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**AARDMAN ANIMATIONS LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**AARDMAN ANIMATIONS LIMITED**

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**AARDMAN ANIMATIONS LIMITED**

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**COMPANY INFORMATION**

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**DIRECTORS**

D A Sproxton  
P D F Lord  
N W Park

**COMPANY SECRETARY**

D A Sproxton

**REGISTERED NUMBER**

02050843

**REGISTERED OFFICE**

Gas Ferry Road  
Bristol  
BS1 6UN

**INDEPENDENT AUDITORS**

Nexia Smith & Williamson  
Chartered Accountants & Statutory Auditor  
Portwall Place  
Portwall Lane  
Bristol  
BS1 6NA

**BANKERS**

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 2016

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The directors present their report and the financial statements for the year ended 31 December 2016.

#### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £2,332,847 (2015 - £1,555,509).

No dividend was paid during the year (2015 - £nil).

#### DIRECTORS

The directors who served during the year were:

D A Sproxton  
P D F Lord  
N W Park

#### 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.

#### DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements 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 to 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.

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**AARDMAN ANIMATIONS LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**DISCLOSURE 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 the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**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.



D A Sproxtton  
Director

Date: 29 SEP 2017

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## **AARDMAN ANIMATIONS LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

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The directors present their strategic report for the year ended 31 December 2016.

#### **PRINCIPAL ACTIVITY 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.

#### **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 risk 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 strategic 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 strategic report of the group's annual report which does not form part of this report.

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



**D A Sproxtton**  
Director

Date:

29 SEP 2017

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## **AARDMAN ANIMATIONS LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF AARDMAN ANIMATIONS LIMITED**

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We have audited the financial statements of Aardman Animations Limited for the year ended 31 December 2016, which comprise the Statement of income and retained earnings, the Balance sheet and the related notes. The relevant financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's member 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 member 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 member 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 on page 2, 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 Financial Reporting Council'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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **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 2016 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, based on the work undertaken in the course of the audit:

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

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

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**AARDMAN ANIMATIONS LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF AARDMAN ANIMATIONS LIMITED  
(CONTINUED)**

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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 Auditor

Portwall Place  
Portwall Lane  
Bristol  
BS1 6NA  
Date:





**AARDMAN ANIMATIONS LIMITED**

**STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
<b>TURNOVER</b>	2,4	<b>17,076,958</b>	<b>19,730,318</b>
Cost of sales		<b>(7,151,434)</b>	<b>(10,138,285)</b>
<b>GROSS PROFIT</b>		<b>9,925,524</b>	<b>9,592,033</b>
Distribution costs		<b>(10,553)</b>	<b>(14,367)</b>
Administrative expenses		<b>(8,431,370)</b>	<b>(8,673,336)</b>
Other operating income	5	<b>782,673</b>	<b>502,694</b>
<b>OPERATING PROFIT</b>	6	<b>2,266,274</b>	<b>1,407,024</b>
Interest receivable and similar income	9	<b>30,039</b>	<b>8,670</b>
Interest payable and expenses	10	<b>(4,954)</b>	<b>(5,832)</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE ANIMATION AND VIDEO GAMES TAX CREDIT</b>		<b>2,291,359</b>	<b>1,409,862</b>
Animation and video games tax credit		<b>113,730</b>	<b>659,345</b>
<b>PROFIT BEFORE TAX</b>		<b>2,405,089</b>	<b>2,069,207</b>
Tax on profit	11	<b>(72,242)</b>	<b>(513,698)</b>
<b>PROFIT AFTER TAX</b>		<b>2,332,847</b>	<b>1,555,509</b>
Retained earnings at the beginning of the year		<b>14,712,314</b>	<b>13,156,805</b>
		<b>14,712,314</b>	<b>13,156,805</b>
Profit for the year		<b>2,332,847</b>	<b>1,555,509</b>
<b>RETAINED EARNINGS AT THE END OF THE YEAR</b>		<b>17,045,161</b>	<b>14,712,314</b>

The notes on pages 9 to 23 form part of these financial statements.

