

Registered number: 02672880

AARDMAN HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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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 2013

The directors have pleasure in presenting their report and the consolidated financial statements of the Group for the year ended 31 December 2013.

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:

	2013	2012
	£	£
Dividends paid on ordinary shares	<u>138,450</u>	<u>Nil</u>

THE DIRECTORS

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

D A Sproxton
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). 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 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 judgments 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 will continue in business.

AARDMAN HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

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

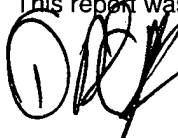
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- 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 23 September 2014 and signed on its behalf.



D A Sproxton
Director

AARDMAN HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

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 £2,074,677 (2012: pre-tax loss of £1,154,920).

The Feature Film division continued pre-production on 'Shaun the Sheep: The Movie', currently scheduled for release theatrically in early 2015. Income received for previously released titles 'Pirates!', 'Arthur Christmas' and 'Wallace and Gromit: Curse of the Wererabbit' was meaningful during the year, plus a nominal amount of income was received for 'Chicken Run'.

Following the expiry of our feature film deal with Columbia Pictures during the year, the Group began funding development from internal cash resources, and have a number of projects in active development.

The Broadcast division delivered a further thirty episodes of 'Shaun the Sheep', taking the total number of episodes to 130. A plan to re-launch the character 'Morph' was put into place using crowdfunding. This was very successful, over-achieving the original income target, which enabled the production of fifteen one minute episodes that were produced in the first half of 2014 and released on You Tube from July.

'Wallace and Gromit's World of Invention', 'A Matter of Loaf and Death' and 'Creature Comforts' all contributed positively to the profit and loss account, whilst 'Timmy Time' continued to recoup its investment during 2013. A small number of projects on the Broadcast development slate were written off in the year.

The Commercials division again posted a good year in terms of turnover and improved gross profit margins. As per the last four years, stop-frame animation work exceeded CGI animation, these methods accounting for nearly three quarters of turnover, with Flash/Cel Action accounting for a further fifth. Three quarters of the work was generated from the UK and nearly a fifth from North America, the balance from Europe and the Rest of the World.

The Digital division made a positive contribution to the overall profit and loss account. More third party work contributed to this performance and a broadening of the client base, whilst continuing to digitally support all current brands.

The Rights division once again outperformed the previous year's result, mainly due to the continued success in the distribution of the 'Shaun' brand and strong sales of the 'Wallace and Gromit' and 'Timmy' brands. Licensing income from 'Serta' and the back catalogue continues to contribute meaningfully to the results of the division, as does the distribution of third party properties taken on over the last three years.

Distribution and ancillary income for the three original Wallace & Gromit short films increased, as a full year of generic/non-specific Wallace and Gromit income was recognised through the Wallace and Gromit Limited profit and loss account following recoupment of 'World of Invention'.

Overall, overheads decreased significantly against the previous year, a result of implementing a cost saving plan from the end of 2012. Just prior to year-end the four year-long pay freeze was lifted and employees were given an above inflation pay increase, and the lowest paid were all brought up to the Bristol living wage.

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.

AARDMAN HOLDINGS LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013**

KEY PERFORMANCE INDICATORS

The average gross profit margin for Commercials was 43% for the year, compared to 30% in 2012. Partially completed projects at the year-end are accounted for under the requirements of UITF 40.

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 UITF 40.

Commissions for Rights are generally at 30% of gross revenue where exploiting directly, and up to 10% override commission if exploiting via an agent.

With core staff now under 100, 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: 23 September 2014

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 2013, which comprise the Group profit and loss account, the Group and Company balance sheets, the Group cash flow statement 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 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 2013 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

