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**AARDMAN HOLDINGS LIMITED**  
**REPORT AND CONSOLIDATED ACCOUNTS**  
**31 DECEMBER 2000**



Company Registration Number 2672880

**AARDMAN HOLDINGS LIMITED**  
**INDEX TO THE CONSOLIDATED ACCOUNTS**  
**YEAR ENDED 31 DECEMBER 2000**

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# **AARDMAN HOLDINGS LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

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<b>Directors</b>	D A Sproxton P D F Lord
<b>Company Secretary</b>	D A Sproxton
<b>Registered Office</b>	Gas Ferry Road Bristol BS1 6UN
<b>Auditors</b>	Solomon Hare Chartered Accountants Registered Auditors Oakfield House Oakfield Grove Clifton Bristol BS8 2BN
<b>Bankers</b>	Bank of Wales plc Kingsway Cardiff CF1 4YB

# AARDMAN HOLDINGS LIMITED

## DIRECTORS' REPORT

### YEAR ENDED 31 DECEMBER 2000

The directors have pleasure in presenting their report and the consolidated accounts of the group for the year ending 31 December 2000.

#### PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of controlling and providing management services to all of its subsidiaries, and those of the group during the year was that of film producers.

#### RESULTS AND DIVIDENDS

The trading results of the group for the year, and the group's and company's financial position at the end of the year are shown in the attached accounts.

The directors have recommended the following dividends:

	2000 £	1999 £
Proposed dividend on "A" ordinary shares	-	144,320
Proposed dividend on ordinary shares	40,000	-
Dividend paid on ordinary shares	100,000	750,000
	<u>140,000</u>	<u>894,320</u>

#### THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year, together with their beneficial interest in the shares of the company were as follows:

	Class of share	At 31 December 2000	At 1 January 2000
D A Sproxtton	Ordinary Shares £0.01	5,000,000	5,000,000
"	'A' Ordinary Shares £0.01	500,000	500,000
P D F Lord	Ordinary Shares £0.01	5,000,000	5,000,000
"	'A' Ordinary Shares £0.01	<u>500,000</u>	<u>500,000</u>

#### ECONOMIC AND MONETARY UNION

The directors are of the opinion that the introduction of the Euro into a commercial environment has caused no disruption to the group's or the company's ability to carry on its trade in a European market. The directors have taken steps to ensure that the group's systems are able to make a smooth transition to the new currency, should it become necessary.

#### DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and group at the end of the year and of the profit or loss for the year then ended.

# **AARDMAN HOLDINGS LIMITED**

## **DIRECTORS' REPORT** *(continued)*

**YEAR ENDED 31 DECEMBER 2000**

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### **DIRECTORS' RESPONSIBILITIES** *(continued)*

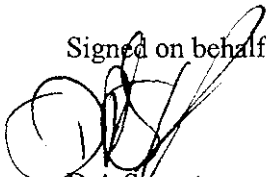
In preparing those accounts, the directors are required to select suitable accounting policies, as described on pages 10 to 12, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **AUDITORS**

The auditors, Solomon Hare, are deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members on 1 April 1992.

Signed on behalf of the directors



D A Sproston  
Director

Approved by the directors on 25 October 2001

**AARDMAN HOLDINGS LIMITED**

**AUDITORS' REPORT TO THE SHAREHOLDERS**

**YEAR ENDED 31 DECEMBER 2000**

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We have audited the accounts on pages 5 to 25 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 to 12.

**RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS**

As described on pages 2 and 3, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**BASIS OF OPINION**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**OPINION**

In our opinion the accounts give a true and fair view of the company's and the group's state of affairs as at 31 December 2000 and of the group's loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



SOLOMON HARE  
Registered Auditors  
Chartered Accountants  
Oakfield House  
Oakfield Grove  
Clifton  
Bristol  
BS8 2BN

