

Company Registration No 4955607 (England and Wales)

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

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MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors

B Dean
J Turitzin
S Philips

Secretary

B Dean

Company number

4955607

Registered office

C/O Paul Hastings
Janofsky & Walker Ltd
Eighth Floor
Ten Bishops Square
London
E1 6EG

Auditors

HLB Vantis Audit Plc
82 St John Street
London
EC1M 4JN

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

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MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report and financial statements for the year ended 31 December 2007

Principal activities and review of the business

For the year ended 31 December 2007, the principal activity of the company continued to be that of arranging and managing the licensing of intellectual property in markets outside the US on behalf of the parent and licensor, Marvel Characters Inc

In 2007, the company generated more than twice the 2006 revenues for the parent company due to the success of the licensing programmes associated with the films Ghost Rider, Fantastic Four and Spider-Man 3

The principal risks facing the company in the forthcoming year are the success of the movie licensing programmes

Results and dividends

The results for the year are set out on page 5

Future developments

The directors anticipate no significant change in the provision of services to customers, or change in existing business relationships

Further details are available from www.marvel.com

Directors

The following directors have held office since 1 January 2007

B Dean
J Turtzin
S Philips

Auditors

The auditors, HLB Vantis Audit Plc, are deemed to be reappointed under section 487(2) of the Companies Act 2006

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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

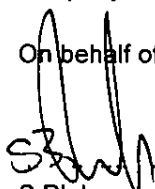
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board


S Philips
Director

17 October, 2008

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 2007 set out on pages 5 to 17. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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 whether, in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read 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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

HLB Vantis Audit plc

HLB Vantis Audit Plc

29/10/08

Chartered Accountants

Registered Auditor



82 St John Street
London
EC1M 4JN

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £	2006 £
Turnover	2	1,642,794	2,025,860
Administrative expenses		(1,592,006)	(1,865,754)
Operating profit	3	50,788	160,106
Other interest receivable and similar income	4	34,706	24,149
Interest payable and similar charges	5	(2,505)	(85)
Profit on ordinary activities before taxation		82,989	184,170
Tax on profit on ordinary activities	6	(10,050)	47,466
Profit for the year	12	72,939	231,636

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 2007

	Notes	2007 £	£	2006 £	£
Fixed assets					
Tangible assets	7		76,154		24,755
Current assets					
Debtors	8	192,138		91,818	
Cash at bank and in hand		4,073,688		1,343,821	
		<u>4,265,826</u>		<u>1,435,639</u>	
Creditors. amounts falling due within one year	9	<u>(3,760,679)</u>		<u>(1,035,461)</u>	
Net current assets			<u>505,147</u>		<u>400,178</u>
Total assets less current liabilities			<u><u>581,301</u></u>		<u><u>424,933</u></u>
Capital and reserves					
Called up share capital	11		1,000		1,000
Profit and loss account	12		580,301		423,933
Shareholders' funds	13		<u><u>581,301</u></u>		<u><u>424,933</u></u>

Approved by the Board and authorised for issue on 17 October 2008



S Philips
Director

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	£	2007 £	£	2006 £
Net cash inflow from operating activities		2,764,810		810,309
Returns on investments and servicing of finance				
Interest received	34,706		24,149	
Interest paid	(2,505)		(85)	
Net cash inflow for returns on investments and servicing of finance		32,201		24,064
Taxation		-		(49,080)
Capital expenditure				
Payments to acquire tangible assets	(67,144)		(6,467)	
Net cash outflow for capital expenditure		(67,144)		(6,467)
Net cash inflow before management of liquid resources and financing		2,729,867		778,826
Increase in cash in the year		2,729,867		778,826

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

1	Reconciliation of operating profit to net cash inflow from operating activities	2007		2006	
		£		£	
	Operating profit	50,788		160,106	
	Depreciation of tangible assets	15,745		13,277	
	FRS 20 - non cash charge	83,429		-	
	(Increase)/decrease in debtors	(76,960)		4,459	
	Increase in creditors within one year	2,691,808		632,467	
	Net cash inflow from operating activities	2,764,810		810,309	
2	Analysis of net funds	1 January 2007	Cash flow	Other non-cash changes	31 December 2007
		£	£	£	£
	Net cash				
	Cash at bank and in hand	1,343,821	2,729,867	-	4,073,688
	Net funds	1,343,821	2,729,867	-	4,073,688
3	Reconciliation of net cash flow to movement in net funds	2007		2006	
		£		£	
	Increase in cash in the year	2,729,867		778,826	
	Movement in net funds in the year	2,729,867		778,826	
	Opening net funds	1,343,821		564,995	
	Closing net funds	4,073,688		1,343,821	