23 September 2014

AARDMAN HOLDINGS LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 Feature film activity £	2013 Other activities £	2013 Total £	2012 Feature film activity £	2012 Other activities £	2012 Total £
TURNOVER	2	4,791,660	13,918,567	18,710,227	5,235,429	17,038,477	22,273,906
Cost of sales		(5,680,347)	(5,900,423)	(11,580,770)	(5,926,381)	(9,976,526)	(15,902,907)
GROSS PROFIT		(888,687)	8,018,144	7,129,457	(690,952)	7,061,951	6,370,999
Distribution costs		-	(14,185)	(14,185)	-	(20,025)	(20,025)
Administrative expenses		-	(8,126,422)	(8,126,422)	-	(10,522,549)	(10,522,549)
Other operating income	3	-	2,310,112	2,310,112	-	2,451,711	2,451,711
OPERATING PROFIT/(LOSS)	4	(888,687)	2,187,649	1,298,962	(690,952)	(1,028,912)	(1,719,864)
Interest receivable		-	9,785	9,785	-	4,944	4,944
Interest payable	8	-	(122,757)	(122,757)	-	(130,952)	(130,952)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE FILM TAX CREDIT		(888,687)	2,074,677	1,185,990	(690,952)	(1,154,920)	(1,845,872)
Film tax credit	9	888,687	-	888,687	690,952	-	690,952
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		-	2,074,677	2,074,677	-	(1,154,920)	(1,154,920)
Tax on profit/(loss) on ordinary activities	9	-	22,673	22,673	-	363,155	363,155
TOTAL TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	9	888,687	22,673	911,360	690,952	363,155	1,054,107
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		-	2,097,350	2,097,350	-	(791,765)	(791,765)
Minority interests		-	(28,796)	(28,796)	-	17,025	17,025
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		-	2,068,554	2,068,554	-	(774,740)	(774,740)

These were no recognised gains or losses for 2013 or 2012 other than those included in the profit and loss account.

All of the activities of the group are classified as continuing.

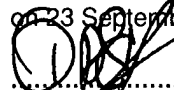
The notes on pages 12 to 29 form part of these financial statements.

AARDMAN HOLDINGS LIMITED

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013**

	Note	£	2013 £	£	2012 £
FIXED ASSETS					
Tangible assets	10		<u>12,205,953</u>		<u>12,671,427</u>
			12,205,953		12,671,427
CURRENT ASSETS					
Stocks	12	8,021,298		9,247,972	
Debtors	13	5,372,496		4,152,043	
Cash at bank		<u>11,224,724</u>		<u>11,072,806</u>	
		24,618,518		24,472,821	
CREDITORS: amounts falling due within one year	14	<u>(14,234,889)</u>		<u>(15,675,901)</u>	
NET CURRENT ASSETS			<u>10,383,629</u>		<u>8,796,920</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			22,589,582		21,468,347
CREDITORS: amounts falling due after more than one year	15		(2,975,000)		(3,675,000)
PROVISIONS FOR LIABILITIES					
Deferred tax	16		<u>(1,038,958)</u>		<u>(1,088,827)</u>
NET ASSETS			<u>18,575,624</u>		<u>16,704,520</u>
CAPITAL AND RESERVES					
Called up share capital	19		117,500		117,500
Share premium account	20		513,847		513,847
Other reserves	20		(229,952)		(229,656)
Profit and loss account	20		<u>18,143,197</u>		<u>16,213,093</u>
SHAREHOLDERS' FUNDS	21		18,544,592		16,614,784
MINORITY INTERESTS			<u>31,032</u>		<u>89,736</u>
			<u>18,575,624</u>		<u>16,704,520</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 September 2014.



D A Sproxton
Director

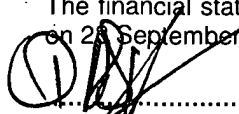
The notes on pages 12 to 29 form part of these financial statements.

AARDMAN HOLDINGS LIMITED
REGISTERED NUMBER: 02672880

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	£	2013 £	£	2012 £
FIXED ASSETS					
Tangible assets	10		11,006,854		11,410,548
Investments	11		<u>76,783</u>		<u>76,783</u>
			11,083,637		11,487,331
CURRENT ASSETS					
Debtors	13	109,376		161,619	
Cash at bank and in hand			<u>209,285</u>	<u>98,316</u>	
		318,661		259,935	
CREDITORS: amounts falling due within one year	14	<u>(1,063,711)</u>		<u>(1,014,716)</u>	
NET CURRENT LIABILITIES			<u>(745,050)</u>	<u>(754,781)</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			10,338,587		10,732,550
CREDITORS: amounts falling due after more than one year	15		<u>(2,975,000)</u>		<u>(3,675,000)</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	16		<u>(323,960)</u>		<u>(342,040)</u>
NET ASSETS			<u>7,039,627</u>		<u>6,715,510</u>
CAPITAL AND RESERVES					
Called up share capital	19		117,500		117,500
Share premium account	20		513,847		513,847
Other reserves	20		<u>(229,952)</u>		<u>(229,656)</u>
Profit and loss account	20		<u>6,638,232</u>		<u>6,313,819</u>
SHAREHOLDERS' FUNDS	21		<u>7,039,627</u>		<u>6,715,510</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 September 2014.


