



LUDORUM PLC

Annual Report & Accounts for the period from Incorporation to 31 December 2006

Ludorum plc, Registered in England and Wales. Registered number: 5595899.

Registered office: Building 3, Chiswick Park, 566 Chiswick High Road, London W4 5YA.

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CHAIRMAN'S STATEMENT

This is the first set of final results since Ludorum completed a placing to raise £5 million and its shares were admitted to the Alternative Investment Market in April 2006. Ludorum was launched with the aim of taking advantage of the rapid evolution of technologies for the distribution of intellectual property within the field of media and entertainment, and it is pleasing to report on the progress made during the period.

We have developed an animated property aimed at pre-school age children which has had an encouraging reaction from major broadcasters in key territories around the world and we have begun negotiations of carriage agreements. We expect to launch the property to the trade at Mipcom in October. After the period end we signed an agreement for the production of the first series of episodes, with a budget of \$6.3 million, half of which will be met by a major international toy manufacturer which has taken a global master toy licence. Development will also include an interactive website for parents and children designed to complement and enhance the property.

We continue to be excited by the evolving new media landscape and the opportunities for the distribution of intellectual property that it presents. During the period, we commenced the organic development of a subsidiary established to distribute content of a growing entertainment genre which we believe is ideally suited to new media platforms. To expand our presence in this genre, and to provide access to greater content libraries in multiple languages, we have reviewed a number of acquisition opportunities and continue to progress actively with two companies whose acquisition would give us an attractive international presence within the sector. There are significant due diligence costs involved in pursuing these targets and there can be no guarantee at this stage that they will be satisfactorily completed. In order to fund the acquisition opportunities and continued development and production of the pre-school property, the Group will require additional equity funding and expects to announce proposals to the market in due course.

Richard Rothkopf

Chairman

The Directors' Report for Ludorum plc (the "Company") for the period from incorporation of the Company on 18 October 2005 to 31 December 2006, together with the Remuneration Report, Corporate Governance Report and the Audited Financial Statements, are set out below.

DIRECTORS' REPORT

The Directors of Ludorum plc present their Report and the Audited Financial Statements for the period from incorporation of the Company on 18 October 2005 to 31 December 2006.

Principal activities and business review

Ludorum plc was floated on AIM on 3 April 2006 with the stated strategy of seeking to acquire companies, programming libraries and other intellectual property ("IP") assets that the Directors believe offer the opportunity to create value for shareholders through the application of their expertise, particularly in the commercial exploitation of IP rights. The Directors also stated their aim of investing in the development of IP and entering into agency or consultancy arrangements for existing IP assets.

In July, the Company established GONG Limited ("GONG"), a company formed to source Japanese Anime content for distribution over a wide variety of new media networks. Since its creation GONG has obtained licences to distribute Anime content over a variety of new media networks in a number of countries in Europe, including the UK. Royalties are payable to the licensor which are based on the revenues generated. GONG has also entered into a number of distribution arrangements with mobile-phone network operators, internet service providers and other outlets and will generate revenue from these in a variety of ways, for example, through a share of advertising receipts or through payments made to download programmes. As GONG develops, it will seek to expand its reach both in terms of regions covered and distribution outlets exploited. It will also seek to build relationships with licensors to enhance the content it is able to offer and the terms on which such content is obtained.

During the period under review, the Company also commenced the development of an animated children's television programme which is being developed in partnership with a major US-based toy manufacturer. The Company will commence the marketing of the property with a view to securing television carriage when the property is launched in 2009.

The Company has also continued to review potential acquisition and investment opportunities and the Directors expect to put suitable proposals to shareholders for approval in due course. In the meantime, the Company's principal asset is its cash resource and seeks to maximise investment returns on this whilst also maintaining flexibility to respond to acquisition opportunities and the investment needs of the Group's businesses. At this stage of the Company's development, the principal performance indicators are related to its cash resources.

The Company intends to grow through development of intellectual property and through acquisition of companies. The principal risks faced by the Company at this stage are threats to the security of the cash deposit, loss of key management and lack of acquisition opportunities. The Directors monitor these risks and have put in place appropriate procedures and strategies to manage them.

Financial results and dividend

The Group's loss for the period attributable to shareholders was £1,871,000. The Directors do not recommend the payment of dividend.

Directors

The present members of the board, Richard Rothkopf, Rob Lawes, Charles Caminada, Simon Pearce and David Maloney, were appointed during the period as noted in the Corporate Governance Report. In accordance with the articles of association of the Company each will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election. In addition to the present members of the board, Adrian Levy and David Pudge were appointed to the board on the incorporation of the Company on 18 October 2005 and resigned on 10 January 2006.

Directors' interests and remuneration

Information on Directors' beneficial interests in the shares of the Company, their service contracts and remuneration is shown in the Remuneration Report.

Share capital

Details of the Company's share capital, and of the shares issued and converted during the year, are set out in Note 15 to the financial statements.

Substantial shareholdings

As at 26 June 2007 beneficial interests amounting to 3 per cent. or more of the issued ordinary share capital of the Company notified to the Company, in addition to those holdings notified by Directors, comprised:

	<i>Shares</i>	<i>%</i>
D C Thomson & Co. Ltd.	990,000	19.8
F&C Asset Management plc	600,000	12.0
Taube Hodson Stonex Partners Limited	500,000	10.0
Ruffer LLP	483,000	9.7
Gartmore Investment Limited	400,000	8.0
Revera Asset Management Limited	400,000	8.0
Savoy Investment Management Limited	250,000	5.0

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual 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 prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group 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 that the financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by IASB.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the Group's web site. Information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements. Legislation in the UK concerning

the preparation and dissemination of financial statements may therefore differ from legislation in other jurisdictions.

Disclosure of information to auditors

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director 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.

Employees

The Group recognises its responsibilities for the fair treatment of all its employees in accordance with national legislation applicable to the territories within which it operates. Having regard to their skills and abilities, the Group gives full and fair consideration to applications for employment received from disabled persons, and so far as particular disabilities permit, will give employees disabled during their period of employment continued employment in the same job or, if this is not practicable, a suitable alternative job. Equal opportunities for appropriate training, career development and promotion are available to all employees regardless of any physical disability or their gender, religion, race or nationality.

Employee involvement and consultation

The Directors attach great importance to the maintenance and development of employee involvement and training. At this early stage of the Group's development, with a small number of employees, the Directors ensure that the results for the half year and for the financial year are discussed with employees and that they are aware of Group developments. As the Group develops, the Directors will put in place appropriate procedures to ensure that this continues to be the case as the number of activities and employees increases.

