

Registered number: 02050843

AARDMAN ANIMATIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021



AARDMAN ANIMATIONS LIMITED

COMPANY INFORMATION

Directors	P D F Lord N W Park C Shelley K A Lock S M Clarke P G Newport S Cox D Efergan
Registered number	02050843
Registered office	Gas Ferry Road Bristol BS1 6UN
Independent auditor	CLA Evelyn Partners Limited Chartered Accountants & Statutory Auditors Portwall Place Portwall Lane Bristol BS1 6NA
Bankers	Coutts & Co Media Banking 440 Strand London WC2R 0QS

AARDMAN ANIMATIONS LIMITED

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AARDMAN ANIMATIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Results and dividends

The profit for the year, after taxation, amounted to £2,474,903 (2020 -£2,643,940 restated).

Dividends of £245,431 (2020 - £155,480) were paid during the year.

Directors

The directors who served during the year were:

P D F Lord
N W Park
C Shelley
K A Lock
S M Clarke
P G Newport
S Cox
D Efergan

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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.

Future developments

The Directors set a rolling five year plan and budget and are confident of profitable financial performance in carrying out its principal activities.

AARDMAN ANIMATIONS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Employee Involvement

It is vital, as an employee owned company, that there are excellent communication channels between the directors, employees, and the Trust. The employees are represented by a Partner Representative Group and are consulted with, and have a real 'say', in how the company is run. All information is open and transparent. Directors attend PRG meetings and have constant dialogue. Regular finance updates and 'Town Hall' presentations are made to the entire company, and an annual EO profit share is paid to eligible partners.

Aardman aims to lead the way in both our content and our professional principles with diversity and inclusion at the heart of everything we do. Therefore, we ensure diversity and inclusion is inherent to the development and production of all our content - both on and off screen. We are committed to building a diverse workforce and strongly encourage applications from underrepresented groups. We strive for equality of opportunity and are always happy to discuss flexible working needs. We ensure that every employee in our employee owned business is protected from discrimination in all its forms and provide a culture where people can flourish to reach their full potential.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

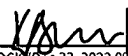
Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, CLA Evelyn Partners Limited (formerly Nexia Smith & Williamson Audit Limited), will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 22/12/2022 and signed on its behalf.


KERRY LOCK (Dec 22, 2022 09:52 GMT)

K A Lock
Director

AARDMAN ANIMATIONS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Principal activity and business review

The principal activity of the company during the year was that of film, broadcast, commercial and digital creators, producers and distributors.

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

Financial risk management

Prudent liquidity risk management implies maintaining sufficient cash on deposit and the availability of funding through an adequate amount of committed credit facilities.


Principal risks and uncertainties

The directors of Aardman Holdings Limited manage the group's risk 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 Animations Limited's business. The principal risks and uncertainties of the Aardman Holdings Limited group, which includes those of the company, are discussed in the strategic report of the group's annual report which does not form part of this report.

Key performance indicators

The directors of Aardman Holdings 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 Animations Limited. The development, performance and position of the group is discussed in the strategic report of the group's annual report which does not form part of this report.

This report was approved by the board on 22/12/2022 and signed on its behalf.


KERRY LOCK (Dec 22, 2022 09:52 GMT)

K A Lock
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AARDMAN ANIMATIONS LIMITED

Opinion

We have audited the financial statements of Aardman Animations Limited (the 'company') for the year ended 31 December 2021 which comprise the Statement of Income and retained earnings, the Balance sheet, the statement of changes in equity and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

AARDMAN ANIMATIONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AARDMAN ANIMATIONS LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual report and financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AARDMAN ANIMATIONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AARDMAN ANIMATIONS LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained a general understanding of the company's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the entity's policies and procedures regarding compliance, and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the company's industry and regulation.

We understand the company complies with requirements of the framework through:

- Outsourcing statutory accounts preparation and tax compliance to external experts.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the company's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the company:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. The areas identified as part of the discussion were:

- The risk of manipulation of the financial statements, especially revenue, through manual journal entries.
- Stock and work in progress provision, as this is an estimate made by management.

These areas were communicated to the other members of the engagement team who were not present at the discussion.

