

MDM Group Limited

**Directors' report and financial
statements**

Registered number 3110031

31 December 2005



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Officers and professional advisers

Directors

Patrick Joseph
Craig Mitchell
Robin Shenfield

Secretary

Rod Dawson

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
8 Salisbury Square
London
EC4Y 8BB

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2005.

Principal activities

The company is a subsidiary of the Mill Digital Media Limited, which owns a group which provides post-production and special effects services to the advertising, film and television industries as well as an online approval and archiving system for the advertising industry. The company is an intermediary holding company within this group.

Business review

During the current and preceding year the company did not trade.

Results and dividends

The company did not trade and received no income and incurred no expenditure during the current and preceding year. Consequently, during those years the company made neither a profit nor a loss.

The directors do not propose a dividend (2004: £nil).

Directors and directors' interests

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

None of the directors 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

17 AUGUST 2006

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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; and
- 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 its 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.



KPMG LLP
8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the members of MDM Group Limited

We have audited the financial statements of MDM Group Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes. 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 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

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 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 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its result for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

18 AUGUST 2006

Profit and loss account

for the year ended 31 December 2005

During the financial year and the preceding financial year, the company did not trade and received no income and incurred no expenditure. Consequently, during those years the company made neither a profit nor a loss.

Balance sheet

at 31 December 2005

	<i>Note</i>	2005 £000	2004 £000
Fixed assets			
Investments	2	9,501	9,501
Net assets		9,501	9,501
Capital and reserves			
Called up share capital	3	2	2
Share premium account		9,499	9,499
Shareholders' funds (including non-equity interest)		9,501	9,501

These financial statements were approved by the board of directors on *17 August* 2006 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.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards have had no material effect in their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and with the Companies Act 1985.

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 5.

The company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Investments

Investments in subsidiary undertakings are stated at cost less provision for any impairment.

Notes (continued)

2 Fixed asset investments

	Shares in group undertaking £000
<i>Cost</i>	
At 1 January 2005 and 31 December 2005	9,501

The Company holds 2,280,000 £0.01 "B" ordinary shares, 2,280,000 redeemable shares of £1 each and 1,520,000 "A" ordinary shares of £0.01 representing 100% of the issued share capital of The Mill (Facility) Limited.

The Mill (Facility) Limited provides post-production services to the advertising, television and film industries and is incorporated in England and Wales.

In the opinion of the directors the investment in the subsidiary undertaking is worth at least the amount at which it is stated in the balance sheet.

3 Called up share capital

	£0.01 'A' ordinary shares		£0.01 'B' ordinary shares		£0.01 'C' ordinary shares		£0.01 redeemable shares		Total
	No.	£	No.	£	No.	£	No.	£	£
<i>Authorised</i>									
At 1 January 2005 and 31 December 2005	116,000	1,160	64,999	650	50,000	500	1	-	2,310
<i>Allotted, called up and fully paid</i>									
At 1 January 2005 and 31 December 2005	71,426	714	61,999	620	48,142	481	1	-	1,815

Save as otherwise provided in the Company's Articles of Association, all of the above classes of shares rank *pari passu* as regards rights to dividends and to a return of capital on a winding up, but constitute separate classes of shares. However, the £0.01 redeemable share is non-equity, and carries no rights to vote at a general meeting. It is redeemable for 100% of its issue price at any time, at the option of either the holder or the Company.

4 Contingent Liabilities

The company has granted a fixed and floating charge over its assets in favour of the group's bankers. As at 31 December 2005, the amount owed to the bank by the group was £6,450,000 (2004: £6,477,000).

Notes *(continued)*

5 Ultimate parent company

The company's immediate and ultimate parent company is Mill Digital Media Limited, a company incorporated in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Mill Digital Media Limited. The consolidated accounts of this company are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ. No other group accounts include the results of the company.