

737091

## **Subafilms Limited**

### **Report and Financial Statements**

31 December 2004



## **Subafilms Limited**

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Registered No: 787093

### **Directors**

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

### **Secretary**

Standby Films 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 2004.

### Results and dividends

The profit for the year, after taxation, amounted to £11,095. The directors do not recommend the payment of any dividends.

### Principal activity and review of the business

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 and their interests

The directors at 31 December 2004 and their interests in the share capital of the company were as follows:

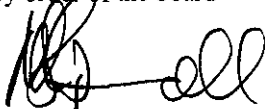
	<i>At 31 December 2004 Ordinary shares</i>	<i>At 1 January 2004 Ordinary shares</i>
Mrs Y O Lennon	35	35
J L Eastman	—	—
H L Gerrard	—	—
Mrs O T Harrison	35	35

Mrs Y O Lennon and Mrs O T Harrison also had an interest in the company through their respective shareholdings in Apple Corps Limited, which holds 44 ordinary shares in the company. There are no other directors' interests requiring disclosure under the Companies Act 1985.

### 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.

By order of the board



For and on behalf of  
Standby Films Limited  
Secretary

3 OCT 2005

## **Statement of directors' responsibilities in respect of the financial statements**

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 and of the profit or loss of the company for that period. 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; 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 auditors' report**

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

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 12. These financial statements have been prepared on the basis of 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**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

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 United Kingdom 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.

## **Independent auditors' report**

**to the members of Subafilms Limited (continued)**

### **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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
London

3 OCT 2005

## Profit and loss account

for the year ended 31 December 2004


	Notes	2004 £	2003 £
<b>Turnover</b>	2	160,601	571,506
Administrative expenses		242,959	422,940
<b>Operating (loss)/profit</b>	3	(82,358)	148,566
Interest receivable	4	109,376	83,332
<b>Profit on ordinary activities before taxation</b>		27,018	231,898
Tax on profit on ordinary activities	5	15,923	7,370
<b>Profit retained for the financial year</b>		11,095	224,528

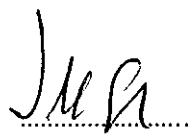
## Statement of total recognised gains and losses

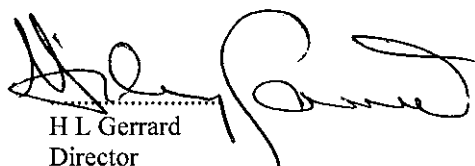
There were no recognised gains or losses other than the profit for the year of £11,095 (2003 - profit of £224,528).

# **Balance sheet** at 31 December 2004

	Notes	2004 £	2003 £
<b>Fixed assets</b>			
Intangible assets	6	—	—
Investments	7	2	2
		<u>2</u>	<u>2</u>
<b>Current assets</b>			
Debtors	8	319,732	403,867
Cash at bank		2,502,570	2,445,789
		<u>2,822,302</u>	<u>2,849,656</u>
<b>Creditors:</b> amounts falling due within one year	9	2,487,563	2,526,012
		<u>334,739</u>	<u>323,644</u>
<b>Net current assets</b>			
		<u>334,741</u>	<u>323,646</u>
<b>Total assets less current liabilities</b>			
		<u>334,741</u>	<u>323,646</u>
<b>Provisions for liabilities and charges</b>			
Deferred taxation	5	35,483	35,483
		<u>299,258</u>	<u>288,163</u>
<b>Capital and reserves</b>			
Called up share capital	10	92	92
Profit and loss account	11	299,166	288,071
		<u>299,258</u>	<u>288,163</u>
<b>Equity shareholders' funds</b>	11		

  
Mrs Y O Lennon  
Director

  
J L Eastman  
Director

  
H L Gerrard  
Director

  
Mrs O T Harrison  
Director

3 OCT 2005



## Notes to the financial statements

at 31 December 2004

### 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 any provision deemed necessary for a permanent impairment in value.

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*

A statement of cash flows has not been prepared as the company is a small company within the meaning of section 247 of the Companies Act 1985.

