

AARDMAN TORTOISE AND THE HARE LIMITED
ACCOUNTS
31 DECEMBER 2004

Company Registration Number 3186874



AARDMAN TORTOISE AND THE HARE LIMITED

ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

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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	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 2004

The directors have pleasure in presenting their report and the accounts of the company for the year ended 31 December 2004.

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.

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

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 2004

AUDITORS

On 31 May 2005, Solomon Hare LLP changed its name to Solomon Hare Audit LLP. 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



D A Sproston
Director

Approved by the directors on 30 September 2005

AARDMAN TORTOISE AND THE HARE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER

YEAR ENDED 31 DECEMBER 2004

We have audited the accounts on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 8.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 page 2, the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

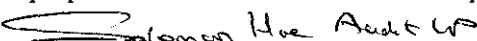
BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 2004 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



SOLOMON HARE AUDIT LLP

Chartered Accountants

Registered Auditors

Bristol

30 September 2005

AARDMAN TORTOISE AND THE HARE LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 2004**

	Note	2004 £	2003 £
TURNOVER		-	-
Administrative expenses		-	-
OPERATING PROFIT	2	-	-
Tax on profit on ordinary activities	3	640	605
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		640	605
Dividends	4	-	-
RETAINED PROFIT FOR THE FINANCIAL YEAR		640	605

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 13 form part of these accounts.

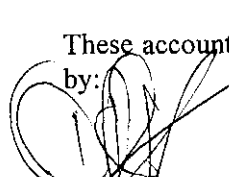
AARDMAN TORTOISE AND THE HARE LIMITED

BALANCE SHEET

31 DECEMBER 2004

	Note	2004	2003
		£	£
FIXED ASSETS			
Tangible assets	5	664,556	782,312
CURRENT ASSETS			
Stocks	6	22,578,787	22,550,644
Debtors	7	1,183,691	1,175,562
Cash at bank		58,802	43,857
		<u>23,821,280</u>	<u>23,770,063</u>
CREDITORS: Amounts falling due within one year	8	<u>(23,598,962)</u>	<u>(23,739,012)</u>
NET CURRENT ASSETS		<u>222,318</u>	<u>31,051</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>886,874</u>	<u>813,363</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	9	(947,187)	(874,316)
NET LIABILITIES		<u>(60,313)</u>	<u>(60,953)</u>
CAPITAL AND RESERVES			
Called-up equity share capital	11	2	2
Profit and Loss Account	12	(60,315)	(60,955)
EQUITY SHAREHOLDER'S DEFICIENCY	13	<u>(60,313)</u>	<u>(60,953)</u>

These accounts were approved by the directors on 30 September 2005, and are signed on their behalf by:


D A Sproston
Director

The notes on pages 7 to 13 form part of these accounts.

AARDMAN TORTOISE AND THE HARE LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

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.

AARDMAN TORTOISE AND THE HARE LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

1. ACCOUNTING POLICIES *(continued)*

Going concern

The accounts show a profit after taxation of £640 (2003 - £605) resulting in a deficit on profit and loss reserves amounting to £60,315 (2003 - £60,955). 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.

Turnover

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

Advances received during the year 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:

	2004	2003
	£	£
Directors' emoluments	-	-
Auditors' emoluments	3,450	3,300
Depreciation	<u>117,756</u>	<u>155,996</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

	2004	2003
	£	£
Corporation Tax based on the results for the year (note 3 (b))	(73,511)	(95,224)
Increase in deferred tax provision		
Capital allowances	74,044	95,624
Other	<u>(1,173)</u>	<u>(1,005)</u>
	72,871	94,619
Tax on ordinary activities	<u>(640)</u>	<u>(605)</u>

AARDMAN TORTOISE AND THE HARE LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

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 (2003 – lower) than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	2004 £	2003 £
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	(74,044)	(95,624)
Taxable income	-	1,005
Marginal relief	(640)	(605)
Short term timing differences	1,173	-
Total current tax (note 3(a))	<u>(73,511)</u>	<u>(95,224)</u>

(c) Factors that may affect future tax charges

Tax losses of £246,813 (2003 - £318,747) were surrendered to fellow group companies during the year, for which payment was received of £74,044 (2003 - £95,624). The company has further tax losses available to carry forward at 31 December 2004 of approximately £5 million (2003 - £5 million).

