

ANIMATRIX LIMITED
Directors' Report &
Financial Statements

For the year ended 31st March 2003

Company Number: 3529802



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DIRECTORS AND ADVISERS

DIRECTORS	Rupert Lywood
SECRETARY	Matrix Securities Limited
REGISTERED OFFICE	Gossard House 7-8 Savile Row London W1X 1AF
SOLICITORS	The Simkins Partnership 45-51 Whitfield Street London W1P 6AA
BANKERS	Barclays Bank PLC 50 Pall Mall London

DIRECTORS' REPORT

For the year ended 31st March 2003

The directors present their report and the unaudited financial statements for the year ended 31st March 2003.

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 participated in the co-production and distribution of the films "Trial by Fire" and "The Last September". Unfortunately broadcasting sales did not recoup the full cost of production of either film and the partnerships took advantage of the pecuniary loss indemnity insurance policies to cover any shortfall.

The outstanding insurance monies in respect of Last September were received during February 2003 and those in respect of Trial by Fire during May 2003. A distribution was made by each of the partnerships during May 2003 and the balance of the funds were distributed to the partners during October 2003. The partnerships are each in the process of being dissolved.

The Company is now participating in the development, co-production and distribution of a childrens television animation series based on the character Dr Snuggles. The company's participation is via a limited liability partnership (The Doctor Snuggles Animatrix Partnership LLP).

DIVIDENDS

The directors do not recommend the payment of a dividend.

DIRECTORS

The Directors of the Company during the year ended 31st March 2003 were:

Rupert Lywood

DIRECTOR'S INTERESTS

The Director's interests in the Company's share capital at 31st March 2003 and 2002 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.

DIRECTORS' RESPONSIBILITIES

The Directors are 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 Directors confirm 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 2003. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

Small Company Exemption

The Directors' 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 18 December 2003.



Matrix Securities Limited
for **Company Secretary**

PROFIT AND LOSS ACCOUNT

For year ended 31st March 2003

	Notes	Year ended 31 st March 2003 £	Year ended 31 st March 2002 £
Turnover		21,915	45,956
Cost of sales		(20,988)	(38,684)
Gross profit		927	7,272
Administrative expenses		(4,442)	(295)
Interest receivable	2	8,730	8,309
Interest payable		(7,640)	(7,833)
Profit/(loss) on ordinary activities before tax		(2,425)	7,453
Tax charge on ordinary activities	1	-	-
Profit/(loss) for the year		(2,425)	7,453
Statement of Reserves			
Balance at 1 st April 2002		3,100	(4,353)
Profit for the year		(2,425)	7,453
At 31 st March 2003		675	3,100

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 profit/(loss) on ordinary activities before taxation and the profit/(loss) for the year stated above, and their historical cost equivalents.

The notes on pages 7 to 11 form part of these financial statements.

BALANCE SHEET*As at 31st March 2003*

	Notes	31 st March 2003 £	31 st March 2002 £
Fixed assets			
Investments	4	239,444	38,302
Current assets			
Debtors	5	121,326	128,829
Cash at bank and in hand		41,045	72,018
		<u>162,371</u>	<u>195,847</u>
Creditors: amounts falling due within one year	6	(186,791)	(12,134)
		<u>(24,420)</u>	<u>183,713</u>
Net current (liabilities)/assets			
		<u>215,024</u>	<u>222,015</u>
Creditors: amounts due after more than one year	7	(107,349)	(111,915)
		<u>107,675</u>	<u>110,100</u>
Net Assets			
		<u>107,675</u>	<u>110,100</u>
Capital and reserves			
Called up share capital	8	107,000	107,000
Profit and loss account		675	3,100
		<u>107,675</u>	<u>110,100</u>
Equity Shareholders' Funds	9	<u>107,675</u>	<u>110,100</u>

The notes on pages 7 to 11 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.

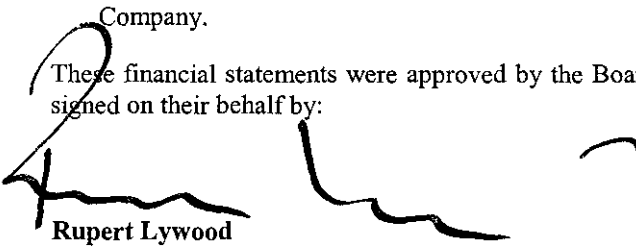
Advantage has been taken of the audit exemptions available for small companies conferred by section 249A(1) of the Companies Act 1985 on the grounds:

