

Registered number 06712047

AARDMAN FEATURE DEVELOPMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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AARDMAN FEATURE DEVELOPMENT LIMITED

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AARDMAN FEATURE DEVELOPMENT LIMITED

COMPANY INFORMATION

DIRECTORS	D A Sproxton P D F Lord
REGISTERED NUMBER	06712047
REGISTERED OFFICE	Gas Ferry Road Bristol BS1 6UN
INDEPENDENT AUDITORS	Nexia Smith & Williamson Chartered Accountants & Statutory Auditors Portwall Place Portwall Lane Bristol BS1 6NA
BANKERS	Coutts & Co Media Banking 440 Strand London WC2R 0QS

AARDMAN FEATURE DEVELOPMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The directors presenting their report and the financial statements for the year ended 31 December 2012

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activities of the company during the year were that of feature film development and the leasing of equipment to group companies

The directors are satisfied with the performance of the business during the year and the position of the company at the year end

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £301,571 (2011 - loss £21,434)

The directors have not recommended a dividend (2011 - £nil)

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 the business

PRINCIPAL RISKS AND UNCERTAINTIES

The directors of Aardman Feature Development Limited manage the group's risks at a group level, rather than at an individual business unit level. For this reason the company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of Aardman Feature Development Limited's business. The principal risks and uncertainties of the Aardman Holdings Limited group, which include those of this company, are discussed in the Directors' Report of the group's annual report which does not form part of this report.

KEY PERFORMANCE INDICATORS

The directors of Aardman Feature Development Limited manage the group's operations on a group basis. For this reason the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Aardman Feature Development Limited. The development, performance and position of the group is discussed in the Directors' Report of the group's annual report which does not form part of this report.

DIRECTORS

The directors who served during the year were as follows

D A Sproxtton
P D F Lord

AARDMAN FEATURE DEVELOPMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report and the financial statements 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). 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 profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

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 that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that 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's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

AUDITORS

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

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

D A Sproxton
Director

Date 27 September 2013

AARDMAN FEATURE DEVELOPMENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AARDMAN FEATURE DEVELOPMENT LIMITED

We have audited the financial statements of Aardman Feature Development Limited for the year ended 31 December 2012, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

AARDMAN FEATURE DEVELOPMENT LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AARDMAN FEATURE DEVELOPMENT
LIMITED**

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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



Carl Deane
Senior Statutory Auditor

for and on behalf of
Nexia Smith & Williamson

Chartered Accountants
Statutory Auditors

Portwall Place
Portwall Lane
Bristol
BS1 6NA

27 September 2013

AARDMAN FEATURE DEVELOPMENT LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	2011 £
TURNOVER	1,2	647,430	746,422
Cost of sales		(184,630)	(130,808)
GROSS PROFIT		462,800	615,614
Administrative expenses		(172,249)	(639,620)
Other operating income		6,346	6,839
OPERATING PROFIT/(LOSS)	3	296,897	(17,167)
Interest receivable and similar income		79	63
Interest payable and similar charges	5	-	(100)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		296,976	(17,204)
Tax on profit/(loss) on ordinary activities	6	4,595	(4,230)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	12	301,571	(21,434)

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account

The notes on pages 8 to 14 form part of these financial statements

AARDMAN FEATURE DEVELOPMENT LIMITED
REGISTERED NUMBER 06712047

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	£	2012 £	£	2011 £
FIXED ASSETS					
Tangible assets	7		-		922,648
CURRENT ASSETS					
Stocks	8	1,371,947		774,938	
Debtors	9	138,146		639,095	
Cash at bank		26,162		10,954	
		<u>1,536,255</u>		<u>1,424,987</u>	
CREDITORS amounts falling due within one year	10	<u>(1,566,295)</u>		<u>(2,679,246)</u>	
NET CURRENT LIABILITIES			<u>(30,040)</u>		<u>(1,254,259)</u>
NET LIABILITIES			<u>(30,040)</u>		<u>(331,611)</u>
CAPITAL AND RESERVES					
Called up share capital	11		100		100
Profit and loss account	12		<u>(30,140)</u>		<u>(331,711)</u>
SHAREHOLDERS' DEFICIT	13		<u>(30,040)</u>		<u>(331,611)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2013



D A Sproxton
Director

The notes on pages 8 to 14 form part of these financial statements

AARDMAN FEATURE DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Going concern

The company has net liabilities of £15,338 as at 31 December 2012 and a reported profit of £316,273 for the year then ended. The parent company has indicated that it intends to continue to support the company for the foreseeable future.

1.3 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

The turnover shown in the profit and loss account represents amounts generated from rental of fixed assets to group companies, exclusive of value added tax. When a decision is made to discontinue development of a film, all income moves from deferred income to turnover, and the associated work in progress is released to cost of sales.

1.5 Fees received in advance

Monies received in respect of films and other projects in progress at the balance sheet date are initially treated as deferred income. When a feature goes into production the work in progress and deferred income relating to the feature is transferred to a separate company.