The procedures we carried out to gain evidence in the above area included:

- Testing of a sample of revenue transactions to underlying documentation.
- Reviewing a sample of contracts and ensuring appropriate revenue has been recognised.
- Testing of a sample of manual journal entries, selected through applying specific risk assessments based on the company's processes and controls surrounding manual journal entries.
- Challenging management regarding the assumptions used in the estimate identified above, and comparison to post year end data as appropriate.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

AARDMAN ANIMATIONS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AARDMAN ANIMATIONS LIMITED
(CONTINUED)**

Use of our report

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 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.

CLA Evelyn Partners Limited

Kelly Jones (Senior Statutory Auditor)

for and on behalf of

CLA Evelyn Partners Limited

Chartered Accountants
Statutory Auditors

Portwall Place
Portwall Lane
Bristol
BS1 6NA

Date: 22/12/2022

AARDMAN ANIMATIONS LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	As restated 2020 £
Turnover	4	17,818,588	18,649,728
Cost of sales		(8,411,000)	(9,567,610)
Gross profit		9,407,588	9,082,118
Distribution costs		(3,038)	(3,049)
Administrative expenses		(10,437,281)	(9,593,460)
Other operating income	5	1,634,821	2,153,259
Operating profit	6	602,090	1,638,868
Interest receivable and similar income	9	49,669	9,013
Profit before animation and video games tax credit		651,759	1,647,881
Animation and video games tax credit		1,418,130	1,191,995
Profit before tax		2,069,889	2,839,876
Tax on profit	10	405,014	(195,936)
Profit after tax		2,474,903	2,643,940
Retained earnings			
- as previously stated		11,972,638	8,941,084
- correction of a prior period error		-	543,094
At the beginning of the year as restated		11,972,638	9,484,178
Profit for the year		2,474,903	2,643,940
Dividends declared and paid		(245,431)	(155,480)
Retained earnings at the end of the year		14,202,110	11,972,638

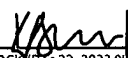
The notes on pages 11 to 25 form part of these financial statements.

AARDMAN ANIMATIONS LIMITED
REGISTERED NUMBER:02050843

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £	As restated 2020 £
Fixed assets			
Tangible assets	11	1,519,151	1,107,872
Fixed asset investments	12	123,624	123,524
		<u>1,642,775</u>	<u>1,231,396</u>
Current assets			
Stocks	13	6,145,832	3,177,479
Debtors: amounts falling due within one year	14	11,125,697	8,532,731
Cash at bank and in hand	15	6,676,303	9,658,367
		<u>23,947,832</u>	<u>21,368,577</u>
Creditors: amounts falling due within one year	16	(11,387,497)	(10,626,335)
Net current assets		<u>12,560,335</u>	<u>10,742,242</u>
Net assets		<u>14,203,110</u>	<u>11,973,638</u>
Capital and reserves			
Called up share capital	18	1,000	1,000
Profit and loss account	19	14,202,110	11,972,638
		<u>14,203,110</u>	<u>11,973,638</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22/12/2022


KERRY LOCK (Dec 22, 2022 09:52 GMT)

K A Lock
Director

The notes on pages 11 to 25 form part of these financial statements.

AARDMAN ANIMATIONS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2020 (as previously stated)	1,000	8,941,084	8,942,084
Prior year adjustment	-	543,094	543,094
	<u>1,000</u>	<u>9,484,178</u>	<u>9,485,178</u>
At 1 January 2020 (as restated)			
Profit for the year (as restated)	-	2,643,940	2,643,940
Dividends: Equity capital	-	(155,480)	(155,480)
	<u>1,000</u>	<u>11,972,638</u>	<u>11,973,638</u>
At 1 January 2021 (as restated)			
Profit for the year	-	2,474,903	2,474,903
Dividends: Equity capital	-	(245,431)	(245,431)
	<u>1,000</u>	<u>14,202,110</u>	<u>14,203,110</u>
At 31 December 2021	<u>1,000</u>	<u>14,202,110</u>	<u>14,203,110</u>

The notes on pages 11 to 25 form part of these financial statements.

AARDMAN ANIMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

Aardman Animations Limited is a private company, limited by shares, and incorporated 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 unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

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 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 11.42, 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 2021 and these financial statements may be obtained from Gas Ferry Road, Bristol, BS1 6UN.

