

Report and Accounts
Apple Corps Limited

31 January 1999



Apple Corps Limited

Registered No. 764797

DIRECTORS

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

SECRETARY

Standby Films Limited

AUDITORS

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

REGISTERED OFFICE

27 Ovington Square
London SW3 1LJ

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 January 1999.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £ 407,065 (1998 – £1,139,811).

The directors do not recommend the payment of a final dividend.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITY

The principal activity of the company is the exploitation of audio, visual and ancillary activities relating to "The Beatles". No changes to this activity 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>Ordinary shares 31 January 1999</i>	<i>Ordinary shares 1 February 1998</i>
Mrs Y O Lennon	25	25
G Harrison	25	25
H L Gerrard	—	—
J L Eastman	—	—

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.

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

27 June 2000

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; 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 Corps Limited

We have audited the accounts on pages 5 to 15, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

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.

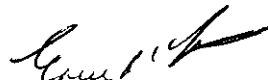
Basis of opinion

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 January 1999 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

27 June 2000

Apple Corps Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 January 1999

	Notes	1999 £	1998 £
TURNOVER	2	7,628,375	10,348,285
Administrative expenses		(8,238,738)	(10,377,115)
		(610,363)	(28,830)
Other operating income		630,000	750,000
OPERATING PROFIT	3	19,637	721,170
Income from investments		400,000	400,000
Interest receivable	6	410,434	549,855
		810,434	949,855
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		830,071	1,671,025
Tax charge on profit on ordinary activities	7	(423,006)	(531,214)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		407,065	1,139,811
Dividends paid – interim		–	(1,000,000)
RETAINED PROFIT FOR THE YEAR	15	407,065	139,811

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of £407,065 for the year ended 31 January 1999 and profit of £1,139,811 for the year ended 31 January 1998.

Apple Corps Limited

BALANCE SHEET at 31 January 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible fixed assets	8	21,933	40,622
Investments	9	176,482	176,482
		<u>198,415</u>	<u>217,104</u>
CURRENT ASSETS			
Debtors	10	2,973,031	4,350,506
Cash and short term deposits at bank and in hand		5,619,025	5,615,278
		<u>8,592,056</u>	<u>9,965,784</u>
CREDITORS: amounts falling due within one year	12	1,120,871	2,920,353
		<u>7,471,185</u>	<u>7,045,431</u>
NET CURRENT ASSETS		<u>7,471,185</u>	<u>7,045,431</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,669,600</u>	<u>7,262,535</u>
CAPITAL AND RESERVES			
Called up share capital	14	100	100
Profit and loss account	15	7,669,500	7,262,435
		<u>7,669,600</u>	<u>7,262,535</u>
Shareholders' funds	15	<u>7,669,600</u>	<u>7,262,535</u>

ERNST & YOUNG

Handwritten signatures of three directors.

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27 June 2000

Apple Corps Limited

STATEMENT OF CASH FLOWS for the year ended 31 January 1999

	Notes	1999 £	1998 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	16	(435,196)	(2,183,459)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		405,401	571,326
Dividends received		320,000	320,000
Dividends paid		–	(1,000,000)
		<u>725,401</u>	<u>(108,674)</u>
TAXATION			
Corporation tax paid		(460,000)	(2,373,148)
Corporation tax repaid		375,418	–
Overseas tax paid		(173,878)	(327,035)
		<u>(258,460)</u>	<u>(2,700,183)</u>
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(27,998)	(8,906)
DECREASE IN CASH	11	<u>3,747</u>	<u>(5,001,222)</u>

NOTES TO THE ACCOUNTS

at 31 January 1999

1. ACCOUNTING POLICIES

Accounting convention

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

Consolidated accounts

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. The accounts therefore present information about the company as an individual undertaking and not about its group.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset by equal annual instalments over its expected useful life, which is four years.

Film production costs

Film production costs are carried at cost and are amortised on release of the film under the income forecast method.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated that the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

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 accounts companies are described as affiliated to Apple Corps Limited if:

- (i) they have the same shareholders or ultimate shareholders as Apple Corps Limited; or
- (ii) the company is owned by one or more of the shareholders of Apple Corps Limited.

Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Returns

No provision is made for any reduction in royalties receivable in subsequent periods as a result of the return of records sold in respect of which royalties would normally have become due and payable during the year. Any reductions are accounted for as a deduction from turnover in subsequent periods.

