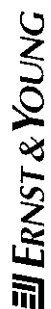


Apple Corps Limited

Report and Accounts

31 January 1995

 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

27 Ovington Square

London SW3 1LJ

Apple Corps Limited

DIRECTORS' REPORT

The directors present their report and group accounts for the year ended 31 January 1995.

RESULTS AND DIVIDENDS

The group profit for the year, after taxation, amounted to £3,626,714 (1994 – £1,360,193).

The directors do not recommend the payment of a 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 1995 Ordinary shares</i>	<i>At 1 February 1994 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

7 June 1996

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 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 1995 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

7 June 1996

Apple Corps Limited

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 January 1995

	Notes	1995 £	1994 £
TURNOVER	2	17,285,805	9,675,647
Administrative expenses		13,508,636	9,080,857
		<u>3,777,169</u>	<u>594,790</u>
Exchange differences		(12,428)	16,541
Other operating income		560,000	644,000
Income from interests in associated undertakings		329,414	372,428
		<u>876,986</u>	<u>1,032,969</u>
OPERATING PROFIT	3	<u>4,654,155</u>	<u>1,627,759</u>
Interest receivable	6	378,330	286,824
Interest payable	7	(40,668)	(53,344)
		<u>337,662</u>	<u>233,480</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,991,817	1,861,239
Tax charge on profit on ordinary activities	8	(1,365,103)	(501,046)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING	9,17	<u><u>3,626,714</u></u>	<u><u>1,360,193</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of £3,626,714 in the year ended 31 January 1995 and £1,360,193 in the year ended 31 January 1994.

at 31 January 1995

	Notes	1995 £	1994 £
FIXED ASSETS			
Tangible fixed assets	10	9,808	20,307
Investments:			
In associated undertakings	11	643,202	442,052
		<u>653,010</u>	<u>462,359</u>
CURRENT ASSETS			
Film production costs		3,549,653	2,275,292
Debtors	12	2,923,202	825,833
Cash and short term deposits at bank and in hand		3,452,627	4,332,545
		<u>9,925,482</u>	<u>7,433,670</u>
CREDITORS: amounts falling due within one year	14	4,470,235	5,449,351
		<u>5,455,247</u>	<u>1,984,319</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,108,257</u>	<u>2,446,678</u>
CAPITAL AND RESERVES			
Called up share capital	16	100	100
Profit and loss account	17	6,108,157	2,446,578
		<u>6,108,257</u>	<u>2,446,678</u>
Shareholders' funds	17	6,108,257	2,446,678

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Director

7 June 1996

Apple Corps Limited

BALANCE SHEET

at 31 January 1995

	Notes	1995 £	1994 £
FIXED ASSETS			
Tangible fixed assets	10	9,808	20,307
Investments	11	176,482	176,482
		<u>186,290</u>	<u>196,789</u>
CURRENT ASSETS			
Film production costs		3,549,653	2,275,292
Debtors	12	2,958,650	1,117,526
Cash and short term deposits at bank and in hand		2,248,121	3,129,091
		<u>8,756,424</u>	<u>6,521,909</u>
CREDITORS: amounts falling due within one year	14	<u>2,412,884</u>	<u>3,605,722</u>
NET CURRENT ASSETS		<u>6,343,540</u>	<u>2,916,187</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>6,529,830</u></u>	<u><u>3,112,976</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	100	100
Profit and loss account	17	6,529,730	3,112,876
Shareholders' funds	17	<u><u>6,529,830</u></u>	<u><u>3,112,976</u></u>

) *Halmy Jones*
) *George Harrison*
) Directors
) *John*
) *Paul*

7 June 1996

Apple Corps Limited

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 January 1995

	Notes	1995 £	1994 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	3(b)	(419,408)	1,561,003
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		378,330	286,824
Interest paid		(40,668)	(53,344)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		337,662	233,480
TAXATION			
Corporation tax paid (including advance corporation tax)		(2,665)	(31,442)
Overseas tax paid		(795,184)	(322,314)
Corporation tax repaid		—	115,402
TAX PAID		(797,849)	(238,354)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(323)	(375)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(323)	(375)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(879,918)	1,555,754
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	13	(879,918)	1,555,754

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 1995

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 1994.

