

Registered number: 02672880

AARDMAN HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015



AARDMAN HOLDINGS LIMITED

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AARDMAN HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS	D A Sproxton P D F Lord
COMPANY SECRETARY	D A Sproxton
COMPANY NUMBER	02672880
REGISTERED OFFICE	Gas Ferry Road Bristol BS1 6UN
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 HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors have pleasure in presenting their report and the consolidated financial statements of the Group for the year ended 31 December 2015.

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:

	2015	2014
Dividends paid on ordinary shares	<u>194,016</u>	<u>189,912</u>

THE DIRECTORS

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

D A Sproton
P D F Lord

EMPLOYEE INVOLVEMENT

The directors acknowledge the importance of good communications and relations with their employees, and believe that they should be aware of matters which affect the Group which employs them. Employees are provided with regular information by various means and are represented at discussions concerning their welfare.

The Company recognises its obligations towards less able people and endeavours to provide as much employment as the demands of the Group's operations and the abilities of the less able persons allow. Applications for employment from less able people are studied with care, and if existing employees become less able, every effort is made to find appropriate employment within the Group. Opportunities are offered to less able employees to develop their knowledge and skills and undertake greater responsibility.

DIRECTORS' RESPONSIBILITIES STATEMENT

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 consolidated financial statements of the Group for each financial year. Under that law the directors have elected to prepare the consolidated financial statements of the Group 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 consolidated financial statements of the Group 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 consolidated financial statements of the Group, 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;
- prepare the consolidated financial statements of the Group on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

AARDMAN HOLDINGS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

DIRECTORS' RESPONSIBILITIES STATEMENT (*continued*)

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 that director is aware, there is no relevant audit information of which the Company and the Group'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 information needed by the Company and the Group's auditors in connection with preparing their report 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.

This report was approved by the board on 29 September 2016 and signed on its behalf.



D A Sproxton
Director

AARDMAN HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

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 Film, Broadcast, Commercial and Digital creators, producers and distributors.

The consolidated results for the year returned a consolidated pre-tax profit on ordinary activities of £2,927,423 (2014: pre-tax profit of £3,356,154).

'Shaun the Sheep: The Movie' premiered in the UK in February, and was then successfully distributed worldwide. Nick Park's latest film, 'Early Man', was greenlit and in pre-production during the year, with an expected delivery at the end of 2017 for release in early 2018. Just under half of the cash on the consolidated balance sheet is advance production funding for this film.

A relatively significant amount of income was received for previously released titles 'Pirates!', 'Arthur Christmas' and 'Wallace and Gromit: Curse of the Wererabbit'.

The Company entered into a collaboration with the BFI in order to develop targeted, specific animation projects with emerging filmmakers. In addition, the Company continues to fund a slate of Feature Film projects from internal cash resources, and have a number of projects in active development.

The Broadcast division delivered 'Shaun Series 5' and 'Shaun: The Farmers Llamas', further investing in the Shaun brand. The latter premiered in the UK on BBC1 on Boxing Day. 'Timmy Time' was very close to recouping its investment at the end of 2015, and the new episodes of 'Morph' delivered in 2014 were making progress toward recoupment. Other, modest, contributors to income in this division included 'Creature Comforts', 'Chop Socky Chooks' and 'A Matter of Loaf and Death'.

The Commercials division again achieved a high turnover, similar to last year's result which was the highest since 2010. The division delivered over one hundred projects and, once again, CGI animation work exceeded stop-frame animation, accounting for two fifths of turnover. Over three fifths of turnover was generated from the UK, with North America generating three tenths, an increase on last year.

The acquisition of the majority stake of New York based CGI studio Nathan Love LLC with effect from 1st January 2016 is intended to enhance US sales and production capability, and to develop and retain talent. Renamed 'Aardman Nathan Love', this should increase the division's results in coming years.

The Digital division had a record year in terms of both turnover and contribution. Significant third party work for blue chip clients contributed to this performance, whilst continuing to digitally support all current brands.

The Rights division also had a record year, mainly due to the continued success of 'Shaun', particularly off the back of the movie release. The 'Timmy' and 'Wallace and Gromit' brands also performed well. Income from the distribution of selected third party properties grew in the year, and back catalogue distribution contributed modestly. Activity in worldwide exhibitions, attractions and live events continue to grow.

