

1688331

**Mindscape (UK) Limited**

**Directors' Report and Financial Statements**

**Year Ended 31 December 2004**

TUESDAY



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**DIRECTORS AND OTHER INFORMATION**

**Board of Directors**

Jean Pierre Nordman

**Solicitors**

Marriott Harrison  
12 Great James Street  
London WC1N 3DR

Quastels, Avery, Midgen  
74 Wimpole Street  
London W1S 9RR

Landwell  
1 Embankment Place  
London WC2N 6NN

**Secretary and Registered Office**

MH Secretaries Limited  
12 Great James Street  
London WC1N 3DR

**Bankers**

Barclays Bank Plc  
Slough  
PO Box 756  
Berkshire SL1 455

**Registered Number:** 1638551

**Auditors**

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
George's Quay  
Dublin 2

HSBC Bank Plc  
City of London Corporate Office  
PO Box 125 27-32  
Poultry  
London EC2P 2BX

Lloyds TSB  
2 Thomas Street  
Windsor  
Berkshire SL4 1PN

## DIRECTORS' REPORT

The director presents his report and audited financial statements for the year ended 31 December 2004.

### Principal activities

The principal activity of the company is that of sale and distribution of computer software.

### Business review and future developments

| 2004 | 2003 |
|------|------|
| £    | £    |

The results are as follows:

|                                      |               |                 |
|--------------------------------------|---------------|-----------------|
| Profit/(loss) for the financial year | <u>78,483</u> | <u>(45,161)</u> |
|--------------------------------------|---------------|-----------------|

During the year considerable changes were made to the business trading pattern as the direct result of the decision of Riverdeep Inc. (formally The Learning Company Incorporated of USA) to channel its product licencing rights for the UK through an alternative licence route.

The director is satisfied with the results for the year and is reviewing the available courses of action to increase sales and margins.

### Proposed dividend

The director does not recommend the payment of a dividend.

### Directors

The director who served during the period is as follows:

Jean Pierre Nordman

### Interests of director in shares

The director has no beneficial interest in the share capital of the company.

The beneficial interests of the director and their spouse and minor children in the share capital of the holding company was as follows:

Jean Pierre Nordman - 525 ordinary shares in Brainscape S.A.

### Directors' responsibilities for financial statements

UK Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in the United Kingdom and 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.

### Post balance sheet events

There have been no post balance sheet events affecting the company since year end.

**DIRECTORS' REPORT - continued**

**Going concern**

After making appropriate enquiries, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements (see notes 1 and 21).

**Auditors**

PricewaterhouseCoopers have indicated there wish to resign as auditors, consequently, a motion will be tabled appointing Wood Branson and Dickinson in their place for 2005.

**By order of the board**

*Handwritten signature*  
R.H. Seabrook (A)  
Company Secretary

18 December 2006

**PricewaterhouseCoopers**

George's Quay

Dublin 2

Telephone +353 (0) 1 678 9999

Facsimile +353 (0) 1 704 8600

I.D.E. Box No. 1283

Internet [www.pwc.com/ie](http://www.pwc.com/ie)**Independent auditors' report to the members of Mindscape (UK) Limited**

We have audited the financial statements on page 9 to 17 which comprise the profit and loss account, balance sheet and the related notes, which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act, 1985.

We also report to you, if in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Going concern**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the directors' assessment of the future solvency of the company. In view of the significance of this uncertainty, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

**Independent auditors' report to the members of Mindscape (UK) Limited - continued**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies act 1985.

*PricewaterhouseCoopers*

**PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Dublin**

**3 January 2007**

## ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

### Basis of preparation

The financial statements have been prepared in accordance with accounting standards generally accepted in the United Kingdom and English statute comprising the Companies Acts. Accounting standards generally accepted in the United Kingdom in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in England and Wales and was issued by the Accounting Standards Board.

The financial statements have been prepared in accordance with the historical cost convention.