Social responsibility

Ludorum plc recognises the importance of social, environmental and ethical matters and the Directors endeavour to take into account the interests of all stakeholders, including investors, employees, customers, suppliers and business partners when operating the business.

Health, safety and the environment

The Directors seek to minimise risk to the health and safety of the Group's employees and to the environment by effective management of the Group's activities. The Group does not operate in a business sector which causes significant pollution or other adverse environmental effects. The principal direct environmental impacts are the consumption of energy at its offices and the production of waste. Offices have arrangements in place for the collection and recycling of waste materials.

Payments to suppliers

It is the Group's general policy to abide by the terms of payment agreed with its suppliers at the time of individual transactions and to ensure that suppliers are made aware of the terms of payment and abide by them. At 31 December 2006, the Group's creditors in respect of invoiced supplies represented 41 days' purchases.

Charitable and political donations

The Group did not make any charitable or political donations during the period.

Auditors

During the period PricewaterhouseCoopers LLP were appointed as auditors to the Company and have expressed their willingness to continue in office. Accordingly, resolutions will be proposed at the Annual General Meeting of the Company to re-appoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Directors to determine their remuneration.

By order of the board

Simon Pearce

Secretary

26 June 2007

REMUNERATION REPORT

Introduction and compliance

This report has been prepared by the Remuneration Committee on behalf of the Board in accordance with the requirements of section 234B of the Companies Act 1985 (as amended) (Directors' Remuneration Report regulations), the Combined Code ('the Code') and the Listing Rules of the Financial Services Authority.

A resolution inviting shareholders to approve the report will be put to the Annual General Meeting.

Remuneration Committee

The Company has established a Remuneration Committee which is chaired by Richard Rothkopf. The other member of the Committee is David Maloney, an independent non-executive director.

The function of the Remuneration Committee is set out in the Corporate Governance Report. The terms of reference of the Committee are available from the Company Secretary and are available on the Company's website.

Remuneration policy

The remuneration policy is established by the Board on the recommendation of the Remuneration Committee. The policy for remuneration is that the package offered should be sufficient to attract, retain and motivate executive directors and senior executives of the quality required, but not more than is necessary for this purpose. It is intended that variable pay should comprise a significant proportion of the total remuneration. Remuneration is reviewed annually.

The remuneration package

The remuneration package comprises base salary and benefits, annual bonus, long term incentive arrangements and pension contribution. All senior employees of the Group (including executive directors) are remunerated using the policy described below.

Base salary and benefits: At this early stage of the Company's development, base salaries for executive directors have been set at levels below market levels although the Committee's policy is that, as the Company progresses, base salary will take into account the performance of the individual and information from independent sources and consultants on market levels. An executive director's base salary will be reviewed by the Committee prior to the beginning of each year and when an individual changes position or responsibility.

The Executive Directors receive the benefit of private medical insurance.

Annual bonuses: Bonus scheme arrangements are in place for senior members of staff, including executive directors. The intention is to link bonuses to Group performance. Bonuses are calculated based on personal and business performance.

Incentive Option Plan: The Company has in place incentive arrangements which only reward participants if shareholder value is created, thereby aligning the interests of management with those of shareholders. Under these incentive arrangements the participants, who include the Executive Directors, have been granted options under the 2006 Incentive Option Plan (the "**Incentive Option Plan**" or the "**Plan**").

Incentive Options can be enlarged at certain times between 2009 and 2011 (or, if earlier, on a takeover or similar event affecting the Company) into options over Ordinary Shares having an aggregate value at the date of exercise equal to 20 per cent. of the increase in shareholder value between 3 April 2006 (the date of admission to trading on AIM) and the date of enlargement.

Participants in the Incentive Option Plan are selected by the remuneration committee and may be any employee of the Company although only the Executive Directors and one other senior employee are currently participants in the Plan and all available options under the Plan have been granted. If any

Incentive Options lapse in the future (e.g. due to a participant ceasing employment), then the remuneration committee may re-allocate the lapsed Incentive Options to any eligible employee, including participants in the Plan at that time. The remuneration committee expects to restrict participation to only a limited number of senior employees. Incentive Options are personal to a participant and, except on death, may not be transferred.

The increase in shareholder value is calculated as the difference between the market capitalisation at enlargement (determined by reference to the average market price of an Ordinary Share for 40 business days prior to conversion, or the offer price (as the case may be)), and the net invested capital in Ludorum plc, being the aggregate of the amounts paid on the Ordinary Shares up to conversion less all amounts paid by the Company by way of dividends or other distributions in respect of those shares, and where each such amount shall be adjusted in line with the movement in the RPI (plus 2 per cent. per annum) from the month of payment up to the month prior to the relevant trigger date. As at 31 December 2006 the increase in shareholder value attributable to the Incentive Option Plan was calculated as £0.3 million. Details of the Directors' holdings of options granted under the Incentive Option Plan are shown in the table of Directors' Shareholdings later in this report.

Pension: Since the shares of the Company were admitted to trading on AIM on 3 April 2006, each of Rob Lawes, Charles Caminada and Simon Pearce has received a Company contribution at the rate of 15 per cent. of salary to their individual personal pension arrangements.

Service contracts: The Company's policy on Directors' service contracts is that, in line with the best practice provisions of the Code, they should be terminable by the Company on one year's notice, and Directors' contracts do not provide for predetermined compensation in the event of termination. Any payments made would be determined by reference to normal contractual principles with mitigation being applied as appropriate. The Non-Executive Director does not have a service contract but has a letter of appointment for an initial period of three years, which may be renewed by mutual agreement, normally for a maximum of two further three year terms. The terms of appointment do not contain any contractual provisions regarding a notice period or the right to receive compensation in the event of early termination.

Details of the Directors' contracts and letters of appointment are as set out below:

<i>Executive Directors</i>	<i>Date of contract</i>	<i>Notice period</i>
Richard Rothkopf	28 March 2006	12 months
Rob Lawes	28 March 2006	12 months
Charles Caminada	28 March 2006	12 months
Simon Pearce	28 March 2006	12 months
<i>Non-Executive Director</i>	<i>Letter of appointment</i>	<i>End of period of appointment</i>
David Maloney	28 March 2006	3 April 2009

Non-Executive Director's fees

The Executive Directors are responsible for proposing the Non-Executive Director's fees. In proposing such fees they take account of similar fees paid to non-executive directors in listed companies within the Group's listing sector and of similar size. Any decision on fee changes is taken by the Board as a whole. Individual non-executive directors do not take part in discussion on their remuneration. Non-executive directors do not receive benefits or pension contributions from the Group.