Distribution and ancillary income for the three original 'Wallace & Gromit' short films, via Wallace and Gromit Ltd, decreased slightly against the year before.

AARDMAN HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW (continued)

Overheads have increased against the previous year for the first time since 2012. Just under half of the increase related to depreciation as the Company continued to invest in equipment and technology. Employees were given an annual bonus in addition to an above inflation, performance related pay increase. The Company also continued its commitment to pay the Bristol living wage to the lowest paid. Other notable differences compared to last year were in overseas travel, legal (acquisition) fees, rental costs and software. An extended period of specific research and development on stop frame production processes also started during the year, the results of which should improve efficiencies and budgets on projects going forward.

FINANCIAL RISK MANAGEMENT

The main financial risk the Group faces is the movement in exchange rates. No currencies have been hedged at the year-end.

KEY PERFORMANCE INDICATORS

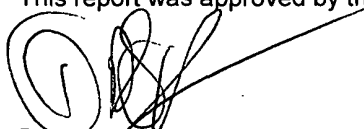
The average gross profit margin for Commercials was 31% for the year, compared to 35% in 2014. Partially completed projects at the year-end are accounted for under the percentage of completion method in accordance with FRS 102, Section 23. In Digital, the average gross profit margin was 32%, compared to 41% in 2014.

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, under the requirements of FRS 102, Section 23.

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

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



D A Sproxton
Director

Date: 29 September 2016

AARDMAN HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AARDMAN HOLDINGS LIMITED

We have audited the financial statements of Aardman Holdings Limited for the year ended 31 December 2015, which comprise the consolidated statement of comprehensive income, the consolidated and Company balance sheets, the consolidated statement of changes in equity, the consolidated statement of cash flows 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 Directors' Responsibilities Statement, on pages 2 to 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 Financial Reporting Council's (FRC'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 FRC'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 Group's and the parent Company's affairs as at 31 December 2015 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.

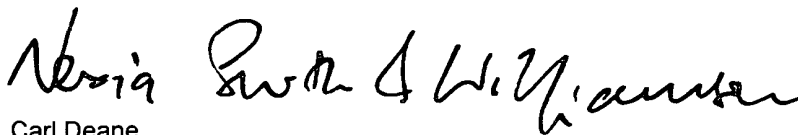
AARDMAN HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AARDMAN HOLDINGS 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 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.



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: 29 September 2016

AARDMAN HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 Feature film activity £	2015 Other activities £	2015 Total £	2014 Feature film activity £	2014 Other activities £	2014 Total £
TURNOVER	1,3	5,129,117	18,505,365	23,634,482	7,689,353	17,376,906	25,066,259
Cost of sales		(6,031,986)	(8,532,543)	(14,564,529)	(9,560,227)	(6,687,151)	(16,247,378)
GROSS (LOSS)/PROFIT		(902,869)	9,972,822	9,069,953	(1,870,874)	10,689,755	8,818,881
Distribution costs		-	(14,367)	(14,367)	-	(2,167)	(2,167)
Administrative expenses		-	(8,418,419)	(8,418,419)	-	(7,757,415)	(7,757,415)
Other operating income	4	-	507,972	507,972	-	473,852	473,852
OPERATING (LOSS)/PROFIT	5	(902,869)	2,048,008	1,145,139	(1,870,874)	3,404,025	1,533,151
Interest receivable		-	9,198	9,198	-	5,470	5,470
Interest payable	9	-	(47,946)	(47,946)	-	(85,405)	(85,405)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX CREDIT		(902,869)	2,009,260	1,106,391	(1,870,874)	3,324,090	1,453,216
Tax credit		1,161,688	659,344	1,821,032	1,870,874	32,064	1,902,938
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		258,819	2,668,604	2,927,423	-	3,356,154	3,356,154
Tax on profit on ordinary activities		-	(565,291)	(565,291)	-	(75,288)	(75,288)
TOTAL TAX ON PROFIT ON ORDINARY ACTIVITIES	10	1,161,688	94,053	1,255,741	1,870,874	(43,224)	1,827,650
PROFIT AND TOTAL COMPREHENSIVE INCOME		258,819	2,103,313	2,362,132	-	3,280,866	3,280,866
Non-controlling interest		-	(30,225)	(30,225)	-	(37,223)	(37,223)
RETAINED PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		258,819	2,073,088	2,331,907	-	3,243,643	3,243,643

There were no recognised gains or losses for 2015 or 2014 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 30 form part of these financial statements.

