

Company Registration No. 3264005 (England and Wales)

RIDGEWAY FILMS LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**



Ridgeway Films Limited
Company information

Directors

E A Gaines
M V Heap (resigned 18 March 2008)
N J T Phillips (appointed 18 March 2008)

Secretary

I Fishman

Company Number

3264005

Registered Office

58-60 Berners Street
London W1T 3JS

Auditor

KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Ridgeway Films Limited
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Ridgeway Films Limited Directors' Report

The Directors present their report and financial statements for the year ended 31 December 2007

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 (2006 £nil).

Directors

The following directors held office during the year and to the date of this report:

E A Gaines

M V Heap (resigned 18 March 2008)

N J T Phillips (appointed 18 March 2008)

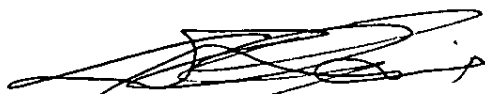
Disclosures of information to auditors

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.

Auditor

In accordance with section 385 of the Companies Act 1985, a resolution to re-appoint KPMG Audit Plc as the Company's auditor is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



Elizabeth Gaines
Director

15 August 2008

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 judgements 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



Independent Auditor's Report to the Members of Ridgeway Films Limited

We have audited the financial statements of Ridgeway Films Limited for the year ended 31 December 2007 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 the 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 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.

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 2007 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

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
15 August 2008

Ridgeway Films Limited
Profit and Loss Account
For the year ended 31 December 2007

	Notes	2007 £	2006 £
Turnover	2	-	53
Cost of sales		(14,505)	(19,118)
Gross loss		<u>(14,505)</u>	<u>(19,065)</u>
Administrative expenses		<u>(1,000)</u>	<u>(9,812)</u>
Operating loss		(15,505)	(28,877)
Interest payable and similar charges		-	-
Loss on ordinary activities before taxation	3	<u>(15,505)</u>	<u>(28,877)</u>
Taxation on profit on ordinary activities	4	-	8,663
Retained loss for the year	9	<u>(15,505)</u>	<u>(20,214)</u>

The results shown above are derived wholly from continuing operations

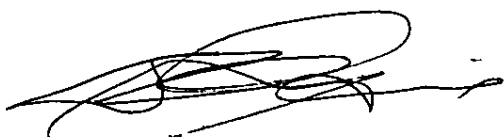
There were no recognised gains or losses in either the current or prior year other than those shown in the profit and loss account. Consequently, a statement of total recognised gains and losses has not been prepared.

Ridgeway Films Limited
Balance Sheet
As at 31 December 2007

	Notes	2007 £	2006 £
Fixed assets			
Intangible assets	5	157,083	171,588
Investments		-	-
		<u>157,083</u>	<u>171,588</u>
Current assets			
Programme development costs		-	-
Deferred tax asset		-	-
Debtors amounts falling due within one year	6	75,103	76,102
Cash at bank and in hand		-	-
		<u>75,103</u>	<u>76,102</u>
Creditors, amounts falling due within one year	7	<u>(97,812)</u>	<u>(97,811)</u>
Net current liabilities		<u>(22,709)</u>	<u>(21,709)</u>
Total assets less current liabilities		<u>134,374</u>	<u>149,879</u>
Provision for liabilities and charges		-	-
Net assets		<u>134,374</u>	<u>149,879</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>(200,626)</u>	<u>(185,121)</u>
Equity shareholders' funds	9	<u>134,374</u>	<u>149,879</u>

The notes on pages 6 to 10 form part of these financial statements

The financial statements were approved by the Board of Directors on 15 August 2008 and signed on its behalf by



Elizabeth Gaines
Director

Ridgeway Films Limited
Notes to the Financial Statements
For the year ended 31 December 2007

1. Accounting Policies

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.

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.

Turnover

Television distribution and production

Income recognised represents the value of licence fees including withholding tax but excluding VAT. 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.

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 up to 20 years. The estimated useful lives for determining the amortisation charge are reviewed annually.

Taxation

The charge for taxation is based on the profit 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.

