Company Registration No. 4955607 (England and Wales)

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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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 2008

The directors present their report and financial statements for the year ended 31 December 2008.

Principal activities and review of the business
For the year ended 31 December 2008, 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.

Results and dividends
The results for the year are set out on page 5.

Directors
The following directors have held office since 1 January 2008:

B Dean
J Turitzin
S Philips

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

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board

.....

S Phillips
Director
24 JULY 2009

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 2008 set out on pages 5 to 18. 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.

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 2008 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

30/7/09

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 2008

	Notes	2008 £	2007 £
Turnover	2	4,824,017	1,642,794
Administrative expenses		(2,384,111)	(1,592,006)
Operating profit	3	2,439,906	50,788
Other interest receivable and similar income	4	25,735	34,706
Interest payable and similar charges	5	-	(2,505)
Profit on ordinary activities before taxation		2,465,641	82,989
Tax on profit on ordinary activities	6	(813,671)	(10,050)
Profit for the year	12	1,651,970	72,939

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 2008

	Notes	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Tangible assets	7		70,484		76,154
Current assets					
Debtors	8	2,982,539		192,138	
Cash at bank and in hand		278,831		4,073,688	
		3,261,370		4,265,826	
Creditors: amounts falling due within one year	9	(989,989)		(3,760,679)	
Net current assets			2,271,381		505,147
Total assets less current liabilities			2,341,865		581,301
			2,341,865		581,301
Capital and reserves					
Called up share capital	11		1,000		1,000
Profit and loss account	12		2,340,865		580,301
Shareholders' funds	13		2,341,865		581,301

Approved by the Board and authorised for issue on 24 JULY 2009

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S Philips

Director

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	£	2008 £	£	2007 £
Net cash (outflow)/inflow from operating activities		(3,373,752)		2,764,810
Returns on investments and servicing of finance				
Interest received	25,735		34,706	
Interest paid	-		(2,505)	
Net cash inflow for returns on investments and servicing of finance		25,735		32,201
Taxation		(423,313)		-
Capital expenditure				
Payments to acquire tangible assets	(24,204)		(67,144)	
Receipts from sales of tangible assets	677		-	
Net cash outflow for capital expenditure		(23,527)		(67,144)
Net cash (outflow)/inflow before management of liquid resources and financing		(3,794,857)		2,729,867
(Decrease)/increase in cash in the year		(3,794,857)		2,729,867

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

1	**Reconciliation of operating profit to net cash (outflow)/inflow from operating activities**	**2008**	**2007**
		£	**£**
	Operating profit	2,439,906	50,788
	Depreciation of tangible assets	27,849	15,745
	Loss on disposal of tangible assets	1,349	-
	FRS 20 - non cash charge	108,594	83,429
	Increase in debtors	(2,830,703)	(76,960)
	(Decrease)/Increase in creditors within one year	(3,120,747)	2,691,808
	Net cash (outflow)/inflow from operating activities	(3,373,752)	2,764,810

2	**Analysis of net funds**	**1 January 2008**	**Cash flow**	**Other non-cash changes**	**31 December 2008**
		£	**£**	**£**	**£**
	Net cash:				
	Cash at bank and in hand	4,073,688	(3,794,857)	-	278,831
	Net funds	4,073,688	(3,794,857)	-	278,831

3	**Reconciliation of net cash flow to movement in net funds**	**2008**	**2007**
		£	**£**
	(Decrease)/increase in cash in the year	(3,794,857)	2,729,867
	Movement in net funds in the year	(3,794,857)	2,729,867
	Opening net funds	4,073,688	1,343,821
	Closing net funds	278,831	4,073,688

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The parent company has confirmed that it will continue to support the company for the forseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

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 amounts invoiced to fellow group companies under a service agreement. The service income is made up of costs incurred by the company on a cost plus basis and commission income on payments from licensing contracts. During the year, the service agreement was changed from Marvel Chararcters Inc to Marvel Chararcters B.V., both of which are wholly owned by Marvel Entertainment Inc.

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

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 in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

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).

