Company Registration No. 4332022 (England and Wales)

SPROGS TV LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

Sprogs TV 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	4332022	
Registered Office	58-60 Berners Street London W1T 3JS	
Auditor	KPMG Audit Plc 8 Salisbury Square London EC4Y 8BB	

Sprogs TV Limited
Contents

Sprogs TV 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 activities of the Company are the production and exploitation of the pre-school TV series entitled "BB3B" 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

Sprogs TV 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

KPMG

Independent Auditor's Report to the Members of Sprogs TV Limited

We have audited the financial statements of Sprogs TV 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 auditor

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

Sprogs TV Limited
Profit and Loss Account
For the year ended 31 December 2007

	Notes	2007 £	2006 £
Turnover	2	1,750	23,507
Cost of sales		(94,919)	(94,307)
Gross loss		(93,169)	(70,800)
Administrative expenses		(1,200)	(2,576)
Operating loss		(94,369)	(73,376)
Interest payable and similar charges		-	-
Loss on ordinary activities before taxation	3	(94,369)	(73,376)
Taxation on loss on ordinary activities	4	(73,737)	22,013
Retained loss for the year	10	(168,106)	(51,363)

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

Sprogs TV Limited
Balance Sheet
As at 31 December 2007

	Notes	2007 £	2006 £
Fixed assets			
Intangible assets	6	1,348,591	1,442,898
Investments		-	-
		1,348,591	1,442,898
Current assets			
Programme development costs		-	
Deferred tax asset	5	-	
Debtors amounts falling due within one year	7	54,981	55,043
Cash at bank and in hand		-	
		54,981	55,043
Creditors: amounts falling due within one year	8	(1,646,761)	(1,646,761)
Net current liabilities		(1,591,780)	(1,591,718)
Total assets less current liabilities		(243,189)	(148,820)
Provision for liabilities and charges	5	(73,737)	-
Net liabilities		(316,926)	(148,820)
Capital and reserves			
Called up share capital	9, 10	1,000	1,000
Profit and loss account	10	(317,926)	(149,820)
Equity shareholders' funds	10	(316,926)	(148,820)

The notes on pages 6 to 11 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

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
Investment in programmes
Investment in programmes, including acquired programme rights and distribution advances, is stated at amortised cost less any provision for impairment

Investment in programmes that are in development and for which the realisation of expenditure can be reasonably determined, are classified as programme development costs under current assets On first exploitation of the property, the cost of investment is re-classified as investment in programmes

A charge is made within cost of sales to write down the cost of completed programmes and acquired programme rights on a straight-line basis over their finite useful lives of up to 20 years

The method used to calculate amortisation for investment in programmes has been revised in the year, please refer to Note 6 for details

Subsequent expenditure
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates All other expenditure is expensed as incurred

1. Accounting Policies *(continued)*

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

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	94,307	94,307
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 charged / (credited) in the period

	2007	2006
	£	£
Current tax		
Consideration received for group relief	-	(22,013)
	-	(22,013)
Deferred tax		
Origination and reversal of timing difference	73,737	-
Taxation on profit on ordinary activities	73,737	(22,013)

(b) Factors affecting tax charge/ (credit) for the period

	2007	2006
Loss on ordinary activities before tax	(94,369)	(73,376)
Profits chargeable to corporation tax multiplied by standard rate of UK corporation tax of 30% (2006: 30%)	(28,311)	(22,013)
Effects of		
Expenses not deductible for tax purposes	60	-
Imputed interest payable	(35,815)	-
Group relief surrendered	64,066	22,013
Consideration received for group relief	-	(22,013)
Current tax charge for the period (Note 4 (a))	-	(22,013)

(c) Factors that may affect future tax charges

The Company has no unrecognised tax losses (2006 nil) 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. Deferred tax assets and liabilities

	Assets		Liabilities	
	2007	2006	2007	2006
	£	£	£	£
Accelerated capital allowances				
- Intangible assets	-	-	(73,737)	-
	-	-	(73,737)	-

	Liabilities
	£
As at 1 January 2007	-
Tax allowances in excess of amortisation for the period	(73,737)
As at 31 December 2007	(73,737)

6. Intangible fixed assets

	Investment in programmes
	£
Cost	
At 1 January 2007	1,886,146
Additions	-
At 31 December 2007	1,886,146
Amortisation	
At 1 January 2007	443,248
Charge for the year	94,307
At 31 December 2007	537,555
Net book value	
At 31 December 2007	1,348,591
At 31 December 2006	1,442,898

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

6. Intangible fixed assets *(continued)*

Change in estimates
In the interests of greater clarity for the users of the financial statements, the amortisation charge relating to investment in programmes balances has been calculated on a simpler, straight-line basis over their useful life of up to 20 years Revenue forecasting is no longer used as an alternative method for calculation of the amortisation charge in situations where it would result in a UEL of less than 20 years The charge for the year is £94,307 If calculated on the previously employed basis the charge for the year would have been £94,307 The impact in future periods is expected to be similar to that in the current year

7. Debtors: amounts falling due within one year

	2007 £	2006 £
Amounts owed by group undertakings	54,981	55,043
	54,981	55,043

8. Creditors: amounts falling due within one year

	2007 £	2006 £
Amounts owed to group undertakings	1,646,761	1,646,761
	1,646,761	1,646,761

9. Share capital

	2007 £	2006 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted called up and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000

10. Reconciliation of movements in shareholders' funds and reserves

	Share capital £	Profit and loss £	Total 2007 £	Total 2006 £
At 1 January	1,000	(149,820)	(148,820)	(97,457)
Loss for the year		(116,653)	(116,653)	(51,363)
At 31 December	1,000	(266,473)	(265,473)	(148,820)

Sprogs TV Limited
Notes to the Financial Statements
For the year ended 31 December 2007

11. Contingent liabilities

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

12. 12. Capital commitments

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

13. 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)

14. 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