

Company Registration No. 4955607 (England and Wales)

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005



MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	B Maglione	(Resigned 14 July 2006)
	B Dean	
	J Turitzin	(Appointed 1 January 2005)
Secretary	B Dean	
Company number	4955607	
Registered office	88 Wood Street London EC2V 7AJ	
Auditors	HLB Vantis Audit Plc The White Cottage 19 West Street Epsom Surrey KT18 7BS	

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

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MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and financial statements for the year ended 31 December 2005.

Principal activities and review of the business

The principal activity of the company continued to be that of licensing intellectual property.

Results and dividends

The results for the year are set out on page 7.

Directors

The following directors have held office since 1 January 2005:

B Maglione	(Resigned 14 July 2006)
B Dean	
J Turitzin	(Appointed 1 January 2005)
A Lipson	(Resigned 1 January 2005)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2005	1 January 2005
B Maglione	-	-
B Dean	-	-
J Turitzin	-	-

The directors holding office at 31st December 2005 did not hold any beneficial interest in the issued share capital of the company at date of appointment or 31st December 2005.

The directors are shareholders of the ultimate parent company, Marvel Entertainment Inc. Their shareholdings in the company was as follows:

Director	Restricted stock	% shareholding	Non-restricted stock	Options held
B Maglione	29,268 shares	-	-	187,500 shares
B Dean	4,410 shares	-	-	30,000 shares
J Turitzin	51,413 shares	-	-	75,000 shares

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that HLB Vantis Audit Plc be reappointed as auditors of the company will be put to the Annual General Meeting.

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

Directors' responsibilities

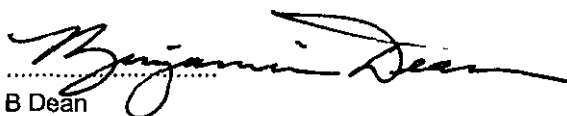
The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 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.

On behalf of the board



B Dean

Director

26 October 2006

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

We have audited the financial statements of Marvel Entertainment International Limited for the year ended 31 December 2005 set out on pages 7 to 14. These financial statements have been prepared under 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 the directors and auditors

As described in the Statement of Directors' Responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. 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.

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

HLB Vantis Audit

HLB Vantis Audit Plc
Chartered Accountants
Registered Auditor

The White Cottage
19 West Street
Epsom
Surrey

31 October 2006

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £
Turnover	2	1,455,784	1,282,599
Administrative expenses		(1,297,665)	(1,169,419)
Operating profit	3	158,119	113,180
Other interest receivable and similar income	4	2,787	-
Interest payable and similar charges	5	-	(81)
Profit on ordinary activities before taxation		160,906	113,099
Tax on profit on ordinary activities	6	(47,465)	(34,243)
Profit for the year	11	113,441	78,856

The profit and loss account has been prepared on the basis that all operations are continuing operations.

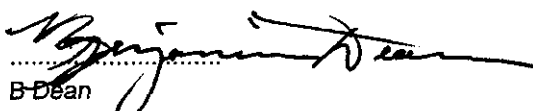
There are no recognised gains and losses other than those passing through the profit and loss account.

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 £	£	2004 £	£
Fixed assets					
Tangible assets	7		31,565		21,759
Current assets					
Debtors	8	47,111		46,802	
Cash at bank and in hand		567,590		514,036	
		<u>614,701</u>		<u>560,838</u>	
Creditors: amounts falling due within one year	9	<u>(452,969)</u>		<u>(502,741)</u>	
Net current assets			161,732		58,097
Total assets less current liabilities			<u>193,297</u>		<u>79,856</u>
Capital and reserves					
Called up share capital	10		1,000		1,000
Profit and loss account	11		192,297		78,856
Shareholders' funds	12		<u>193,297</u>		<u>79,856</u>

Approved by the Board and authorised for issue on 26 October 2006


B. Dean
Director

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	£	2005 £	£	2004 £
Net cash inflow from operating activities		131,486		514,847
Returns on investments and servicing of finance				
Interest received	2,787		-	
Interest paid	-		(81)	
Net cash inflow/(outflow) for returns on investments and servicing of finance		2,787		(81)
Taxation		(34,328)		-
Capital expenditure				
Payments to acquire tangible assets	(24,108)		(29,247)	
Receipts from sales of tangible assets	1,700		939	
Net cash outflow for capital expenditure		(22,408)		(28,308)
Net cash inflow before management of liquid resources and financing		77,537		486,458
Financing				
Issue of ordinary share capital	-		1,000	
Net cash (outflow)/inflow from financing		-		1,000
Increase in cash in the year		77,537		487,458

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

1	Reconciliation of operating profit to net cash inflow from operating activities	2005	2004
		£	£
	Operating profit	158,119	113,180
	Depreciation of tangible assets	10,706	6,089
	Loss on disposal of tangible assets	1,896	460
	Increase in debtors	(309)	(46,802)
	(Decrease)/Increase in creditors within one year	(38,926)	441,920
	Net cash inflow from operating activities	131,486	514,847

