

AARDMAN TORTOISE AND THE HARE LIMITED
ACCOUNTS
31 DECEMBER 2005

Company Registration Number 3186874



AARDMAN TORTOISE AND THE HARE LIMITED

ACCOUNTS

YEAR ENDED 31 DECEMBER 2005

CONTENTS	PAGE
Officers and professional advisers	1
The directors' report	2
Independent auditors' report to the shareholder	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7
The following pages do not form part of the accounts	
Detailed profit and loss account	14

AARDMAN TORTOISE AND THE HARE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Board of directors

P D F Lord
D A Sproxton

Company secretary

D A Sproxton

Registered office

Gas Ferry Road
Bristol
BS1 6UN

Auditors

Solomon Hare Audit LLP
Chartered Accountants
Registered Auditors
Oakfield House
Oakfield Grove
Clifton
Bristol
BS8 2BN

Bankers

Coutts & Co
Media Banking
440 Strand
London
WC2R 0QS

AARDMAN TORTOISE AND THE HARE LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2005

The directors have pleasure in presenting their report and the accounts of the company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of film producers.

During the year the company continued work on the production of a feature film, "Tortoise and the Hare". All costs incurred have been charged to work in progress.

RESULTS AND DIVIDENDS

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

The directors have not recommended a dividend.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The directors have not established any formal financial risk management objectives and policies due to the size of the company and the nature of its business.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

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

P D F Lord
D A Sproxton

No director held any interest in the issued share capital of the company during the year. The company is a wholly owned subsidiary of Aardman Holdings Limited and the interests of the directors in the issued share capital of the parent company are disclosed in the accounts of that company.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those accounts, the directors are required to select suitable accounting policies, as described on pages 7 to 8, 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AARDMAN TORTOISE AND THE HARE LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2005

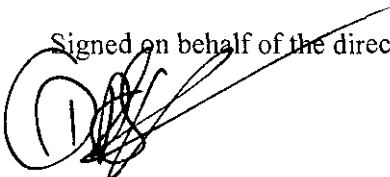
DIRECTORS' RESPONSIBILITIES *(continued)*

In so far as the directors are aware there is no relevant audit information of which the company's auditors are unaware and the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

A resolution to re-appoint Solomon Hare Audit LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors

A handwritten signature in black ink, appearing to be 'D A Sproxtton', written over a circular stamp or seal.

D A Sproxtton
Director

Approved by the directors on 13 September 2006

AARDMAN TORTOISE AND THE HARE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER

YEAR ENDED 31 DECEMBER 2005

We have audited the accounts of Aardman Tortoise and The Hare Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. These accounts have been prepared under the accounting policies set out on pages 7 and 8.

This report is made solely to the company's shareholder, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholder those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

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 in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practices).

It is our responsibility to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

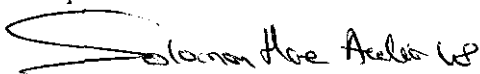
BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and the accounts have been properly prepared in accordance with the Companies Act 1985.



SOLOMON HARE AUDIT LLP

Chartered Accountants

Registered Auditors

Bristol

Date: 13 September 2006

AARDMAN TORTOISE AND THE HARE LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 2005**

	Note	2005 £	2004 £
TURNOVER		-	-
Administrative expenses		-	-
OPERATING PROFIT	2	-	-
Tax on profit on ordinary activities	3	2,900	640
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>2,900</u>	<u>640</u>

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

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

The notes on pages 7 to 12 form part of these accounts.