2. TURNOVER

Turnover represents income derived from the company's ordinary activities, stated net of value added tax, and is accounted for when the income would normally be due and payable to the company.

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 turnover in these accounts.

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 1999

3. OPERATING PROFIT

This is stated after charging:

	1999 £	1998 £
Depreciation	46,687	40,120
Auditors' remuneration – audit services	30,000	30,000
– non-audit services	347,271	293,930
Operating lease rentals – land and buildings	75,000	75,000
	<u>498,958</u>	<u>439,050</u>

4. DIRECTORS' REMUNERATION

	1999 £	1998 £
Fees	600,000	600,000
Other emoluments	97,463	92,033
	<u>697,463</u>	<u>692,033</u>

There was no highest paid director during either year.

5. STAFF COSTS

Excluding directors

	1999 £	1998 £
Wages and salaries	174,738	145,874
Social security costs	15,767	12,405
	<u>190,505</u>	<u>158,279</u>

The average number of employees, excluding directors,
all employed in an administrative capacity was

No.	No.
8	8

6. INTEREST RECEIVABLE

	1999 £	1998 £
Bank deposits	410,434	549,855

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 1999

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is made up as follows:

	1999 £	1998 £
Based on the profit for the year:		
UK Corporation tax	170,000	450,000
Tax credits attributable to dividends received	80,000	80,000
	<u>250,000</u>	<u>530,000</u>
Double taxation relief	(45,005)	(327,035)
	<u>204,995</u>	<u>202,965</u>
Overseas taxation	173,878	327,035
	<u>378,873</u>	<u>530,000</u>
Adjustment in respect of previous years	44,133	1,214
	<u>423,006</u>	<u>531,214</u>

8. TANGIBLE FIXED ASSETS

	<i>Fixtures, fittings and equipment</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost:			
At 1 February 1998	185,718	35,000	220,718
Additions	27,998	—	27,998
Disposals	(10,620)	—	(10,620)
	<u>203,096</u>	<u>35,000</u>	<u>238,096</u>
At 31 January 1999			
Depreciation:			
At 1 February 1998	145,096	35,000	180,096
Provided during the year	46,687	—	46,687
Disposals	(10,620)	—	(10,620)
	<u>181,163</u>	<u>35,000</u>	<u>216,163</u>
At 31 January 1999			
Net book value:			
At 31 January 1999	21,933	—	21,933
At 1 February 1998	<u>40,622</u>	<u>—</u>	<u>40,622</u>

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 1999

9. INVESTMENTS

	<i>Subsidiary undertakings</i> £	<i>Associated undertakings</i> £	<i>Total</i> £
Cost			
At 1 February 1998 and 31 January 1999	12,827	171,700	184,527
Amounts written off:			
At 1 February 1998 and 31 January 1999	(8,045)	—	(8,045)
Net book value:			
At 1 February 1998 and 31 January 1999	4,782	171,700	176,482

The company holds more than 20% of the equity of the following undertakings:

<i>Name of company</i>	<i>Country of incorporation (or registration)</i>	<i>Proportion of share capital held</i>	<i>Nature of business</i>
Subsidiary undertakings			
Apple Corps S.A	Switzerland	100%	Intermediate holding company
Apple Corps Inc.	USA	100%*	Intermediate holding company
Apple Records Inc. (California)	USA	100%*)))) Exploitation of musical copyrights
Apple Records Inc. (New York)	USA	100%*	
Apple Music Inc.	USA	100%*	
Apple Films Inc.	USA	100%*	Exploitation of film copyrights
Apple Charity	USA	100%	Charity
Apple Publicity Limited	England and Wales	100%	Dormant
Apple Management Limited	England and Wales	100%	Dormant
Apple Electronics Limited	England and Wales	100%	Dormant
Apple Charity (UK) Limited	England and Wales	100%*	Charity
Python Music Limited	England and Wales	100%	Production and commercial exploitation of films

* Held by a subsidiary undertaking.

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 1999

9. INVESTMENTS (continued)

<i>Name of company</i>	<i>Country of incorporation (or registration)</i>	<i>Proportion of share capital held</i>	<i>Nature of business</i>
Associated undertakings			
Maclen (Music) Limited	England and Wales	20%	Holding company
Maclen Joint Limited †	England and Wales	20%	Exploitation of musical copyrights
Subafilms Limited	England and Wales	23.9%	Marketing, production and distribution of films and videos

† Held by an associated undertaking.

