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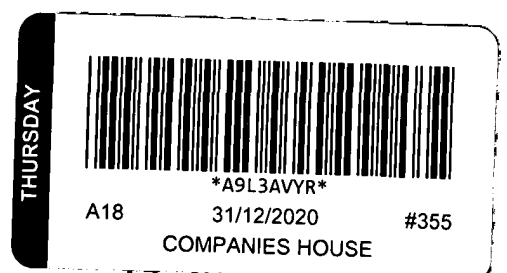
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**AARDMAN HOLDINGS LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**



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**AARDMAN HOLDINGS LIMITED**

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**AARDMAN HOLDINGS LIMITED**

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**COMPANY INFORMATION**

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<b>DIRECTORS</b>	S M Clarke S Cox K A Lock P D F Lord P G Newport N W Park C Shelley D Efergan (appointed 1 March 2020)
<b>COMPANY NUMBER</b>	02672880
<b>REGISTERED OFFICE</b>	Gas Ferry Road Bristol BS1 6UN
<b>AUDITORS</b>	Nexia Smith & Williamson Chartered Accountants & Statutory Auditors Portwall Place Portwall Lane Bristol BS1 6NA
<b>BANKERS</b>	Coutts & Co. Media Banking 440 Strand London WC2R 0QS

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## AARDMAN HOLDINGS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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The directors have pleasure in presenting their report and the consolidated financial statements of the Group for the year ended 31 December 2019.

#### 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 financial statements.

The directors have recommended the following dividends:

	2019	2018
Dividends paid on ordinary shares	<u>-</u>	<u>176,030</u>

In the prior year, the Group also made a contribution of £12,920,097 to the Aardman Employee Ownership Trust.

#### POST BALANCE SHEET EVENTS

Covid-19 was declared a pandemic by the World Health Organisation on 11 March 2020. Further detail on the impact of this pandemic on the Group is provided in note 1.2 to the financial statements.

#### THE DIRECTORS

The directors who served the Company during the year were as follows:

S M Clarke  
S Cox  
K A Lock  
P D F Lord  
P G Newport  
N W Park  
C Shelley  
D A Sproxtton (resigned 30 December 2019)  
H A Wright (resigned 6 April 2020)

#### 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.

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 equality of opportunity for all. 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.

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**AARDMAN HOLDINGS LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**DIRECTORS' RESPONSIBILITIES STATEMENT (*continued*)**

The directors are responsible for preparing the strategic report, the directors' report and the consolidated financial statements of the Group in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 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 Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 the Group and enable them to ensure that the consolidated financial statements of the Group comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are 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 and the Group's auditors are aware of that information.

**AUDITORS**

The auditors, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

11Dec20

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



**K A Lock**  
Director

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## AARDMAN HOLDINGS LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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#### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of controlling and providing management services to all of its subsidiaries, and of the group was that of Feature Film, Broadcast, Commercial, Games and Interactive creators, producers and distributors.

The consolidated results for the year returned a consolidated pre-tax profit of £173,450 (2018: pre-tax profit of £2,378,613).

'Shaun the Sheep: Farmageddon', premiered theatrically in the UK on the 22<sup>nd</sup> September and then rolled out successfully across the world. 'Chicken Run 2' continued through pre-production.

'The Epic Adventures of Morph' and 'Robin Robin' started shooting during the year, we delivered 'Shaun Season 6' taking us up to 170 episodes, and we started pre-production on a new 'Shaun Special'. The studio continued to invest in a slate of projects of both new IP and our well-known brands.

The Commercials division continues to generate meaningful profit margin, and whilst not at the highs of four/five years ago, posted higher revenues than last year. It delivered around one hundred projects, including a new 4D film 'The Bear and the Squirrel' for Efteling Theme Park and big campaigns with 'DFS' and 'Chevron'. CGI animation again exceeded stop frame animation work, and around two thirds of the overall revenue was from the UK.

At the beginning of the year, the studio reduced its shareholding in the New York based CGI studio Aardman Nathan Love LLC (ANL) to twenty percent. ANL continues to be profitable, and this change will give more autonomy to the majority shareholder whilst maintaining a valuable partnership in the future.

Whilst the Interactive division revenues decreased compared to last year, profits rose through higher margin work. The project 'Storysign', together with last years release of '11-11 Memories Retold' further demonstrated the diversity of work produced through this division.

The Rights division performed strongly, very similar to last year, mainly again due to the success of 'Shaun', 'Timmy', the back catalogue of 'Wallace & Gromit' and commissions earned from distribution of selected third party properties which the studio handles. The live events, attractions and exhibitions activities continue to show profitable growth.

In general overheads grew slightly compared to last year, although the consolidated administrative expenses have fallen mainly due to the different treatment relating to treating ANL, accounting as a an associate in 2019, compared to a subsidiary in 2018. The studio continued its commitment to pay the Bristol living wage to the lowest paid.

This was the first full year of 'Employee Ownership' since the founders/owners sold a majority stake to an Employee Benefit Trust in November 2018. The financial result is not in any way a result of this change in structure, simply a change in market conditions, the timing of licence fee renewals and the schedules on project deliveries. In November 2019 one of the original founders, David Sproxton, stood down from his role as Managing Director and, following a broad search, was replaced by Sean Clarke, an internal candidate previously Executive Director of Rights and Brand Development. David then took on a position on the Trustee Board.

