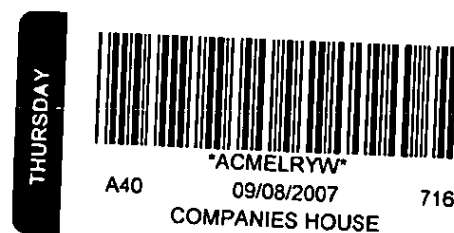


AARDMAN TORTOISE AND THE HARE LIMITED
ACCOUNTS
31 DECEMBER 2006

Company Registration Number 3186874



AARDMAN TORTOISE AND THE HARE LIMITED

ACCOUNTS

YEAR ENDED 31 DECEMBER 2006

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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

Smith & Williamson 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 2006

The directors have pleasure in presenting their report and the accounts of the company for the year ended 31 December 2006

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

As a result of the cessation of the Dreamworks multi-picture agreement, referred to in the consolidated accounts of Aardman Holdings Limited, all outstanding deferred income and work in progress relating to the film "Tortoise and Hare" were offset and recognised through the profit and loss account in the year

Although the film is still a live project, and it is likely that some of the material may be used if it goes back into production, Dreamworks have relinquished all rights to have any production funding paid back to them, hence the decision to bring that income, and associated work in progress, through the profit and loss account, resulting in a retained profit for the year of £220,391 (2005 - £2,900)

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

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

P D F Lord
D A Sproxton

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 page 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

AARDMAN TORTOISE AND THE HARE LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2006

DIRECTORS' RESPONSIBILITIES *(continued)*

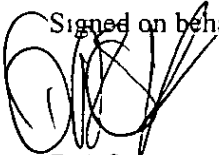
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets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

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

On 2 April 2007 Solomon Hare Audit LLP changed its name to Smith & Williamson Solomon Hare Audit LLP.

A resolution to re-appoint Smith & Williamson 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

D A Sproxton
Director

Approved by the directors on 3 August 2007

AARDMAN TORTOISE AND THE HARE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER

YEAR ENDED 31 DECEMBER 2006

We have audited the accounts of Aardman Tortoise and The Hare Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. These accounts have been prepared under the accounting policies set out therein.

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 in the Statement of Directors' Responsibilities 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 Practice).

Our responsibility is 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. We also report to you if, in our opinion, 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 the 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 misstatement 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.

AARDMAN TORTOISE AND THE HARE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER *(continued)*

YEAR ENDED 31 DECEMBER 2006

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 2006 and of its profit for the year then ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the accounts

Smith + Williamson Solomon Hare Audit LLP

SMITH & WILLIAMSON SOLOMON HARE AUDIT LLP
Chartered Accountants
Registered Auditors
Bristol

Date 3 August 2007

AARDMAN TORTOISE AND THE HARE LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 2006**

	Note	2006 £	2005 £
TURNOVER		-	-
Administrative expenses		-	-
Other operating income	2	586,915	-
OPERATING PROFIT	3	586,915	-
Tax on profit on ordinary activities	4	(366,524)	2,900
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>220,391</u>	<u>2,900</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 8 to 13 form part of these accounts.

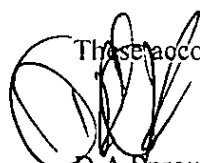
AARDMAN TORTOISE AND THE HARE LIMITED

BALANCE SHEET

31 DECEMBER 2006

	Note	2006	2005
		£	£
FIXED ASSETS			
Tangible assets	6	478,116	562,520
CURRENT ASSETS			
Stocks	7	-	22,996,540
Debtors	8	934,160	960,194
Cash at bank		204,065	19,806
		<u>1,138,225</u>	<u>23,976,540</u>
CREDITORS: Amounts falling due within one year	9	<u>(1,453,363)</u>	<u>(23,594,514)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(315,138)</u>	<u>382,026</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>162,978</u>	<u>944,546</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	10	-	(1,001,959)
NET ASSETS/(LIABILITIES)		<u>162,978</u>	<u>(57,413)</u>
CAPITAL AND RESERVES			
Called-up equity share capital	13	2	2
Profit and Loss Account	14	<u>162,976</u>	<u>(57,415)</u>
EQUITY SHAREHOLDER'S FUNDS/(DEFICIENCY)	15	<u>162,978</u>	<u>(57,413)</u>

These accounts were approved by the directors on 3 August 2007 and are signed on their behalf by


D A Sproxton
Director

The notes on pages 8 to 13 form part of these accounts.

AARDMAN TORTOISE AND THE HARE LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2006

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.

As a result of the cessation of the Dreamworks multi-picture agreement, all work in progress relating to the film "Tortoise and Hare" was released to the profit and loss account during the year.

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.

