

Company Registration No. 04955607 (England and Wales)

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2012



MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	B Dean J Turitzin S Philips
Secretary	B Dean Abogado Nominees Ltd
Company number	04955607
Registered office	3 Queen Caroline Street Hammersmith London W6 9PE
Auditors	Rouse Audit LLP 55 Station Road Beaconsfield Buckinghamshire HP9 1QL

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

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MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 29 SEPTEMBER 2012

The directors present their report and financial statements for the 52 weeks ended Saturday 29 September 2012

Principal activities and review of the business

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 associated companies

Results and dividends

The results for the year are set out on page 5

Directors

The following directors have held office since 1 October 2011

B Dean
J Turitzin
S Philips

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 ENTERTAINMENT INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2012

Statement of disclosure to auditors

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 15 of the Companies Act 2006 relating to small companies.

On behalf of the board



S Philips

Director

27 JUNE 2013

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

We have audited the financial statements of Marvel Entertainment International Limited for the year ended 29 September 2012 set out on pages 5 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 29 September 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Rouse Audit LLP

Leighton Bower (Senior Statutory Auditor)
for and on behalf of Rouse Audit LLP

27th June 2013

Chartered Accountants
Statutory Auditor

55 Station Road
Beaconsfield
Buckinghamshire
HP9 1QL

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 29 SEPTEMBER 2012

	Notes	2012 £	2011 £
Turnover	2	2,009,239	1,764,955
Administrative expenses		(1,912,117)	(1,662,990)
Operating profit	3	97,122	101,965
Other interest receivable and similar income	4	967	307
Profit on ordinary activities before taxation		98,089	102,272
Tax on profit on ordinary activities	5	14,640	(21,463)
Profit for the year	12	112,729	80,809

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 29 SEPTEMBER 2012

	Notes	2012 £	£	2011 £	£
Fixed assets					
Tangible assets	6		3,734		8,241
Current assets					
Debtors	7	926,735		521,331	
Cash at bank and in hand		390,802		359,151	
		1,317,537		880,482	
Creditors' amounts falling due within one year	8	(519,011)		(284,268)	
Net current assets			798,526		596,214
Total assets less current liabilities			802,260		604,455
			802,260		604,455
Capital and reserves					
Called up share capital	11		1,000		1,000
Profit and loss account	12		801,260		603,455
Shareholders' funds	13		802,260		604,455

Approved by the Board and authorised for issue on 27 JUNE 2013


S Philips
Director

Company Registration No. 04955607

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 29 SEPTEMBER 2012

	2012	2011
	£	£
Net cash inflow/(outflow) from operating activities	30,684	(124,034)
Returns on investments and servicing of finance		
Interest received	967	307
Net cash inflow for returns on investments and servicing of finance	967	307
Taxation	-	(48,605)
Net cash inflow/(outflow) before management of liquid resources and financing	31,651	(172,332)
Increase/(decrease) in cash in the year	31,651	(172,332)

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 29 SEPTEMBER 2012

1	Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	2012		2011	
		£		£	
	Operating profit	97,122		101,965	
	Depreciation of tangible assets	4,507		5,777	
	FRS 20 charge - non cash charge	85,076		65,646	
	Increase in debtors	(390,763)		(59,700)	
	Increase/(decrease) in creditors within one year	234,742		(237,722)	
	Net cash inflow/(outflow) from operating activities	30,684		(124,034)	
2	Analysis of net funds	1 October 2011	Cash flow	Other non-cash changes	29 September 2012
		£	£	£	£
	Net cash				
	Cash at bank and in hand	359,151	31,651	-	390,802
	Net funds	359,151	31,651	-	390,802
3	Reconciliation of net cash flow to movement in net funds	2012		2011	
		£		£	
	Increase/(decrease) in cash in the year	31,651		(172,332)	
	Movement in net funds in the year	31,651		(172,332)	
	Opening net funds	359,151		531,483	
	Closing net funds	390,802		359,151	

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 SEPTEMBER 2012

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The directors are currently considering restructuring the affairs undertaken by the company in the UK, which could involve transferring the trade of the company to other group entities. In doing this, the directors would seek to undertake a solvent winding up of the company and, although there are no current plans in place, this restructuring could take place within 12 months of the approval of these financial statements.

