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REPORT AND ACCOUNTS

Apple Corps Limited

31 JANUARY 1992



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

6 Stratton Street

London W1X 5FD

Apple Corps Limited

DIRECTORS' REPORT

The directors present their report and group accounts for the year ended 31 January 1992.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, of Apple Corps Limited and its subsidiaries amounted to £8,361,137.

A dividend of £6,647,887 has been paid in respect of the year. The directors do not recommend the payment of a final ordinary dividend.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITY

The principal activity of the company and its subsidiaries is the exploitation of musical copyrights. 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:

	31 January 1992 Ordinary shares	1 February 1991 Ordinary shares
Mrs Y O Lennon	25	25
D J O'Brien	-	-
H L Gerrard	-	-
J L Eastman	-	-

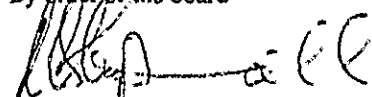
D J O'Brien ceased to be a director on 24 February 1993 and under the Company's Articles of Association, G Harrison was appointed to the Board in his place.

The company is a party to an agreement with Maclen (Music) Limited, in which Mrs Lennon had a disclosable interest in 40% of the share capital, for the administration of that company.

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

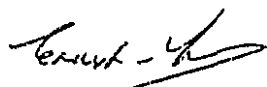
16 August 1993

REPORT OF THE AUDITORS
to the members of Apple Corps Limited

We have audited the accounts on pages 5 to 17 in accordance with Auditing Standards.

We are unable to form an opinion as to whether or not long-term receivables of £172,338 (1991 - £172,338) will ultimately prove to be recoverable and accordingly whether any provision for non-recovery is required at 31 January 1992 in respect of this amount.

Subject to any adjustment that might have been necessary as a result of the matter referred to above, in our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 January 1992 and of the profit and source and application of funds 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

16 August 1993

Apple Corps Limited and Subsidiaries

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 January 1992

	Notes	1992 £	1991 £
TURNOVER	2	20,749,217	4,910,279
Administrative expenses		8,494,062	(6,314,683)
		<u>12,255,155</u>	<u>(1,404,404)</u>
Exchange differences		24,151	(58,955)
Share of (losses)/profits of associated undertakings	4	(4,317)	270,108
		<u>19,834</u>	<u>211,153</u>
OPERATING PROFIT/(LOSS)		<u>12,274,989</u>	<u>(1,193,251)</u>
Interest receivable	6	356,808	1,098,045
Interest payable	7	(27,560)	(35,302)
		<u>329,248</u>	<u>1,062,743</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	12,604,237	(130,508)
Taxation charge on profit/(loss) on ordinary activities	8	(4,243,100)	(1,000,235)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	9	8,361,137	(1,130,743)
Dividends	10	(6,647,887)	(800,000)
PROFIT/(LOSS) FOR THE YEAR	17	<u><u>1,713,250</u></u>	<u><u>(1,930,743)</u></u>

Apple Corps Limited and Subsidiaries

GROUP BALANCE SHEET

at 31 January 1992

	Notes	1992 £	1991 £
FIXED ASSETS			
Tangible fixed assets	11	5,551	8,447
Investments:			
In associated undertakings	12	225,569	229,408
Long-term receivables	20	172,338	172,338
		<u>403,458</u>	<u>410,193</u>
CURRENT ASSETS			
Film production costs		139,512	—
Debtors	13	2,057,528	3,280,718
Cash and short-term deposits at bank and in hand		2,398,347	4,123,582
		<u>4,595,387</u>	<u>7,404,300</u>
CREDITORS: amounts falling due within one year	14	<u>4,173,896</u>	<u>8,664,521</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>421,491</u>	<u>(1,260,221)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>824,949</u>	<u>(850,028)</u>
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	15	(143)	(1,363)
		<u>824,806</u>	<u>(851,391)</u>
CAPITAL AND RESERVES			
Called up share capital	16	100	100
Profit and loss account	17	824,706	(851,491)
		<u>824,806</u>	<u>(851,391)</u>

