

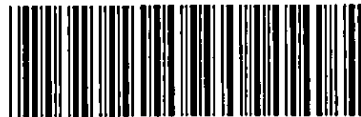
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**AARDMAN HOLDINGS LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**AARDMAN HOLDINGS LIMITED**

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**COMPANY INFORMATION**

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<b>DIRECTORS</b>	D A Sproxton P D F Lord
<b>COMPANY SECRETARY</b>	D A Sproxton
<b>COMPANY NUMBER</b>	02672880
<b>REGISTERED OFFICE</b>	Gas Ferry Road Bristol BS1 6UN
<b>AUDITORS</b>	Nexia Smith & Williamson Chartered Accountants & Statutory Auditors Portwall Place Portwall Lane Bristol BS1 6NA
<b>BANKERS</b>	Coutts & Co Media Banking 440 Strand London WC2R 0QS

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**AARDMAN HOLDINGS LIMITED**

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## AARDMAN HOLDINGS LIMITED

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

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The directors have pleasure in presenting their report and the consolidated accounts of the group for the year ended 31 December 2011

#### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of controlling and providing management services to all of its subsidiaries, and of the group was that of Film, Broadcast, Commercial and Digital creators, producers and distributors

The consolidated results for the year returned a consolidated pre-tax profit on ordinary activities of £739,321 (2010 pre-tax profit of £1,888,784)

The Feature Film division completed the production of one of its two Feature films, 'Arthur Christmas', which was released in November 2011 'Pirates!', the second of the two, was completed and released post year-end in March 2012

Residual income was received for 'Wallace and Gromit Curse of the Wererabbit' and 'Chicken Run', the latter through Aardman Features Limited

The Broadcast division delivered a further series and two half hour specials of 'Timmy Time' 'Wallace and Gromit's World of Invention' continued to recoup quicker than expected, as did 'Shaun the Sheep' In addition to numerous projects on the Broadcast development slate, at the year-end the studio was in production on a further series and two shorter pieces of 'Shaun'

The Commercials division again had a very good year in terms of turnover, posting the second best result for ten years and outperforming the budget As per 2009 and 2010, stop-frame animation work exceeded CGI animation, as did Flash/Cel Action work Two thirds of the work was generated from the UK and a fifth from the US, the balance from Europe and the Rest of the World

The Rights division again outperformed the budget, mainly due to the continued success in the distribution of the 'Shaun' brand, and strong sales of 'World of Invention' and 'Wallace and Gromit' Income from exhibitions grew and the division has proactively sought out selective third party properties to distribute The back catalogue continues to contribute meaningfully to the results of the division

The Digital division posted a similar result as 2010 More third party work contributed to this performance as well as digitally supporting current brands, including commissioned work to support the two major Feature film releases

Overall, overheads increased slightly, for the first time in three years This is mainly due to the timing of completion of major projects and gaps in production, where people and resource costs become an overhead cost rather than a cost of production

Distribution income for the three original Wallace & Gromit short films, recognised through Wallace and Gromit Limited, was lower than 2010 as, for a two year period commencing July 2010 generic/non-specific Wallace and Gromit income goes toward recouping 'World of Invention' after commissions have been taken by Rights

#### RESULTS AND DIVIDENDS

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

The directors have not recommended the payment of a dividend (2010 £nil)

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## **AARDMAN HOLDINGS LIMITED**

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

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#### **FINANCIAL RISK MANAGEMENT**

The main financial risk the group faces is the movement in exchange rates. No currencies have been hedged at the year-end.

#### **KEY PERFORMANCE INDICATORS**

The average profit margin for Commercials was 32% for the year, compared to 38% in 2010. Partially completed projects at the year-end are accounted for under the requirements of UITF 40.

In Broadcast productions there is generally a provision for a production fee of around 10% of the budget. This is generally recognised at the end of the production, or earlier if ultimate revenue is guaranteed, under the requirements of UITF 40.

Commissions for Rights are generally at 30% of gross revenue where exploiting directly, and up to 10% override commission if exploiting via an agent.

With core staff of around 115, employee turnover continues to remain low, with large variations in freelance staffing levels depending on how many projects are in production.

#### **DIRECTORS**

The directors who served during the year were

D A Sproxton  
P D F Lord

#### **EMPLOYEE INVOLVEMENT**

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 group 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 become 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.

