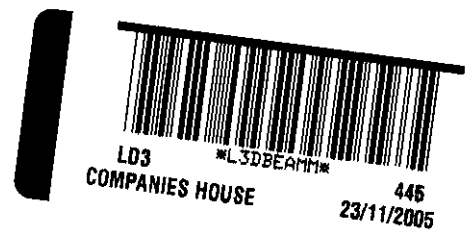


**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE PERIOD
6TH NOVEMBER 2003 TO 31ST DECEMBER 2004
FOR
MARVEL ENTERPRISES INTERNATIONAL LTD**



MARVEL ENTERPRISES INTERNATIONAL LTD

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for the period 6th November 2003 to 31st December 2004

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MARVEL ENTERPRISES INTERNATIONAL LTD

COMPANY INFORMATION

for the period 6th November 2003 to 31st December 2004

DIRECTORS:

B Maglione
B Dean
J Turitzin

SECRETARY:

B Dean

REGISTERED OFFICE:

c/o Paul Hastings Janofsky & Walker Ltd
88 Wood Street
London
EC2V 7AJ

REGISTERED NUMBER:

4955607 (England and Wales)

AUDITORS:

Audit Assure
Chartered Accountants & Registered Auditors
The White Cottage
19 West Street
Epsom
Surrey
KT18 7BS

MARVEL ENTERPRISES INTERNATIONAL LTD

REPORT OF THE DIRECTORS for the period 6th November 2003 to 31st December 2004

The directors present their report with the financial statements of the company for the period 6th November 2003 to 31st December 2004.

COMMENCEMENT OF TRADING

The company commenced trading on 1st January 2004.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of licensing intellectual property.

REVIEW OF BUSINESS

The results for the period and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

No dividends will be distributed for the period ended 31st December 2004.

DIRECTORS

The directors during the period under review were:

B Maglione	- appointed 29.11.03
B Dean	- appointed 6.11.03
A S Lipson	- appointed 6.11.03

The directors holding office at 31st December 2004 did not hold any beneficial interest in the issued share capital of the company at date of appointment or 31st December 2004.

The directors are shareholders of the ultimate parent company, Marvel Entertainment Inc (formerly Marvel Enterprises Inc). Their shareholdings in this company are as follows:

Director	Restricted stock	% shareholding	Non-restricted stock	Options held
B Maglione	-	-	-	62,500 shares
B Dean	1,875 shares	0.001%	400 shares	15,000 shares
A S Lipson	60,000 shares	0.050%	-	492,500 shares

All the directors, being eligible, offer themselves for election at the forthcoming first Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

MARVEL ENTERPRISES INTERNATIONAL LTD

REPORT OF THE DIRECTORS
for the period 6th November 2003 to 31st December 2004

AUDITORS

The auditors, Audit Assure, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:


.....
B Maglione - Director

Date: Oct. 14, 2005

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
MARVEL ENTERPRISES INTERNATIONAL LTD**

We have audited the financial statements of Marvel Enterprises International Ltd for the period ended 31st December 2004 on pages five to thirteen. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors 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 transactions with the company is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Audit Assure
Chartered Accountants & Registered Auditors
The White Cottage
19 West Street
Epsom
Surrey
KT18 7BS

Date: 14 October 2005

MARVEL ENTERPRISES INTERNATIONAL LTD

PROFIT AND LOSS ACCOUNT
for the period 6th November 2003 to 31st December 2004

	Notes	£
TURNOVER		1,282,599
Administrative expenses		<u>1,169,419</u>
OPERATING PROFIT	3	113,180
Interest payable and similar charges	4	<u>81</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		113,099
Tax on profit on ordinary activities	5	<u>34,243</u>
PROFIT FOR THE FINANCIAL PERIOD AFTER TAXATION		78,856
RETAINED PROFIT CARRIED FORWARD		<u><u>£78,856</u></u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current period.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit for the current period.

MARVEL ENTERPRISES INTERNATIONAL LTD

**BALANCE SHEET
31st December 2004**

	Notes	£	£
FIXED ASSETS:			
Tangible assets	6		21,759
CURRENT ASSETS:			
Debtors	7	46,802	
Cash at bank and in hand		514,036	
		<u>560,838</u>	
CREDITORS: Amounts falling due within one year	8	502,741	
		<u>502,741</u>	
NET CURRENT ASSETS:			<u>58,097</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u><u>£79,856</u></u>
CAPITAL AND RESERVES:			
Called up share capital	11		1,000
Profit and loss account			78,856
			<u>78,856</u>
SHAREHOLDERS' FUNDS:	14		<u><u>£79,856</u></u>

ON BEHALF OF THE BOARD:



B Maglione - Director

Approved by the Board on Oct. 14, 2005.