25 October 2001

**AARDMAN HOLDINGS LIMITED****CONSOLIDATED PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 2000**

		2000	1999
	Note	£	£
<b>TURNOVER</b>	2.	11,851,668	4,950,480
Cost of sales		(7,403,026)	(2,834,747)
<b>GROSS PROFIT</b>		4,448,642	2,115,733
Distribution costs		(48,343)	(15,668)
Administrative expenses		(5,280,023)	(2,950,499)
Other operating income	3.	1,068,027	912,973
<b>OPERATING PROFIT</b>	4.	188,303	62,539
Interest receivable	7.	208,738	373,089
Interest payable	8.	(33,593)	(45,543)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		363,448	390,085
Tax on profit on ordinary activities	9.	(775,448)	(2,065,394)
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(412,000)	(1,675,309)
Minority interests		(144,026)	(163,649)
<b>LOSS FOR THE FINANCIAL YEAR</b>		(556,026)	(1,838,958)
Dividends	10.	(140,000)	(894,320)
<b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>		(696,026)	(2,733,278)
Balance brought forward		3,594,018	6,327,296
Balance carried forward		2,897,992	3,594,018

The group has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the group are classed as continuing.

**The notes on pages 10 to 25 form part of these accounts.**

**AARDMAN HOLDINGS LIMITED**

**CONSOLIDATED BALANCE SHEET**

**31 DECEMBER 2000**

	Note	2000 £	£	£	1999 £
<b>FIXED ASSETS</b>					
Intangible assets	11.		-		-
Tangible assets	12.		7,240,324		4,257,486
			<u>7,240,324</u>		<u>4,257,486</u>
<b>CURRENT ASSETS</b>					
Stocks	14.	35,438,483		22,735,587	
Debtors	15.	3,062,903		2,111,705	
Cash at bank and in hand		<u>4,380,781</u>		<u>7,156,956</u>	
		42,882,167		32,004,248	
<b>CREDITORS: Amounts falling due</b>					
Within one year	16.	<u>(43,136,166)</u>		<u>(29,357,449)</u>	
<b>NET CURRENT ASSETS</b>			<u>(253,999)</u>		<u>2,646,799</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			6,986,325		6,904,285
<b>CREDITORS: Amounts falling due</b>					
After more than one year	17.		<u>(291,110)</u>		<u>(314,603)</u>
			6,695,215		6,589,682
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Deferred taxation	19.		<u>(3,218,386)</u>		<u>(2,520,900)</u>
<b>NET ASSETS</b>			<u>3,476,829</u>		<u>4,068,782</u>
<b>CAPITAL AND RESERVES</b>					
Called-up share capital	22.		115,000		113,222
Share premium account	23.		406,347		248,078
Profit and loss account	24.		<u>2,897,992</u>		<u>3,594,018</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	25.		3,419,339		3,955,318
Minority interests			57,490		113,464
			<u>3,476,829</u>		<u>4,068,782</u>

These accounts were approved by the directors on 25 October 2001 and are signed on their behalf by:

  
B A Sproxton  
Director

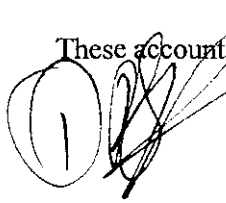
The notes on pages 10 to 25 form part of these accounts.



**AARDMAN HOLDINGS LIMITED****COMPANY BALANCE SHEET****31 DECEMBER 2000**

	Note	2000	1999
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	12.	4,000,718	713,266
Investments	13.	76,283	76,279
		<u>4,077,001</u>	<u>789,545</u>
<b>CURRENT ASSETS</b>			
Debtors	15.	1,494,585	1,844,729
Cash at bank and in hand		1,004,560	1,492,487
		<u>2,499,145</u>	<u>3,337,216</u>
<b>CREDITORS: Amounts falling due</b>			
Within one year	16.	(96,743)	(600,477)
<b>NET CURRENT ASSETS</b>			
		<u>2,402,402</u>	<u>2,736,739</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>6,479,403</u>	<u>3,526,284</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	19.	(26,956)	-
		<u>6,452,447</u>	<u>3,526,284</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	22.	115,000	113,222
Share premium account	23.	406,347	248,078
Profit and loss account	24.	5,931,100	3,164,984
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
	25.	<u>6,452,447</u>	<u>3,526,284</u>

These accounts were approved by the directors on 25 October 2001, and are signed on their behalf by:



D A Sproxtton  
Director

The notes on pages 10 to 25 form part of these accounts.

