

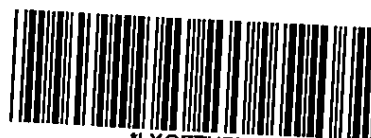
Company Registration No. 3264005 (England and Wales)

RIDGEWAY FILMS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

MONDAY



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RIDGEWAY FILMS LIMITED

COMPANY INFORMATION

Directors	I. Fishman E. A. Gaines M. V. Heap
Secretary	I. Fishman
Company Number	3264005
Registered Office	58-60 Berners Street London W1T 3JS
Auditors	KPMG Audit Plc 8 Salisbury Square London EC4Y 8BB

RIDGEWAY FILMS LIMITED

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RIDGEWAY FILMS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2006

The Directors present their report and financial statements for the year ended 31 December 2006

Principal Activities and Review of the Business

The principal activity of the Company is the commercialisation of children's characters and brands. The Company has met the requirements in Companies Act 1985 to obtain the exemption provided from the presentation of an enhanced business review.

The Company is a wholly owned subsidiary of Entertainment Rights Plc.

Results and Dividends

The results for the year are set out on page 4.

The Directors do not recommend the payment of a dividend (2005 £nil).

Directors

The Directors who served during the year are

I Fishman
E A Gaines
M V Heap

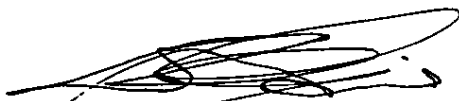
Disclosures of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution to re-appoint KPMG Audit Plc as auditors is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



E. A. Gaines
Director

4 October 2007

RIDGEWAY FILMS LIMITED

Statement of Directors' Responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

KPMG Audit Plc
8 Salisbury Square
EC4Y 8BB
United Kingdom

Independent Auditors' Report to the Members of Ridgeway Films Limited

We have audited the financial statements of Ridgeway Films Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 auditor's 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 Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and the UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of Directors' Responsibilities on page 2.

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 whether in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion 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 other transactions is not disclosed.

We read the Directors' Report 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. 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 judgments 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements.


KPMG Audit Plc
Chartered Accountants
Registered Auditor

4 October 2007

London

RIDGEWAY FILMS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
Turnover	1,2	53	631
Cost of sales		<u>(19,118)</u>	<u>(16,541)</u>
Gross loss		(19,065)	(15,910)
Administrative expenses		<u>(9,812)</u>	<u>(9,080)</u>
Loss on ordinary activities before taxation	3	(28,877)	(24,990)
Taxation on loss on ordinary activities	4	<u>8,663</u>	<u>7,497</u>
Retained loss for the year	9	<u>(20,214)</u>	<u>(17,493)</u>

The results shown above are derived wholly from continuing operations

There are no recognised gains and losses in either the current or prior year other than those passing through the profit and loss account. Consequently, a statement of total recognised gains and losses has not been prepared.

RIDGEWAY FILMS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	2006 £	2005 £
Fixed assets			
Intangible assets	5	<u>171,588</u>	<u>190,897</u>
Current assets			
Debtors amounts falling due within one year	6	76,102	67,439
Creditors amounts falling due within one year	7	<u>(97,811)</u>	<u>(88,243)</u>
Net current liabilities		<u>(21,709)</u>	<u>(20,804)</u>
Total assets less current liabilities		<u>149,879</u>	<u>170,093</u>
Net assets		<u>149,879</u>	<u>170,093</u>
Capital and reserves			
Called up share capital	8,9	167,500	167,500
Share premium account	9	167,500	167,500
Profit and loss account	9	<u>(185,121)</u>	<u>(164,907)</u>
Equity shareholders' funds	9	<u>149,879</u>	<u>170,093</u>

The notes on pages 6 to 9 form part of these financial statements

The financial statements were approved by the Board of Directors on 4 October 20007 and signed on its behalf by



E. A. Gaines
Director

RIDGEWAY FILMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1. Accounting Policies

1.1 Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

1.2 Going concern

The ultimate parent company will continue to provide financial and other support to the Company for at least the next twelve months and thereafter for the foreseeable future to enable the Company to meet its liabilities as they fall due. Accordingly, a going concern basis for the preparation of the financial statements has been adopted.

1.3 Turnover

Television Distribution and Production

Income recognised represents the value of licence fees including withholding tax but excluding Value Added Tax. The Company's policy is to recognise the income and associated royalty payable when all of the following criteria are met:

- A licence agreement has been signed by both parties,
- The licensee is able to freely exploit its rights,
- The licensor has no remaining performance obligations,
- The arrangement is fixed and determinable,
- Collection of the arrangement fee is reasonably assured, and
- Delivery to the broadcaster has occurred.

Any licence fees received in advance, which do not meet all of the above criteria, are included in deferred income until the above criteria are met.

Consumer products Licensing and Video

Revenue from licence and video sales are recognised on the date that the licence revenue is contracted or royalties declared by licensees. Up-front fixed fees are recognised as revenue on contract signature if the following additional criteria are met:

- The contract is non cancellable,
- The licensee is able to exploit its rights freely, and
- The Company has no significant remaining obligations to perform under contract.

