ludorum

Annual Report and Accounts for the year ended 31 December 2007

Contents

Directors and Advisers

Ludorum plc
Registered in England and Wales
Registered number: 5595899
Registered office: Building 3, Chiswick Park, 566 Chiswick High Road, London W4 5YA

Directors
Richard Rothkopf *(Chairman)*
Rob Lawes *(Chief Executive Officer)*
Charles Caminada *(Chief Operating Officer)*
David Maloney *(Non Executive)*

Company Secretary
Malcolm Paget

Nominated Adviser and Brokers
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Bankers
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London
EC2V 7QQ

Auditors
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

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Clifford Chance LLP
10 Upper Bank Street
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Overview

Ludorum plc is an AIM-listed media investment company. The Group is focused on creating or acquiring and subsequently exploiting the rights for children's entertainment properties through both conventional media and new media channels.

In the financial year ended 31 December 2007, the Company has made substantial progress with the development and launch of its first in-house developed property Chuggington, a new train-based series and interactive website for 2-6 year olds. The series is in production and has been very well received by broadcasters and potential partners worldwide. We believe Chuggington has global appeal and the level of interest received to date gives us confidence that this property will create material value for our shareholders over the longer term.

The Company also recently announced, subsequent to the year end, our appointment as global distributor to the iconic D C Thomson & Co Ltd property, Dennis and Gnasher, as well as the rights to their Dandy comic character Marvo. To manage and drive these properties forward we have recently recruited and hired a small, skilled team based in our London and Chicago offices.

Chuggington

We believe Chuggington represents a new and innovative entertainment property and provides an opportunity to create substantial long term value for the Company. We believe Chuggington will be the first global train property to be launched since Thomas the Tank Engine, which was first published in 1948. The first series consists of a high quality computer-generated 3D animated series of 52 x 10 minute episodes, 26 x 3 minute interstitials and an interactive on-line website. Production is underway, and delivery of the first series is due in the autumn of 2008. The total production spend for both Series one and the on-line site is £4.4m.

The Chuggington series follows the adventures of Wilson, Brewster and Koko, trainee engines called "Chuggers", each with his own unique personality and learning style. The series is set in a contemporary world much like our own with cities, villages and diverse cultures and geography. Entertainment, learning, sharing and enjoyment are at the heart of Chuggington, and embedded within each story are important developmental messages centred on social-emotional development including the appropriate expression of various of life's emotions. The series deals with an extensive range of destinations to explore and adventures though which children can benefit from the underlying value of positive life-learning lessons.

Chuggington is directed by Sarah Ball, who won a BAFTA award for her work as a director and writer of Bob the Builder. The series has been designed by a team led by Don Toht who has, in the past, been instrumental in the design and creation of the Thomas & Friends and Bob the Builder toy and play systems.

Chuggington was conceived to seamlessly integrate television, books and interactive view-and-play. We believe that the on-line component is a crucial platform for building awareness and interaction as well as offering an enhanced source of entertainment in the franchise.

Chuggington.com, the interactive site, will allow parents to prioritise the developmental and learning issues that they believe are important to their children. The site's Virtual World features will present an immersive and entertaining world of Chuggington which is both graphically and textually consistent with the television series. Through quest-based play, users will be able to enjoy activities based on plot lines and settings taken directly from the television series. These activities will be created in a modular fashion to allow us to offer assets to our commercial partners and on the site. Further information and progress updates are available at the Chuggington production blog at www.chuggington.com.

Chuggington was introduced to the international marketplace at the MIPCOM festival in October 2007 and has been well received by a large number of broadcasters around the world as evidenced by pre-sale commitments for the series from leading broadcasters in their respective territories, including the BBC (UK), Super RTL (Germany), TF1 (France), and ABC (Australia). Following the April 2008 MIP festival, we continue to see positive global demand for Chuggington with a number of broadcast deals in Europe, Asia and the Americas actively under negotiation. Global broadcast is anticipated to commence in spring 2009 with some regional broadcasts scheduled for earlier dates.

Learning Curve Brands, Inc, a division of RC2 and a leading global toy manufacturer based in the US, has been granted the master toy licence on a worldwide basis. Learning Curve plans to develop a substantial global line of new and innovative toys with both on and off-line applications. Learning Curve contributes to production costs and will participate in the net profits of the property.

The Company is currently in the process of concluding key strategic agreements across home entertainment and publishing revenues and has just started to receive proposals from other third party licensees across interactive, hard- and soft-good lines.

Dennis and Gnasher

In January 2008, Ludorum agreed a long-term agency agreement with D C Thomson & Co. Ltd. to represent global broadcast, home entertainment, consumer product and new media rights to Dennis and Gnasher, the iconic characters from the Beano comics which will also be the name given to the television series.

The new series of 52 x 11 minute episodes propels Dennis and Gnasher into the 21st century with a new modern-day look and contemporary storylines. The series, aimed at five to ten year olds, promises to deliver fun, over-the-top, high spirited, seat-of-the-pants humour while retaining Dennis's classic characteristics and it is currently in production for delivery in autumn 2009. Production is fully funded by D C Thomson & Co. Ltd.

Dennis and Gnasher has thus far been pre-sold to the BBC (who intend to launch the series in the autumn of 2009) and to the Nine Network in Australia.

Marvo

Marvo the Wonder Chicken is the second property to which Ludorum has been appointed by D C Thomson & Co. Ltd. to represent all rights, excluding publishing, worldwide.

Marvo is a series of comedy shorts in the tradition of Looney Tunes and he is the ultimate "show" chicken. Together with his faithful assistant, Henry, Marvo attempts to put on the "Greatest Shows on Earth" but everything that can go wrong does go wrong in a very spectacular way.

52 x 2 minute interstitials are in production for delivery in the autumn of 2008. The shows carry no dialogue as the humour is very visual and this provides the series with further global appeal. Marvo was launched at MIP in April this year and was well received. We are engaged in advanced discussions with a number of major broadcast partners. We believe, due in part to its short running times and the absence of any language barriers, that Marvo offers several potential global "new media" opportunities including mobile phone and internet applications.