Since the balance sheet date the studio has, like the rest of the world, been affected by coronavirus. The studios have been closed for periods of time, productions delayed, with many people working from home and furloughed. Thankfully, productions got up and running as we acted quickly to put new protocols in place to ensure all our partners were, and felt, safe in the new working environment.

We are highly likely to be profitable in 2020 driven by strong performance of Shaun the Sheep and coronavirus driving content sales overall, together with savings in overhead.

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## AARDMAN HOLDINGS LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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#### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW *(continued)*

We have assessed revenue streams, overheads, production expenditure and cash and, whilst we have not yet approved our financial plan for the next five years, feel confident that we have sufficient financial resources to achieve our ambitious new production slate.

#### FINANCIAL RISK MANAGEMENT

The main financial risk the group faces is the movement in exchange rates. No currencies were hedged at the year-end.

Further detail on the group's response to the coronavirus pandemic is provided in the business review.

#### KEY PERFORMANCE INDICATORS

The average gross profit margin for Commercials was 26% for the year, compared to 35% in 2018. In the Interactive division, the average gross profit margin was 35%, compared to 18% in 2018. Partially completed projects at the year-end are accounted for under the percentage of completion method in accordance with FRS102, Section 23.

In Broadcast productions, there is generally a provision for a production fee of around 10% of the budget. This is generally recognised at the end of the production, or earlier if ultimate revenue is guaranteed.

Commissions for Rights are generally at 30% of gross revenue where exploiting directly, and up to 10% override commission if exploiting via an agent.

Core staff remain around 100 and staff employee turnover continues to remain low, with large variations in freelance staffing levels depending on how many projects are in production.

#### SECTION 172 REPORTING

The Directors of Aardman Holdings Limited are focussed on forward planning to ensure a long term production pipeline which will deliver returns for all stakeholders and promote the long term success of the business.

The Aardman Group is employee owned and run, as noted earlier in this report. The Group's employees are therefore considered to be key stakeholders of the business and play a central role in all decisions taken by the board of directors.

The Group is also committed to building and maintaining strong, long term relationships with funding providers and consumers. This is demonstrated by the film and broadcast production pipeline as well as the continued success of the commercial, digital and rights divisions.

Further detail on the performance of the business during the year and longer term production activity is provided earlier in this report.

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



**K A Lock**  
Director

Date: 11Dec20

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## AARDMAN HOLDINGS LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AARDMAN HOLDINGS LIMITED

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#### OPINION

We have audited the financial statements of Aardman Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and the notes to the financial statements, including a summary of 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 group's and of the parent company's affairs as at 31 December 2019 and of the group's 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 group and parent 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### EMPHASIS OF MATTER – COVID-19

We draw attention to note 1.2 of the financial statements which describes that impact of COVID-19 on the Group. Our opinion is not modified in respect of this matter.

#### OTHER INFORMATION

The other information comprises the information included in the directors' report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.



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## AARDMAN HOLDINGS LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AARDMAN HOLDINGS LIMITED

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#### OPINION 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 group and the parent company and their 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 3, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.


#### 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### USE OF OUR REPORT

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Carl Deane  
Senior Statutory Auditor  
for and on behalf of  
**Nexia Smith & Williamson**  
Chartered Accountants  
Statutory Auditors

Portwall Place  
Portwall Lane  
Bristol  
BS1 6NA

Date: 14/12/20.

**AARDMAN HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 Feature film activity £	2019 Other activities £	2019 Total £	2018 Feature film activity £	2018 Other activities £	2018 Total £
<b>TURNOVER</b>	1,3	5,272,315	17,502,100	22,774,415	10,755,976	17,816,924	28,572,900
Cost of sales		(6,521,323)	(8,931,971)	(15,453,294)	(13,465,877)	(5,380,591)	(18,846,468)
<b>GROSS (LOSS)/PROFIT</b>		<b>(1,249,008)</b>	<b>8,570,129</b>	<b>7,321,121</b>	<b>(2,709,901)</b>	<b>12,436,333</b>	<b>9,726,432</b>
Distribution costs		-	(4,815)	(4,815)	-	(7,649)	(7,649)
Administrative expenses		-	(10,387,681)	(10,387,681)	-	(11,489,836)	(11,489,836)
Other operating income	4	-	1,051,583	1,051,583	-	998,931	998,931
<b>OPERATING (LOSS)/PROFIT</b>	5	<b>(1,249,008)</b>	<b>(770,784)</b>	<b>(2,019,792)</b>	<b>(2,709,901)</b>	<b>1,937,779</b>	<b>(772,122)</b>
Interest receivable		-	15,985	15,985	-	60,541	60,541
Interest payable	9	-	(711)	(711)	-	(6,767)	(6,767)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX</b>							
<b>CREDIT</b>		<b>(1,249,008)</b>	<b>(755,510)</b>	<b>(2,004,518)</b>	<b>(2,709,901)</b>	<b>1,991,553</b>	<b>(718,348)</b>
Tax credit		1,270,430	907,538	2,177,968	2,708,933	388,028	3,096,961
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>21,422</b>	<b>152,028</b>	<b>173,450</b>	<b>(968)</b>	<b>2,379,581</b>	<b>2,378,613</b>
Tax on profit on ordinary activities		-	165,168	165,168	-	(157,248)	(157,248)
<b>TOTAL TAX</b>	10	<b>1,270,430</b>	<b>1,072,706</b>	<b>2,343,136</b>	<b>2,708,933</b>	<b>230,780</b>	<b>2,939,713</b>
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>21,422</b>	<b>317,196</b>	<b>338,618</b>	<b>(968)</b>	<b>2,222,333</b>	<b>2,221,365</b>
Exchange adjustment on translation of US subsidiary		-	7,416	7,416	-	22	22
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR</b>		<b>21,422</b>	<b>324,612</b>	<b>346,034</b>	<b>(968)</b>	<b>2,222,355</b>	<b>2,221,387</b>
Non-controlling interest		-	(66,430)	(66,430)	-	(79,752)	(79,752)
<b>RETAINED PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>21,422</b>	<b>258,182</b>	<b>279,604</b>	<b>(968)</b>	<b>2,142,603</b>	<b>2,141,635</b>

