

# **Subafilms Limited**

## **Report and Financial Statements**

31 December 2006

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## **Subafilms Limited**

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Registered No 787093

### **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 1JL

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2006

### Principal activity

The principal activity of the company during the year was the making, producing and exploitation of films and videos

### Directors and their interests

The directors who served during the year were as follows

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

### 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

### Directors' statement as to disclosure of information to auditors

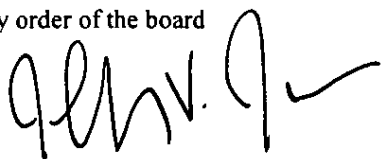
The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

### 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

25 SEP 2007

## 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 judgments and estimates that are reasonable and prudent,
- 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 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 auditors' report**

### **to the members of Subafilms Limited**

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 11. 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 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 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 auditors' report** to the members of Subafilms Limited (continued)

### **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 2006 and of its profit 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*

Ernst & Young LLP  
Registered Auditor  
London

*1 October 2007*

## Profit and loss account

for the year ended 31 December 2006


	<i>Notes</i>	<i>2006</i> £	<i>2005</i> £
<b>Turnover</b>	2	356,082	435,456
Administrative expenses		301,496	465,667
<b>Operating profit/(loss)</b>	3	54,586	(30,211)
Interest receivable	4	152,766	130,265
<b>Profit on ordinary activities before taxation</b>		207,352	100,054
Tax on profit on ordinary activities	5	69,901	34,916
<b>Profit retained for the financial year</b>		137,451	65,138

# Balance sheet


at 31 December 2006

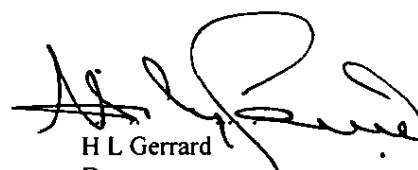
	Notes	2006 £	2005 £
<b>Fixed assets</b>			
Investments	6	2	2
<b>Current assets</b>			
Debtors	7	515,400	523,779
Cash at bank		2,970,852	2,761,964
		3,486,252	3,285,743
<b>Creditors</b> , amounts falling due within one year	8	2,948,924	2,885,866
<b>Net current assets</b>		537,328	399,877
<b>Total assets less current liabilities</b>		537,330	399,879
<b>Provisions for liabilities and charges</b>			
Deferred taxation	5	35,483	35,483
		501,847	364,396
<b>Capital and reserves</b>			
Called up share capital	9	92	92
Profit and loss account	10	501,755	364,304
<b>Equity shareholders' funds</b>	10	501,847	364,396

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

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## Notes to the financial statements

at 31 December 2006

### 1. Accounting policies

#### *Basis of preparation*

The financial statements are prepared under the historical cost convention

#### *Film rights*

Film rights, are carried at cost less accumulated amortisation and accumulated impairment losses. Film rights are amortised under the cost recovery method.

The carrying values of film rights are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### *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 Subafilms Limited if

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

### 2. Turnover

Turnover, which is stated net of value added tax and is from continuing activities, is accounted for on an accruals basis.

It is the opinion of the directors that, in view of the nature of the company's business, the markets in which it operates do not differ substantially from each other and are therefore treated as one market for the purposes of disclosing the particulars of turnover in these financial statements.

## Notes to the financial statements

at 31 December 2006

### 3. Operating profit/(loss)

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

	2006 £	2005 £
Auditors' remuneration - audit services	5,000	5,000
Directors' emoluments	-	-
Net (profit)/loss on foreign currency translation	(53,292)	51,718
Increase in provisions against loans	22,909	22,948

(b) There were no employees other than the directors during the year (2005 - nil)

### 4. Interest receivable

	2006 £	2005 £
Bank interest receivable	129,857	104,281
Receivable from affiliated undertakings	22,909	22,948
Other interest	-	3,036
	152,766	130,265

### 5. Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2006 £	2005 £
<i>Current tax</i>		
UK corporation tax	70,000	37,000
Tax over provided in previous years	(99)	(2,084)
Total current tax (note 5(b))	69,901	34,916

## Notes to the financial statements

### at 31 December 2006

#### 5. Taxation (continued)

##### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2005 - 30%) The differences are reconciled below

	2006 £	2005 £
Profit on ordinary activities before taxation	207,352	100,054
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2005 - 30%)	62,206	30,016
Expenses not deductible for tax purposes	6,872	6,884
Other	922	100
Tax over provided in previous years	(99)	(2,084)
Total current tax (note 5(a))	69,901	34,916

##### (c) Deferred tax

Deferred tax is provided at 30% in the financial statements as follows

	2006 £	2005 £
Interest on finance loans not taxable until received	35,483	35,483

#### 6. Investments

	Finance loans £
Cost	
At 1 January 2006 and 31 December 2006	2

Amounts have been provided in respect of loans to affiliated undertakings, Apple Films Limited and Python Music Limited, to the extent that future recovery seems unlikely

	2006 £	2005 £
Long term finance loans	772,521	762,297
Less Provision	(772,519)	(762,295)
	2	2
Current finance loans	991,081	978,395
Less Provision	(991,081)	(978,395)
	-	-

## Notes to the financial statements

at 31 December 2006

### 7. Debtors

	2006 £	2005 £
Trade debtors	88,535	281,706
Amounts owed by affiliated undertakings	414,657	235,553
Other debtors	5,749	500
Prepayments and accrued income	6,459	6,020
	<u>515,400</u>	<u>523,779</u>

### 8. Creditors: amounts falling due within one year

	2006 £	2005 £
Amounts owed to affiliated undertakings	1,379,892	1,379,892
Corporation tax	46,589	37,000
Other creditors	1,522,443	1,468,974
	<u>2,948,924</u>	<u>2,885,866</u>

### 9 Share capital

	2006 £	Authorised 2005 £
Ordinary shares of £0.50 each	<u>200</u>	<u>200</u>

	<i>Allotted, called up and fully paid</i>	
	2006	2005
	No	No
	£	£
Ordinary shares of £0.50 each	184	184
	<u>92</u>	<u>92</u>

### 10. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Profit and loss account £	Total share- holders' funds £
At 31 December 2004	92	299,166	299,258
Profit for the year	–	65,138	65,138
At 31 December 2005	<u>92</u>	<u>364,304</u>	<u>364,396</u>
Profit for the year	–	137,451	137,451
At 31 December 2006	<u>92</u>	<u>501,755</u>	<u>501,847</u>

## Notes to the financial statements

at 31 December 2006

### 11. Related party transactions

- (a) Amounts charged in the profit and loss account include fees in respect of promotional services payable to the beneficial shareholders (Sir J P McCartney, Mr R Starkey, Mrs Y O Lennon and Mrs O T Harrison) amounting to £31,250 (2005 - £37,500) each
- (b) At 31 December 2006, the company owed Apple Corps Limited, a company owned by one or more of the shareholders of Subafilms Limited, a net amount of £1,138,754 (2005 - £1,317,858) It also had a receivable of £173,519 (2005 - £173,519) from Apple Films Limited, another undertaking owned by one or more of the shareholders of Subafilms Limited
- (c) Interest income amounting to £22,909 (2005 - £22,948) has been included in the profit and loss account on loans to Apple Films Limited and Python Music Limited Python Music Limited is an affiliated undertaking of Subafilms Limited

The company has no ultimate controlling party