No adjustment has been made in the financial statements to reflect this as all assets and liabilities would be realised in full in the event of the liquidation taking place. On this basis, the directors continue to adopt the going concern basis for the preparation of these financial statements.

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 associated companies under a service agreement. The service income is made up of costs incurred by the company on a cost plus basis.

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 Pensions

The company contributes to a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

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

The fair value of grants made under the equity settled employee share option plans is calculated at the date of grant using an appropriate binomial model. In accordance with FRS 20 'Share Based Payments', the fair value of share options is charged to the profit and loss account over the vesting period of the options with a corresponding credit to the profit and loss account reserve. The value of the charge is adjusted to reflect expected and actual levels of option vesting.

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2012

1 Accounting policies (continued)

1.9 Accounting reference date

The company has taken advantage of flexibility under the Companies Act 2006 to end the accounting period on the closest Saturday to 30 September each year. An accounting reference date of 29 September 2012 has been adopted for the current year.

The financial year ("year") represents the 52 weeks ended Saturday 29 September 2012.

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	2012 £	2011 £
Operating profit is stated after charging		
Depreciation of tangible assets	4,507	5,777
Loss on foreign exchange transactions	-	12,630
Fees payable to the company's auditor for the audit of the company's annual accounts	7,000	7,000
Remuneration of auditors for accountancy, taxation and bookkeeping services	3,049	12,398
	<u> </u>	<u> </u>

4 Investment income	2012 £	2011 £
Bank interest	967	307
	<u> </u>	<u> </u>

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2012

5	Taxation	2012 £	2011 £
	Domestic current year tax		
	Payment in respect of group relief	-	29,043
	Current tax charge	-	29,043
	Deferred tax		
	Deferred tax credit	(14,640)	(7,580)
		<u>(14,640)</u>	<u>21,463</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>98,089</u>	<u>102,272</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 25.00% (2011 - 27.00%)	<u>24,522</u>	<u>27,613</u>
	Effects of		
	Non deductible expenses	466	(786)
	Depreciation add back	1,127	1,559
	Capital allowances	(1,611)	(2,290)
	FRS 20 charge	21,269	17,724
	Group relief	(27,171)	-
	Deduction for share based payments	(18,602)	(14,777)
		<u>(24,522)</u>	<u>1,430</u>
	Current tax charge	<u>-</u>	<u>29,043</u>

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2012

6 Tangible fixed assets

	Office equipment £
Cost	
At 1 October 2011 & at 29 September 2012	23,109
Depreciation	
At 1 October 2011	14,868
Charge for the year	4,507
At 29 September 2012	19,375
Net book value	
At 29 September 2012	3,734
At 1 October 2011	8,241

7 Debtors

	2012 £	2011 £
Amounts owed by parent and fellow subsidiary undertakings	738,498	352,974
Corporation tax	137,103	137,102
Other debtors	1,214	1,062
Prepayments and accrued income	5,087	-
Deferred tax asset (see note 9)	44,833	30,193
	<u>926,735</u>	<u>521,331</u>

8 Creditors amounts falling due within one year

	2012 £	2011 £
Amounts owed to parent and fellow subsidiary undertakings	29,043	220,181
Taxes and social security costs	24,546	32,241
Accruals	465,422	31,846
	<u>519,011</u>	<u>284,268</u>

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2012

9 Provisions for liabilities and charges

The deferred tax asset (included in debtors, note 7) is made up as follows

	2012 £
Balance at 1 October 2011	30,193
Profit and loss account	14,640
Balance at 29 September 2012	<u>44,833</u>

The deferred tax asset is made up as follows

	2012 £	2011 £
Timing difference on share based payments	39,372	23,516
Decelerated capital allowances	5,461	6,677
Provision for deferred taxation	<u>44,833</u>	<u>30,193</u>

10 Pension and other post-retirement benefit commitments Defined contribution

	2012 £	2011 £
Contributions payable by the company for the year	<u>-</u>	<u>50,000</u>

11 Share capital

	2012 £	2011 £
Allotted, called up and fully paid 1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2012