Ridgeway Films Limited
Notes to the Financial Statements
For the year ended 31 December 2007

1. Accounting Policies (*continued*)

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 cash flows in the joint arrangement.

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 FRS1.

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.

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 operates solely in the United Kingdom.

3. Loss before taxation on ordinary activities

Loss before taxation on ordinary activities is stated after charging

	2007	2006
	£	£
Amortisation of intangible assets	14,505	15,698
Depreciation of tangible assets	-	3,611
Auditor's remuneration		
- Audit of these financial statements	1,000	1,000

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.

4. Taxation

(a) Analysis of taxation credited in the period

	2007	2006
	£	£
<i>Current tax</i>		
Consideration received for group relief	-	(8,663)
	-	(8,663)
<i>Deferred tax</i>		
Origination and reversal of timing difference	-	-
Taxation on loss on ordinary activities	-	(8,663)

Ridgeway Films Limited
Notes to the Financial Statements
For the year ended 31 December 2007

4. Taxation (continued)

(b) Factors affecting tax credit for the period

Loss on ordinary activities before tax	<u>(15,505)</u>	<u>(28,877)</u>
Profits chargeable to corporation tax multiplied by standard rate of UK corporation tax of 30% (2006: 30%)	(4,652)	(8,663)
<i>Effects of</i>		
Imputed interest payable	(511)	-
Group relief surrendered	5,163	8,663
Consideration received for group relief	<u>-</u>	<u>(8,663)</u>
Current tax credit for the period (Note 4 (a))	<u>-</u>	<u>(8,663)</u>

(c) Factors that may affect future tax charges

The Company has £105,061 (2006 £106,000) of unrecognised tax losses that may be available for relief against future trading profits

The corporation tax rate applicable to the Company reduced from 30% to 28% from 1 April 2008

5. Intangible fixed assets

	Trademarks and copyrights £
Cost	
At 1 January 2007	313,966
Additions	-
At 31 December 2007	<u>313,966</u>
Amortisation	
At 1 January 2007	142,378
Charge for the year	14,505
At 31 December 2007	<u>156,883</u>
Net book value	
At 31 December 2007	<u>157,083</u>
At 31 December 2006	<u>171,588</u>

Amortisation and impairment charges

The amortisation and impairment charges are recognised in cost of sales. No impairment was identified during the year. Key assumptions on which management has based its cash flow projections are those regarding forecast profit, discount rates and growth rates as follows

- Forecast profit is initially derived from either the five-year strategic plan or from historic profits, taking into account the most recent budget, as appropriate, extrapolated by 5% pa for the initial five years
- Yearly growth rates in the five years subsequent to these forecasts are estimated to be 5%, 3% for the next five years and a declining rate of 10% thereafter, where appropriate
- Amounts are discounted using the Company's pre-tax cost of capital of 10%
- A full allocation of overheads is made appropriately

Ridgeway Films Limited
Notes to the Financial Statements
For the year ended 31 December 2007

6. Debtors: amounts falling due within one year

	2007 £	2006 £
Amounts owed by group undertakings	75,103	76,102
	<u>75,103</u>	<u>76,102</u>

7. Creditors: amounts falling due within one year

	2007 £	2006 £
Amounts owed to group undertakings	97,812	97,811
	<u>97,812</u>	<u>97,811</u>

8. Share capital

	2007 £	2006 £
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 2007 £	Total 2006 £
At 1 January	167,500	167,500	(185,121)	149,879	170,093
Loss for the year	-	-	(15,505)	(15,505)	(20,214)
At 31 December	<u>167,500</u>	<u>167,500</u>	<u>(200,626)</u>	<u>134,374</u>	<u>149,879</u>

10. Contingent liabilities

There were no contingent liabilities at 31 December 2007 or 31 December 2006

11. Capital commitments

There were no capital commitments at 31 December 2007 or 31 December 2006

Ridgeway Films Limited
Notes to the Financial Statements
For the year ended 31 December 2007

12. Employees

There were no employees during the year (2006 nil) apart from the Directors. The Directors received no remuneration for their services to the Company during the year (2006 nil).

13. Ultimate parent undertaking

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.