AARDMAN HOLDINGS LIMITED

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015**

	Note	£	2015 £	£	2014 £
FIXED ASSETS					
Tangible assets	11		<u>11,645,784</u>		<u>11,748,683</u>
			11,645,784		11,748,683
CURRENT ASSETS					
Stocks	13	3,376,901		4,919,081	
Debtors	14	7,184,936		7,474,553	
Cash at bank		<u>22,035,110</u>		<u>10,699,125</u>	
		32,596,947		23,092,759	
CREDITORS: amounts falling due within one year	15	<u>(19,942,836)</u>		<u>(10,269,719)</u>	
NET CURRENT ASSETS			<u>12,654,111</u>		<u>12,823,040</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			24,299,895		24,571,723
CREDITORS: amounts falling due after more than one year	16		-		(2,275,000)
PROVISIONS FOR LIABILITIES					
Deferred tax	18		<u>(534,308)</u>		<u>(630,193)</u>
NET ASSETS			<u>23,765,587</u>		<u>21,666,530</u>
CAPITAL AND RESERVES					
Called up share capital	21		117,500		117,500
Share premium account	22		513,847		513,847
Other reserves	22		(236,559)		(230,000)
Profit and loss account	22		<u>23,334,819</u>		<u>21,196,928</u>
SHAREHOLDERS' FUNDS			23,729,607		21,598,275
NON-CONTROLLING INTEREST			<u>35,980</u>		<u>68,255</u>
			<u>23,765,587</u>		<u>21,666,530</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 September 2016


D A Sproxton

Director

The notes on pages 14 to 30 form part of these financial statements.

AARDMAN HOLDINGS LIMITED
REGISTERED NUMBER: 02672880

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	£	2015 £	£	2014 £
FIXED ASSETS					
Tangible assets	11		10,235,216		10,620,728
Investments	12		<u>76,883</u>		<u>76,783</u>
			10,312,099		10,697,511
CURRENT ASSETS					
Debtors	14	65,694		76,089	
Cash at bank and in hand		<u>71,430</u>		<u>468,901</u>	
		137,124		544,990	
CREDITORS: amounts falling due within one year	15	<u>(1,684,612)</u>		<u>(422,487)</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(1,547,488)</u>		<u>122,503</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			8,764,611		10,820,014
CREDITORS: amounts falling due after more than one year	16		-		(2,275,000)
PROVISIONS FOR LIABILITIES					
Deferred tax	18		<u>(307,030)</u>		<u>(341,007)</u>
NET ASSETS			<u>8,457,581</u>		<u>8,204,007</u>
CAPITAL AND RESERVES					
Called up share capital	21		117,500		117,500
Share premium account	22		513,847		513,847
Other reserves	22		(236,559)		(230,000)
Profit and loss account	22		<u>8,062,793</u>		<u>7,802,660</u>
SHAREHOLDERS' FUNDS			<u>8,457,581</u>		<u>8,204,007</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 September 2016.


D A Sproston
Director

The notes on pages 14 to 30 form part of these financial statements.

AARDMAN HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Share Capital £	Share Premium £	Other Reserves £	Profit and loss account £	Non- controlling Interest £	Total equity £
BALANCE AT 1 JANUARY 2014	117,500	513,847	(229,952)	18,143,197	31,032	18,575,624
Profit for the year	-	-	-	3,243,643	37,223	3,280,866
Movement in employment benefit trust	-	-	(48)	-	-	(48)
Dividends paid	-	-	-	(189,912)	-	(189,912)
BALANCE AT 31 DECEMBER 2014	117,500	513,847	(230,000)	21,196,928	68,255	21,666,530
Profit for the year	-	-	-	2,331,907	30,225	2,362,132
Movement in employment benefit trust	-	-	(6,559)	-	-	(6,559)
Dividends paid	-	-	-	(194,016)	(62,500)	(256,516)
BALANCE AT 31 DECEMBER 2015	<u>117,500</u>	<u>513,847</u>	<u>(236,559)</u>	<u>23,334,819</u>	<u>35,980</u>	<u>23,765,587</u>

The notes on pages 14 to 30 form part of these financial statements.