1.6 Other operating income

The other operating income shown in the profit and loss account represents recharges made for administration costs.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures & fittings	-	15% on reducing balance
Studio equipment	-	25% on reducing balance
Computer equipment	-	33% on cost

AARDMAN FEATURE DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES (continued)

1.8 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads incurred in relation to development on feature film projects not yet in production.

1.9 Operating leases

Equipment leased to other businesses under operating leases is capitalised. Operating lease income is accounted for on a straight line basis with any rental increases recognised during the year to which they relate.

1.10 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.11 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and Loss Account.

AARDMAN FEATURE DEVELOPMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

2. TURNOVER

The whole of the turnover and loss before tax are attributable to the two principal activities of the company

3. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging/(crediting)

	2012 £	2011 £
Depreciation of tangible fixed assets - owned by the company	343,587	703,475
Fees payable to the company's auditors for the audit of the company's annual accounts	4,075	4,075
Profit on disposal of fixed assets	<u>(178,102)</u>	<u>(70,645)</u>

4 STAFF COSTS

The company has no employees other than the directors, who did not receive any remuneration (2011 - £NIL)

5. INTEREST PAYABLE

	2012 £	2011 £
On other loans	<u>-</u>	<u>100</u>

6. TAXATION

	2012 £	2011 £
Analysis of tax (credit)/charge in the year		
UK corporation tax charge on profit/loss for the year	-	4,595
Adjustments in respect of prior periods	(4,595)	(365)
Tax on profit/loss on ordinary activities	<u>(4,595)</u>	<u>4,230</u>

AARDMAN FEATURE DEVELOPMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

6 TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%). The differences are explained below

	2012 £	2011 £
Profit/loss on ordinary activities before tax	<u>296,976</u>	<u>(17,204)</u>
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%)	72,759	(4,559)
Effects of		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	26
Capital allowances for year in excess of depreciation	(106,362)	10,547
Losses carried back	5,560	-
Adjustments to tax charge in respect of prior periods	(4,595)	(365)
Unrelieved tax losses carried forward	28,043	-
Tax credits	-	(1,419)
Current tax (credit)/charge for the year (see note above)	<u><u>(4,595)</u></u>	<u><u>4,230</u></u>

Factors that may affect future tax charges

Finance Act 2012 included legislation to reduce the main rate of corporation tax from 26% to 24% from 1 April 2012, and to 23% from April 2013, and its impact is reflected above

Finance Act 2013 included legislation to reduce the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. The full anticipated effect of these changes is not considered material

As at 31 December 2012 there was an unprovided deferred tax asset of £26,326 (2011 - £nil)

AARDMAN FEATURE DEVELOPMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

7 TANGIBLE FIXED ASSETS

	Studio equipment £	Fixtures & fittings £	Computer equipment £	Total £
Cost				
At 1 January 2012	1,367,964	27,682	893,898	2,289,544
Disposals	(1,367,964)	(27,682)	(893,898)	(2,289,544)
At 31 December 2012	-	-	-	-
Depreciation				
At 1 January 2012	684,599	6,953	675,344	1,366,896
Charge for the year	170,841	3,109	169,637	343,587
On disposals	(855,440)	(10,062)	(844,981)	(1,710,483)
At 31 December 2012	-	-	-	-
Net book value				
At 31 December 2012	-	-	-	-
At 31 December 2011	683,365	20,729	218,554	922,648

The above assets were leased to other group companies under operating lease agreements. The rental income generated during the year in respect of these assets was £462,800 (2011 - £615,623)

8. STOCKS

	2012 £	2011 £
Work in progress	1,371,947	774,938

9. DEBTORS

	2012 £	2011 £
Trade debtors	-	619,627
Corporation tax repayable	4,595	-
Amounts owed by group undertakings	114,141	100
VAT recoverable	6,225	600
Prepayments and accrued income	13,185	18,768
	138,146	639,095

AARDMAN FEATURE DEVELOPMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

10. CREDITORS

Amounts falling due within one year

	2012 £	2011 £
Trade creditors	750	1,620
Amounts owed to group undertakings	4,595	1,627,318
Corporation tax	-	4,595
Accruals and deferred income	1,560,950	1,045,713
	<u>1,566,295</u>	<u>2,679,246</u>

The company is party to a debenture dated 12 October 2009 with AA Development UK Limited securing all monies due, or to become due, from the company to AA Development UK Limited

11. SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

12. RESERVES

	Profit and loss account £
At 1 January 2012	(331,711)
Profit for the year	301,571
	<u>(30,140)</u>
At 31 December 2012	<u>(30,140)</u>

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2012 £	2011 £
Opening shareholders' deficit	(331,611)	(310,177)
Profit/(loss) for the financial year	301,571	(21,434)
	<u>(30,040)</u>	<u>(331,611)</u>
Closing shareholders' deficit	<u>(30,040)</u>	<u>(331,611)</u>

AARDMAN FEATURE DEVELOPMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

14. RELATED PARTY TRANSACTIONS

There are no related party transactions with other group companies requiring disclosure in respect of the year ended 31 December 2012 and the year ended 31 December 2011

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

15. 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