D A Sproston
Director

The notes on pages 12 to 29 form part of these financial statements.

AARDMAN HOLDINGS LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 £	2012 £
Net cash flow from operating activities	22.	1,522,625	1,262,952
Returns on investments and servicing of finance	23	(200,472)	(188,508)
Taxation	23	19,842	4,125,338
Dividends paid		(138,450)	-
Capital expenditure and financial investment	23	<u>(351,627)</u>	<u>730,947</u>
CASH INFLOW BEFORE FINANCING		851,918	5,930,729
Financing	23	<u>(700,296)</u>	<u>(720,575)</u>
INCREASE IN CASH IN THE YEAR		<u>151,622</u>	<u>5,210,154</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013 £	2012 £
Increase in cash in the year	151,622	5,210,154
Cash outflow from decrease in debt and lease financing	<u>700,000</u>	<u>700,000</u>
MOVEMENT IN NET FUNDS IN THE YEAR	851,622	5,910,154
Net funds at 1 January 2013	<u>6,468,150</u>	<u>557,996</u>
NET FUNDS AT 31 DECEMBER 2013	<u>7,319,772</u>	<u>6,468,150</u>

The notes on pages 12 to 29 form part of these financial statements.

AARDMAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 Basis of consolidation

The consolidated financial statements incorporate the results of the Company and all of its subsidiary undertakings as at 31 December 2013 using acquisition accounting. The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these accounts.

1.3 Turnover

The 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 UITF 40 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.

1.4 Investments

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

1.5 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 2013

1. ACCOUNTING POLICIES (continued)

1.6 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

1.7 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 UITF 40 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.

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 UITF 40 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.

1.8 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.

1.9 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 is not discounted. No amount has been provided for deferred tax assets.

1.10 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.

AARDMAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES (continued)

1.11 Pension costs

The Company operates a defined contribution pension scheme for the directors. 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.

1.12 Commission receivable

Commission income is included on a receivable basis.

1.13 Royalties received

Royalty income is included on a receivable basis calculated on distribution income and sales of merchandise arising during each accounting period as reported by licensees.

1.14 Derivatives

Financial instruments are classified and accounted for according to the substance of the contractual arrangements as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

The group uses forward exchange contracts which manage the currency risk associated with its financing of its underlying business activities. The group does not use derivative instruments for speculative purposes.

1.15 Fees received in advance

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 UITF 40.

1.16 Film tax credit

The group's business model of financing feature film production incorporates claims under the UK film tax credit legislation. These claims are considered to be part of the ordinary activities of those companies which produce the feature films 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 2013**

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	2013 £	2012 £
United Kingdom	10,232,008	9,191,857
Rest of European Union	2,680,030	2,262,487
Rest of world	1,491,636	2,562,049
United States of America	4,306,553	8,257,513
	<u>18,710,227</u>	<u>22,273,906</u>

3. OTHER OPERATING INCOME

	2013 £	2012 £
Commissions receivable	1,819,748	2,026,543
Royalties receivable	483,401	417,419
Bike lease scheme income	1,070	1,403
Recharges	5,893	6,346
	<u>2,310,112</u>	<u>2,451,711</u>

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2013 £	2012 £
Amortisation - intangible fixed assets	-	150,000
Depreciation of tangible fixed assets:		
- owned by the group	821,905	1,332,963
Operating lease rentals:		
- other operating leases	348,524	873,472
Net loss on foreign currency translation	19,079	112,322
Net profit on disposal of tangible assets	(4,804)	(91,911)
Royalties payable	<u>77,345</u>	<u>29,520</u>

AARDMAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

5. AUDITORS' REMUNERATION

	2013 £	2012 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	13,035	14,600
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	29,500	29,600
Other services relating to taxation	36,390	31,160
All other services	6,640	4,490

6. STAFF COSTS

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

	2013 £	2012 £
Wages and salaries	7,463,125	9,978,169
Social security costs	794,193	1,030,632
Other pension costs	246,385	325,344
	<u>8,503,703</u>	<u>11,334,145</u>

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

	2013 No.	2012 No.
Core staff	83	102
Project related freelancers	121	142
	<u>204</u>	<u>244</u>

7. DIRECTORS' REMUNERATION

	2013 £	2012 £
Emoluments	133,909	233,208
Company pension contributions to defined contribution pension schemes	-	-

During the year retirement benefits were accruing to 2 directors (2012 - 2) in respect of defined contribution pension schemes.

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

7. DIRECTORS' REMUNERATION (continued)

The highest paid director received remuneration of £71,132 (2012 - £116,604).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2012 - £ nil).

8. INTEREST PAYABLE

	2013 £	2012 £
Bank interest payable	<u>122,757</u>	<u>130,952</u>

9. TAXATION

	2013 £	2012 £
Analysis of tax credit in the year		
Current tax (see note below)		
UK corporation tax charge on profit/(loss) for the year	27,299	-
Adjustments in respect of prior periods	(103)	(62,084)
Film tax credit	<u>(888,687)</u>	<u>(690,952)</u>
	<u>(861,491)</u>	<u>(753,036)</u>
Double taxation relief	<u>(84,489)</u>	<u>-</u>
	<u>(945,980)</u>	<u>(753,036)</u>
Foreign tax on income for the year	<u>84,489</u>	<u>68,063</u>
Total current tax	<u>(861,491)</u>	<u>(684,973)</u>
Deferred tax (see note 16).	<u>(49,869)</u>	<u>(369,134)</u>
Tax on profit/(loss) on ordinary activities	<u>(911,360)</u>	<u>(1,054,107)</u>

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

9. TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012 - *lower than*) the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%). The differences are explained below:

	2013 £	2012 £
Profit/(Loss) on ordinary activities before tax and film tax credit	<u>1,185,990</u>	<u>(1,845,872)</u>
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	275,743	(452,238)
Effects of:		
Expenses not deductible for tax purposes	67,847	106,234
Capital allowances for year in excess of depreciation	(68,496)	(81,753)
Effect of film tax credit	(820,190)	(521,669)
Other tax adjustments, reliefs and transfers	(37,401)	-
Foreign tax credits	-	68,063
TV production tax profit adjustment	(297,844)	-
Losses carried back to prior period	-	30,944
Unrelieved tax losses and other deductions arising in the period	(21,924)	238,920
Additional deduction for R&D	(11,625)	(66,640)
Adjustments to tax charge in respect of prior periods	(103)	(62,084)
Other timing differences	53,455	71,925
Withholding tax expensed	-	(16,675)
Tax rate differences	(953)	-
Current tax credit for the year (see note above)	<u>(861,491)</u>	<u>(684,973)</u>

Factors that may affect future tax charges

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 and its impact is reflected above.

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

10. TANGIBLE FIXED ASSETS

Group	Purchased freehold property £	Constructed freehold property £	Improve- ments to property £	Plant & machinery £	Bicycles £
Cost					
At 1 January 2013	4,412,429	9,550,859	639,411	4,194,712	539
Additions	-	-	-	165,333	1,452
Disposals	-	-	-	(6,589)	(250)
At 31 December 2013	4,412,429	9,550,859	639,411	4,353,456	1,741
Depreciation					
At 1 January 2013	1,054,559	1,530,270	639,411	3,214,417	539
Charge for the year	16,848	382,033	-	234,640	1,452
On disposals	-	-	-	(4,602)	(250)
At 31 December 2013	1,071,407	1,912,303	639,411	3,444,455	1,741
Net book value					
At 31 December 2013	3,341,022	7,638,556	-	909,001	-
At 31 December 2012	3,357,870	8,020,589	-	980,295	-