2.3 Going concern

Having examined funding levels and prepared cash flow projections, the Directors feel confident that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the signing of the financial statements.

2.4 Consolidation

The company was, at the end of the year, 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 these accounts present information about the company as an individual undertaking and not about its group.

AARDMAN ANIMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.5 Turnover

Turnover comprises income from broadcast, commercial and digital sales as well as income from related merchandising, commissions, license fees and production fees charged to other group companies.

Turnover generated from commercial and digital projects is recognised based on stage of completion determined with reference to costs incurred as a proportion of projected costs.

Turnover generated from license fees is recognised based on the substance of the contract and the underlying terms.

All other turnover is recognised on delivery.

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Income and Retained Earnings in the same period as the related expenditure.

2.7 Royalties received

Royalty income is recognised in other operating income and included on a receivable basis, calculated on distribution income and sales of merchandise arising during each accounting period, as reported by licensees.

2.8 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. Income is recognised when the right to consideration is earned, in accordance with FRS 102 section 23.

2.9 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

AARDMAN ANIMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.10 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following bases:

Improvements to property	- over the period of the lease
Studio equipment	- 15% on reducing balance
Motor vehicles	- 25% on reducing balance
Fixtures & fittings	- 15% on reducing balance
Short life studio equipment	- 33% on cost
Computer equipment	- 33% on cost
Bicycles	- 100% on cost

2.11 Stocks and work in progress

Stocks and work in progress comprise the production costs of film, broadcast, commercial and other projects.

2.12 Financial instruments

Financial assets and liabilities are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument.

Trade and other 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.

2.13 Foreign currency translation

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

Non-monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the transaction date.

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

Exchange gains and losses are recognised in profit and loss accounts.

AARDMAN ANIMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.14 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company.

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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 allowance have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.16 Animation and video games tax credits

The company's business model of financing animations and video games incorporates claims under the UK animation and video games tax credit legislation. These claims are considered to be part of the ordinary activities of the company and therefore the tax credit claims are separately disclosed on the face of the profit or loss account above profit before tax.

2.17 Operating leases

Rentals under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

AARDMAN ANIMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the period.

The key areas of judgement and estimation uncertainty in these financial statements are highlighted below:

Revenue recognition

Revenue recognition on commercial and digital projects requires management to forecast the outcome of the project with regard to overall costs expected to be incurred. This is central to the level of revenue and profit recognised through these income streams in each financial period.

Valuation of stock

Work in progress and finished goods comprise costs incurred on broadcast, commercial, digital and feature film projects. Where there is no single end customer in place, with particular reference to broadcast and feature film projects, management are required to make an assessment of future expected income in relation to those projects in order to determine whether the associated stock balance should be impaired. At year end there was work in progress of £5,414,000 (2020 - £3,177,479) and finished goods of £731,832 (2020 - £nil).

4. Turnover

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	2021 £	As restated 2020 £
United Kingdom	10,395,431	6,273,243
Rest of Europe	2,464,011	2,145,886
United States of America	2,664,135	5,935,497
Other	2,295,011	4,295,102
	<u>17,818,588</u>	<u>18,649,728</u>

AARDMAN ANIMATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

5. Other operating income

	2021 £	2020 £
Other operating income	77,740	155,480
Royalty receivable	1,236,949	1,019,628
Government grants receivable	314,838	975,803
Bike lease scheme	5,294	2,348
	<u>1,634,821</u>	<u>2,153,259</u>

Government grants receivable relates in full to amounts received under the Coronavirus Job Retention Scheme.

6. Operating profit

The operating profit is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	845,437	596,569
Profit on sale of assets	(1,645)	(486)
Amounts charged under operating lease agreements	630,738	691,459
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	21,000	20,950
Exchange differences	<u>40,859</u>	<u>149,539</u>

AARDMAN ANIMATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2021 £	2020 £
Wages and salaries	10,898,736	10,550,930
Social security costs	1,183,871	1,160,676
Pension costs	567,738	514,625
	<u>12,650,345</u>	<u>12,226,231</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Core staff	116	100
Project related staff	135	143
	<u>251</u>	<u>243</u>

8. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	954,146	1,041,983
Directors' pension costs	70,652	66,805
	<u>1,024,798</u>	<u>1,108,788</u>

During the year retirement benefits were accruing to 6 directors (2020 -7) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £162,500 (2020 -£175,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £15,726 (2020 -£13,242).