Directors' remuneration

	<i>Salary/fees</i>	<i>Benefits</i>	<i>Pension Contributions</i>	<i>Total</i>
Executive Directors				
Richard Rothkopf	15,000	–	–	15,000
Rob Lawes	140,000	917	15,750	156,667
Charles Caminada	140,000	1,280	15,750	157,030
Simon Pearce	100,000	1,280	11,250	112,530
Non-Executive Director				
David Maloney	15,000	–	–	15,000
	<u>410,000</u>	<u>3,477</u>	<u>42,750</u>	<u>456,227</u>

Directors' shareholdings

The Directors' beneficial interests, including interests of connected persons (within the meaning of section 346 of the Companies Act 1985), in the Ordinary Shares of the Company at the end of the financial period are shown below. None of the Directors had any non-beneficial interest at any time in the financial year. None of the Directors who held office at the end of the financial period had any beneficial interest in the shares of other Group companies.

	<i>At appointment</i>	<i>No. of Ordinary Shares 31 December 2006</i>
Richard Rothkopf	–	220,000
Rob Lawes	–	440,000
Charles Caminada	–	292,000
Simon Pearce	–	35,000
David Maloney	–	20,000

In addition, each of Rob Lawes, Charles Caminada and Simon Pearce had an interest in 16,667 Deferred Shares. The deferred shares were issued as part of the capital re-organisation undertaken prior to the placing and admission to trading of Ordinary Shares on AIM in April 2006. The rights attaching to the Deferred Shares are so restricted as to render them virtually worthless.

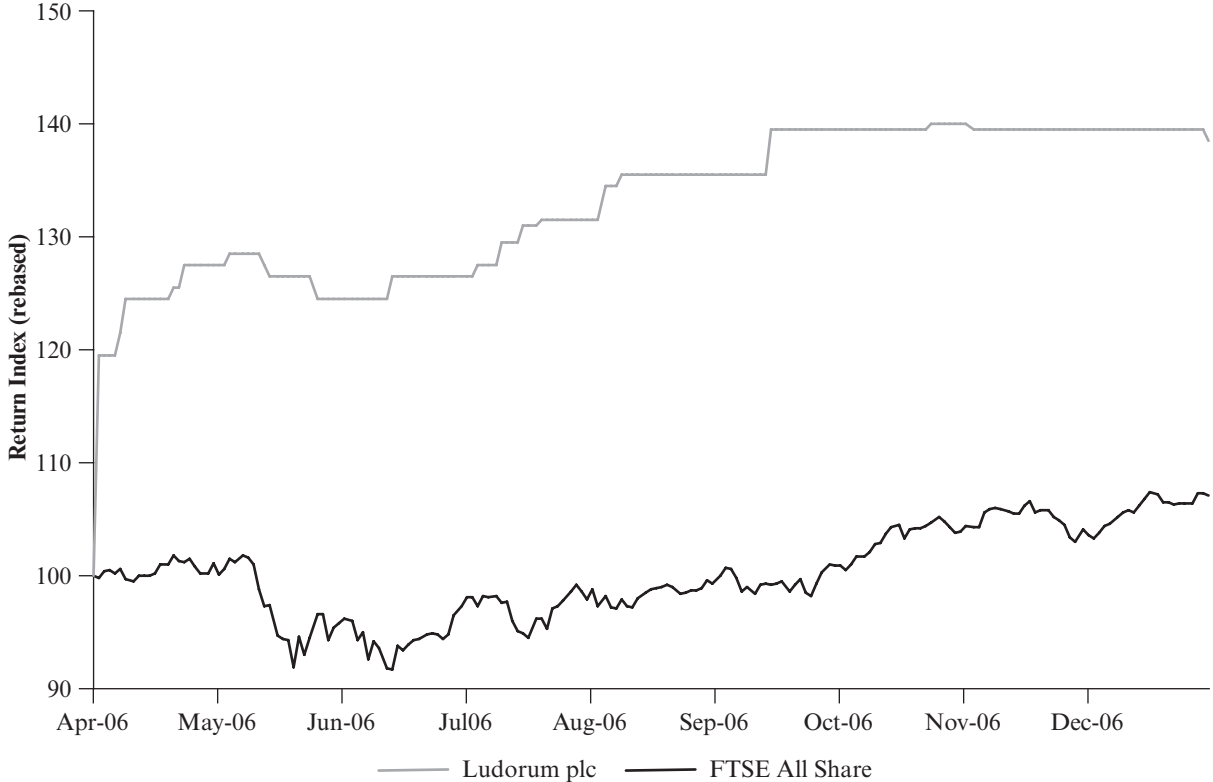
The Directors also held the following options to subscribe for Ordinary Shares, granted under the terms of the 2006 Incentive Option Plan.

	<i>No. of Incentive Options 31 December 2006</i>
Richard Rothkopf	200
Rob Lawes	390
Charles Caminada	280
Simon Pearce	70

The Incentive Options were granted on 28 March 2006. A further 60 Incentive Options have been granted to a senior employee. All of the Incentive Options in issue have an exercise price of 1 pence per share and can be enlarged at certain times between 2009 and 2011 (or, if earlier, on a takeover or similar event affecting the Company) into options over Ordinary Shares having an aggregate value at the date of exercise equal to 20 per cent. of the increase in shareholder value between 3 April 2006 (the date of admission to trading on AIM) and the date of enlargement.

Total shareholder return

The Ordinary Share capital of Ludorum plc was admitted to trading on AIM on 3 April 2006. The performance of the Company’s Ordinary Shares for the period between that date and 31 December 2006 compared with the FTSE All Share Index, which the Directors believe at this stage of the Company’s development is the most appropriate comparative index, is shown in the graph below.



This graph shows the value as at 31 December 2006 of £100 invested in the placing of shares of Ludorum plc on 3 April 2006 compared with £100 invested in the FTSE All Share Index.

This report was approved by the Board on 26 June 2007 and signed on its behalf by

Richard Rothkopf
Chairman of the Remuneration Committee

CORPORATE GOVERNANCE REPORT

Introduction

The Company supports the principles of corporate governance contained in the Combined Code on Corporate Governance published in July 2003 by the Financial Reporting Council (the 'Combined Code').