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

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2016**

	Note	2016 £	2015 £
<b>FIXED ASSETS</b>			
Tangible assets	12	1,572,284	1,410,568
Investments	13	123,424	102
		<u>1,695,708</u>	<u>1,410,670</u>
<b>CURRENT ASSETS</b>			
Stocks	16	1,898,302	1,480,351
Debtors: amounts falling due within one year	14	5,402,138	5,829,571
Cash at bank and in hand	15	13,186,236	10,619,432
		<u>20,486,676</u>	<u>17,929,354</u>
Creditors: amounts falling due within one year	17	(5,136,223)	(4,623,869)
<b>NET CURRENT ASSETS</b>		<u>15,350,453</u>	<u>13,305,485</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>17,046,161</u>	<u>14,716,155</u>
Deferred tax	18	-	(2,841)
<b>NET ASSETS</b>		<u><u>17,046,161</u></u>	<u><u>14,713,314</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	1,000	1,000
Profit and loss account	20	17,045,161	14,712,314
		<u>17,046,161</u>	<u>14,713,314</u>

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

  
**D A Sproxtton**  
 Director

Date: 29 SEP 2017

The notes on pages 9 to 23 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 2016

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#### 1. GENERAL INFORMATION

Aardman Animations Limited is a private company, limited by shares, and incorporated in England and Wales. The address of the registered office is Gas Ferry Road, Bristol, BS1 6UN.

#### 2. ACCOUNTING POLICIES

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Aardman Holdings Limited as at 31 December 2016 and these financial statements may be obtained from Gas Ferry Road, Bristol, BS1 6UN.

##### 2.3 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.

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## AARDMAN ANIMATIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 2. ACCOUNTING POLICIES (CONTINUED)

##### 2.4 Turnover

Turnover comprises income from broadcast, commercial and digital sales as well as income from related merchandising, commissions, license fees and production fees charged to other group companies.

Turnover generated from commercial and digital projects is recognised based on stage of completion determined with reference to costs incurred as a proportion of projected costs.

All other turnover is recognised on delivery.

##### 2.5 Royalties received

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

##### 2.6 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 FRS 102 section 23.

##### 2.7 Investments

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

##### 2.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following bases.

Property investments	- over the period of the lease
Studio equipment	- 15% on reducing balance
Short life studio equipment	- 33% on cost
Motor Vehicles	- 25% on reducing balance
Fixtures and fittings	- 15% on reducing balance
Computer equipment	- 33% on cost
Bicycles	- 100% on cost

##### 2.9 Stocks and work in progress

Stock reflects the production cost of film, broadcast, commercial and other projects.

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## AARDMAN ANIMATIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.10 Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at *initial recognition at transaction price*. Debtors and creditors are subsequently measured at *amortised cost* using the effective interest rate method. A provision is established when there is objective evidence that the group will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank and short-term bank deposits with an original maturity of three months or less.

### 2.11 Foreign currencies

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

Non-monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the transaction date.

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

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

### 2.12 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.

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## AARDMAN ANIMATIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.13 Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

### 2.14 Operating leases

Rentals under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

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## AARDMAN ANIMATIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the period.

The key areas of judgement and estimation uncertainty in these financial statements are highlighted below:

##### *Revenue recognition*

Revenue recognition on commercial and digital projects requires management to forecast the outcome of the project with regard to overall costs expected to be incurred. This is central to level of revenue and profit recognised through these income streams in each financial period.

##### *Valuation of stock*

Work in progress and finished goods comprise costs incurred on broadcast, commercial, digital and feature film projects. Where there is no single end customer in place, with particular reference to broadcast and feature film projects, management are required to make an assessment of future expected income in relation to those projects in order to determine whether the associated stock balance should be impaired.

#### 4. TURNOVER

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

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	8,344,671	11,208,890
Rest of Europe	2,311,288	2,618,078
United States of America	2,448,303	3,115,008
Other	3,972,696	2,788,342
	<u>17,076,958</u>	<u>19,730,318</u>

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**AARDMAN ANIMATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**5. OTHER OPERATING INCOME**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Research and development credit	<b>18,169</b>	<b>39,028</b>
Royalty receivable	<b>760,739</b>	<b>462,377</b>
Bike lease scheme	<b>3,765</b>	<b>1,289</b>
	<b>782,673</b>	<b>502,694</b>

**6. OPERATING PROFIT**

The operating profit is stated after charging:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Depreciation of tangible fixed assets	<b>781,139</b>	<b>631,067</b>
Profit on sale of assets	<b>(9,461)</b>	<b>(4,618)</b>
Amounts charged under operating lease agreements	<b>79,818</b>	<b>383,633</b>
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<b>16,650</b>	<b>17,000</b>
Exchange differences	<b>(980,675)</b>	<b>(13,055)</b>



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**AARDMAN ANIMATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**7. EMPLOYEES**

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	6,308,840	7,834,006
Social security costs	678,258	855,491
Pension costs	332,683	325,912
	<u>7,319,781</u>	<u>9,015,409</u>

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

	2016 No.	2015 No.
Core staff	96	89
Project related staff	62	107
	<u>158</u>	<u>196</u>

**8. DIRECTORS' REMUNERATION**

	2016 £	2015 £
Directors' emoluments	128,272	117,457
Pension costs	1,578	9,175
	<u>129,850</u>	<u>126,632</u>

During the year retirement benefits were accruing to 1 director (2015 - 1) in respect of defined contribution pension schemes.