AARDMAN ANIMATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. Interest receivable

	2021 £	2020 £
Other interest receivable	49,669	9,013

10. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	109,540	91,885
Adjustments in respect of previous periods	(121,111)	(86)
Double taxation relief	(109,540)	(92,050)
	(121,111)	(251)
Foreign tax		
Foreign tax on income for the year	109,715	92,751
Total current tax	(11,396)	92,500
Deferred tax		
Origination and reversal of timing differences	(349,605)	146,155
Changes to tax rates	(72,884)	(42,719)
Adjustments in respect of prior periods	28,871	-
Total deferred tax	(393,618)	103,436
Taxation on (loss)/profit on ordinary activities	(405,014)	195,936

AARDMAN ANIMATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

10. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2020 -lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	2,069,889	2,839,876
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 -19%)	393,279	803,054
Effects of:		
Expenses not deductible for tax purposes	97,173	672
Other tax adjustments, reliefs and transfers	(41,800)	-
Adjustments to tax charge in respect of prior periods	(121,111)	(86)
Adjustments to tax charge in respect of prior periods - deferred tax	28,871	-
Tax rate differences	(156,789)	(47,128)
Foreign tax credits	175	701
Group relief	(145,025)	(291,244)
Television production tax profit adjustment	(459,787)	(233,952)
Deferred tax not recognised	-	(36,081)
Total tax charge for the year	(405,014)	195,936

Factors that may affect future tax charges

Finance Bill 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023.

AARDMAN ANIMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

11. Tangible fixed assets

	Property improvements £	Studio equipment £	Motor vehicles £	Fixtures & fittings £	Short life studio equipment £	Computer equipment £	Bicycles £	Total £
Cost or valuation								
At 1 January 2021	694,600	3,404,386	26,835	676,285	2,321,855	3,425,159	4,077	10,553,197
Additions	120,539	9,992	-	8,889	526,034	584,421	7,220	1,257,095
Disposals	-	(1,294)	(10,201)	-	-	(498,150)	(3,424)	(513,069)
Transfers between classes	-	(13,083)	13,083	-	-	-	-	-
At 31 December 2021	815,139	3,400,001	29,717	685,174	2,847,889	3,511,430	7,873	11,297,223
Depreciation								
At 1 January 2021	634,877	2,923,263	24,593	616,973	2,039,474	3,202,068	4,077	9,445,325
Charge for the year on owned assets	70,038	68,619	8,124	10,231	355,107	326,098	7,220	845,437
Disposals	-	(1,225)	(10,201)	-	-	(497,840)	(3,424)	(512,690)
At 31 December 2021	704,915	2,990,657	22,516	627,204	2,394,581	3,030,326	7,873	9,778,072
Net book value								
At 31 December 2021	110,224	409,344	7,201	57,970	453,308	481,104	-	1,519,151
At 31 December 2020	59,723	481,123	2,242	59,312	282,381	223,091	-	1,107,872

AARDMAN ANIMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

12. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2021	123,524
Additions	100
At 31 December 2021	<u>123,624</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Morph Limited	Dormant	England	100%
Aardman Creature Comforts USA Limited	Dormant	England	100%
Aardman USA Inc	Intermediate holding company	USA	100%
Aardman Mossy Bottom Limited	Film production	England	100%
Aardman Free Range Limited	Film production	England	100%
Working At Gnome Limited	Film production	England	100%

The registered office of the above listed companies is Gas Ferry Road, Bristol, BS1 6UN other than Aardman USA Inc which is 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, USA.