There were no recognised gains or losses for 2019 or 2018 other than those included in the profit and loss account.

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

The notes on pages 14 to 28 form part of these financial statements.

**AARDMAN HOLDINGS LIMITED**

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2019**

	Note	£	2019 £	£	2018 £
<b>FIXED ASSETS</b>					
Intangible assets	11		-		441,099
Investment in associate	14		195,997		-
Tangible assets	12		9,776,338		10,187,322
			<u>9,972,335</u>		<u>10,628,421</u>
<b>CURRENT ASSETS</b>					
Stocks	15	2,254,543		2,084,846	
Debtors	16	12,273,447		11,488,940	
Cash at bank		<u>9,186,911</u>		<u>12,885,679</u>	
		23,714,901		26,459,465	
<b>CREDITORS:</b> amounts falling due within one year	17	<u>(15,194,670)</u>		<u>(18,773,710)</u>	
<b>NET CURRENT ASSETS</b>			<u>8,520,231</u>		<u>7,685,755</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			18,492,566		18,314,176
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred tax	19		<u>(234,611)</u>		<u>(269,899)</u>
<b>NET ASSETS</b>			<u>18,257,955</u>		<u>18,044,277</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	22		117,500		117,500
Share premium account	23		513,847		513,847
Profit and loss account	23		<u>17,554,521</u>		<u>17,274,917</u>
<b>SHAREHOLDERS' FUNDS</b>			18,185,868		17,906,264
<b>NON-CONTROLLING INTEREST</b>			<u>72,087</u>		<u>138,013</u>
			<u>18,257,955</u>		<u>18,044,277</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 Dec 20 by:



.....  
**K A Lock**

Director

The notes on pages 14 to 28 form part of these financial statements.

**AARDMAN HOLDINGS LIMITED**  
**REGISTERED NUMBER: 02672880**

**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2019**

	Note	£	2019 £	£	2018 £
<b>FIXED ASSETS</b>					
Tangible assets	12		8,697,658		9,081,509
Investments	13		<u>76,883</u>		<u>76,883</u>
			<b>8,774,541</b>		<b>9,158,392</b>
<b>CURRENT ASSETS</b>					
Debtors	16	453,066		471,235	
Cash at bank and in hand		<u>379,334</u>		<u>254,996</u>	
		<b>832,400</b>		<b>726,231</b>	
<b>CREDITORS:</b> amounts falling due within one year	17	<u>(64,236)</u>		<u>(88,207)</u>	
<b>NET CURRENT LIABILITIES</b>			<b>768,164</b>		<b>638,024</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>9,542,705</b>		<b>9,796,416</b>
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred tax	19		<u>(234,611)</u>		<u>(269,899)</u>
<b>NET ASSETS</b>			<b><u>9,308,094</u></b>		<b><u>9,526,517</u></b>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	22		117,500		117,500
Share premium account	23		513,847		513,847
Profit and loss account	23		<u>8,676,747</u>		<u>8,895,170</u>
			<b><u>9,308,094</u></b>		<b><u>9,526,517</u></b>

During the year ended 31 December 2019, the Company generated a loss of £218,423 (2018: profit of £12,746,211).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 Dec 20



**K A Lock**  
Director

The notes on pages 14 to 28 form part of these financial statements.