Group	Fixtures & fittings £	Motor vehicles £	Computer equipment £	Total £
Cost				
At 1 January 2013	773,722	63,329	3,423,498	23,058,499
Additions	179	-	194,534	361,498
Disposals	-	(7,300)	(1,629)	(15,768)
At 31 December 2013	773,901	56,029	3,616,403	23,404,229
Depreciation				
At 1 January 2013	584,349	54,673	3,308,854	10,387,072
Charge for the year	23,981	2,115	160,836	821,905
On disposals	-	(4,220)	(1,629)	(10,701)
At 31 December 2013	608,330	52,568	3,468,061	11,198,276
Net book value				
At 31 December 2013	165,571	3,461	148,342	12,205,953
At 31 December 2012	189,373	8,656	114,644	12,671,427

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

10. TANGIBLE FIXED ASSETS (continued)

Company	Purchased freehold property £	Improvements to freehold property £	Constructed freehold property £	Fixtures & fittings £
Cost				
At 1 January 2013 and 31 December 2013	<u>4,412,429</u>	<u>56,029</u>	<u>9,550,859</u>	<u>61,471</u>
Depreciation				
At 1 January 2013	<u>1,054,559</u>	<u>56,029</u>	<u>1,530,270</u>	<u>29,382</u>
Charge for the year	<u>16,848</u>	<u>-</u>	<u>382,033</u>	<u>4,813</u>
At 31 December 2013	<u>1,071,407</u>	<u>56,029</u>	<u>1,912,303</u>	<u>34,195</u>
Net book value				
At 31 December 2013	<u>3,341,022</u>	<u>-</u>	<u>7,638,556</u>	<u>27,276</u>
At 31 December 2012	<u>3,357,870</u>	<u>-</u>	<u>8,020,589</u>	<u>32,089</u>

Company	Total £
Cost	
At 1 January 2013 and 31 December 2013	<u>14,080,788</u>
Depreciation	
At 1 January 2013	<u>2,670,240</u>
Charge for the year	<u>403,694</u>
At 31 December 2013	<u>3,073,934</u>
Net book value	
At 31 December 2013	<u>11,006,854</u>
At 31 December 2012	<u>11,410,548</u>

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

11. FIXED ASSET INVESTMENTS

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2013 and 31 January 2013	<u>76,783</u>
Net book value	
At 31 December 2013	<u>76,783</u>
<i>At 31 December 2012</i>	<u>76,783</u>

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

11. 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
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

In addition, the following companies are subsidiaries of Aardman Arthur Christmas Limited:

Company	Country of incorporation	Percentage Holding	Nature of Business
Aardman Arthur Christmas Inc	United States	100	Dormant
Evie Films Inc	United States	100	Film Producers

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

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

12. STOCKS

	<u>Group</u>		<u>Company</u>	
	2013 £	2012 £	2013 £	2012 £
Work in progress	1,502,495	2,135,219	-	-
Finished goods	6,518,803	7,112,753	-	-
	<u>8,021,298</u>	<u>9,247,972</u>	<u>-</u>	<u>-</u>

13. DEBTORS - Amounts receivable within one year

	<u>Group</u>		<u>Company</u>	
	2013 £	2012 £	2013 £	2012 £
Trade debtors	1,892,464	1,895,484	-	-
Amounts owed by group undertakings	-	-	47,081	104,092
VAT repayable	55,928	16,313	9,428	8,437
Corporation tax repayable	1,542,075	700,426	-	-
Other debtors	134,094	182,595	3,412	1,000
Prepayments and accrued income	1,711,475	1,327,048	49,455	48,090
Amounts recoverable on contracts	36,460	30,177	-	-
	<u>5,372,496</u>	<u>4,152,043</u>	<u>109,376</u>	<u>161,619</u>

14. CREDITORS: Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	2013 £	2012 £	2013 £	2012 £
Bank loans and overdrafts	929,952	929,656	929,952	929,656
Trade creditors	405,670	435,399	28,383	20,567
Amounts owed to group undertakings	-	-	1,225	1,766
Corporation tax	-	-	-	-
Social security and other taxes	755,239	534,186	649	12,313
Other creditors	14,219	42,675	-	-
Accruals and deferred income	12,077,093	13,733,985	50,786	50,414
Directors' current accounts	52,716	-	52,716	-
	<u>14,234,889</u>	<u>15,675,901</u>	<u>1,063,711</u>	<u>1,014,716</u>

Included within accruals are outstanding pension contributions of £23,291 (2012 - £20,988).

