

Registered number: 05359852

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**SUNSHINE ACQUISITION LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2010**

MONDAY



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**SUNSHINE ACQUISITION LIMITED**

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**COMPANY INFORMATION**

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<b>DIRECTOR</b>	J D Dunn (appointed 22 December 2008) S Desai (appointed 10 September 2010)
<b>COMPANY SECRETARY</b>	J Salvo
<b>COMPANY NUMBER</b>	05359852
<b>REGISTERED OFFICE</b>	Maple House 149 Tottenham Court Road London W1T 7NF
<b>INDEPENDENT AUDITORS</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

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**SUNSHINE ACQUISITION LIMITED**

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## **SUNSHINE ACQUISITION LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2010**

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The directors present their report and the audited financial statements of the Company for the year ended 31 July 2010

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting 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,
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

#### **PRINCIPAL ACTIVITIES**

The Company acts as an intermediate holding company, and is likely to do so for the foreseeable future.

#### **BUSINESS REVIEW**

The Company does not trade and the only activity during the year is that of inter-group financing. For this reason, the Company's directors believe that a detailed business review and analysis using key performance indicators is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the group headed by Sunshine Holdings 3 Limited (the immediate controlling entity of the Company), which includes the Company, is discussed on pages 2 to 6 of Sunshine Holdings 3 Limited's annual report which does not form part of this report.

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the intermediate parent company Sunshine Holdings 3 Limited (the head of the smallest and largest group into which the Company is consolidated). The directors have received confirmation that Sunshine Holdings 3 Limited intends to take all commercially reasonable steps (within its power as a parent company) with a view to ensuring that the Company can access the funding required to enable it to settle its liabilities as they fall due for at least one year after these financial statements are signed.

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## **SUNSHINE ACQUISITION LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2010**

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#### **RESULTS**

The loss for the year, after taxation, amounted to £5,951 thousand (2009 - loss £494,595 thousand)

#### **DIRECTORS**

The directors who served during the year and up to the date of signing the financial statements were

J D Dunn (appointed 22 December 2008)  
S S Sullivan (appointed 12 January 2009 & resigned 10 September 2010)  
S Desai (appointed 10 September 2010)  
I Hemmers (appointed 11 November 2009 & resigned 30 November 2010)  
P Fitzsimons (appointed 12 July 2006 & resigned 30 November 2010)

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

##### **Group management**

The directors of Sunshine Holdings 3 Limited (the head of the smallest and largest group into which the company is consolidated) manage the Group's risks at a Group level, rather than at an individual entity level. For this reason, the Company's directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of Sunshine Holdings 3 Limited, which include those of the Company, are discussed on pages 2 to 6 of the Group's annual report which does not form part of this report. Financial risks applicable to the Company are explained below.

##### **Foreign currency risk**

The Company is exposed to foreign exchange risk in respect of net assets denominated in foreign currencies.

##### **Liquidity risk**

The Company therefore maintains sufficient available funds for its daily operations. Management actively monitors all funding requirements, and will manage any finance arrangements needed to meet such requirements.

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

On 9 February 2011, the Company incorporated a new wholly owned subsidiary, Sunshine Acquisition 2 Limited, a Jersey registered company. Subsequently on the same date, the Company's ownership of HIT Entertainment Limited transferred to Sunshine Acquisition 2 Limited in exchange for an issue of new shares of the same value from Sunshine Acquisition 2 Limited. Subsequent to this, and on the same date, the ownership of HIT Entertainment Limited transferred to HIT Brands (UK) Limited from Sunshine Acquisition 2 Limited. HIT Brands (UK) Limited is a wholly owned subsidiary of Sunshine Acquisition 2 Limited. The ultimate parent undertaking and controlling party described in note 17 remain unchanged.

#### **QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force from 8 September 2010 and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

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**SUNSHINE ACQUISITION LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 JULY 2010**

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**PROVISION OF INFORMATION TO AUDITORS**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information

This report was approved by the board on 21 June 2011 and signed on its behalf

*Sangeeta Desai*

**S Desai  
Director**

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## **SUNSHINE ACQUISITION LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNSHINE ACQUISITION LIMITED**

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We have audited the financial statements of Sunshine Acquisition Limited for the year ended 31 July 2010 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As explained more fully in the Directors' Responsibilities Statement set out on page 1 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### **QUALIFIED OPINION ON FINANCIAL STATEMENTS ARISING FROM FAILURE TO PRODUCE CONSOLIDATED FINANCIAL STATEMENTS**

As explained in note 1 to the financial statements, the company is not entitled to the exemption from the requirement to produce consolidated financial statements under section 401 of the Companies Act 2006, as it has not met all of the necessary conditions. Consequently, the company should have produced consolidated financial statements for the parent company and its subsidiary undertaking.