2	Analysis of net funds	1 January 2005	Cash flow	Other non-cash changes	31 December 2005
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	514,036	53,554	-	567,590
	Bank overdrafts	(26,578)	23,983	-	(2,595)
		<u>487,458</u>	<u>77,537</u>	<u>-</u>	<u>564,995</u>
	Bank deposits	-	-	-	-
	Net funds	487,458	77,537	-	564,995

3	Reconciliation of net cash flow to movement in net funds	2005	2004
		£	£
	Increase in cash in the year	77,537	487,458
	Movement in net funds in the year	77,537	487,458
	Opening net funds	487,458	-
	Closing net funds	564,995	487,458

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents net invoiced sales of services, excluding Value Added Tax.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Office equipment	25% straight line
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1.5 Leasing

Rentals payable under operating leases where substantially all the risks and rewards of ownership remain with the lessor are charged against income on a straight line basis over the lease term.

1.6 Deferred taxation

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 the gains and disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation in respect of timing differences.

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

1.7 Foreign currency translation

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

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

3	Operating profit	2005	2004
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	10,706	6,089
	Loss on disposal of tangible assets	1,896	460
	Loss on foreign exchange transactions	-	63,606
	Operating lease rentals	133,700	110,062
	Auditors' remuneration	6,000	3,500
	Remuneration of auditors for non-audit work	11,345	12,145
	and after crediting:		
	Profit on foreign exchange transactions	(12,245)	-
		<u><u> </u></u>	<u><u> </u></u>
4	Interest receivable and similar income	2005	2004
		£	£
	Bank interest	2,787	-
		<u><u> </u></u>	<u><u> </u></u>
5	Interest payable and similar charges	2005	2004
		£	£
	On bank loans and overdrafts	-	8
	Other interest	-	73
		<u><u> </u></u>	<u><u> </u></u>
		-	81
		<u><u> </u></u>	<u><u> </u></u>

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

6	Taxation	2005 £	2004 £
	Domestic current year tax		
	U.K. corporation tax	47,465	34,243
	Current tax charge	<u>47,465</u>	<u>34,243</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>160,906</u>	<u>113,099</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004 - 30.00%)	<u>48,272</u>	<u>33,930</u>
	Effects of:		
	Non deductible expenses	387	472
	Depreciation add back	3,211	1,826
	Capital allowances	(5,060)	(2,123)
	Chargeable disposals	570	138
	Other tax adjustments	85	-
		<u>(807)</u>	<u>313</u>
	Current tax charge	<u>47,465</u>	<u>34,243</u>

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

7 Tangible fixed assets

	Office equipment £
Cost	
At 1 January 2005	27,848
Additions	24,108
Disposals	(4,210)
At 31 December 2005	47,746
Depreciation	
At 1 January 2005	6,089
On disposals	(614)
Charge for the year	10,706
At 31 December 2005	16,181
Net book value	
At 31 December 2005	31,565
At 31 December 2004	21,759

8 Debtors	2005 £	2004 £
Other debtors	44,091	45,298
Prepayments and accrued income	3,020	1,504
	47,111	46,802

9 Creditors: amounts falling due within one year	2005 £	2004 £
Bank loans and overdrafts	2,595	26,578
Trade creditors	9,499	605
Amounts owed to parent and fellow subsidiary undertakings	214,970	234,056
Corporation tax	47,380	34,243
Other taxes and social security costs	26,248	19,606
Accruals and deferred income	152,277	187,653
	452,969	502,741

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

10 Share capital	2005 £	2004 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000

11 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2005	78,856
Profit for the year	113,441
Balance at 31 December 2005	192,297

12 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Profit for the financial year	113,441	78,856
Proceeds from issue of shares	-	1,000
Net addition to shareholders' funds	113,441	79,856
Opening shareholders' funds	79,856	-
Closing shareholders' funds	193,297	79,856

13 Financial commitments

At 31 December 2005 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2006:

	Land and buildings 2005 £	2004 £
Operating leases which expire:		
Within one year	117,600	117,600

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

14 Directors' emoluments	2005 £	2004 £
Emoluments for qualifying services	346,646	456,385

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	346,646	456,385
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15 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2005 Number	2004 Number
Management, sales and administration	8	5
Director	1	1
	9	6

Employment costs	2005 £	2004 £
Wages and salaries	775,157	689,532
Social security costs	93,362	84,722
	868,519	774,254

16 Control

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

17 Related party transactions

The company had recharged costs to Marvel Characters Inc totalling £1,455,782 (2004: £1,282,599) during the year. At year end, the balance owed to Marvel Characters Inc was £214,970 (2004: £234,056). Marvel Characters Inc is a wholly owned subsidiary of Marvel Entertainment Inc (formally Marvel Enterprises Inc).