**AARDMAN HOLDINGS LIMITED****CONSOLIDATED CASH FLOW STATEMENT****YEAR ENDED 31 DECEMBER 2000**

	2000	1999
	£	£
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	2,250,144	2,600,388
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest received	258,344	331,852
Interest paid	(33,593)	(45,543)
Dividends paid to minority interests	(350,000)	(75,000)
<b>NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	(125,249)	211,309
<b>TAXATION</b>	(102,184)	(153,149)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Payments to acquire tangible fixed assets	(4,570,640)	(1,242,036)
Receipts from sale of fixed assets	62,392	28,270
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	(4,508,248)	(1,213,766)
<b>ACQUISITIONS AND DISPOSALS</b>		
Purchase of subsidiary undertaking	(15,152)	-
Cash acquired with subsidiary	9,124	-
<b>NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS</b>	(6,028)	-
<b>EQUITY DIVIDENDS PAID</b>	(244,320)	(945,321)
<b>CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>	(2,735,885)	499,461
<b>MANAGEMENT OF LIQUID RESOURCES</b>		
Movement on short term deposits	5,376,354	(308,248)
<b>FINANCING</b>		
Repayment of bank loans	(22,481)	(22,888)
<b>NET CASH OUTFLOW FROM FINANCING</b>	(22,481)	(22,888)
<b>INCREASE IN CASH</b>	2,617,988	168,325

The notes on pages 10 to 25 form part of these accounts.

**AARDMAN HOLDINGS LIMITED****CONSOLIDATED CASH FLOW STATEMENT** *(continued)***YEAR ENDED 31 DECEMBER 2000****RECONCILIATION OF OPERATING PROFIT TO  
NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2000 £	1999 £
Operating profit	188,303	62,539
Depreciation	1,535,816	845,633
Amortisation of goodwill	10,017	-
Payment to approved profit sharing scheme	160,047	135,670
Profit on disposal of fixed assets	(29,981)	(12,652)
Increase in stocks	(12,702,896)	(10,584,705)
Increase in debtors	(1,089,588)	(440,144)
Increase in creditors	14,178,426	12,594,047
Net cash inflow from operating activities	<u>2,250,144</u>	<u>2,600,388</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	2000 £	1999 £
Increase in cash in the year	2,617,988	168,325
Net cash outflow from bank loans	22,481	22,888
Net cash outflow from liquid resources	(5,376,354)	308,248
Movement in net funds arising from cash flows	(2,735,885)	499,461
Net debt at 1 January 2000	6,757,170	6,257,709
Net debt at 31 December 2000	<u>4,021,285</u>	<u>6,757,170</u>

**ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 January 2000 £	Cash flows £	At 31 December 2000 £
<b>Net cash:</b>			
Cash in hand and at bank	1,380,602	2,600,179	3,980,781
Bank overdraft	(60,959)	17,809	(43,150)
	<u>1,319,643</u>	<u>2,617,988</u>	<u>3,937,631</u>
<b>Liquid resources:</b>			
Short term deposits	5,776,354	(5,376,354)	400,000
<b>Debt:</b>			
Debt due within 1 year	(24,224)	(1,012)	(25,236)
Debt due after 1 year	(314,603)	23,493	(291,110)
<b>Net funds</b>	<u>6,757,170</u>	<u>(2,735,885)</u>	<u>4,021,285</u>

The notes on pages 10 to 25 form part of these accounts.

# AARDMAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2000

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### 1. ACCOUNTING POLICIES

#### **Basis of accounting**

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

#### **Basis of consolidation**

The consolidated accounts incorporate the results of the company and all of its subsidiary undertakings as at 31 December 2000 using acquisition accounting. The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these accounts.

The profit after taxation for the year dealt with in the accounts of the parent company was £2,906,116 (1999 - £1,579,142).

#### **Turnover**

The turnover shown in the profit and loss account represents amounts generated from film production and related activities, exclusive of Value Added Tax.