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## AARDMAN HOLDINGS 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 consolidated accounts of the group in accordance with applicable law and regulations

Company law requires the directors to prepare consolidated accounts of the group for each financial year. Under that law the directors have elected to prepare the consolidated accounts of the group 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 consolidated accounts of the group unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these consolidated accounts of the group, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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 financial statements,
- prepare the consolidated accounts of the group on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and enable them to ensure that the consolidated accounts of the group comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### 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 and the Group'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 and the Group's auditors in connection with preparing their report and to establish that the Company and the Group'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 on 27 September 2012 and signed on its behalf



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**D A Sproxton**  
Director

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## **AARDMAN HOLDINGS LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AARDMAN HOLDINGS LIMITED**

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We have audited the financial statements of Aardman Holdings Limited for the year ended 31 December 2011, which comprise the group profit and loss account, the group and company Balance sheets, the group cash flow statement 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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

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 group's and the parent company's affairs as at 31 December 2011 and of the group's 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 HOLDINGS LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AARDMAN HOLDINGS 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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 HOLDINGS LIMITED**

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

	Note	2011 Feature film activity £	2011 Other activities £	2011 Total £	2010 Feature film activity £	2010 Other activities £	2010 Total £
<b>TURNOVER</b>	2	52,733,394	14,069,317	66,802,711	34,346,790	19,113,005	53,459,795
Cost of sales		(57,026,928)	(4,975,891)	(62,002,819)	(37,249,248)	(9,376,749)	(46,985,997)
<b>GROSS PROFIT</b>		<b>(4,293,534)</b>	<b>9,093,426</b>	<b>4,799,892</b>	<b>(2,902,458)</b>	<b>9,376,256</b>	<b>6,473,798</b>
Distribution costs		-	(21,684)	(21,684)	-	(23,440)	(23,440)
Administrative expenses		-	(10,446,509)	(10,446,509)	-	(10,016,478)	(10,016,478)
Other operating income	3	-	2,237,437	2,237,437	-	2,704,419	2,704,419
<b>OPERATING (LOSS)/PROFIT</b>	4	<b>(4,293,534)</b>	<b>862,670</b>	<b>(3,430,864)</b>	<b>(2,902,458)</b>	<b>2,040,757</b>	<b>(861,701)</b>
Interest receivable		-	5,734	5,734	-	6,362	6,362
Interest payable	8	-	(129,083)	(129,083)	-	(158,335)	(158,335)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE FILM TAX CREDIT</b>		<b>(4,293,534)</b>	<b>739,321</b>	<b>(3,554,213)</b>	<b>(2,902,458)</b>	<b>1,888,784</b>	<b>(1,013,674)</b>
Film tax credit	9	4,293,534	-	4,293,534	2,902,458	-	2,902,458
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>-</b>	<b>739,321</b>	<b>739,321</b>	<b>-</b>	<b>1,888,784</b>	<b>1,888,784</b>
Tax on profit on ordinary activities	9	-	(98,069)	(98,069)	-	(806,209)	(806,209)
<b>TOTAL TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES</b>	9	<b>4,293,534</b>	<b>(98,069)</b>	<b>4,195,465</b>	<b>2,902,458</b>	<b>(806,209)</b>	<b>2,096,249</b>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>-</b>	<b>641,252</b>	<b>641,252</b>	<b>-</b>	<b>1,082,575</b>	<b>1,082,575</b>
Minority interests		-	35,006	35,006	-	1,616	1,616
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		<b>-</b>	<b>676,258</b>	<b>676,258</b>	<b>-</b>	<b>1,084,191</b>	<b>1,084,191</b>

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

All of the activities of the group are classed as continuing

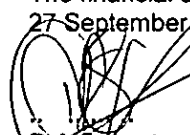
The notes on pages 10 to 30 form part of these financial statements

**AARDMAN HOLDINGS LIMITED**

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

	Note	£	2011 £	£	2010 £
<b>FIXED ASSETS</b>					
Intangible assets	10		150,000		300,000
Tangible assets	11		14,643,426		15,719,940
			<u>14,793,426</u>		<u>16,019,940</u>
<b>CURRENT ASSETS</b>					
Stocks	13	11,333,467		9,736,521	
Debtors	14	9,001,350		8,415,758	
Cash at bank		5,842,077		7,852,753	
		<u>26,176,894</u>		<u>26,005,032</u>	
<b>CREDITORS</b> amounts falling due within one year	15	(17,557,999)		(18,606,277)	
<b>NET CURRENT ASSETS</b>			8,618,895		7,398,755
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>23,412,321</u>		<u>23,418,695</u>
<b>CREDITORS</b> amounts falling due after more than one year	16		(4,375,000)		(4,850,000)
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred tax	17		(1,457,961)		(1,629,391)
<b>NET ASSETS</b>			<u>17,579,360</u>		<u>16,939,304</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	20		117,500		117,500
Share premium account	21		513,847		513,847
Other reserves	21		(209,081)		(207,885)
Profit and loss account	21		16,987,833		16,311,575
<b>SHAREHOLDERS' FUNDS</b>	22		<u>17,410,099</u>		<u>16,735,037</u>
<b>MINORITY INTERESTS</b>			169,261		204,267
			<u>17,579,360</u>		<u>16,939,304</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2012