The Board is accountable to the Company's shareholders for good governance and this report describes how the Company has applied the principles of the Combined Code insofar as they are relevant and practicable for a Company listed on AIM in an early stage of its development.

The Board

The Board is responsible to shareholders for the effective and proper management and control of the Company and has a formal schedule of matters reserved for its decisions. Its primary roles are to determine and review Company strategy and policy, consider acquisitions and disposals, assess requests for major capital expenditure and give consideration to all other significant financial matters. This process is undertaken following discussions in conjunction with senior executive management who in turn are responsible for day to day conduct of the Group's operations and for reporting to the Board on the progress being made in meeting the objectives.

At 31 December 2006, the Board comprised five members. The names, roles and date of appointment of each of these Directors were as follows:

<i>Director</i>	<i>Role</i>	<i>Date of appointment</i>
Richard Rothkopf	Executive Chairman	16 March 2006
Robert Lawes	Chief Executive Officer	10 January 2006
Charles Caminada	Chief Operating Officer	10 January 2006
Simon Pearce	Finance Director	10 January 2006
David Maloney	Non-executive Director	28 March 2006

The Board considers that David Maloney, whom the Board has identified as the Senior Independent Director, is independent of management and free from any business relationships which could interfere with the exercise of his independent judgement. The Directors consider that it is appropriate for the Board, at this stage of the Company's development, to include only one non-executive director. Accordingly, the Company is not in compliance with paragraph A.3.2 of the Combined Code which stipulates that a smaller Company should have at least two independent non-executive directors. No individual or group of individuals dominates the Board's decision making and the Board expects to appoint additional independent non-executive directors as the Company's business and operations develop.

The Board met eight times during the period and each of the Directors attended every meeting that took place on or subsequent to their date of appointment. A comprehensive pack of briefing papers and an agenda is provided for each Director, normally seven days in advance of each meeting. The Directors are able to seek further clarification and information on any matter from any other Director or employee of the Group whenever necessary. They have access to the advice and service of the Company Secretary and are able to obtain independent professional advice, at the Company's expense, if the need arises. Given the relatively short period since the Company was established and has been listed on AIM, a formal process of performance evaluation in relation to the Board has not yet been implemented.

As each of the Directors was appointed to the Board during the period, each of them will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-appointment. In subsequent years, in accordance with the Company's articles of association, one third (or the number nearest to but not less than one third) of all Directors will be required to retire and submit themselves for re-election at each Annual General Meeting of the Company. It is the policy of the Board that non-executive directors are appointed for an initial term of three years, following which their appointment will be reviewed.

Chairman and Chief Executive Officer

The Board's policy is that the roles of Chairman of the Board and Chief Executive Officer of the Company should be split. The division of responsibilities of the Chairman and the Chief Executive Officer is set out in writing and has been approved by the Board. The Board considers that the respective roles and responsibilities are clearly understood by both individuals and by the Board as a whole.

Committees of the Board

The Board has two standing committees, Remuneration and Audit, the members of each being Richard Rothkopf and David Maloney. The duties of the Committees are set out in formal terms of reference. These are available from the Company Secretary. The Company Secretary acts as Secretary of each of the Committees.

Remuneration Committee

The Remuneration Committee is chaired by Richard Rothkopf. The function of the Committee is to establish and review the terms and conditions of employment of the Executive Directors, and to make recommendations to the Board on the overall framework and broad policy for the remuneration of the Company's directors and other senior executives within the Group. The Committee has not needed to meet formally since the flotation.

Audit Committee

The Audit Committee is chaired by David Maloney, who has held senior financial positions in a number of service sector companies, including Chief Financial Officer for Le Meridien Hotels & Resorts and Chief Financial Officer for Thomson Travel Group plc as well as 12 years working with Avis Europe plc latterly as group Finance Director. Accordingly, the Board considers that he brings recent and relevant financial experience to his role as chairman of the Committee. The Committee is normally expected to meet not less than three times a year and has met once in 2006 since the Company's shares were admitted to trading on AIM and both members of the Committee attended this meeting. The Committee invites other members of the Board and senior representatives of the external auditors to attend meetings as appropriate to the business being considered. In addition, the Committee has the right to invite any other employees to attend meetings where this is considered appropriate.

The Committee is responsible for the development, implementation and monitoring of the Company's policy on external audit and for overseeing the objectivity and effectiveness of the external auditors. The Committee recommends the appointment and re-appointment of the Company's external auditors and considers the scope and the cost effectiveness of their work.

The Committee has approved the audit and non-audit services which have been provided by PricewaterhouseCoopers LLP during the period under review. A significant proportion of the non-audit services related to non-recurring work in connection with the preparation and publication of the Admission Document prior to the listing of the Company's shares on AIM in April 2006. The Committee is satisfied that, notwithstanding this work, PricewaterhouseCoopers LLP have retained objectivity and independence during the year.

The Committee monitors and reviews the effectiveness of the Group's internal control systems, accounting policies and practices, risk management procedures and compliance controls as well as the integrity of the Company's financial statements.

Internal control and risk management

Philosophy and policy

The objective of the Directors and senior management is to safeguard and increase the value of the business and assets of the Group. Achievement of this objective requires the development of policies and appropriate internal controls to ensure the Group's resources are managed properly and any risks are identified.

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. The systems and processes established by the Board are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and cannot provide absolute assurance against material misstatement or loss. The Board has delegated responsibility for reviewing the suitability of practices and procedures to the Audit Committee.

The Company's senior management is responsible for the suitability of current systems and the Audit Committee ensures the effectiveness and efficiency of the processes implemented by senior management. This includes discussions with senior management of the Group. These findings are in turn discussed by the full Board which is responsible for addressing any weaknesses identified. The Board is committed to satisfying the internal control guidance for directors set out in the ICAEW Turnbull Report. Further, the Board is aware of the major risks facing the Company and the steps taken by the Company where possible to mitigate such risks.

Managing risks

A summary of the structures and processes in place to identify and manage risks across the Group is set out below.

Controlling risk

The Group has policies which address a number of key business risks. Senior management assume responsibility for managing risk in the businesses. Where appropriate, external advisers are appointed in order to support this process.

Accountability and audit

The Statement of Directors' responsibilities in relation to the consolidated and Company financial statements is set out in the Directors' Report.