Advances received during the production of feature films, 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.

#### **Goodwill**

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which ranges from 1 to 5 years. Impairment tests on the carrying value of goodwill are undertaken annually.

#### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	- 5% on cost
Improvements to Property	- Over remaining period of lease
Plant & machinery	- 15% on reducing balance
Fixtures & Fittings	- 15% on reducing balance
Motor Vehicles	- 25% on reducing balance
Computer Equipment	- 33% on cost

Plant and machinery used in the production of feature films is depreciated over the life of the film production to result in a zero profit or loss on disposal.

#### **Investments**

Investments held as fixed assets are stated at cost less any provision for impairment in value.

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# **AARDMAN HOLDINGS LIMITED**

## **NOTES TO THE ACCOUNTS**

**YEAR ENDED 31 DECEMBER 2000**

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### **1. ACCOUNTING POLICIES** *(continued)*

#### **Work in progress**

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Work in progress on feature film production is valued as above during the production of the film. On completion of the film, work in progress is transferred to finished goods stock and is released to cost of sales over the period of recoupment, as defined in the film agreement. Provision is made where the directors anticipate that these costs will not be recouped in full.

#### **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.

#### **Deferred taxation**

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

#### **Pension costs**

The company operates a defined contribution pension scheme for the directors. The assets of the scheme are held separately from those of the company in an independently administered scheme. The annual contributions payable are charged to the profit and loss account.

Contributions to employees' personal pension schemes are charged to the profit and loss account in the year in which they become payable.

#### **Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the balance sheet date, or where appropriate, the pre-contracted rate. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

#### **Royalties receivable**

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

# AARDMAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

### YEAR ENDED 31 DECEMBER 2000

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#### 1. ACCOUNTING POLICIES *(continued)*

##### **Fees received in advance**

Where monies have been received in respect of commercials in progress at the balance sheet date, such amounts are treated as deferred income and are recognised as turnover on contract completion.

Where monies have been received in respect of broadcast productions in progress at the balance sheet date, such amounts are treated as deferred income and are released to the profit and loss account as turnover over the period of recoupment in line with the terms in the agreement.

##### **Commission receivable**

Commission income is included on a receivable basis.

#### 2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	2000 £	1999 £
United Kingdom	2,245,223	3,003,643
Europe	155,626	385,209
USA	8,884,995	1,322,824
Rest of the World	565,824	238,804
	<u>11,851,668</u>	<u>4,950,480</u>

#### 3. OTHER OPERATING INCOME

	2000 £	1999 £
Rents receivable	737	-
Commission receivable	346,249	515,034
Management charges receivable	-	1,750
Royalties receivable	652,428	353,611
Exchange gains	68,613	42,578
	<u>1,068,027</u>	<u>912,973</u>

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**AARDMAN HOLDINGS LIMITED****NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2000**

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**4. OPERATING PROFIT**

Operating profit is stated after charging/(crediting):

	2000 £	1999 £
Operating leases – land and buildings	50,531	42,629
Depreciation	1,535,816	845,633
Profit on disposal of fixed assets	(29,981)	(12,652)
Amortisation of goodwill	10,017	-
Auditors' remuneration		
- as auditors	14,560	12,850
- other services	50,648	27,860
Loss on foreign currency translation	113	2,817

**5. PARTICULARS OF EMPLOYEES**

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

	2000 No.	1999 No.
Film production	43	50
Administration	271	167
	<u>314</u>	<u>217</u>

The aggregate payroll costs of the above were:

	2000 £	1999 £
Wages and salaries	7,521,601	5,796,195
Social security costs	778,306	617,181
Other pension costs	230,193	246,921
	<u>8,530,100</u>	<u>6,660,297</u>

**6. DIRECTORS' EMOLUMENTS**

The directors' aggregate emoluments in respect of qualifying services were:

	2000 £	1999 £
Aggregate emoluments	226,670	195,107
Value of company pension contributions to money purchase schemes	94,680	90,000
	<u>321,350</u>	<u>285,107</u>

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**AARDMAN HOLDINGS LIMITED****NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2000**

