

MAGIC EFFECTS LIMITED

Report and Financial Statements

Year ended 31 December 1999



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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Robin Shenfield
Patrick Joseph
Denise Collins (resigned 28 April 2000)
David Franks
Roger Lofting (resigned 27 June 2000)

SECRETARY

Gerard McCormack

REGISTERED OFFICE

40 - 41 Great Marlborough Street
London W1V 1DA

BANKERS

Bank of Scotland
Corporate Banking
38 Threadneedle Street
London EC2P 2EH

SOLICITORS

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

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 1999.

This report has been prepared in accordance with the special provisions relating to small companies under Section 246 of the Companies Act 1985.

ACTIVITIES

The principal activity of the Company is that of model makers for film and television photography.

YEAR 2000

Following their initial review, the Directors continue to be alert to the potential risks and uncertainties surrounding the Year 2000 issue. As at the date of this report, the Directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business, however, the situation is still being monitored. Any further costs associated with this issue cannot be quantified but are not expected to be significant.

DIRECTORS AND THEIR 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 period.

The Directors' beneficial interests in the shares of MDM Group Limited, the Company's ultimate parent, were:

£0.01 Ordinary shares	At 1 January 1999	At 31 December 1999
	No.	No.
Robin Shenfield	4,900	4,900
Patrick Joseph	4,900	4,900
Denise Collins	2,000	2,000
David Franks	2,000	2,000

On 24 May 2000 Denise Collins agreed to sell 1,800 £0.01 "C" ordinary shares to the Trustee of the Employee Share Ownership Plan (Mourant & Co. Jersey). The Directors had no interests in the shares of any other Group Company at any time during the year.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Robin Shenfield
Director

30 OCTOBER 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 as at the end of the financial year 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;
- 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.

AUDITORS' REPORT TO THE MEMBERS OF

MAGIC EFFECTS LIMITED

We have audited the financial statements on pages 5 to 9 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 the state of affairs of the Company as at 31 December 1999 and of its results for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR

31 October 2000

PROFIT AND LOSS ACCOUNT
Year ended to 31 December 1999

	Note	Year ended 31 December 1999 £'000	1 June 1998 to 31 December 1998 £'000
TURNOVER	1	-	538
Cost of sales		-	(443)
Gross profit		-	95
Administrative expenses		-	(88)
OPERATING PROFIT	2	-	7
Interest receivable and similar income		-	1
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	8
Tax on profit on ordinary activities	4	-	(2)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		-	6
Retained profit brought forward		8	2
RETAINED PROFIT CARRIED FORWARD		8	8

There are no recognised gains or losses for the year other than the result for the year and the profit for the previous period and, as a result, no statement of total gains and losses has been prepared. There were no movements in shareholders' funds for the year other than the retained profits.

All activities derive from continuing operations.

BALANCE SHEET
31 December 1999

	Note	31 December 1999 £'000	31 December 1998 £'000
FIXED ASSETS			
Tangible assets	5	-	28
CURRENT ASSETS			
Debtors	6	93	56
Cash at bank and in hand		-	20
		<u>93</u>	<u>76</u>
CREDITORS: amounts falling due within one year	7	<u>(84)</u>	<u>(95)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>9</u>	<u>(19)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9</u>	<u>9</u>
CAPITAL AND RESERVES			
Called up share capital	8	1	1
Profit and loss account		8	8
EQUITY SHAREHOLDERS' FUNDS		<u>9</u>	<u>9</u>

These accounts have been prepared in accordance with the special provisions relating to small companies under Section 246 of the Companies Act 1985.

These financial statements were approved by the Board of Directors on 30/03/00 2000.

Signed for on behalf of the Board of Directors



Robin Shenfield
Director

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The principal accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of preparation – going concern

The accounts are prepared under the assumption that the Company will receive the ongoing support of its intermediate parent Company, The Mill (Facility) Limited.

Turnover

Turnover represents amounts derived from the provision of model makers for film and television photography special effects services excluding value added tax and trade discounts.

Tangible assets

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

Photographic equipment	15% reducing balance
Fixtures	15% reducing balance
Motor vehicles	25% reducing balance

2. OPERATING PROFIT

	Year ended 31 December 1999 £'000	1 June 1998 to 31 December 1998 £'000
Operating profit is stated after charging:		
Depreciation	-	3
Auditors' remuneration:		
- Audit fee	-	1
	<hr/>	<hr/>

The auditors' remuneration for this year was paid by the intermediate parent Company.

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

There were no employees in the year (1998: none). Directors' emoluments for the current year and preceding period were paid by another company within the group.

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 1999 £'000	1 June 1998 to 31 December 1998 £'000
Group relief receivable	-	2

5. TANGIBLE ASSETS

	Photographic equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 1999	8	31	7	46
Assets transferred to fellow subsidiary companies	(8)	(31)	(7)	(46)
At 31 December 1999	-	-	-	-
Accumulated depreciation				
At 1 January 1999	3	11	4	18
Assets transferred to fellow subsidiary companies	(3)	(11)	(4)	(18)
At 31 December 1999	-	-	-	-
Net book value				
At 31 December 1999	-	-	-	-
At 31 December 1998	5	20	3	28

6. DEBTORS

	31 December 1999 £'000	31 December 1998 £'000
Trade debtors	-	1
Amounts due from fellow subsidiary	93	45
Advance corporation tax recoverable	-	10
	93	56

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 1999 £'000	31 December 1998 £'000
Amounts owed to intermediate parent Company	83	83
Corporation tax	1	1
Other taxes and social security	-	11
	<u>84</u>	<u>95</u>

8. CALLED UP SHARE CAPITAL

	1999 No.	1999 £
£1 ordinary shares:		
Authorised:		
At 31 December 1998 and 31 December 1999	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid:		
At 31 December 1998 and 31 December 1999	<u>950</u>	<u>950</u>

9. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions under FRS 8 not to disclose transactions with other group companies.

10. ULTIMATE PARENT COMPANY

The Company's immediate parent Company is The Magic Holding Company Limited, a company incorporated in Great Britain. Copies of the accounts of The Mill (Facility) Limited and MDM Group Limited, the intermediate and ultimate parent companies respectively, incorporated in Great Britain, are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.