AARDMAN HOLDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Share Capital £	Share Premium £	Other Reserves £	Profit and loss account £	Total equity £
BALANCE AT 1 JANUARY 2014	117,500	513,847	(229,952)	6,638,232	7,039,627
Profit for the year	-	-	-	1,354,340	1,354,340
Movement in employment benefit trust	-	-	(48)	-	(48)
Dividends paid	-	-	-	(189,912)	(189,912)
BALANCE AT 31 DECEMBER 2014	117,500	513,847	(230,000)	7,802,660	8,204,007
Profit for the year	-	-	-	454,149	454,149
Movement in employment benefit trust	-	-	(6,559)	-	(6,559)
Dividends paid	-	-	-	(194,016)	(194,016)
BALANCE AT 31 DECEMBER 2015	<u>117,500</u>	<u>513,847</u>	<u>(236,559)</u>	<u>8,062,793</u>	<u>8,457,581</u>

The notes on pages 14 to 30 form part of these financial statements.

AARDMAN HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £	2014 £
Cash flows from operating activities			
Profit before tax		1,106,391	1,453,216
Depreciation charge		1,016,579	764,292
Interest received		(9,198)	(5,470)
Interest paid		47,946	85,405
Decrease / (increase) in inventory		1,542,180	(686,353)
Increase in debtors		(951,090)	(970,829)
Increase in creditors		8,441,560	523,352
Loss/(profit) on disposal of tangible fixed assets		(4,618)	(790)
		<u>11,189,750</u>	<u>1,162,823</u>
Corporation tax received		2,400,561	287,657
Net cash generated from operating activities		<u>13,590,311</u>	<u>1,450,480</u>
Investing activities			
Interest received		9,198	5,470
Additions to tangible fixed assets		(916,542)	(307,534)
Proceeds from disposal of tangible fixed assets		7,480	1,302
Net cash used in investing activities		<u>(899,864)</u>	<u>(300,762)</u>
Financing activities			
Equity dividends paid		(194,016)	(189,912)
Equity dividends paid to non-controlling interest		(62,500)	-
Interest paid		(47,946)	(85,405)
Loans repaid		(1,050,000)	(1,400,000)
Net cash generated used in financing activities		<u>(1,354,462)</u>	<u>(1,675,317)</u>
Net increase/(decrease) in cash and cash equivalents		11,335,985	(525,599)
Cash and cash equivalents at beginning of the year		10,699,125	11,224,724
Cash and cash equivalents at end of year		<u>22,035,110</u>	<u>10,699,125</u>
Cash and cash equivalents consist of:			
Cash at bank and in hand		<u>22,035,110</u>	<u>10,699,125</u>

The notes on pages 14 to 30 form part of these financial statements.

AARDMAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

These financial statements are the first annual financial statements of the Company and the Group prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The first date at which FRS 102 was applied was 1 January 2014. In accordance with FRS 102 the Company has:

- provided comparative information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied FRS 102 as required; and
- applied certain optional exemptions and mandatory exceptions as applicable for first time adopters of FRS 102.

Further information about the transition to FRS 102 can be found in note 25.

1.2 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.

1.3 Basis of consolidation

The consolidated financial statements incorporate the results of the Company and all of its subsidiary undertakings as at 31 December 2015 using acquisition accounting. 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.

1.4 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.

Where monies have been received in respect of commercials and broadcast productions in progress at the balance sheet date, such amounts are treated as deferred income and are recognised as turnover on contract completion or when the right to consideration is obtained in accordance with FRS 102, Section 23.

AARDMAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.4 Turnover (continued)

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.

Commission income has been reflected in turnover in the current year and amounts to £2,173,568. The prior year comparative figure has also been restated increasing turnover by £1,521,802 and reducing other operating income accordingly. This change in accounting policy has no impact on the reported profit or net assets and is considered to better reflect the nature of the income stream.

1.5 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.

1.6 Investments

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

1.7 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.

1.8 Stocks and work in progress

Finished goods stock reflects the production cost of completed films, broadcasts, commercials 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 are met and the costs and income can be matched against the work performed in accordance with the relevant contracts.