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**6. DIRECTORS' EMOLUMENTS** *(continued)*

Emoluments of the highest paid director:

	2000 £	1999 £
Aggregate emoluments	114,024	97,825
Value of company contributions to money purchase schemes	47,340	45,000
	<u>161,364</u>	<u>142,825</u>

The number of directors who are accruing benefits under group pension schemes were as follows:

	2000 No.	1999 No.
Money purchase schemes	<u>2</u>	<u>2</u>

**7. INTEREST RECEIVABLE**

	2000 £	1999 £
Bank interest receivable	193,574	373,089
Other interest receivable	15,164	-
	<u>208,738</u>	<u>373,089</u>

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	2000 £	1999 £
Bank and other interest payable	<u>33,593</u>	<u>45,543</u>



**AARDMAN HOLDINGS LIMITED****NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2000**

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**9. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2000 £	1999 £
In respect of the year:		
Corporation tax based on the results for the year at 23.5% (1999 – 28.4%)	16,409	181,825
Increase in deferred tax provision (Note 19):		
Capital allowances	152,419	194,808
Other	3,504,631	1,863,859
Losses	<u>(2,900,225)</u>	<u>(184,687)</u>
	756,825	1,873,980
	<u>773,234</u>	<u>2,055,805</u>
Adjustment in respect of previous years:		
Corporation tax	2,214	9,589
	<u>775,448</u>	<u>2,065,394</u>

**10. DIVIDENDS**

The following dividends have been paid or proposed in respect of the year:

	2000 £	1999 £
Proposed dividends on 'A' ordinary equity shares	-	144,320
Proposed dividends on ordinary equity shares	40,000	-
Dividends on ordinary equity shares	<u>100,000</u>	<u>750,000</u>
	<u>140,000</u>	<u>894,320</u>

No dividend was proposed at the year end on the 'A' ordinary shares (1999 – 44.80p per share).  
A dividend of 0.4p (1999 – nil) per share was proposed at the year end on the ordinary shares.

# AARDMAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

### YEAR ENDED 31 DECEMBER 2000

#### 11. INTANGIBLE FIXED ASSETS – GROUP

	Goodwill £
<b>COST</b>	
At 1 January 2000	-
Additions	10,017
At 31 December 2000	<u>10,017</u>
<b>AMORTISATION</b>	
At 1 January 2000	-
Charge for the year	10,017
At 31 December 2000	<u>10,017</u>
<b>NET BOOK VALUE</b>	
At 31 December 2000	<u>-</u>
At 31 December 1999	<u>-</u>

Goodwill of £10,017 arose on the acquisition of Morph Limited during the year. The directors have decided to write this off to the profit and loss account in full during the year.

In addition to the above, negative goodwill of £429,643 arising on the acquisition of Aardman Animations Limited in 1992 has been fully amortised through the profit and loss account over its useful economic life of 5 years.

#### 12. TANGIBLE FIXED ASSETS – GROUP

	Freehold Property £	Improvements to Property £	Plant and Machinery £	Fixtures and Fittings £	Motor Vehicles £	Computer Equipment £	Total £
<b>COST</b>							
At 1 January 2000	1,071,407	59,625	4,476,415	374,668	105,043	840,440	6,927,598
Additions	3,341,022	199,490	682,360	83,635	11,495	233,063	4,551,065
Disposals	-	-	(73,202)	-	(15,795)	-	(88,997)
At 31 December 2000	<u>4,412,429</u>	<u>259,115</u>	<u>5,085,573</u>	<u>458,303</u>	<u>100,743</u>	<u>1,073,503</u>	<u>11,389,666</u>
<b>DEPRECIATION</b>							
At 1 January 2000	358,141	16,098	1,528,069	136,249	59,920	571,635	2,670,112
Charge for the year	53,570	25,912	1,146,127	44,654	24,616	240,937	1,535,816
On disposals	-	-	(46,385)	-	(10,201)	-	(56,586)
At 31 December 2000	<u>411,711</u>	<u>42,010</u>	<u>2,627,811</u>	<u>180,903</u>	<u>74,335</u>	<u>812,572</u>	<u>4,149,342</u>
<b>NET BOOK VALUE</b>							
At 31 December 2000	<u>4,000,718</u>	<u>217,105</u>	<u>2,457,762</u>	<u>277,400</u>	<u>26,408</u>	<u>260,931</u>	<u>7,240,324</u>
At 31 December 1999	<u>713,266</u>	<u>43,527</u>	<u>2,948,346</u>	<u>238,419</u>	<u>45,123</u>	<u>268,805</u>	<u>4,257,486</u>