GONG Limited

As we explained at the time of Interim Results, we continued during 2007 to invest in GONG Limited, a subsidiary that was formed in 2006 to distribute anime content over new media platforms. We believed that the anime genre is ideally-suited to a variety of new media platforms, but have concluded that GONG required substantial scale through the acquisition of content and distribution.

Our plan to develop GONG included several acquisitions and joint venture opportunities in Continental Europe and the USA. However, due to a number of circumstances, we were unable to complete these transactions and we concluded, late in the year, that our shareholders' best interests would be served by Ludorum focusing its management and capital resources on the development and exploitation of our children's intellectual properties. As a result, an agreement was reached in December 2007 to sell the anime assets of GONG Limited for a total cash consideration of Euro190,000. The assets consisted principally of a number of content agreements and distribution licences for anime content for exploitation across digital distribution platforms and consequently this activity is presented as a discontinued operation in the Group's Consolidated Financial Statements.

Financial Review

Ludorum did not generate any revenues in 2007. Revenues from Chuggington and Marvo are anticipated to commence in fiscal year 2008 and Dennis and Gnasher in 2009. Ludorum generated an operating loss in 2007 of £1.68m (£1.54m in the period to 31 December 2006). The results for 2007 were impacted by a loss on discontinued operations of £2.88m (£0.457m in the period to 31 December 2006) from the disposal of the GONG assets and for costs related to aborted acquisitions and transactions. The total loss for the year, including discontinued operations, was £4.49m (£1.87m in the period to 31 December 2006). The underlying administrative expenses, excluding costs attributable to the Incentive Option Plan, were £1.3m (£1.22m in the period to 31 December 2006).

In October 2007 we completed a capital raising by means of a placing of new Ordinary Shares at an issue price of 100p per share to raise £3.1 million (before expenses). The net proceeds of the Placing will be used to fund our continued growth, including the completion of the production of the first series of Chuggington and the accompanying on-line programme. At the end of the year, the Company had cash resources of £1.75m (2006: £3.47m). In addition, the Company has agreed banking facilities that will help fund future plans.

Summary

We believe that we can create material capital value for our shareholders by focusing on the creation, acquisition and representation of children's intellectual property assets that have global appeal. Our early success with Chuggington is encouraging and serves to illustrate our strategic aims. We are looking to be as selective as possible in our investments and are looking to engage market leading creative teams aligned with a small and dynamic sales and marketing capability to operate with minimal internal overheads.

The Company is placing the appropriate emphasis on being at the forefront of new media exploitation for its intellectual property assets. Our on-line activities are an important part of our long-term strategic planning for our properties. The on-line world of Chuggington.com will have an increasingly important role in building brand awareness and in delivering enhanced interaction and entertainment value. Moreover, we believe that it has the potential to unlock further value in subscription models, fans' clubs, download to own and digital streaming opportunities and that it will serve to link the traditional activities in broadcast, consumer products, publishing and home entertainment.

Ludorum will continue to develop its own new properties and to explore corporate acquisition opportunities which we believe will create value for our shareholders.

Our strong management team has many years' experience of managing and creating iconic children's properties. With the early success of Chuggington, we are well positioned in the marketplace and look forward to the future with confidence.

Rob Lawes
Chief Executive Officer

The Directors of the Company present their Report and the Audited Financial Statements for the year ended 31 December 2007.

Principal activities and business review

The Company continued the development of its animated children's television series, which is being produced in partnership with a major US-based toy manufacturer. The series is scheduled for its first broadcast in autumn 2008.

Since the year end, the Company also announced that it had secured the distribution rights to a new television series of "Dennis and Gnasher" which is being produced for delivery in 2009 and to "Marvo the Wonder Chicken" which is scheduled for delivery in 2008.

During the year, the Company continued to develop the operations of GONG Limited, a Group company which was established in 2006 to acquire and exploit rights in Japanese anime. The Company also pursued a number of acquisition opportunities in the global Japanese anime market. Subsequently, during the year, the Company decided to withdraw from the Japanese anime business. The acquisition opportunities were not pursued and the anime assets of GONG Limited were sold.

As a result of the disposal of GONG's anime assets, its office in Paris, France was closed at the end of the year. Ludorum Inc. continues to have an office in Chicago, Illinois, USA.

The financial risk management objectives and policies of the Group are set out in note 24 to the financial statements.

Financial results and dividend

The Group's loss for the year attributable to shareholders was £4.488 million (2006: £1.871 million). The Group loss included a loss of £2.884 million (2006: £0.457 million) on discontinued operations which arose from the decision to withdraw from the Japanese anime business and includes the costs of aborted acquisitions and transactions incurred by the Group in respect of developing the Japanese anime business, prior to the decision to withdraw from the business. Further details of the loss on discontinued operations are given in Note 3 to the financial statements.

The Group loss after taxation for the year on continuing operations was £1.604 million (2006: £1.414 million).

The Directors do not recommend the payment of a dividend (2006: nil).

Directors

The Directors at the year end were Richard Rothkopf, Rob Lawes, Charles Caminada and David Maloney.

Simon Pearce resigned as a Director on 30 November 2007.

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 the next Annual General Meeting of the Company.

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.

Directors' insurance

The Company has purchased insurance cover for the Directors against liabilities arising in relation to the Company, as permitted by the Companies Act 1985.

Share capital

Details of the Company's share capital, and of the shares issued during the year, are set out in Note 16 to the financial statements.

Post balance sheet event

In April 2008 the Company obtained banking facilities comprising a variable interest rate overdraft facility of £300,000 and a fixed interest rate loan facility of £1,200,000. The overdraft and loan are secured by a fixed and floating charge on the assets of the Company.