**9. INTEREST RECEIVABLE**

	2016 £	2015 £
Other interest receivable	<u>30,039</u>	<u>8,670</u>

**AARDMAN ANIMATIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**10. INTEREST PAYABLE AND SIMILAR CHARGES**

	2016 £	2015 £
Bank interest payable	<u>4,954</u>	<u>5,832</u>

**11. TAXATION**

	2016 £	2015 £
<b>CORPORATION TAX</b>		
Current tax on profits for the year	419,378	500,283
Adjustments in respect of previous periods	(157)	121
Double taxation relief	(173,280)	(94,635)
	<u>245,941</u>	<u>405,769</u>
<b>FOREIGN TAX</b>		
Foreign tax on income for the year	173,285	94,635
<b>TOTAL CURRENT TAX</b>	<u>419,226</u>	<u>500,404</u>
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	(346,954)	12,249
Changes to tax rates	(165)	-
Adjustments in respect of prior periods	135	1,045
<b>TOTAL DEFERRED TAX</b>	<u>(346,984)</u>	<u>13,294</u>
<b>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>	<u>72,242</u>	<u>513,698</u>

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**AARDMAN ANIMATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**11. TAXATION (CONTINUED)**

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is lower than *(2015 - higher than)* the standard rate of corporation tax in the UK of 20.00% *(2015 - 20.25%)*. The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>2,405,089</u>	<u>2,069,207</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% <i>(2015 - 20.25%)</i>	481,018	419,014
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes	17,495	18,111
Adjustments to tax charge in respect of prior periods	(22)	119
Tax rate differences	61,062	(799)
Additional deduction for R&D expenditure	(63,407)	(66,956)
Foreign tax credits	5	-
Video games tax profit adjustment	(18,941)	(18,097)
Animation tax profit adjustment	(404,968)	180,594
Deferred tax not recognised	-	(18,288)
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	<u><u>72,242</u></u>	<u><u>513,698</u></u>

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

Finance Act 2016, which received Royal Assent on 15 September 2016, includes legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020.

AARDMAN ANIMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

12. TANGIBLE FIXED ASSETS

	Property improvements £	Studio equipment £	Motor vehicles £	Fixtures & fittings £	Short life studio equipment £	Computer equipment £	Bicycles £	Total £
<b>COST</b>								
At 1 January 2016	583,382	3,111,093	54,737	638,570	885,534	4,193,788	2,862	9,469,966
Additions	-	193,113	8,750	14,934	561,137	172,725	4,416	955,075
Disposals	-	(63,341)	(35,152)	-	-	(12,676)	(2,445)	(113,614)
At 31 December 2016	583,382	3,240,865	28,335	653,504	1,446,671	4,353,837	4,833	10,311,427
<b>DEPRECIATION</b>								
At 1 January 2016	583,382	2,479,382	52,898	551,461	563,268	3,826,145	2,862	8,059,398
Charge for the year	-	123,724	2,616	15,306	364,114	270,963	4,416	781,139
Disposals	-	(52,179)	(34,466)	-	-	(12,304)	(2,445)	(101,394)
At 31 December 2016	583,382	2,550,927	21,048	566,767	927,382	4,084,804	4,833	8,739,143
<b>NET BOOK VALUE</b>								
At 31 December 2016	-	689,938	7,287	86,737	519,289	269,033	-	1,572,284
At 31 December 2015	-	631,711	1,839	87,109	322,266	367,643	-	1,410,568

# AARDMAN ANIMATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 13. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
<b>COST OR VALUATION</b>	
At 1 January 2016	102
Additions	123,322
At 31 December 2016	123,424
<b>NET BOOK VALUE</b>	
At 31 December 2016	123,424
At 31 December 2015	102

Additions in the year relate to the incorporation of Aardman Mossy Bottom Limited and Aardman USA Inc., through which Nathan Love LLC. was acquired.

### SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Holding	Principal activity
Morph Limited	England	100 %	Dormant
Aardman Creature Comforts USA Limited	England	100 %	Dormant Intermediate holding company
Aardman USA Inc.	USA	100 %	
Aardman Mossy Bottom Limited	England	100 %	Film production
Aardman Nathan Love LLC*	USA	51 %	Film production

\* Held indirectly through Aardman USA Inc.