**AARDMAN HOLDINGS LIMITED****NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2000**

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**12. TANGIBLE FIXED ASSETS – COMPANY**

	Freehold Property £
<b>COST</b>	
At 1 January 2000	1,071,407
Additions	3,341,022
At 31 December 2000	<u>4,412,429</u>
<b>DEPRECIATION</b>	
At 1 January 2000	358,141
Charge for the year	53,570
At 31 December 2000	<u>411,711</u>
<b>NET BOOK VALUE</b>	
At 31 December 2000	<u>4,000,718</u>
At 31 December 1999	<u>713,266</u>

**13. INVESTMENTS - COMPANY**

	Unlisted Investments £
<b>COST</b>	
At 1 January 2000	76,279
Additions	4
At 31 December 2000	<u>76,283</u>
<b>NET BOOK VALUE</b>	
At 31 December 2000	<u>76,283</u>
At 31 December 1999	<u>76,279</u>

**AARDMAN HOLDINGS LIMITED****NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2000**

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**13. INVESTMENTS – COMPANY** *(continued)*

The company's investments in the ordinary share capital of the unlisted companies at the balance sheet date include the following:

<b>Company</b>	<b>Percentage Holding</b>	<b>Nature of Business</b>
Aardman Animations Limited	100	Film Producers
Aardman Features Limited	100	Film Producers
Aardman Tortoise and the Hare Limited	100	Film Producers
Wallace & Gromit Limited	75	Film Producers
Aardman Equipment Limited	100	Dormant
Aardman Chicken Run Limited	66	Dormant
Aardman Rights Limited	100	Dormant
Aardman Trustees Limited	100	Dormant
Rex the Runt Limited	75	Dormant

In addition, the following company is a subsidiary of Aardman Animations Limited:

<b>Company</b>	<b>Percentage Holding</b>	<b>Nature of Business</b>
Morph Limited	100	Management of film rights

# AARDMAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

### YEAR ENDED 31 DECEMBER 2000

#### 14. STOCKS

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Work in progress	35,438,483	22,735,587	-	-

#### 15. DEBTORS

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Trade debtors	909,460	536,002	-	-
Amounts owed by group undertakings	-	-	1,168,139	1,082,906
Amounts owed by related undertakings	-	1,750	-	-
Other debtors	274,778	369,351	240,662	256,647
ACT recoverable	75,557	164,672	75,557	164,672
Prepayments and accrued income	791,343	1,039,930	10,208	340,504
Corporation tax recoverable	1,011,765	-	19	-
	<u>3,062,903</u>	<u>2,111,705</u>	<u>1,494,585</u>	<u>1,844,729</u>

#### 16. CREDITORS: Amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Bank loans and overdrafts	68,386	85,183	-	-
Trade creditors	862,134	994,542	9,489	7,799
Amounts owed to group undertakings	-	-	22,103	279
Corporation tax	-	113,337	-	11,281
Dividends payable	40,000	294,320	40,000	144,320
Other taxation and social security	243,176	237,438	11,784	8,139
Other creditors	255,199	103,001	103	51
Directors' current accounts	3,251	400,000	3,251	400,000
Accruals and deferred income	41,664,020	27,129,628	10,013	28,608
	<u>43,136,166</u>	<u>29,357,449</u>	<u>96,743</u>	<u>600,477</u>

The following liabilities disclosed under creditors falling due within one year are secured by the group or the company:

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Bank loans and overdrafts	<u>68,386</u>	<u>85,183</u>	<u>-</u>	<u>-</u>

# AARDMAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

### YEAR ENDED 31 DECEMBER 2000

#### 17. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Bank loans	291,110	314,603	-	-

The following liabilities disclosed under creditors falling due after more than one year are secured by the group or the company:

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Bank loans and overdrafts	291,110	314,603	-	-

The company has secured the bank borrowings of Aardman Animations Limited and Aardman Tortoise and The Hare Limited through a legal charge over its freehold property and by a guarantee limited to £525,000 secured on the remaining assets of the company. At the year end Aardman Animations Limited and Aardman Tortoise and The Hare Limited had combined bank borrowings of £359,496 (1999 - £399,786).

