

Subafilms Limited

Report and Financial Statements

31 December 2007

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COMPANIES HOUSE

Subafilms Limited

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 2007

Principal activity

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

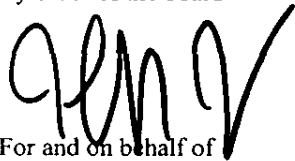
Auditors

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 judgments 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 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 auditor's report

to the members of Subafilms Limited

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 11. 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 preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom 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

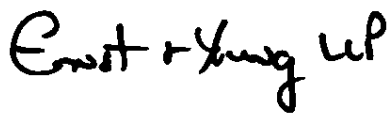
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

Independent auditor's report**to the members of Subafilms 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 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
Registered auditor
London

27 OCT 2008

Profit and loss account

for the year ended 31 December 2007

	Notes	2007 £	2006 £
Turnover	2	1,369,433	356,082
Administrative expenses		(34,319)	(301,496)
Operating profit	3	1,335,114	54,586
Interest receivable	4	170,671	152,766
Profit on ordinary activities before taxation		1,505,785	207,352
Tax on profit on ordinary activities	5	(459,390)	(69,901)
Profit retained for the financial year		1,046,395	137,451

Statement of total recognised gains and losses

for the year ended 31 December 2007

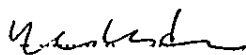
There are no recognised gains or losses other than those shown in the profit and loss account above

Balance sheet

at 31 December 2007

	Notes	2007 £	2006 £
Fixed assets			
Investments	6	2	2
Current assets			
Debtors	7	1,233,934	515,400
Cash at bank		2,835,858	2,970,852
		4,069,792	3,486,252
Creditors amounts falling due within one year	8	(2,486,069)	(2,948,924)
Net current assets		1,583,723	537,328
Total assets less current liabilities		1,583,725	537,330
Provisions for liabilities and charges			
Deferred taxation	5	(35,483)	(35,483)
		1,548,242	501,847
Capital and reserves			
Called up share capital	9	92	92
Profit and loss account	10	1,548,150	501,755
Equity shareholders' funds	10	1,548,242	501,847

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

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 2007

3 Operating profit

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

	2007	2006
	£	£
Auditors' remuneration – audit services	5,000	5,000
Directors' emoluments	–	–
Net loss/(profit) on foreign currency translation	8,977	(53,292)
Increase in provisions against loans	26,447	22,909
Release of accrual for costs	(739,877)	–
	<u>170,671</u>	<u>152,766</u>

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

4 Interest receivable

	2007	2006
	£	£
Bank interest receivable	143,522	129,857
Receivable from affiliated undertakings	26,447	22,909
Other interest	702	–
	<u>170,671</u>	<u>152,766</u>

5. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2007	2006
	£	£
<i>Current tax</i>		
UK corporation tax	460,000	70,000
Tax over provided in previous years	(610)	(99)
Total current tax (note 5(b))	<u>459,390</u>	<u>69,901</u>

Notes to the financial statements

at 31 December 2007

5 Tax (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% (2006 – 30%) The differences are reconciled below

	2007 £	2006 £
Profit on ordinary activities before taxation	1,505,785	207,352
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2006 – 30%)	451,736	62,206
Expenses not deductible for tax purposes	7,934	6,872
Other	330	922
Tax over provided in previous years	(610)	(99)
Total current tax (note 5(a))	459,390	69,901

(c) Deferred tax

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

	2007 £	2006 £
Interest on finance loans not taxable until received	35,483	35,483

6. Investments

Finance loans £

Cost

At 1 January 2007 and 31 December 2007

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

	2007 £	2006 £
Long term finance loans	784,322	772,521
Less Provision	(784,320)	(772,519)
	2	2
Current finance loans	1,005,726	991,081
Less Provision	(1,005,726)	(991,081)
	–	–

Notes to the financial statements

at 31 December 2007

7 Debtors

	2007	2006
	£	£
Trade debtors	780,708	88,535
Amounts owed by affiliated undertakings	445,769	414,657
Other debtors	–	5,749
Prepayments and accrued income	7,457	6,459
	<u>1,233,934</u>	<u>515,400</u>

8. Creditors: amounts falling due within one year

	2007	2006
	£	£
Amounts owed to affiliated undertakings	1,379,892	1,379,892
Corporation tax	200,162	46,589
Other creditors and accruals	906,015	1,522,443
	<u>2,486,069</u>	<u>2,948,924</u>

9. Authorised and issued share capital

Authorised

	2007	2006
	£	£
Ordinary shares of £0.50 each	200	200

Allotted, called up and fully paid

	No	2007 £	No	2006 £
Ordinary shares of £0.50 each	184	92	184	92

Notes to the financial statements

at 31 December 2007

10 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	92	364,304	364,396
Profit for the year	–	137,451	137,451
At 31 December 2006	92	501,755	501,847
Profit for the year	–	1,046,395	1,046,395
At 31 December 2007	92	1,548,150	1,548,242

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 £100,000 (2006 – £31,250) each
- (b) At 31 December 2007, the company owed Apple Corps Limited, a company owned by one or more of the shareholders of Subafilms Limited, a net amount of £1,107,642 (2006 – £1,138,754). It also had a receivable of £173,519 (2006 – £173,519) from Apple Films Limited, another undertaking owned by one or more of the shareholders of Subafilms Limited
- (c) Interest income amounting to £26,447 (2006 – £22,909) 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