

ANIMATRIX LIMITED
Directors' Report &
Financial Statements

For the year ended 31st March 2006

Company Number: 3529802

MONDAY



LDYA1MF8

LD6

22/01/2007

467

COMPANIES HOUSE

CONTENTS

	Page
Directors and Advisers.....	2
Director's Report.....	3-4
Profit and Loss Account.....	5
Balance Sheet.....	6
Notes to the Financial Statements.....	7-10

DIRECTOR AND ADVISERS

DIRECTOR	Rupert Lywood
SECRETARY	Matrix Registrars Limited
REGISTERED OFFICE	One Jermyn Street London SW1Y 4UH
SOLICITORS	The Simkins Partnership 45-51 Whitfield Street London W1P 6AA
BANKERS	Barclays Bank PLC 50 Pall Mall London SW1

DIRECTOR'S REPORT

For the year ended 31st March 2006

The director presents his report and the unaudited financial statements for the year ended 31st March 2006.

PRINCIPAL ACTIVITY

The Company's principal activity is that of a film and television production and distribution company.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The results for the year are shown on page 5.

The Company has continued to participate in the development, co-production and distribution of children's television animation, in addition to executive producer roles on other film productions and other advisory activities. The dispute over rights to the Doctor Snuggles project, which the Company participated in via a limited liability partnership (The Doctor Snuggles Partnership LLP ("the LLP")), was settled during the year, with Mr Jeffrey O'Kelly being given a period which extended beyond the year end to compensate the LLP for expenditure incurred on the project in exchange for the rights. No settlement had been forthcoming at the year end.

The Company has been developing two new animation projects, "The Storm Project" and the "Sugar Cubes Project", and expects to be in a position to exploit these in the forthcoming year.

The Matrix Films "Trial by Fire" Partnership and The Matrix Films "Last September" Partnership are each in the process of being dissolved.

DIVIDENDS

The director does not recommend the payment of a dividend.

DIRECTOR

The Director of the Company during the year ended 31st March 2006 was:

Rupert Lywood

DIRECTOR'S INTERESTS

The Director's interests in the Company's share capital at 31st March 2006 and 2005 were as follows:

	Number of ordinary shares of £1 each
Rupert Lywood	107,000

AUDITORS

In the preparation of the Company's financial statements advantage has been taken of the audit exemptions available to small companies conferred by section 249A(1) of the Companies Act 1985. No notice has been received from members requiring an audit under section 249 B(2) of the Companies Act 1985.

DIRECTOR'S RESPONSIBILITIES

The Director is required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period.

The Director confirms that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31st March 2006. The Director also confirms that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Director is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Small Company Exemption

The Director's Report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the Directors on 18th January 2007.

R.A. Brittain

PP Matrix Registrars Limited
Company Secretary

PROFIT AND LOSS ACCOUNT

For year ended 31st March 2006

	Notes	Year ended 31 st March 2006 £	Year ended 31 st March 2005 £
Turnover		-	153,457
Cost of sales		-	-
Gross profit		-	153,457
Administrative expenses		(33,582)	(204)
Provision against investment	4	-	(45,936)
Interest receivable	2	6,751	7,106
Interest payable		(6,751)	(7,106)
Profit/(loss) on ordinary activities before tax		(33,582)	107,317
Tax charge on ordinary activities	1	1,601	(1,601)
Profit/(loss) for the year		(31,981)	105,716
Statement of Reserves			
Balance at 1 st April 2005		18,948	(86,768)
(Loss)/profit for the year		(31,981)	105,716
At 31 st March 2006		(13,033)	18,948

All of the operations are continuing.

The Company has no recognised gains or profits other than those shown above and therefore no separate statement of total recognised gains and profits has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

The notes on pages 7 to 10 form part of these financial statements.