  
D A Sproxton  
Director

The notes on pages 10 to 30 form part of these financial statements

**AARDMAN HOLDINGS LIMITED**  
**REGISTERED NUMBER 02672880**

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

	Note	£	2011 £	£	2010 £
<b>FIXED ASSETS</b>					
Tangible assets	11		11,851,815		12,294,081
Investments	12		76,583		76,583
			<u>11,928,398</u>		<u>12,370,664</u>
<b>CURRENT ASSETS</b>					
Debtors	14	52,741		74,777	
Cash at bank		553,374		879,657	
		<u>606,115</u>		<u>954,434</u>	
<b>CREDITORS</b> , amounts falling due within one year	15	(1,021,749)		(1,299,480)	
<b>NET CURRENT LIABILITIES</b>			<u>(415,634)</u>		<u>(345,046)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>11,512,764</u>		<u>12,025,618</u>
<b>CREDITORS</b> , amounts falling due after more than one year	16		(4,375,000)		(4,850,000)
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred tax	17		(430,063)		(426,136)
<b>NET ASSETS</b>			<u>6,707,701</u>		<u>6,749,482</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	20		117,500		117,500
Share premium account	21		513,847		513,847
Other reserves	21		(209,081)		(207,885)
Profit and loss account	21		6,285,435		6,326,020
<b>SHAREHOLDERS' FUNDS</b>	22		<u>6,707,701</u>		<u>6,749,482</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2012

  
**D.A. Sproston**  
 Director

The notes on pages 10 to 30 form part of these financial statements

**AARDMAN HOLDINGS LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £	2010 £
Net cash flow from operating activities	23	(3,817,226)	2,993,425
Returns on investments and servicing of finance	24	(123,349)	(151,973)
Taxation	24	3,453,901	1,050,189
Capital expenditure and financial investment	24	(749,002)	(1,438,656)
<b>CASH (OUTFLOW)/INFLOW BEFORE FINANCING</b>		<b>(1,235,676)</b>	<b>2,452,985</b>
Financing	24	(776,196)	(851,270)
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<b>(2,011,872)</b>	<b>1,601,715</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011 £	2010 £
(Decrease)/Increase in cash in the year	(2,011,872)	1,601,715
Cash outflow from decrease in debt and lease financing	775,000	850,000
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>(1,236,872)</b>	<b>2,451,715</b>
Net funds/(debt) at 1 January 2011	1,794,868	(656,847)
<b>NET FUNDS AT 31 DECEMBER 2011</b>	<b>557,996</b>	<b>1,794,868</b>

The notes on pages 10 to 30 form part of these financial statements

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## AARDMAN HOLDINGS 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 accounting

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

##### 1.2 Basis of consolidation

The consolidated accounts incorporate the results of the company and all of its subsidiary undertakings as at 31 December 2011 using acquisition accounting. The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these accounts. The loss after taxation for the year dealt with in the accounts of the parent company was £40,585 (2010 - loss of £98,469)

##### 1.3 Turnover

The turnover shown in the profit and loss account represents amounts generated from film, commercial, broadcast, and digital production and related activities, exclusive of value added tax. The reported turnover is recorded at the fair value of the right to consideration in accordance with UITF 40 and, where applicable, is based on the price specified in the contractual arrangement, net of value added tax.

Advances received during the production of a feature film, to fund the cost of production, are treated as deferred income and are either released to turnover over the period of recoupment, as defined in the film agreement, or are released against amounts recoverable on contracts where the group's obligations under the film agreement have been satisfied.

##### 1.4 Rights

Purchased rights to future revenues arising from the Wallace & Gromit brand are capitalised initially at cost. These costs are amortised so as to write them off over their useful economic life. The directors believe it is appropriate to amortise the costs on a straight line basis over ten years.

##### 1.5 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

##### 1.6 Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the balance sheet date, or where appropriate, the pre-contracted rate. 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 or are charged to work in progress during the production of a film.

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## AARDMAN HOLDINGS 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 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

Freehold property (purchased)	-	5% on cost
Freehold property (constructed)	-	4% on cost
Improvements to property	-	Over remaining period of lease
Plant and machinery	-	15% on reducing balance and 33% on cost
Motor vehicles	-	25% on reducing balance
Fixtures and fittings	-	15% on reducing balance
Studio equipment	-	25% on reducing balance
Computer equipment	-	33% on cost
Bicycles	-	100% on cost

##### 1.8 Stocks and work in progress

Finished goods 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 agreement, except where the conditions of UITF 40 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.

Work in progress on feature film production is valued as above during the production of the film. On completion of the film, work in progress is transferred to finished goods stock and is released to cost of sales over the period of recoupment, as defined in the film agreement, except where the conditions of UITF 40 are met and the costs and income can be matched against the work performed in accordance with the relevant contract. Provision is made where the directors anticipate that these costs will not be recouped in full.

##### 1.9 Operating leases

Rental 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.

##### 1.10 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 is not discounted. No amount has been provided for deferred tax assets.

##### 1.11 Employee Benefit Trust

Shares in the parent company owned by the group's employee benefit trust are included at cost paid to acquire the shares as a deduction in arriving at shareholders funds.