13. Stocks

	2021 £	2020 £
Work in progress	5,414,000	3,177,479
Finished goods	731,832	-
	<u>6,145,832</u>	<u>3,177,479</u>

AARDMAN ANIMATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14. Debtors

	2021 £	<i>As restated</i> 2020 £
Trade debtors	1,967,914	1,091,057
Amounts owed by group undertakings	1,681,283	647,241
Other debtors	1,745,311	1,895,294
Prepayments and accrued income	2,341,659	2,424,687
Amounts recoverable on long term contracts	-	22,169
Corporation tax repayable	2,736,241	2,192,612
Deferred taxation (note 17)	653,289	259,671
	<u>11,125,697</u>	<u>8,532,731</u>

15. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	<u>6,676,303</u>	<u>9,658,367</u>

16. Creditors: Amounts falling due within one year

	2021 £	<i>As restated</i> 2020 £
Trade creditors	998,510	880,103
Amounts owed to group undertakings	3,031	135,706
Other taxation and social security	755,868	789,094
Other creditors	182,172	116,835
Accruals and deferred income	9,447,916	8,704,597
	<u>11,387,497</u>	<u>10,626,335</u>

AARDMAN ANIMATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

17. Deferred taxation

	2021 £	2020 £
At beginning of year	259,671	363,107
Charged to the profit or loss	393,618	(103,436)
At end of year	653,289	259,671

The deferred tax asset is made up as follows:

	2021 £	2020 £
Fixed asset timing differences	(236,574)	(84,737)
Losses and other deductions	79,712	311,911
Short term timing differences	810,151	32,497
	653,289	259,671

18. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
1,000 (2020 -1,000) Ordinary shares of £1.00 each	1,000	1,000

19. Reserves

Profit & loss account

This reserve relates to cumulative retained earnings less amounts distributed to the shareholder.

AARDMAN ANIMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

20. Prior year adjustment

A prior year adjustment has been recorded to account for royalty income on an accruals basis. This has increased accrued income at 31 December 2020 by £444,438, increased reserves brought forward by £543,094 and decreased turnover for the year ended 31 December 2020 by £98,656. The effect on the net assets of the company is an increase of £444,438. Profit before and after tax has been reduced by £98,656.

A prior year adjustment has been recorded to account for licensing revenue over the term of the related agreement. This has reduced turnover by £539,237 and increased deferred income by the same value. Net assets and profit before and after tax have been reduced by £539,237 as a result of this adjustment.

A prior year adjustment has been recorded to apply long term contract accounting to a production agreement. This has reduced turnover for the year ended 31 December 2020 by £1,047,053 and cost of sales by £298,221. Deferred income has increased by £748,832. This has reduced net assets and profit before and after tax by £748,832.

21. Contingent liabilities

The operating lease detailed in Note 23 includes a dilapidation clause payable on vacating of the premises. Estimates for the work indicate that this could be up to £1,355,000. The directors do not believe that this will be payable due to the age of the property and the current external damage to the property.

22. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £567,738 (2020 - £514,625). Contributions totalling £103,101 (2020 - £79,386) were payable to the fund at the balance sheet date and are included in creditors.

23. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	701,312	622,231
Later than 1 year and not later than 5 years	1,380,327	1,855,418
	<u>2,081,639</u>	<u>2,477,649</u>

AARDMAN ANIMATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

24. Contingencies

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

At 31 December 2021 total borrowings subject to this agreement were £nil (2020 - £nil).

25. Related party transactions

The following information is provided in accordance with FRS 102, section 33; Related Party Transactions.

Year ended 31 December 2021

Name of Related Party	Relationship	Type of Transaction	Value of Transaction £	Debtor at 31 Dec 21 £
Wallace & Gromit Ltd	Fellow Subsidiary	Commissions	344,818	50,090
		Recharge of cost of sales	50,711	-

Year ended 31 December 2020

Name of Related Party	Relationship	Type of Transaction	Value of Transaction £	(Creditor)/ at 31 Dec 20 £
Wallace & Gromit Ltd	Fellow Subsidiary	Commissions	374,976	(96,254)
		Recharge of cost of sales	40,001	-

During the year, the company acted as guarantor for the 1998 Aardman Holdings Limited Approved Profit Sharing Scheme. At the year end £nil (2020 - £nil) was secured by the company, and was the maximum amount secured during the year.

During the year, the company was charged £439,238 (2020 - £434,641) for royalty payments by N W Park, a director of the company. At 31 December 2021 an amount of £241,257 (2020 - £183,949) was outstanding.

26. 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.

The ultimate controlling party is Aardman Employee Ownership Trust.