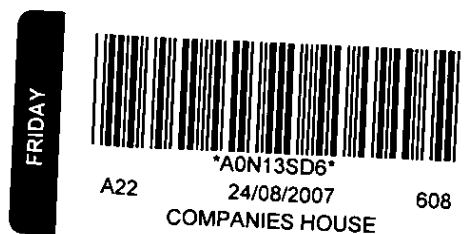


**REPORT OF THE DIRECTOR AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
FOR
MINDSCAPE (UK) LIMITED**



MINDSCAPE (UK) LIMITED

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for the Year Ended 31 December 2006**

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MINDSCAPE (UK) LIMITED

COMPANY INFORMATION
for the Year Ended 31 December 2006

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 2006

The director presents his report with the financial statements of the company for the year ended 31 December 2006

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 2006 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

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 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

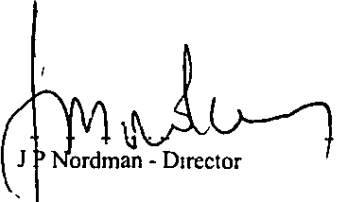
The auditors, Wood Branson Dickinson, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985

MINDSCAPE (UK) LIMITED

REPORT OF THE DIRECTOR
for the Year Ended 31 December 2006

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


J P Nordman - Director
Date 27 July 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 2006 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

The director's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page two.

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 Report of the Director 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 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 2006 and of its profit 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 Report of the Director is consistent with the financial statements

Wood Branson Dickinson

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

Date *6/8/07.*

MINDSCAPE (UK) LIMITED**PROFIT AND LOSS ACCOUNT**
for the Year Ended 31 December 2006

	Notes	31 12 06 £	31 12 05 £
TURNOVER		588,011	594,085
Cost of sales		<u>374,886</u>	<u>412,371</u>
GROSS PROFIT		213,125	181,714
Administrative expenses		<u>361,123</u>	<u>630,561</u>
		(147,998)	(448,847)
Other operating income		<u>17,885</u>	<u>8,984</u>
OPERATING LOSS	2	(130,113)	(439,863)
Exceptional item	3	<u>312,717</u>	<u>2,427,590</u>
		182,604	1,987,727
Interest receivable and similar income		<u>2,158</u>	<u>7,580</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		184,762	1,995,307
Tax on profit on ordinary activities	4	<u>-</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>184,762</u>	<u>1,995,307</u>

The notes form part of these financial statements

MINDSCAPE (UK) LIMITED

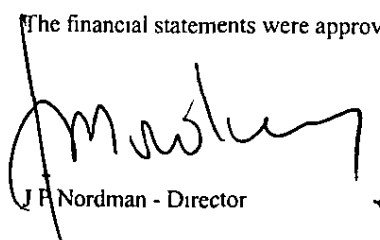
BALANCE SHEET

31 December 2006

	Notes	31 12 06 £	£	31 12 05 £	£
FIXED ASSETS					
Intangible assets	5		-		-
Tangible assets	6		4,754		6,313
Investments	7		-		-
			<u>4,754</u>		<u>6,313</u>
CURRENT ASSETS					
Stocks		3,719		128,249	
Debtors	8	156,889		154,898	
Prepayments and accrued income		12,530		58,103	
Cash at bank and in hand		170,495		238,746	
		<u>343,633</u>		<u>579,996</u>	
CREDITORS					
Amounts falling due within one year	9	356,933		779,617	
		<u></u>		<u></u>	
NET CURRENT LIABILITIES			(13,300)		(199,621)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(8,546)</u>		<u>(193,308)</u>
CAPITAL AND RESERVES					
Called up share capital	10		10,386,236		10,386,236
Profit and loss account	11		(10,394,782)		(10,579,544)
			<u></u>		<u></u>
SHAREHOLDERS' FUNDS			<u>(8,546)</u>		<u>(193,308)</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 27 July 2007 and were signed by


J F Nordman - Director

The notes form part of these financial statements

MINDSCAPE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 December 2006

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

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 06	31 12 05
	£	£
Depreciation - owned assets	5,400	3,940
Auditors' remuneration	8,500	7,000
Foreign exchange differences	(17,885)	(6,761)
Pension costs	6,781	18,694
	<u> </u>	<u> </u>
Director's emoluments and other benefits etc	<u> </u>	<u> </u>

3 EXCEPTIONAL ITEMS

During the year the company has written back an intercompany loan totalling £312,717

4 TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2006 nor for the year ended 31 December 2005

MINDSCAPE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2006

5 INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 January 2006	
and 31 December 2006	3,102,554
AMORTISATION	
At 1 January 2006	
and 31 December 2006	3,102,554
NET BOOK VALUE	
At 31 December 2006	-
At 31 December 2005	-

6 TANGIBLE FIXED ASSETS

	Plant and machinery etc £
COST	
At 1 January 2006	10,252
Additions	3,842
At 31 December 2006	14,094
DEPRECIATION	
At 1 January 2006	3,940
Charge for year	5,400
At 31 December 2006	9,340
NET BOOK VALUE	
At 31 December 2006	4,754
At 31 December 2005	6,312

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

MINDSCAPE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2006

8 DEBTORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 12 06	31 12 05
	£	£
Trade debtors	147,323	135,725
Amounts owed by group undertakings	2,370	-
Other debtors	7,196	19,173
	<u>156,889</u>	<u>154,898</u>

9 CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 12 06	31 12 05
	£	£
Trade creditors	2,508	79,882
Amounts owed to group undertakings	291,869	557,154
Taxation and social security	14,692	10,276
Other creditors	47,864	132,305
	<u>356,933</u>	<u>779,617</u>

10 CALLED UP SHARE CAPITAL

Authorised Number	Class	Nominal value 1	31 12 06 £	31 12 05 £
11,000,000	Ordinary	1	<u>11,000,000</u>	<u>11,000,000</u>
Allotted, issued and fully paid Number	Class	Nominal value 1	31 12 06 £	31 12 05 £
10,386,236	Ordinary	1	<u>10,386,236</u>	<u>10,386,236</u>

11 RESERVES

	Profit and loss account £
At 1 January 2006	(10,579,544)
Profit for the year	<u>184,762</u>
At 31 December 2006	<u>(10,394,782)</u>

12 RELATED PARTY DISCLOSURES

During the year the company paid management charges of £31,502 (2005 £40,529) in respect of recharged overheads to Mindscape SA and Mindscape SAS. The amounts owed by and to group companies are shown in notes 8 & 9 and the write back of an intercompany loan in note 3.

MINDSCAPE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2006

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 was written back in 2005. 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.