**AARDMAN HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share Capital £	Share Premium £	Other Reserves £	Profit and loss account £	Non- controlling Interest £	Total equity £
<b>BALANCE AT 1 JANUARY 2018</b>	117,500	513,847	(237,908)	27,558,157	87,194	28,038,790
Profit for the year	-	-	-	2,141,613	79,752	2,221,365
Proceeds on sale of own shares			237,908	675,925	-	913,833
Dividends paid	-	-	-	(176,030)	(33,606)	(209,636)
Currency exchange difference arising on retranslation	-	-	-	(4,651)	4,673	22
Contribution to Aardman Employee Ownership Trust	-	-	-	(12,920,097)	-	(12,920,097)
<b>BALANCE AT 31 DECEMBER 2018</b>	<b>117,500</b>	<b>513,847</b>	<b>-</b>	<b>17,274,917</b>	<b>138,013</b>	<b>18,044,277</b>
Profit for the year	-	-	-	272,188	66,430	338,618
Dividends paid	-	-	-	-	(37,500)	(37,500)
Currency exchange difference arising on retranslation	-	-	-	7,416	-	7,416
Disposal of majority shareholding	-	-	-	-	(94,856)	(94,856)
<b>BALANCE AT 31 DECEMBER 2019</b>	<b>117,500</b>	<b>513,847</b>	<b>-</b>	<b>17,554,521</b>	<b>72,087</b>	<b>18,257,955</b>

The notes on pages 14 to 28 form part of these financial statements.

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**AARDMAN HOLDINGS LIMITED**

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**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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	Share Capital £	Share Premium £	Other Reserves £	Profit and loss account £	Total equity £
<b>BALANCE AT 1 JANUARY 2018</b>	117,500	513,847	(237,908)	8,569,161	8,962,600
Profit for the year	-	-	-	12,746,211	12,746,211
Proceeds on sale of own shares	-	-	237,908	-	237,908
Dividends paid	-	-	-	(176,030)	(176,030)
<b>BALANCE AT 31 DECEMBER 2018</b>	<b>117,500</b>	<b>513,847</b>	<b>-</b>	<b>8,895,170</b>	<b>9,526,517</b>
Loss for the year	-	-	-	(218,423)	(218,423)
<b>BALANCE AT 31 DECEMBER 2019</b>	<b>117,500</b>	<b>513,847</b>	<b>-</b>	<b>8,676,747</b>	<b>9,308,094</b>

The notes on pages 14 to 28 form part of these financial statements.

**AARDMAN HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £	2018 £
<b>Cash flows from operating activities</b>		
Loss before tax	(2,004,518)	(718,348)
Depreciation charge	905,656	1,045,960
Interest received	(15,985)	(60,541)
Amortisation charge	-	60,272
Interest paid	711	6,767
(Increase)/decrease in stock	(206,147)	147,038
(Increase)/decrease in debtors	(1,270,572)	313,354
(Decrease)/increase in creditors	(3,159,158)	6,445,841
Loss on disposal of subsidiary	102,383	-
Share of losses of associate	11,231	-
Profit on disposal of tangible fixed assets	(2,193)	(1,308)
Foreign exchange	14,183	(25,701)
	<u>(5,624,409)</u>	<u>7,213,334</u>
<b>Corporation tax received</b>	<b>2,661,236</b>	<b>809,727</b>
<b>Net cash (used in)/generated from operating activities</b>	<b><u>(2,963,173)</u></b>	<b><u>8,023,061</u></b>
<b>Investing activities</b>		
Interest received	15,985	60,541
Disposal of subsidiary	(211,421)	-
Additions to tangible fixed assets	(505,158)	(533,920)
Proceeds from disposal of tangible fixed assets	3,210	1,420
<b>Net cash used in investing activities</b>	<b><u>(697,384)</u></b>	<b><u>(471,959)</u></b>
<b>Financing activities</b>		
Equity dividends paid	-	(176,030)
Equity dividends paid to non-controlling interest	(37,500)	(33,606)
Interest paid	(711)	(6,767)
Contribution to Aardman Employee Ownership Trust	-	(12,920,097)
Proceeds on sale of shares	-	525,132
<b>Net cash used in financing activities</b>	<b><u>(38,211)</u></b>	<b><u>(12,611,368)</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,698,768)</b>	<b>(5,060,266)</b>
Cash and cash equivalents at beginning of the year	<b>12,885,679</b>	<b>17,945,945</b>
<b>Cash and cash equivalents at end of year</b>	<b><u>9,186,911</u></b>	<b><u>12,885,679</u></b>
<b>Cash and cash equivalents consist of:</b>		
Cash at bank and in hand	<b><u>9,186,911</u></b>	<b><u>12,885,679</u></b>

The notes on pages 14 to 28 form part of these financial statements.

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## AARDMAN HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation of financial statements

Aardman Holdings 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.

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

##### 1.2 Going concern

On 11 March 2020, Covid-19 was declared a pandemic by the World Health Organisation. The pandemic has impacted the group's activities in different ways, for example by temporarily halting filming on stop frame productions and requiring the introduction of remote working for employees where appropriate. While the pandemic has impacted the trading results of the Group in the post year end period, the impact has been mitigated by overhead savings and cost-reduction measures, including taking advantage of the government's job retention scheme.

Having examined funding levels and prepared worst case scenario cash flow projections, the Directors feel confident that the Group 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.

##### 1.3 Exemptions

The parent Company has taken advantage of the following disclosure exemptions in preparing these financial statements and as permitted under FRS 102:

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the disclosure requirements of Section 11 paragraphs 11.39 to 48A; and
- the requirements of Section 33 Related Party Disclosures paragraphs 33.7 and 33.9.