AARDMAN TORTOISE AND THE HARE LIMITED

BALANCE SHEET

31 DECEMBER 2005

	Note	2005	2004
		£	£
FIXED ASSETS			
Tangible assets	5	562,520	664,556
CURRENT ASSETS			
Stocks	6	22,996,540	22,578,787
Debtors	7	960,194	1,183,691
Cash at bank		19,806	58,802
		<u>23,976,540</u>	<u>23,821,280</u>
CREDITORS: Amounts falling due within one year	8	<u>(23,594,514)</u>	<u>(23,598,962)</u>
NET CURRENT ASSETS		<u>382,026</u>	<u>222,318</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>944,546</u>	<u>886,874</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	9	(1,001,959)	(947,187)
NET LIABILITIES		<u>(57,413)</u>	<u>(60,313)</u>
CAPITAL AND RESERVES			
Called-up equity share capital	12	2	2
Profit and Loss Account	13	<u>(57,415)</u>	<u>(60,315)</u>
EQUITY SHAREHOLDER'S DEFICIENCY	14	<u>(57,413)</u>	<u>(60,313)</u>

These accounts were approved by the directors on 13 September 2006 and are signed on their behalf

by: 
D A Sproston
Director

The notes on pages 7 to 12 form part of these accounts.

AARDMAN TORTOISE AND THE HARE LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES

Basis of accounting

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

Cash flow statement

The company has taken advantage of the exemption provided in Financial Reporting Standard number 1 (revised) from including a cash flow statement in the accounts on the grounds that the company is a wholly owned subsidiary of Aardman Holdings Limited which publishes a consolidated cash flow statement.

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:

Plant & Machinery	- 15% reducing balance
Fixtures & Fittings	- 15% reducing balance
Motor Vehicles	- 25% reducing balance
Computer Equipment	- 33% on cost

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads during the production of the film. On completion of the film, work in progress is transferred to finished goods stock and is released to the profit and loss account over the period of recoupment, as defined in the film agreement.

Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted. No amount has been provided for deferred tax assets.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. 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 within work-in-progress and will be released to the profit and loss account over the period of recoupment.

Going concern

The accounts show a profit after taxation of £2,900 (2004 - £640) resulting in a deficit on profit and loss reserves amounting to £57,415 (2004 - £60,315). This deficit relates to deferred tax charges in excess of corporation tax group relief which are unlikely to crystallise in the immediate future. The directors therefore consider that the accounts should be drawn up on a going concern basis.

AARDMAN TORTOISE AND THE HARE LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES *(continued)*

Turnover

No turnover has been generated by the company during the year or previous year.

Advances received to finance further stages of film production have been treated as deferred income and will be released to the profit and loss account over the period of recoupment, in line with the terms specified in the film agreement.

2. OPERATING PROFIT

Operating profit is stated after charging to work in progress:

	2005	2004
	£	£
Auditors' emoluments	3,625	3,450
Depreciation	<u>99,422</u>	<u>117,756</u>

The only staff employed during the current or prior year were the directors, who received no remuneration for their services.

3. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2005	2004
	£	£
Corporation Tax based on the results for the year (note 3 (b))	(57,672)	(73,511)
Increase in deferred tax provision		
Capital allowances	54,772	74,044
Other	<u>-</u>	<u>(1,173)</u>
	54,772	72,871
Tax on ordinary activities	<u>(2,900)</u>	<u>(640)</u>

AARDMAN TORTOISE AND THE HARE LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2005

3. TAX ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2004 – lower) than the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	2005 £	2004 £
Profit on ordinary activities before taxation	-	-
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 30%	-	-
Capital allowances for the period in excess of depreciation	(57,672)	(74,044)
Marginal relief	-	(640)
Short term timing differences	-	1,173
Group relief	-	-
Total current tax (note 3(a))	(57,672)	(73,511)

(c) Factors that may affect future tax charges

Tax losses of £192,238 (2004 - £246,813) were surrendered to fellow group companies during the year, for which payment was received of £57,671 (2004 - £74,044). The company has further tax losses available to carry forward at 31 December 2005 of approximately £5million (2004 - £5 million).