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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, which have been applied consistently (except as otherwise stated)

1.3 Turnover

Turnover represents the costs incurred by the company plus 10% and represents amounts invoiced to Marvel Characters Inc, a wholly owned subsidiary of Marvel Entertainment Inc, the ultimate controlling party

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

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future

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

1.8 Share-based payments

Effective 1 January 2006, the company has adopted the provisions of FRS 20 "share based payments", which establishes accounting for equity instruments exchanged for employee services. The company participates in the 2005 stock incentive plan operated by Marvel Entertainment Inc ("MEI"), its US based ultimate parent undertaking. Under the provisions the share based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognised as an expense over the employee's service period (generally the vesting period of the equity grant). A charge is recognised for awards granted after 28 April 2005, which had not vested at 1 January 2007.

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 2007

3	Operating profit	2007	2006
		£	£
	Operating profit is stated after charging		
	Depreciation of tangible assets	15,745	13,277
	Loss on foreign exchange transactions	-	35,611
	Operating lease rentals	112,015	131,160
	Fees payable to the company's auditor for the audit of the company's annual accounts	7,000	6,075
	Remuneration of auditors for non-audit work	11,491	11,204
	and after crediting		
	Profit on foreign exchange transactions	(18,413)	-
		<u></u>	<u></u>
4	Interest receivable and similar income	2007	2006
		£	£
	Bank interest	34,706	24,149
		<u></u>	<u></u>
5	Interest payable and similar charges	2007	2006
		£	£
	Other interest	2,505	85
		<u></u>	<u></u>

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

6	Taxation	2007 £	2006 £
	Domestic current year tax		
	U K corporation tax	33,410	(49,166)
	Adjustment for prior years	-	1,700
	Current tax charge	33,410	(47,466)
	Deferred tax		
	Timing difference on share based payments	(23,360)	-
		10,050	(47,466)
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	82,989	184,170
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006 - 30.00%)	24,897	55,251
	Effects of		
	Non deductible expenses	3,029	367
	Depreciation add back	4,724	3,983
	Capital allowances	(5,361)	(3,231)
	Tax losses utilised	(17,055)	(49,166)
	Provision for share based payments	25,029	-
	Adjustments to previous periods	-	1,700
	Employee share acquisition	-	(56,370)
	Gain on employee share options	(1,853)	-
		8,513	(102,717)
	Current tax charge	33,410	(47,466)

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

7 Tangible fixed assets

	Office equipment £
Cost	
At 1 January 2007	54,213
Additions	67,144
At 31 December 2007	121,357
Depreciation	
At 1 January 2007	29,458
Charge for the year	15,745
At 31 December 2007	45,203
Net book value	
At 31 December 2007	76,154
At 31 December 2006	24,755

8 Debtors	2007 £	2006 £
Other debtors	141,809	89,368
Prepayments and accrued income	26,969	2,450
Deferred tax asset (see note 10)	23,360	-
	192,138	91,818

9 Creditors: amounts falling due within one year	2007 £	2006 £
Trade creditors	2,907	13,433
Amounts owed to parent and fellow subsidiary undertakings	3,544,706	790,670
Corporation tax	33,410	-
Other taxes and social security costs	36,624	47,740
Accruals and deferred income	143,032	183,618
	3,760,679	1,035,461

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

10 Provisions for liabilities and charges

The deferred tax asset (included in debtors, note 8) is made up as follows

	Deferred tax liability £
Profit and loss account	(23,360)

The deferred tax liability is made up as follows:

	2007 £	2006 £
Timing difference on share based payments	(23,360)	-

11 Share capital

	2007 £	2006 £
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

12 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2007	423,933
Profit for the year	72,939
Contribution to capital from parent company	83,429
Balance at 31 December 2007	580,301

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

13 Reconciliation of movements in shareholders' funds	2007	2006
	£	£
Profit for the financial year	72,939	231,636
Contribution to capital from parent company	83,429	-
Opening shareholders' funds	424,933	193,297
	<u> </u>	<u> </u>
Closing shareholders' funds	581,301	424,933
	<u> </u>	<u> </u>