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

AARDMAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.8 Stocks and work in progress (continued)

Work in progress on feature film production is valued as above during the production of the film. On completion of the film, work in progress is transferred to finished goods stock and is released to cost of sales over the period of recoupment, as defined in the film agreement, except where the conditions of FRS 102, Section 23 are met and the costs and income can be matched against the work performed in accordance with the relevant contract. Provision is made where the directors anticipate that these costs will not be recouped in full.

1.9 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.

Derivative financial instruments are classified as other financial instruments. They are measured at fair value on initial recognition and at the end of each reporting period, with changes in fair value recognised in profit or loss. The Group uses forward exchange contracts to manage the currency risk associated with financing of its underlying business activities. The Group does not use derivative instruments for speculative purposes.

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.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

1.10 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, or are charged to work in progress during the production of a film.

AARDMAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.11 Employee Benefit Trust

Shares in the parent Company owned by the Group's employee benefit trust are included at cost paid to acquire the shares as a deduction in arriving at shareholders' funds.

1.12 Pension costs

The Group operates a defined contribution pension scheme for the directors and staff. The assets of the scheme are held separately from those of the Company in an independently administered scheme. The annual contributions payable are charged to the profit and loss account.

Contributions to employees' personal pension schemes are charged to the profit and loss account in the year in which they become payable.

1.13 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.

1.14 Film, television and video production tax credits

The Group's business model of financing feature film, television and video productions incorporates claims under the UK film, television and video production tax credit legislation. These claims are considered to be part of the ordinary activities of those companies which produce the feature films, television programmes 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.

AARDMAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.15 Operating leases

Rental 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, commercial, digital and feature film projects. Where there is no single end customer in place, with particular reference to 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:

	2015	2014
	£	£
United Kingdom	9,476,564	15,600,912
Rest of European Union	7,310,218	1,958,596
Rest of world	2,830,342	1,523,736
United States of America	4,017,358	5,983,015
	<u>23,634,482</u>	<u>25,066,259</u>

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

4. OTHER OPERATING INCOME

	2015	2014
	£	£
Royalties receivable	462,377	460,473
Bike lease scheme income	1,289	933
Recharges	5,278	5,928
R&D tax credit	39,028	6,518
	<u>507,972</u>	<u>473,852</u>

5. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2015	2014
	£	£
Depreciation of tangible fixed assets:		
- owned by the Group	1,016,579	764,292
Operating lease rentals:		
- land and buildings	361,836	366,715
- other	90,150	93,642
Net loss/(gain) on foreign currency translation	2,672	(13,323)
Net profit on disposal of tangible assets	(4,618)	(790)
Royalties payable	<u>70,609</u>	<u>79,284</u>

6. AUDITORS' REMUNERATION

	2015	2014
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual accounts	14,350	13,700
Fees payable to the Company's auditor and its associates in respect of:		
The auditing of accounts of associates of the Company pursuant to legislation	33,600	30,450
Other services relating to taxation	48,325	36,230
All other services	<u>11,030</u>	<u>8,070</u>

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

7. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2015	2014
	£	£
Wages and salaries	8,891,119	9,047,035
Social security costs	995,242	989,316
Other pension costs	336,324	285,461
	<u>10,222,685</u>	<u>10,321,812</u>

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

	2015	2014
	No.	No.
Core staff	91	88
Project related freelancers	134	158
	<u>225</u>	<u>246</u>

8. DIRECTORS' REMUNERATION

	2015	2014
	£	£
Emoluments	<u>97,461</u>	<u>105,309</u>
Company pension contributions to defined contribution pension schemes	<u>-</u>	<u>-</u>

9. INTEREST PAYABLE

	2015	2014
	£	£
Bank interest payable	<u>47,946</u>	<u>85,405</u>

AARDMAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

10. TAXATION

	2015 £	2014 £
Analysis of tax credit in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	678,193	520,951
Adjustments in respect of prior periods	(17,017)	(36,900)
Film/TV tax credit	<u>(1,821,032)</u>	<u>(1,902,938)</u>
	(1,159,856)	(1,418,887)
Double taxation relief	<u>(94,634)</u>	<u>(72,188)</u>
	<u>(1,254,490)</u>	<u>(1,491,075)</u>
Foreign tax on income for the year	<u>94,634</u>	<u>72,190</u>
Total current tax	<u>(1,159,856)</u>	<u>(1,418,885)</u>
Deferred tax (see note 18)	<u>(95,885)</u>	<u>(408,765)</u>
Tax on profit on ordinary activities	<u>(1,255,741)</u>	<u>(1,827,650)</u>

