

AARDMAN ANIMATIONS LIMITED
ACCOUNTS
31 DECEMBER 2009

Company Registration Number 2050843



AARDMAN ANIMATIONS LIMITED

ACCOUNTS

YEAR ENDED 31 DECEMBER 2009

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AARDMAN ANIMATIONS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Board of directors

D A Sproxton
P D F Lord
N W Park

Company secretary

D A Sproxton

Registered office

Gas Ferry Road
Bristol
BS1 6UN

Auditors

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors
Portwall Place
Portwall Lane
Bristol
BS1 6NA

Bankers

Coutts & Co
Media Banking
440 Strand
London
WC2R 0QS

AARDMAN ANIMATIONS LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2009

The directors have pleasure in presenting their report and the accounts of the company for the year ended 31 December 2009

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of film, broadcast and commercial producers and distributors

RESULTS AND DIVIDENDS

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

The directors have not recommended a dividend (2008 £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 this company, are discussed on page 3 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 are discussed on pages 2 and 3 of the group's annual report which does not form part of this report.

THE DIRECTORS

The directors who served the company during the year were as follows

D A Sproston
P D F Lord
N W Park

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

AARDMAN ANIMATIONS LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES *(continued)*

Under company law the directors must not approve the accounts 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 accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts,
- prepare the accounts 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 accounts 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.

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each person who was a director at the time this report was approved

- So far as that director was aware, there was no relevant available information of which the company's auditors were unaware, and
- That director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors were aware of that information.

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

AARDMAN ANIMATIONS LIMITED

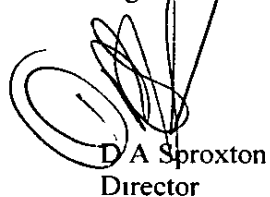
DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2009

AUDITORS

Nexia Smith & Williamson Audit LLP resigned as auditors effective as of 30 April 2010. Nexia Smith & Williamson Audit Limited, which trades as Nexia Smith & Williamson, has been appointed as auditors. A resolution to reappoint Nexia Smith & Williamson will be proposed at the annual general meeting.

Signed on behalf of the directors



D A Sproxton
Director

Date 27 September 2010

AARDMAN ANIMATIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER

YEAR ENDED 31 DECEMBER 2009

We have audited the accounts of Aardman Animations Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 22. 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 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 set out on pages 2 and 3, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit the accounts 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the accounts

A description of the scope of an audit of accounts is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on accounts

In our opinion the accounts

- give a true and fair view of the state of the company's affairs as at 31 December 2009 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.

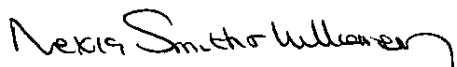
Opinion on other matter prescribed by the Companies Act 2006

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

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 accounts 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.



Steven Coombe
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Portwall Lane
Bristol
BS1 6NA
27 September 2010

AARDMAN ANIMATIONS LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £	2008 (restated) £
TURNOVER	2	16,668,549	18,482,595
Cost of sales		(9,181,615)	(10,808,938)
GROSS PROFIT		<u>7,486,934</u>	<u>7,673,657</u>
Distribution costs		(24,216)	(47,147)
Administrative expenses		(9,307,632)	(9,631,151)
Other operating income	3	2,554,029	2,626,525
OPERATING PROFIT	4	<u>709,115</u>	<u>621,884</u>
Interest receivable		3,245	41,707
Interest payable and similar charges	7	(5,771)	(14,047)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>706,589</u>	<u>649,544</u>
Tax on profit on ordinary activities	8	(236,202)	(152,815)
PROFIT FOR THE FINANCIAL YEAR		<u><u>470,387</u></u>	<u><u>496,729</u></u>

There are no recognised gains or losses for the year other than the profit shown above

All of the activities of the company are classed as continuing

The comparative turnover, cost of sales and administrative expenses figures have been restated to reflect a reclassification of specific job costs relating to the prior year. There is no impact on reported profit or net assets in either period.

The notes on pages 8 to 17 form part of these accounts.