Substantial shareholdings

As at 30 June 2008 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:

	Shares	*%*
D C Thomson & Co. Ltd.	1,610,000	19.9
Taube Hodson Stonex Partners Limited	1,210,344	14.9
F&C Asset Management plc	910,000	11.2
Ruffer LLP	633,000	7.8
Revera Asset Management Limited	400,000	4.9
Savoy Investment Management Limited	250,000	3.1

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. 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.
- 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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 website. 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. Arrangements are 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 2007, the Group's creditors in respect of invoiced supplies represented 17 days' purchases (2006: 41 days).

Charitable and political donations

The Group did not make any charitable or political donations during the year (2006: nil).

Auditors

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

Malcolm Paget
Company Secretary
30 June 2008

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. No bonuses have been payable to date.

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 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.

Incentive Options can be enlarged on the later of 31 March or two months after the publication of the previous year's financial statements in 2009, 2010 and 2011. There are provisions for earlier enlargement in the event of a takeover or similar event.

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 2007 the increase in shareholder value attributable to the Incentive Option Plan was calculated as £0.067 million (2006: £0.3 million).

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. If any Incentive Options lapse (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. 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 (prior to his resignation on 30 November 2007) 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:

Executive Directors	*Date of contract*	*Notice period*
Richard Rothkopf	28 March 2006	12 months
Rob Lawes	28 March 2006	12 months
Charles Caminada	28 March 2006	12 months

Non-Executive Director	*Letter of appointment*	*End of period of appointment*
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. The Non-Executive Director does not take part in discussion on his remuneration. The Non-Executive Director does not receive benefits or pension contributions from the Group.

This part of the Remuneration Report is audited:

Directors' remuneration

	Salary/fees	*Compensation for loss of office*	*Benefits*	*Pension contributions*	*Total 2007*	*Total 2006*
	£	£	£	£	£	£
Executive Directors						
Richard Rothkopf	20,000	–	–	–	20,000	15,000
Rob Lawes	140,000	–	2,880	21,000	163,880	156,667
Charles Caminada	140,000	–	2,411	21,000	163,411	157,030
Simon Pearce	91,667	50,000	4,019	13,750	159,436	112,530
Non-Executive Director						
David Maloney	20,000	–	–	–	20,000	15,000
	411,667	50,000	9,310	55,750	526,727	456,227

During the year, the Company ceased making payments to the Directors' nominated pension schemes. The Company continued to accrue for the pension entitlement of the Directors. The amount accrued for the Directors' pension liabilities at the end of the year was £23,412. In addition, Rob Lawes and Charles Caminada received reduced salary payments for part of the year. The amount unpaid to these directors of £39,050, plus applicable employer's National Insurance Contributions is included in creditors at the end of the year.

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 year 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 year had any beneficial interest in the shares of other Group companies.

	No. of Ordinary Shares 31 December 2007	No. of Ordinary Shares 31 December 2006
Richard Rothkopf	**270,000**	220,000
Rob Lawes	**551,000**	440,000
Charles Caminada	**342,000**	292,000
David Maloney	**20,000**	20,000

On 8 April 2008 each of the above Directors acquired a further 14,736 Ordinary Shares of the Company.

In addition, Rob Lawes and Charles Caminada each 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.

	No. of Incentive Options 31 December 2006 & 2007
Richard Rothkopf	200
Rob Lawes	390
Charles Caminada	280

The Incentive Options were granted on 28 March 2006. A further 60 Incentive Options have been granted to a senior employee. Simon Pearce was originally granted 70 Incentive Options. On his resignation, under the terms of the Incentive Option Plan, he retains 18 Incentive Options. The balance of his Incentive Options of 52 Incentive Options is available for reallocation.

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.

This part of the Remuneration Report is not audited:

Share price

At 31 December 2007 the market price of an Ordinary Share in the Company was £1.075. The highest market price during the year was £1.385. The lowest market price during the year was £1.04.

Total shareholder return (TSR)

The following graph shows the TSR of Ludorum plc compared with the TSR of the FTSE All Share Index for the period from 3 April 2006, when the Company was admitted to AIM, to 31 December 2007.

This graph shows the value 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 and signed on its behalf by

Richard Rothkopf
Chairman of the Remuneration Committee
30 June 2008

Introduction

The Company supports the principles of corporate governance contained in the Combined Code on Corporate Governance published in June 2006 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 at 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 2007, the Board comprised four members. The names, roles and date of appointment of each of these Directors were as follows:

Director	*Role*	*Date of appointment*
Richard Rothkopf	Executive Chairman	16 March 2006
Robert Lawes	Chief Executive Officer	10 January 2006
Charles Caminada	Chief Operating Officer	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 4 times during the year and each of the Directors attended every meeting that took place. 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 early stage of development of the Company, a formal process of performance evaluation in relation to the Board has not yet been implemented.

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 Company is not in compliance with paragraph B.2.1 of the Combined Code which requires that the Remuneration Committee be made up of independent directors.

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 met once in 2007. Both members of the Committee attended this meeting, along with other members of the Board and senior representatives of the external auditors. 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 year under review. A significant proportion of the non-audit services related to non-recurring work as reporting accountants on prospective but subsequently aborted acquisitions. 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.

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 is regularly updated 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 year ended 31 December 2007.

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

Malcolm Paget
Company Secretary
30 June 2008

We have audited the Group and Parent Company financial statements (the "financial statements") of Ludorum plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Change in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited, at the request of the Directors, the information in the Remuneration Report that is described as being audited.

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. The Directors are also responsible for preparing the Remuneration Report (because the Company applies the requirements of Schedule 7A to the Companies Act 1985 as if it were a listed company).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We also, at the request of the Directors, audit the part of the Remuneration Report to be audited (because the Company applies the requirements of Schedule 7A to the Companies Act 1985 as if it were a listed company). 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 whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 also, at the request of the Directors (because the Company applies the Listing Rules of the Financial Services Authority as if it were a listed company), review whether the Corporate Governance Report reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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 unaudited part of the Remuneration Report, the Chief Executive's Review 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.