Going concern

On the basis of current financial projections and facilities available, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal financial controls

The Company has a system for regular monitoring and reporting of financial performance and assessing the efficiency of the Group's systems of internal controls appropriate to its stage of development. A detailed budget is prepared by management and thereafter is reviewed and formally adopted by the Board. The budget and other targets are regularly updated via a rolling forecast process and regular business review meetings are also held involving senior management, at which the Company's overall performance is assessed. The results of these reviews are in turn reported to and discussed by the Audit Committee and the Board.

The Audit Committee has considered whether there is a requirement for an internal audit function and based on the simplicity of the Company's current operations and its early stage of development, the Committee is satisfied that an internal audit function is not presently required. This matter will be kept under regular review.

The Board confirms that it has reviewed the effectiveness of the system of internal controls for the period ended 31 December 2006.

Communications with shareholders

Principally via the Executive Directors, the Company seeks to build on a mutual understanding of objectives with its institutional shareholders through regular meetings and presentations following

announcements of annual and interim results. Institutional shareholders will be given the opportunity to meet with a new non-executive director on request. The views of key analysts and shareholders are communicated back to the Board directly by individual Directors and via the Company's broker, ensuring all members of the Board develop an understanding of the views of major shareholders. Corporate information is also available on the Company's website, www.ludorum.com.

Constructive use of the Annual General Meeting

The Board welcomes the attendance of shareholders at the Annual General Meeting at which the Directors will be present to take questions on the Company's businesses and strategy.

By order of the Board

Simon Pearce

Secretary

26 June 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUDORUM PLC

We have audited the Group and Company financial statements (the "financial statements") of Ludorum plc for the period ended 31 December 2006 which comprise the consolidated income statement, the Group and Company balance sheets, the Group and Company statements of changes in shareholders' equity, the Group and Company cash flow statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and have been 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Remuneration Report and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 Group's and 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUDORUM PLC
(CONTINUED)**

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2006 and of its loss and cash flows for the period then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 December 2006 and cash flows for the period 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.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

26 June 2007

CONSOLIDATED INCOME STATEMENT

for the period from incorporation on 18 October 2005 to 31 December 2006

	<i>Notes</i>	<i>2006</i> <i>£'000</i>
Continuing operations		
Cost of sales		<u>(149)</u>
Gross Loss		(149)
Administrative expenses		<u>(1,843)</u>
Operating loss		(1,992)
Interest payable and similar charges		(6)
Interest receivable		<u>130</u>
Loss before taxation	3	(1,868)
Taxation	6	<u>(3)</u>
Loss for the period		<u><u>(1,871)</u></u>
Basic and diluted earnings per share	7	<u>(60.1p)</u>

BALANCE SHEETS

as at 31 December 2006

	<i>Notes</i>	<i>Group 2006 £'000</i>	<i>Company 2006 £'000</i>
Assets			
Non-current assets			
Investment in subsidiaries	8	–	399
Property, plant and equipment	9	14	8
Intangible assets	10	48	–
		<u>62</u>	<u>407</u>
Current assets			
Trade and other receivables	11	59	26
Cash and cash equivalents	12	3,470	3,466
		<u>3,529</u>	<u>3,492</u>
Liabilities			
Current liabilities			
Trade and other liabilities	13	465	302
		<u>465</u>	<u>302</u>
Net current assets		3,064	3,190
Non-current liabilities			
Provisions	14	28	28
Net assets		<u>3,098</u>	<u>3,569</u>
Shareholders' equity			
Ordinary shares	15	50	50
Deferred shares	15	50	50
Share premium	16	4,575	4,575
Other reserves	17	294	294
Retained losses	18	(1,871)	(1,400)
Total shareholders' equity		<u>3,098</u>	<u>3,569</u>

The financial statements were approved by the Board of Directors on 26 June 2007 and signed on its behalf by:

Rob Lawes, Chief Executive Officer

Simon Pearce, Finance Director

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Group	<i>Share capital</i> £'000	<i>Share premium</i> £'000	<i>Retained losses</i> £'000	<i>Other reserves</i> £'000	<i>Total shareholders' equity</i> £'000
At 18 October 2005	–	–	–	–	–
Loss for the period	–	–	(1,871)	–	(1,871)
Charge relating to incentive option plan	–	–	–	294	294
New shares issued	100	4,901	–	–	5,001
Costs relating to the issue of shares	–	(326)	–	–	(326)
At 31 December 2006	<u>100</u>	<u>4,575</u>	<u>(1,871)</u>	<u>294</u>	<u>3,098</u>

Company	<i>Share capital</i> £'000	<i>Share premium</i> £'000	<i>Retained losses</i> £'000	<i>Other reserves</i> £'000	<i>Total shareholders' equity</i> £'000
At 18 October 2005	–	–	–	–	–
Loss for the period	–	–	(1,400)	–	(1,400)
Charge relating to incentive option plan	–	–	–	294	294
New shares issued	100	4,901	–	–	5,001
Costs relating to the issue of shares	–	(326)	–	–	(326)
At 31 December 2006	<u>100</u>	<u>4,575</u>	<u>(1,400)</u>	<u>294</u>	<u>3,569</u>

CASH FLOW STATEMENTS

for the period from incorporation on 18 October 2005 to 31 December 2006

	<i>Notes</i>	<i>Group</i> 2006 £'000	<i>Company</i> 2006 £'000
Cash flows from operating activities			
Cash used in operations	19	(1,247)	(927)
Interest received		130	130
Interest paid		(6)	(2)
Net cash used in operating activities		<u>(1,123)</u>	<u>(799)</u>
Cash flows from investing activities			
Investment in subsidiaries	8	–	(399)
Purchase of property, plant and equipment	9	(18)	(11)
Investment in intangible assets	10	(64)	–
Net cash used in investing activities		<u>(82)</u>	<u>(410)</u>
Cash flows from financing activities			
Net proceeds from issue of share capital	15,16	4,675	4,675
Net cash generated from financing activities		<u>4,675</u>	<u>4,675</u>
Net increase in cash and cash equivalents		3,470	3,466
Cash and cash equivalents at 18 October 2005		–	–
Cash and cash equivalents at 31 December 2006	12	<u>3,470</u>	<u>3,466</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period from incorporation on 18 October 2005 to 31 December 2006

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the whole period presented.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as adopted by the EU and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. A summary of the more important Group accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

IFRS 7 'Financial instruments: Disclosures' has not been early adopted by the Group. This standard does not have any impact on the classification and valuation of the Group's financial instruments. In addition, the Group has not early adopted the following interpretations which are not yet effective: IFRIC 7 'Applying the restatement approach under IAS 29', IFRIC 8 'Scope of IFRS 2', IFRIC 9 'Reassessment of embedded derivatives' and IFRIC 10 'Interim financial reporting and impairment'. These interpretations are not expected to have any impact on the Group's financial statements.