AARDMAN ANIMATIONS LIMITED**BALANCE SHEET****31 DECEMBER 2009**

	Note	2009	2008
		£	£
FIXED ASSETS			
Tangible assets	9	2,108,004	2,895,244
Investments	10	102	102
		<u>2,108,106</u>	<u>2,895,346</u>
CURRENT ASSETS			
Stocks	11	4,347,709	7,721,565
Debtors	12	3,206,463	3,553,845
Cash at bank		2,055,833	1,550,183
		<u>9,610,005</u>	<u>12,825,593</u>
CREDITORS: Amounts falling due within one year	13	<u>(3,766,006)</u>	<u>(8,156,393)</u>
NET CURRENT ASSETS		<u>5,843,999</u>	<u>4,669,200</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,952,105</u>	<u>7,564,546</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	14	-	(82,828)
NET ASSETS		<u>7,952,105</u>	<u>7,481,718</u>
CAPITAL AND RESERVES			
Called-up equity share capital	17	1,000	1,000
Profit and loss account	18	7,951,105	7,480,718
EQUITY SHAREHOLDER'S FUNDS	19	<u>7,952,105</u>	<u>7,481,718</u>

These accounts were approved by the directors on 27 September 2010 and are signed on their behalf

by 
D A Sproxton
Director

Company registration number 2050843

The notes on pages 8 to 17 form part of these accounts.

AARDMAN ANIMATIONS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES

Basis of accounting

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

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.

Cash flow statement

The directors have taken advantage of the exemption provided in Financial Reporting Standard 1 (revised) from including a cash flow statement in the accounts on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

The turnover shown in the profit and loss account represents amounts earned from film, broadcast and commercial production and other related activities. The reported turnover is recorded at the fair value of the right to consideration and is based on the price specified in the contractual arrangement, net of value added tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Improvements to Property	- over the period of the lease
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

Assets in the course of construction are not depreciated.

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.

AARDMAN ANIMATIONS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES *(continued)*

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Royalties receivable

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

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

Obligations under finance lease and hire purchase agreements

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding lease commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

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.

Commission receivable

Commission income is included on a receivable basis.

Investments

Investments are valued at cost less any diminution in value.

AARDMAN ANIMATIONS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES *(continued)*

Financial instruments and hedge accounting

Financial instruments are classified and accounted for according to the substance of the contractual arrangements as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

The company uses forward exchange contracts which manage the currency risk associated with the financing of its underlying business activities. The company does not use derivative instruments for speculative purposes.

2. TURNOVER

Turnover is attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2009	2008 <i>(restated)</i>
	£	£
United Kingdom	10,519,979	10,079,808
Europe	1,649,755	2,109,301
United States of America	3,500,277	5,177,404
Other	998,538	1,116,082
	<u>16,668,549</u>	<u>18,482,595</u>

3. OTHER OPERATING INCOME

	2009	2008
	£	£
Commission receivable	2,310,916	1,980,118
Exchange gains	-	360,778
Bike lease scheme	6,132	6,377
Royalties receivable	236,981	279,252
	<u>2,554,029</u>	<u>2,626,525</u>

4. OPERATING PROFIT

Operating profit is stated after charging:

	2009	2008
	£	£
Depreciation	745,040	833,498
Impairment	152,899	-
Loss on disposal of fixed assets	348,812	51,220
Exchange losses / (gains)	8,937	(360,778)
Auditors' remuneration		
- audit fees	15,700	16,500
- non audit services	16,570	18,923
Operating lease costs		
Land and buildings	174,371	302,269
Other	<u>46,046</u>	<u>33,250</u>

AARDMAN ANIMATIONS LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2009**

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to

	2009	2008
	No	No
Core staff	107	120
Project related freelancers	158	164
	<u>265</u>	<u>284</u>

The aggregate payroll costs of the above were

	2009	2008
	£	£
Wages and salaries	9,659,858	9,868,958
Social security costs	1,031,897	1,090,083
Other pension costs	340,958	373,471
	<u>11,032,713</u>	<u>11,332,512</u>

6 DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

	2009	2008
	£	£
Aggregate emoluments	97,582	116,006
Value of company pension contributions to money purchase schemes	14,489	13,645
	<u>112,071</u>	<u>129,651</u>

The number of directors who are accruing benefits under company pension schemes were as follows

