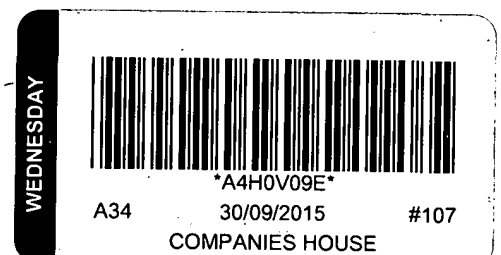

AARDMAN FEATURES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014



AARDMAN FEATURES LIMITED

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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 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

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 released world-wide in 2000. Income continues to be derived from this through various forms of distribution.

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 the business.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors of Aardman Features Limited manage the group's risks at a group level, rather than at an individual business unit level. For this reason the company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of Aardman Features Limited's business. The principal risks and uncertainties of the Aardman Holdings Limited group, which include those of this company, are discussed in the directors' report of the group's annual report which does not form part of this report.

KEY PERFORMANCE INDICATORS

The directors of Aardman Features Limited manage the group's operations on a group basis. For this reason the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Aardman Features Limited. The development, performance and position of the group is discussed in the directors' report of the group's annual report which does not form part of this report.

DIRECTORS

The directors who served during the year were as follows:

D A Sproxton
P D F Lord

AARDMAN FEATURES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 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 that director is aware, there is no relevant audit information of which the company'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 relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of S418 of the Companies Act 2006.

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 and signed on its behalf.



D A Sproxton
Director

Date: 18 September 2015

AARDMAN FEATURES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AARDMAN FEATURES LIMITED

We have audited the financial statements of Aardman Features Limited for the year ended 31 December 2014, which comprise the profit and loss account, the balance sheet 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 as set out on page 3, 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 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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

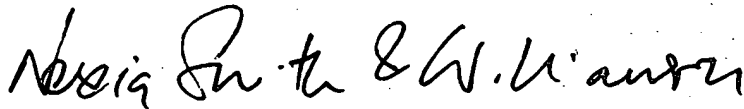
AARDMAN FEATURES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AARDMAN FEATURES LIMITED

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 take advantage of the small companies' exemption from the requirement to prepare a strategic report or in preparing the directors' 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

18 September 2015

AARDMAN FEATURES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
TURNOVER	2	3,836,654	309,871
Cost of sales		(3,748,992)	(234,718)
GROSS PROFIT		87,662	75,153
Administrative income/(expenses)		6,542	(21,561)
OPERATING PROFIT	3	94,204	53,592
Interest receivable and similar income		345	688
Interest payable and similar charges	5	-	(332)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		94,549	53,948
Tax on profit on ordinary activities	6	(13,716)	94,830
PROFIT FOR THE FINANCIAL YEAR	12	80,833	148,778

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the profit and loss account.

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

AARDMAN FEATURES LIMITED
REGISTERED NUMBER: 03186872

BALANCE SHEET
AS AT 31 DECEMBER 2014

	Note	£	2014 £	2013 £
CURRENT ASSETS				
Stocks	7	1,500,000	5,288,570	
Debtors	8	5,200	22,687	
Cash at bank		461,777	925,620	
		<u>1,966,977</u>	<u>6,236,877</u>	
CREDITORS: amounts falling due within one year	9	<u>(1,557,366)</u>	<u>(5,488,082)</u>	
NET CURRENT ASSETS			<u>409,611</u>	<u>748,795</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>409,611</u>	<u>748,795</u>
PROVISIONS FOR LIABILITIES				
Deferred tax	10	(299,639)	(719,656)	
NET ASSETS			<u>109,972</u>	<u>29,139</u>
CAPITAL AND RESERVES				
Called up share capital	11	100	100	
Profit and loss account	12	109,872	29,039	
SHAREHOLDERS' FUNDS	13	<u>109,972</u>	<u>29,139</u>	

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



D A Sproxton
Director

Date: 18 September 2015

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

AARDMAN FEATURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 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.

Where the costs associated with production and reflected in finished goods are not considered recoverable by way of recoupment, an impairment charge is recognised within cost of sales and an equivalent release of non-refundable advances is recognised within turnover. In the current period a release of this nature contributed £3,570,853 (2013: £nil) to turnover and cost of sales.

1.4 Finished goods

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

Where there is significant uncertainty surrounding recoverability through recoupment, an impairment charge is recognised within cost of sales.