### Fixed assets and depreciation

Depreciation is provided by the company to write off the cost, less the estimated residual value, of the tangible assets by equal instalments over their estimated useful economic lives as follows:

|                    |         |
|--------------------|---------|
| Computer equipment | 5 years |
|--------------------|---------|

### Stocks

Stocks are valued on the weighted average unit cost basis at the lower of cost and net realisable value.

Cost includes all expenditure which has been incurred in the normal course of business in bringing the product to its present location and condition.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items, where appropriate.

### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

### Operating leases

All operating lease rental charges are charged to the profit and loss account on a straight line basis over the life of the leases.

### Pension costs

Pension contributions have been paid into the employees voluntary individual pension schemes. The amount charged against profits represents the contributions payable in respect of the employees for the accounting period.

### Taxation

The charge for taxation is based on the result for the period and takes deferred tax into account.

Deferred tax is provided on all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.



## **ACCOUNTING POLICIES - continued**

### **Turnover**

Turnover represents the amounts (excluding value added tax and trade discounts) derived from the provision of goods and services to customers, net of returns, during the period.

### **Goodwill**

Goodwill arising on acquisition of trades is capitalised on the balance sheet and amortised over the estimated useful economic lives of the trades in equal instalments. Such amortisation periods do not exceed twenty years.

**PROFIT AND LOSS ACCOUNT**  
**Year Ended 31 December 2004**

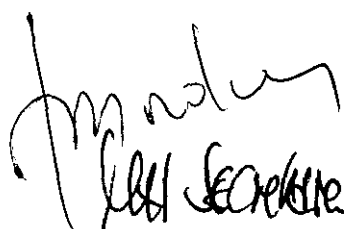
|   | Notes | 2004<br>£           | 2003<br>£           |
|---|-------|---------------------|---------------------|
| <b>Turnover</b>   | 2     | 2,266,383           | 3,256,038           |
| Cost of sales   |       | <u>(1,390,501)</u>  | <u>(1,553,500)</u>  |
| <b>Gross profit</b>   |       | 875,882             | 1,702,538           |
| Administrative expenses   |       | <u>(1,012,287)</u>  | <u>(1,421,931)</u>  |
| <b>Operating (loss)/profit</b>  |       | (136,450)           | 280,607             |
| Exceptional item  | 4     | 213,685             | (185,013)           |
| Interest receivable and similar income  | 7     | 11,417              | 11,173              |
| Interest payable and similar charges  | 7     | <u>(10,214)</u>     | <u>(151,928)</u>    |
| <b>Profit/(loss) on ordinary activities before taxation</b>                       | 3     | 78,483              | (45,161)            |
| Taxation charge   | 8     | <u>-</u>            | <u>-</u>            |
| <b>Profit/(loss) on ordinary activities after taxation for the financial year</b> |       | 78,483              | (45,161)            |
| Accumulated deficit brought forward   |       | <u>(12,653,334)</u> | <u>(12,608,173)</u> |
| <b>Accumulated deficit carried forward</b>  |       | <u>(12,574,851)</u> | <u>(12,653,334)</u> |

The company's profits and losses were all derived from continuing activities.

The company has no recognised gains or losses other than those included in the loss above and therefore no separate statement of total recognised gains and losses has been presented.

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

By order of the board



Company Secretary (s/s)

**BALANCE SHEET**  
**31 December 2004**

|  | Notes | 2004<br>£           | 2003<br>£           |
|--|-------|---------------------|---------------------|
| <b>Fixed assets</b>                                    |       |                     |                     |
| Tangible assets  | 9     | 5,852               | -                   |
| Investments  | 10    | -                   | -                   |
| Intangible assets - goodwill                           | 11    | -                   | -                   |
|  |       | <u>5,852</u>        | <u>-</u>            |
| <b>Current assets</b>                                  |       |                     |                     |
| Debtors  | 12    | 682,696             | 799,949             |
| Stock  | 13    | 107,202             | -                   |
| Cash at bank and in hand                               |       | <u>339,943</u>      | <u>546,213</u>      |
|  |       | 1,129,841           | 1,346,162           |
| <b>Creditors - amounts falling due within one year</b> | 14    | <u>(3,324,308)</u>  | <u>(3,613,260)</u>  |
| <b>Net current liabilities</b>                         |       | <u>(2,194,467)</u>  | <u>(2,267,098)</u>  |
| <b>Total assets less current liabilities</b>           |       | <u>(2,188,615)</u>  | <u>(2,267,098)</u>  |
| <b>Capital and reserves</b>                            |       |                     |                     |
| Called up share capital                                | 15    | 10,386,236          | 10,386,236          |
| Profit and loss account                                |       | <u>(12,574,851)</u> | <u>(12,653,334)</u> |
| <b>Equity shareholders' deficit</b>                    | 17    | <u>(2,188,615)</u>  | <u>(2,267,098)</u>  |

