

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
Becket House
1 Lambeth Palace Road
London SE1 7EU

REGISTERED OFFICE

27 Ovington Square
London SW3 1LJ

ERNST & YOUNG



DIRECTORS' REPORT

The directors present their report and group accounts for the year ended 31 January 1996.

RESULTS AND DIVIDENDS

The group profit for the year, after taxation, amounted to £3,802,897 (1995 – £3,626,714).

An interim dividend amounting to £486,580 was paid during the year. The directors do not recommend the payment of a final dividend.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITY

The principal activity of the group 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>At 31 January 1996 Ordinary shares</i>	<i>At 1 February 1995 Ordinary shares</i>
Mrs Y O Lennon	25	25
G Harrison	25	25
H L Gerrard	–	–
J L Eastman	–	–

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 group and of the profit or loss of the group 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 group 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 group 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 group 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 17, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

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 group'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 and of the group as at 31 January 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

22 July 1997

Apple Corps Limited

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 January 1996

	Notes	1996 £	1995 £
TURNOVER	2	32,079,829	17,285,805
Administrative expenses		28,648,587	13,508,636
		<u>3,431,242</u>	<u>3,777,169</u>
Exchange differences		(25,233)	(12,428)
Other operating income		640,000	560,000
Income from interests in associated undertakings		428,918	329,414
		<u>1,043,685</u>	<u>876,986</u>
OPERATING PROFIT	3	<u>4,474,927</u>	<u>4,654,155</u>
Interest receivable	6	1,392,800	378,330
Interest payable	7	(17,309)	(40,668)
		<u>1,375,491</u>	<u>337,662</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>5,850,418</u>	<u>4,991,817</u>
Tax charge on profit on ordinary activities	8	(2,047,521)	(1,365,103)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>3,802,897</u>	<u>3,626,714</u>
ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING	9	(486,580)	-
Dividends paid			
RETAINED PROFIT FOR THE YEAR	17	<u><u>3,316,317</u></u>	<u><u>3,626,714</u></u>

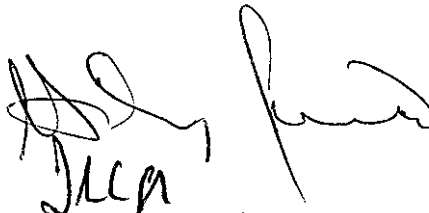
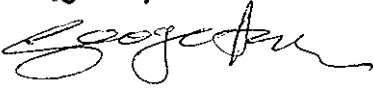
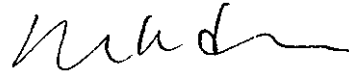
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of £3,802,897 in the year ended 31 January 1996 and £3,626,714 in the year ended 31 January 1995.

Apple Corps Limited

GROUP BALANCE SHEET at 31 January 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Tangible fixed assets	10	87,172	9,808
Investments:			
In associated undertakings	11	447,713	643,202
		<u>534,885</u>	<u>653,010</u>
CURRENT ASSETS			
Film production costs		3,659,991	3,549,653
Debtors	12	3,831,974	2,923,202
Cash and short term deposits at bank and in hand		22,461,193	3,452,627
		<u>29,953,158</u>	<u>9,925,482</u>
CREDITORS: amounts falling due within one year	14	19,617,333	4,470,235
		<u>10,335,825</u>	<u>5,455,247</u>
NET CURRENT ASSETS			
		<u>10,870,710</u>	<u>6,108,257</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	15	1,436,326	—
		<u>9,434,384</u>	<u>6,108,257</u>
CAPITAL AND RESERVES			
Called up share capital	16	100	100
Profit and loss account	17	9,434,284	6,108,157
		<u>9,434,384</u>	<u>6,108,257</u>
Shareholders' funds	17		




 21 July 1997

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Geoffrey
Wickham

21 July 1997

Apple Corps Limited

GROUP STATEMENT OF CASH FLOWS for the year ended 31 January 1996

	Notes	1996 £	1995 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	3(b)	19,209,898	(419,408)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		387,656	378,330
Interest paid		(17,309)	(40,668)
Dividends received from associated undertakings		486,580	—
Dividends paid		(486,580)	—
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		370,347	337,662
TAXATION			
Corporation tax paid (including advance corporation tax)		(105,612)	(2,665)
Overseas tax paid		(349,838)	(795,184)
TAX PAID		(455,450)	(797,849)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(116,229)	(323)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(116,229)	(323)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		19,008,566	(879,918)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13	19,008,566	(879,918)

NOTES TO THE ACCOUNTS

at 31 January 1996

1. ACCOUNTING POLICIES

Accounting convention

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

Basis of consolidation

The group accounts consolidate the accounts of Apple Corps Limited and all its subsidiary undertakings drawn up to 31 January each year, with the exception of Apple Corps S.A., whose accounts are made up to 31 December and Apple Corps Inc., and its subsidiaries, whose accounts are made up to 30 June, in both cases for local fiscal reasons.

Undertakings, other than subsidiary undertakings, in which the group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence, are treated as associated undertakings. The group accounts include the appropriate share of these undertakings' results and reserves based on audited accounts to 31 December 1995.

