

**Mill Film Limited**

**Directors' report and financial  
statements**

**Registered number 3123160**

**31 December 2003**



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## Officers and professional advisers

### Directors

Timothy Burke	(resigned 22 June 2003)
Patrick Joseph	
Gerard McCormack	(resigned 31 January 2003)
Craig Mitchell	(appointed 18 September 2003)
Karl Mooney	(resigned 23 May 2003)
James Morris	(resigned 10 May 2003)
Robin Shenfield	
Roy Trosh	

### Secretary

Gerard McCormack	(resigned 31 January 2003)
Rod Dawson	(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 2003.

### Principal activities

The principal activity of the company was that of post-production services to the film industry. The company currently acts as a holding company for Mill Film Shepperton Ltd, Magic Effects Ltd, The Magic Model Company Limited and Mill LA Ltd.

### Results and business review

In the prior year the directors of the company decided to discontinue operations in Mill Film Limited. During the current period the company did not trade.

There is an exceptional credit in the current period in relation to a portion of the company's closure costs that were provided for in the prior year, that were subsequently not incurred. The company has provided against intercompany balances with other group companies. In addition, the immediate parent has waived outstanding balances with the company.

On 15 April 2003, the company acquired three subsidiaries from Beam.tv Limited (*formerly The Magic Holding Company Limited*): Mill Film Shepperton Limited (*formerly The Magic Camera Company Limited*); Magic Effects Limited; and The Magic Models Company Limited. These subsidiaries did not trade in 2003.

The results for the period are set out on page 5 of the financial statements. The directors are unable to recommend the payment of a dividend (2002: £nil).

### Directors and directors' interests

The directors who served during the year and to the date of this report 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' beneficial 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.

By order of the board



**Craig Mitchell**  
Director

40-41 Great Marlborough Street  
London  
W1F 7JQ

28 July 2004

## 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 year. 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 Mill Film Limited**

We have audited the financial statements on pages 5 to 15.

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.

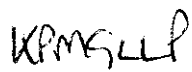
### **Basis of audit opinion**

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 the state of affairs of the company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

28 JULY 2004

## Profit and loss account

for the year ended 31 December 2003

	Note	2003 £000	2002 £000
Turnover	1,3	-	7,865
Cost of sales		-	(3,993)
<b>Gross profit</b>		<b>-</b>	<b>3,872</b>
Administrative expenses		10	(3,126)
<b>Operating profit</b>		<b>10</b>	<b>746</b>
Profit/(loss) on termination of discontinued operations	2	139	(2,426)
Interest payable and similar charges	6	-	(75)
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>4</b>	<b>149</b>	<b>(1,755)</b>
Tax charge on profit/(loss) on ordinary activities	7	-	(12)
<b>Profit/(loss) on ordinary activities after taxation</b>	<b>14</b>	<b>149</b>	<b>(1,767)</b>

All of the above results are derived from discontinued operations.

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

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

The notes on pages 8 to 15 form part of the financial statements.

## Balance sheet

at 31 December 2003

	Note	2003 £000	2002 £000
<b>Fixed assets</b>			
Investments	8	-	-
<b>Current assets</b>			
Stocks and work in progress	9	-	2
Debtors	10	-	27
Cash at bank and in hand		-	163
		<hr/>	<hr/>
		-	192
<b>Creditors: amounts falling due within one year</b>	11	-	(210)
		<hr/>	<hr/>
<b>Net current liabilities</b>		-	(18)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		-	(18)
<b>Provisions for liabilities and charges</b>	12	-	(131)
		<hr/>	<hr/>
<b>Net assets/(liabilities)</b>		-	(149)
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	13	-	-
Share premium account	14	5,650	5,650
Profit and loss account	14	(5,650)	(5,799)
		<hr/>	<hr/>
<b>Total shareholders' funds/(deficit) - equity</b>		-	(149)
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 28 July 2004 and were signed on its behalf by:



**Craig Mitchell**  
Director



## Reconciliation of movements in shareholders' funds

*for the year ended 31 December 2003*

	2003 £000	2002 £000
Profit/(loss) for the financial year	149	(1,767)
Net addition to/(reduction in) shareholders' funds	149	(1,767)
Opening shareholders' (deficit)/funds	(149)	1,618
Closing shareholders' funds/(deficit)	-	(149)

## 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, within which this company is included, can be obtained from the address given in note 15.