These financial statements were approved by the board of directors on December 18, 2006 and were signed on its behalf by:

Director

*[Signature]*  
 All Shareholders Ltd  
 Co. Secretary

## NOTES TO THE FINANCIAL STATEMENTS

**1 Basis of preparing the financial statements**

At the balance sheet date, the company's current liabilities exceeded its current assets by £2,194,467. The net liabilities include £2,284,590 payable to Broderbund Software Limited which the director is of the opinion will not become payable in the foreseeable future. The director believes that in the event of Broderbund Software Limited calling the existing payable it would be offset by a receivable in the same amount due by Broderbund Software Limited to Mindscape International Limited, a subsidiary of Mindscape UK Limited. Mindscape International Limited has been struck off and is in the process of being reinstated.

The director has prepared financial projections for the period to 31 December 2007 and based on which they are satisfied that the company will become solvent in the foreseeable future. Based on the forecasts and on the fact that Mindscape SA and Mindscape SAS have agreed not to demand repayment in the future of any intercompany debt, where to do so would make the company insolvent (see note 21) the directors are satisfied that it remains appropriate to prepare financial statements on a going concern basis.

**2 Turnover**

The analysis of turnover by geographic area has not been disclosed as in the opinion of the directors, disclosure of such information would be seriously prejudiced to the commercial interest of the company.

| <b>3 Profit/(loss) on ordinary activities before taxation</b>                  | <b>2004<br/>£</b> | <b>2003<br/>£</b> |
|--|-------------------|-------------------|
| Profit/(loss) on ordinary activities before taxation is stated after charging: |                   |                   |
| Auditors' remuneration:  |                   |                   |
| Audit  | 17,094            | 17,603            |
| Depreciation and other amounts written off tangible fixed assets               | -                 | 11,416            |
| Hire of other assets - operating leases:                                       |                   |                   |
| - Land and buildings   | 66,015            | 166,344           |
| - Other  | 21,672            | 18,819            |
| Foreign exchange loss  | <u>4,981</u>      | <u>1,811</u>      |
| <b>4 Exceptional item</b>  | <b>2004<br/>£</b> | <b>2003<br/>£</b> |
| Release of provisions  | 213,685           | -                 |
| Restructuring costs  | <u>-</u>          | <u>(185,013)</u>  |
|  | <u>213,685</u>    | <u>(185,013)</u>  |

The exceptional loss in the current year relates to the release of provisions related to potential claims which never materialised.

## NOTES TO THE FINANCIAL STATEMENTS - continued

|  |                 |                  |
|--|-----------------|------------------|
| <b>5 Remuneration of directors</b>   | 2004<br>£       | 2003<br>£        |
| Directors' emoluments:   |                 |                  |
| Aggregate emoluments   | -               | -                |
| Pensions   | -               | -                |
| Compensation for loss of office  | -               | -                |
|  | <u>-</u>        | <u>-</u>         |
| <b>6 Staff numbers and costs</b>   | 2004<br>Number  | 2003<br>Number   |
| The average number of persons employed by the company (including executive directors) during the period, analysed by category, was as follows: |                 |                  |
| Sales and marketing, and operations  | 3               | 13               |
| Finance and administration   | 8               | 3                |
|  | <u>11</u>       | <u>16</u>        |
|  | 2004<br>£       | 2003<br>£        |
| The aggregate payroll costs of these persons were as follows:  |                 |                  |
| Wages and salaries   | 301,880         | 421,792          |
| Social security costs  | 32,688          | 47,146           |
| Other pension costs  | 25,076          | 37,473           |
|  | <u>359,644</u>  | <u>506,411</u>   |
| <b>7 Interest receivable and payable</b>   | 2004<br>£       | 2003<br>£        |
| <b>Interest receivable and similar income</b>  |                 |                  |
| Bank interest received   | <u>11,417</u>   | <u>11,173</u>    |
| <b>Interest payable and similar charges</b>  |                 |                  |
| Interest payable   | -               | (143,000)        |
| Bank charges   | <u>(10,214)</u> | <u>(8,928)</u>   |
|  | <u>(10,214)</u> | <u>(151,928)</u> |