Directors



16 August 1993

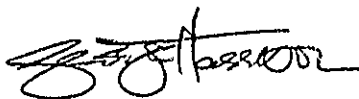
Apple Corps Limited

BALANCE SHEET

at 31 January 1992

	Notes	1992 £	1991 £
FIXED ASSETS			
Tangible fixed assets	11	5,551	8,447
Investments:			
In subsidiary and associated undertakings	12	176,482	176,482
Long-term receivables	20	172,338	172,338
		<u>354,371</u>	<u>357,267</u>
CURRENT ASSETS			
Film production costs		139,512	-
Debtors	13	2,348,533	3,570,167
Cash and short term deposits at bank and in hand		1,284,243	3,137,888
		<u>3,772,288</u>	<u>6,708,055</u>
CREDITORS: amounts falling due within one year	14	<u>2,756,400</u>	<u>7,362,110</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>1,015,888</u>	<u>(654,055)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,370,259</u>	<u>(296,788)</u>
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	15	(143)	(1,363)
		<u>1,370,116</u>	<u>(298,151)</u>
CAPITAL AND RESERVES			
Called up share capital	16	100	100
Profit and loss account	17	1,370,016	(298,251)
		<u>1,370,116</u>	<u>(298,151)</u>

Directors



16 August 1993

Apple Corps Limited and Subsidiaries

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended 31 January 1992

	1992 £	1991 £
SOURCE OF FUNDS		
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	12,604,237	(130,508)
Adjustment for items not involving the movement of funds:		
Depreciation	3,682	3,720
Translation reserve	(37,053)	51,367
	<u>12,570,866</u>	<u>(75,421)</u>
Share of losses/(profits) before taxation of associated undertakings	4,317	(270,108)
Dividends receivable from associated undertakings	-	400,000
	<u>4,317</u>	<u>129,892</u>
TOTAL GENERATED FROM OPERATIONS	<u>12,575,183</u>	<u>54,471</u>
APPLICATION OF FUNDS		
Dividends paid	(6,647,381)	(800,000)
Purchase of tangible fixed assets	(786)	(4,030)
Taxation	(4,002,381)	(530,488)
	<u>(10,651,054)</u>	<u>(1,334,518)</u>
INCREASE/(DECREASE) IN WORKING CAPITAL	<u>1,924,129</u>	<u>(1,280,047)</u>
COMPONENTS OF INCREASE/(DECREASE) IN WORKING CAPITAL		
Prepayments and other debtors	(10,292)	592,009
Due from associates and affiliates	(9,968)	150,044
Trade creditors, accruals and other creditors	3,745,397	(1,234,602)
Due to associates and affiliates	(75,773)	(6,783)
	<u>3,649,364</u>	<u>(499,332)</u>
MOVEMENT IN NET LIQUID FUNDS		
Bank and cash	<u>(1,725,235)</u>	<u>(780,715)</u>
	<u>1,924,129</u>	<u>(1,280,047)</u>

Apple Corps Limited and Subsidiaries

NOTES TO THE ACCOUNTS

at 31 January 1992

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 1992, with the exception of Apple Corps S.A., whose accounts are made up to 31 December 1991 and Apple Corps Inc. and its subsidiaries, whose accounts are made up to 30 June 1991, 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 1991.

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

Depreciation

The group policy is to provide depreciation on all fixed assets. The rates used are calculated to write off the cost less estimated residual value of each asset by equal annual instalments over its expected useful life, which for vehicles, fixtures, fittings and equipment is four years.

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.

Apple Corps Limited and Subsidiaries

NOTES TO THE ACCOUNTS

at 31 January 1992

2. TURNOVER

Turnover comprises:

(a) Royalties from the sale of records recorded by "The Beatles" which are accounted for when the royalties would normally become due and payable to the company or its subsidiaries.

