

Apple Management Limited**DIRECTORS' REPORT**

The directors present their report and accounts for the year ended 31 January 1997.

RESULTS AND DIVIDENDS

The company did not trade during the year.

The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

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

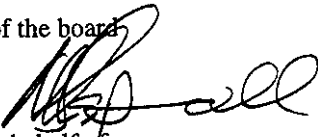
Mrs Y O Lennon and G Harrison have an interest in the share capital of the parent undertaking, Apple Corps Limited. Their interests are disclosed in the accounts of that company.

There are no other directors' interests requiring disclosure under the Companies Act 1985.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board


For and on behalf of
Standby Films Limited

Secretary

21 July 1997



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 Management Limited

We have audited the accounts on pages 5 and 6 which have been prepared under the historical cost convention and on the basis of the accounting policy set out on page 6.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.


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 January 1997 and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Ernst & Young', with a long, sweeping underline.

Ernst & Young
Chartered Accountants
Registered Auditor
London

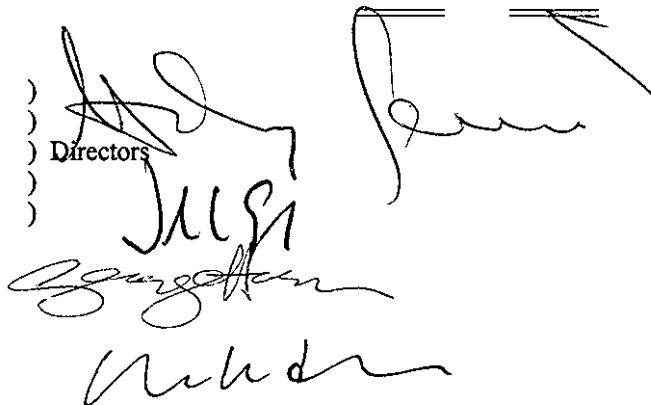
21 July 1997

Apple Management Limited

BALANCE SHEET

at 31 January 1997

	Note	1997 £	1996 £
CURRENT ASSETS			
DEBTORS: amount due from parent undertaking		2	2
NET CURRENT ASSETS		<u>2</u>	<u>2</u>
CAPITAL AND RESERVES			
Called up share capital	3	2	2
Profit and loss account		-	-
Shareholders' funds		<u>2</u>	<u>2</u>


 Directors

21 July 1997

Apple Management Limited

NOTES TO THE ACCOUNTS

at 31 January 1997

1. ACCOUNTING POLICY

Accounting convention

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

2. PROFIT AND LOSS ACCOUNT

The company has not traded during the year and has made neither a profit nor a loss. No profit and loss account has therefore been prepared.

3. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	100	100	2	2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

4. ULTIMATE PARENT UNDERTAKING

The parent undertaking of the smallest and largest group of undertakings for which group accounts are drawn up and of which the company is a member is Apple Corps Limited, registered in England and Wales. Copies of Apple Corps Limited's accounts can be obtained from the Registrar of Companies in Cardiff.