##### 1.4 Basis of consolidation

The consolidated financial statements incorporate the results of the Company and entities controlled by the company (its subsidiaries) as at 31 December 2019. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions have been excluded. The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these accounts.



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**AARDMAN HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1. ACCOUNTING POLICIES (continued)**

**1.5 Business combinations and goodwill**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group.

The cost of a business combination includes consideration paid, deferred consideration and contingent consideration to the extent that the transfer of further economic resources is considered probable and can be measured reliably.

The group measures goodwill at the acquisition date as the excess of the cost of the business combination over the group's interest in the net amount of the identifiable assets, liabilities and contingent liabilities recognised. Subsequently goodwill is amortised on a straight line basis over its useful life of ten years.

**1.6 Turnover**

Turnover shown in the profit and loss account represents amounts generated from film, commercial, broadcast and digital production and related activities, exclusive of Value Added Tax. The reported turnover is recorded at the fair value of the right to consideration in accordance with FRS 102, Section 23 and, where applicable, is based on the price specified in the contractual arrangement, net of Value Added Tax.

Advances received during the production of a feature film, to fund the cost of production, are treated as deferred income and are either released to turnover over the period of recoupment, as defined in the film agreement, or are released against amounts recoverable on contracts where the Group's obligations under the film agreement have been satisfied. Subsequent back-end income is recorded as earned. Any income earned through related licensing arrangements is recognised over the license period.

Where monies have been received in respect of commercials, digital and broadcast productions in progress at the balance sheet date, such amounts are treated as deferred income and are recognised as turnover on completion of the production in the case of broadcast projects or when the right to consideration is earned on commercial and digital projects.

Where recoverability of costs incurred on a project by way of recoupment is considered uncertain, the stock balance is written down to its recoupable value and any associated deferred income is released to turnover.

**1.7 Royalties received**

Royalty income is presented as 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.

**1.8 Investments**

Investments in subsidiaries are valued at cost less provision for impairment.

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## AARDMAN HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1. ACCOUNTING POLICIES (continued)

##### 1.9 Tangible fixed assets and 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 (purchased)	-	5% on cost
Freehold property (constructed)	-	4% on cost
Improvements to property	-	Over remaining period of lease
Plant and machinery	-	15% on reducing balance and 33% on cost
Bicycles	-	100% on cost
Fixtures and fittings	-	15% on reducing balance
Motor vehicles	-	25% on reducing balance
Studio equipment	-	25% on reducing balance
Computer equipment	-	33% on cost

In accordance with FRS 102, Section 17, land is not depreciated.

##### 1.10 Stocks and work in progress

Finished goods stock reflects the production cost of completed broadcast and other projects. Production costs are matched with income and charged through the profit and loss account over the recoupment period as specified in the production agreement, except where the conditions of FRS 102 section 23.17 "construction contracts" are met and the costs and income can be matched against the work performed and charged to the profit and loss accounts over the production period.

Work in progress reflects the cost of films, broadcasts and other projects which are still in production and also includes development expenditure on feature film projects not yet in production.

Work in progress on feature films in production is matched with related income from pre-agreed funding arrangements and released to the profit and loss account over the period of production. Provision is made where the directors anticipate that production costs will not be recouped in full.

##### 1.11 Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group 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 Group 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, short-term bank deposits with an original maturity of three months or less and bank overdrafts.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1. ACCOUNTING POLICIES (continued)**

**1.12 Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange 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 on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income.

**1.13 Dividends and contributions**

Interim dividends and distributions to the Employee Ownership Trust are recognised when paid.

**1.14 Taxation**

The tax expense represents the sum of the tax currently payable and any deferred tax.

The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences between taxable profits and total comprehensive income that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle on a net basis.

**1.15 Film, animation and video games tax credits**

The Group's business model of financing feature films, animations and video games incorporates claims under the UK film, animation and video games tax credit legislation. These claims are considered to be part of the ordinary activities of those companies which produce the feature films, animations and video games and therefore the film tax credit claims are separately disclosed on the face of the profit and loss account above profit on ordinary activities before taxation.

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AARDMAN HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

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1. ACCOUNTING POLICIES (continued)

1.16 Operating leases

Rental costs 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.

2. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

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 revenues 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 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.

3. TURNOVER

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

An analysis of turnover by geographical market is given below:

	2019	2018
	£	£
United Kingdom	8,546,018	6,874,122
Rest of European Union	8,089,141	13,455,293
Rest of world	3,745,287	3,531,303
United States of America	2,393,969	4,712,182
	<u>22,774,415</u>	<u>28,572,900</u>

4. OTHER OPERATING INCOME

	2019	2018
	£	£
Royalties receivable	1,043,415	987,876
Bike lease scheme income	8,168	1,408
R&D tax credit	-	9,647
	<u>1,051,583</u>	<u>998,931</u>

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**AARDMAN HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**5. OPERATING PROFIT**

Operating profit is stated after charging/(crediting):