Except for the failure to produce consolidated financial statements, in our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 July 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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**SUNSHINE ACQUISITION LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNSHINE ACQUISITION LIMITED**

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**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Philip Stokes (Senior statutory auditor)

for and on behalf of  
**PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

23 June 2011



**SUNSHINE ACQUISITION LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 JULY 2010**

	Note	2010 £000	2009 £000
Other operating income		820	2,661
Impairment of investment in subsidiary		-	(486,146)
Total operating income		<u>820</u>	<u>(483,485)</u>
<b>OPERATING PROFIT/(LOSS)</b>	2	<b>820</b>	<b>(483,485)</b>
Interest receivable and similar income	5	4,837	5,588
Interest payable and similar charges	6	<u>(11,608)</u>	<u>(16,698)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(5,951)</b>	<b>(494,595)</b>
Tax on loss on ordinary activities	7	<u>-</u>	<u>-</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>	12	<b><u>(5,951)</u></b>	<b><u>(494,595)</u></b>

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the Profit and loss account

The notes on pages 8 to 13 form part of these financial statements

**SUNSHINE ACQUISITION LIMITED**  
**REGISTERED NUMBER: 05359852**

**BALANCE SHEET**  
**AS AT 31 JULY 2010**

	Note	£000	2010 £000	£000	2009 £000
<b>FIXED ASSETS</b>					
Investments	8		-		-
<b>CURRENT ASSETS</b>					
Debtors	9	169,802		162,125	
Cash at bank		10		10	
		<u>169,812</u>		<u>162,135</u>	
<b>CREDITORS</b> amounts falling due within one year	10	<u>(403,923)</u>		<u>(390,295)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(234,111)</u>		<u>(228,160)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>(234,111)</u>		<u>(228,160)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	11		210,430		210,430
Profit and loss account	12		<u>(444,541)</u>		<u>(438,590)</u>
<b>SHAREHOLDERS' DEFICIT</b>	13		<u>(234,111)</u>		<u>(228,160)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 June 2011

*Sangeeta Desai*

**S Desai**  
**Director**

The notes on pages 8 to 13 form part of these financial statements

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## SUNSHINE ACQUISITION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2010

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#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The Company is itself a subsidiary company and would normally be exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. However, the Company is not entitled to the exemption from the requirement to produce consolidated financial statements this fiscal year under section 401 of the Companies Act 2006, as it has not met all of the necessary conditions to do so. The condition not met was that the financial statements of Sunshine Holdings 3 Limited, the smallest and largest group into which the Company is consolidated, were not filed within the required time period. Consequently, the Company should have produced consolidated financial statements for itself and its subsidiary undertaking. In previous years the Company has complied with these conditions and no consolidated financial statements were required. Therefore, in the absence of comparable prior year information financial information, which would be very costly to prepare, the Company has not produced consolidated financial statements. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the intermediate parent company Sunshine Holdings 3 Limited (the head of the smallest and largest group into which the Company is consolidated). The directors have received confirmation that Sunshine Holdings 3 Limited intends to take all commercially reasonable steps (within its power as a parent company) with a view to ensuring that the Company can access the funding required to enable it to settle its liabilities as they fall due for at least one year after these financial statements are signed, although the directors note that the group credit agreement referred to in note 14 falls due for repayment on 1 June 2012 and will therefore require amendment or repayment by Sunshine Holdings 3 Limited within this twelve month period.

##### 1.2 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

##### 1.3 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

##### 1.4 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

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**SUNSHINE ACQUISITION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2010**

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**2. OPERATING PROFIT/(LOSS)**

The operating profit/(loss) is stated after charging/(crediting)

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Difference on foreign exchange	<b>(820)</b>	<b>(2,661)</b>
Impairment of investment in subsidiary	<b>-</b>	<b>486,146</b>
	<b><u>          </u></b>	<b><u>          </u></b>

**3. AUDITORS' REMUNERATION**

Auditors' remuneration has been borne by a related party, HIT Entertainment Limited, in the current and prior year

**4. STAFF COSTS**

The Company has no employees other than the directors, who did not receive any remuneration in respect of their services to the Company (2009 - £NIL)

**5. INTEREST RECEIVABLE**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from group companies	<b>4,837</b>	<b>5,588</b>
	<b><u>          </u></b>	<b><u>          </u></b>

**6. INTEREST PAYABLE**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
On loans from group undertakings	<b>11,608</b>	<b>16,698</b>
	<b><u>          </u></b>	<b><u>          </u></b>

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**SUNSHINE ACQUISITION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2010**

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**7. TAXATION**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
UK corporation tax charge on loss for the year	<u>-</u>	<u>-</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2009 - higher than) the standard rate of corporation tax in the UK of 28% (2009 - 28%) The differences are explained below

