

**ANIMATRIX LIMITED**  
**Directors' Report &**  
**Financial Statements**

For the year ended 31<sup>st</sup> March 2007

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Company Number: 3529802

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## **DIRECTOR AND ADVISERS**

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

## DIRECTOR'S REPORT

For the year ended 31<sup>st</sup> March 2007

The director presents his report and the unaudited financial statements for the year ended 31<sup>st</sup> March 2007

### 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")), reignited during the year, with Mr Jeffrey O'Kelly disputing the Settlement Agreement, resulting in further litigation. A court date has been set for 31<sup>st</sup> January 2008

The Company has continued developing new animation projects and is planning to widen its business scope to also invest in Medical development projects

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 and his interest in the Company's share capital at 31<sup>st</sup> March 2007 and 2006 were as follows

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

### POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the Company made no political or charitable contributions

The above 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 17 January 2008

  
Matrix Registrars Limited  
Company Secretary

## PROFIT AND LOSS ACCOUNT

For year ended 31<sup>st</sup> March 2007

	Notes	Year ended 31 <sup>st</sup> March 2007 £	Year ended 31 <sup>st</sup> March 2006 £
Turnover		4,430	-
Cost of sales		(20,925)	-
Gross profit		(16,495)	-
Administrative expenses		(9,609)	(33,582)
Provision against investment	4	-	-
Interest receivable	2	10,441	6,751
Interest payable		(6,334)	(6,751)
<b>(Loss)/profit on ordinary activities before tax</b>		<b>(21,997)</b>	<b>933,582)</b>
Tax charge on ordinary activities	1	(821)	1,601
<b>(Loss)/profit for the year</b>		<b>(22,818)</b>	<b>(31,981)</b>
<b>Statement of Reserves</b>			
Balance at 1 <sup>st</sup> April 2006		(13,033)	18,948
(Loss)/profit for the year		(22,818)	(31,981)
At 31 <sup>st</sup> March 2007		<b>(35,851)</b>	<b>(13,033)</b>

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 SHEET***As at 31<sup>st</sup> March 2007*

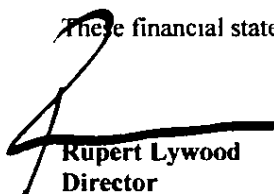
	Notes	31 <sup>st</sup> March 2007 £	31 <sup>st</sup> March 2006 £
<b>Fixed assets</b>			
Investments	4	162,462	34,219
<b>Current assets</b>			
Debtors	5	99,359	199,507
Cash at bank and in hand		5,964	5,981
		<u>105,323</u>	<u>205,488</u>
<b>Creditors: amounts falling due within one year</b>	6	(116,882)	(57,482)
<b>Net current (liabilities)/assets</b>		<u>(11,559)</u>	<u>148,006</u>
<b>Total assets less current liabilities</b>		<u>150,903</u>	<u>182,225</u>
<b>Creditors, amounts due after more than one year</b>	7	(79,754)	(88,258)
<b>Net Assets</b>		<u>71,149</u>	<u>93,967</u>
<b>Capital and reserves</b>			
Called up share capital	8	107,000	107,000
Profit and loss account		(35,851)	(13,033)
<b>Equity Shareholders' Funds</b>	9	<u>71,149</u>	<u>93,967</u>

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

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

For the financial year ended 31 March 2007 the Company was entitled to exemption from audit under section 249A(1) Companies Act 1985, and no notice has been deposited under section 249B(2). The Director acknowledges his responsibility for ensuring that the Company keeps accounting records which comply with section 221 of the Act and preparing accounts which give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2007 and of its loss for the financial year then ended, 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 so far as applicable to the Company

These financial statements were approved by the Director on 17 January 2008 and were signed by him

  
Rupert Lywood  
Director

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2007

### 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 31<sup>st</sup> March 2007 are included in its profit and loss account and the company's share of the net assets of the Partnerships at 31<sup>st</sup> March 2007 are included in its balance sheet

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

On 3<sup>rd</sup> 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 3<sup>rd</sup> February 2000.