	2019	2018
	£	£
Amortisation of intangible assets	-	60,272
Depreciation of tangible fixed assets:		
- owned by the Group	905,656	1,045,960
Operating lease rentals:		
- land and buildings	492,375	459,076
- other	31,933	30,183
Net loss/(gain) on foreign currency translation	70,655	(165,287)
Net profit on disposal of tangible assets	(2,193)	(1,308)
Loss on disposal of majority shareholding in subsidiary	102,411	-
	<u>905,656</u>	<u>1,045,960</u>

**6. AUDITORS' REMUNERATION**

	2019	2018
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual accounts	18,500	16,500
Fees payable to the Company's auditor for the audit of the annual accounts of subsidiary undertakings	46,200	43,700
	<u>64,700</u>	<u>60,200</u>

**7. STAFF COSTS**

Staff costs for the group, including directors' remuneration, were as follows:

	2019	2018
	£	£
Wages and salaries	10,902,686	13,262,972
Social security costs	1,188,996	1,282,230
Other pension costs	497,874	465,430
	<u>12,589,556</u>	<u>15,010,632</u>

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

	2019	2018
	No.	No.
Core staff	108	106
Project related freelancers	156	182
	<u>264</u>	<u>288</u>

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**AARDMAN HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**8. DIRECTORS' REMUNERATION**

	2019 £	2018 £
Emoluments	<u>1,185,967</u>	<u>248,252</u>
Company pension contributions to defined contribution pension schemes	<u>68,431</u>	<u>11,933</u>

The highest paid director received emoluments of £129,346 (2018: £65,833) and pension contributions of £11,545 (2018: £NIL).

**9. INTEREST PAYABLE**

	2019 £	2018 £
Bank interest payable	<u>711</u>	<u>6,767</u>

**10. TAXATION**

	2019 £	2018 £
<b>Analysis of tax credit in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	55,557	78,174
Adjustments in respect of prior periods	(37,945)	-
Film/animation/video games tax credit	<u>(2,178,000)</u>	<u>(3,096,961)</u>
	<u>(2,160,388)</u>	<u>(3,018,787)</u>
Double taxation relief	<u>(55,533)</u>	<u>(78,083)</u>
	<u>(2,215,921)</u>	<u>(3,096,870)</u>
Foreign tax on income for the year	<u>55,712</u>	<u>54,102</u>
<b>Total current tax</b>	<u>(2,160,209)</u>	<u>(3,042,768)</u>
<b>Deferred tax</b> (see note 19)	<u>(182,927)</u>	<u>103,055</u>
<b>Tax on profit on ordinary activities</b>	<u>(2,343,136)</u>	<u>(2,939,713)</u>

**AARDMAN HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**10. TAXATION (CONTINUED)**

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 – 19%) The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax and film tax credit	<u>(2,004,518)</u>	<u>(718,348)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(380,858)	(136,486)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	74,267	86,341
Video games tax profit adjustment	(56,879)	(452,935)
Animation tax profit adjustment	(794,536)	-
Effect of film tax credits	(1,317,550)	(2,648,907)
Additional deduction for R&D	-	(5,732)
Adjustments to tax charge in respect of prior periods	(33,815)	1,444
Deferred tax not recognised	144,796	231,636
Tax rate differences	21,260	8,907
Foreign tax	179	(23,981)
<b>Total tax credit for the year (see note above)</b>	<u><b>(2,343,136)</b></u>	<u><b>(2,939,713)</b></u>

**11. INTANGIBLE ASSETS**

	<b>Goodwill £</b>
<b>Cost</b>	
At 1 January 2019	630,141
Disposal	<u>(630,141)</u>
At 31 December 2019	-
<b>Amortisation</b>	
At 1 January 2019	189,042
Disposal	<u>(189,042)</u>
At 31 December 2019	-
<b>Net book value</b>	
At 31 December 2019	<u>-</u>
At 31 December 2018	<u><u>441,099</u></u>

On 1 January 2019 Aardman USA Inc. sold 31% of its interest in Aardman Nathan Love LLC. Aardman USA Inc. now holds a 20% share in Aardman Nathan Love LLC which is presented as an investment in associate (note 14).

**AARDMAN HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**12. TANGIBLE FIXED ASSETS**

Group	Purchased freehold property £	Constructed freehold property £	Improve- ments to property £	Plant & machinery £	Bicycles £
<b>Cost</b>					
At 1 January 2019	4,412,429	9,550,859	665,297	6,047,779	1,758
Additions	-	-	86,494	294,139	3,877
Disposals	-	-	(25,887)	(19,317)	(1,897)
At 31 December 2019	<u>4,412,429</u>	<u>9,550,859</u>	<u>725,904</u>	<u>6,322,601</u>	<u>3,738</u>
<b>Depreciation</b>					
At 1 January 2019	1,071,407	3,822,473	665,297	5,316,845	1,758
Charge for the year	-	382,036	21,624	291,251	3,877
On disposals	-	-	(25,887)	(18,300)	(1,897)
At 31 December 2019	<u>1,071,407</u>	<u>4,204,509</u>	<u>661,034</u>	<u>5,589,796</u>	<u>3,738</u>
<b>Net book value</b>					
At 31 December 2019	<u>3,341,022</u>	<u>5,346,350</u>	<u>64,870</u>	<u>732,805</u>	<u>-</u>
At 31 December 2018	<u>3,341,022</u>	<u>5,728,386</u>	<u>-</u>	<u>730,934</u>	<u>-</u>