BALANCE SHEETAs at 31st March 2006

	Notes	31 st March 2006 £	31 st March 2005 £
Fixed assets			
Investments	4	34,219	18,686
Current assets			
Debtors	5	199,507	225,074
Cash at bank and in hand		5,981	4,391
		<u>205,488</u>	<u>229,465</u>
Creditors: amounts falling due within one year	6	(57,482)	(26,566)
		<u>148,006</u>	<u>202,899</u>
Net current assets/(liabilities)			
		<u>182,225</u>	<u>221,585</u>
Total assets less current liabilities			
Creditors: amounts due after more than one year	7	(88,258)	(95,637)
		<u>93,967</u>	<u>125,948</u>
Net Assets			
		<u>93,967</u>	<u>125,948</u>
Capital and reserves			
Called up share capital	8	107,000	107,000
Profit and loss account		(13,033)	18,948
		<u>93,967</u>	<u>125,948</u>
Equity Shareholders' Funds	9	<u>93,967</u>	<u>125,948</u>

The notes on pages 7 to 10 form part of these financial statements.

The financial statements have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985.

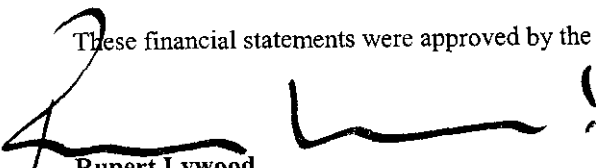
Advantage has been taken of the audit exemptions available for small companies conferred by section 249A(1) of the Companies Act 1985 on the grounds:

- (a) that for the year ended 31st March 2006 the Company was entitled to the exemption from a statutory audit under section 249A(1) of the Companies Act 1985; and
- (b) that no notice has been deposited under section 249B(2) of the Companies Act 1985 in relation to the financial statements for the period.

The directors acknowledge their responsibilities for:

- (a) ensuring that the Company keeps proper accounting records which comply with section 221 of the Companies Act 1985; and
- (b) preparing financial statements which give a true and fair view of the state of the affairs of the company at 31st March 2006 and of its profit for the year then ended and are in accordance with the requirement of section 226 of the Companies Act 1985, and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements so far as applicable to the Company.

These financial statements were approved by the Director on 19 January 2007 and were signed by him:


Rupert Lywood
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2006

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below:

a) **Basis of Accounting**

The financial statements have been prepared in accordance with the historical cost convention and are in accordance with the Financial Reporting Standards for Smaller Entities.

b) **Investment in Partnerships**

The company's share of profits less losses of the Partnerships in which it has participated for the year ended 31st March 2006 are included in its profit and loss account and the company's share of the net assets of the Partnerships at 31st March 2006 are included in its balance sheet.

(i) Sale and leaseback and finance lease agreements – "Trial by Fire"

On 3rd February 2000, the "Matrix Films "Trial by Fire" Partnership" entered into a Sale and Leaseback agreement whereby it sold the Master Print of the film "Trial by Fire" and leased back substantially all the risks and rewards of ownership of the film. The cost of the film is capitalised at its fair value on the inception of the lease. Proceeds on sale are treated as a finance lease creditor and will be reduced by future capital lease payments. The finance charges are allocated over the lease in proportion to the capital amount outstanding and are charged to the profit and loss account. The lease is for a term of fifteen years, with annual repayments being guaranteed from the long-term deposit held under a deed dated 3rd February 2000.

(ii) Sale and leaseback and finance lease agreements – "The Last September"

On 23rd March 2000, the "Matrix Films "Last September" Partnership" entered into a Sale and Leaseback agreement whereby it sold the Master Print of the film "The Last September" and leased back substantially all the risks and rewards of ownership of the film. The cost of the film is capitalised at its fair value on the inception of the lease. Proceeds on sale are treated as a finance lease creditor and will be reduced by future capital lease payments. The finance charges are allocated over the lease in proportion to the capital amount outstanding and are charged to the profit and loss account. The lease is for a term of fifteen years, with annual repayments being guaranteed from the long term deposit held under a deed dated 23rd March 2000.

c) **Cash flow statement**

The Company qualifies as a small company under the terms of section 247 of the Companies Act 1985. As a consequence it is exempt from the requirement to publish a cash flow statement.

d) **Taxation**

The company made a loss for the year and is claiming back the tax paid in the previous year.