14 Financial commitments

At 31 December 2007 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2008

	Land and buildings	
	2007	2006
	£	£
Operating leases which expire		
Within one year	-	117,600
Between two and five years	68,000	-
	<u> </u>	<u> </u>
	68,000	117,600
	<u> </u>	<u> </u>

15 Directors' emoluments	2007	2006
	£	£
Emoluments for qualifying services	233,443	661,888
	<u> </u>	<u> </u>

The number of directors who exercised share options during the year was 1 (2006 - 0)

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

Emoluments for qualifying services	233,443	661,888
	<u> </u>	<u> </u>

The highest paid director has exercised share options during the year

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

16 Employees

Number of employees

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

	2007 Number	2006 Number
Management, sales and administration	10	10
Director	3	3
	<u>13</u>	<u>13</u>

Employment costs

	2007 £	2006 £
Wages and salaries	914,284	1,308,880
Social security costs	85,586	151,908
Cost of employee share schemes	83,429	-
	<u>1,083,299</u>	<u>1,460,788</u>

B Dean and J Turitzin, who are directors of the company, are also employees of one of the group companies. Their remuneration is paid through their accounts.

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

16 Employees

(continued)

Share-based payments

On 28 April 2005, the stockholders of Marvel Entertainment, Inc., the Company's ultimate holding company ("MEI") approved MEI's 2005 Stock Incentive Plan (the "2005 Plan"). Since that date, new awards can no longer be made under MEI's 1998 Stock Incentive Plan (the "1998 Plan") (together with the 2005 Plan, the "Plans"), but all outstanding awards under the 1998 Plan continue in accordance with their terms. The Plans authorize a range of awards including stock options, stock appreciation rights, restricted stock, other awards based on common stock (including "phantom" stock), dividend equivalents, performance shares or other stock-based performance awards, and shares issuable in lieu of rights to cash compensation.

Restricted Stock

MEI has issued restricted stocks to certain employees in the Company. Equity-settled share-based payments for restricted stock are measured at fair value at the date of grant, and expensed over the vesting period (the period over which restrictions lapse) of three or four-years, based on the Company's estimate of the number of shares that will eventually vest. The company also records a contribution from MEI to its equity equivalent to the charge recognized in the profit and loss account. The policy adopted complies with FRS 20 "Share-based payment" and UITF 44 "Group and Treasury Share Transactions".

Fair value of restricted stock at the date of grant is measured by using MEI's common stock closing prices traded in the New York Stock Exchange, prevailing at a day preceding the date of grant. The aggregate fair value of restricted stock at the date of issuance was £210,694 for the year ended 31 December 2007. The weighted average fair value of restricted stock granted during the year ended 31 December 2007 was £13.45 per share. In addition, when recognizing compensation expense associated with our restricted stock, we estimate forfeitures, based on historical trends, and adjust estimates of forfeitures when they are expected to differ. For the year ended 31 December 2007, expected forfeitures were estimated to not be material. The Company has no legal or constructive obligation to repurchase or settle these restricted stocks in cash.

For the year ended 31 December 2007, we recognized £83,429 of compensation expense associated with restricted stock, respectively, which was classified in administrative expenses, with a corresponding credit to equity.

The following table summarizes the status of our restricted shares during the year ended 31 December 2007.

	Shares no
Granted during 2007	15,665
Vested during 2007	-
Forfeited during 2007	-
Outstanding at 31 December 2007	<u>15,665</u>

FRS 20 was not applied to such restricted stock awards in respect of the comparative year ended 31 December 2006 and prior years as its effects for those years were not material.

Under the Plans certain awards of stock appreciation rights have also been made to the Company's employees, which require settlement in cash. FRS 20 has not been applied to such rights as they are currently immaterial.

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

17 Control

The ultimate controlling party is Marvel Entertainment Inc ("the parent") which is a company listed on the US stock exchange. Copies of its annual reports can be obtained from 417 Fifth Avenue, New York, NY 1006, USA or via the website at www.marvel.com

18 Related party transactions

The company had recharged costs to Marvel Characters Inc totalling £1,642,794 (2006 £2,025,860) during the year. At year end, the balance owed to Marvel Characters Inc was £3,544,706 (2006 £790,670). Marvel Characters Inc is a wholly owned subsidiary of Marvel Entertainment Inc.