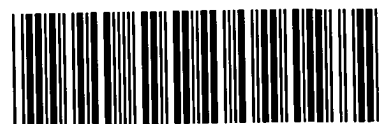

AARDMAN FEATURES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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AARDMAN FEATURES LIMITED

CONTENTS

| | Page |
|--|--------|
| Company Information | 1 |
| Directors' Report | 2 - 3 |
| Independent Auditors' Report | 4 - 5 |
| Statement of Income and Retained Earnings | 6 |
| Balance Sheet | 7 |
| Notes to the Financial Statements | 8 - 14 |

AARDMAN FEATURES LIMITED

COMPANY INFORMATION

| | |
|-----------------------------|---|
| Directors | D A Sproxton P D F Lord |
| Company secretary | D A Sproxton |
| Registered number | 03186872 |
| Registered office | Gas Ferry Road Bristol BS1 6UN |
| Independent auditors | Nexia Smith & Williamson Chartered Accountants & Statutory Auditors Portwall Place Portwall Lane Bristol BS1 6NA |
| Bankers | Coutts & Co Media Banking 440 Strand London WC2R 0QS |

AARDMAN FEATURES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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

Principal activity

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

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

Directors

The directors who served during the year were:

D A Sproxton
P D F Lord

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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.

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.

AARDMAN FEATURES LIMITED

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

Auditors

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

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on

29 SEP 2017

and signed on its behalf.



D A Sproxtton
Director

AARDMAN FEATURES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF AARDMAN FEATURES LIMITED

We have audited the financial statements of Aardman Features 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.

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements and this report has been prepared in accordance with applicable legal requirements.

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

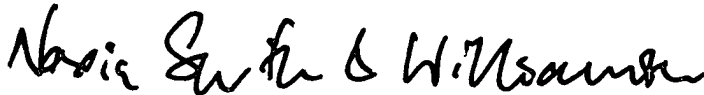
AARDMAN FEATURES LIMITED

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

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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.



Carl Deane (Senior Statutory Auditor)

for and on behalf of

Nexia Smith & Williamson

Chartered Accountants
Statutory Auditors

Portwall Place
Portwall Lane
Bristol
BS1 6NA
Date:



AARDMAN FEATURES LIMITED

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

| | Note | 2016 £ | 2015 £ |
|---|------|----------------|----------------|
| Turnover | 2 | 1,295,701 | 369,145 |
| Cost of sales | | (1,248,351) | (251,649) |
| Gross profit | | 47,350 | 117,496 |
| Administrative income/(expenses) | | 12,010 | (16,102) |
| Operating profit | 3 | 59,360 | 101,394 |
| Interest receivable and similar income | | 347 | 355 |
| Interest payable and expenses | | - | (86) |
| Profit before tax | | 59,707 | 101,663 |
| Tax on profit | 4 | (36,870) | 58,779 |
| Profit after tax | | 22,837 | 160,442 |
| Retained earnings at the beginning of the year | | 270,314 | 109,872 |
| Profit for the year | | 22,837 | 160,442 |
| Retained earnings at the end of the year | | 293,151 | 270,314 |

The notes on pages 8 to 14 form part of these financial statements.

AARDMAN FEATURES LIMITED
REGISTERED NUMBER: 03186872

BALANCE SHEET
AS AT 31 DECEMBER 2016

| | Note | 2016 £ | 2015 £ |
|--|------|-----------------------|-----------------------|
| Current assets | | | |
| Stocks | 5 | - | 1,248,351 |
| Debtors: amounts falling due within one year | 6 | 263,283 | 190,016 |
| Cash at bank and in hand | 7 | 214,063 | 319,373 |
| | | <u>477,346</u> | <u>1,757,740</u> |
| Creditors: amounts falling due within one year | 8 | (184,095) | (1,262,889) |
| Net current assets | | <u>293,251</u> | <u>494,851</u> |
| Total assets less current liabilities | | <u>293,251</u> | <u>494,851</u> |
| Provisions for liabilities | | | |
| Deferred tax | 9 | - | (224,437) |
| Net assets | | <u><u>293,251</u></u> | <u><u>270,414</u></u> |
| Capital and reserves | | | |
| Called up share capital | 10 | 100 | 100 |
| Profit and loss account | 11 | 293,151 | 270,314 |
| | | <u><u>293,251</u></u> | <u><u>270,414</u></u> |

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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


D A Spraxton
 Director

Date: 29 SEP 2017

The notes on pages 8 to 14 form part of these financial statements.

AARDMAN FEATURES LIMITED

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

1. General information

Aardman Features Limited is a private company, limited by shares and registered 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 Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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 the company's registered office.

2.3 Turnover

The turnover shown in the statement of income and retained earnings 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, were treated as deferred income, and are released to turnover over the period of recoupment, as defined in the film agreement.

Where the costs associated with production and reflected in finished goods were not considered recoverable by way of recoupment, an impairment charge was recognised within cost of sales and an equivalent release of non-refundable advances was recognised within turnover. No impairment charge has been recognised in the current or prior period.

2.4 Finished goods

Finished goods are the costs of production, including finance costs, directly related to the production, matched with income and charged through the statement of income and retained earnings over the recoupment period, or otherwise via an impairment charge.