2. INTEREST RECEIVABLE

This represents amounts receivable on monies held in the escrow accounts.

3. PARTICIPATION IN PARTNERSHIPS

The Company's results are derived from a 5.71% participation in "Matrix Films "Trial by Fire" Partnership" and a 3.89% participation in "Matrix Films "Last September" Partnership".

The Company's participation in each partnership is set out below:

	2006		2005	
	Matrix Films "Trial by Fire" Partnership £	Matrix Films "Last September" Partnership £	Matrix Films "Trial by Fire" Partnership £	Matrix Films "Last September" Partnership £
Current assets	19,086	85,245	20,272	90,777
Creditors: amounts due within one year	(2,786)	(12,841)	(2,675)	(12,290)
Creditors: amounts due after more than one year	(15,890)	(72,368)	(17,186)	(78,451)
Total assets	<u>410</u>	<u>36</u>	<u>411</u>	<u>36</u>
Capital contributed	731	(2,945)	731	(2,945)
Loss brought forward	(320)	2,981	(701)	2,961
Profit/(loss) for the year	(1)	-	381	20
Share of funds	<u>410</u>	<u>36</u>	<u>411</u>	<u>36</u>

4. INVESTMENTS

	Dr Snuggles £	Storm Project £	Sugar Cubes £	Total £
Film asset investment:				
Cost:				
As at 1 st April 2005	146,511	8,686	-	155,197
Additions/(Disposals)	-	14,239	1,294	
As at 31 st March 2006	<u>146,511</u>	<u>22,925</u>	<u>1,294</u>	<u>155,197</u>
Depreciation:				
As at 1 st April 2005	136,511	-	-	136,511
Provision against investment	-	-	-	-
As at 31 st March 2006	<u>136,511</u>	<u>-</u>	<u>-</u>	<u>136,511</u>
Net book value:				
As at 31 st March 2006	<u>10,000</u>	<u>22,925</u>	<u>1,294</u>	<u>34,219</u>
As at 31 st March 2005	<u>10,000</u>	<u>8,686</u>	<u>-</u>	<u>18,686</u>

Investments represent total costs incurred in the production of the above projects. The investment in Dr Snuggles has been provided against as a result of a dispute over the ownership of the rights.

5. DEBTORS

	2006 £	2005 £
Amounts falling due within one year:		
Trade debtors	95,319	112,000
Sale and leaseback deposits	102,399	109,103
Prepayments and accrued income	188	200
VAT	-	3,771
Corporation tax	1,601	
	<u>199,507</u>	<u>225,074</u>

The sale and leaseback deposits represent amounts put on deposit and held under guarantees to meet future finance lease payments. The funds are held in escrow accounts with ABN Amro NV and £88,258 (2005: £95,637) is due after more than one year.

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Sale and leaseback loans	14,141	13,466
Other creditors	1,299	1,299
Accruals and deferred income	187	10,200
Director's loan	41,855	-
Corporation tax	-	1,601
	<u>57,482</u>	<u>26,566</u>

7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £	2005 £
Obligation under finance lease agreements	<u>88,258</u>	<u>95,636</u>

Debt due after more than one year

Future commitments under finance leases are as follows:

	2006 £	2005 £
Amounts payable between one and five years	14,141	13,466
Amounts payable after more than five years	106,750	121,566
	<u>120,891</u>	<u>135,032</u>
Less interest and finance charges relating to future periods	(32,633)	(39,396)
	<u>88,258</u>	<u>95,636</u>

8. SHARE CAPITAL

	2006 £	2005 £
Authorised 1,000,000 Ordinary Shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Called up, allotted and fully paid 107,000 Ordinary Shares of £1 each	<u>107,000</u>	<u>107,000</u>

9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Shareholders' funds at 1 st April 2005	125,948	20,232
(Loss)/profit for the year	(31,981)	105,716
Shareholders' funds at 31 st March 2006	<u>93,967</u>	<u>125,948</u>