- that for the year ended 31st March 2003 the Company was entitled to the exemption from a statutory audit under section 249A(1) of the Companies Act 1985; and
- 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:

- ensuring that the Company keeps proper accounting records which comply with section 221 of the Companies Act 1985; and
- preparing financial statements which give a true and fair view of the state of the affairs of the company at 31st March 2003 and of its loss 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 Board of Directors on 14 December 2003 and were signed on their behalf by:


Rupert Lywood
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2003

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 2003 are included in its profit and loss account and the company's share of the net assets of the Partnerships at 31st March 2003 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 and depreciated over the term 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. Depreciation on the investments is calculated based on actual receipts in the period as a proportion of the estimated total proceeds and is shown in the accounts within cost of sales.

(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 and depreciated over the term of the lease on the basis of actual receipts in the period as a proportion of estimated total proceeds. No depreciation was charged during the year as the Partnership had no turnover. 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**

Due to losses brought forward there is no charge to taxation for the 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:

	2003		2002	
	Matrix Films "Trial by Fire" Partnership £	Matrix Films "Last September" Partnership £	Matrix Films "Trial by Fire" Partnership £	Matrix Films "Last September" Partnership £
Fixed assets	17,315	-	17,315	20,987
Current assets	34,438	117,485	35,332	155,788
Creditors: amounts due within one year	(2,482)	(9,970)	(2,532)	(9,605)
Creditors: amounts due after more than one year	(19,224)	(88,125)	(19,995)	(91,920)
Total assets	<u>30,047</u>	<u>19,390</u>	<u>30,210</u>	<u>75,250</u>
Capital contributed	32,000	16,419	32,000	67,000
Loss brought forward	(1,880)	8,250	(2,089)	997
Profit/(loss) for the year	(73)	(5,279)	209	7,253
Share of funds	<u>30,047</u>	<u>19,390</u>	<u>30,120</u>	<u>75,250</u>

4. FIXED ASSETS

	Dr Snuggles £	Trial by Fire £	The Last September £	Total £
Film asset investment:				
Cost:				
As at 1 st April 2002	-	26,572	56,859	83,341
Additions	222,129	-	-	222,129
As at 31 st March 2003	<u>222,129</u>	<u>26,572</u>	<u>56,859</u>	<u>305,561</u>
Depreciation:				
As at 1 st April 2002	-	9,257	35,872	45,129
Charge for the year	-	-	20,987	20,987
As at 31 st March 2003	<u>-</u>	<u>9,257</u>	<u>56,859</u>	<u>66,116</u>
Net book value:				
As at 31 st March 2003	<u>222,129</u>	<u>17,315</u>	<u>-</u>	<u>239,444</u>
As at 31 st March 2002	<u>-</u>	<u>17,315</u>	<u>20,987</u>	<u>38,302</u>

Investments represent total costs incurred in the production of the above films. Depreciation is calculated based on actual receipts in the period as a proportion of the estimated total proceeds.

5. DEBTORS

	2003	2002
	£	£
Amounts falling due within one year:		
Sale and leaseback deposits	119,564	123,549
Prepayments and accrued income	237	246
VAT	1,332	34
Other debtors	193	-
	121,326	123,829

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 £107,349 (2002: £111,915) is due after more than one year.

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Sale and leaseback loans	12,215	11,631
RG Lywood loan	174,339	-
Accruals and deferred income	237	503
	186,791	12,134

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

	2003	2002
	£	£
Obligation under finance lease agreements	107,349	111,915

Debt due after more than one year

Future commitments under finance leases are as follows:

	2003	2002
	£	£
Amounts payable between one and five years	12,215	11,631
Amounts payable after more than five years	149,111	161,910
	161,326	173,541
Less interest and finance charges relating to future periods	(53,977)	(61,626)
	107,349	111,915

8. SHARE CAPITAL

	2003 £	2002 £
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

	2003 £	2002 £
Shareholders' funds at 1 st April 2002	110,100	102,647
Profit/(loss) for the year	(2,425)	7,453
Shareholders' funds at 31 st March 2003	<u>107,675</u>	<u>110,100</u>

10. PARTNERSHIP ACCOUNTS

The Company, under the terms of various partnership deeds, has entered into partnership with "Matrix Films "Trial By Fire" Partnership" and "Matrix Films "Last September" Partnership", which have engaged in the production and distribution of various films. Both partnerships are in the process of being dissolved.

The most recent accounting period for each of these partnerships was to 31st December 2001 and audited accounts have been prepared to this date in order to comply with the Partnership and Unlimited Companies (Accounts) Regulations 1993.