

Apple Films Limited

Report and Financial Statements

31 December 2007



Apple Films Limited

Registered No 783808

Directors

Mrs Y O Lennon
Mrs O T Harrison
J L Eastman
H L Gerrard

Secretary

Apple Corps Limited

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

National Westminster Bank Plc
Piccadilly and New Bond Street Branch
PO Box 2AG
63 Piccadilly
London W1A 2AG

Registered Office

27 Ovington Square
London SW3 1LJ

Directors' report

The directors present their report and financial statements for the year ended 31 December 2007

Principal activity

The principal activity of the company during the year was the exploitation of film rights. No changes in this activity are proposed. The company's result for the year was as expected.

Directors

The directors who served during the year were as follows:

Mrs Y O Lennon
Mrs O T Harrison
J L Eastman
H L Gerrard

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with Section 386 of the Companies Act 1985, a resolution to dispense with the obligation to appoint auditors annually was passed on 5 December 1997. Accordingly, Ernst & Young LLP will be deemed to be reappointed as auditors.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

By order of the board



For and on behalf of
Apple Corps Limited
Secretary

22 OCT 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 judgements and estimates that are reasonable and prudent, 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 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 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.

Independent auditor's report

to the members of Apple Films Limited

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 10. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities.

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 auditors' 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' responsibilities for the preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 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.

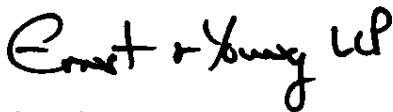
Independent auditor's report

to the members of Apple Films Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



Ernst & Young LLP
Registered Auditor
London

27 OCT 2008

Profit and loss account

for the year ended 31 December 2007

	Notes	2007 £	2006 £
Turnover		—	—
Administrative expenses		61,110	35,504
Operating loss	2	(61,110)	(35,504)
Interest receivable		26,008	21,951
Interest payable and similar charges	3	(11,802)	(10 223)
		14,206	11,728
Loss on ordinary activities before taxation		(46,904)	(23,776)
Tax on loss on ordinary activities	4	—	—
Loss for the financial year		(46,904)	(23,776)

All operations are continuing

Statement of total recognised gains and losses

for the year ended 31 December 2007

There are no recognised gains or losses other than those shown in the profit and loss account above

Balance sheet

at 31 December 2007

	Notes	2007 £	2006 £
Current assets			
Debtors	5	1,590	1,736
Cash at bank		463,383	494,772
		<u>464,973</u>	<u>496,508</u>
Creditors amounts falling due within one year	6	(220,852)	(217,284)
		<u>244,121</u>	<u>279,224</u>
Net current assets			
Creditors amounts falling due after more than one year	7	(784,322)	(772,521)
		<u>(540,201)</u>	<u>(493,297)</u>
Capital and reserves			
Called up share capital	8	100	100
Profit and loss account	9	(540,301)	(493,397)
		<u>(540,201)</u>	<u>(493,297)</u>
Equity shareholders' funds	9	<u>(540,201)</u>	<u>(493,297)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities



Mrs Y O Lennon

Director



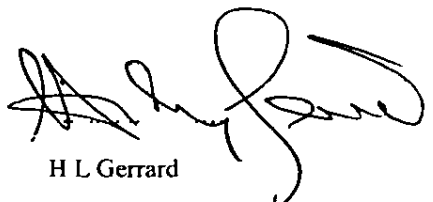
Mrs O T Harrison

Director



J L Eastman

Director



H L Gerrard

Director

22 OCT 2008

Notes to the financial statements

at 31 December 2007

1 Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention

Going concern

The financial statements have been prepared on a going concern basis as the company has sufficient cash to pay its liabilities as and when they fall due. Furthermore, the long-term loan owed to an affiliated undertaking, Subafilms Limited, is only repayable out of profits earned from the related film. The directors therefore believe the going concern basis to be valid in preparing these financial statements.

