

AARDMAN FEATURES LIMITED
ACCOUNTS

31 DECEMBER 2008

Company Registration Number 3186872

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AARDMAN FEATURES LIMITED

ACCOUNTS

YEAR ENDED 31 DECEMBER 2008

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AARDMAN FEATURES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Board of directors

P D F Lord
D A Sproxton

Company secretary

D A Sproxton

Registered office

Gas Ferry Road
Bristol
BS1 6UN

Auditors

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

Bankers

Coutts & Co
Media Banking
440 Strand
London
WC2R 0QS

AARDMAN FEATURES LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2008

The directors have pleasure in presenting their report and the accounts of the company for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company in the year was that of film producers.

The feature film produced by the company 'Chicken Run' was successfully released world-wide in 2000. Income continues to be derived from this film through various forms of distribution.

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 (2007: £nil).

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The directors have not established any formal financial risk management objectives and policies due to the size of the company and the nature of its business.

THE DIRECTORS

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

P D F Lord
D A Sproxtton

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

In preparing those accounts, the directors are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. The directors 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.

AARDMAN FEATURES LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2008

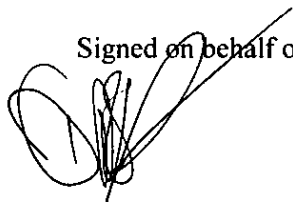
DIRECTORS' RESPONSIBILITIES *(continued)*

In so far as each of the directors is aware there is no relevant audit information of which the company's auditors are unaware and the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

A resolution to re-appoint the auditors, Nexia Smith & Williamson LLP, will be proposed at the next Annual General Meeting.

Signed on behalf of the directors

A handwritten signature in black ink, appearing to be 'D A Sproxton', written over a horizontal line.

D A Sproxton
Director

Date: 31 July 2009

AARDMAN FEATURES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER

YEAR ENDED 31 DECEMBER 2008

We have audited the accounts of Aardman Features Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholder, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholder 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 shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

AARDMAN FEATURES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER *(continued)*

YEAR ENDED 31 DECEMBER 2008

OPINION

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

Nexia Smith & Williamson LP

NEXIA SMITH & WILLIAMSON LLP
Chartered Accountants
Registered Auditors
Bristol

Date: 31 July 2009

AARDMAN FEATURES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	2007 £
TURNOVER	2	811,184	478,778
Cost of sales		(589,829)	(418,300)
GROSS PROFIT		221,355	60,478
Administrative expenses		6,764	(21,299)
OPERATING PROFIT	3	228,119	39,179
Interest receivable		10,791	83,593
Interest payable and similar charges		(115)	(5,828)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		238,795	116,944
Tax on profit on ordinary activities	4	(93,347)	188,828
RETAINED PROFIT FOR THE FINANCIAL YEAR		145,448	305,772

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

The notes on pages 8 to 13 form part of these accounts.

AARDMAN FEATURES LIMITED**BALANCE SHEET****31 DECEMBER 2008**

	Note	2008	2007
		£	£
CURRENT ASSETS			
Stocks	6	8,020,669	6,403,680
Debtors	7	101,354	62,508
Cash at bank		2,211,541	2,134,075
		<u>10,333,564</u>	<u>8,600,263</u>
CREDITORS: Amounts falling due within one year	8	<u>(8,389,329)</u>	<u>(6,633,291)</u>
NET CURRENT ASSETS		<u>1,944,235</u>	<u>1,966,972</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,944,235</u>	<u>1,966,972</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	9	<u>(1,519,427)</u>	<u>(1,687,612)</u>
NET ASSETS		<u>424,808</u>	<u>279,360</u>
CAPITAL AND RESERVES			
Called-up equity share capital	11	100	100
Profit and loss account	12	<u>424,708</u>	<u>279,260</u>
EQUITY SHAREHOLDER'S FUNDS	13	<u>424,808</u>	<u>279,360</u>

These accounts were approved by the directors on 31 July 2009 and are signed on their behalf by:


D A Sproxtton
Director

The notes on pages 8 to 13 form part of these accounts.

AARDMAN FEATURES LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES

Basis of accounting

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

Cash flow statement

The directors have taken advantage of the exemption 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 generated from the film production and related activities and is exclusive of value added tax.

Advances received during the production of the film, to fund the cost of production, are treated as deferred income, and are released to turnover over the period of recoupment, as defined in the film agreement.

Finished Goods

Finished goods are the costs of production, including finance costs, directly related to the production, matched with income and charged through the profit and loss account over the recoupment period.

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. No amount has been provided for deferred tax assets.