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 2007 and of its loss and cash flows for the year then ended;
- the Parent 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 Parent Company's affairs as at 31 December 2007 and of its cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited 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
30 June 2008

Notes:

(a) The maintenance and integrity of the Ludorum plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement for the year ended 31 December 2007

	Notes	for the year ended 31 December 2007 £'000	for the period from 18 October 2005 to 31 December 2006 £'000
Continuing operations			
Revenue		**–**	–
Cost of sales		**–**	–
Gross loss		**–**	–
Other income		**60**	–
Costs attributable to the Incentive Option Plan	*6*	**(445)**	(322)
Other administrative expenses		**(1,297)**	(1,215)
Total administrative expenses		**(1,742)**	(1,537)
Operating loss		**(1,682)**	(1,537)
Finance costs – bank interest		**–**	(4)
Finance income – bank interest		**79**	130
Net finance income		**79**	126
Loss before taxation on continuing operations		**(1,603)**	(1,411)
Taxation	*7*	**(1)**	(3)
Loss for the year on continuing operations		**(1,604)**	(1,414)
Loss on discontinued operations	*3*	**(2,884)**	(457)
Loss for the year	*4*	**(4,488)**	(1,871)
Loss per share on continuing operations (basic and diluted)	*8*	**(29.1p)**	(45.4p)
Loss per share on discontinued operations (basic and diluted)	*8*	**(52.3p)**	(14.7p)
Loss per share (basic and diluted)	*8*	**(81.4p)**	(60.1p)

The notes on pages 20 to 36 form an integral part of the audited financial statements.

BALANCE SHEETS as at 31 December 2007

	Notes	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Assets					
Non-current assets					
Investment in subsidiaries	*9*	**–**	–	**1,810**	399
Property, plant and equipment	*10*	**6**	14	**5**	8
Intangible assets	*11*	**536**	48	**536**	–
		542	62	**2,351**	407
Current assets					
Trade and other receivables	*12*	**547**	59	**310**	26
Cash and cash equivalents	*13*	**1,750**	3,470	**1,722**	3,466
		2,297	3,529	**2,032**	3,492
Liabilities					
Current liabilities					
Income tax payable	*14*	**(1)**	(3)	**–**	–
Trade and other liabilities	*14*	**(864)**	(462)	**(792)**	(302)
		(865)	(465)	**(792)**	(302)
Net current assets		**1,432**	3,064	**1,240**	3,190
Non-current liabilities					
Provisions for liabilities and charges	*15*	**(67)**	(28)	**(67)**	(28)
Net assets		**1,907**	3,098	**3,524**	3,569
Shareholders' equity					
Ordinary shares	*16*	**81**	50	**81**	50
Deferred shares	*16*	**50**	50	**50**	50
Share premium	*17*	**7,435**	4,575	**7,435**	4,575
Other reserves	*18*	**700**	294	**700**	294
Retained losses	*19*	**(6,359)**	(1,871)	**(4,742)**	(1,400)
Total shareholders' equity		**1,907**	3,098	**3,524**	3,569

The notes on pages 20 to 36 form an integral part of the audited financial statements.

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

Rob Lawes
Chief Executive Officer
30 June 2008

Group

2007	**Share capital £'000**	**Share premium £'000**	**Retained earnings £'000**	**Other reserves £'000**	**Total shareholders' equity £'000**
At 1 January 2007	**100**	**4,575**	**(1,871)**	**294**	**3,098**
Loss for the year	**–**	**–**	**(4,488)**	**–**	**(4,488)**
Charge relating to the incentive option plan	**–**	**–**	**–**	**406**	**406**
New shares issued	**31**	**3,069**	**–**	**–**	**3,100**
Costs relating to the issue of shares	**–**	**(209)**	**–**	**–**	**(209)**
At 31 December 2007	**131**	**7,435**	**(6,359)**	**700**	**1,907**

2006	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserves £'000	Total shareholders' equity £'000
At 18 October 2005	–	–	–	–	–
Loss for the period	–	–	(1,871)	–	(1,871)
Charge relating to the 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	100	4,575	(1,871)	294	3,098

Company

2007	**Share capital £'000**	**Share premium £'000**	**Retained earnings £'000**	**Other reserves £'000**	**Total shareholders' equity £'000**
At 1 January 2007	100	4,575	(1,400)	294	3,569
Loss for the year	–	–	(3,342)	–	(3,342)
Charge relating to the incentive option plan	–	–	–	406	406
New shares issued	31	3,069	–	–	3,100
Costs relating to the issue of shares	–	(209)	–	–	(209)
At 31 December 2007	131	7,435	(4,742)	700	3,524

2006	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserves £'000	Total shareholders' equity £'000
At 18 October 2005	–	–	–	–	–
Loss for the period	–	–	(1,400)	–	(1,400)
Charge relating to the 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	**100**	**4,575**	**(1,400)**	**294**	**3,569**

The notes on pages 20 to 36 form an integral part of the audited financial statements.

	Notes	Group for the year ended 31 December 2007 £'000	Group for the period from 18 October 2005 to 31 December 2006 £'000	Company for the year ended 31 December 2007 £'000	Company for the period from 18 October 2005 to 31 December 2006 £'000
Cash flows from operating activities					
Cash used in operations	*20*	**(4,116)**	(1,247)	**(2,805)**	(927)
Interest received		**79**	130	**79**	130
Interest paid		**–**	(6)	**–**	(2)
Taxation paid		**(3)**	–	**–**	–
Net cash used in operating activities		**(4,040)**	(1,123)	**(2,726)**	(799)
Cash flows from investing activities					
Investment in subsidiaries		**–**	–	**(1,411)**	(399)
Purchase of property, plant and equipment		**–**	(18)	**–**	(11)
Proceeds of disposal of property, plant and equipment		**3**	–	**–**	–
Investment in intangible assets		**(746)**	(64)	**(536)**	–
Proceeds of disposal of intangible assets		**134**	–	**–**	–
Net cash used in investing activities		**(609)**	(82)	**(1,947)**	(410)
Cash flows from financing activities					
Net proceeds from issue of share capital		**2,891**	4,675	**2,891**	4,675
Net cash generated from financing activities		**2,891**	4,675	**2,891**	4,675
Net (decrease)/increase in cash and cash equivalents		**(1,758)**	3,470	**(1,782)**	3,466
Cash and cash equivalents at 1 January 2007	*13*	**3,470**	–	**3,466**	–
Cash and cash equivalents at 31 December 2007	*13*	**1,712**	3,470	**1,684**	3,466

The notes on pages 20 to 36 form an integral part of the audited financial statements.