AARDMAN FEATURES LIMITED

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

2. Accounting policies (continued)

2.5 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.

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 company 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.

Financial liabilities and equity instruments issued by the company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

2.6 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, except that a charge 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 in the countries where the Company operates and generates income.

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.

AARDMAN FEATURES LIMITED

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

2. Accounting policies (continued)**2.7 Foreign currencies**

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

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

Exchange gains and losses are recognised in the profit and loss account in accordance with the release of advances.

3. Operating profit

The operating profit is stated after charging:

| | 2016 £ | 2015 £ |
|---|-----------------|----------------|
| Fees payable to the Company's auditor for the audit of the Company's financial statements | 3,230 | 2,700 |
| Exchange differences | <u>(22,828)</u> | <u>(1,459)</u> |

The company has no employees other than the directors, who did not receive any remuneration (2015 - £nil).

4. Taxation

| | 2016 £ | 2015 £ |
|--|------------------|-----------------|
| Corporation tax | | |
| Current tax on profits for the year | 261,513 | 33,559 |
| Adjustments in respect of previous periods | - | (17,136) |
| Total current tax | <u>261,513</u> | <u>16,423</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (212,174) | (45,238) |
| Changes to tax rates | (12,469) | (29,964) |
| Total deferred tax | <u>(224,643)</u> | <u>(75,202)</u> |
| Taxation on profit on ordinary activities | <u>36,870</u> | <u>(58,779)</u> |

AARDMAN FEATURES LIMITED

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

4. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - *lower 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>59,707</u> | <u>101,663</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%) | 11,941 | 20,583 |
| Effects of: | | |
| Adjustments to tax charge in respect of prior periods | - | (17,136) |
| Short term timing difference leading to an increase (decrease) in taxation | - | 50,950 |
| Changes to tax rates | 24,974 | (29,964) |
| Origination and reversal of timing differences | - | (45,304) |
| Group relief | (45) | (37,908) |
| Total tax charge/(credit) for the year | <u>36,870</u> | <u>(58,779)</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. Accordingly, deferred tax has been calculated at the tax rate of 17%.

5. Stocks

| | 2016 £ | 2015 £ |
|----------------|-----------|------------------|
| Finished goods | <u>-</u> | <u>1,248,351</u> |

AARDMAN FEATURES LIMITED

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

6. Debtors

| | 2016 £ | 2015 £ |
|------------------------------------|----------------|----------------|
| Amounts owed by group undertakings | 242,600 | 15,148 |
| VAT repayable | 1,107 | 1,274 |
| Prepayments and accrued income | 19,370 | 89,422 |
| Corporation tax repayable | - | 84,172 |
| Deferred taxation | 206 | - |
| | <u>263,283</u> | <u>190,016</u> |

7. Cash and cash equivalents

| | 2016 £ | 2015 £ |
|--------------------------|----------------|----------------|
| Cash at bank and in hand | <u>214,063</u> | <u>319,373</u> |

8. Creditors: Amounts falling due within one year

| | 2016 £ | 2015 £ |
|------------------------------------|----------------|------------------|
| Trade creditors | - | 3,030 |
| Amounts owed to group undertakings | 42,751 | - |
| Corporation tax | 136,013 | - |
| Accruals and deferred income | 5,331 | 1,259,859 |
| | <u>184,095</u> | <u>1,262,889</u> |

9. Deferred taxation

| | 2016 £ | 2015 £ |
|---------------------------|------------|------------------|
| At beginning of year | (224,437) | (299,639) |
| Charged to profit or loss | 224,643 | 75,202 |
| At end of year | <u>206</u> | <u>(224,437)</u> |

AARDMAN FEATURES LIMITED

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

9. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

| | 2016 | 2015 |
|--------------------------------|-------------|------------------|
| | £ | £ |
| Fixed asset timing differences | 206 | 267 |
| Other timing differences | - | (224,704) |
| | 206 | (224,437) |

10. Share capital

| | 2016 | 2015 |
|---|-------------|-------------|
| | £ | £ |
| Shares classified as equity | | |
| Allotted, called up and fully paid | | |
| 100 ordinary shares of £1 each | 100 | 100 |

11. Reserves

Profit & loss account

This reserve relates to cumulative retained earnings less amounts distributed to shareholders.

12. Contingencies

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

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

13. Related party transactions

At the year end, the company was owed £30,680 (2015 - £7,500) by Wallace & Gromit Limited, a fellow subsidiary company, in respect of a tax payment made on its behalf.

During the year the company was charged £4,585 (2015 - £11,975) for royalty payments by N W Park, a director of fellow subsidiary companies within the group. £2,037 (2015 - £8,743) was unpaid at 31 December 2016.

AARDMAN FEATURES LIMITED

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

14. Controlling party

The ultimate parent company is Aardman Holdings Limited, a company registered in England and Wales. The ultimate controlling parties are D A Sproxton and P D F Lord, who are directors of the company.

Copies of the parent's consolidated accounts may be obtained from Aardman Holdings Limited, Gas Ferry Road, Bristol, BS1 6UN.

15. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.