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Loss on ordinary activities before tax	<u>(5,951)</u>	<u>(494,595)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	<b>(1,666)</b>	<b>(138,487)</b>
<b>Effects of.</b>		
Non-tax deductible amortisation of goodwill and impairment	-	136,121
Other differences leading to an increase (decrease) in the tax charge	<b>1,666</b>	<b>2,366</b>
<b>Current tax charge for the year (see note above)</b>	<u>-</u>	<u>-</u>

**Factors that may affect future tax charges**

On 29 March 2011, after the balance sheet date, a change in the UK main corporation tax rate from 28% to 26%, to be effective from 1 April 2011, was substantively enacted Further reductions to the UK corporation tax rate were announced in the March 2011 Budget but are not yet substantively enacted The changes, which are expected to be enacted separately each year, propose to further reduce the rate to 25% on 1 April 2012 and then decrease 1% per annum to 23% by 1 April 2014

The 'other differences leading to an increase in the tax charge' above include amounts surrendered as group relief for nil consideration, schedule 28AA adjustments and overseas interest claimed

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**SUNSHINE ACQUISITION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2010**

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**8. FIXED ASSET INVESTMENTS**

	<b>Investments in subsidiary companies £000</b>
<b>Cost or valuation</b>	
At 1 August 2009 and 31 July 2010	<b>486,146</b>
<b>Impairment</b>	
At 1 August 2009 and 31 July 2010	<b>486,146</b>
<b>Net book value</b>	
At 31 July 2010	<b>-</b>
At 31 July 2009	<b>-</b>

**Subsidiary undertakings**

The following were subsidiary undertakings of the company

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>
HIT Entertainment Limited	Ordinary	100 %

<b>Name</b>	<b>Business</b>	<b>Registered office</b>
HIT Entertainment Limited	Creation, production and exploitation of young children's properties across a wide range of outlets including television, video, publishing, licensing and merchandising	UK

**9 DEBTORS**

	<b>2010 £000</b>	<b>2009 £000</b>
Amounts owed by group undertakings	<b>143,921</b>	136,893
Interest receivable from group undertakings	<b>25,881</b>	25,232
	<b>169,802</b>	162,125

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**SUNSHINE ACQUISITION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2010**

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**10 CREDITORS**

Amounts falling due within one year

	2010 £000	2009 £000
Trade creditors	460	460
Amounts owed to group undertakings	333,314	326,452
Interest payable to group undertakings	70,149	63,383
	<u>403,923</u>	<u>390,295</u>

**11. SHARE CAPITAL**

	2010 £	2009 £
<b>Allotted, called up and fully paid</b>		
210,430,248 Ordinary shares of £1 each	<u>210,430,248</u>	<u>210,430,248</u>

**12. RESERVES**

	Profit and loss account £000
At 1 August 2009	(438,590)
Loss for the year	(5,951)
At 31 July 2010	<u>(444,541)</u>

**13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT**

	2010 £000	2009 £000
Opening shareholders' (deficit)/funds	(228,160)	266,435
Loss for the year	(5,951)	(494,595)
Closing shareholders' deficit	<u>(234,111)</u>	<u>(228,160)</u>

**14. CONTINGENT LIABILITIES**

The Company has issued a guarantee over its assets in relation to a group credit agreement, along with several other group companies. Details of the facilities provided by this credit agreement are disclosed in note 23 of the Sunshine Holdings 3 Limited consolidated financial statements for the year ended 31 July 2010.

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## **SUNSHINE ACQUISITION LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2010**

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#### **15. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Sunshine Holdings 3 Limited, whose accounts are publically available. There are no other related party transactions in the current or prior year which would require disclosure in the accounts.

#### **16. POST BALANCE SHEET EVENTS**

On 9 February 2011, the Company incorporated a new wholly owned subsidiary, Sunshine Acquisition 2 Limited, a Jersey registered company. Subsequently on the same date, the Company's ownership of HIT Entertainment Limited transferred to Sunshine Acquisition 2 Limited in exchange for an issue of new shares of the same value from Sunshine Acquisition 2 Limited. Subsequent to this, and on the same date, the ownership of HIT Entertainment Limited transferred to HIT Brands (UK) Limited from Sunshine Acquisition 2 Limited. HIT Brands (UK) Limited is a wholly owned subsidiary of Sunshine Acquisition 2 Limited. The ultimate parent undertaking and controlling party described in note 17 remain unchanged.

#### **17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The directors consider Sunshine Holdings 3A Limited to be the immediate controlling Company.

The ultimate parent undertaking is HIT Entertainment Scottish LP, which is registered in Scotland, whilst the ultimate controlling party is Apax Partners Europe Managers Limited on behalf of funds managed by it.

The smallest and largest group into which the Company is consolidated is headed by Sunshine Holdings 3 Limited, which is registered in England and Wales.

The consolidated financial statements can be obtained at HIT Entertainment Limited, 5th Floor Maple House, 149 Tottenham Court Road, London, W1T 7NF.