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 profit.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company. An analysis of turnover by geographical market is given below:

	2008 £	2007 £
Europe & UK	221,355	60,477
North America & Rest of World	589,829	418,301
	<u>811,184</u>	<u>478,778</u>

AARDMAN FEATURES LIMITED
NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2008

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2008	2007
	£	£
Foreign exchange (gain) / loss	(40,415)	11,253
Auditors' remuneration	<u>2,400</u>	<u>2,400</u>

The only staff employed during the current or prior year were the directors, who received no remuneration for their services.

4. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	£	2008	£	2007	£
Current tax:					
In respect of the year:					
UK Corporation tax based on the results for the year		265,923		159,755	
Under provision in prior year		<u>(4,391)</u>		<u>(743)</u>	
Total current tax		261,532		159,012	
Deferred tax:					
Origination and reversal of timing differences:					
Capital allowances	(168,185)		(144,041)		
Other	<u>-</u>		<u>(203,799)</u>		
Total deferred tax (note 9)		<u>(168,185)</u>		<u>(347,840)</u>	
Tax on profit on ordinary activities		<u>93,347</u>		<u>(188,828)</u>	

AARDMAN FEATURES LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2008

4. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2007 – higher) than the standard rate of corporation tax in the UK of 28.5% (2007 - 30%).

	2008 £	2007 £
Profit on ordinary activities before taxation	<u>238,795</u>	<u>116,944</u>
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 28.5% (2007 – 30%)	68,057	35,083
Capital allowances for the period in excess of depreciation	(495)	(818)
Expenses not deductible for tax purposes	26,703	-
Other short term timing differences	171,683	125,490
Group relief claimed	-	(159,755)
Payment for group relief	-	159,755
Adjustments in respect of prior years	(4,391)	(743)
Tax rate differences	(25)	(743)
Total current tax (note 4(a))	<u>261,532</u>	<u>159,012</u>

5. DIVIDENDS

No dividend has been recommended for the year (2007 - £nil).

6. STOCKS

	2008 £	2007 £
Finished goods	<u>8,020,669</u>	<u>6,403,680</u>

7. DEBTORS

	2008 £	2007 £ restated
Amounts owed by group undertakings	12,857	24,276
Prepayments and accrued income	86,543	38,232
VAT recoverable	1,954	-
	<u>101,354</u>	<u>62,508</u>

£36,123 of other debtors in 2007 have been reclassified as prepayments and accrued income to reflect the substance of the balance and in order to be consistent with the classification adopted in the current year.

AARDMAN FEATURES LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2008**

8. CREDITORS: Amounts falling due within one year

	2008	2007
	£	£
Trade creditors	12,202	15
Amounts owed to group undertakings	8,466	159,755
Corporation tax	265,923	-
Accruals and deferred income	8,102,738	6,473,521
	<u>8,389,329</u>	<u>6,633,291</u>

9. DEFERRED TAXATION

	2008	2007
	£	£
The movement in the deferred taxation provision during the year was:		
Provision brought forward	1,687,612	2,035,452
Decrease in provision	(168,185)	(347,840)
Provision carried forward	<u>1,519,427</u>	<u>1,687,612</u>

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

	2008	2007
	£	£
Accelerated capital allowances	591,772	591,286
Other timing differences	927,655	1,096,326
	<u>1,519,427</u>	<u>1,687,612</u>

There is £95,783 of unprovided deferred tax liabilities in relation to accelerated capital allowances at 31 December 2008 (2007: £95,783).

AARDMAN FEATURES LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2008

10. RELATED PARTY TRANSACTIONS

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

There are no related party transactions with other group companies requiring disclosure in respect of the year ended 31 December 2008.

Year ended 31 December 2007

Name of Related Party	Relationship	Type of Transaction	Value of Transaction £	Debtor/ (Creditor) at 31.12.07 £
Wallace & Gromit Ltd	Fellow subsidiary	Settled balance	148,282	-

The company has taken advantage of the exemptions provided by Financial Reporting Standard 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 was charged £19,825 (2007 - £6,068) for royalty payments by N W Park, a director of fellow subsidiary companies within the group. £19,844 was unpaid at 31 December 2008 (2007 - £3,631).

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.

11. SHARE CAPITAL

Authorised share capital:

	2008 £	2007 £
100 Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid:

	2008 £	2007 £
Ordinary share capital	<u>100</u>	<u>100</u>

AARDMAN FEATURES LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2008

12. PROFIT AND LOSS ACCOUNT

	2008	2007
	£	£
Balance brought forward	279,260	(26,512)
Retained profit for the financial year	145,448	305,772
Balance carried forward	<u>424,708</u>	<u>279,260</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2008	2007
	£	£
Profit for the financial year	145,448	305,772
	<u>145,448</u>	<u>305,772</u>
Opening equity shareholder's funds / (deficit)	279,360	(26,412)
Closing equity shareholder's funds	<u>424,808</u>	<u>279,360</u>

14. 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.

15. CONTINGENCIES

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