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**AARDMAN HOLDINGS 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)**

**1.12 Pension costs**

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

Contributions to employees' personal pension schemes are charged to the profit and loss account in the year in which they become payable.

**1.13 Commission**

Commission income is included on a receivable basis.

**1.14 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.

**1.15 Derivatives**

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

**1.16 Fees received in advance**

Where monies have been received in respect of commercials and broadcast productions in progress at the balance sheet date, such amounts are treated as deferred income and are recognised as turnover on contract completion or when the right to consideration is obtained in accordance with UITF 40.

**1.17 Film tax credit**

The group's business model of financing feature film production incorporates claims under the UK film tax credit legislation. These claims are considered to be part of the ordinary activities of those companies which produce the feature films and therefore the film tax credit claims are separately disclosed on the face of the profit and loss account above profit on ordinary activities before taxation.

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**AARDMAN HOLDINGS LIMITED**

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

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**2 TURNOVER**

The turnover and profit before tax are attributable to the one principal activity of the group

An analysis of turnover by geographical market is given below

	2011 £	2010 £
United Kingdom	22,274,101	9,495,449
Rest of European Union	1,772,137	4,040,560
Rest of world	1,699,269	1,632,224
United States of America	41,057,204	38,291,562
	<u>66,802,711</u>	<u>53,459,795</u>

**3 OTHER OPERATING INCOME**

	2011 £	2010 £
Commissions receivable	2,049,376	2,405,440
Royalties receivable	178,018	276,497
Bike lease scheme income	3,204	15,418
Recharges	6,839	7,064
	<u>2,237,437</u>	<u>2,704,419</u>

**4. OPERATING LOSS**

Operating loss is stated after charging/(crediting)

	2011 £	2010 £
Amortisation - intangible fixed assets	150,000	150,000
Depreciation of tangible fixed assets		
- owned by the group	1,781,294	1,786,425
Operating lease rentals		
- other operating leases	825,011	700,503
Net (gain)/loss on foreign currency translation	(16,283)	24,985
Net loss on disposal of tangible assets	44,222	7,227
Royalties payable	41,542	77,791
	<u></u>	<u></u>

**AARDMAN HOLDINGS LIMITED**

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

**5. AUDITORS' REMUNERATION**

	2011 £	2010 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	15,650	15,350
Fees payable to the Company's auditor and its associates in respect of		
The auditing of accounts of associates of the Company pursuant to legislation	33,040	39,300
Other services relating to taxation	25,725	30,892
All other services	8,955	37,978
	<u>15,650</u>	<u>15,350</u>

**6 PARTICULARS OF EMPLOYEES**

Staff costs, including directors' remuneration, were as follows

	2011 £	2010 £
Wages and salaries	19,340,804	15,141,939
Social security costs	2,421,866	1,601,071
Other pension costs	392,097	454,243
	<u>22,154,767</u>	<u>17,197,253</u>

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

	2011 No.	2010 No.
Core staff	115	115
Project related freelancers	375	308
	<u>490</u>	<u>423</u>

**7 DIRECTORS' REMUNERATION**

	2011 £	2010 £
Emoluments	203,724	233,208
Company pension contributions to defined contribution pension schemes	30,000	45,000

During the year retirement benefits were accruing to 2 directors (2010 - 2) in respect of defined contribution pension schemes

**AARDMAN HOLDINGS LIMITED**

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

**7. DIRECTORS' REMUNERATION (continued)**

The highest paid director received remuneration of £131,491 (2010 - £133,535)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £15,000 (2010 - £22,500)

**8. INTEREST PAYABLE**

	2011 £	2010 £
Bank interest payable	<u>129,083</u>	<u>158,335</u>

**9. TAXATION**

	2011 £	2010 £
<b>Analysis of tax credit in the year</b>		
<b>Current tax (see note below)</b>		
UK corporation tax charge on loss for the year	263,350	957,357
Adjustments in respect of prior periods	6,143	(3,563)
Film tax credit	(4,293,534)	(2,902,458)
	<u>(4,024,041)</u>	<u>(1,948,664)</u>
Double taxation relief	(103,625)	(58,436)
	<u>(4,127,666)</u>	<u>(2,007,100)</u>
Foreign tax on income for the year	103,631	58,436
<b>Total current tax</b>	<u>(4,024,035)</u>	<u>(1,948,664)</u>
<b>Deferred tax</b>		
Capital allowances	(51,602)	68,369
Other	(119,828)	(215,954)
<b>Total deferred tax (see note 17)</b>	<u>(171,430)</u>	<u>(147,585)</u>
<b>Tax on loss on ordinary activities</b>	<u>(4,195,465)</u>	<u>(2,096,249)</u>

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AARDMAN HOLDINGS LIMITED

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

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9 TAXATION (continued)