Critical accounting estimates and judgments

At this stage in the Company's development substantially all its accounting transactions are related to cash and the requirement for critical estimates and judgments is limited. However, the Directors have had to estimate the fair value of options granted under the Incentive Option Plan as explained in more detail below.

Basis of consolidation

These financial statements include the results of the Company and its subsidiaries. The results of businesses acquired during the period are included from the effective date of acquisition.

Foreign currency translation

(1) Functional and presentation currency – Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

(2) Transactions and balances – Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

(3) Group companies – The results and financial position of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the balance sheet;
- income and expenses are translated at average exchange rates.

All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. The Group treats specific inter-company loan balances, which are not intended to be repaid for the foreseeable future, as part of its net investment.

The principal overseas currency for the Group is the US Dollar. The average rate for the period against Sterling was \$1.8897 and the rate at 31 December 2006 was \$1.9572.

Investment in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

Property, plant & equipment

Property, plant and equipment comprises office equipment which is recorded at purchase cost less depreciation and, when appropriate, provision for impairment. Depreciation is calculated so as to write off the cost of the assets, less their estimated residual values, over their expected useful economic lives. Office equipment is depreciated on a straight-line basis over its estimated useful life of three years.

Intangible assets

(1) Development Projects

Costs comprise direct programme costs, which are capitalised up to the date of first release of the programme, and programme development costs. Costs for developing programmes are expensed until such time as a pilot is produced and decision is made to exploit the programme further. Development costs are transferred to work in progress once a decision is made to proceed with the programme.

A charge is made to write down the cost of completed programmes over their useful lives. Completed programmes are expensed based on the ratio of the current period's net revenues to estimated total net revenues from all sources on an individual production basis. This charge is included in the income statement as part of cost of sales.

(2) Acquired intangible assets

Acquired intangible assets comprise distribution rights and regionalisation costs. These assets are capitalised on acquisition and amortised over their estimated useful lives. Distribution rights are amortised on a straight-line basis over the relevant licence period. Regionalisation costs are amortised on a straight-line basis over their estimated useful economic lives, generally estimated to be three years, or, if shorter, over the length of the licence period of the relevant property.

The carrying value of intangible assets is subject to an impairment review where there are indicators that impairment may exist. An impairment loss is calculated by reference to the expected future revenues of the underlying property, taking account of the cost of such sales, from which the discounted value of future cash flows relating to the intangible asset is determined and compared to the carrying value. Any impairment charge is included in the income statement as part of cost of sales.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances held in a UK clearing bank account or held on treasury deposit.

Tax and deferred tax

Taxation is recognised on profits at the rate of corporation tax applicable to small companies of 19 per cent.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Operating leases

Payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term. Initial rent deposits are shown as a debtor in the balance sheet.

Incentive option plan

The Company has granted share options under the Incentive Option Plan which will result in share-based payments to optionholders on exercise of the options. The fair value of these options, which the Company has estimated at the award date using a Monte Carlo valuation model, is estimated to be £1,500 per option and is expensed through the income statement over the vesting period of the options. The principal assumptions used in the valuation are as follows: initial share price – £1; expected volatility – 40 per cent.; term of option – 5 years; and risk-free interest rate – 4.75 per cent. As the Company does not have a trading history, expected volatility has been based on the volatility of a range of comparable companies over periods equal to the option term. The main feature of the options taken into account in the valuation is the facility for the number of shares under option to be enlarged in accordance with the rules of the Incentive Option Plan.

Share capital

The Company's share capital consists of ordinary shares with a nominal value of 1p each and deferred shares with a nominal value of 99p each. No dividends have been declared or paid on the ordinary shares. The rights of the deferred shares to receive dividends or participate in distributions of capital on a winding-up are so limited as to render the deferred shares of negligible value. The costs of issuing shares are charged directly to the share premium account.

Pension costs

The Group contributes to defined-contribution (money purchase) private pension schemes in the UK for the benefit of the executive Directors (with the exception of Richard Rothkopf). The Group also provides for a defined-contribution pension scheme for the benefit of its employee in the US.

Contributions are charged to the income statement on the basis of the contributions payable during the year.

Segmental reporting

The Group's primary reporting format is geographical segments. At this early stage in its development it does not have a meaningful secondary segment. The Group's geographical segments are determined by the location of its assets and operations.

Financial risk

The main risk arising from the Group's financial activities is liquidity risk. The Group manages this by financing its activities through its cash resources which are maintained on short-term deposit.

2. Segmental reporting

The following table presents information regarding the Group's geographical segments for the period ended 31 December 2006.

Geographical area	<i>UK</i> <i>£'000</i>	<i>USA</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
Gross loss	(149)	–	(149)
Operating loss	(1,876)	(116)	(1,992)
Net assets/(liabilities)	3,112	(14)	3,098
Significant non-cash expenses – Incentive Option Plan	305	17	322

All material capital expenditure, depreciation and amortisation is within the UK.

3. Loss before taxation

	<i>2006</i> <i>£'000</i>
The following items have been included in arriving at the loss before taxation:	
Staff costs – (Note 5)	1,048
Depreciation of property, plant and equipment	4
Amortisation of intangible assets	16
Operating lease rentals – property, plant and equipment	53

4. Auditors' remuneration

Amounts paid to the Company's auditors for statutory audit and other services during the period were as follows:

	<i>2006</i> <i>£'000</i>
Audit services	
Fees payable to the Company's auditor for the audit of parent Company and consolidated accounts	34
Fees payable to the Company's auditor for the audit of subsidiary companies	1
Non-audit services	
Fees payable to the Company's auditor and its associates for other services	
As reporting accountant on admission to AIM	72
All other services	25
	<hr/>
	132
	<hr/> <hr/>

5. Employees and Directors

Staff costs during the period	<i>Group 2006 £'000</i>	<i>Company 2006 £'000</i>
Wages and salaries	603	498
Social security costs	70	61
Other pension costs	53	43
	<u>726</u>	<u>602</u>
Costs attributable to the Incentive Option Plan (including related social security costs)	322	305
	<u>1,048</u>	<u>907</u>

The number of employees (all of whom were executive Directors or senior management) of the Group at 31 December 2006 was eight (Company: four). The average number of employees of the Group during the period was four (Company: three).