Information relevant to the subsidiary and associated undertakings, is as follows:

	<i>Aggregate capital and reserves</i>	<i>Result for the year</i>
<i>Subsidiary undertakings:</i>		
Apple Corps S.A. †	SFr 1,182,883	SFr (33,800)
	\$	\$
Apple Corps Inc.*	(168,168)	(147,127)
Apple Records Inc. (California)*	(2,329,212)	(6,816)
Apple Records Inc. (New York)*	(97,553)	(685)
Apple Music Inc.*	527,370	71,574
Apple Films Inc.*	456,213	27,477
	£	£
Apple Charity	16,364	(386)
Python Music Limited	(916,736)	(18,416)
Apple Publicity Limited	2	—
Apple Management Limited	2	—
Apple Electronics Limited	(48,413)	—
Apple Charity (UK) Limited	1,643,458	1,643,457
<i>Associated undertakings:</i>		
Maclen (Music) Limited †	638,555	210,767
Maclen Joint Limited †	1,452,759	1,444,875
Subafilms Limited †	386,838	(408,083)

* Year ended 30 June 1998

† Year ended 31 December 1998

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 1999

10. DEBTORS

	1999 £	1998 £
Prepayments	12,500	12,500
Amounts owed by subsidiary undertakings after deducting provision of £53,174 (1998 – £53,174)	191,548	150,264
Amounts owed by associated undertakings	1,887,681	3,273,100
Amounts owed by affiliated undertakings	19,864	171,497
Other debtors	422,899	368,128
Corporation tax recoverable	438,539	375,017
	<u>2,973,031</u>	<u>4,350,506</u>

11. CASH

	1999 £	1998 £	Change in year £
Cash and short term deposits at bank and in hand	5,619,025	5,615,278	3,747

	1998 £	1997 £	Change in year £
Cash and short term deposits at bank and in hand	5,615,278	10,616,500	(5,001,222)

12. CREDITORS: amounts falling due within one year

	1999 £	1998 £
Accruals	972,803	2,623,853
Other creditors	–	296,500
Current corporation tax	148,068	–
	<u>1,120,871</u>	<u>2,920,353</u>

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 1999

13. DEFERRED TAXATION

There was no liability to deferred taxation at either 31 January 1999 or 31 January 1998.

14. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	100	100	100	100

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 1 February 1997	100	7,122,624	7,122,724
Profit for the year	–	1,139,811	1,139,811
Dividends	–	(1,000,000)	(1,000,000)
At 1 February 1998	100	7,262,435	7,262,535
Profit for the year	–	407,065	407,065
At 31 January 1999	100	7,669,500	7,669,600

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16. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash outflow from operating activities:

	<i>1999</i>	<i>1998</i>
	<i>£</i>	<i>£</i>
Operating profit	19,637	721,170
Depreciation	46,687	40,120
Decrease/(increase) in debtors	1,446,030	(927,916)
Decrease in creditors	(1,947,550)	(2,016,833)
Net cash outflow from operating activities	(435,196)	(2,183,459)

17. CONTINGENT LIABILITIES

The company is involved in various legal disputes in the ordinary course of business and, as at 31 January 1999, the directors are of the opinion that none of the claims or disputes of which they are aware will result in a material loss to the company.

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 1999

18. OTHER FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases at 31 January 1999 were as follows:

	<i>Land and buildings</i>	
	<i>1999</i>	<i>1998</i>
	£	£
Operating leases which expire:		
Within one year	—	—
In over five years	75,000	75,000

19. RELATED PARTY TRANSACTIONS

- (a) Amounts charged to the profit and loss account include fees for the promotional services of the beneficial shareholders (Mr G Harrison, Sir J P McCartney, Mr R Starkey and Mrs Y O Lennon) amounting to £968,500 each (1998 – £1,387,500 each) and name and likeness payments amounting to £178,250 each (1998 – £140,750 each).
- (b) The company is party to an agreement with Maclen (Music) Limited and its wholly owned subsidiary undertaking, Maclen Joint Limited, in which Mrs Y O Lennon and Sir J P McCartney each has a direct interest of 40% in the share capital. Apple Corps Limited provides administration services to Maclen Joint Limited for which £ 630,000 was included as income in the profit and loss account in the year (1998 – £750,000).