Factors affecting tax charge for the year

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

	2011 £	2010 £
Loss on ordinary activities before tax and film tax credit	(3,554,213)	(1,013,674)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 - 28%)	(941,866)	(283,829)
<b>Effects of</b>		
Expenses not deductible for tax purposes	113,657	123,206
Capital allowances for year in excess of depreciation	15,075	7,434
Effect of film tax credit	(3,155,743)	(2,089,770)
Adjustments to tax charge in respect of prior periods	6,143	(3,563)
Other timing differences	(57,750)	302,035
Tax rate differences	(3,551)	(4,177)
<b>Current tax credit for the year (see note above)</b>	<b>(4,024,035)</b>	<b>(1,948,664)</b>

Factors that may affect future tax charges

Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 26% from 1 April 2011, and to 25% from 1 April 2012. The impact of these changes has been reflected in the above figures.

Finance Bill 2012 proposes a further reduction to 24%, from 1 April 2012 with further annual reductions of 1% culminating in a rate of 22%, 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.

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AARDMAN HOLDINGS LIMITED

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

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10. INTANGIBLE FIXED ASSETS

	W&G Rights £
<b>Group</b>	
<b>Cost</b>	
At 1 January 2011 and 31 December 2011	<u>1,500,000</u>
<b>Amortisation</b>	
At 1 January 2011	1,200,000
Charge for the year	150,000
At 31 December 2011	<u>1,350,000</u>
<b>Net book value</b>	
At 31 December 2011	<u>150,000</u>
<i>At 31 December 2010</i>	<u><u>300,000</u></u>

**AARDMAN HOLDINGS LIMITED**

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

**11. TANGIBLE FIXED ASSETS**

	Purchased freehold property £	Constructed freehold property £	Improvements to property £	Plant & machinery £
<b>Group</b>				
<b>Cost</b>				
At 1 January 2011	4,412,429	9,550,859	639,411	6,161,087
Additions	-	-	-	193,789
Disposals	-	-	-	(1,578,186)
At 31 December 2011	4,412,429	9,550,859	639,411	4,776,690
<b>Depreciation</b>				
At 1 January 2011	947,419	766,201	639,411	4,616,010
Charge for the year	53,570	382,035	-	306,151
On disposals	-	-	-	(1,517,372)
At 31 December 2011	1,000,989	1,148,236	639,411	3,404,789
<b>Net book value</b>				
At 31 December 2011	3,411,440	8,402,623	-	1,371,901
At 31 December 2010	3,465,010	8,784,658	-	1,545,077
	<b>Fixtures &amp; fittings £</b>	<b>Motor vehicles £</b>	<b>Computer equipment £</b>	<b>Studio equipment £</b>
<b>Group</b>				
<b>Cost</b>				
At 1 January 2011	809,381	118,784	4,471,801	1,195,583
Additions	19,694	7,300	400,336	180,702
Disposals	(29,094)	(44,379)	(593,105)	(8,321)
At 31 December 2011	799,981	81,705	4,279,032	1,367,964
<b>Depreciation</b>				
At 1 January 2011	547,785	109,996	3,555,762	456,811
Charge for the year	37,743	3,974	764,750	229,868
On disposals	(22,409)	(44,179)	(566,801)	(2,080)
At 31 December 2011	563,119	69,791	3,753,711	684,599
<b>Net book value</b>				
At 31 December 2011	236,862	11,914	525,321	683,365
At 31 December 2010	261,596	8,788	916,039	738,772

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**AARDMAN HOLDINGS LIMITED**

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

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**11. TANGIBLE FIXED ASSETS (continued)**

<b>Group</b>	<b>Bicycles £</b>	<b>Total £</b>
<b>Cost</b>		
At 1 January 2011	17,584	27,376,919
Additions	3,203	805,024
Disposals	(12,006)	(2,265,091)
At 31 December 2011	<u>8,781</u>	<u>25,916,852</u>
<b>Depreciation</b>		
At 1 January 2011	17,584	11,656,979
Charge for the year	3,203	1,781,294
On disposals	(12,006)	(2,164,847)
At 31 December 2011	<u>8,781</u>	<u>11,273,426</u>
<b>Net book value</b>		
At 31 December 2011	<u>-</u>	<u>14,643,426</u>
At 31 December 2010	<u>-</u>	<u>15,719,940</u>