1 Accounting policies

Ludorum plc (the "Company") is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is Building 3, Chiswick Park, 566 Chiswick High Road, London. The registered number is 5595899.

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. The Directors consider the key areas of judgement are the estimation of the fair value of options granted under the Incentive Option Plan as well as the carrying value of intangible assets, in respect of which no impairment issues have been identified to date.

Impact of new accounting standards

The following standards, amendments and interpretations are effective in 2007.

IFRS 7 *Financial instruments: Disclosures,* and the amendment to IAS 1, *Presentation of financial statements – Capital disclosures,* introduce new disclosures relating to financial instruments and do not have any impact on the classification and valuation of the Group or Company's financial instruments.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group or Company's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits certain impairment losses recognised in an interim period from being reversed at a subsequent balance sheet date. This standard does not have any impact on the Group or Company's financial statements.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group or Company's operations:

IFRS 4, 'Insurance contracts';

IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies'; and

IFRIC 9, 'Re-assessment of embedded derivatives'.

1 Accounting policies *(continued)*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group and Company have not early adopted them.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 January 2009, subject to endorsement by the EU. Given the Company has entered into banking facilities in 2008 to finance the development of its intangible assets, the amendment to the standard will have an impact on the treatment of the borrowing costs arising from the utilisation of the facility.

IFRS 8, 'Operating segments' (effective from 1 January 2009). The standard is still subject to endorsement by the European Union. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009, subject to endorsement by the EU.

IFRIC 11, 'IFRS 2 – Group and treasury share transactions'. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group or Company's financial statements.

The following interpretations to existing standards have been published and are mandatory for the Group and Company's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations.

IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group or Company's operations because none of the Group's companies provide for public sector services.

IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 refers to where goods or services are sold together with a customer loyalty incentive. IFRIC 13 is not relevant to the Group or Company's operations because none of the Group's companies operate any loyalty programmes.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. IFRIC 14 is not relevant to the Group or Company because neither the Group or Company are required to make minimum funding payments for their pension or other employee benefit plans.

1 Accounting policies *(continued)*

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and subsidiaries controlled by the Company drawn up to 31 December 2007. The financial statements of subsidiaries are prepared for the same reporting year in 2007 as the Parent Company and from the date of acquisition in 2006.

The purchase method is used to account for the acquisition of subsidiaries.

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 period 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.

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 currencies for the Group are the US Dollar and the Euro. The average rate for the period against Sterling and the rate at 31 December 2007 for each of these currencies were:

	Average Rate	at 31 December 2007
US Dollar	2.0018	1.9909
Euro	1.4619	1.3619

Revenue recognition

Revenue represents the fair value of consideration receivable, excluding Value Added Tax, for services supplied to external customers.

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or that is held-for-sale, and

(a) represents a major line of business or geographical area of operations

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or

(c) is a subsidiary acquired exclusively with a view to sale.

Investment in subsidiaries

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

1 Accounting policies *(continued)*

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. Depreciation is included in administrative expenses.

Intangible assets

Intangible assets are measured at cost less provision for amortisation.

(1) *Development Projects*

Costs comprise direct programme costs, which are capitalised up to the date of first release of the programme. Amortisation of direct programme costs will commence from the date of the first broadcast of the programme.

(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.

Amortisation is included in cost of sales.

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 administrative expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances held in current (checking) or deposit accounts with recognised UK and US banks. For the purposes of the cash flow statement, cash and cash equivalents includes bank overdrafts.

Trade receivables

Trade receivables are recognised initially at fair value, and subsequently measured at amortised cost, using the effective interest method, less provision for impairment.

Tax and deferred tax

Taxation is recognised on profits at the weighted-average rate of corporation tax applicable to small companies of 19.75 per cent (2006: 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.

1 Accounting policies *(continued)*

Trade payables

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

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and where it is probable that an outflow will be required to settle the obligation.

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 – 3 to 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 makes contributions to the nominated pension scheme of an 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. Segmental costs are those arising in the relevant geographical segment.

Intersegment transactions are priced on a cost plus basis.

2 Segmental reporting

The following table presents information regarding the Group's geographical segments:

2007	UK £'000	USA £'000	Total £'000
Continuing operations			
Total segment revenue	–	217	217
less inter-segmental revenue	–	(217)	(217)
Revenue	–	–	–
Operating profit/(loss)	(1,696)	14	(1,682)
Net finance income	79	–	79
Gross assets	2,582	21	2,603
Gross liabilities	(630)	(22)	(652)
Discontinued operations			
Revenue	15	–	15
Operating loss	(2,884)	–	(2,884)
Gross assets	236	–	236
Gross liabilities	(280)	–	(280)
Total			
Gross assets	2,818	21	2,839
Gross liabilities	(910)	(22)	(932)

2006	UK £'000	USA £'000	Total £'000
Continuing operations			
Total segment revenue	–	100	100
less inter-segmental revenue	–	(100)	(100)
Revenue	–	–	–
Operating loss	(1,537)	–	(1,537)
Net finance income	126	–	126
Gross assets	3,498	4	3,502
Gross liabilities	(328)	(18)	(346)
Discontinued operations			
Revenue	–	–	–
Operating loss	(455)	–	(455)
Finance costs	(2)	–	(2)
Gross assets	89	–	89
Gross liabilities	(147)	–	(147)
Total			
Gross assets	3,587	4	3,591
Gross liabilities	(475)	(18)	(493)

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

3 Discontinued operations

Discontinued operations comprise the business of the acquisition and exploitation of rights in Japanese anime which was operated by GONG Limited, a Group subsidiary. In 2007 it was decided to withdraw from this business and, in December 2007, the anime assets were sold for Euro 190,000. The loss on the sale of £51,000 is included below in administrative expenses in 2007. The loss on discontinued operations also includes the costs of aborted acquisitions and transactions which were incurred by the Group in 2007 in respect of developing the anime business, prior to the decision to withdraw from the business.