	<i>Group and Company 2006 £'000</i>
Aggregate Directors' emoluments	456
Emoluments of the highest paid Director:	157

Details of the Directors' emoluments are shown in the Remuneration Report.

6. Taxation

	<i>2006 £'000</i>
Current tax	
UK taxation	–
Overseas taxation	3
	<u>3</u>
Deferred tax	–
Taxation	<u><u>3</u></u>

The tax assessed for the period differs from the standard rate of corporation tax in the UK. The differences are explained below:

	<i>2006 £'000</i>
Loss before taxation	<u>(1,868)</u>
Loss before taxation multiplied by the rate of UK corporation tax applicable to small companies of 19%	(355)
Effect of:	
Overseas taxation	3
Expenses not deductible for tax purposes	2
Losses available to carry forward and other timing differences	353
Taxation	<u><u>3</u></u>

The unrecognised deferred tax asset at 31 December 2006 is estimated to be £353,000 and is in respect of trading losses incurred and other timing differences.

7. Earnings per share

Basic earnings per share is calculated by dividing the earnings or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Because basic EPS results in a loss per share the diluted EPS is calculated using the undiluted weighted average number of shares.

	<i>Earnings</i>	<i>Weighted average number of shares</i>	<i>Per-share amount pence</i>
Basic and diluted EPS			
Loss attributable to ordinary shareholders	<u>(£1,871,000)</u>	<u>3,111,706</u>	<u>(60.1)</u>

8. Investments

<i>Company</i>	<i>Investment in subsidiaries £'000</i>
At 18 October 2005	–
Additions	<u>399</u>
As at 31 December 2006	<u><u>399</u></u>

The following subsidiaries are directly owned by Ludorum plc and were established during the year:

<i>Subsidiary</i>	<i>Date of incorporation</i>	<i>Country of incorporation</i>	<i>Type of shares</i>	<i> Holding</i>	<i>Activity</i>
Ludorum Inc.	12 April 2006	USA	Ordinary	100%	Service company
GONG Limited	17 May 2006	England & Wales	Ordinary	100%	Anime distribution

9. Property, plant and equipment

	<i>Group Office equipment £'000</i>	<i>Company Office equipment £'000</i>
Cost		
At 18 October 2005	–	–
Additions	<u>18</u>	<u>11</u>
At 31 December 2006	<u><u>18</u></u>	<u><u>11</u></u>
Accumulated depreciation		
At 18 October 2005	–	–
Charge for the period	<u>4</u>	<u>3</u>
At 31 December 2006	<u><u>4</u></u>	<u><u>3</u></u>
Net book amount at 31 December 2006	<u><u>14</u></u>	<u><u>8</u></u>

The Company considers at each reporting date whether there is any indication of impairment of its assets. In the event that impairment is identified, the carrying amount of the assets is written down immediately to its estimated recoverable amount.

10. Intangible assets

	<i>Regionalisation costs £'000</i>	<i>Distribution rights £'000</i>	<i>Total £'000</i>
Group			
Cost			
At 18 October 2005	–	–	–
Additions	16	48	64
At 31 December 2006	<u>16</u>	<u>48</u>	<u>64</u>
Accumulated amortisation			
At 18 October 2005	–	–	–
Charge for the period	6	10	16
At 31 December 2006	<u>6</u>	<u>10</u>	<u>16</u>
Net book amount at 31 December 2006	<u>10</u>	<u>38</u>	<u>48</u>

The Company considers at each reporting date whether there is any indication of impairment of its intangible assets. In the event that impairment is identified, the carrying amount of the intangible assets is written down immediately to its estimated recoverable amount.

11. Trade and other receivables

	<i>Group 2006 £'000</i>	<i>Company 2006 £'000</i>
Amounts falling due within one year:		
Prepayments and accrued income	32	16
Other receivables	27	10
	<u>59</u>	<u>26</u>

The fair values of trade and other receivables are not materially different from their reported values.

12. Cash and cash equivalents

	<i>Group 2006 £'000</i>	<i>Company 2006 £'000</i>
Cash and cash equivalents		
Cash at bank and in hand	4	–
Short-term bank deposits	3,466	3,466
	<u>3,470</u>	<u>3,466</u>

Short-term bank deposits are invested with banks and earn interest at prevailing short-term deposit rates.

The fair value of cash and cash deposits is the same as the carrying value. Cash and cash equivalents are held in Sterling.

13. Trade and other liabilities

	<i>Group 2006 £'000</i>	<i>Company 2006 £'000</i>
Trade payables	104	42
Overseas tax payable	3	–
Social security and other taxes	27	20
Accruals	317	239
Other liabilities	14	1
	<u>465</u>	<u>302</u>

The fair values of trade and other liabilities are not materially different from their reported values.

14. Provisions

	<i>Group Social Security Costs £'000</i>	<i>Company Social Security Costs £'000</i>
At 18 October 2005	–	–
Income statement charge	<u>28</u>	<u>28</u>
At 31 December 2006	<u>28</u>	<u>28</u>

The Company is providing for the anticipated employer's national insurance contribution that will arise on the exercise of awards granted under the 2006 Incentive Option Plan.

15. Called up share capital

Group and Company	<i>Shares</i>	<i>2006 £'000</i>
Authorised		
Ordinary shares of 1 pence each	7,666,667	77
Deferred shares of 99 pence each	50,001	50
		<u>127</u>
Issued and fully-paid		
<i>Ordinary shares of £1 each</i>		
At 18 October 2005	2	–
Issued during the period	49,999	50
Converted during the period	(50,001)	(50)
At 31 December 2006	<u>–</u>	<u>–</u>
<i>Ordinary shares of 1 pence each</i>		
At 18 October 2005	–	–
Arising on conversion	50,001	–
Issued during the period	4,950,000	50
At 31 December 2006	<u>5,000,001</u>	<u>50</u>
<i>Deferred shares of 99 pence each</i>		
At 18 October 2005	–	–
Arising on conversion	50,001	50
At 31 December 2006	<u>50,001</u>	<u>50</u>

On incorporation, the authorised share capital of the Company was £50,000 divided into 50,000 ordinary shares of £1.00 each, of which two ordinary shares were issued at par fully paid up to the subscribers.

On 10 January 2006, the Company's authorised share capital was increased to £50,001 and 49,999 ordinary shares of £1.00 each were issued paid up as to one-quarter of their nominal value. The balance of the nominal value of the partly-paid ordinary shares was paid up in full on 28 March 2006.