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

On 23<sup>rd</sup> 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 23<sup>rd</sup> 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 tax charge represents the tax deducted at source on the Loan Note interest. The company made a loss for the year and accordingly no further tax charge has arisen

**2. INTEREST RECEIVABLE**

This represents amounts receivable on monies held in the escrow accounts and interest on the Star Syringe Loan Notes (see note 4 below)

**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

	2007		2006	
	Matrix Films "Trial by Fire" Partnership £	Matrix Films "Last September" Partnership £	Matrix Films "Trial by Fire" Partnership £	Matrix Films "Last September" Partnership £
Current assets	17,696	77,526	19,086	85,245
Creditors amounts due within one year	(2,906 )	(12,119 )	(2,786 )	(12,841 )
Creditors amounts due after more than one year	(14,383 )	(65,372 )	(15,890 )	(72,368 )
Total assets	<u>407</u>	<u>35</u>	<u>410</u>	<u>36</u>
Capital contributed	731	(2,945 )	731	(2,945 )
Loss brought forward	(321 )	2,981	(320 )	2,981
Profit/(loss) for the year	(3 )	(1 )	(1 )	-
Share of funds	<u>407</u>	<u>35</u>	<u>410</u>	<u>36</u>

**4. INVESTMENTS**

	Dr Snuggles £	Storm Project £	Sugar Cubes £	Loan Note £	Total £
Film asset investment					
Cost:					
As at 1 <sup>st</sup> April 2006	146,511	22,925	1,294	-	170,730
Additions/(Disposals)	-	(2,000)	49,346	101,822	149,168
As at 31 <sup>st</sup> March 2007	<u>146,511</u>	<u>20,925</u>	<u>50,640</u>	<u>101,822</u>	<u>319,898</u>
Depreciation					
As at 1 <sup>st</sup> April 2006	136,511	-	-	-	136,511
Write-off of investment	-	20,925	-	-	20,925
As at 31 <sup>st</sup> March 2007	<u>136,511</u>	<u>20,925</u>	<u>-</u>	<u>-</u>	<u>157,436</u>
Net book value:					
As at 31 <sup>st</sup> March 2007	<u>10,000</u>	<u>-</u>	<u>50,640</u>	<u>101,822</u>	<u>162,462</u>
As at 31 <sup>st</sup> March 2006	<u>10,000</u>	<u>22,925</u>	<u>1,294</u>	<u>-</u>	<u>34,219</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. The investment in the Storm project has been written off as it is unlikely to proceed any further. The Loan Notes form part of the £524,397 Convertible Secured Loan.



Notes 2009, with Star Syringe Limited, and were issued on 20 April 2006 Interest is payable at a rate of 3% above the Natwest base rate

**5. DEBTORS**

	2007	2006
	£	£
Amounts falling due within one year		
Trade debtors	-	95,319
Sale and leaseback deposits	94,602	102,399
Prepayments and accrued income	2,620	188
VAT	536	-
Corporation tax	1,601	1,601
	<b>99,359</b>	<b>199,507</b>

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 £79,754 (2006 £88,258) is due after more than one year

**6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2007	2006
	£	£
Sale and leaseback loans	14,848	14,141
Other creditors	-	1,299
Accruals and deferred income	177	187
Director's loan	101,857	41,855
	<b>116,882</b>	<b>57,482</b>

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

	2007	2006
	£	£
Obligation under finance lease agreements	<b>79,754</b>	<b>88,258</b>
<b>Debt due after more than one year</b>		
Future commitments under finance leases are as follows		
	2007	2006
	£	£
Amounts payable between one and five years	14,848	14,141
Amounts payable after more than five years	91,195	106,750
	<b>106,043</b>	<b>120,891</b>
Less interest and finance charges relating to future periods	<b>(26,289 )</b>	<b>(32,633 )</b>
	<b>79,754</b>	<b>88,258</b>

**8. SHARE CAPITAL**

	2007 £	2006 £
<b>Authorised</b> 1,000,000 Ordinary Shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
<b>Called up, allotted and fully paid</b> 107,000 Ordinary Shares of £1 each	<u>107,000</u>	<u>107,000</u>

**9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2007 £	2006 £
Shareholders' funds at 1 <sup>st</sup> April 2006	93,967	125,948
(Loss)/profit for the year	(22,818)	(31,981)
Shareholders' funds at 31 <sup>st</sup> March 2007	<u>71,149</u>	<u>93,967</u>