**AARDMAN HOLDINGS LIMITED**

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

**11. TANGIBLE FIXED ASSETS (continued)**

<b>Company</b>	<b>Purchased freehold property £</b>	<b>Improvements to freehold property £</b>	<b>Constructed freehold property £</b>	<b>Fixtures &amp; fittings £</b>
<b>Cost</b>				
At 1 January 2011 and 31 December 2011	<u>4,412,429</u>	<u>56,029</u>	<u>9,550,859</u>	<u>61,471</u>
<b>Depreciation</b>				
At 1 January 2011	<u>947,419</u>	<u>56,029</u>	<u>766,201</u>	<u>17,058</u>
Charge for the year	<u>53,570</u>	<u>-</u>	<u>382,034</u>	<u>6,662</u>
At 31 December 2011	<u>1,000,989</u>	<u>56,029</u>	<u>1,148,235</u>	<u>23,720</u>
<b>Net book value</b>				
At 31 December 2011	<u>3,411,440</u>	<u>-</u>	<u>8,402,624</u>	<u>37,751</u>
At 31 December 2010	<u>3,465,010</u>	<u>-</u>	<u>8,784,658</u>	<u>44,413</u>
				<b>Total £</b>
<b>Company</b>				
<b>Cost</b>				
At 1 January 2011 and 31 December 2011				<u>14,080,788</u>
<b>Depreciation</b>				
At 1 January 2011				<u>1,786,707</u>
Charge for the year				<u>442,266</u>
At 31 December 2011				<u>2,228,973</u>
<b>Net book value</b>				
At 31 December 2011				<u>11,851,815</u>
At 31 December 2010				<u>12,294,081</u>

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**AARDMAN HOLDINGS LIMITED**

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

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**12. FIXED ASSET INVESTMENTS**

	<b>Investments in subsidiary companies £</b>
<b>Company</b>	
<b>Cost or valuation</b>	
At 1 January 2011 and 31 December 2011	<u>76,583</u>
<b>Net book value</b>	
At 31 December 2011	<u>76,583</u>
<i>At 31 December 2010</i>	<u>76,583</u>

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**AARDMAN HOLDINGS LIMITED**

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

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**12 FIXED ASSET INVESTMENTS (continued)**

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

<b>Company</b>	<b>Country of incorporation</b>	<b>Percentage Holding</b>	<b>Nature of Business</b>
Aardman Animations Limited	England	100	Film Producers
Aardman Features Limited	England	100	Film Producers
Aardman Tortoise and the Hare Limited	England	100	Dormant
Wallace & Gromit Limited	England	75	Film Producers
Anti Pesto Limited	England	100	Dormant
Aardman Equipment Limited	England	100	Dormant
Aardman Chicken Run Limited	England	66	Dormant
Aardman Trustees Limited	England	100	Dormant
Rex the Runt Limited	England	75	Dormant
Aardman Feature Development Limited	England	100	Film Producers
Briny Rogues Limited	England	100	Film Producers
Aardman Arthur Christmas Limited	England	100	Film Producers

The following companies are subsidiaries of Aardman Animations Limited

<b>Company</b>	<b>Country of incorporation</b>	<b>Percentage Holding</b>	<b>Nature of Business</b>
Morph Limited	England	100	Dormant
Aardman Creature Comforts USA Limited	England	100	Dormant

In addition, the following companies are subsidiaries of Aardman Arthur Christmas Limited

<b>Company</b>	<b>Country of incorporation</b>	<b>Percentage Holding</b>	<b>Nature of Business</b>
Aardman Arthur Christmas Inc	United States	100	Dormant
Evie Films Inc	United States	100	Film Producers

The results of all the above subsidiaries are included within these consolidated accounts. All active subsidiaries have co-terminus year ends with the parent company.

**AARDMAN HOLDINGS LIMITED**

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

**13. STOCKS**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Work in progress	2,980,545	1,379,945	-	-
Finished goods	8,352,922	8,356,576	-	-
	<b>11,333,467</b>	<b>9,736,521</b>	<b>-</b>	<b>-</b>

**14. DEBTORS**

Amounts receivable within one year

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	2,865,463	2,596,741	-	-
Amounts owed by group undertakings	-	-	-	1,913
VAT repayable	473,799	232,641	11,052	38,727
Corporation tax repayable	4,293,534	4,273,498	-	-
Other debtors	189,174	130,154	-	2
Prepayments and accrued income	845,206	841,839	41,689	34,135
Amounts recoverable on contracts	334,174	340,885	-	-
	<b>9,001,350</b>	<b>8,415,758</b>	<b>52,741</b>	<b>74,777</b>

**15. CREDITORS. Amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts	909,081	1,207,885	909,081	1,207,885
Trade creditors	1,329,752	779,322	24,431	35,851
Amounts owed to group undertakings	-	-	12,559	4,106
Corporation tax	152,059	702,157	26,140	7,000
Social security and other taxes	512,815	590,289	11,749	9,341
Other creditors	90,365	41,635	-	-
Accruals and deferred income	14,563,927	15,284,989	37,789	35,297
	<b>17,557,999</b>	<b>18,606,277</b>	<b>1,021,749</b>	<b>1,299,480</b>

Included within accruals are outstanding pension contributions of £29,873 (2010 - £31,859)

**AARDMAN HOLDINGS LIMITED**

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

**16. CREDITORS**

Amounts falling due after more than one year

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans	<b>4,375,000</b>	<b>4,850,000</b>	<b>4,375,000</b>	<b>4,850,000</b>

The bank loan is secured by a fixed charge over the freehold property of the company and a floating charge over the other assets of the group. The bank loan is repayable by quarterly instalments over a ten year period to 30 November 2018, and bears interest at a rate of 2.25% above the base rate.

