

# Financial statements Aardman Arthur Christmas Limited

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**For the Year Ended 31 December 2010**

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**Company No. 06830546**

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## Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2010

### **Principal activities**

The principal activity of the company during the year was that of film production

Aardman Arthur Christmas Limited has been commissioned to produce the film "Arthur Christmas"

### **Directors**

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

D A Sproxton  
P D F Lord

### **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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information

**Auditor**

Grant Thornton UK LLP have been re-appointed as auditor for the ensuing year in accordance with section 485 of the Companies Act 2006

The company has entered into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the period ended 31 December 2010, the proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability agreements, and was approved by the directors on 27 July 2009

**Small company provisions**

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006

ON BEHALF OF THE BOARD



P D F Lord  
Director

Date 9/9/11



## Independent auditor's report to the members of Aardman Arthur Christmas Limited

We have audited the financial statements of Aardman Arthur Christmas Limited for the year ended 31 December 2010. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 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 auditor's 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 pages 3 to 4, 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements.

### **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 result for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, 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 report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Independent auditor's report to the members of Aardman Arthur Christmas 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 report of the directors

*Grant Thornton UK LLP*

Christine Corner  
Senior Statutory Auditor  
For and on behalf of Grant Thornton UK LLP  
Statutory Auditor  
Chartered Accountants

London

Date *12<sup>th</sup> September 2011*

## Accounting policies

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

### **Consolidation**

The company was, at the end of the period, a wholly-owned subsidiary of another company incorporated in the EU and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts. Accordingly the accounts present information about the company as an individual undertaking and not about its group.

### **Turnover**

Aardman Arthur Christmas Limited has been commissioned to produce the film "Arthur Christmas". The film production has been commissioned by Sony Pictures Animation Inc, a company incorporated in the USA. All of the turnover recognised by Aardman Arthur Christmas Limited relates to this single production.

Turnover in the profit and loss account relates to amounts earned in relation to the production of Arthur Christmas. Production funding is recognised in the profit and loss account over the period of the production. Where production funds received exceed costs incurred to date, the balance is treated as deferred income and held on the balance sheet until further costs are incurred. At this point it is released to the profit and loss account.

### **Production costs**

Costs incurred in producing the film are recognised in the profit and loss account in the period in which they are incurred.

### **Operating lease agreements**

Rentals 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.

### **Foreign currency**

The film production cost is financed by Sony Pictures Animation Inc. All sterling production costs are financed at a fixed exchange rate of US \$1.5 / £1. As a result, no exchange rate risk is incurred by Aardman Arthur Christmas Limited.

### **Financial instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

## Profit and loss account

		Year to 31 Dec 10 £	Period from 26 Feb 09 to 31 Dec 09 £
	Note		
Turnover		23,026,424	9,762,499
Cost of sales		23,910,502	11,133,343
Operating loss		(884,078)	(1,370,844)
Film tax credit	4	884,078	1,370,844
<b>Profit on ordinary activities before taxation</b>		—	—
Tax on profit on ordinary activities	4	—	—
<b>Profit for the financial year</b>		—	—

There are no recognised gains or losses for the period other than the results shown above

All of the activities of the company are classed as continuing

## Balance sheet

	Note	2010 £	2009 £
<b>Fixed assets</b>			
Investments	5	<u>1,334</u>	<u>667</u>
<b>Current assets</b>			
Debtors	6	2,643,011	1,788,785
Cash at bank and in hand		<u>222,028</u>	<u>173,691</u>
		2,865,039	1,962,476
<b>Creditors, amounts falling due within one year</b>	7	<u>2,866,273</u>	<u>1,963,043</u>
<b>Net current liabilities</b>		<u>(1,234)</u>	<u>(567)</u>
<b>Total assets less current liabilities</b>		<u>100</u>	<u>100</u>
<b>Capital and reserves</b>			
Called-up equity share capital	10	<u>100</u>	<u>100</u>
<b>Shareholders' funds</b>		<u>100</u>	<u>100</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

These financial statements were approved by the directors and authorised for issue on 9/9/11 and are signed on their behalf by