	2009	2008
	No	No
Money purchase schemes	<u>1</u>	<u>1</u>

The above remuneration relates to the amounts paid during the year

7. INTEREST PAYABLE

	2009	2008
	£	£
Interest on bank borrowing	<u>5,771</u>	<u>14,047</u>

AARDMAN ANIMATIONS LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2009****8. TAX ON LOSS ON ORDINARY ACTIVITIES****(a) Analysis of charge in the year**

	2009 £	2008 £
Corporation tax based on the results for the year	320,208	229,546
Prior year under/(over) provision	9,423	(3,105)
Foreign tax	30,644	48,459
Double tax relief	(30,644)	(48,431)
Total current tax (note 8(b))	329,631	226,469
(Decrease) in deferred tax provision (note 14)		
Capital allowances	(125,549)	(39,252)
Other	32,120	(34,402)
	(93,429)	(73,654)
Tax on ordinary activities	236,202	152,815

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2008 - higher) than the standard rate of corporation tax in the UK of 28% (2008 - 28.5%)

	2009 £	2008 £
Profit on ordinary activities before taxation	706,589	649,544
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 28% (2008 - 28.5%)	197,845	185,120
Depreciation for the period in excess of capital allowances	142,105	40,416
Expenses not deductible for tax purposes	12,379	5,968
Income not taxable for tax purposes	-	(36,965)
Group relief claimed before payment	(29,643)	(124,939)
Payment for group relief	29,643	124,939
Foreign tax credits	-	28
Other timing differences	(32,121)	35,017
Adjustments in respect of prior years	9,423	(3,105)
Tax rate difference	-	(10)
Total current tax (note 8(a))	329,631	226,469

AARDMAN ANIMATIONS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2009

9. TANGIBLE FIXED ASSETS

	Improvements to property	Studio equipment	Fixtures & fittings	Motor vehicles	Computer equipment	Bicycles	Total
COST	£	£	£	£	£	£	£
At 1 Jan 2009	578,503	5,968,663	534,727	83,129	2,421,623	8,061	9,594,706
Additions	4,879	177,191	30,191	-	242,835	7,663	462,759
Disposals	-	(2,386,662)	-	-	-	(3,738)	(2,390,400)
At 31 Dec 2009	<u>583,382</u>	<u>3,759,192</u>	<u>564,918</u>	<u>83,129</u>	<u>2,664,458</u>	<u>11,986</u>	<u>7,667,065</u>
DEPRECIATION							
At 1 Jan 2009	512,412	3,540,702	397,812	74,493	2,165,982	8,061	6,699,462
Charge for the year	70,970	390,774	25,066	2,159	248,408	7,663	745,040
Impairment	-	152,899	-	-	-	-	152,899
On disposals	-	(2,034,602)	-	-	-	(3,738)	(2,038,340)
At 31 Dec 2009	<u>583,382</u>	<u>2,049,773</u>	<u>422,878</u>	<u>76,652</u>	<u>2,414,390</u>	<u>11,986</u>	<u>5,559,061</u>
NET BOOK VALUE							
At 31 Dec 2009	-	1,709,419	142,040	6,477	250,068	-	2,108,004
At 31 Dec 2008	<u>66,091</u>	<u>2,427,961</u>	<u>136,915</u>	<u>8,636</u>	<u>255,641</u>	<u>-</u>	<u>2,895,244</u>

The impairment charge for studio equipment is as a result of technology advances resulting in the equipment becoming obsolete

10. INVESTMENTS

	2009 £
Cost	
At 1 January and 31 December	<u>102</u>
Provision for diminution in value	
At 1 January and at 31 December	<u>-</u>
Net book value at 31 December 2009	<u>102</u>
Net book value at 31 December 2008	<u>102</u>

AARDMAN ANIMATIONS LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2009**

10. INVESTMENTS (continued)

The company's investments in the ordinary share capital of unlisted companies at the balance sheet date include the following

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

Details of the capital and reserves at 31 December 2009 and the profit after tax for the year then ended for the subsidiaries are as follows

	Capital and reserves at 31.12.2009 £	Result after tax for the year to 31.12.2009 £
Morph Limited	100	-
Aardman Creature Comforts USA Limited	2	-

11. STOCKS

	2009 £	2008 £
Work in progress	3,841,747	4,758,205
Finished goods	505,962	2,963,360
	<u>4,347,709</u>	<u>7,721,565</u>