The company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare group accounts as it is a subsidiary of Mill Digital Media Limited, a UK company producing consolidated financial statements.

#### ***Investments***

Investments are held at cost less provision for impairment.

#### ***Stocks and work in progress***

Stocks are valued at the lower of cost and net realisable value. Cost comprises purchase price. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and/or disposal. Provision is made for obsolete and slow moving items.

#### ***Turnover***

The amount of profit attributable to the stage of completion of a contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous periods (excluding value added tax). Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments of account billed. Payments on account (in excess of amounts either matched with turnover or offset against work in progress) are included within creditors.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Taxation*

The charge for taxation is based on the profit 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'.

#### *Pensions*

The company's ultimate parent company operates a defined contribution scheme for its employees and also makes contributions to certain individuals' personal pension plans. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are charged to the profit and loss account as they are incurred.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

### 2 Profit/(loss) on termination of discontinued operations

	2003 £000	2002 £000
Amounts written off fixed assets	-	(1,813)
Staff redundancies	17	(486)
Vacant property provision	-	(300)
Other	-	(160)
Profit on disposal of fixed assets	-	315
Waiver of amounts owed to group undertakings	122	18
	<hr/> 139	<hr/> (2,426)

As a result of the directors' decision to discontinue operations in the company in the prior year, significant costs were incurred. Profit in the current year represents the difference between estimated costs anticipated at 31 December 2002 and actual costs paid during the year.

**Notes (continued)**

**3 Analysis of turnover**

An analysis of turnover by geographical market is given below:

	2003 £000	2002 £000
United Kingdom	-	7,849
United States of America	-	8
Europe	-	8
	<hr/>	<hr/>
	-	7,865
	<hr/>	<hr/>

An analysis of turnover by class of business has not been given as the directors consider the company to have one principal activity.

**4 Profit/(loss) on ordinary activities before taxation**

	2003 £000	2002 £000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging the following:</i>		
Depreciation on:		
- owned assets	-	1,103
- leased assets	-	294
Operating lease rentals:		
- property	-	221
	<hr/>	<hr/>

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

## Notes (continued)

### 5 Information regarding directors and employees

The average numbers of persons (including directors) employed by the company in the year, analysed by category, were as follows:

	2003 No.	2002 No.
Administration	4	6
Production & Operations	-	31
	<u>4</u>	<u>37</u>

Payroll costs incurred during the year in respect of these employees (including directors) were as follows:

	2003 £000	2002 £000
Wages and salaries	-	1,711
Social security costs	-	180
Staff redundancies	17	(486)
Other pension costs	-	102
	<u>17</u>	<u>1,507</u>

Directors' remuneration during the year amounted to:

	2003 £000	2002 £000
Emoluments	-	350
Pension contributions	-	25
	<u>-</u>	<u>375</u>

No directors accrued retirement benefits under a money purchase scheme (2002: *three*).

The total emoluments of the highest paid director were £nil (2002: £170,871), and company pension contributions of £nil (2002: £13,030) were made to a money purchase scheme on his behalf.

Directors emoluments for the current year are paid through The Mill (Facility) Limited another group company.

### 6 Interest payable and similar charges

	2003 £000	2002 £000
Interest on finance leases	-	75
	<u>-</u>	<u>75</u>

## Notes (continued)

### 7 Taxation

Analysis of charge in period.

