

Magic Effects Limited

**Directors' report and financial
statements**

Registered number 2571806

31 December 2002



Contents

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report to the members of Magic Effects Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

Officers and professional advisers

Directors

Patrick Joseph
Craig Mitchell
Robin Shenfield

(appointed 18 September 2003)

Secretary

Gerard McCormack
Rod Dawson

(resigned 31 January 2003)
(appointed 1 February 2003)

Registered office

40-41 Great Marlborough Street
London W1F 7JQ

Bankers

Royal Bank of Scotland plc
Corporate & Commercial Banking
2 Waterhouse Square
138-142 Holborn
London EC1N 2TH

Solicitors

Dickson Minto
Royal London House
22/25 Finsbury Square
London EC2A 1DS

Auditors

KPMG LLP
PO Box 695
8 Salisbury Square
London EC4Y 8BB

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The principal activity of the company was that of model makers for film and television photography.

Business review

During the current and prior period the company did not trade.

During the year the directors of the company decided to discontinue operations in Mill Film Limited, Mill Film Shepperton Limited and Mill LA Limited. The financial volatility of Mill Film was inhibiting its immediate parent, The Mill (Facility) Limited, from capitalising on growth opportunities in the advertising business. As part of the restructuring following discontinuance the company has provided against intercompany balances with other group companies. In addition the immediate parent has waived outstanding balances with Magic Effects Limited.

Post balance sheet event

On 15 April 2003, the company was sold by Beam.tv Limited (*formerly The Magic Holding Company Limited*) to another Group company, Mill Film Limited for consideration of £1.

Directors and directors' interests

The directors who served during the year and to date are shown on page 1.

None of the directors serving at the year end had an interest in the share capital of the company at any time in the year.

The directors' interests in the shares of Mill Digital Media Limited are disclosed in the directors' report for that company.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board



Craig Mitchell
Director

40-41 Great Marlborough Street
London
W1F 7JQ

24 OCTOBER 2003

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the members of Magic Effects Limited

We have audited the financial statements on pages 5 to 9.

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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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, 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.

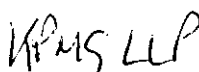
Basis of audit opinion

We conducted our audit in accordance with 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 affairs of the company as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG LLP
Chartered Accountants
Registered Auditor

29 OCTOBER 2003

Profit and loss account

for the year ended 31 December 2002

	<i>Note</i>	2002 £000	2001 £000
Turnover		-	-
Administrative expenses	2	(9)	-
		<hr/>	<hr/>
Operating loss		(9)	-
		<hr/>	<hr/>
Loss on ordinary activities before and after taxation	3,5	(9)	-
Retained profit brought forward		8	8
		<hr/>	<hr/>
Retained loss carried forward		(1)	8
		<hr/> <hr/>	<hr/> <hr/>

All of the above results are derived from discontinued operations.

The historical cost profit/(losses) in the current and prior year are the same as those reported above.

The company had no recognised gains or losses, for the period other than those included in the profit and loss account and therefore no statement of recognised gains and losses has been presented.

The notes on pages 7 to 9 form part of the financial statements.

Balance sheet

at 31 December 2002

	Note	2002 £000	2001 £000
Current assets			
Debtors - amounts due after one year	6	-	93
Creditors: amounts falling due within one year	7	-	(1)
Net current assets		-	92
- due within one year		-	(1)
- due after one year		-	93
		-	92
Creditors: amounts falling due after more than one year	8	-	(83)
Net assets		-	9
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account		(1)	8
Shareholders' funds - equity		-	9

These financial statements were approved by the board of directors on 24 October 2003 and were signed on its behalf by:



Craig Mitchell
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under historical cost accounting rules. They have been prepared on a going concern basis as the shareholders have confirmed their intentions to provide sufficient financial support to enable the company to continue to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements and thereafter for the foreseeable future.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Mill Digital Media Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Mill Digital Media Limited, within which this company is included, can be obtained from the address given in note 10.

During the current and prior period the company did not trade. During the year the directors of the company decided to discontinue operations in Mill Film Limited, Mill Film Shepperton Limited and Mill LA Limited. The financial volatility of Mill Film was inhibiting its immediate parent, The Mill (Facility) Limited, from capitalising on growth opportunities in the advertising business. As part of the restructuring following discontinuance the company has provided against intercompany balances with other group companies. In addition the immediate parent has waived outstanding balances with Magic Effects Limited.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19, "Deferred tax".

2 Exceptional item

	2002 £000	2001 £000
Waiver of amounts owed by group companies	9	-

3 Loss on ordinary activities before taxation

The auditors' remuneration in the current and previous year was paid by The Mill (Facility) Limited, another group company.

Notes (continued)

4 Information regarding directors and employees

There were no employees (excluding directors) in the year (2001: none). Directors' emoluments for the current year and preceding period were paid by another group company.

5 Taxation

	2002 £000	2001 £000
Tax charge on profit on ordinary activities	-	-

Factors affecting the tax charge for the current period

The current tax credit for the period is lower (2001: lower) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below.

	2002 £000	2001 £000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(9)	-
Current tax (credit)/charge at 30% (2001: 30%)	(3)	-
<i>Effects of:</i>		
Expenses not deductible for tax purposes	3	-
Total current tax charge (see above)	-	-

Factors that may affect future tax charge

As the company does not trade, no tax charges are expected to be incurred by the company in the future.

6 Debtors

	2002 £000	2001 £000
<i>Amounts due after more than one year:</i>		
Amounts due from group undertakings	-	93

7 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Corporation tax	-	1

Notes *(continued)*

8 Creditors: amounts falling due after more than one year

	2002 £000	2001 £000
Amounts owed to group companies	-	83
	<u> </u>	<u> </u>

9 Called up share capital

	2002 £	2001 £
<i>Authorised</i> 1,000 ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i> 950 ordinary shares of £1 each	950	950
	<u> </u>	<u> </u>

10 Ultimate parent company

The company's immediate parent company at 31 December 2002 was Beam.tv Limited (*formerly The Magic Holding Company Limited*). The company's ultimate parent company was Mill Digital Media Limited.

Copies of the accounts of Beam.tv Limited (*formerly The Magic Holding Company Limited*) and Mill Digital Media Limited, the intermediate and ultimate parent companies respectively (both incorporated in England and Wales), are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

11 Post balance sheet event

On 15 April 2003, the company was sold by Beam.tv Limited (*formerly The Magic Holding Company Limited*) to another Group company, Mill Film Limited for consideration of £1.