#### *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 2004

### 3. Operating (loss)/profit

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

	2004 £	2003 £
Auditors' remuneration - audit services	5,000	5,000
Directors' emoluments	—	—
Net profit on foreign currency translation	(25,996)	(44,858)
Increase in provisions against loans	21,916	19,072

(b) There were no employees other than the directors during the year (2003 - nil).

### 4. Interest receivable

	2004 £	2003 £
Bank interest receivable	87,460	64,260
Receivable from affiliated undertakings	21,916	19,072
	<u>109,376</u>	<u>83,332</u>

### 5. Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2004 £	2003 £
<i>Current tax:</i>		
UK corporation tax	14,700	7,822
Tax under/(over) provided in previous years	1,223	(452)
Total current tax (note 5(b))	<u>15,923</u>	<u>7,370</u>

## Notes to the financial statements

at 31 December 2004

### 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% (2003 - 19%). The differences are reconciled below:

	2004 £	2003 £
Profit on ordinary activities before taxation	<u>27,018</u>	<u>231,898</u>
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2003 - 19%)	8,105	44,060
Expenses not deductible for tax purposes	6,575	3,624
Utilisation of tax losses brought forward	—	(40,443)
Other	20	581
Tax under/(over) provided in previous years	<u>1,223</u>	<u>(452)</u>
Total current tax (note 5(a))	<u>15,923</u>	<u>7,370</u>

#### (c) Deferred tax

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

	2004 £	2003 £
Interest on finance loans not taxable until received	<u>(35,483)</u>	<u>(35,483)</u>

### 6. Intangible fixed assets

	<i>Film rights</i> £
Cost:	
At 1 January 2004 and 31 December 2004	<u>3,191,714</u>
Amortisation:	
At 1 January 2004 and 31 December 2004	<u>3,191,714</u>
Net book value:	
At 1 January 2004 and 31 December 2004	<u>—</u>

## Notes to the financial statements

at 31 December 2004

### 7. Investments

	£
Cost:	
At 1 January 2004 and 31 December 2004	<u>2</u>

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.

	2004 £	2003 £
Long term finance loans	752,057	742,277
Less: Provision	(752,055)	(742,275)
	<u>2</u>	<u>2</u>
Current finance loans	965,687	953,551
Less: Provision	(965,687)	(953,551)
	<u>—</u>	<u>—</u>

### 8. Debtors

	2004 £	2003 £
Trade debtors	45,514	150,082
Amounts owed by affiliated undertakings	240,553	245,555
Corporation tax repayable	26,283	—
Other debtors	2,669	5,966
Prepayments and accrued income	4,713	2,264
	<u>319,732</u>	<u>403,867</u>

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

	2004 £	2003 £
Amounts owed to affiliated undertakings	1,379,892	1,379,892
Corporation tax	—	6,370
Other creditors	1,107,671	1,139,750
	<u>2,487,563</u>	<u>2,526,012</u>

# Notes to the financial statements

at 31 December 2004

## 10. Share capital

	2004 £	Authorised 2003 £
Ordinary shares of £0.50 each	200	200

	Allotted, called up and fully paid	
	2004	2003
	No.	No.
	£	£
Ordinary shares of £0.50 each	184	184
	92	92

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

	Share capital £	Profit and loss account £	Total share- holders' funds £
At 31 December 2002	92	63,543	63,635
Profit for the year	—	224,528	224,528
At 31 December 2003	92	288,071	288,163
Profit for the year	—	11,095	11,095
At 31 December 2004	92	299,166	299,258

## 12. Related party transactions

- 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 £12,500 (2003 - £30,000) each.
- At 31 December 2004, the company owed Apple Corps Limited, a company owned by one or more of the shareholders of Subafilms Limited, a net amount of £1,312,858 (2003 - £1,307,858). It also had a receivable of £173,519 (2003 - £173,519) from Apple Films Limited, another undertaking owned by one or more of the shareholders of Subafilms Limited.
- Interest income amounting to £21,916 (2003 - £19,072) 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.