

Registered number. 6712047

AARDMAN FEATURE DEVELOPMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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AARDMAN FEATURE DEVELOPMENT LIMITED

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AARDMAN FEATURE DEVELOPMENT LIMITED

COMPANY INFORMATION

DIRECTORS	D A Sproxton P D F Lord
COMPANY SECRETARY	D A Sproxton
COMPANY NUMBER	6712047
REGISTERED OFFICE	Gas Ferry Road Bristol BS1 6UN
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 FEATURE DEVELOPMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors have pleasure in presenting their report and the financial statements for the year ended 31 December 2010

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the company during the year was that of feature film development and the leasing of equipment to group companies

The directors are satisfied with the performance of the business during the year and the position of the company at the year end

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 financial statements

The directors have not recommended a dividend (2009 - *£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 the business

PRINCIPAL RISKS AND UNCERTAINTIES

The directors of Aardman Feature Development 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 Feature Development Limited's business. The principal risks and uncertainties of the Aardman Holdings Limited group, which include those of this company, are discussed on page 3 of the group's annual report which does not form part of this report.

KEY PERFORMANCE INDICATORS

The directors of Aardman Feature Development 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 Feature Development Limited. The development, performance and position of the group is discussed on pages 2 and 3 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 Sproxtton
P D F Lord

AARDMAN FEATURE DEVELOPMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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.

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'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's auditors in connection with preparing their report 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.

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



D A Sproxtton
Director

Date 26 September 2011

AARDMAN FEATURE DEVELOPMENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AARDMAN FEATURE DEVELOPMENT LIMITED

We have audited the financial statements of Aardman Feature Development Limited for the year ended 31 December 2010, 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 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 Auditing Practices Board's website at 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 company's affairs as at 31 December 2010 and of its loss 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 FEATURE DEVELOPMENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AARDMAN FEATURE DEVELOPMENT 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

Nexia Smith & Williamson

Ian Cooper
Senior Statutory Auditor

for and on behalf of
Nexia Smith & Williamson

Chartered Accountants
Statutory Auditors

Portwall Place
Portwall Lane
Bristol
BS1 6NA

26 September 2011

AARDMAN FEATURE DEVELOPMENT LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**

		Year ended 31 December 2010 £	<i>Period from 1 October 2008 to 31 December 2009 £</i>
	Note		
TURNOVER	2	1,299,865	355,165
Cost of sales		(765,151)	-
GROSS PROFIT		534,714	355,165
Administrative expenses		(676,675)	(502,356)
Other operating income		7,064	1,980
OPERATING LOSS	3	(134,897)	(145,211)
Interest receivable and similar income		76	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(134,821)	(145,211)
Tax on loss on ordinary activities	5	(28,220)	(2,025)
LOSS FOR THE FINANCIAL YEAR	11	(163,041)	(147,236)

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the profit and loss account

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

AARDMAN FEATURE DEVELOPMENT LIMITED
REGISTERED NUMBER 6712047

BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	£	2010 £	£	2009 £
FIXED ASSETS					
Tangible assets	6		1,326,179		1,227,242
CURRENT ASSETS					
Stocks	7	355,654		931,978	
Debtors	8	11,384		33,380	
Cash at bank		72,599		-	
		<u>439,637</u>		<u>965,358</u>	
CREDITORS amounts falling due within one year	9	(2,075,993)		(2,339,736)	
NET CURRENT LIABILITIES			<u>(1,636,356)</u>		<u>(1,374,378)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(310,177)</u>		<u>(147,136)</u>
CAPITAL AND RESERVES					
Called up share capital	10		100		100
Profit and loss account	11		(310,277)		(147,236)
SHAREHOLDERS' DEFICIT	12		<u>(310,177)</u>		<u>(147,136)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 September 2011


D A Sproxton
Director

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

AARDMAN FEATURE DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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 Going concern

The financial statements have been prepared on the going concern basis. The directors have reviewed a formal cash flow forecast for the forthcoming twelve months and consider the going concern basis to be appropriate.

1.3 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.

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts. The turnover shown in the profit and loss account represents amounts generated from rental of fixed assets to group companies, exclusive of value added tax.

1.5 Fees received in advance

Monies received in respect of films and other projects in progress at the balance sheet date are initially treated as deferred income. When a feature goes into production the work in progress and deferred income relating to the feature gets transferred to a separate company.

1.6 Other operating income

The other operating income shown in the profit and loss account represents recharges made for administration costs.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Studio equipment	-	25% on reducing balance
Fixtures & fittings	-	15% on reducing balance
Computer equipment	-	33% on cost

1.8 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads incurred in relation to development on feature film projects not yet in production.