Creditors include amounts not wholly repayable within 5 years as follows

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Repayable by instalments	<b>1,575,000</b>	<b>850,000</b>	<b>1,575,000</b>	<b>850,000</b>

The bank loan is due for repayment as follows

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>In one year or less</b>				
Bank loans	<b>700,000</b>	<b>1,000,000</b>	<b>700,000</b>	<b>1,000,000</b>
<b>Between one and two years</b>				
Bank loans	<b>700,000</b>	<b>1,000,000</b>	<b>700,000</b>	<b>1,000,000</b>
<b>Between two and five years</b>				
Bank loans	<b>2,100,000</b>	<b>3,000,000</b>	<b>2,100,000</b>	<b>3,000,000</b>
<b>Over five years</b>				
Bank loans	<b>1,575,000</b>	<b>850,000</b>	<b>1,575,000</b>	<b>850,000</b>

**17. DEFERRED TAXATION**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At beginning of year	<b>1,629,391</b>	<b>1,776,976</b>	<b>426,136</b>	<b>376,317</b>
(Released during)/charge for the year	<b>(171,430)</b>	<b>(147,585)</b>	<b>3,927</b>	<b>49,819</b>
At end of year	<b>1,457,961</b>	<b>1,629,391</b>	<b>430,063</b>	<b>426,136</b>

**AARDMAN HOLDINGS LIMITED**

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

**17. DEFERRED TAXATION (continued)**

The provision for deferred taxation is made up as follows

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Accelerated capital allowances	959,216	1,010,818	422,209	439,555
Tax losses brought forward	498,745	618,573	7,854	(13,419)
	<b>1,457,961</b>	<b>1,629,391</b>	<b>430,063</b>	<b>426,136</b>

**18. OPERATING LEASE COMMITMENTS**

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

	<b>Land and buildings</b>		<b>Other</b>	
<b>Group</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Expiry date.</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Within 1 year	-	-	50,824	23,053
Between 2 and 5 years	400,415	396,040	76,665	133,720
After more than 5 years	-	-	45,894	7,187

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

	<b>Land and buildings</b>		<b>Other</b>	
<b>Company</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Expiry date</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Between 2 and 5 years	-	-	76,655	76,665

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**AARDMAN HOLDINGS 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**

There were no Related Party Transactions involving the company in 2011 nor 2010

The company is controlled by D A Sproxton and P D F Lord who are directors of the company

**Group**

The following information is provided in accordance with Financial Reporting Standard No 8, Related Party Transactions, involving the rest of the group

There were no transactions requiring disclosure in the year ended 31 December 2011

Year ended 31 December 2010

Name of Related Party	Relationship	Type of transaction	Value of transaction £	Debtor / (creditor) at 31.12 10 £
Wallace & Gromit Limited	Subsidiary	Group relief paid for	21,004	24,627

**20. SHARE CAPITAL**

	2011 £	2010 £
<b>Allotted, called up and fully paid</b>		
10,000,000 Ordinary shares shares of £0 01 each	100,000	100,000
1,750,000 'A' Ordinary shares shares of £0 01 each	17,500	17,500
	<u>117,500</u>	<u>117,500</u>

The rights of each class of ordinary share rank pari passu in all respects with the exception that the 'A' ordinary shares will be subject to pre-emption rights upon the termination of the employment of the 'A' ordinary shareholders

**AARDMAN HOLDINGS LIMITED**

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

**21. RESERVES**

	Share premium account £	Other reserves £	Profit and loss account £
<b>Group</b>			
At 1 January 2011	513,847	(207,885)	16,311,575
Profit for the year	-	-	676,258
Purchase of shares by employment benefit trust	-	(1,196)	-
At 31 December 2011	<u>513,847</u>	<u>(209,081)</u>	<u>16,987,833</u>
	Share premium account £	Other reserves £	Profit and loss account £
<b>Company</b>			
At 1 January 2011	513,847	(207,885)	6,326,020
Loss for the year	-	-	(40,585)
Purchase of shares by employment benefit trust	-	(1,196)	-
At 31 December 2011	<u>513,847</u>	<u>(209,081)</u>	<u>6,285,435</u>

Included in other reserves are amounts in respect of an Employee Benefit Trust

During the year the group purchased 2,605 (2010 – 7,267) 'A' ordinary shares in the parent company, representing 0.02% (2010 – 0.06%) of the issued share capital, as part of the Employee Benefit Trust. The total consideration paid for the shares was £1,196 (2010 - £1,270) generating the above reserve. The shares are held by the trust as part of an approved profit sharing scheme as disclosed in note 26.

