

Magic Effects Limited

**Directors' report and financial
statements**

Registered number 2571806

31 December 2001



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Officers and professional advisers

Directors

Patrick Joseph
Robin Shenfield

Secretary

Gerard McCormack

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
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 2001.

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 and received no income and incurred no expenditure. Consequently, no profit and loss account is presented.

On 9 February 2001, Mill Digital Media Limited (formerly De Facto 890 Limited), acquired all the shares of MDM Group Limited, previously the company's ultimate parent. As part of a transaction which refinanced the Group and brought about a change in the shareholders of the Group's holding company, Mill Digital Media Limited has now become the company's ultimate parent.

Directors and directors' interests

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

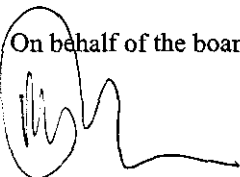
None of the directors serving at the year end had an interest in the share capital of the company at any time in the year.

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

Auditors

Our auditors KPMG have indicated to the directors that their business is to transfer to a limited liability partnership, KPMG LLP. Accordingly a resolution is to be proposed at the annual general meeting for the appointment of KPMG LLP as auditors of the company.

On behalf of the board



Patrick Joseph
Director

40-41 Great Marlborough Street
London
W1F 7JQ

24 April 2002

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 7.

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 2001 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

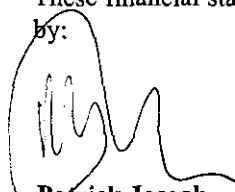
14 June 2002

Balance sheet

at 31 December 2001

	Note	2001 £000	2000 £000
Current assets			
Debtors:			
- amounts due within one year	4	-	93
- amounts due after one year	4	93	-
Creditors: amounts falling due within one year	5	(1)	(84)
Net current assets			
- due within one year		(1)	9
- due after one year		93	-
Creditors: amounts falling due after one year	6	(83)	-
Net assets		9	9
Capital and reserves			
Called up share capital	7	1	1
Profit and loss account		8	8
Equity shareholders' funds		9	9

These financial statements were approved by the board of directors on 24 April 2002 and were signed on its behalf by:


Patrick Joseph
Director

The notes on pages 6 and 7 form part of the financial statements.

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.

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 (formerly De Facto 890 Limited), within which this company is included, can be obtained from the address given in note 8.

During the current and prior period the company did not trade and received no income and incurred no expenditure. Consequently, no profit and loss account is presented.

2 Profit on ordinary activities before taxation

The auditors' remuneration in the current and previous year was paid by the immediate parent company.

3 Information regarding directors and employees

There were no employees (excluding directors) in the year (2000: none). Directors' emoluments for the current year and preceding period were paid by another group company.

4 Debtors

	2001 £000	2000 £000
<i>Amounts due within one year:</i>		
Amounts due from group undertakings	-	93
	-	93
<i>Amounts due after more than one year:</i>		
Amounts due from group undertakings	93	-
	93	93

Notes (continued)

5 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Amounts owed to group undertakings	-	83
Corporation tax	1	1
	<hr/> 1 <hr/>	<hr/> 84 <hr/>

6 Creditors: amounts falling due after one year

	2001 £000	2000 £000
Amounts owed to group companies	83	-
	<hr/> 83 <hr/>	<hr/> - <hr/>

7 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/> 1,000 <hr/>	<hr/> 1,000 <hr/>
<i>Allotted, called up and fully paid</i>		
950 ordinary shares of £1 each	950	950
	<hr/> 950 <hr/>	<hr/> 950 <hr/>

8 Ultimate parent company

The company's immediate parent company is The Magic Holding Company Limited, a company incorporated in Great Britain. On 9 February 2001, Mill Digital Media Limited (formerly De Facto 890 Limited), acquired all the shares of MDM Group Limited, previously the company's ultimate parent. As part of a transaction which refinanced the Group and brought about a change in the shareholders of the Group's holding company, Mill Digital Media Limited has now become the company's ultimate parent.

Copies of the accounts of The Magic Holding Company Limited and Mill Digital Media Limited, the immediate and ultimate parent companies respectively, incorporated in Great Britain, are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.