## NOTES TO THE FINANCIAL STATEMENTS - continued

| 8 Taxation | 2004<br>£ | 2003<br>£ |
|------------|-----------|-----------|
|------------|-----------|-----------|

**(a) Analysis of charge for the year****Current tax**

|  |          |          |
|--|----------|----------|
| UK corporation tax on profits/(loss) of the year | -        | -        |
| Overprovision in respect of previous years       | <u>-</u> | <u>-</u> |
| Total current tax (note 8(b))                    | -        | -        |

**Deferred tax**

|   |          |          |
|---|----------|----------|
| Current year origination and reversal of timing differences | -        | -        |
| Adjustment in respect of previous years                     | <u>-</u> | <u>-</u> |
|   | <u>-</u> | <u>-</u> |

**(b) Factors affecting tax charge for the year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30%.  
The differences are explained below:

|  | 2004<br>£       | 2003<br>£       |
|--|-----------------|-----------------|
| Profit/(loss) on ordinary activities before tax  | <u>78,483</u>   | <u>(45,161)</u> |
| Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%) | 23,545          | (13,548)        |
| <b>Effects of:</b>   |                 |                 |
| Expenses not deductible for tax purposes   | 2,580           | 62,079          |
| Cumulative tax losses and accelerated capital allowances   | <u>(26,125)</u> | <u>(48,531)</u> |
| <b>Current tax charge for the year (note 8(a))</b>   | <u>-</u>        | <u>-</u>        |

**Deferred tax**

A potential deferred tax asset of £3,419,203 (2003: £3,390,000) relating primarily to cumulative tax losses and timing differences on fixed assets has not been recognised.

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 9 Tangible fixed assets

Computer  
equipment  
£**Cost**

At 1 January 2004

5,852

Additions

Disposals

At 31 December 2004

5,852

**Accumulated depreciation**

At 1 January 2004

Charge for year

Disposals

At 31 December 2004

**Net book value**

At 31 December 2004

5,852

At 31 December 2003

## 10 Investments

2004  
£2003  
£

Entire share capital of Mindscape International Limited

Mindscape International Limited is a company incorporated in the United Kingdom. The nominal value of the shares held in this company is £13,708,282 comprised of £8,208,282 ordinary shares of £1 each and 5,500,00 preferred ordinary shares of £1 each. The principal activities of this company were the development, distribution and sale of computer software in the UK and Europe. The trade of this company was acquired by The Learning Company (UK) Limited on 6 May 1999 for a cash consideration of £1,900,000.

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 11 Intangible assets

Total  
£

Goodwill arising on acquisition of Mindscape International Limited:

**Cost**

At 1 January 2004

3,102,554

At 31 December 2004

3,102,554

**Accumulated amortisation**

At 1 January 2004

3,102,554

Amortised during year

-

At 31 December 2004

3,102,554

**Net book value**

At 31 December 2004

-

At 31 December 2003

-

## 12 Debtors

2004  
£2003  
£

Amounts falling due within one year

Trade debtors

591,668

717,740

Amounts owed by fellow subsidiary undertakings

3,670

2,894

Prepayments and accrued income

87,358

79,315

682,696

799,949

Amounts owing by fellow subsidiary undertakings are unsecured, interest free and have no fixed terms of repayment.