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

10. TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 - *lower than*) the standard rate of corporation tax in the UK 20.25% (2014 – 21.49%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax and film tax credit	<u>1,106,391</u>	<u>1,453,216</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 – 21.49%)	224,044	312,296
Effects of:		
Expenses not deductible for tax purposes	61,803	140,738
Video game development tax profit adjustment	(44,471)	-
Television production tax profit adjustment	(318,860)	(119,049)
Effect of film tax credits	(1,158,485)	(1,838,408)
Additional deduction for R&D	(66,956)	(97,372)
Adjustments to tax charge in respect of prior periods	(17,017)	(36,899)
Deferred tax not recognised	107,714	(203,219)
Tax rate differences	(43,513)	14,263
Total tax credit for the year (see note above)	<u>(1,255,741)</u>	<u>(1,827,650)</u>

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

11. TANGIBLE FIXED ASSETS

Group	Purchased freehold property £	Constructed freehold property £	Improve- ments to property £	Plant & machinery £	Bicycles £
Cost					
At 1 January 2015	4,412,429	9,550,859	639,411	4,472,052	2,251
Additions	-	-	-	442,597	2,272
Disposals	-	-	-	(2,891)	(1,661)
At 31 December 2015	4,412,429	9,550,859	639,411	4,911,758	2,862
Depreciation					
At 1 January 2015	1,071,407	2,294,338	639,411	3,658,042	2,251
Charge for the year	-	382,034	-	332,104	2,272
On disposals	-	-	-	(2,502)	(1,661)
At 31 December 2015	1,071,407	2,676,372	639,411	3,987,644	2,862
Net book value					
At 31 December 2015	3,341,022	6,874,487	-	924,114	-
At 31 December 2014	3,341,022	7,256,521	-	814,010	-
Group	Fixtures & fittings £	Motor vehicles £	Computer equipment £	Total £	
Cost					
At 1 January 2015	775,358	56,029	3,801,226	23,709,615	
Additions	8,912	-	462,761	916,542	
Disposals	-	-	(7,420)	(11,972)	
At 31 December 2015	784,270	56,029	4,256,567	24,614,185	
Depreciation					
At 1 January 2015	628,933	53,385	3,613,165	11,960,932	
Charge for the year	18,850	613	280,706	1,016,579	
On disposals	-	-	(4,947)	(9,110)	
At 31 December 2015	647,783	53,998	3,888,924	12,968,401	
Net book value					
At 31 December 2015	136,487	2,031	367,643	11,645,784	
At 31 December 2014	146,425	2,644	188,061	11,748,683	

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

11. TANGIBLE FIXED ASSETS (continued)

	Purchased freehold property	Improvements to freehold property	Constructed freehold property	Fixtures & fittings	Total
Company	£	£	£	£	£
Cost					
At 1 January 2015 and 31 December 2015	<u>4,412,429</u>	<u>56,029</u>	<u>9,550,859</u>	<u>61,471</u>	<u>14,080,788</u>
Depreciation					
At 1 January 2015	1,071,407	56,029	2,294,338	38,286	3,460,060
Charge for the year	<u>-</u>	<u>-</u>	<u>382,034</u>	<u>3,478</u>	<u>385,512</u>
At 31 December 2015	<u>1,071,407</u>	<u>56,029</u>	<u>2,676,372</u>	<u>41,764</u>	<u>3,845,572</u>
Net book value					
At 31 December 2015	<u>3,341,022</u>	<u>-</u>	<u>6,874,487</u>	<u>19,707</u>	<u>10,235,216</u>
At 31 December 2014	<u>3,341,022</u>	<u>-</u>	<u>7,256,521</u>	<u>23,185</u>	<u>10,620,728</u>

12. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
Company	
Cost or valuation	
At 1 January 2015	76,783
Additions	100
At 31 December 2015	<u>76,883</u>
Net book value	
At 31 December 2015	<u>76,883</u>
At 31 December 2014	<u>76,783</u>

Primordial Soup Limited was incorporated on 2 March 2015 as a wholly owned subsidiary of Aardman Holdings Limited with issued share capital of £100.