No profit and loss account is presented for Apple Corps Limited as permitted by section 230 of the Companies Act 1985.

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

Company

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.

Group

The accounts of the overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation 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.

NOTES TO THE ACCOUNTS

at 31 January 1996

1. ACCOUNTING POLICIES (continued)

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

It is the opinion of the directors that, in view of the nature of the group'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.

3. OPERATING PROFIT

(a) This is stated after charging:

	1996 £	1995 £
Directors' remuneration (see below)	600,000	600,000
Depreciation	38,865	10,822
Auditors' remuneration – audit services	30,000	28,000
– non-audit services	338,000	210,000
Operating lease rentals – land and buildings	66,034	30,000
	<u> </u>	<u> </u>

(b) Reconciliation of operating profit to net inflow/(outflow) from operating activities:

	1996 £	1995 £
Operating profit	4,474,927	4,654,155
Depreciation	38,865	10,822
Translation reserve	9,810	34,865
Share of profits of associated undertakings	(428,918)	(329,414)
Increase in film production costs	(110,338)	(1,274,361)
Decrease/(increase) in debtors	96,372	(2,343,483)
Increase/(decrease) in creditors	15,129,180	(1,171,992)
	<u> </u>	<u> </u>
Net cash inflow/(outflow) from operating activities	19,209,898	(419,408)
	<u> </u>	<u> </u>

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 1996

4. DIRECTORS' REMUNERATION

	1996 £	1995 £
Fees	600,000	600,000
Other emoluments (including pension contributions)	—	—
	<u>600,000</u>	<u>600,000</u>

There was no chairman of the company during the year and no highest paid director.

Directors' emoluments (excluding pension contributions) fell within the following ranges:

	1996 No.	1995 No.
£145,001 – £150,000	<u>4</u>	<u>4</u>

In addition, amounts charged to the profit and loss account include fees for the promotional services of Mrs Y O Lennon and Mr G Harrison amounting to £3,830,000 each (1995 – £2,479,250 each).

Name and likeness payments amounting to £72,000 (1995 – £79,144) were also payable to both Mr G Harrison and The Estate of John Lennon of which Mrs Y O Lennon is the sole executrix and a beneficiary.

5. STAFF COSTS

Excluding directors

	1996 £	1995 £
Wages and salaries	156,943	80,883
Social security costs	12,579	9,408
	<u>169,522</u>	<u>90,291</u>
	No.	No.
The average number of employees, excluding directors, all employed in an administrative capacity, was	<u>8</u>	<u>5</u>

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 1996

6. INTEREST RECEIVABLE

	1996 £	1995 £
Bank deposits	387,656	377,948
Other interest	1,005,144	—
Interest on certificate of tax deposit	—	382
	<u>1,392,800</u>	<u>378,330</u>

7. INTEREST PAYABLE

	1996 £	1995 £
Other interest	<u>17,309</u>	<u>40,668</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is made up as follows:

	1996 £	1995 £
Based on the profit for the year:		
Corporation tax at 33% (1995 – 33%)	357,830	1,540,000
Deferred taxation	<u>1,436,326</u>	<u>—</u>
	1,794,156	1,540,000
Double taxation relief	<u>(233,448)</u>	<u>(793,576)</u>
	1,560,708	746,424
ACT written back	—	(317,714)
Overseas taxation	<u>349,838</u>	<u>795,184</u>
	1,910,546	1,223,894
Adjustment in respect of previous years	<u>(852)</u>	<u>12,945</u>
	1,909,694	1,236,839
Associated undertakings	<u>137,827</u>	<u>128,264</u>
	<u>2,047,521</u>	<u>1,365,103</u>

9. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The profit dealt with in the accounts of the parent undertaking was £4,002,591 (1995 – £3,416,854).

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 1996

10. TANGIBLE FIXED ASSETS

Group and Company

	<i>Fixtures, fittings and equipment</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost:			
At 1 February 1995	90,486	35,000	125,486
Additions	116,229	—	116,229
At 31 January 1996	206,715	35,000	241,715
Depreciation:			
At 1 February 1995	89,428	26,250	115,678
Provided during the year	30,115	8,750	38,865
At 31 January 1996	119,543	35,000	154,543
Net book value:			
At 31 January 1996	87,172	—	87,172
At 1 February 1995	1,058	8,750	9,808

11. INVESTMENTS

Group

	<i>1996</i> £	<i>Associated undertakings 1995</i> £
Share of net assets at 1 February	643,202	442,052
Share of after tax profits for the year	291,091	201,150
Less dividends received	(486,580)	—
Share of net assets at 31 January	447,713	643,202

Company

	<i>Subsidiary undertakings</i> £	<i>Associated undertakings</i> £	<i>Total</i> £
Cost			
At 1 February 1995 and 31 January 1996	12,827	171,700	184,527
Amounts written off:			
At 1 February 1995 and 31 January 1996	(8,045)	—	(8,045)
Net book value:			
At 1 February 1995 and 31 January 1996	4,782	171,700	176,482