Group	Fixtures & fittings £	Motor vehicles £	Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2019	831,535	28,127	3,341,491	24,879,275
Additions	2,173	-	118,475	505,158
Disposals	(15,935)	-	(247,427)	(310,463)
At 31 December 2019	<u>817,773</u>	<u>28,127</u>	<u>3,212,539</u>	<u>25,073,970</u>
<b>Depreciation</b>				
At 1 January 2019	710,754	23,948	3,079,471	14,691,953
Charge for the year	13,385	997	192,486	905,656
On disposals	(11,890)	-	(242,003)	(299,977)
At 31 December 2019	<u>712,249</u>	<u>24,945</u>	<u>3,029,954</u>	<u>15,297,632</u>
<b>Net book value</b>				
At 31 December 2019	<u>105,524</u>	<u>3,182</u>	<u>182,585</u>	<u>9,776,338</u>
At 31 December 2018	<u>120,781</u>	<u>4,179</u>	<u>262,020</u>	<u>10,187,322</u>



**AARDMAN HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**12. TANGIBLE FIXED ASSETS (continued)**

	<b>Purchased freehold property</b>	<b>Constructed freehold property</b>	<b>Improvements to freehold property</b>	<b>Fixtures &amp; fittings</b>	<b>Total</b>
<b>Company</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>					
At 1 January 2019 and 31 December 2019	<u>4,412,429</u>	<u>9,550,859</u>	<u>56,029</u>	<u>61,471</u>	<u>14,080,788</u>
<b>Depreciation</b>					
At 1 January 2019	1,071,407	3,822,474	56,029	49,369	4,999,279
Charge for the year	<u>-</u>	<u>382,036</u>	<u>-</u>	<u>1,815</u>	<u>383,851</u>
At 31 December 2019	<u>1,071,407</u>	<u>4,204,510</u>	<u>56,029</u>	<u>51,184</u>	<u>5,383,130</u>
<b>Net book value</b>					
At 31 December 2019	<u>3,341,022</u>	<u>5,346,349</u>	<u>-</u>	<u>10,287</u>	<u>8,697,658</u>
At 31 December 2018	<u>3,341,022</u>	<u>5,728,385</u>	<u>-</u>	<u>12,102</u>	<u>9,081,509</u>

**13. FIXED ASSET INVESTMENTS**

	<b>Investments in subsidiary companies £</b>
<b>Company</b>	
<b>Cost or valuation</b>	
At 1 January 2019 and 31 December 2019	<u>76,883</u>
<b>Net book value</b>	
At 31 December 2019	<u>76,883</u>
At 31 December 2018	<u>76,883</u>

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**AARDMAN HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**13. FIXED ASSET INVESTMENTS (continued)**

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

<b>Company</b>	<b>Country of incorporation</b>	<b>Percentage Holding</b>	<b>Nature of Business</b>
Aardman Animations Limited	England	100	Film Producers
Aardman Features Limited	England	100	Film Producers
Aardman Tortoise and the Hare Limited	England	100	Dormant
Wallace & Gromit Limited	England	75	Film Producers
Anti Pesto Limited	England	100	Dormant
Aardman Equipment Limited	England	100	Dormant
Aardman Chicken Run Limited	England	66	Dormant
Aardman Trustees Limited	England	100	Dormant
Rex the Runt Limited	England	75	Dormant
Aardman Feature Development Limited	England	100	Film Producers
Briny Rogues Limited	England	100	Film Producers
Aardman Arthur Christmas Limited	England	100	Film Producers
Aardman Shaun the Sheep Limited	England	100	Film Producers
Primordial Soup Limited	England	100	Film producers
Shaun the Sheep Limited	England	100	Dormant

The following companies are subsidiaries of Aardman Animations Limited:

<b>Company</b>	<b>Country of incorporation</b>	<b>Percentage Holding</b>	<b>Nature of Business</b>
Morph Limited	England	100	Dormant
Aardman Creature Comforts USA Limited	England	100	Dormant
Aardman Mossy Bottom Limited	England	100	Film Producers
Aardman Free Range Limited	England	100	Film Producers
Aardman USA Inc	USA	100	Intermediate Holding Company

The following company is an associate of Aardman USA Inc:

<b>Company</b>	<b>Country of incorporation</b>	<b>Percentage Holding</b>	<b>Nature of Business</b>
Aardman Nathan Love LLC	USA	20	Film Producers

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**AARDMAN HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**14. INVESTMENT IN ASSOCIATE**

On 1 January 2019 the Company disposed of 31% of its majority shareholding in Aardman Nathan Love LLC, which it held through wholly-owned subsidiary Aardman USA Inc. This gave rise to a loss on disposal, which is included in administrative expenses in the consolidated statement of comprehensive income. Aardman Nathan Love LLC remains an associated company by virtue of the Group's remaining 20% shareholding, which is considered to give significant influence over the associated company's operating policies and decision-making. From 1 January 2019, Aardman Nathan Love LLC has been reported under the equity method of accounting.

