

ANIMATRIX LIMITED
Directors' Report &
Financial Statements

For the year ended 31st March 2008

Company Number: 3529802

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DIRECTOR AND ADVISERS

DIRECTOR	Rupert Lywood
SECRETARY	Matrix Registrars Limited
REGISTERED OFFICE	One Vine Street London W1J 0AH
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 2008

The director presents his report and the unaudited financial statements for the year ended 31st March 2008.

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 Animatrix Partnership LLP ("the LLP")) was eventually settled by way of judgement in favour of the Company in the Court of Appeal in January 2009.

During the course of the year, the Company participated in three medical research projects, investing a total of £605,481, through special purpose LLPs, and is committed to investing a further £946,007 over the next three years. These are all early stage projects involved in the development and trials of cancer vaccines, a prenatal diagnostic test for detecting downs syndrome, and a revolutionary new design for orthopaedic crutches. Each entity is a trading LLP. Capital is provided, by RCG Lywood, by way of loans to the Company.

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 31st March 2008 and 2007 were as follows:

Number of ordinary shares of £1 each

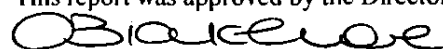
Rupert Lywood	107,000
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POLITICAL AND CHARITABLE CONTRIBUTIONS

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 28 January 2009.


Matrix Registrars Limited
Company Secretary

PROFIT AND LOSS ACCOUNT

For year ended 31st March 2008

	Notes	Year ended 31 st March 2008 £	Year ended 31 st March 2007 £
Turnover		941	4,430
Cost of sales		-	(20,925)
Gross profit/(loss)		941	(16,495)
Administrative expenses		(52,771)	(9,609)
Interest receivable	2	29,757	10,441
Interest payable		(5,828)	(6,334)
(Loss)/profit on ordinary activities before tax		(27,901)	(21,997)
Tax charge on ordinary activities	1	(1,829)	(821)
(Loss)/profit for the year		(29,730)	(22,818)
Statement of Reserves			
Balance at 1 st April 2007		(35,851)	(13,033)
(Loss)/profit for the year		(29,730)	(22,818)
At 31 st March 2008		(65,581)	(35,851)

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 6 to 9 form part of these financial statements.

BALANCE SHEET*As at 31st March 2008*

	Notes	31 st March 2008 £	31 st March 2007 £
Fixed assets			
Investments	4	798,458	162,462
Current assets			
Debtors	5	92,360	99,359
Cash at bank and in hand		3,061	5,964
		<u>95,421</u>	<u>105,323</u>
Creditors: amounts falling due within one year	6	(782,461)	(116,882)
Net current (liabilities)/assets		<u>(687,040)</u>	<u>(11,559)</u>
Total assets less current liabilities		<u>111,418</u>	<u>150,903</u>
Creditors: amounts due after more than one year	7	(69,999)	(79,754)
Net Assets		<u>41,419</u>	<u>71,149</u>
Capital and reserves			
Called up share capital	8	107,000	107,000
Profit and loss account		(65,581)	(35,851)
Equity Shareholders' Funds	9	<u>41,419</u>	<u>71,149</u>

The notes on pages 6 to 9 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 2008 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 31st March 2008 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 24 January 2009 and were signed by him:



Rupert Lywood
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008

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 2007 are included in its profit and loss account and the company's share of the net assets of the Partnerships at 31st March 2007 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. Proceeds on sale are treated as a finance lease creditor and will be reduced by future capital lease payments. 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. Proceeds on sale are treated as a finance lease creditor and will be reduced by future capital lease payments. 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 tax charge represents the tax deducted at source on the Loan Note interest (£1,622) and £207 of tax in respect of prior years. 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:

	2008		2007	
	Matrix Films "Trial by Fire" Partnership £	Matrix Films "Last September" Partnership £	Matrix Films "Trial by Fire" Partnership £	Matrix Films "Last September" Partnership £
Current assets	16,087	70,112	17,696	77,526
Creditors: amounts due within one year	(3,033)	(12,725)	(2,906)	(12,119)
Creditors: amounts due after more than one year	(12,647)	(57,352)	(14,383)	(65,372)
Total assets	<u>407</u>	<u>35</u>	<u>407</u>	<u>35</u>
Capital contributed	731	(2,945)	731	(2,945)
Loss brought forward	(324)	2,980	(321)	2,981
Profit/(loss) for the year		-	(3)	(1)
Share of funds	<u>407</u>	<u>35</u>	<u>407</u>	<u>35</u>

4. INVESTMENTS

	Dr Snuggles £	Sugar Cubes £	Loan Notes/ Shares in Star Syringe Ltd £	Medical Investments £	Total £
Film asset investment: Cost:					
As at 1 st April 2007	146,511	50,640	101,822	-	298,973
Additions/(Disposals)	-	14,765	15,750	605,481	635,996
As at 31 st March 2008	<u>146,511</u>	<u>65,405</u>	<u>117,572</u>	<u>605,481</u>	<u>934,969</u>
Depreciation:					
As at 1 st April 2007	136,511	-	-	-	136,511
Write-off of investment	-	-	-	-	-
As at 31 st March 2008	<u>136,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,511</u>
Net book value:					
As at 31 st March 2008	<u>10,000</u>	<u>65,405</u>	<u>117,572</u>	<u>605,481</u>	<u>798,458</u>
As at 31 st March 2007	<u>10,000</u>	<u>50,640</u>	<u>101,822</u>	<u>-</u>	<u>162,462</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. During the year, the Loan Notes, which formed part of the £524,397 Convertible

Secured Loan Notes 2009 with Star Syringe Limited, were converted to 157 shares in Star Syringe Limited. Interest was payable, on the Loan Notes, at a rate of 3% above the Natwest base rate.

The Medical Investments were in three medical research projects, through special purpose LLPs, which were involved in the development and trial of cancer vaccines, a prenatal diagnostic test for detecting downs syndrome, and a revolutionary new design for orthopaedic crutches.

	Zoragen LLP £	Second Legs LLP £	CV R&D LLP £	Total £
As at 1 st April 2007	-	-	-	-
Additions	160,000	45,481	400,000	605,481
As at 31 st March 2008	160,000	45,481	400,000	605,481

5. DEBTORS

	2008 £	2007 £
Amounts falling due within one year:		
Sale and leaseback deposits	85,590	94,602
Prepayments and accrued income	169	2,620
VAT	6,601	536
Corporation tax	-	1,601
	92,360	99,359

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 £69,999 (2007: £79,754) is due after more than one year.

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Sale and leaseback loans	15,590	14,848
Accruals and deferred income	1,909	177
Corporation tax	208	-
Director's loan	764,754	101,857
	782,461	116,882

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

	2008 £	2007 £
Obligation under finance lease agreements	69,999	79,754

Debt due after more than one year

Future commitments under finance leases are as follows:

	2008	2007
	£	£
Amounts payable between one and five years	70,556	67,195
Amounts payable after more than five years	19,897	38,848
	90,453	106,043
Less interest and finance charges relating to future periods	(20,454)	(26,289)
	69,999	79,754

8. SHARE CAPITAL

	2008	2007
	£	£
Authorised		
1,000,000 Ordinary Shares of £1 each	1,000,000	1,000,000
Called up, allotted and fully paid		
107,000 Ordinary Shares of £1 each	107,000	107,000

9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008	2007
	£	£
Shareholders' funds at 1 st April 2007	71,149	93,967
(Loss)/profit for the year	(29,730)	(22,818)
Shareholders' funds at 31 st March 2008	41,419	71,149