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.

(b) Administration fees from an associated undertaking, and sundry royalty, music publishing, film distribution and other income. Turnover in 1992 includes approximately £15 million received in settlement of litigation.

No disclosure is given in respect of turnover arising in each geographical market or class of business since the directors believe this would be prejudicial to the interests of the group.

3. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

(a) This is stated after charging:

	1992	1991
	£	£
Directors' remuneration (see below)	400,000	400,000
Depreciation	3,682	3,720
Auditors' remuneration	40,000	40,000
Operating lease rentals – land and buildings	65,000	65,000
	<u>400,000</u>	<u>400,000</u>
(b) Directors' remuneration		
Fees	400,000	400,000
Other emoluments (including pension contributions)	–	–
	<u>400,000</u>	<u>400,000</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:

	1992	1991
	No.	No.
£95,001 – £100,000	4	4

One of the directors, Mrs Y O Lennon, received promotional fees amounting to £690,000 (1991 – £640,000) from the company during the year.

Apple Corps Limited and Subsidiaries

NOTES TO THE ACCOUNTS

at 31 January 1992

4. ASSOCIATED UNDERTAKINGS

Dividends receivable from associated undertakings, which are unlisted, amounted to £nil (1991 - £533,333) including related tax credit of £nil (1991 - £133,333).

5. STAFF COSTS

	1992 £	1991 £
Wages and salaries	17,599	16,306
Social security costs	1,819	1,463
	<u>19,418</u>	<u>17,769</u>

	No.	No.
The average number of employees (all employed in an administrative capacity) was	1	1

6. INTEREST RECEIVABLE

	1992 £	1991 £
Bank deposits	356,808	566,519
Interest supplement on repayment of corporation tax	—	531,526
	<u>356,808</u>	<u>1,098,045</u>

7. INTEREST PAYABLE

	1992 £	1991 £
Other loans with no fixed repayment terms	<u>27,560</u>	<u>35,302</u>

Apple Corps Limited and Subsidiaries

NOTES TO THE ACCOUNTS

at 31 January 1992

8. TAXATION CHARGE ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	1992 £	1991 £
Based on the results for the year:		
Corporation tax at 33.25% (1991 - 34.25%)	4,269,000	-
Deferred taxation	(1,221)	(5,891)
	<u>4,267,779</u>	<u>(5,891)</u>
Double taxation relief	(284,534)	-
	<u>3,983,245</u>	<u>(5,891)</u>
ACT written(back)	(3,786)	(406,984)
Overseas taxation	278,301	282,235
	<u>4,257,760</u>	<u>(130,640)</u>
Associated undertakings	(478)	115,619
Adjustment in respect of prior years	(14,182)	15,256
Inland Revenue settlement (see below)	-	1,000,000
	<u>4,243,100</u>	<u>1,000,235</u>

The Inland Revenue settlement relates to an agreement which was reached with the Inland Revenue regarding the corporation tax liabilities of the company for the eight years ended 31 January 1991. As a result of this agreement an additional £1,000,000 was payable to the Inland Revenue.

At 30 June 1991 Apple Corps Inc., and its subsidiaries had loss carry forwards of approximately \$1,800,000 expiring in periods up to 1999.

9. PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

	1992 £	1991 £
Dealt with in the accounts of the parent undertaking	8,316,154	(693,867)
Retained by subsidiary undertakings	48,822	(58,032)
Retained by associated undertakings	(3,839)	(378,844)
	<u>8,361,137</u>	<u>(1,130,743)</u>

