

**REPORT OF THE DIRECTOR AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005  
FOR  
MINDSCAPE (UK) LIMITED**



**MINDSCAPE (UK) LIMITED**

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for the Year Ended 31 December 2005**

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**MINDSCAPE (UK) LIMITED**

**COMPANY INFORMATION**  
**for the Year Ended 31 December 2005**

**DIRECTOR.**

J P Nordman

**SECRETARY.**

M H Secretaries Limited

**REGISTERED OFFICE:**

12 Great James Street  
London  
WC1N 3DR

**REGISTERED NUMBER:**

01638551

**AUDITORS.**

Wood Branson Dickinson  
Norton House  
Fircroft Way  
Edenbridge  
Kent  
TN8 6EJ

## **MINDSCAPE (UK) LIMITED**

### **REPORT OF THE DIRECTOR for the Year Ended 31 December 2005**

The director presents his report with the financial statements of the company for the year ended 31 December 2005

#### **PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of sale and distribution of computer software

#### **DIRECTOR**

J P Nordman held office during the whole of the period from 1 January 2005 to the date of this report

The beneficial interests of the director and his spouse and minor children in the share capital of the ultimate parent company Brainscape S A was as follows

	2005	2004
Ordinary shares		
Jean Pierre Nordman	525	525

#### **EVENTS SINCE THE YEAR END**

During 2006 the company reduced its operations significantly, reducing its staff and agreeing a licence arrangement with a third party to market and sell 55 of the company's back catalogue lines

#### **STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

The director is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the director to prepare financial statements for each financial year which 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 those financial statements, the director is 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 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

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the director is aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

#### **AUDITORS**

The auditors, Wood Branson Dickinson, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985

**MINDSCAPE (UK) LIMITED**

**REPORT OF THE DIRECTOR  
for the Year Ended 31 December 2005**

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

**ON BEHALF OF THE BOARD.**

Director   
Date 14 March 2007

## **REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF MINDSCAPE (UK) LIMITED**

We have audited the financial statements of Mindscape (UK) Limited for the year ended 31 December 2005 on pages six to eleven. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005).

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of director and auditors**

As described on page two, the company's director is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Report of the Director 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 director's remuneration and other transactions is not disclosed.

We read the Report of the Director and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

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 director 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 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. Going concern.

In forming our opinion, we have considered the adequacy of the disclosures made in note 15 of the financial statements concerning the director's 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.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF  
MINDSCAPE (UK) LIMITED**

**Opinion**

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985

*Wood Branson Dickinson*

Wood Branson Dickinson  
Norton House  
Fircroft Way  
Edenbridge  
Kent  
TN8 6EJ

Date *25/6/2007*

**MINDSCAPE (UK) LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**for the Year Ended 31 December 2005**

	Notes	31 12 05 £	31 12 04 £
<b>TURNOVER</b>		594,085	2,266,383
Cost of sales		412,371	1,390,501
<b>GROSS PROFIT</b>		181,714	875,882
Administrative expenses		630,561	1,022,501
		(448,847)	(146,619)
Other operating income		8,984	-
<b>OPERATING LOSS</b>	2	(439,863)	(146,619)
Exceptional item	3	2,427,590	213,685
		1,987,727	67,066
Interest receivable and similar income		7,580	11,417
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,995,307	78,483
Tax on profit on ordinary activities	4	-	-
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>		1,995,307	78,483

The notes form part of these financial statements



**MINDSCAPE (UK) LIMITED****BALANCE SHEET****31 December 2005**

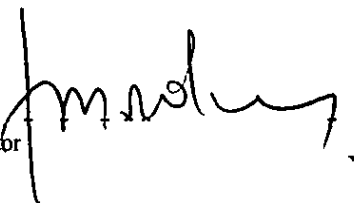
	Notes	31 12 05 £	£	31 12 04 £	£
<b>FIXED ASSETS</b>					
Intangible assets	5		-		-
Tangible assets	6		6,313		5,852
Investments	7		-		-
			<u>6,313</u>		<u>5,852</u>
<b>CURRENT ASSETS</b>					
Stocks		128,249		107,202	
Debtors	8	154,898		595,338	
Prepayments and accrued income		58,103		87,358	
Cash at bank and in hand		238,746		339,943	
		<u>579,996</u>		<u>1,129,841</u>	
<b>CREDITORS</b>					
Amounts falling due within one year	9	<u>779,617</u>		<u>3,324,308</u>	
<b>NET CURRENT LIABILITIES</b>					
			<u>(199,621)</u>		<u>(2,194,467)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			<u>(193,308)</u>		<u>(2,188,615)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	10		10,386,236		10,386,236
Profit and loss account	11		<u>(10,579,544)</u>		<u>(12,574,851)</u>
<b>SHAREHOLDERS' FUNDS</b>					
			<u>(193,308)</u>		<u>(2,188,615)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005)