RIDGEWAY FILMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1.4 Intangible fixed assets

Trademarks and copyrights

A charge is made within cost of sales to write down the cost of trademarks and copyrights on a straight-line basis over their useful lives, of 20 years. The estimated useful lives for determining the amortisation charge is reviewed annually and any further provision for permanent impairment is charged against profit in the year concerned.

1.5 Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided on all timing differences, without discounting, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

1.6 Related parties

Under FRS 8 – Related Party Disclosures, the Company is exempt from the requirement to disclose transactions with other entities within the group headed by Entertainment Rights Plc.

1.7 Joint arrangement

The Company was incorporated for the purposes of trading through a joint arrangement “The Tidings Film and Television Partnership” for the production of The Tidings Films. The Company has a 25% share in partnership profits and losses and accounts for its own share of its assets, liabilities and cashflows in the joint arrangement.

1.8 Cash flow statement

As the ultimate parent Company publishes a consolidated cash flow statement in which the Company’s cash flows are consolidated and, all of the Company’s share capital is held within the group, the Company is exempt from the requirement to prepare a cash flow statement, as permitted by FRS 1.

2. Turnover

The total turnover of the Company for the year has been derived from its principal activity wholly originating in the United Kingdom and predominantly destined for the United Kingdom. Further disclosures have not been provided in respect of profit before taxation and net assets as the Company solely operates in the United Kingdom.

3. Loss on ordinary activities before taxation

	2006 £	2005 £
Loss on ordinary activities before taxation is stated after charging:		
Amortisation of intangible assets	15,698	14,508
Impairment of intangible assets	3,611	-
Auditor’s remuneration		
- Audit of these financial statements	<u>1,000</u>	<u>1,000</u>

Amounts receivable by the Company’s auditor in respect of services to the Company, other than the audit of the Company’s financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company’s ultimate parent, Entertainment Rights Plc.

RIDGEWAY FILMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

4. Taxation

	2006 £	2005 £
(a) Analysis of taxation charged in the period		
<i>Current tax</i>		
Consideration received for group relief	(8,663)	(7,497)
Total taxation on loss on ordinary activities	(8,663)	(7,497)
	2006 £	2005 £
(b) Factors affecting tax charge for the period		
Loss on ordinary activities before taxation	(28,877)	(24,990)
Losses chargeable to corporation tax multiplied by standard rate of UK corporation tax of 30% (2005:30%)	(8,663)	(7,497)
Effects of		
Group relief surrendered	8,663	7,497
Consideration received for group relief	(8,663)	(7,497)
Current tax credit for the period (Note 4 (a))	(8,663)	(7,497)
(c) Factors that may affect future tax charges		
The Company has £106,000 (2005 £106,000) of tax losses that may be available for relief against future trading profits		

The corporation tax rate applicable to the Company will reduce from 30% to 28% from 1 April 2008. This rate was substantively enacted on 26 June 2007.

5. Intangible fixed assets

	Trademarks and copyrights
Cost	
At 1 January 2006 & 31 December 2006	313,966
Amortisation	
At 1 January 2006	123,069
Charge for the year	15,698
Impairment	3,611
At 31 December 2006	142,378
Net book value	
At 31 December 2006	171,588
At 31 December 2005	190,897

6. Debtors: amounts falling due within one year

	2006 £	2005 £
Amounts due from group undertakings	76,102	67,439

RIDGEWAY FILMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

7. Creditors: amounts falling due within one year	2006 £	2005 £
Amounts due to group undertakings	<u>97,811</u>	<u>88,243</u>

Amounts owed to group undertakings are unsecured, interest free and have no fixed repayment date

8. Share capital	2006 £	2005 £
Authorised		
335,000 Ordinary shares of 50p each	<u>167,500</u>	<u>167,500</u>
Allotted called up and fully paid		
335,000 Ordinary shares of 50p each	<u>167,500</u>	<u>167,500</u>

9. Reconciliation of movements in shareholders' funds and reserves

	Share capital £	Share premium £	Profit and loss £	Total 2006 £	Total 2005 £
At 1 January 2006	167,500	167,500	(164,907)	170,093	187,586
Loss for the year	-	-	(20,214)	(20,214)	(17,493)
At 31 December 2006	<u>167,500</u>	<u>167,500</u>	<u>(185,121)</u>	<u>149,879</u>	<u>170,093</u>

10. Contingent liabilities

There were no contingent liabilities at 31 December 2006 or 31 December 2005

11. Capital commitments

There were no capital commitments at 31 December 2006 or 31 December 2005

12. Employees

There were no employees during the year (2005 nil) apart from the Directors. The Directors received no remuneration for their services to the Company during the year (2005 nil).

13. Ultimate parent undertaking

The immediate parent undertaking is The Richard Digance Card Company Limited, a company incorporated in England and Wales.

The ultimate parent undertaking and controlling related party is Entertainment Rights Plc, a company incorporated in England and Wales.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Entertainment Rights Plc. Group accounts are available from the Registered Office at 58-60 Berners Street, London W1T 3JS.