

764797

Apple Corps Limited

Report and Accounts

31 January 1993



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COMPANIES HOUSE 16/09/94

 **ERNST & YOUNG**

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

ERNST & YOUNG

Apple Corps Limited

DIRECTORS' REPORT

The directors present their report and group accounts for the year ended 31 January 1993.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, of Apple Corps Limited and its subsidiaries amounted to £234,123.

The directors do not recommend the payment of a 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 1993 Ordinary shares	1 February 1992 Ordinary shares
Mrs Y O Lennon	25	25
D J O'Brien	-	-
H L Gerrard	-	-
J L Eastman	-	-

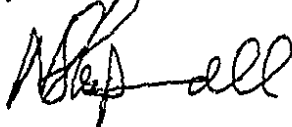
D J O'Brien ceased to be a director on 24 February 1993 and under the Company's Articles of Association, G Harrison was appointed to the Board in his place.

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

15 September 1994

Apple Corps 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 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 page 9.

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.

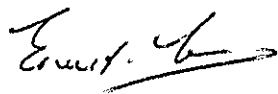
Basis of opinion

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 as to whether 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 1993 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

15 September 1994

Apple Corps Limited

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 January 1993

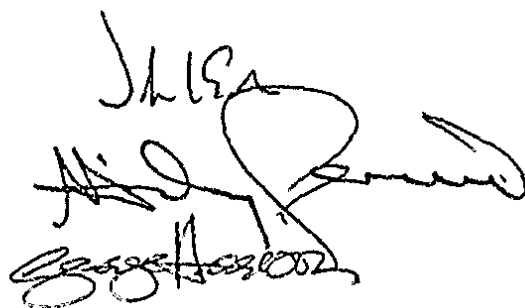
	Notes	1993 £	1992 £
TURNOVER	2	6,255,241	20,749,217
Administrative expenses		6,252,140	8,494,062
		<u>3,101</u>	<u>12,255,155</u>
Exchange differences		(11,509)	24,151
Income from interests in associated undertakings	5	349,506	(4,317)
		<u>337,997</u>	<u>19,834</u>
OPERATING PROFIT	3	341,098	12,274,989
Interest receivable	7	336,665	356,808
Interest payable	8	(94,924)	(27,560)
		<u>241,741</u>	<u>329,248</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		582,839	12,604,237
Taxation charge on profit on ordinary activities	9	(348,716)	(4,243,100)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	10	234,123	8,361,137
Dividends	11	—	(6,647,887)
PROFIT FOR THE YEAR	19	<u>234,123</u>	<u>1,713,250</u>

Apple Corps Limited

GROUP BALANCE SHEET

at 31 January 1993

	Notes	1993 £	1992 £
FIXED ASSETS			
Tangible fixed assets	12	31,426	5,551
Investments:			
In associated undertakings	13	207,784	225,569
Long-term receivables	22	—	172,338
		<u>239,210</u>	<u>403,458</u>
CURRENT ASSETS			
Film production costs		1,142,366	139,512
Debtors	14	1,816,559	2,057,528
Cash and short-term deposits at bank and in hand	15	2,776,791	2,398,347
		<u>5,735,716</u>	<u>4,595,387</u>
CREDITORS: amounts falling due within one year	16	4,893,709	4,173,896
NET CURRENT ASSETS		<u>842,007</u>	<u>421,491</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,081,217</u>	<u>824,949</u>
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	17	—	143
		<u>1,081,217</u>	<u>824,806</u>
CAPITAL AND RESERVES			
Called up share capital	18	100	100
Profit and loss account	19	1,081,117	824,706
		<u>1,081,217</u>	<u>824,806</u>



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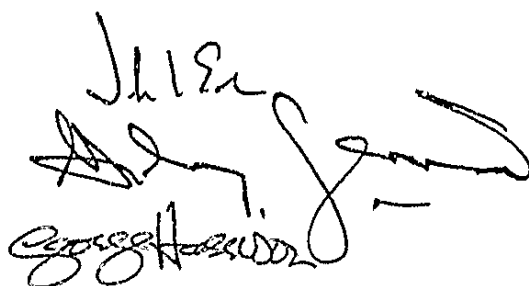
15 September 1994

Apple Corps Limited

BALANCE SHEET

at 31 January 1993

	Notes	1993 £	1992 £
FIXED ASSETS			
Tangible fixed assets	12	31,426	5,551
Investments:			
In subsidiary and associated undertakings	13	176,482	176,482
Long-term receivables	22	—	172,338
		<u>207,908</u>	<u>354,371</u>
CURRENT ASSETS			
Film production costs		1,142,366	139,512
Debtors	14	1,927,104	2,348,533
Cash and short term deposits at bank and in hand		1,415,099	1,284,243
		<u>4,484,569</u>	<u>3,772,288</u>
CREDITORS: amounts falling due within one year	16	<u>3,011,172</u>	<u>2,756,400</u>
NET CURRENT ASSETS		<u>1,473,397</u>	<u>1,015,888</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,681,305</u>	<u>1,370,259</u>
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	17	—	143
		<u>1,681,305</u>	<u>1,370,116</u>
CAPITAL AND RESERVES			
Called up share capital	18	100	100
Profit and loss account	19	1,681,205	1,370,016
		<u>1,681,305</u>	<u>1,370,116</u>