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**AARDMAN ANIMATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**14. DEBTORS**

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Trade debtors	<b>2,414,325</b>	<b>3,277,700</b>
Amounts owed by group undertakings	<b>803,090</b>	<b>143,796</b>
Other debtors	<b>408,531</b>	<b>405,168</b>
Prepayments and accrued income	<b>1,235,564</b>	<b>1,581,064</b>
Amounts recoverable on long term contracts	<b>18,366</b>	<b>90,684</b>
Corporation tax repayable	<b>178,119</b>	<b>331,159</b>
Deferred taxation	<b>344,143</b>	<b>-</b>
	<b><u>5,402,138</u></b>	<b><u>5,829,571</u></b>

**15. CASH AND CASH EQUIVALENTS**

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Cash at bank and in hand	<b><u>13,186,236</u></b>	<b><u>10,619,432</u></b>

**16. STOCKS**

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Work in progress	<b>1,803,968</b>	<b>1,250,637</b>
Finished goods	<b>94,334</b>	<b>229,714</b>
	<b><u>1,898,302</u></b>	<b><u>1,480,351</u></b>

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**AARDMAN ANIMATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**17. CREDITORS: Amounts falling due within one year**

	2016 £	2015 £
Trade creditors	466,690	683,172
Amounts owed to group undertakings	35,157	3,438
Other taxation and social security	352,439	366,207
Other creditors	108,348	41,095
Accruals and deferred income	4,173,589	3,529,957
	<u>5,136,223</u>	<u>4,623,869</u>

**18. DEFERRED TAXATION**

	2016 £	2015 £
At beginning of year	(2,841)	10,453
Charged to profit or loss	346,984	(13,294)
<b>AT END OF YEAR</b>	<u><b>344,143</b></u>	<u><b>(2,841)</b></u>

The deferred taxation balance is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	70,385	(18,070)
Short term timing differences	273,758	15,229
	<u>344,143</u>	<u>(2,841)</u>

The deferred tax asset is recognised within debtors (see note 14).

**19. SHARE CAPITAL**

	2016 £	2015 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

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**AARDMAN ANIMATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**20. RESERVES**

**Profit & loss account**

This reserve relates to cumulative retained earnings less amounts distributed to the shareholder.

**21. 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 £332,683 (2015 - £325,912). Contributions totalling £33,771 (2015 - £29,824) were payable to the fund at the balance sheet date and are included in creditors.

**22. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	510,569	522,559
Later than 1 year and not later than 5 years	615,046	1,035,014
Later than 5 years	-	1,010
	<u>1,125,615</u>	<u>1,558,583</u>



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## AARDMAN ANIMATIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 23. RELATED PARTY TRANSACTIONS

The following information is provided in accordance with FRS 102, Section 33; Related Party Transactions.

Year ended 31 December 2016

Name of Related Party	Relationship	Type of transaction	Value of transaction	(Creditor)/debtor at 31.12.16
			£	£
Wallace & Gromit Ltd	Fellow subsidiary	Commissions	205,688	(48,646)
		Recharge of cost of sales	32,267	15,249
		Recharge of personnel costs	22,844	277
Aardman Nathan Love LLC	Subsidiary	Management charge	73,844	20,320

Year ended 31 December 2015

Name of Related Party	Relationship	Type of transaction	Value of transaction	Debtor at 31.12.15
			£	£
Wallace & Gromit Ltd	Fellow subsidiary	Commissions	306,725	21,263
		Recharge of cost of sales	84,775	40,422
		Recharge of personnel cost	43,074	9,717

During the year, the company acted as guarantor for the 1998 Aardman Holdings Limited Approved Profit Sharing Scheme. At the year end £237,548 (2015 - £236,559) was secured by the company, and was the maximum amount secured during the year.

During the year the company was charged £567,996 (2015 - £192,197) for royalty payments by N W Park, a director of the company. At 31 December 2016 an amount of £197,230 (2015 - £34,384) was outstanding.

#### 24. 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.

The ultimate controlling parties are D A Sproxton and P D F Lord, directors of Aardman Animations Limited and Aardman Holdings Limited.

#### 25. CONTINGENCIES

The company is party to a composite guarantee dated 19 December 2007 with Aardman Holdings Limited, Aardman Features Limited and Wallace & Gromit Limited.

At 31 December 2016 total borrowings subject to this agreement were £362,548 (2015 - £1,461,559).