The loss on discontinued operations is analysed as follows:

	for the year ended 31 December 2007 £'000	for the period from 18 October 2005 to 31 December 2006 £'000
Revenue	15	–
Cost of sales	(285)	(149)
Administrative expenses	(888)	(306)
Interest payable	–	(2)
Costs of aborted acquisitions and transactions	(1,726)	–
Loss on discontinued operations	(2,884)	(457)

The cash flows on discontinued operations are summarised below:

	for the year ended 31 December 2007 £'000	for the period from 18 October 2005 to 31 December 2006 £'000
Net cash used in operating activities	(2,803)	(327)
Net cash used in investing activities	(73)	(68)
Net cash generated from financing activities	1,282	399

4 Loss for the year

	for the year ended 31 December 2007 £'000	for the period from 18 October 2005 to 31 December 2006 £'000
The following items have been included in arriving at the loss for the year:		
Staff costs – see Note 6	1,585	1,048
Depreciation of property, plant and equipment	5	4
Amortisation of intangible assets	73	16
Foreign exchange (gains)/losses	11	4
Loss on disposal of intangible assets	51	–
Operating lease rentals – property, plant and equipment	73	53

5 Auditors' remuneration

	for the year ended 31 December 2007 £'000	for the period from 18 October 2005 to 31 December 2006 £'000
Audit services		
Fees payable to the Company's auditor for the audit of parent Company and consolidated accounts	**37**	34
Fees payable to the Company's auditor for the audit of subsidiary companies	**2**	1
Non-audit services		
As reporting accountant on acquisitions	**636**	–
As reporting accountant on admission to AIM	**–**	72
Tax consulting and compliance services	**49**	25
	724	132

6 Employees and Directors

	Group		Company	
Staff costs	**for the year ended 31 December 2007 £'000**	for the period from 18 October 2005 to 31 December 2006 £'000	**for the year ended 31 December 2007 £'000**	for the period from 18 October 2005 to 31 December 2006 £'000
Wages and salaries	**914**	603	**380**	498
Social security costs	**162**	70	**39**	61
Other pension costs	**64**	53	**50**	43
	1,140	726	**469**	602
Costs attributable to the Incentive Option Plan	**445**	322	**421**	305
	1,585	1,048	**890**	907
Average number of employees (including Executive Directors)	**9**	4	**4**	3

Directors' remuneration	**Group and Company for the year ended 31 December 2007 £'000**	Group and Company for the period from 18 October 2005 to 31 December 2006 £'000
Salaries	**412**	410
Pensions	**56**	43
Compensation for loss of office	**50**	–
Other benefits	**9**	3
Aggregate directors' emoluments	**527**	456
Emoluments of highest paid Director	**164**	157
Number of Directors to whom money purchase pension scheme benefits are accruing	**2**	3

7 Taxation

	for the year ended 31 December 2007 £'000	for the period from 18 October 2005 to 31 December 2006 £'000
Current tax		
UK taxation	–	–
Overseas taxation	4	3
Adjustment to prior years	(3)	–
	1	3
Deferred tax	–	–
Taxation	1	3

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

	for the year ended 31 December 2007 £'000	for the period from 18 October 2005 to 31 December 2006 £'000
Loss before taxation on continuing operations	(1,603)	(1,411)
Loss on discontinued operations	(2,884)	(457)
Total loss before taxation	(4,487)	(1,868)
Loss before taxation multiplied by the weighted-average rate of UK corporation tax applicable to small companies of 19.75% (2006: 19%)	(886)	(355)
Effect of:		
Overseas taxation	1	3
Expenses not deductible for tax purposes	341	2
Losses available to carry forward and other timing differences	545	353
Taxation	1	3

The unprovided deferred tax asset at 31 December 2007 is estimated to be £898,000 (2006: £353,000) and is in respect of trading losses incurred and other timing differences. The deferred tax asset has not been recognised because it is insufficiently certain that suitable future profits will arise against which to offset the liability.

The increase in the weighted-average rate of UK corporation tax applicable to small companies in 2007 reflects the increase in the rate of UK corporation tax applicable to small companies from 19% to 20% which was effective from 1 April 2007.

8 Earnings per share

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

Basic and diluted EPS	Loss attributable to ordinary shareholders £'000	Weighted average number of shares	Per-share amount pence
2007			
Loss per share on continuing operations	**(1,604)**	**5,516,667**	**(29.1)**
Loss per share on discontinued operations	**(2,884)**	**5,516,667**	**(52.3)**
Total loss per share	**(4,488)**	**5,516,667**	**(81.4)**
2006			
Loss per share on continuing operations	(1,414)	3,111,706	(45.4)
Loss per share on discontinued operations	(457)	3,111,706	(14.7)
Total loss per share	(1,871)	3,111,706	(60.1)

9 Investments

Company	31 December 2007	31 December 2006
At 1 January/date of incorporation	**399**	–
Additions	**1,411**	399
At 31 December	**1,810**	399

The investments represent long term interest free loans made to subsidiary companies.