4. DIVIDENDS

Nil dividends have been proposed for the year (2004 - £nil)

5. TANGIBLE FIXED ASSETS

	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Computer Equipment £	Total £
COST					
At 1 January 2005	1,277,891	84,229	12,787	62,779	1,437,686
Disposals	-	-	(11,495)	-	(11,495)
At 31 December 2005	1,277,891	84,229	1,292	62,779	1,426,191
DEPRECIATION					
At 1 January 2005	657,471	43,162	9,718	62,779	773,130
Charge for the year	93,063	6,160	199	-	99,422
Disposals	-	-	(8,881)	-	(8,881)
At 31 December 2005	750,534	49,322	1,036	62,779	863,671
NET BOOK VALUE					
At 31 December 2005	527,357	34,907	256	-	562,520
At 31 December 2004	620,420	41,067	3,069	-	664,556

AARDMAN TORTOISE AND THE HARE LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2005****6. STOCKS**

	2005	2004
	£	£
Work in progress	<u>22,996,540</u>	<u>22,578,787</u>

7. DEBTORS

	2005	2004
	£	£
Trade debtors	22,940	34,529
Amounts owed by group undertakings	899,329	1,108,855
VAT recoverable	3,489	5,872
Other debtors	34,436	34,435
	<u>960,194</u>	<u>1,183,691</u>

8. CREDITORS: Amounts falling due within one year

	2005	2004
	£	£
Trade creditors	2,282	6,372
Corporation taxation	-	533
Accruals and deferred income	<u>23,592,232</u>	<u>23,592,057</u>
	<u>23,594,514</u>	<u>23,598,962</u>

9. DEFERRED TAXATION

	2005	2004
	£	£
The movement in the deferred taxation provision during the year was:		
Provision brought forward	947,187	874,316
Increase in provision	54,772	72,871
Provision carried forward	<u>1,001,959</u>	<u>947,187</u>

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

	2005	2004
	£	£
Excess of taxation allowances over depreciation on fixed assets	441,848	386,875
Tax losses available	(1,526,362)	(1,526,362)
Other timing differences	2,086,473	2,086,674
	<u>1,001,959</u>	<u>947,187</u>

AARDMAN TORTOISE AND THE HARE LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2005

10. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below:

	2005		2004	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	-	-	-	-
Within 1 to 2 years	-	-	-	-
Within 2 to 5 years	295,000	-	-	-
	<u>295,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

The obligation under the operating lease was shown in Anti Pesto Limited in 2004. Following the completion of the feature film being made by that company in 2005, the obligation has been transferred to Tortoise and The Hare Limited, which is currently utilising these premises.

11. RELATED PARTY TRANSACTIONS

The following information is provided in accordance with Financial Reporting Standard 8, Related Party Transactions:-

Year ended 31 December 2005

Name of Related Party	Type of Relationship	Transaction	Value of Transaction £	Debtor/(Creditor) at 31.12.05 £
Wallace & Gromit Ltd	Fellow Subsidiary	Group Relief	-	252,831

Year ended 31 December 2004

Name of Related Party	Type of Relationship	Transaction	Value of Transaction £	Debtor/(Creditor) at 31.12.04 £
Wallace & Gromit Ltd	Fellow Subsidiary	Group Relief	-	252,831

The company has taken advantage of the exemptions provided by Financial Reporting Standard Number 8 from disclosing transactions with other wholly owned group companies on the grounds that it is itself a wholly owned subsidiary and its parent publishes consolidated accounts.

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

AARDMAN TORTOISE AND THE HARE LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2005

12. SHARE CAPITAL

Authorised share capital:

	2005	2004
	£	£
100 Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid:

	2005	2004
	£	£
Ordinary share capital	<u>2</u>	<u>2</u>

13. PROFIT AND LOSS ACCOUNT

	2005	2004
	£	£
Balance brought forward	(60,315)	(60,955)
Retained profit for the financial year	<u>2,900</u>	<u>640</u>
Balance carried forward	<u>(57,415)</u>	<u>(60,315)</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2005	2004
	£	£
Profit for the financial year	2,900	640
Opening shareholder's equity deficiency	<u>(60,313)</u>	<u>(60,953)</u>
Closing shareholder's equity deficiency	<u>(57,413)</u>	<u>(60,313)</u>

15. ULTIMATE PARENT COMPANY

The ultimate parent company is Aardman Holdings Limited, a company registered in England and Wales.