AARDMAN FEATURE DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1 ACCOUNTING POLICIES (continued)

1 9 Operating leases

Equipment leased to other businesses under operating leases is capitalised. Operating lease income is accounted for on a straight line basis with any rental increases recognised during the year to which they relate.

1 10 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.

1.11 Foreign currencies

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

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.

2 TURNOVER

The whole of the turnover and loss before tax are attributable to the one principal activity of the company.

AARDMAN FEATURE DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

3 OPERATING LOSS

The operating loss is stated after charging

	Year ended 31 December 2010 £	Period from 1 October 2008 to 31 December 2009 £
Depreciation of tangible fixed assets - owned by the company	669,611	500,376
Auditors' remuneration	3,950	1,900
Auditors' remuneration - non-audit	3,050	-

4 STAFF COSTS

The company has no employees other than the directors, who did not receive any remuneration (2009 - £nil)

5 TAXATION

	Year ended 31 December 2010 £	Period from 1 October 2008 to 31 December 2009 £
UK corporation tax charge on loss for the year/period	28,220	2,025

Factors affecting tax charge for the year/period

The tax assessed for the year/period is lower than (2009 - lower than) the standard rate of corporation tax in the UK of 28% (2009 - 28%) The differences are explained below

	Year ended 31 December 2010 £	Period from 1 October 2008 to 31 December 2009 £
Loss on ordinary activities before tax	(134,821)	(145,211)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	(37,750)	(40,659)
Effects of		
Tax credits	(1,085)	(675)
Depreciation in excess of capital allowances	67,055	43,359
Current tax charge for the year/period (see note above)	28,220	2,025

AARDMAN FEATURE DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

5 TAXATION (continued)

Factors that may affect future tax charges

At the year end the company has an unprovided deferred tax asset in relation to accelerated capital allowances of £106,470 (2009 - £32,519)

6 TANGIBLE FIXED ASSETS

	Studio equipment £	Fixtures & fittings £	Computer equipment £	Total £
Cost				
At 1 January 2010	842,215	13,118	872,285	1,727,618
Additions	353,368	17,678	397,502	768,548
At 31 December 2010	1,195,583	30,796	1,269,787	2,496,166
Depreciation				
At 1 January 2010	210,554	1,968	287,854	500,376
Charge for the year	246,257	4,324	419,030	669,611
At 31 December 2010	456,811	6,292	706,884	1,169,987
Net book value				
At 31 December 2010	738,772	24,504	562,903	1,326,179
At 31 December 2009	631,661	11,150	584,431	1,227,242

The above assets are leased to other group companies under operating lease agreements. The rental income generated during the year in respect of these assets was £534,714 (2009 - £355,165)

7 STOCKS

	2010 £	2009 £
Work in progress	355,654	931,978

8. DEBTORS

	2010 £	2009 £
Amounts owed by group undertakings	100	31,400
VAT recoverable	2,240	-
Prepayments and accrued income	9,044	1,980
	11,384	33,380

AARDMAN FEATURE DEVELOPMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

9 CREDITORS
Amounts falling due within one year

	2010 £	2009 £
Amounts owed to group undertakings	1,606,287	1,372,453
Corporation tax	28,220	2,025
Accruals and deferred income	441,486	965,258
	<u>2,075,993</u>	<u>2,339,736</u>

The company is party to a debenture dated 12 October 2009 with AA Development UK Limited securing all monies due or to become due from the company to AA Development Limited

10 SHARE CAPITAL

	2010 £	2009 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

11 RESERVES

	Profit and loss account £
At 1 January 2010	(147,236)
Loss for the year	(163,041)
	<u>(310,277)</u>
At 31 December 2010	<u>(310,277)</u>

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2010 £	2009 £
Opening shareholders' deficit	(147,136)	-
Loss for the year/period	(163,041)	(147,236)
Shares issued during the year/period	-	100
	<u>(310,177)</u>	<u>(147,136)</u>
Closing shareholders' deficit	<u>(310,177)</u>	<u>(147,136)</u>

AARDMAN FEATURE DEVELOPMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

13. RELATED PARTY TRANSACTIONS

There are no related party transactions with other group companies requiring disclosure in respect of the year ended 31 December 2010 and the period ended 31 December 2009

The company has taken advantage of the exemptions provided by Financial Reporting Standard Number 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

The company is controlled by its parent company, Aardman Holdings Limited, which is itself controlled by D A Sproxton and P D F Lord, who are directors of the company

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