On 28 March 2006, each ordinary share of £1.00 each in the capital of the Company was converted into one ordinary share of 1 pence and one deferred share of 99 pence each. The authorised share capital of the Company was increased from £50,001 to £126,168 by the creation of 7,616,666 ordinary shares.

On 3 April 2006, 4,950,000 ordinary shares of 1 pence each were issued at a price of £1 per share.

16. Share premium account

Group and Company	<i>£'000</i>
At 18 October 2005	–
Premium on shares issued during the period	4,901
Costs relating to the issue of shares	(326)
At 31 December 2006	<u>4,575</u>

17. Other reserves

	<i>Group Incentive Plan valuation reserve £'000</i>	<i>Company Incentive Plan valuation reserve £'000</i>
At 18 October 2005	–	–
Charge relating to the incentive option plan	294	294
At 31 December 2006	<u>294</u>	<u>294</u>

18. Retained losses

	<i>Group £'000</i>	<i>Company £'000</i>
At 18 October 2005	–	–
Loss for the period	(1,871)	(1,400)
At 31 December 2006	<u>(1,871)</u>	<u>(1,400)</u>

19. Cash flow from operating activities

	<i>Group 2006 £'000</i>	<i>Company 2006 £'000</i>
Continuing operations		
Loss before taxation	(1,868)	(1,400)
Adjustments for:		
Interest payable	6	2
Interest receivable	(130)	(130)
Depreciation of property, plant and equipment	4	3
Amortisation of intangible assets	16	–
Charge relating to the incentive option plan	294	294
Increase in Provisions	28	28
Changes in working capital:		
Increase in Trade and other receivables	(59)	(26)
Increase in Payables	462	302
Cash used in continuing operations	<u>(1,247)</u>	<u>(927)</u>

20. Operating lease commitments

	<i>2006 £'000</i>
Commitments under non-cancellable operating leases expiring:	
Within one year	<u>33</u>

The Company has entered into a short-term non-cancellable operating lease on its head office in Chiswick, London.

21. Related party transactions

During the period, the Company received loans from Directors totalling £24,000. These loans were repaid on 31 March 2006. A Group company rented an office from a company controlled by a Director of the Company during the period. The rent paid during the period was £4,500. The Company provides funding to its wholly owned subsidiaries as required. During the period Ludorum Inc, a subsidiary, charged the Company £110,000 for services provided to the Company. The amount owing to Ludorum Inc. at 31 December 2006 was £4,000, which is included in accruals. No other transactions with related parties have been identified during the period.

22. Contingent liabilities

By a letter received on 23 March 2007, the Company has been notified of a potential claim in respect of a pre-school property project it is developing. The claim has been made by a former consultant of the Company for fees and other amounts allegedly payable to the claimant in connection with a consultancy agreement concluded in November 2006 (with an effective date of 21 June 2006). The former consultant is seeking approximately £200,000 in respect of future consultancy fees and 3 per cent. of the net revenue share from any exploitation of the programme. The Company disputes the claim and intends to resist it.

23. Company loss for the period

As permitted by Section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company's loss for the period amounts to £1,400,000.

24. Post balance sheet events

There have been no significant events between the period end and date of approval of these accounts which would require a change to or disclosure in the accounts.

DEFINITIONS

The following definitions apply throughout these Reports and Accounts unless the context requires otherwise:

“AIM”	AIM, a market operated by the London Stock Exchange
“Anime”	Anime is Japanese or Japanese-style animation. Often such animation is based upon Manga, an original published form of Japanese animation.
“Board” or “Directors”	the board of directors of the Company, whose names are set out on page 11 of this document.
“Combined Code”	the revised Principles of Good Governance and Code of Best Practice appended to the Listing Rules published in July 2003 by the Financial Reporting Council
“Company” or “Ludorum plc”	Ludorum plc, a company incorporated in England and Wales with registered number 5595899
“Deferred Shares”	deferred shares of 99 pence in the share capital of the Company having the rights and restrictions set out in the resolution passed at an extraordinary general meeting of the Company held on 28 March 2006
“Executive Directors”	Richard Elliot Rothkopf, Robert Ian Lawes, Charles Jerome Caminada and Simon Marshall Pearce
“Group”	Zebedee and its subsidiaries, immediately prior to completion of the Acquisition and the Joint Venture
“EU”	the European Union
“Financial Services Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part IV of FSMA
“GONG”	Gong Limited, a company incorporated in England and Wales with registered number 5819219
“Group”	the Company, Gong and any Acquired Business
“IFRS”	International Financial Reporting Standards
“Incentive Option”	an option granted under the Incentive Option Plan
“Incentive Option Plan” or “Plan”	the Ludorum plc 2006 Incentive Option Plan established after Ludorum plc’s admission to AIM in April 2006
“IP”	intellectual property
“Listing Rules”	the rules and regulations made by the FSA under Part VI of FSMA
“Non-Executive Director”	David Maloney
“Ordinary Shares” or “Shares”	ordinary shares of 1 pence each in the share capital of the Company

“PricewaterhouseCoopers” or “PwC”	PricewaterhouseCoopers LLP of 1 Embankment Place, London WC2N 6RH
“RPI”	the Retail Prices Index (all items) published by the Office for National Statistics
“Shares”	means the Ordinary Shares and/or any other shares in the share capital of the Company as the context permits
“Shareholders”	Holders of Ordinary Shares
“subsidiary”, “subsidiary undertaking” “parent undertaking”, “associated undertaking” and “undertaking”	hall, unless otherwise stated, be construed in accordance with the Act (but for these purposes ignoring paragraph 20(1)(b) of Schedule 4A to the Act)
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“US” or “United States”	United States of America, its territories and possessions, any state of the United States and the District of Columbia and all other areas subject to this jurisdiction

In this document, words denoting any gender include all genders (unless the context otherwise requires).

All times referred to are London Time unless otherwise stated.

Unless otherwise indicated, all references in this document to “pounds sterling”, “sterling”, “£”, “pence” or “p” are to the lawful currency of the United Kingdom, all references to “\$”, “US\$”, or “US dollars” are to the lawful currency of the United States and all references to “Euro”, “cent” or “€” are to the currency introduced at the start of the third stage of European economic or monetary union pursuant to the treaty establishing the European Community, as amended.

Some numerical figures included in this document have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an authentic aggregation of the figures that preceded them.