#### 18. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
In one year or less, or on demand	25,236	24,224	-	-
Between one and two years	27,255	26,102	-	-
Between two and five years	95,561	91,081	-	-
In five years or more	168,294	197,420	-	-
	316,346	338,827	-	-

The above liabilities comprise bank loans.

The bank loan is repayable by instalments over 20 years from August 1991 with interest payable at 2% per annum above the base rate of the Bank of Wales plc.

# AARDMAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

### YEAR ENDED 31 DECEMBER 2000

#### 19. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Provision brought forward	2,520,900	645,455	-	-
Increase/(decrease) in provision	756,825	1,873,980	.8,032	(1,465)
Movement on ACT recoverable	(59,339)	1,465	18,924	1,465
Provision carried forward	<u>3,218,386</u>	<u>2,520,900</u>	<u>26,956</u>	<u>-</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	966,771	814,352	26,956	18,924
Tax losses available	(3,084,912)	(184,687)	-	-
Other timing differences	5,414,790	1,910,159	-	-
Less: Advance Corporation Tax	(78,263)	(18,924)	-	(18,924)
	<u>3,218,386</u>	<u>2,520,900</u>	<u>26,956</u>	<u>-</u>

#### 20. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2000 the group and the company had annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings			
	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Operating leases which expire:				
Within one year	-	33,700	-	-
Within 2 to 5 years	-	257,050	-	-
After more than 5 years	295,050	13,000	-	-
	<u>295,050</u>	<u>303,750</u>	<u>-</u>	<u>-</u>
	Other			
	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Operating leases which expire:				
Within 1 to 2 years	375	-	-	-
Within 2 to 5 years	11,389	12,324	-	-
After more than 5 years	1,036	-	-	-
	<u>12,800</u>	<u>12,324</u>	<u>-</u>	<u>-</u>

# AARDMAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

### YEAR ENDED 31 DECEMBER 2000

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#### 21. RELATED PARTY TRANSACTIONS

The following information is provided in accordance with Financial Reporting Standard No. 8, Related Party Transactions, involving the company:

##### Year ended 31 December 2000

Name of related party	Relationship	Type of transaction	Value of transaction £	Debtor/(creditor) at 31.12.00 £
D A Sproxton	Director	Loan interest	3,201	(3,201)
		Loan movement	197,071	(2,929)
P D F Lord	Director	Loan interest	2,516	(2,516)
		Loan movement	199,678	(322)
Wallace and Gromit Limited	Subsidiary	Dividend receivable	600,000	-
		ACT surrendered	19,520	19,520

##### Year ended 31 December 1999

Name of related party	Relationship	Type of transaction	Value of transaction £	Debtor/(creditor) at 31.12.99 £
D A Sproxton	Director	Loan interest	10,463	(9,367)
		Loan movement	159,426	(200,000)
P D F Lord	Director	Loan interest	9,368	(9,367)
		Loan movement	200,000	(200,000)
Wallace and Gromit Limited	Subsidiary	Dividend receivable	675,000	450,000
		Management charges	61,980	61,980

In addition to the above, the company paid pension contributions of £94,680 (1999 £90,000) to the Aardman Holdings Limited Executive Pension Scheme. D A Sproxton and P D F Lord are both Trustees and Beneficiaries of this scheme.

The company is controlled by D A Sproxton and P D F Lord who are directors of the company.