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

12. FIXED ASSET INVESTMENTS (continued)

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

Company	Country of incorporation	Percentage Holding	Nature of Business
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:

Company	Country of incorporation	Percentage Holding	Nature of Business
Morph Limited	England	100	Dormant
Aardman Creature Comforts USA Limited	England	100	Dormant

The results of all the above subsidiaries are included within these consolidated accounts. All subsidiaries have co-terminus year ends with the parent Company.

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

13. STOCKS

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Work in progress	1,898,836	2,585,573	-	-
Finished goods	1,478,065	2,333,508	-	-
	3,376,901	4,919,081	-	-

14. DEBTORS - Amounts receivable within one year

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade debtors	3,331,180	2,441,822	-	-
Amounts owed by group undertakings	-	-	1,401	8,012
VAT repayable	23,812	231,944	11,242	11,041
Corporation tax repayable	1,432,598	2,673,303	-	-
Other debtors	538,354	222,717	1,286	6,426
Prepayments and accrued income	1,768,308	1,900,841	51,765	50,610
Amounts recoverable on contracts	90,684	3,926	-	-
	7,184,936	7,474,553	65,694	76,089

15. CREDITORS: Amounts falling due within one year

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Bank loans and overdrafts	1,461,559	230,000	1,461,559	230,000
Trade creditors	820,278	856,729	36,493	21,706
Amounts owed to group undertakings	-	-	8,431	2,084
Corporation tax	-	-	113,670	6,099
Social security and other taxes	397,628	720,076	3,342	677
Other creditors	43,681	67,543	-	-
Accruals and deferred income	17,202,685	8,274,599	44,112	41,149
Directors' current accounts	17,005	120,772	17,005	120,772
	19,942,836	10,269,719	1,684,612	422,487

Included within accruals are outstanding pension contributions of £29,824 (2014 - £24,866).

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

16. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Bank loans	-	2,275,000	-	2,275,000

The bank loan is due for repayment as follows:

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
In one year or less				
Bank loans	1,225,000	-	1,225,000	-
Between one and two years				
Bank loans	-	700,000	-	700,000
Between two and five years				
Bank loans	-	1,575,000	-	1,575,000
Over five years				
Bank loans	-	-	-	-

The bank loan is secured by a fixed charge over the freehold property of the Company and a floating charge over the other assets of the Group. Following a lump sum repayment in May 2015, the bank loan was due to be repaid in full on 30 April 2016 and bears interest at 2.75% above the base rate.

In February 2016, a further lump sum repayment of £1,100,000 was made and the loan terms were renegotiated such that the remaining balance (£125,000) is due for repayment in full on 30 April 2017.

17. FINANCIAL INSTRUMENTS

Group

	2015	2014
	£	£
Financial assets – debt instruments at amortised cost		
Trade debtors	3,331,180	2,441,822
VAT repayable	23,812	231,944
Corporation tax repayable	1,432,598	2,673,303
Other debtors	538,354	222,717
Accrued income	1,021,950	1,214,868
Amounts recoverable on contracts	90,684	3,926
	6,438,578	6,788,580

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

17. FINANCIAL INSTRUMENTS (continued)

	2015 £	2014 £
Financial liabilities at amortised cost		
Bank loans and overdrafts	1,461,559	2,505,000
Trade creditors	820,278	856,729
Social security and other taxes	397,628	720,076
Other creditors	43,681	67,543
Accruals	688,817	1,019,212
Directors' current accounts	17,005	120,772
	<u>3,428,968</u>	<u>5,289,332</u>

18. DEFERRED TAXATION

	<u>Group</u>		<u>Company</u>	
	2015 £	2014 £	2015 £	2014 £
At beginning of year	630,193	1,038,958	341,007	323,960
(Released)/charged during the year	<u>(95,885)</u>	<u>(408,765)</u>	<u>(33,977)</u>	<u>17,047</u>
At end of year	<u>534,308</u>	<u>630,193</u>	<u>307,030</u>	<u>341,007</u>