The financial statements were approved by the director on

14 March 2007

and were signed by

Director 

The notes form part of these financial statements

## MINDSCAPE (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 December 2005

#### 1 ACCOUNTING POLICIES

##### Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005)

##### Turnover

Turnover represents net invoiced sales of goods, excluding value added tax

##### Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 0, is being amortised evenly over its estimated useful life of nil years

##### Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Plant and machinery etc - 20% on cost

##### Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

##### Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

##### Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

##### Pensions

The company operates a defined contribution pension scheme Contributions payable for the year are charged in the profit and loss account

#### 2 OPERATING LOSS

The operating loss is stated after charging/(crediting)

	31 12 05	31 12 04
	£	£
Depreciation - owned assets	3,940	-
Auditors' remuneration	7,000	17,094
Foreign exchange differences	(6,761)	4,981
Pension costs	18,694	25,076
	<u>          </u>	<u>          </u>
Director's emoluments and other benefits etc	-	-
	<u>          </u>	<u>          </u>

## MINDSCAPE (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2005

#### 3 EXCEPTIONAL ITEMS

During the year the company has written back a loan made to it by Broderbund Software Ltd as the director believes this will not be repaid. Were this to be repaid then the director believes that a similar amount would be repayable by Broderbund Software Ltd to Mindscape International Ltd a wholly owned subsidiary of Mindscape (UK) Ltd. (The 2004 exceptional item relates to a release of provisions)

#### 4 TAXATION

##### Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2005 nor for the year ended 31 December 2004

#### 5 INTANGIBLE FIXED ASSETS

	Goodwill £
<b>COST</b>	
At 1 January 2005	
and 31 December 2005	3,102,554
<b>AMORTISATION</b>	
At 1 January 2005	
and 31 December 2005	3,102,554
<b>NET BOOK VALUE</b>	
At 31 December 2005	-
At 31 December 2004	-

#### 6 TANGIBLE FIXED ASSETS

	Plant and machinery etc £
<b>COST</b>	
At 1 January 2005	5,852
Additions	5,178
Disposals	(777)
At 31 December 2005	10,253
<b>DEPRECIATION</b>	
Charge for year	3,940
At 31 December 2005	3,940
<b>NET BOOK VALUE</b>	
At 31 December 2005	6,313
At 31 December 2004	5,852

# **MINDSCAPE (UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS - continued** **for the Year Ended 31 December 2005**

### **7 FIXED ASSET INVESTMENTS**

The company's investments at the balance sheet date in the share capital of companies include the following

#### **Mindscape International Limited**

Nature of business Development and sale of computer software

Class of shares	% holding
Ordinary	100 00
Preference	100 00

### **8 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31 12 05 £	31 12 04 £
Trade debtors	135,725	591,668
Amounts owed by group undertakings	-	3,670
Other debtors	19,173	-
	<u>154,898</u>	<u>595,338</u>

### **9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31 12 05 £	31 12 04 £
Trade creditors	79,882	194,657
Amounts owed to group undertakings	557,154	456,238
Taxation and social security	10,276	86,762
Other creditors	132,305	2,586,651
	<u>779,617</u>	<u>3,324,308</u>

### **10 CALLED UP SHARE CAPITAL**

Authorised Number	Class	Nominal value	31 12 05 £	31 12 04 £
11,000,000	Ordinary	1	<u>11,000,000</u>	<u>11,000,000</u>
Allotted, issued and fully paid Number	Class	Nominal value	31 12 05 £	31 12 04 £
10,386,236	Ordinary	1	<u>10,386,236</u>	<u>10,386,236</u>

## **MINDSCAPE (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2005**

#### **11 RESERVES**

	Profit and loss account £
At 1 January 2005	(12,574,851)
Profit for the year	1,995,307
At 31 December 2005	<u>(10,579,544)</u>

#### **12 RELATED PARTY DISCLOSURES**

During the year the company paid management charges of £40,529 in respect of recharged overheads to Mindscape SA and Mindscape SAS

#### **13 ULTIMATE CONTROLLING PARTY**

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 SA, a company incorporated in Luxembourg

#### **14 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.

#### **15 GOING CONCERN**

The net liabilities for 2004 included £2,284,590 payable to Broderbund Software Limited which the director is of the opinion will not become payable in the future, accordingly this has been written back in 2005 as detailed in note 3. The director believes that in the event of Broderbund Software Limited calling the existing amount to be repaid, it would be offset by a similar receivable amount due by Broderbund Software Limited to Mindscape International Limited, a subsidiary of Mindscape (UK) Limited.

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.

Based on the above the director is satisfied that it remains appropriate to prepare financial statements on a going concern basis.