	2003		2002	
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	(8)		(332)	
Receipts from other group companies in respect of group relief	8		332	
Tax adjustment from prior period	-		12	
Total current tax credit/(charge)		-		12
<i>Deferred tax</i>				
Origination/reversal of timing differences	-		(24)	
		-		(24)
<b>Tax charge on profit/(loss) on ordinary activities</b>		-		(12)

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is lower (2002: lower) than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below.

	2003 £000	2002 £000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	149	(1,755)
Current tax (charge)/credit at 30% (2002: 30%)	(45)	527
<i>Effects of:</i>		
Income/(expenses) not deductible for tax purposes	37	(9)
Depreciation for period in excess of capital allowances	-	(850)
Group relief receivable from other group companies	8	332
Tax adjustment from prior period	-	12
Total current tax credit (see above)	-	12

#### *Factors that may affect future tax charge*

As a result of the decision to discontinue the company's operations there are no further capital investment plans and no future tax charges are expected. The company has no assets and no tax written down value as at 31 December 2003. No capital allowances are therefore expected to be claimed by the company in the future. There are no carried forward losses in 2003 (2002: £nil).

## Notes (continued)

### 8 Investments

	Shares in group Undertakings £
<b>Cost:</b>	
At the beginning of year	2
Additions	4
	<hr/>
<b>At the end of year</b>	<b>6</b>
	<hr/>

On 15 April 2003, the company acquired three subsidiaries from Beam.tv Limited (*formerly The Magic Holding Company Limited*): Mill Film Shepperton Limited (*formerly The Magic Camera Company Limited*); Magic Effects Limited; and The Magic Models Company Limited. The consideration for the companies was £2, £1 and £1 respectively. These subsidiaries did not trade in 2003.

The company holds two (2002: two) £1 ordinary shares at cost in Mill LA Limited, fifty thousand (2002: Nil) £1 ordinary shares and seven hundred thousand (2002: Nil) £1 redeemable shares in Mill Film Shepperton Limited, nine hundred and fifty £1 ordinary shares in Magic Effects Limited and one hundred (2002: Nil) £1 ordinary shares in The Magic Models Company Limited. All share holdings represent a 100% interest in that company. Mill LA Limited, Mill Film Shepperton Limited, Magic Effects Limited and The Magic Models Company Limited are incorporated in England and Wales.

### 9 Stocks and work in progress

	2003 £000	2002 £000
Tape stocks for resale	-	2
	<hr/>	<hr/>

### 10 Debtors

	2003 £000	2002 £000
<i>Amounts due within one year:</i>		
Trade debtors	-	23
Other debtors	-	1
Prepayments and accrued income	-	3
	<hr/>	<hr/>
	-	27
	<hr/>	<hr/>

## Notes (continued)

### 11 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Trade creditors	-	104
Other creditors	-	22
Accruals and deferred income	-	84
	<u>-</u>	<u>210</u>

### 12 Provisions for liabilities and charges

	Discontinued operation £000
At 1 January 2003	131
Amounts due to related parties transferred to Mill (Facility) Limited	(60)
Redundancy costs incurred	(54)
Redundancy costs unused and reversed in the period	(17)
	<u>-</u>
At 31 December 2003	-

### 13 Called up share capital

	2003 £	2002 £
<i>Authorised</i>		
1,000 (2001: 1,000) ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
3 (2001: 3) ordinary shares of £1 each	<u>3</u>	<u>3</u>

### 14 Share premium and reserves

	Share premium account £000	Profit and loss account £000
Balance at 1 January 2003	5,650	(5,799)
Profit for the year	-	149
	<u>5,650</u>	<u>(5,650)</u>
Balance at 31 December 2003		



**Notes** *(continued)*

**15 Ultimate parent company**

The company's immediate parent company is The Mill (Facility) Limited. The company's ultimate parent company is Mill Digital Media Limited.

Copies of the accounts of The Mill (Facility) Limited, Mill Digital Media Limited, the immediate and ultimate parent companies respectively, both incorporated in England and Wales, are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.