**AARDMAN HOLDINGS LIMITED**

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

**22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2011 £	2010 £
<b>Group</b>		
Opening shareholders' funds	16,735,037	15,652,116
Profit for the year	676,258	1,084,191
Purchase of shares by employment benefit trust	(1,196)	(1,270)
	<u>17,410,099</u>	<u>16,735,037</u>
 <b>Closing shareholders' funds</b>	 <u><u>17,410,099</u></u>	 <u><u>16,735,037</u></u>
	2011 £	2010 £
<b>Company</b>		
Opening shareholders' funds	6,749,482	6,849,219
Loss for the year	(40,585)	(98,467)
Purchase of shares by employment benefit trust	(1,196)	(1,270)
	<u>6,707,701</u>	<u>6,749,482</u>
 <b>Closing shareholders' funds</b>	 <u><u>6,707,701</u></u>	 <u><u>6,749,482</u></u>

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account

The loss for the year dealt with in the accounts of the Company was £40,585 (2010 - £98,467)

**23. NET CASH FLOW FROM OPERATING ACTIVITIES**

	2011 £	2010 £
Operating loss	(3,430,864)	(861,701)
Amortisation of intangible fixed assets	150,000	150,000
Depreciation of tangible fixed assets	1,781,294	1,786,425
Loss on disposal of tangible fixed assets	44,222	7,227
(Increase)/decrease in stocks	(1,596,946)	2,419,165
Increase in debtors	(565,556)	(724,599)
(Decrease)/increase in creditors	(199,376)	216,908
	<u>(3,817,226)</u>	<u>2,993,425</u>
<b>Net cash (outflow)/inflow from operating activities</b>	<u><u>(3,817,226)</u></u>	<u><u>2,993,425</u></u>

**AARDMAN HOLDINGS LIMITED**

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

**24. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	2011 £	2010 £
<b>Returns on investments and servicing of finance</b>		
Interest received	5,734	6,362
Interest paid	(129,083)	(158,335)
	<u>          </u>	<u>          </u>
<b>Net cash outflow from returns on investments and servicing of finance</b>	<u>(123,349)</u>	<u>(151,973)</u>
	<u>          </u>	<u>          </u>
	2011 £	2010 £
<b>Taxation</b>		
Corporation tax repaid	3,453,901	1,050,189
	<u>          </u>	<u>          </u>
	2011 £	2010 £
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(805,024)	(1,492,629)
Sale of tangible fixed assets	56,022	53,973
	<u>          </u>	<u>          </u>
<b>Net cash outflow from capital expenditure</b>	<u>(749,002)</u>	<u>(1,438,656)</u>
	<u>          </u>	<u>          </u>
	2011 £	2010 £
<b>Financing</b>		
Repayment of loans	(775,000)	(850,000)
Employee Benefit Trust purchase of shares	(1,196)	(1,270)
	<u>          </u>	<u>          </u>
<b>Net cash outflow from financing</b>	<u>(776,196)</u>	<u>(851,270)</u>
	<u>          </u>	<u>          </u>

**AARDMAN HOLDINGS LIMITED**

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

**25 ANALYSIS OF CHANGES IN NET DEBT**

	1 January 2011 £	Cash flow £	Other non-cash changes £	31 December 2011 £
Cash at bank and in hand	7,852,753	(2,010,676)	-	5,842,077
Bank overdraft	(207,885)	(1,196)	-	(209,081)
	<u>7,644,868</u>	<u>(2,011,872)</u>	<u>-</u>	<u>5,632,996</u>
<b>Debt:</b>				
Debts due within one year	(1,000,000)	775,000	(475,000)	(700,000)
Debts falling due after more than one year	(4,850,000)	-	475,000	(4,375,000)
	<u>(5,850,000)</u>	<u>775,000</u>	<u>(475,000)</u>	<u>(5,550,000)</u>
<b>Net funds</b>	<u>1,794,868</u>	<u>(1,236,872)</u>	<u>-</u>	<u>557,996</u>

**26 APPROVED PROFIT SHARING SCHEME**

On 18 December 1998 the company established the 1998 Aardman Holdings Limited Approved Profit Sharing Scheme ('the scheme') through the creation of a Trust Deed on that date. The purpose of the scheme is to enable directors and employees of companies within the group to hold shares and participate in the profits of the company. The contributions to the scheme are incurred by the employer company of the participating employees. The Trust acquired 2,605 shares in the current year and 7,267 shares in the previous year. The beneficial interests in the remaining 'A' Ordinary shares acquired in prior years are vested in employees of the group companies.

**27 POST BALANCE SHEET EVENTS**

On 8 May 2012 the bank loan was renegotiated such that interest shall be charged at a rate of 2.75% above base rate per annum, with effect from 1 June 2012.

On 5 June, the company granted a mortgage debenture over the fixed and floating assets of the company and its subsidiaries Wallace & Gromit and Aardman Features Limited. This is in addition to the mortgage debenture already provided by Aardman Animations Limited.