The provision for deferred taxation is made up as follows:

	<u>Group</u>		<u>Company</u>	
	2015 £	2014 £	2015 £	2014 £
Accelerated capital allowances	327,388	344,906	309,585	345,267
Other timing differences	<u>206,920</u>	<u>285,287</u>	<u>(2,555)</u>	<u>(4,260)</u>
	<u>534,308</u>	<u>630,193</u>	<u>307,030</u>	<u>341,007</u>

19. OPERATING LEASE COMMITMENTS

At 31 December 2015 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	<u>Land and buildings</u>			<u>Other</u>
<u>Group</u>	2015 £	2014 £	2015 £	2014 £
Not later than 1 year	454,941	366,715	67,618	90,150
Later than 1 year and not later than 5 years	1,004,817	796,116	30,197	92,169
Later than 5 years	-	-	1,010	-
	<u>1,459,758</u>	<u>1,162,831</u>	<u>98,825</u>	<u>182,319</u>

At 31 December 2015 the Company had no annual commitments under non-cancellable operating leases.

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

20. RELATED PARTY TRANSACTIONS

Group and parent

The parent Company and the Group are controlled by D A Sproxton and P D F Lord who are directors of the Aardman Holdings Limited.

During the year, each director received dividends of £97,008 (2014: £94,956) 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.

Total compensation payable to key management personnel during the year was £915,464 (2014 - £923,454).

Parent

During the year, the Company received dividends of £187,500 (2014: £nil) from Wallace & Gromit Limited, a subsidiary of the Company.

21. SHARE CAPITAL

	2015 £	2014 £
Allotted, called up and fully paid		
10,000,000 Ordinary shares of £0.01 each	100,000	100,000
1,750,000 'A' Ordinary shares of £0.01 each	17,500	17,500
	<u>117,500</u>	<u>117,500</u>

The rights of each class of ordinary share rank pari passu in all respects with the exception that the 'A' ordinary shares will be subject to pre-emption rights upon the termination of the employment of the 'A' ordinary shareholders.

22. 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.

Other Reserves

Included in other reserves are amounts in respect of an Employee Benefit Trust.

During the year, the Group purchased 4,254 (2014 - 4,619) 'A' ordinary shares in the parent Company, representing 0.24% (2014 - 0.26%) of the issued 'A' ordinary share capital, as part of the Employee Benefit Trust for total consideration of £1,685 (2014 - £277). The shares are held by the trust as part of an approved profit sharing scheme as disclosed in note 24.

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

22. RESERVES (continued)

Profit and Loss Account

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

23. SUBSEQUENT EVENTS

On 1 January 2016, Aardman USA Inc. was incorporated as a wholly owned subsidiary of Aardman Animations Limited with 1,000 shares in issue with a nominal value of \$0.0001 each. Aardman USA Inc. was incorporated to facilitate the acquisition of a 51% interest in Aardman Nathan Love LLC (formerly Nathan Love LLC).

Fixed consideration payable by Aardman USA Inc. in respect of this acquisition totals \$1,000,000 with \$700,000 payable on acquisition and the timing of payment of the residual \$300,000 dependent on the post-acquisition performance of Aardman Nathan Love LLC, but no later than 31 December 2020.

Contingent consideration of \$200,000 is potentially payable within the next five years dependent on the performance of the acquired entity.

24. APPROVED PROFIT SHARING SCHEME

On 18 December 1998 the Company established the 1998 Aardman Holdings Limited Approved Profit Sharing Scheme ('the scheme') through the creation of a Trust Deed on that date. The purpose of the scheme is to enable directors and employees of companies within the Group to hold shares and participate in the profits of the Company. The contributions to the scheme are incurred by the employer Company of the participating employees. The Trust acquired 4,254 shares in the current year (2014 – 4,619). The beneficial interests in the remaining 'A' Ordinary shares acquired in prior years are vested in employees of the Group companies.

25. FIRST TIME ADOPTION OF FRS102

This is the first year that Aardman Holdings Limited has presented its results under FRS 102. The date of transition to FRS 102 was 1 January 2014.

The transition to FRS 102 has resulted in a small number of changes to accounting policies. These have not impacted on the financial performance or position of the Company or the Group.