12 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 October 2011	603,455
Profit for the year	112,729
Contribution to capital from parent undertaking	85,076
Balance at 29 September 2012	<u>801,260</u>

13 Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Profit for the financial year	112,729	80,809
Contribution to capital from parent undertaking	85,076	65,646
Opening shareholders' funds	<u>604,455</u>	<u>458,000</u>
Closing shareholders' funds	<u>802,260</u>	<u>604,455</u>

14 Directors' remuneration

	2012 £	2011 £
Remuneration for qualifying services	<u>1,024,415</u>	<u>449,779</u>

The number of directors who exercised share options during the year was 1 (2011 - 1)

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

Remuneration for qualifying services	<u>1,024,415</u>	<u>449,779</u>
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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 29 SEPTEMBER 2012

15 Employees

Number of employees

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

	2012 Number	2011 Number
Management, sales and administration	3	6
Director	3	3
	<u>6</u>	<u>9</u>

Employment costs

	2012 £	2011 £
Wages and salaries	1,418,520	1,049,412
Social security costs	197,919	119,765
Other pension costs	-	50,000
Cost of employee share schemes	85,076	65,646
	<u>1,701,515</u>	<u>1,284,823</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 this group company's accounts.

Share-based payments

Under the Disney Discretionary Stock Option Scheme, certain employees of the company may be granted options to acquire shares of stock in the ultimate parent company, The Walt Disney Company, at exercise prices equal to or exceeding the market price at the date of grant. Options vest equally over a four-year period from the date of grant and expire seven to ten years after the date of grant. The share options are settled using the equity instruments of the company's ultimate parent company The Walt Disney Company. Movements in the number of Disney share options outstanding, granted to company employees, and their related weighted average exercise prices are as follows:

	2012		2011	
	Weighted average exercise price per share \$	Options	Weighted average exercise price per share \$	Options
At start of the year	35.89	10,733	31.12	6,310
Granted	38.75	6,651	39.65	6,000
Forfeited	-	-	-	-
Exercised	35.28	(3,078)	31.12	(1,577)
At end of the year	37.35	<u>14,306</u>	35.89	<u>10,733</u>

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2012

15 Employees

(continued)

Share options outstanding at the end of the current year have the following terms

	Outstanding		Exercisable	
	Number of options	Weighted average remaining years of contractual life	Number of options	Weighted average exercise price in \$ per share
Exercise Prices \$				
31 - 40	14,306	8.55	5,187	35.93

Details of the restricted shares activity is as follows

	2012 Number of restricted shares	2011 Number of restricted shares
At start of the year	7,894	7,007
Granted	2,726	2,638
Forfeited	-	-
Exercised	(2,444)	(1,751)
At end of the year	<u>8,176</u>	<u>7,894</u>

The restricted stock issued vests in four equal parts at each anniversary from the grant date. There are no performance conditions attached to the issue. The weighted average fair value of restricted stock granted during the year ended 29 September 2012 was \$38.75 per share (2011: \$39.65 per share).

MARVEL ENTERTAINMENT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2012

15 Employees

(continued)

Valuation assumptions

The valuation assumptions used to estimate the company's share-based compensation expense for the share option plans are summarised as below

The weighted average assumptions used in the binominal valuation option-pricing model were as follows

	2012	2011
Risk-free interest rate	1.99%	3.24%
Expected years from grant until exercise	6.35	6.13
Expected volatility	31%	28%
Dividend yield	1.57%	1.15%

The volatility assumption considers both historical and implied volatility and may be impacted by the group's performance as well as changes in economic and market conditions

The exercise price per share used in the binominal valuation option-pricing model was \$38.75 (2011 \$39.65)

The total stock based compensation charge recognised for the year ended 29 September 2012 was £85,076 (2011 £65,646), comprised of share option charge of £26,098 (2011 £17,154) and restricted share charge of £58,978 (2011 £48,492)

16 Control

The ultimate controlling party is The Walt Disney Company, a company listed on the New York Stock Exchange. Copies of its annual reports can be obtained from 500 South Buena Vista Street, Burbank, California 91521, United States of America or via the website at www.disney.com

17 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