MARVEL ENTERPRISES INTERNATIONAL LTD

CASH FLOW STATEMENT
for the period 6th November 2003 to 31st December 2004

	Notes	£
Net cash inflow from operating activities	1	514,847
Returns on investments and servicing of finance	2	(81)
Capital expenditure	2	(28,308)
		<u>486,458</u>
Financing	2	1,000
Increase in cash in the period		<u><u>£487,458</u></u>
Reconciliation of net cash flow to movement in net debt	3	
Increase in cash in the period		<u>487,458</u>
Change in net debt resulting from cash flows		<u>487,458</u>
Movement in net debt in the period		487,458
Net debt at 6th November		<u>-</u>
Net funds at 31st December		<u><u>£487,458</u></u>

The notes form part of these financial statements

MARVEL ENTERPRISES INTERNATIONAL LTD

NOTES TO THE CASH FLOW STATEMENT
for the period 6th November 2003 to 31st December 2004

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	£
Operating profit	113,180
Depreciation charges	6,089
Loss on sale of fixed assets	460
Increase in debtors	(46,802)
Increase in creditors	441,920
Net cash inflow from operating activities	514,847

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	£
Returns on investments and servicing of finance	
Interest paid	(81)
Net cash outflow for returns on investments and servicing of finance	(81)
Capital expenditure	
Purchase of tangible fixed assets	(29,247)
Sale of tangible fixed assets	939
Net cash outflow for capital expenditure	(28,308)
Financing	
Cash receipt re share issue	1,000
Net cash inflow from financing	1,000

The notes form part of these financial statements

MARVEL ENTERPRISES INTERNATIONAL LTD

NOTES TO THE CASH FLOW STATEMENT
for the period 6th November 2003 to 31st December 2004

3. ANALYSIS OF CHANGES IN NET DEBT

	At 6.11.03 £	Cash flow £	At 31.12.04 £
Net cash:			
Cash at bank and in hand	-	514,036	514,036
Bank overdraft	-	(26,578)	(26,578)
	-	487,458	487,458
 Total	 -	 487,458	 487,458
Analysed in Balance Sheet			
 Cash at bank and in hand	 -		514,036
Bank overdraft	-		(26,578)
	-		487,458

The notes form part of these financial statements

MARVEL ENTERPRISES INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS for the period 6th November 2003 to 31st December 2004

1. ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover represents net invoiced sales of services, excluding value added tax.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Computer equipment - 25% straight line

Deferred tax

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term.

2. STAFF COSTS

	£
Wages and salaries	689,532
Social security costs	84,722
	774,254

The average monthly number of employees during the period was as follows:

Management & Administration	3
Sales	2
	5

MARVEL ENTERPRISES INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS
for the period 6th November 2003 to 31st December 2004

3. OPERATING PROFIT

The operating profit is stated after charging:

	£
Depreciation - owned assets	6,089
Loss on disposal of fixed assets	460
Auditors' remuneration	3,500
Foreign exchange differences	63,606
Rent	109,500
	<u>109,500</u>

Directors' emoluments	456,385
	<u>456,385</u>

Information regarding the highest paid director is as follows:

	£
Emoluments etc	456,385
	<u>456,385</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	£
Bank interest	8
Other interest payable	73
	<u>81</u>

5. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the period was as follows:

	£
Current tax:	
UK corporation tax	34,243
	<u>34,243</u>
Tax on profit on ordinary activities	<u>34,243</u>

Factors affecting the tax charge

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	£
Profit on ordinary activities before tax	113,099
	<u>113,099</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	33,930
Effects of:	
Expenses disallowed	472
Difference between depreciation and capital allowances	(159)
	<u>413</u>
Current tax charge	<u>34,243</u>

MARVEL ENTERPRISES INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS
for the period 6th November 2003 to 31st December 2004

5. TAXATION - continued

Factors that may affect future tax charges

There are no factors which affect future tax.

6. TANGIBLE FIXED ASSETS

**Computer
equipment**

£

COST:

Additions

29,247

Disposals

(1,399)

At 31st December 2004

27,848

DEPRECIATION:

Charge for period

6,089

At 31st December 2004

6,089

NET BOOK VALUE:

At 31st December 2004

21,759

**7. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

£

Other debtors

45,298

Prepayments

1,504

46,802

**8. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

£

Bank loans and overdrafts

(see note 9)

26,578

Trade creditors

605

Owed to group undertakings

234,056

Social security & other taxes

19,606

Taxation

34,243

Accrued expenses

187,653

502,741

9. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

£

Amounts falling due within one year or on demand:

Bank overdrafts

26,578

MARVEL ENTERPRISES INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS for the period 6th November 2003 to 31st December 2004

10. OPERATING LEASE COMMITMENTS

The following payments are committed to be paid within one year:

Land and
buildings
Operating
leases
£

Expiring:
Within one year

117,600

11. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number: Class:

Nominal
value:
£1

1,000 Ordinary

£
1,000

The shares were issued to form the company.

12. ULTIMATE PARENT COMPANY

The ultimate controlling party is Marvel Entertainment Inc (formerly Marvel Enterprises Inc) which is a company listed on the US stock exchange. Copies of its annual report can be obtained from 10 East 40th Street, New York, NY10016, USA.

13. RELATED PARTY DISCLOSURES

The company has recharged costs to Marvel Characters Inc totalling £1,282,599 during the year. At the year end the balance owed to Marvel Characters Inc was £182,045. Marvel Characters Inc is a wholly owned subsidiary of Marvel Entertainment Inc (formerly Marvel Enterprises Inc).

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Profit for the financial period
Issue of share capital

£
78,856
1,000

Net addition to shareholders' funds
Opening shareholders' funds

79,856
-

Closing shareholders' funds

79,856

Equity interests

79,856

15. DEFERRED TAX

There has been no provision made for deferred tax as the balance is immaterial.