12. DEBTORS

	2009 £	2008 £
Trade debtors	1,098,638	2,070,570
Amounts owed by group undertakings	389,624	99,103
Other debtors	9,612	4,902
Prepayments and accrued income	702,718	701,928
Amounts recoverable on contracts	995,270	677,342
Deferred tax asset (note 14)	10,601	-
	<u>3,206,463</u>	<u>3,553,845</u>

AARDMAN ANIMATIONS LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2009****13. CREDITORS: Amounts falling due within one year**

	2009	2008
	£	£
Trade creditors	771,196	1,641,397
Other taxes and social security	616,173	998,789
Corporation tax	227,406	56,176
Other creditors	42,840	52,493
Amounts owed to group undertakings	446,553	148,322
Accruals and deferred income	1,661,838	5,259,216
	<u>3,766,006</u>	<u>8,156,393</u>

Included within accruals are outstanding pension contributions of £28,690 (2008 - £38,297)

14. DEFERRED TAXATION

	2009	2008
	£	£
The movement in the deferred taxation provision during the year was		
Provision brought forward	82,828	156,482
Credit to the profit and loss account	(93,429)	(73,654)
(Asset)/provision carried forward	<u>(10,601)</u>	<u>82,828</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2009	2008
	£	£
Accelerated capital allowances	-	125,549
Other timing differences	(10,601)	(42,721)
	<u>(10,601)</u>	<u>82,828</u>

There is an unprovided deferred tax asset of £27,375 (2008 - £nil) in respect of accelerated capital allowances

15. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as set out below

	2009		2008	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire				
Within 1 year	50,000	1,012	367,100	1,012
Within 1 to 2 years	-	21,538	50,000	-
Within 2 to 5 years	297,915	50,823	-	27,308
After 5 years	-	13,419	-	-
	<u>347,915</u>	<u>86,792</u>	<u>417,100</u>	<u>28,320</u>

AARDMAN ANIMATIONS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2009

16. RELATED PARTY TRANSACTIONS

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

Year ended 31 December 2009

Name of Related Party	Type of Relationship	Transaction	Value of Transaction £	Debtor at 31.12.09 £
Wallace & Gromit Ltd	Fellow subsidiary	Commissions	196,865	12,110
		Settled balance	16,975	
		Recharge of cost of sales	175,529	

Year ended 31 December 2008

Name of Related Party	Type of Relationship	Transaction	Value of Transaction £	Debtor at 31.12.08 £
Wallace & Gromit Ltd	Fellow subsidiary	Commissions	253,597	82,664
		Settled balance	144,433	
		Group relief	16,975	
		Recharge of cost of sales	101,714	

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 £206,615 (2008 - £203,523) was secured by the company, and was the maximum amount secured during the year

During the year the company was charged £251,250 (2008 - £586,842) for royalty payments by N W Park, a director of the company. At 31 December 2009 an amount of £nil (2008 - £667,654) was outstanding

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

AARDMAN ANIMATIONS LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2009**

17. SHARE CAPITAL

Authorised share capital	2009	2008
	£	£
1,000 Ordinary shares of £1 00 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid Ordinary share capital	<u>1,000</u>	<u>1,000</u>

18. PROFIT AND LOSS ACCOUNT

	2009	2008
	£	£
Balance brought forward	7,480,718	6,983,989
Retained profit for the financial year	<u>470,387</u>	<u>496,729</u>
Balance carried forward	<u>7,951,105</u>	<u>7,480,718</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2009	2008
	£	£
Profit for the financial year	470,387	496,729
Opening equity shareholder's funds	<u>7,481,718</u>	<u>6,984,989</u>
Closing equity shareholder's funds	<u>7,952,105</u>	<u>7,481,718</u>

20. ULTIMATE PARENT COMPANY

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. DERIVATIVES AND FINANCIAL INSTRUMENTS

Currency exposure on future agreed sales is hedged through the use of forward exchange contracts. Gains and losses on instruments used for hedging are not recognised until the exposure that has been hedged is itself recognised. At the year end the company had no forward contracts in place (2008 - \$2,000,000 with a fair value at 31 December 2008 of an asset of £22,036).

22. 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 2009 total borrowings subject to this agreement was £6,906,615 (2008 - £6,772,522).