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

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

	<u>Group</u>		<u>Company</u>	
	2013 £	2012 £	2013 £	2012 £
Bank loans	<u>2,975,000</u>	<u>3,675,000</u>	<u>2,975,000</u>	<u>3,675,000</u>

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. The bank loan is repayable by quarterly instalments over a ten year period to 30 November 2018, and bears interest at a rate of 2.75% above the base rate.

Creditors include amounts not wholly repayable within 5 years as follows:

	<u>Group</u>		<u>Company</u>	
	2013 £	2012 £	2013 £	2012 £
Repayable by instalments	<u>175,000</u>	<u>875,000</u>	<u>175,000</u>	<u>875,000</u>

The bank loan is due for repayment as follows:

	<u>Group</u>		<u>Company</u>	
	2013 £	2012 £	2013 £	2012 £
In one year or less				
Bank loans	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>
Between one and two years				
Bank loans	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>
Between two and five years				
Bank loans	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,100,000</u>
Over five years				
Bank loans	<u>175,000</u>	<u>875,000</u>	<u>175,000</u>	<u>875,000</u>

After the year end two scheduled payments, totalling £350,000, and a one-off payment of £1,050,000 were made and the loan terms were renegotiated such that no further repayments are due until January 2016.

16. DEFERRED TAXATION

	<u>Group</u>		<u>Company</u>	
	2013 £	2012 £	2013 £	2012 £
At beginning of year	1,088,827	1,457,961	342,040	430,063
(Released during)/charge for the year	(49,869)	(369,134)	(18,080)	(88,023)
At end of year	<u>1,038,958</u>	<u>1,088,827</u>	<u>323,960</u>	<u>342,040</u>

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

16. DEFERRED TAXATION (continued)

The provision for deferred taxation is made up as follows:

	<u>Group</u>		<u>Company</u>	
	2013 £	2012 £	2013 £	2012 £
Accelerated capital allowances	754,581	905,270	331,040	418,309
Tax losses	(1,400)	(197,967)	(1,400)	(68,103)
Other timing differences	285,777	381,524	(5,680)	(8,166)
	<u>1,038,958</u>	<u>1,088,827</u>	<u>323,960</u>	<u>342,040</u>

17. OPERATING LEASE COMMITMENTS

At 31 December 2013 the Group had annual commitments under non-cancellable operating leases as follows:

	<u>Land and buildings</u>			<u>Other</u>
	2013 £	2012 £	2013 £	2012 £
Group				
Expiry date:				
Within 1 year	-	70,000	-	-
Between 2 and 5 years	366,715	-	93,642	87,287
After more than 5 years	-	347,915	-	-

At 31 December 2013 the Company had no annual commitments under non-cancellable operating leases.

18. RELATED PARTY TRANSACTIONS

There were no related party transactions involving the company in 2013 nor 2012.

The company is controlled by D A Sproxton and P D F Lord who are directors of the company.

Group

The following information is provided in accordance with Financial Reporting Standard No. 8, Related Party Transactions, involving the rest of the group:

There were no transactions requiring disclosure in the year ended 31 December 2013 and 31 December 2012.

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

19. SHARE CAPITAL

	2013 £	2012 £
Allotted, called up and fully paid		
10,000,000 Ordinary shares shares of £0.01 each	100,000	100,000
1,750,000 'A' Ordinary shares 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.