1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

AARDMAN FEATURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. ACCOUNTING POLICIES (continued)

1.6 Foreign currencies

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

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

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

2. TURNOVER

A geographical analysis of turnover is as follows:

	2014 £	2013 £
United Kingdom & European Union	30,484	75,153
North America & rest of world	3,806,170	234,718
	<u>3,836,654</u>	<u>309,871</u>

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2014 £	2013 £
Fees payable to the company's auditors for the audit of the company's annual accounts	3,050	2,860
Difference on foreign exchange	(15,419)	6,503
	<u></u>	<u></u>

4. STAFF COSTS

The company has no employees other than the directors, who did not receive any remuneration during the year (2013 - £nil).

5. INTEREST PAYABLE

	2014 £	2013 £
On other loans	-	332
	<u></u>	<u></u>

AARDMAN FEATURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

6. TAXATION

	2014 £	2013 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	433,733	62,496
Adjustments in respect of prior periods	-	4,496
Total current tax	433,733	66,992
Deferred tax		
Effect of decreased tax rate on opening liability	-	(114,975)
Origination and reversal of timing differences	(420,017)	(46,847)
Total deferred tax (see note 10)	(420,017)	(161,822)
Tax on profit on ordinary activities	13,716	(94,830)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 - *higher than*) the standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%). The differences are explained below:

	2014 £	2013 £
Profit on ordinary activities before tax	94,549	53,948
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%)	20,319	12,543
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	535,100	-
Capital allowances for year in excess of depreciation	(85)	(113)
Short term timing difference leading to a (decrease)/increase in taxation	(4,172)	54,572
Non-taxable income	(280)	-
Group relief claimed	(117,132)	-
Tax credits	(17)	(10)
Current tax charge for the year (see note above)	433,733	66,992

Factors that may affect future tax charges

Finance Act 2013 included legislation to reduce the main rate of corporation tax to 20% from 1 April 2015, and its impact is reflected above.

AARDMAN FEATURES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

7. STOCKS

	2014 £	2013 £
Finished goods	<u>1,500,000</u>	<u>5,288,570</u>

8. DEBTORS

	2014 £	2013 £
Amounts owed by group undertakings	-	2,976
Prepayments and accrued income	4,565	17,851
VAT repayable	635	1,860
	<u>5,200</u>	<u>22,687</u>

9. CREDITORS:

Amounts falling due within one year

	2014 £	2013 £
Trade creditors	-	816
Amounts owed to group undertakings	1,633	69,844
Corporation tax	52,180	66,941
Accruals and deferred income	1,503,553	5,350,481
	<u>1,557,366</u>	<u>5,488,082</u>

10. DEFERRED TAXATION

	2014 £	2013 £
At beginning of year	719,656	881,478
Released during year (P&L)	(420,017)	(161,822)
At end of year	<u>299,639</u>	<u>719,656</u>

AARDMAN FEATURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

10. DEFERRED TAXATION (continued)

The provision for deferred taxation is made up as follows:

	2014 £	2013 £
Accelerated capital allowances	(361)	423,541
Other timing differences	300,000	296,115
	<u>299,639</u>	<u>719,656</u>

There are no unprovided deferred tax liabilities in relation to accelerated capital allowances at 31 December 2014 (2013 - £68,416).

11. SHARE CAPITAL

	2014 £	2013 £
Allotted, called up and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

12. RESERVES

	Profit and loss account £
At 1 January 2014	29,039
Profit for the year	80,833
	<u>109,872</u>
At 31 December 2014	

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014 £	2013 £
Opening shareholders' funds	29,139	180,361
Profit for the financial year	80,833	148,778
Dividends (Note 14)	-	(300,000)
	<u>109,972</u>	<u>29,139</u>
Closing shareholders' funds		

AARDMAN FEATURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

14. DIVIDENDS

	2014 £	2013 £
Dividends paid on equity capital	-	300,000

15. RELATED PARTY TRANSACTIONS

There are no related party transactions with other group companies requiring disclosure in respect of the years ended 31 December 2014 and 31 December 2013.

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 £2,961 (2013 - £7,800) for royalty payments by N W Park, a director of fellow subsidiary companies within the group. £nil was unpaid at 31 December 2014 (2013 - £1,810).

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.

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company is Aardman Holdings Limited, a company registered in England and Wales.

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

17. CONTINGENCIES

The company is party to a composite guarantee dated 19 December 2007 with Aardman Holdings Limited, Aardman Animations Limited and Wallace & Gromit Limited. A mortgage debenture is provided over the fixed and floating assets of the company.

At 31 December 2014 total borrowings subject to the agreement were £2,505,000 (2013 - £3,904,952).