011	583,382	97,574	3,732,558	614,653
Additions	-	98,587	95,202	11,946
Disposals	-	-	(162,362)	-
At 31 December 2011	583,382	196,161	3,665,398	626,599
<b>Depreciation</b>				
At 1 January 2011	583,382	32,525	2,222,667	451,645
Charge for the year	-	65,387	240,764	26,243
On disposals	-	-	(101,548)	-
At 31 December 2011	583,382	97,912	2,361,883	477,888
<b>Net book value</b>				
At 31 December 2011	-	98,249	1,303,515	148,711
At 31 December 2010	-	65,049	1,509,891	163,008
	<b>Motor vehicles £</b>	<b>Computer equipment £</b>	<b>Bicycles £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 January 2011	88,113	3,072,743	17,584	8,206,607
Additions	7,300	249,612	3,203	465,850
Disposals	(15,000)	-	(12,006)	(189,368)
At 31 December 2011	80,413	3,322,355	8,781	8,483,089
<b>Depreciation</b>				
At 1 January 2011	79,517	2,719,607	17,584	6,106,927
Charge for the year	3,974	295,981	3,203	635,552
On disposals	(14,800)	-	(12,006)	(128,354)
At 31 December 2011	68,691	3,015,588	8,781	6,614,125
<b>Net book value</b>				
At 31 December 2011	11,722	306,767	-	1,868,964
At 31 December 2010	8,596	353,136	-	2,099,680

**AARDMAN ANIMATIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**9 FIXED ASSET INVESTMENTS**

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2011 and 31 December 2011	102
<b>Net book value</b>	
At 31 December 2011	102
<i>At 31 December 2010</i>	102

**Subsidiary undertakings**

	Business	Country of Incorporation	Holding
Morph Limited	Dormant	England	100%
Aardman Creature Comforts USA Limited	Dormant	England	100%

The aggregate of the share capital and reserves as at 31 December 2011 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows

	Aggregate of share capital and reserves £	Profit/(loss) £
Morph Limited	100	-
Aardman Creature Comforts USA Limited	2	-

**10. STOCKS**

	2011 £	2010 £
Work in progress	2,121,696	1,559,008
Finished goods	2,155,281	1,815,471
	<u>4,276,977</u>	<u>3,374,479</u>

**AARDMAN ANIMATIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**11. DEBTORS**

	2011 £	2010 £
Trade debtors	2,245,836	2,558,197
Amounts owed by group undertakings	1,074,644	860,046
Other debtors	30,098	2,325
Prepayments and accrued income	686,106	751,699
Amounts recoverable on long term contracts	334,174	340,885
Deferred tax asset (see note 13)	7,469	8,765
	<u>4,378,327</u>	<u>4,521,917</u>

**12. CREDITORS.**

Amounts falling due within one year

	2011 £	2010 £
Trade creditors	535,014	448,933
Amounts owed to group undertakings	102	2,015
Corporation tax	851	523,849
Social security and other taxes	501,066	580,948
Other creditors	86,356	31,444
Accruals and deferred income	1,737,360	1,811,097
	<u>2,860,749</u>	<u>3,398,286</u>

**13. DEFERRED TAX ASSET**

	2011 £	2010 £
At beginning of year	8,765	10,601
Charged for year	(1,296)	(1,836)
	<u>7,469</u>	<u>8,765</u>
At end of year	<u>7,469</u>	<u>8,765</u>

The deferred tax asset is made up as follows

	2011 £	2010 £
Other timing differences	<u>7,469</u>	<u>8,765</u>

There is an unprovided deferred tax asset of £71,892 (2010 - £36,393) in respect of accelerated capital allowances

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**AARDMAN ANIMATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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**14. SHARE CAPITAL**

	2011 £	2010 £
<b>Allotted, called up and fully paid</b>		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

**15. RESERVES**

	Profit and loss account £
At 1 January 2011	9,747,316
Profit for the year	<u>108,847</u>
At 31 December 2011	<u>9,856,163</u>

**16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2011 £	2010 £
Opening shareholders' funds	9,748,316	7,952,105
Profit for the year	<u>108,847</u>	<u>1,796,211</u>
Closing shareholders' funds	<u>9,857,163</u>	<u>9,748,316</u>

**17. PENSION COMMITMENTS**

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £362,097 (2010 - £364,243). Contributions totalling £29,873 (2010 - £31,859) were payable to the fund at the balance sheet date and are included in creditors.

# AARDMAN ANIMATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 18 OPERATING LEASE COMMITMENTS

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings			Other
	2011	2010	2011	2010
	£	£	£	£
<b>Expiry date</b>				
Within 1 year	52,500	-	50,824	23,053
Between 2 and 5 years	347,915	396,040	45,894	57,055
After more than 5 years	-	-	-	7,187

### 19. RELATED PARTY TRANSACTIONS

The following information is provided in accordance with Financial Reporting Standard 8, Related Party Transactions -

Year ended 31 December 2011

Name of Related Party	Relationship	Type of transaction	Value of transaction £	Debtors at 31.12.11 £
Wallace & Gromit Ltd	Fellow subsidiary	Commissions payable	132,820	89,885
		Recharge of cost of sales	49,573	-
		Recharge of personnel costs	48,189	-

Year ended 31 December 2010

Name of Related Party	Relationship	Type of transaction	Value of transaction £	Debtors at 31.12.10 £
Wallace & Gromit Ltd	Fellow subsidiary	Commissions payable	249,181	22,506
		Recharge of cost of sales	30,076	-

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**AARDMAN ANIMATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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**19. RELATED PARTY TRANSACTIONS (continued)**

The company has taken advantage of the exemptions provided by Financial Reporting Standard Number 8 from disclosing transactions with other wholly owned group companies on the grounds that it is itself a wholly owned subsidiary and its parent publishes consolidated accounts

During the year the company acted as guarantor for the 1998 Aardman Holdings Limited Approved Profit Sharing Scheme. At the year end £209,081 (2010 - £207,885) was secured by the company, and was the maximum amount secured during the year

During the year the company was charged £63,153 (2010 - £5,192) for royalty payments by N W Park, a director of the company. At 31 December 2011 an amount of £26,401 (2010 - £nil) was outstanding

The company is controlled by its parent company, Aardman Holdings Limited, which is itself controlled by D A Sproston and P D F Lord, directors of the company

**20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The ultimate parent company is Aardman Holdings Limited, a company registered in England and Wales. Copies of the parent's consolidated accounts may be obtained from Aardman Holdings Limited, Gas Ferry Road, Bristol, BS1 6UN

**21. CONTINGENCIES**

The company is party to a composite guarantee dated 19 December 2007 with Aardman Holdings Limited, Aardman Features Limited and Wallace & Gromit Limited. A mortgage debenture is provided over the fixed and floating assets of the company

At 31 December 2011 total borrowings subject to this agreement were £5,284,081 (2010 - £6,057,885)