4. DIVIDENDS

No dividends have been proposed for the year (2003 - £nil).

AARDMAN TORTOISE AND THE HARE LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

5. TANGIBLE FIXED ASSETS

	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Computer Equipment £	Total £
COST					
At 1 January and 31 December 2004	<u>1,277,891</u>	<u>84,229</u>	<u>12,787</u>	<u>62,779</u>	<u>1,437,686</u>
DEPRECIATION					
At 1 January 2004	547,985	35,915	8,695	62,779	655,374
Charge for the year	<u>109,486</u>	<u>7,247</u>	<u>1,023</u>	-	<u>117,756</u>
At 31 December 2004	<u>657,471</u>	<u>43,162</u>	<u>9,718</u>	<u>62,779</u>	<u>773,130</u>
NET BOOK VALUE					
At 31 December 2004	<u>620,420</u>	<u>41,067</u>	<u>3,069</u>	-	<u>664,556</u>
At 31 December 2003	<u>729,906</u>	<u>48,314</u>	<u>4,092</u>	-	<u>782,312</u>

6. STOCKS

	2004 £	2003 £
Work in progress	<u>22,578,787</u>	<u>22,550,644</u>

7. DEBTORS

	2004 £	2003 £
Trade debtors	34,529	8,388
Amounts owed by group undertakings	1,108,855	713,218
VAT recoverable	5,872	13,697
Prepayments and accrued income	-	5,454
Other debtors	34,435	434,805
	<u>1,183,691</u>	<u>1,175,562</u>

AARDMAN TORTOISE AND THE HARE LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

8. CREDITORS: Amounts falling due within one year

	2004	2003
	£	£
Trade creditors	6,372	11,764
Amounts owed to group undertakings	-	34,230
Corporation taxation	533	400
Accruals and deferred income	23,592,057	23,692,618
	<u>23,598,962</u>	<u>23,739,012</u>

9. DEFERRED TAXATION

	2004	2003
	£	£
The movement in the deferred taxation provision during the year was:		
Provision brought forward	874,316	779,697
Increase in provision	72,871	94,619
Provision carried forward	<u>947,187</u>	<u>874,316</u>

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

	2004	2003
	£	£
Excess of taxation allowances over depreciation on fixed assets	386,875	312,831
Tax losses available	(1,526,362)	(1,526,362)
Other timing differences	2,086,674	2,087,847
	<u>947,187</u>	<u>874,316</u>

AARDMAN TORTOISE AND THE HARE LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

10. RELATED PARTY TRANSACTIONS

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

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

Year ended 31 December 2003

Name of Related Party	Type of Relationship	Transaction	Value of Transaction £	Debtor/(Creditor) at 31.12.03 £
Wallace & Gromit Ltd	Fellow Subsidiary	Group Relief	35,143	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 Sproxtton and P D F Lord, who are directors of the company.

11. SHARE CAPITAL

Authorised share capital:

	2004 £	2003 £
100 Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid:

	2004 £	2003 £
Ordinary share capital	<u>2</u>	<u>2</u>

12. PROFIT AND LOSS ACCOUNT

	2004 £	2003 £
Balance brought forward	(60,955)	(61,560)
Retained profit for the financial year	<u>640</u>	<u>605</u>
Balance carried forward	<u>(60,315)</u>	<u>(60,955)</u>

AARDMAN TORTOISE AND THE HARE LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2004	2003
	£	£
Profit for the financial year	640	605
Opening shareholder's equity deficiency	(60,953)	(61,558)
Closing shareholder's equity deficiency	<u>(60,313)</u>	<u>(60,953)</u>

14. ULTIMATE PARENT COMPANY

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