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15 September 1994

Apple Corps Limited

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 January 1993

	Notes	1993 £	1992 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	3	(57,393)	8,457,059
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		336,665	356,808
Interest paid		(94,924)	(27,560)
Dividends received from associated undertakings		240,000	—
Dividends paid		—	(6,647,887)
NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		481,741	(6,318,639)
TAXATION			
Corporation tax paid (including advance corporation tax)		(776,586)	(3,584,568)
Overseas tax paid		(231,619)	(278,301)
Corporation tax repaid		1,009,875	—
TAX REPAID/(PAID)		1,670	(3,862,869)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(47,574)	(786)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(47,574)	(786)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		378,444	(1,725,235)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	15	378,444	(1,725,235)

NOTES TO THE ACCOUNTS

at 31 January 1993

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 1993, with the exception of Apple Corps S.A., whose accounts are made up to 31 December 1992 and Apple Corps Inc. and its subsidiaries, whose accounts are made up to 30 June 1992, 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 1992.

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 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.

Leasing commitments

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

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 1993

2. TURNOVER

Turnover comprises:

(a) Royalties from the sale of records recorded by "The Beatles" and other artists 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 included 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 seriously prejudicial to the interests of the group.

3. OPERATING PROFIT

(a) This is stated after charging:

	1993 £	1992 £
Directors' remuneration (see below)	400,000	400,000
Depreciation	21,699	3,682
Auditors' remuneration	40,000	40,000
Operating lease rentals – land and buildings	42,744	65,000

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

	1993 £	1992 £
Operating profit	341,098	12,274,989
Translation reserve	(22,288)	(37,053)
Depreciation	21,699	3,682
Share of (profits)/losses of associated undertakings	(349,506)	4,317
Increase in film production costs	(1,002,854)	(139,512)
Decrease in long-term receivables	172,338	–
(Increase)/decrease in prepayments and other debtors	(396,800)	10,292
Increase/(decrease) in trade creditors, accruals and other creditors	1,031,312	(3,745,397)
(Increase)/decrease in amounts due from associates and affiliates	(3)	9,968
Increase in amounts due to associates and affiliates	147,611	75,773
Net cash (outflow)/inflow from operating activities	(57,393)	8,457,059

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 1993

4. DIRECTORS' REMUNERATION

	1993	1992
	£	£
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:

	1993	1992
	No.	No.
£95,001 - £100,000	<u>4</u>	<u>4</u>

One of the directors, Mrs Y O Lennon, received promotional fees amounting to £687,500 (1992 - £690,000) from the company during the year.

5. ASSOCIATED UNDERTAKINGS

Dividends receivable from associated undertakings, which are unlisted, amounted to £300,000 (1992 - £nil) including related tax credit of £60,000 (1992 - £nil).

6. STAFF COSTS

	1993	1992
	£	£
Wages and salaries	56,708	17,599
Social security costs	6,018	1,819
	<u>62,726</u>	<u>19,418</u>

	1993	1992
	No.	No.
The average number of employees, excluding directors, all employed in an administrative capacity, was	<u>3</u>	<u>1</u>

7. INTEREST RECEIVABLE

	1993	1992
	£	£
Bank deposits	195,239	356,808
Interest supplement on repayment of corporation tax	141,426	—
	<u>336,665</u>	<u>356,808</u>

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 1993

8. INTEREST PAYABLE

	1993	1992
	£	£
Other loans with no fixed repayment terms	23,325	27,560
Interest supplement on payment of corporation tax	71,599	—
	<u>94,924</u>	<u>27,560</u>

9. TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	1993	1992
	£	£
Based on the profit for the year:		
Corporation tax at 33% (1992 – 33.25%)	29,200	4,269,000
Deferred taxation	(143)	(1,221)
	<u>29,057</u>	<u>4,267,779</u>
Double taxation relief	—	(284,534)
	<u>29,057</u>	<u>3,983,245</u>
ACT written(back)	—	(3,786)
Overseas taxation	231,619	278,301
	<u>260,676</u>	<u>4,257,760</u>
Associated undertakings	127,291	(478)
Adjustment in respect of prior years	(39,251)	(14,182)
	<u>348,716</u>	<u>4,243,100</u>

At 30 June 1992 Apple Corps Inc., and its subsidiaries had loss carry forwards of approximately \$1,800,000 expiring in periods up to 1999.

10. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

	1993	1992
	£	£
Dealt with in the accounts of the parent undertaking	311,189	8,316,154
Retained by subsidiary undertakings	(59,281)	48,822
Retained by associated undertakings	(17,785)	(3,839)
	<u>234,123</u>	<u>8,361,137</u>

11. DIVIDENDS

	1993	1992
	£	£
Ordinary – interim paid	—	<u>6,647,887</u>

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 1993

12. TANGIBLE FIXED ASSETS

Group and Company

	<i>Fixtures, fittings and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£
Cost:			
At 1 February 1992	86,559	4,999	91,558
Additions	12,574	35,000	47,574
Disposals	(9,345)	(4,999)	(14,344)
At 31 January 1993	89,788	35,000	124,788
Depreciation:			
At 1 February 1992	81,008	4,999	86,007
Provided during the year	12,949	8,750	21,699
Disposals	(9,345)	(4,999)	(14,344)
At 31 January 1993	84,612	8,750	93,362
Net book value:			
At 31 January 1993	5,176	26,250	31,426
At 1 February 1992	5,551	—	5,551

13. INVESTMENTS

Group

	<i>Associated undertakings</i>
	£
Share of net assets at 1 February 1992	225,569
Share of after tax profits for the year	222,215
Dividends receivable	(240,000)
Share of net assets at 31 January 1993	207,784

Company

	<i>Subsidiary undertakings</i>	<i>Associated undertakings</i>	<i>Total</i>
	£	£	£
Cost:			
At 1 February 1992 and 31 January 1993	12,827	171,700	184,527
Amounts written off:			
At 1 February 1992 and 31 January 1993	(8,045)	—	(8,045)
Net book value:			
At 1 February 1992 and 31 January 1993	4,782	171,700	176,482

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 1993

13. INVESTMENTS (continued)

The group 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>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%*	
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	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

*held by a subsidiary undertaking

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 1993

14. DEBTORS

	1993	Group 1992	1993	Company 1992
	£	£	£	£
Prepayments	8,916	85,325	8,916	85,325
Amounts owed by subsidiary undertakings (after deducting provision of £53,174: 1992 – £53,174)	–	–	308,198	302,585
Amounts owed by associated undertakings	401,889	401,886	401,889	401,886
Amounts owed by affiliated undertakings	10,909	10,909	10,909	10,909
Taxation recoverable	372,103	1,009,875	372,103	1,009,857
Other debtors	1,022,742	549,533	825,089	537,971
	<u>1,816,559</u>	<u>2,057,528</u>	<u>1,927,104</u>	<u>2,348,533</u>

15. CASH AND CASH EQUIVALENTS

Group

	1993	1992	Change in year
	£	£	£
Cash and short term deposits at bank and in hand	<u>2,776,791</u>	<u>2,398,347</u>	<u>378,444</u>
	1992	1991	Change in year
	£	£	£
Cash and short term deposits at bank and in hand	<u>2,398,347</u>	<u>4,123,582</u>	<u>(1,725,235)</u>

16. CREDITORS: amounts falling due within one year

	1993	Group 1992	1993	Company 1992
	£	£	£	£
Trade creditors	121,820	37,293	–	–
Accruals	2,330,787	1,878,202	2,326,752	1,876,739
Current corporation tax	7,385	466,495	–	446,662
Amounts owed to subsidiary undertakings	–	–	257,318	262,321
Amounts owed to associated undertakings	641,506	602,406	75,856	60,081
Amounts owed to affiliated undertakings	668,541	560,030	–	–
Loan (see below)	225,000	225,000	–	–
Other creditors	898,670	404,470	351,246	110,597
	<u>4,893,709</u>	<u>4,173,896</u>	<u>3,011,172</u>	<u>2,756,400</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 1993

17. DEFERRED TAXATION

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

Group and Company

	1993	1992
	£	£
Capital allowances in advance of depreciation	-	586
Advance corporation tax recoverable	-	(443)
	<u>-</u>	<u>143</u>

18. SHARE CAPITAL

	1993	Authorised 1992	Allotted, called up and fully paid 1993	1992
	No.	No.	£	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

19. PROFIT AND LOSS ACCOUNT

	Group	Company
	£	£
Balance at 1 February 1992	824,706	1,370,016
Exchange differences on retranslation of net assets of foreign subsidiaries	22,288	-
Profit for the financial year	<u>234,123</u>	<u>311,189</u>
Balance at 31 January 1993	<u>1,081,117</u>	<u>1,681,205</u>

20. CONTINGENT LIABILITIES

The group is involved in various legal disputes in the ordinary course of business and, as at 31 January 1993, 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.

21. OTHER FINANCIAL COMMITMENTS

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

Group and Company

	Land and buildings 1993	1992
	£	£
Operating leases which expire:		
Within one year	-	-
Within two to five years	<u>45,000</u>	<u>45,000</u>

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 1993

22. LONG TERM RECEIVABLES

Group and Company

*Non-interest
bearing advances
£*

Cost:

At 1 February 1992 and
31 January 1993

172,338

Amounts provided:

At 1 January 1992
Provided during the year

172,338

At 31 January 1993

172,338

Net book value:

At 31 January 1993

-

At 1 February 1992

172,338

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

23. CAPITAL COMMITMENTS

Group and company

At 31 January 1993 capital commitments contracted for and not provided in these accounts amounted to £nil (1992 - £nil).

At 31 January 1993 no amounts had been authorised by the directors but not contracted for (1992 - £nil).