AARDMAN TORTOISE AND THE HARE LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2006

2 OTHER OPERATING INCOME

As a result of the cessation of the Dreamworks multi-picture agreement all outstanding deferred income and work in progress relating to the film "Tortoise and Hare" were offset and recognised as other operating income in the profit and loss account in the year

3 OPERATING PROFIT

Operating profit is stated after charging

	2006	2005
	£	£
Auditors' remuneration	2,900	3,625
Depreciation	<u>84,404</u>	<u>99,422</u>

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

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2006		2005	
	£	£	£	£
Corporation tax based on the results for the year				
Current year	1,357,401		(57,672)	
Prior year	<u>11,082</u>		<u>-</u>	
Total current tax		1,368,483		(57,672)
(Decrease)/increase in deferred tax provision				
Capital allowances	(441,848)		54,772	
Tax losses	1,526,362			
Other	<u>(2,086,473)</u>		<u>-</u>	
		(1,001,959)		54,772
Tax on ordinary activities		<u>366,524</u>		<u>(2,900)</u>

AARDMAN TORTOISE AND THE HARE LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2006

4 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 higher (2005 – lower) than the standard rate of corporation tax in the UK of 30% (2005 - 30%)

	2006 £	2005 £
Profit on ordinary activities before taxation	586,915	-
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 30%	176,075	-
Capital allowances for the period in deficit to / (excess of) depreciation	238,843	(57,672)
Transfer pricing adjustment	17,415	-
Expenses not deductible for tax purposes	366,527	-
Short term timing differences	2,084,903	-
Utilisation of brought forward losses	(1,526,362)	-
Adjustment relating to prior years	11,082	-
Total current tax (note 4(a))	1,368,483	(57,672)

(c) Factors that may affect future tax charges

Tax losses of £nil (2005 - £192,238) were surrendered to fellow group companies during the year, for which payment was received of £nil (2005 - £57,671). The company has no further tax losses available to carry forward at 31 December 2006 (2005 - £5 million)

5 DIVIDENDS

Nil dividends have been proposed for the year (2005 - £nil)

6 TANGIBLE FIXED ASSETS

	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Computer Equipment £	Total £
COST					
At 1 January and 31 December 2006	1,277,891	84,229	1,292	62,779	1,426,191
DEPRECIATION					
At 1 January 2006	750,534	49,322	1,036	62,779	863,671
Charge for the year	79,104	5,236	64	-	84,404
At 31 December 2006	829,638	54,558	1,100	62,779	948,075
NET BOOK VALUE					
At 31 December 2006	448,253	29,671	192	-	478,116
At 31 December 2005	527,357	34,907	256	-	562,520

AARDMAN TORTOISE AND THE HARE LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2006

7 STOCKS

	2006 £	2005 £
Work in progress	-	22,996,540

8 DEBTORS

	2006 £	2005 £
Trade debtors	-	22,940
Amounts owed by group undertakings	904,970	899,329
VAT recoverable	29,190	3,489
Other debtors	-	34,436
	<u>934,160</u>	<u>960,194</u>

9 CREDITORS: Amounts falling due within one year

	2006 £	2005 £
Trade creditors	95,962	2,282
Corporation tax	1,357,401	-
Accruals and deferred income	-	23,592,232
	<u>1,453,363</u>	<u>23,594,514</u>

10 DEFERRED TAXATION

	2006 £	2005 £
The movement in the deferred taxation provision during the year was		
Provision brought forward	1,001,959	947,187
(Decrease)/increase in provision	(1,001,959)	54,772
Provision carried forward	-	<u>1,001,959</u>

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

	2006 £	2005 £
Accelerated capital allowances	-	441,848
Tax losses available	-	(1,526,362)
Other timing differences	-	2,086,473
	<u>-</u>	<u>1,001,959</u>

At the year-end there is an unprovided deferred tax asset in relation to accelerated capital allowances of £120,842 (2005 - £nil)

AARDMAN TORTOISE AND THE HARE LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2006

11 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	2006		2005	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire				
Within 2 to 5 years	-	-	295,000	-
	<u>-</u>	<u>-</u>	<u>295,000</u>	<u>-</u>

All commitments under operating leases were transferred to Aardman Animations Limited in November 2006

12 RELATED PARTY TRANSACTIONS

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

Year ended 31 December 2006

Name of Related Party	Relationship	Type of Transaction	Value of Transaction £	Debtor/ (Creditor) at 31.12.06 £
Wallace & Gromit Ltd	Fellow subsidiary	Group relief	-	252,831

Year ended 31 December 2005

Name of Related Party	Relationship	Type of Transaction	Value of Transaction £	Debtor/ (Creditor) at 31.12.05 £
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 2006

13 SHARE CAPITAL

Authorised share capital	2006	2005
	£	£
100 Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid	2006	2005
	£	£
Ordinary share capital	<u>2</u>	<u>2</u>

14 PROFIT AND LOSS ACCOUNT

	2006	2005
	£	£
Balance brought forward	(57,415)	(60,315)
Retained profit for the financial year	<u>220,391</u>	<u>2,900</u>
Balance carried forward	<u>162,976</u>	<u>(57,415)</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2006	2005
	£	£
Profit for the financial year	220,391	2,900
Opening shareholder's deficiency	<u>(57,413)</u>	<u>(60,313)</u>
Closing shareholder's equity/(deficiency)	<u>162,978</u>	<u>(57,413)</u>

16 ULTIMATE PARENT COMPANY

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

Copies of the parent's consolidated accounts may be obtained from Aardman Holdings Limited, Gas Ferry Road, Bristol BS1 6UN