10. DIVIDENDS

	1992 £	1991 £
Ordinary - interim paid	<u>6,647,887</u>	<u>800,000</u>

NOTES TO THE ACCOUNTS

at 31 January 1992

11. TANGIBLE FIXED ASSETS

Group and Company

	<i>Fixtures and fittings £</i>	<i>Vehicles and equipment £</i>	<i>Total £</i>
Cost:			
At 1 February 1991	9,916	90,201	100,117
Additions	638	148	786
Disposals	—	(9,345)	(9,345)
At 31 January 1992	10,554	81,004	91,558
Depreciation:			
At 1 February 1991	4,491	87,179	91,670
Provided during the year	2,839	843	3,682
Disposals	—	(9,345)	(9,345)
At 31 January 1992	7,330	78,677	86,007
Net book value:			
At 31 January 1992	3,224	2,327	5,551
At 1 February 1991	5,425	3,022	8,447

12. INVESTMENTS

Group

	<i>Associated undertakings £</i>
Share of net assets at 1 February 1991	229,408
Share of after tax (losses) for the year	(3,839)
Dividends receivable including related tax credit of £nil	—
Share of net assets at 31 January 1992	225,569

The accounts of one of the associated undertakings, Maclen (Music) Limited, in respect of the year ended 31 December 1991 are unaudited and the share of after tax profit for the year in that company represents a prudent estimate based on the latest management and other information available.

Company

	<i>Subsidiary undertakings £</i>	<i>Associated undertakings £</i>	<i>Total £</i>
Cost:			
At 1 February 1991 and 31 January 1992	12,827	171,700	184,527
Amounts written off:			
At 1 February 1991 and 31 January 1992	(8,045)	—	(8,045)
Net book value:			
At 1 February 1991 and 31 January 1992	4,782	171,700	176,482

Apple Corps Limited and Subsidiaries

NOTES TO THE ACCOUNTS

at 31 January 1992

12. INVESTMENTS (continued)

The group holds more than 10% of the equity of the following companies:

<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>Principal 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*	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.
Python Music Limited	England & Wales	100	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	100	Dormant
<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 and Subsidiaries

NOTES TO THE ACCOUNTS

at 31 January 1992

13. DEBTORS

	1992	Group 1991	1992	Company 1991
	£	£	£	£
Prepayments	85,325	101,602	85,325	101,602
Amounts owed by subsidiary undertakings (after deducting provision of £53,174 (1991 - £53,174))	-	-	302,585	300,213
Amounts owed by associated undertakings	401,886	411,854	401,886	411,854
Amounts owed by affiliated undertakings	10,909	10,909	10,909	10,909
Taxation recoverable	1,009,875	2,212,805	1,009,857	2,212,786
Other debtors	549,533	543,548	537,971	532,803
	<u>2,057,528</u>	<u>3,280,718</u>	<u>2,348,533</u>	<u>3,570,167</u>

14. CREDITORS: amounts falling due within one year

	1992	Group 1991	1992	Company 1991
	£	£	£	£
Trade creditors	37,293	33,946	-	-
Accruals	1,878,202	5,694,215	1,876,739	5,692,280
Current corporation tax	466,495	1,287,496	446,662	1,261,928
Amounts owed to subsidiary undertakings	-	-	262,321	262,856
Amounts owed to associated undertakings	602,406	574,868	60,081	60,081
Amounts owed to affiliated undertakings	560,030	511,795	-	-
Loan (see below)	225,000	225,000	-	-
Other creditors	404,470	337,201	110,597	84,965
	<u>4,173,896</u>	<u>8,664,521</u>	<u>2,756,400</u>	<u>7,362,110</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 and Subsidiaries

NOTES TO THE ACCOUNTS

at 31 January 1992

20. LONG TERM RECEIVABLES

Group and Company

	1992	1991
	£	£
Non-interest bearing advances	<u>172,338</u>	<u>172,338</u>

Non-interest bearing advances at 31 January 1992 and 1991 include £10,697 advanced to Mr J O Lennon, the late husband of Mrs Y O Lennon.

21. CAPITAL COMMITMENTS

At 31 January 1992 capital commitments contracted for and not provided in these accounts amounted to £nil (1991 – £nil).

At 31 January 1992 no amounts had been authorised by the directors but not contracted for (1991 – £nil).