The following subsidiaries are directly owned by Ludorum plc:

Subsidiary	*Date of incorporation*	*Country of incorporation*	*Type of shares*	*Holding*	*Activity*
Ludorum Inc.	12 April 2006	USA	Ordinary	100%	Service company
GONG Limited	17 May 2006	England & Wales	Ordinary	100%	Rights exploitation

In January 2008, GONG Limited changed its name to Ludorum Enterprises Limited.

The results of these subsidiaries have been included in the consolidated financial statements.

There are no guarantees between Ludorum plc and its subsidiaries. Inter-company balances are non-interest bearing.

10 Property, plant and equipment

	Group office equipment £'000	Company office equipment £'000
Cost		
At 18 October 2005	–	–
Additions	18	11
At 31 December 2006	18	11
Additions	–	–
Disposals	(4)	–
At 31 December 2007	**14**	**11**
Accumulated depreciation		
At 18 October 2005	–	–
Charge for the period	4	3
At 31 December 2006	4	3
Charge for the year	5	3
Released on disposal	(1)	–
At 31 December 2007	**8**	**6**
Net book value		
At 31 December 2006	14	8
At 31 December 2007	**6**	**5**

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.

11 Intangible assets

Group	Capitalised development £'000	Regionalisation costs £'000	Acquired rights £'000	Total £'000
Cost				
At 18 October 2005	–	–	–	–
Additions	–	16	48	64
At 31 December 2006	–	16	48	64
Additions	536	–	210	746
Disposals	–	(16)	(258)	(274)
At 31 December 2007	**536**	**–**	**–**	**536**
Accumulated amortisation				
At 18 October 2005	–	–	–	–
Charge for the period	–	6	10	16
At 31 December 2006	–	6	10	16
Charge for the year	–	3	70	73
Released on disposal	–	(9)	(80)	(89)
At 31 December 2007	**–**	**–**	**–**	**–**
Net book value				
At 31 December 2006	–	10	38	48
At 31 December 2007	**536**	**–**	**–**	**536**

Company	Capitalised development £'000
Cost	
At 18 October 2005	–
At 31 December 2006	–
Additions	536
At 31 December 2007	**536**
Accumulated amortisation	
At 18 October 2005	–
Charge for the period	–
At 31 December 2006	–
Charge for the year	–
At 31 December 2007	**–**
Net book value	
At 31 December 2006	–
At 31 December 2007	**536**

12 Trade and other receivables

	Group		Company	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Amounts falling due within one year:				
Trade receivables	**237**	–	**127**	–
Prepayments and accrued income	**70**	32	**54**	16
UK VAT recoverable	**59**	–	**59**	–
French TVA recoverable	**104**	–	**–**	–
Other receivables	**77**	27	**70**	10
At 31 December	**547**	59	**310**	26

13 Cash and cash equivalents

	Group		Company	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Cash and cash equivalents				
Cash at bank and in hand	**21**	4	**–**	–
Short-term bank deposits	**1,729**	3,466	**1,722**	3,466
At 31 December	**1,750**	3,470	**1,722**	3,466

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 include the following for the purposes of the cash flow statement:

	Group		Company	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Cash and cash equivalents	**1,750**	3,470	**1,722**	3,466
Bank overdraft included in trade and other liabilities	**(38)**	–	**(38)**	–
	1,712	3,470	**1,684**	3,466

14 Trade and other liabilities

	Group		Company	
	31 December 2007 £'000	31 December 2006 £'000	**31 December 2007 £'000**	31 December 2006 £'000
Bank overdraft	**38**	–	**38**	–
Trade payables	**199**	104	**170**	42
Payable to subsidiary company	**–**	–	**128**	–
Overseas tax payable	**1**	3	**–**	–
Social security and other taxes	**118**	27	**17**	20
Deferred income	**32**	–	**32**	–
Accruals	**373**	317	**316**	239
Unpaid Directors' remuneration	**51**	–	**51**	–
Other liabilities	**53**	14	**40**	1
At 31 December	**865**	465	**792**	302

15 Provisions for liabilities and charges

	Group		Company	
	Social security costs 2007 £'000	Social security costs 2006 £'000	**Social security costs 2007 £'000**	Social security costs 2006 £'000
At 1 January/date of incorporation	**28**	–	**28**	–
Charge for the year/period from the date of incorporation	**39**	28	**39**	28
At 31 December	**67**	28	**67**	28

Social security costs

The Company is providing for the anticipated non-discounted employer's National Insurance Contributions that will arise on the exercise of awards granted under the 2006 Incentive Option Plan. The grant of ordinary shares under the Incentive Option Plan which will give rise to a National Insurance Contribution liability may take place on the later of 31 March or two months after the publication of the previous year's financial statements in 2009, 2010 and 2011.

16 Called up share capital

Group and Company	**2007 Number**	2006 Number	**2007 £'000**	2006 £'000
Authorised				
Ordinary shares of 1 pence each	**15,000,000**	7,666,667	**150**	77
Deferred shares of 99 pence each	**50,001**	50,001	**50**	50
At 31 December			**200**	127
Issued and fully-paid				
Ordinary shares of 1 pence each	**8,100,001**	5,000,001	**81**	50
Deferred shares of 99 pence each	**50,001**	50,001	**50**	50
At 31 December			**131**	100

On 6 November 2007, 3,100,000 ordinary shares of 1 pence each were issued at a price of £1 per share.

17 Share premium account

Group and Company	**2007 £'000**	2006 £'000
At 1 January/date of incorporation	**4,575**	–
Premium on shares issued during the year	**3,069**	4,901
Costs relating to the issue of shares	**(209)**	(326)
At 31 December	**7,435**	4,575

18 Other reserves

Group and Company	**Incentive Plan valuation reserve 2007 £'000**	Incentive Plan valuation reserve 2006 £'000
At 1 January/date of incorporation	**294**	–
Charge relating to the incentive option plan	**406**	294
At 31 December	**700**	294

Other reserves represent the cost of share options as calculated under IFRS 2.