  
P D F Lord  
Director

Company Registration Number 06830546

**The accompanying accounting policies and notes form part of these financial statements.**

## Notes to the financial statements

### 1 Operating loss

Operating loss is stated after crediting

	Year to 31 Dec 10 £	Period from 26 Feb 09 to 31 Dec 09 £
Operating lease Equipment	142,213	140,884
Auditors remuneration	<u>10,000</u>	<u>20,000</u>

All of the costs outlined above are included within cost of sales

### 2 Particulars of employees

The average number of staff employed by the company during the financial period amounted to

	2010 No	2009 No.
Project related freelancers	<u>15</u>	<u>20</u>

The aggregate payroll costs of the above were

	Year to 31 Dec 2010 £	Period ended 31 Dec 2009 £
Wages and salaries	818,640	933,872
Social security costs	<u>93,600</u>	<u>104,820</u>
	<u>912,240</u>	<u>1,038,692</u>

### 3 Directors remuneration

No remuneration was received by the directors during the year ended 31 December 2010 (2009 £nil)

#### **4 Taxation on ordinary activities**

(a) Analysis of charge/(credit) in the period

	Year to 31 Dec 2010 £	Period from 26 Feb 09 to 31 Dec 09 £
Current tax		
UK Corporation tax based on the results for the period	(884,078)	(1,370,844)
Total current tax (shown as other operating income)	<u>(884,078)</u>	<u>(1,370,844)</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 28%

	Year to 31 Dec 2010 £	Period from 26 Feb 09 to 31 Dec 09 £
Profit on ordinary activities before taxation	-	-
Profit on ordinary activities multiplied by the standard rate of tax in the UK at 28%	-	-
UK Film Tax Credit	(866,204)	(1,370,844)
Adjustment in respect of prior period	(17,874)	-
Tax on profit on ordinary activities (shown as other operating income)	<u>(884,078)</u>	<u>(1,370,844)</u>

The current and prior period tax credit relates to a claim in relation to the UK Film Tax Credit in respect of the film "Arthur Christmas". The UK film tax credit claim of £884,078 (2009 £1,370,844) has been shown on the face of the Profit and Loss account as "Film Tax Credit"

#### **5 Investments**

##### **Investments in group undertakings**

	£
Cost	
At 1 January 2010	667
Additions	667
At 31 December 2010	<u>1,334</u>
Net book value	
At 31 December 2010	<u>1,334</u>
At 31 December 2009	<u>667</u>

The company owns 100% of the issued ordinary share capital of the companies listed below,

	Country of registration	Nature of business	Capital and reserves	Profit/(loss) for the financial year
			£	£
Aardman Arthur Christmas Inc	USA	Film production services	667	-
Evie Films Inc	USA	Film production services	667	-

**6 Debtors**

	2010	2009
	£	£
Amounts owed by group undertakings	256,693	362,372
Corporation tax repayable	2,254,923	1,370,844
VAT recoverable	24,307	12,788
Other debtors	107,088	42,781
	<u>2,643,011</u>	<u>1,788,785</u>

**7 Creditors: amounts falling due within one year**

	2010	2009
	£	£
Trade creditors	45,999	90,060
Amounts owed to group undertakings	46,140	89,512
Deferred income	2,774,134	1,783,471
	<u>2,866,273</u>	<u>1,963,043</u>

**8 Commitments under operating leases**

At 31 December 2010 the company had aggregate annual commitments under non-cancellable operating leases as set out below

	2010	2009
	£	£
Operating leases which expire		
Within 1 to 2 years	<u>142,213</u>	<u>140,884</u>

**9 Related party balances and transactions**

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

The company has taken advantage of the exemption in 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

**10 Share capital**

Authorised share capital

	2010	2009
	£	£
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid

	2010		2009	
	No	£	No	£
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

**11 Contingent liabilities**

There were no contingent liabilities at 31 December 2010 or 31 December 2009

**12 Capital commitments**

The company had no capital commitments at 31 December 2010 or 31 December 2009

**13 Parent undertaking and controlling party**

The company is controlled by its parent company, Aardman Holdings Limited, a company registered in England & Wales, which itself is controlled by D A Sproxton and P D F Lord, who are directors of both Aardman Arthur Christmas Limited and Aardman Holdings Limited