## 13 Stock

2004  
£2003  
£

Finished goods

107,202

-



## NOTES TO THE FINANCIAL STATEMENTS - continued

| 14 Creditors  | 2004<br>£        | 2003<br>£        |
|---|------------------|------------------|
| Amounts falling due within one year:                      |                  |                  |
| Trade creditors   | 194,657          | 7,318            |
| Amounts owed to parent and fellow subsidiary undertakings | 456,238          | 453,488          |
| Loan from Broderband Software Limited                     | 2,284,590        | 2,284,590        |
| Interest payable on loan                                  | 143,000          | 143,000          |
| Other creditors including taxation and social security:   |                  |                  |
| - Other taxes   | 78,528           | 157,776          |
| - PAYE and social security                                | 8,234            | 9,052            |
| Accruals and deferred income                              | 159,061          | 558,036          |
|   | <u>3,324,308</u> | <u>3,613,260</u> |

Amounts owing to parent and fellow subsidiary undertakings are unsecured, interest free and have no fixed terms of repayment.

| 15 Called up share capital                 | 2004<br>£         | 2003<br>£         |
|--|-------------------|-------------------|
| <b>Authorised:</b>                         |                   |                   |
| Ordinary shares of £1 each                 | <u>11,000,000</u> | <u>11,000,000</u> |
| <b>Allotted, called up and fully paid:</b> |                   |                   |
| Ordinary shares of £1 each                 | <u>10,386,236</u> | <u>10,386,236</u> |

| 16 Commitments   | Land and buildings |               | Others        |               |
|--|--------------------|---------------|---------------|---------------|
|  | 2004<br>£          | 2003<br>£     | 2004<br>£     | 2003<br>£     |
| The company has commitments under non-cancellable operating leases as follows: |                    |               |               |               |
| Expiring within:   |                    |               |               |               |
| 1 year   | 13,518             | 78,000        | 16,940        | 9,472         |
| 2 - 5 years  | -                  | -             | -             | 29,057        |
|  | <u>13,518</u>      | <u>78,000</u> | <u>16,940</u> | <u>38,529</u> |

| 17 Reconciliation of movements in shareholders' deficit | 2004<br>£          | 2003<br>£          |
|---|--------------------|--------------------|
| Opening shareholders' deficit                           | (2,267,098)        | (2,221,937)        |
| Profit/(loss) for the financial year                    | <u>78,483</u>      | <u>(45,161)</u>    |
| Closing shareholders' deficit                           | <u>(2,188,615)</u> | <u>(2,267,098)</u> |

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 18 Cash flow statement

No cashflow statement has been prepared as the directors have availed of the exemption available under Paragraph 5(a) of Financial Reporting Standard No. 1 (Revised 1996) for subsidiary companies where publicly available consolidated financial statements are prepared by the parent.

### 19 Parent company

The company is a wholly owned subsidiary of Mindscape SAS, a company incorporated in France, and its financial statements are incorporated in the consolidated financial statements prepared by that company. This is the smallest and largest group that the company's financial statements are consolidated into. Mindscape SAS, principal place of business is 73-77 Rue de Sevres, 92514 Boulogne-Billancourt, Cedex, Paris, France and a copy of its financial statements can be obtained from this address.

The financial statements do not disclose transactions with group entities in accordance with the exemption provisions of Financial Reporting Standards 8 "Related Party Disclosures".

The ultimate parent company is Brainscape S.A., a company incorporated in Luxembourg.

### 20 Consolidated accounts

The directors of the Mindscape (UK) Limited have decided not to prepare consolidated financial statements in respect of its wholly owned the subsidiary, Mindscape International Limited as in their opinion such an exercise would cost more than any benefits that would arise. In the year ended 31 December 2004, this subsidiary had no trading and therefore no profit or loss (2003: loss £2,436,000) and had net liabilities of £132,000 (2003: net liabilities £132,000) at that date.

### 21 Repayment of intercompany debt

Mindscape SA and Mindscape SAS have agreed not to demand repayment in the future of any intercompany debt, where to do so would make Mindscape (UK) Limited insolvent.