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 1996

11. INVESTMENTS (continued)

The company holds more than 10% 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>
<i>Subsidiary undertakings</i>			
Apple Corps S.A.	Switzerland	100%	Intermediate holding company
Apple Corps Inc.	USA	100%*	Intermediate holding company
Apple Records Inc. (California)	USA	100%*)
Apple Records Inc. (New York)	USA	100%*)
Apple Music Inc.	USA	100%*)
Apple Films Inc.	USA	100%*)
Python Music Limited	England & Wales	100%	Exploitation of film copyrights Production and commercial exploitation of films
Apple Publicity Limited	England & Wales	100%	Dormant
Apple Management Limited	England & Wales	100%	Dormant
Apple Electronics Limited	England & Wales	80%	Dormant
* Held by a subsidiary undertaking.			
<i>Associated undertakings</i>			
Maclen (Music) Limited	England & Wales	20%	Exploitation of musical copyrights
Subafilms Limited	England & Wales	23.9%	Marketing, production and distribution of films and videos

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 1996

12. DEBTORS

	1996 £	Group 1995 £	1996 £	Company 1995 £
Prepayments	4,074	1,619	4,074	1,619
Amounts owed by subsidiary undertakings after deducting provision of £53,174 (1995 – £53,174)	–	–	73,218	62,190
Amounts owed by associated undertakings	2,763,052	2,723,034	2,763,052	2,723,034
Amounts owed by affiliated undertakings	17,655	17,655	17,655	17,655
Other debtors	1,047,193	180,894	1,043,656	154,152
	<u>3,831,974</u>	<u>2,923,202</u>	<u>3,901,655</u>	<u>2,958,650</u>

13. CASH AND CASH EQUIVALENTS

	1996 £	1995 £	Change in year £
Cash and short term deposits at bank and in hand	22,461,193	3,452,627	19,008,566
	<u>22,461,193</u>	<u>3,452,627</u>	<u>19,008,566</u>
	1995 £	1994 £	Change in year £
Cash and short term deposits at bank and in hand	3,452,627	4,332,545	(879,918)
	<u>3,452,627</u>	<u>4,332,545</u>	<u>(879,918)</u>

14. CREDITORS: amounts falling due within one year

	1996 £	Group 1995 £	1996 £	Company 1995 £
Accruals	15,649,193	2,127,412	15,645,222	2,123,634
Amounts owed to associated undertakings	635,803	618,494	–	–
Amounts owed to affiliated undertakings	572,877	578,457	–	–
Loan (see below)	225,000	225,000	–	–
Other creditors	2,317,738	722,068	1,627,043	96,043
Current corporation tax	216,722	198,804	216,722	193,207
	<u>19,617,333</u>	<u>4,470,235</u>	<u>17,488,987</u>	<u>2,412,884</u>

The loan of £225,000 is from an associated undertaking and interest is payable at 1% above the base rate of National Westminster Bank PLC. There are no fixed terms for repayment.

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 1996

15. DEFERRED TAXATION

Group and Company

Deferred taxation provided in the accounts, which represents the full potential liability, is as follows:

	1996 £	1995 £
Other timing differences	1,436,326	—

16. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	1996 <i>No.</i>	1995 <i>No.</i>	1996 £	1995 £
Ordinary shares of £1 each	100	100	100	100

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

Group

	<i>Share capital</i> £	<i>Profit and loss account</i> £	<i>Total</i> £
At 1 February 1994	100	2,446,578	2,446,678
Exchange differences on retranslation of net assets of subsidiary undertakings	—	34,865	34,865
Profit for the year	—	3,626,714	3,626,714
At 1 February 1995	100	6,108,157	6,108,257
Exchange differences on retranslation of net assets of subsidiary undertakings	—	9,810	9,810
Profit for the year	—	3,802,897	3,802,897
Dividends	—	(486,580)	(486,580)
At 31 January 1996	100	9,434,284	9,434,384

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 1996

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES (continued)

Company

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 1 February 1994	100	3,112,876	3,112,976
Profit for the year	—	3,416,854	3,416,854
At 1 February 1995	100	6,529,730	6,529,830
Profit for the year	—	4,002,591	4,002,591
Dividends	—	(486,580)	(486,580)
At 31 January 1996	100	10,045,741	10,045,841

18. CONTINGENT LIABILITIES

The group is involved in various legal disputes in the ordinary course of business and, as at 31 January 1996, 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 group.

19. OTHER FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

Group and company

	<i>Land and buildings 1996 £</i>	<i>1995 £</i>
Operating leases which expire:		
Within one year	—	—
In over five years	75,000	75,000

20. CAPITAL COMMITMENTS

At 31 January 1996 capital commitments contracted for and not provided in these accounts amounted to £nil (1995 – £nil).

At 31 January 1996 no amounts had been authorised by the directors but not contracted for (1995 – £nil).

21. TRANSACTIONS WITH DIRECTORS

The company is party to an agreement with Maclen (Music) Limited and Maclen Joint Limited, in which Mrs Lennon has a disclosable interest of 40% in the share capital of the companies. Apple Corps Limited provides administration services to Maclen (Music) Limited and Maclen Joint Limited.