

Apple Publishing Limited

Report and Accounts

31 December 1998



Apple Publishing Limited

Registered No. 916422

DIRECTORS

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

SECRETARY

Standby Films Limited

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

BANKERS

National Westminster Bank PLC
Piccadilly and New Bond Street Branch
P O Box 2AG
63 Piccadilly
London W1A 2AG

REGISTERED OFFICE

27 Ovington Square
London SW3 1LJ

Apple Publishing Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1998.

RESULTS AND DIVIDENDS

The trading profit for the year, after taxation, amounted to £137,738 (1997 - £194,950).

The directors recommend the payment of an interim ordinary dividend for the year of £170,000.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company's principal activities are the acquisition and exploitation of the copyright of musical works. No changes in these activities are proposed.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests in the share capital of the company were as follows:

	<i>At 31 December 1998 Ordinary shares</i>	<i>At 1 January 1998 Ordinary shares</i>
J L Eastman	-	-
H L Gerrard	-	-
G Harrison	25	25
Mrs Y O Lennon	25	25

YEAR 2000 AND ASSOCIATED DATE RELATED ISSUES

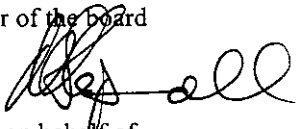
As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 and associated date related issues.

Given the complexity of the problem it is not possible for any organisation to guarantee that no issues will arise because at least some level of failure may still occur. However, the Board believes that it has achieved an acceptable state of readiness and is pleased to report that no issues have arisen since 1 January 2000.

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 16 December 1997. Accordingly, Ernst & Young will be deemed to be reappointed as auditors.

By order of the board


For and on behalf of
Standby Films Limited

Secretary

4 September 2000

Apple Publishing Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts 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 accounts 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.

REPORT OF THE AUDITORS
to the members of Apple Publishing Limited

We have audited the accounts on pages 5 to 9 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the auditing Practices Board and by our profession's ethical guidance.

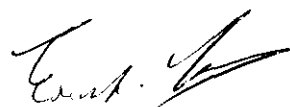
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

4 September 2000

Apple Publishing Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1998

	Notes	1998 £	1997 £
TURNOVER	2	302,331	409,757
Direct costs		(165,359)	(220,726)
Gross profit		136,972	189,031
Administrative expenses (net credit)		17,570	34,030
OPERATING PROFIT	3	154,542	223,061
Interest receivable		44,971	54,699
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		199,513	277,760
Tax on profit on ordinary activities	4	(61,775)	(82,810)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		137,738	194,950
Retained profit brought forward		41,523	26,573
Dividends		179,261	221,523
		(170,000)	(180,000)
RETAINED PROFIT CARRIED FORWARD		9,261	41,523

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

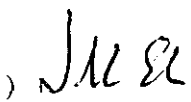

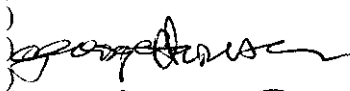

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £137,738 in the year ended 31 December 1998 and £194,950 in the year ended 31 December 1997.

Apple Publishing Limited

BALANCE SHEET at 31 December 1998

	Notes	1998 £	1997 £
CURRENT ASSETS			
Debtors -			
Due from affiliated companies less provision of £47,677 (1997 - £77,694)		25	25
Tax recoverable	5	64,275	107,500
Prepayments and accrued income		1,297	1,943
		<u>65,597</u>	<u>109,468</u>
Cash at bank		529,700	669,671
		<u>595,297</u>	<u>779,139</u>
CREDITORS: amounts falling due within one year	6	(585,936)	(737,516)
		<u>9,361</u>	<u>41,623</u>
NET CURRENT ASSETS			
		<u>9,361</u>	<u>41,623</u>
CAPITAL AND RESERVES			
Called up share capital	7	100	100
Profit and loss account	8	9,261	41,523
		<u>9,361</u>	<u>41,623</u>
Equity shareholders' funds	8	9,361	41,623
		<u>9,361</u>	<u>41,623</u>

ERNST & YOUNG



 Directors


 4 September 2000

Apple Publishing Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Foreign currencies

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

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

All differences are taken to the profit and loss account.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Cash flow

A cash flow statement has not been prepared as the company is a small company within the meaning of Section 246 of the Companies Act 1985.

Affiliated companies

In these accounts companies are described as affiliated to Apple Publishing Limited if:

- (a) they have the same shareholders or ultimate shareholders as Apple Publishing Limited; or
- (b) the company is owned by one or more of the shareholders of Apple Publishing Limited.

2. TURNOVER

Turnover from continuing activities comprises royalty income and licence fees, exclusive of VAT, which are accounted for in the year in which they are received or notified to either the company or Apple Music Publishing Co Inc.

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 accounts.

3. OPERATING PROFIT

This is stated after charging/(crediting):

	1998 £	1997 £
Auditors' remuneration	6,000	6,000
Decrease in provision against amounts due from affiliated companies	(30,017)	(38,926)
Exchange loss/(gain)	937	(5,697)
	<u> </u>	<u> </u>

None of the directors received any remuneration from the company during the year.

There were no employees other than the directors during the year.

Apple Publishing Limited

NOTES TO THE ACCOUNTS at 31 December 1998

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

Based on the profit for the year:

	1998 £	1997 £
Corporation tax	61,900	87,600
Deferred taxation	-	(878)
	<u>61,900</u>	<u>86,722</u>
Corporation tax overprovided in previous years	(125)	(3,912)
	<u>61,775</u>	<u>82,810</u>

There was no liability to deferred taxation at either 31 December 1998 or 31 December 1997.

5. TAX RECOVERABLE

Included in the tax recoverable balance is an amount of £nil (1997 - £45,000) due for recovery more than twelve months after the balance sheet date.

6. CREDITORS: amounts falling due within one year

	1998 £	1997 £
Trade creditors	125,763	124,118
Due to affiliated companies	46,756	43,757
Current corporation tax	61,917	138,563
Accruals	1,500	1,078
Proposed dividends	350,000	430,000
	<u>585,936</u>	<u>737,516</u>

7. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	1998 <i>No.</i>	1997 <i>No.</i>	1998 £	1997 £
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Apple Publishing Limited

NOTES TO THE ACCOUNTS at 31 December 1998

8. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 1 January 1997	100	26,573	26,673
Profit for the year	-	194,950	194,950
Dividends	-	(180,000)	(180,000)
At 1 January 1998	100	41,523	41,623
Profit for the year	-	137,738	137,738
Dividends	-	(170,000)	(170,000)
At 31 December 1998	100	9,261	9,361

9. RELATED PARTY TRANSACTIONS

During the year the company provided for royalties to Apple Music Publishing Co. Inc. amounting to £29,080 (1998 - £44,623), a company which has the same ultimate shareholders as the company. At 31 December 1998 Apple Music Publishing Co. Inc. owed the company £47,677 (1997 - £77,694) which was fully provided for.