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**AARDMAN HOLDINGS LIMITED****NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2000**

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**21. RELATED PARTY TRANSACTIONS** *(continued)*

The following information is provided in accordance with Financial Reporting Standard No. 8, Related Party Transactions, involving the rest of the group:

**Year ended 31 December 2000**

<b>Name of related party</b>	<b>Relationship</b>	<b>Type of transaction</b>	<b>Value of transaction £</b>	<b>Debtor/(creditor) at 31.12.00 £</b>
Wallace and Gromit Limited	Fellow subsidiary	Commissions receivable	323,460	(137,136)
		Group relief	172,830	172,830

**Year ended 31 December 1999**

<b>Name of related party</b>	<b>Relationship</b>	<b>Type of transaction</b>	<b>Value of transaction £</b>	<b>Debtor/(creditor) at 31.12.99 £</b>
Wallace and Gromit Limited	Fellow subsidiary	Commissions receivable	559,829	40,110
Morph Limited	Common directorship	Management charges	1,750	1,750

**AARDMAN HOLDINGS LIMITED****NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2000****22. SHARE CAPITAL**

Authorised share capital:

	2000 £	1999 £
10,000,000 Ordinary shares of £0.01 each	100,000	100,000
1,500,000 'A' Ordinary shares of £0.01 each	15,000	15,000
	<u>115,000</u>	<u>115,000</u>

Allotted, called up and fully paid:

	2000		1999	
	No.	£	No.	£
Ordinary shares of £0.01 each	10,000,000	100,000	10,000,000	100,000
'A' Ordinary shares of £0.01 each	1,500,000	15,000	1,322,170	13,222
	<u>11,500,000</u>	<u>115,000</u>	<u>11,322,170</u>	<u>113,222</u>

The rights of each class of ordinary share rank pari passu in all respects with the exception that the 'A' ordinary shares will be subject to pre-emption rights upon the termination of the employment of the 'A' ordinary shareholders.

During the year, 177,830 (1999 - 135,630) 'A' ordinary shares of £0.01 each were issued at a premium of £0.89 (1999 - £0.99) per share.

**23. SHARE PREMIUM ACCOUNT**

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Balance brought forward	248,078	113,765	248,078	113,765
Premium on shares issued in the year	158,269	134,313	158,269	134,313
	<u>406,347</u>	<u>248,078</u>	<u>406,347</u>	<u>248,078</u>

**24. PROFIT AND LOSS ACCOUNT**

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Balance brought forward	3,594,018	6,327,296	3,164,984	2,480,162
Retained (loss)/profit for the financial year	(696,026)	(2,733,278)	2,766,116	684,822
Balance carried forward	<u>2,897,992</u>	<u>3,594,018</u>	<u>5,931,100</u>	<u>3,164,984</u>

**AARDMAN HOLDINGS LIMITED****NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2000**

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**25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
(Loss)/profit for the financial year	(556,026)	(1,838,958)	2,906,116	1,579,142
Dividends	(140,000)	(894,320)	(140,000)	(894,320)
	(696,026)	(2,733,278)	2,766,116	684,822
New equity share capital subscribed	1,778	1,357	1,778	1,357
Premium on new equity share capital subscribed	158,269	134,313	158,269	134,313
	(535,979)	(2,597,608)	2,926,163	820,492
Opening shareholders' equity funds	3,955,318	6,552,926	3,526,284	2,705,792
Closing shareholders' equity funds	3,419,339	3,955,318	6,452,447	3,526,284

**26. APPROVED PROFIT SHARING SCHEME**

On 18 December 1998 the company established the 1998 Aardman Holdings Limited Approved Profit Sharing Scheme ('the scheme') through the creation of a Trust Deed on that date. The purpose of the scheme is to enable directors and employees of companies within the group to hold shares and participate in the profits of the company. The contributions to the scheme are incurred by the employer company of the participating employees. On 31 December 2000, the Trust acquired 177,830 (1999 - 135,670) 'A' ordinary shares of £0.01 each at market value of £0.90 (1999 - £1) per share. The beneficial interest in these shares was vested in employees of the group companies on acquisition by the trust. At 31 December 2000, the company proposed a dividend on its 'A' ordinary shares of £nil (1999 - 44.80p) per share.