2 Turnover

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

3 Operating profit

	2008	2007
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	27,849	15,745
Loss on disposal of tangible assets	1,349	-
Operating lease rentals	60,550	112,015
Fees payable to the company's auditor for the audit of the company's annual accounts	7,000	7,000
Remuneration of auditors for non audit work	16,260	11,491
and after crediting:		
Profit on foreign exchange transactions	(64,176)	(18,413)

4 Investment income

	2008	2007
	£	£
Bank interest	20,411	34,706
Other interest	5,324	-
	25,735	34,706

5 Interest payable

	2008	2007
	£	£
Other interest	-	2,505

6	**Taxation**	**2008**	**2007**
		£	**£**
	Domestic current year tax		
	U.K. corporation tax	711,940	33,410
	Charge by US parent company for schedule 23 deductions	110,596	-
	Current tax charge	822,536	33,410
	Deferred tax		
	Timing difference on share based payments	(8,865)	(23,360)
		813,671	10,050
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	2,465,641	82,989
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.50% (2007 - 30.00%)	702,708	24,897
	Effects of:		
	Non deductible expenses	2,216	3,029
	Depreciation add back	7,937	4,724
	Capital allowances	(6,670)	(5,361)
	Tax losses utilised	-	(17,055)
	FRS 20 charge	30,949	25,029
	Charge by US parent company for schedule 23 deductions	110,596	-
	Other tax adjustments	(68)	-
	Gain on employee share options	(25,132)	(1,853)
		119,828	8,513
	Current tax charge	822,536	33,410

7 Tangible fixed assets

	Office equipment £
Cost	
At 1 January 2008	121,357
Additions	24,204
Disposals	(38,829)
At 31 December 2008	106,732
Depreciation	
At 1 January 2008	45,203
On disposals	(36,804)
Charge for the year	27,849
At 31 December 2008	36,248
Net book value	
At 31 December 2008	70,484
At 31 December 2007	76,154

8 Debtors

	2008 £	2007 £
Amounts owed by parent and fellow subsidiary undertakings	2,902,841	-
Corporation tax	-	49,166
Other debtors	37,212	92,643
Prepayments and accrued income	10,261	26,969
Deferred tax asset (see note 10)	32,225	23,360
	2,982,539	192,138

9 Creditors: amounts falling due within one year	2008 £	2007 £
Trade creditors	2,681	2,907
Amounts owed to parent and fellow subsidiary undertakings	-	3,544,706
Corporation tax	383,467	33,410
Other taxes and social security costs	90,919	36,624
Accruals and deferred income	512,922	143,032
	989,989	3,760,679

10 Provisions for liabilities and charges

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

	2008 £
Balance at 1 January 2008	23,360
Profit and loss account	8,865
Balance at 31 December 2008	32,225

The deferred tax asset is made up as follows:

	2008 £	2007 £
Timing difference on share based payments	30,169	23,360
Decelerated capital allowances	2,056	-
Provision for deferred taxation	32,225	23,360

11 Share capital

	2008	2007
	£	£
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 2008	580,301
Profit for the year	1,651,970
Contribution to capital from parent undertaking	108,594
Balance at 31 December 2008	2,340,865

13 Reconciliation of movements in shareholders' funds

	2008	2007
	£	£
Profit for the financial year	1,651,970	72,939
Contribution to capital from parent undertaking	108,594	83,429
Opening shareholders' funds	581,301	424,933
Closing shareholders' funds	2,341,865	581,301

14 Financial commitments

At 31 December 2008 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2009:

	Land and buildings	
	2008	2007
	£	£
Operating leases which expire:		
Between two and five years	68,000	68,000

15 Directors' emoluments	2008 £	2007 £
Emoluments for qualifying services	584,979	233,443

The number of directors who exercised share options during the year was 1 (2007 - 1).

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

Emoluments for qualifying services	584,979	233,443

16 Employees

Number of employees

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

	2008 Number	2007 Number
Management, sales and administration	11	10
Director	3	3
	14	13

Employment costs	2008 £	2007 £
Wages and salaries	1,551,963	914,284
Social security costs	188,927	85,586
Cost of employee share schemes	108,594	83,429
	1,849,484	1,083,299

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 the respective company accounts.

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 £109,291 (2007: £210,694) for the year ended 31 December 2008. The weighted average fair value of restricted stock granted during the year ended 31 December 2008 was £12.27 per share (2007: £13.45). 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 2008, 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 2008, we recognized £108,594 (2007: £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 2008:

	2008	2007
Outstanding at 1 January	15,665	-
Granted during the year	8,909	15,665
Vested during the year	(6,526)	-
Forfeited during the year	-	-
Outstanding at 31 December	18,048	15,665

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 has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.