20. RESERVES

Group	Share premium account £	Other reserves £	Profit and loss account £
At 1 January 2013	513,847	(229,656)	16,213,093
Profit for year	-	-	2,068,554
Movements in employment benefit trust	-	(296)	-
Dividends paid	-	-	(138,450)
At 31 December 2013	<u>513,847</u>	<u>(229,952)</u>	<u>18,143,197</u>
	Share premium account £	Other reserves £	Profit and loss account £
Company			
At 1 January 2013	513,847	(229,656)	6,313,819
Profit for the year	-	-	462,863
Movements in employment benefit trust	-	(296)	-
Dividends paid	-	-	(138,450)
At 31 December 2013	<u>513,847</u>	<u>(229,952)</u>	<u>6,638,232</u>

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

During the year the Group purchased 26,711 (2012 – 93,087) 'A' ordinary shares in the parent company, representing 1.53% (2012 – 5.3%) of the issued 'A' ordinary share capital, as part of the Employee Benefit Trust. The total consideration paid for the shares was £3,665 (2012 - £20,575) generating the above reserve. The shares are held by the trust as part of an approved profit sharing scheme as disclosed in note 25.

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

21. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group	2013 £	2012 £
Opening shareholders' funds	16,614,784	17,410,099
Profit/(Loss) for the year	2,068,554	(774,740)
Purchase of shares by employment benefit trust	(296)	(20,575)
Dividends paid	(138,450)	-
	<u>18,544,592</u>	<u>16,614,784</u>
Closing shareholders' funds	<u>18,544,592</u>	<u>16,614,784</u>
	2013 £	2012 £
Company		
Opening shareholders' funds	6,715,510	6,707,701
Profit for the year	462,863	28,384
Purchase of shares by employment benefit trust	(296)	(20,575)
Dividends paid	(138,450)	-
	<u>7,039,627</u>	<u>6,715,510</u>
Closing shareholders' funds	<u>7,039,627</u>	<u>6,715,510</u>

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account.

The profit for the year dealt with in the accounts of the Company was £462,863 (2012 – £28,384).

22. NET CASH FLOW FROM OPERATING ACTIVITIES

	2013 £	2012 £
Operating profit/(loss)	1,298,962	(1,719,864)
Amortisation of intangible fixed assets	-	150,000
Depreciation of tangible fixed assets	821,905	1,332,963
Profit on disposal of tangible fixed assets	(4,804)	(91,911)
Decrease in stocks	1,226,674	2,085,495
(Increase)/decrease in debtors	(378,804)	1,256,883
Decrease in creditors	(1,441,308)	(1,750,614)
	<u>1,522,625</u>	<u>1,262,952</u>
Net cash inflow from operating activities	<u>1,522,625</u>	<u>1,262,952</u>

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

23. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2013 £	2012 £
Returns on investments and servicing of finance		
Interest received	9,785	4,944
Interest paid	(122,757)	(130,952)
Dividends paid to minority interests	(87,500)	(62,500)
Net cash outflow from returns on investments and servicing of finance	<u>(200,472)</u>	<u>(188,508)</u>
	2013 £	2012 £
Taxation		
Corporation tax repaid	<u>19,842</u>	<u>4,125,338</u>
	2013 £	2012 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(361,498)	(141,405)
Sale of tangible fixed assets	9,871	872,352
Net cash outflow from capital expenditure	<u>(351,627)</u>	<u>730,947</u>
	2013 £	2012 £
Financing		
Repayment of loans	(700,000)	(700,000)
Employee Benefit Trust purchase of shares	(296)	(20,575)
Net cash outflow from financing	<u>(700,296)</u>	<u>(720,575)</u>

AARDMAN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

24. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2013 £	Cash flow £	Other non-cash changes £	31 December 2013 £
Cash at bank and in hand	11,072,806	151,918	-	11,224,724
Bank overdraft	(229,656)	(296)	-	(229,952)
	<u>10,843,150</u>	<u>151,622</u>	<u>-</u>	<u>10,994,772</u>
Debt:				
Debts due within one year	(700,000)	700,000	(700,000)	(700,000)
Debts falling due after more than one year	(3,675,000)	-	700,000	(2,975,000)
	<u>6,468,150</u>	<u>851,622</u>	<u>-</u>	<u>7,319,772</u>
Net funds	<u>6,468,150</u>	<u>851,622</u>	<u>-</u>	<u>7,319,772</u>

25. 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 26,711 shares in the current year (2012 – 93,087). The beneficial interests in the remaining 'A' Ordinary shares acquired in prior years are vested in employees of the group companies.