19 Retained losses

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
At 1 January/date of incorporation	**(1,871)**	–	**(1,400)**	–
Loss for the year/period from the date of incorporation	**(4,488)**	(1,871)	**(3,342)**	(1,400)
At 31 December	**(6,359)**	(1,871)	**(4,742)**	(1,400)

20 Cash flow from operating activities

	Group		Company	
	for the year ended 31 December 2007 £'000	for the period from 18 October 2005 to 31 December 2006 £'000	for the year ended 31 December 2007 £'000	for the period from 18 October 2005 to 31 December 2006 £'000
Continuing operations				
Loss before taxation	**(1,603)**	(1,411)	**(3,342)**	(1,400)
Adjustments for:				
Interest payable	**–**	4	**–**	2
Interest receivable	**(79)**	(130)	**(79)**	(130)
Depreciation of property, plant and equipment	**4**	4	**3**	3
Amortisation of intangible assets	**–**	–	**–**	–
Charge relating to the incentive option plan	**406**	294	**406**	294
Increase in provisions	**39**	28	**39**	28
Changes in working capital:	**–**	–	**–**	
Increase in trade and other receivables	**(287)**	(24)	**(284)**	(26)
Increase in payables	**207**	315	**452**	302
Cash used in continuing operations	**(1,313)**	(920)	**(2,805)**	(927)
Discontinued operations				
Loss on discontinued operations	**(2,884)**	(457)	**–**	–
Interest payable		2		
Depreciation of property, plant and equipment	**1**	–	**–**	–
Amortisation of intangible assets	**73**	16	**–**	–
Loss on disposal of intangible assets	**51**	–	**–**	–
Increase in trade and other receivables	**(201)**	(35)	**–**	–
Increase in payables	**157**	147	**–**	–
Cash used in discontinued operations	**(2,803)**	(327)		
Total cash used in operations	**(4,116)**	(1,247)	**(2,805)**	(927)

21 Operating lease commitments

	2007 £'000	2006 £'000
Group and Company		
Commitments under non-cancellable operating leases expiring:		
Within one year	**5**	33

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

22 Related party transactions

During the year, Ludorum Inc, a group company rented an office from a company controlled by Richard Rothkopf, a director of the Company. The rent paid during the year was £6,000 (2006: £4,500).

Included in other liabilities at the year end is £44,908 owed equally to Robert Lawes and Charles Caminada, directors of the Company, in respect of unpaid remuneration (2006: £nil). A further £5,748 has been included in other liabilities in respect of the employer's National Insurance payable on this remuneration (2006: £nil). No interest is payable on the amounts owing to the Directors.

23 Commitments

The Company has entered into an agreement with a toy manufacturer under the terms of which the toy manufacturer will fund 50% of the production cost of the Company's animated series "Chuggington" in return for which it has a global master toy licence and the right to participate in the net profit of the property. The agreed budget for the production of the first series of 52 episodes is US$6.6 million (approximately £3.3 million) and it is expected that all the episodes will be completed by the end of 2008.

The Company has entered into an agreement with Shanghai Motion Magic Digital Entertainment Inc ("Motion Magic") under the terms of which Motion Magic will provide animation and editing services for the production of Chuggington. Under the terms of the agreement, Motion Magic is to deliver 52 episodes prior to 31 October 2008 for which the Company is committed to pay a total of RMB 18.9 million (£1.24 million) in instalments over the period of production. As at 31 December 2007, the Company had paid £370,000 and £870,000 remained outstanding. Under the terms of the agreement with the toy manufacturer described above, 50% of the amounts paid and payable to Motion Magic has been or will be refunded to the Company by the toy manufacturer.

24 Financial instruments

Liquidity risk

The Group manages this by financing its activities through its cash resources, which are held on short term deposit. Since the year end, the Group has secured banking facilities (see Note 26).

Foreign currency risk

The Group incurs some of its programme development costs in foreign currency, principally the US dollar.

Prior to the disposal of its anime business, the Group also operated in France and traded in Euro.

Foreign currency denominated financial instruments at each year end are as follows:

	Group		Company	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Euro payables	**155**	–	**10**	–
US dollar payables	**61**	–	**42**	–
US dollar overdraft	**10**	–	**10**	–
	226	–	**62**	–
Euro receivables	**235**	–	**0**	–
US dollar bank balances	**37**	–	**18**	–
	272	–	**18**	–

A 10% increase or decrease in the value of the US dollar against sterling at the end of the year would have a negligible effect on the Group's reported loss for the year.

A 10% increase or decrease in the value of the euro against sterling at the end of the year would have a negligible effect on the Group's reported loss for the year.

The foreign currency risk exposure does not require active management under present conditions but the position is kept under constant review.

24 Financial instruments *(continued)*

Credit risk

Credit risk arises on trade receivables and short term bank deposits. Credit is only extended following an assessment of the financial viability of the counterparty.

There are no trade receivables which are past due at the balance sheet date and no trade receivables that are impaired. Consequently, no bad debt provision has been made at the year end.

Price risk

The main source of price risk is in respect of programme production costs. A substantial proportion of the production costs are subject to a fixed price contract.

Capital risk

The Group manages its capital to ensure that the Group can continue as a going concern, to provide returns to shareholders, to benefit other stakeholders and to maintain an optimum capital structure.

Changes to the capital structure are effected by changes in dividends, returning capital to shareholders, issuing new shares or selling assets. During the year, the Company raised £3.1 million from the issue of shares.

25 Company loss for the year

As permitted by Section 230 of the Companies Act 1985, the Company's Income Statement has not been included in these Financial Statements. The Company's loss for the year amounts to £3,342,000 (2006: £1,400,000).

26 Post balance sheet events

In April 2008 the Company obtained banking facilities comprising a variable interest rate overdraft facility of £300,000 and a fixed interest rate loan facility of £1,200,000. The overdraft and loan are secured by a fixed and floating charge on the assets of the Company. The Company believes that the interest rate risk arising from the variable interest rate overdraft will have a negligible effect on the Group's results.

Ludorum plc

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