	<b>Investments in associate companies £</b>
<b>Group</b>	
<b>Net Investment in Associate</b>	
At 1 January 2019	-
Additions	213,995
Share of loss of associate (including amortisation of implicit goodwill)	(11,231)
Foreign exchange movement	(6,767)
<b>At 31 December 2019</b>	<u><u>195,997</u></u>

The Group's share of loss of associate is included within administrative expenses in the Consolidated Statement of Comprehensive Income.

**15. STOCKS**

	<b>Group</b>		<b>Company</b>	
	<b>2019 £</b>	<b>2018 £</b>	<b>2019 £</b>	<b>2018 £</b>
Work in progress	<b>2,086,821</b>	2,083,443	-	-
Finished goods	<b>167,722</b>	1,403	-	-
	<u><b>2,254,543</b></u>	<u>2,084,846</u>	<u>-</u>	<u>-</u>

**AARDMAN HOLDINGS LIMITED**

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**16. DEBTORS - Amounts receivable within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	2,025,752	1,880,380	-	-
VAT repayable	65,230	169,135	10,184	28,520
Corporation tax repayable	4,913,188	5,414,215	-	-
Other debtors	2,436,409	1,535,602	388,702	389,987
Prepayments and accrued income	2,321,914	2,211,665	54,180	52,998
Amounts recoverable on contracts	147,847	62,475	-	-
Deferred taxation	363,107	215,468	-	-
	<b>12,273,447</b>	<b>11,488,940</b>	<b>453,066</b>	<b>471,235</b>

**17. CREDITORS: Amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors	777,621	797,186	22,621	43,301
Amounts owed to group undertakings	-	-	796	883
Social security and other taxes	704,497	649,612	-	-
Other creditors	82,375	69,642	-	-
Accruals and deferred income	13,630,177	17,257,270	40,819	44,023
	<b>15,194,670</b>	<b>18,773,710</b>	<b>64,236</b>	<b>88,207</b>

Included within accruals are outstanding pension contributions of £77,406 (2018- £77,049).

**18. FINANCIAL INSTRUMENTS**

<b>Group</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Financial assets that are debt instruments measured at amortised cost	<b>4,490,837</b>	<b>5,013,999</b>
Financial liabilities measured at amortised cost	<b>1,741,053</b>	<b>2,079,056</b>

**AARDMAN HOLDINGS LIMITED**

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**19. DEFERRED TAXATION**

	<u>Group</u>		<u>Company</u>	
	2019 £	2018 £	2019 £	2018 £
At beginning of year	(54,431)	48,624	(269,899)	(280,156)
Released during the year	182,927	(103,055)	35,288	10,257
At end of year	<u>128,496</u>	<u>(54,431)</u>	<u>(234,611)</u>	<u>(269,899)</u>

**Provision**

The provision for deferred taxation is made up as follows:

	<u>Group</u>		<u>Company</u>	
	2019 £	2018 £	2019 £	2018 £
Accelerated capital allowances	254,739	286,580	254,739	286,580
Other timing differences	(20,128)	(16,681)	(20,128)	(16,681)
	<u>234,611</u>	<u>269,899</u>	<u>234,611</u>	<u>269,899</u>

**Asset**

Deferred tax assets where there is no right of offset are presented within debtors (note 16).

The deferred tax asset is made up as follows:

	<u>Group</u>	
	2019 £	2018 £
Accelerated capital allowances	(19,168)	75,896
Losses and other deductions	63,897	-
Other timing differences	318,378	139,572
	<u>363,107</u>	<u>215,468</u>

Unprovided deferred tax totalling £894,301 (2018: £850,037) has not been recognised in these financial statements.

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**20. OPERATING LEASE COMMITMENTS**

At 31 December 2019 the Group had future minimum lease payments under non-cancellable operating leases as follows:

<b>Group</b>	<b>2019 £</b>	<b>2018 £</b>
Not later than 1 year	609,632	174,222
Later than 1 year and not later than 5 years	2,312,961	170,035
Later than 5 years	136,111	-
	<u>3,058,704</u>	<u>344,257</u>

**21. RELATED PARTY TRANSACTIONS****Group and parent**

The parent Company and the Group are controlled by Aardman Employee Ownership Trust following the purchase of 75% of the shares of the parent Company by the Trust on 5 November 2018.

During the year, directors received dividends totalling £nil (2018: £176,030) in respect of their holding of ordinary shares.

**Group**

Key management are those persons having authority and responsibility for the planning, controlling, and directing of the Group.

The senior management team (including the directors) comprised 9 people (2018 – 9). Total compensation payable to key management personnel during the year was £1,185,967 (2018 – £1,081,560).

**Parent**

During the year, the company received dividends of £150,000 (2018: £75,000) from Wallace & Gromit Limited.

**22. SHARE CAPITAL**

	<b>2019 £</b>	<b>2018 £</b>
<b>Allotted, called up and fully paid</b>		
11,750,000 (2018: 11,750,000) Ordinary shares of £0.01 each	<u>117,500</u>	<u>117,500</u>

**23. RESERVES****Share premium**

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at an amount in excess of nominal value.

**Profit and Loss Account**

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