Cash flow statement

The company has taken advantage of the concession in FRS 1 'Cash Flow Statements' which exempts a company from the requirement to prepare a cash flow statement on the grounds that the company is small as defined in companies' legislation.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Affiliated undertakings

In these financial statements undertakings are described as affiliated to Apple Films Limited if

- (a) they have the same shareholders or ultimate shareholders as Apple Films Limited, or
- (b) the undertaking is owned by one or more of the shareholders of Apple Films Limited.

Notes to the financial statements

at 31 December 2007

2. Operating loss

(a) This is stated after charging/(crediting)

	2007 £	2006 £
Auditors' remuneration – audit services	3,000	3,000
Directors' remuneration	–	–
Net loss on foreign currency translation	4,047	33,283
Decrease in provision for amount due from affiliated undertaking	(4,047)	(33,283)
	<u> </u>	<u> </u>

(b) There were no employees other than the directors during the year (2006 – nil)

3 Interest payable and similar charges

	2007 £	2006 £
Interest payable to affiliated undertaking	11,802	10,223
	<u> </u>	<u> </u>

4 Tax

(a) Tax on loss on ordinary activities

	2007 £	2006 £
<i>Current tax</i>		
UK corporation tax on the loss for the year	–	–
	<u> </u>	<u> </u>

(b) Factors affecting current tax

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 30% (2006 – 30%) The differences are reconciled below

	2007 £	2006 £
Loss on ordinary activities before taxation	(46,904)	(23,776)
	<u> </u>	<u> </u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 – 30%)	(14,071)	(7,133)
Tax losses carried forward	14,071	7,133
	<u> </u>	<u> </u>
Total current tax (note 4(a))	–	–
	<u> </u>	<u> </u>

(c) Factors that may affect future tax charges

There was no liability to deferred tax at either 31 December 2007 or 31 December 2006. Subject to agreement with the Inland Revenue, the company has tax losses of approximately £550,000 (2006 – £503,000) available for carry forward and offset against future profits from the same trade. The potential deferred tax asset of £165,000 (2006 – £150,900) arising in respect of the tax losses has not been recognised.

Notes to the financial statements

at 31 December 2007

in these financial statements as it is not certain that sufficient taxable profits will arise in the foreseeable future

5 Debtors

	2007	2006
	£	£
Other debtors	203	614
Prepayments and accrued income	1,387	1,122
	<u>1,590</u>	<u>1,736</u>

6. Creditors: amounts falling due within one year

	2007	2006
	£	£
Amounts owed to affiliated undertakings	219,035	216,034
Accruals and deferred income	1,817	1,250
	<u>220,852</u>	<u>217,284</u>

7. Creditors: amounts falling due after more than one year

	2007	2006
	£	£
Long term loan	784,322	772,521

The long term loan from an affiliated undertaking bears interest at 1% above the Bank of England's base rate and is repayable out of profits earned from the related film at an agreed proportion of those profits each year

8. Authorised and issued share capital

		2007	2006
		£	£
<i>Authorised</i>			
Ordinary shares of £1 each		100	100
		<u>100</u>	<u>100</u>
		2007	2006
		£	£
<i>Allotted, called up and fully paid</i>	<i>No</i>		<i>No</i>
Ordinary shares of £1 each	100	100	100
		<u>100</u>	<u>100</u>

Notes to the financial statements

at 31 December 2007

9. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total share- holders' funds £</i>
At 31 December 2005	100	(469,621)	(469,521)
Loss for the year	–	(23,776)	(23,776)
At 31 December 2006	100	(493,397)	(493,297)
Loss for the year	–	(46,904)	(46,904)
At 31 December 2007	100	(540,301)	540,201

10 Related party transactions

At 31 December 2007, the company owed Subafilms Limited, an undertaking owned by one or more of the shareholders of Apple Films Limited, £957,841 (2006 – £946,040) in respect of short-term and long-term loans and accrued interest thereon. Interest payable to Subafilms Limited during the year is disclosed in note 3.

The company also owed Apple Corps Limited, an affiliated undertaking, £45,516 (2006 – £42,515).

The company has no ultimate controlling party.