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 will be amortised on release of the film under the cost recovery 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.

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 1995

1. ACCOUNTING POLICIES (continued)

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:

	1995 £	1994 £
Directors' remuneration (see below)	600,000	400,000
Depreciation	10,822	11,494
Auditors' remuneration – audit services	28,000	30,000
– non-audit services	210,000	212,000
Operating lease rentals – land and buildings	30,000	45,000

Certain income in the profit and loss account in respect of the year ended 31 January 1994 has been re-allocated from turnover to other operating income to ensure the comparatives correspond with the treatment adopted in 1995.

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

	1995 £	1994 £
Operating profit	4,654,155	1,627,759
Depreciation	10,822	11,494
Translation reserve	34,865	5,268
Share of profits of associated undertakings	(329,414)	(372,428)
Increase in film production costs	(1,274,361)	(1,132,926)
(Increase)/Decrease in debtors	(2,343,483)	864,737
(Decrease)/Increase in creditors	(1,171,992)	557,099
Net cash (outflow)/inflow from operating activities	(419,408)	1,561,003

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 1995

4. DIRECTORS' REMUNERATION

	1995	1994
	£	£
Fees	600,000	400,000
Other emoluments (including pension contributions)	—	—
	<u>600,000</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:

	1995	1994
	No.	No.
£95,001 – £100,000	—	4
£145,001 – £150,000	4	—
	<u>4</u>	<u>—</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 £2,479,250 each (1994 – £1,372,250 each).

Name and likeness payments amounting to £79,144 (1994 – £66,945) 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

	1995	1994
	£	£
Wages and salaries	80,883	76,191
Social security costs	9,408	7,901
	<u>90,291</u>	<u>84,092</u>
	No.	No.
The average number of employees, excluding directors, all employed in an administrative capacity, was	5	4
	<u>5</u>	<u>4</u>

6. INTEREST RECEIVABLE

	1995	1994
	£	£
Bank deposits	377,948	244,007
Interest supplement on repayment of corporation tax	—	15,845
Interest on certificate of tax deposit	382	26,972
	<u>378,330</u>	<u>286,824</u>

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 1995

7. INTEREST PAYABLE

	1995 £	1994 £
Other interest	40,668	53,344

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is made up as follows:

	1995 £	1994 £
Based on the profit for the year:		
Corporation tax at 33% (1994 – 33%)	1,540,000	555,140
Double taxation relief	(793,576)	(320,833)
	746,424	234,307
ACT written back	(317,714)	(193,328)
Overseas taxation	795,184	322,314
	1,223,894	363,293
Adjustment in respect of prior years	12,945	(407)
	1,236,839	362,886
Associated undertakings	128,264	138,160
	1,365,103	501,046

9. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The profit dealt with in the accounts of the parent undertaking was £3,416,854 (1994 – £1,431,671).

10. TANGIBLE FIXED ASSETS

Group and Company

	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost:			
At 1 February 1994	90,163	35,000	125,163
Additions	323	–	323
At 31 January 1995	90,486	35,000	125,486
Depreciation:			
At 1 February 1994	87,356	17,500	104,856
Provided during the year	2,072	8,750	10,822
At 31 January 1995	89,428	26,250	115,678
Net book value:			
At 31 January 1995	1,058	8,750	9,808
At 1 February 1994	2,807	17,500	20,307

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 1995

11. INVESTMENTS

Group

	<i>Associated undertakings</i>	
	1995	1994
	£	£
Share of net assets at 1 February	442,052	207,784
Share of after tax profits for the year	201,150	234,268
Share of net assets at 31 January	<u>643,202</u>	<u>442,052</u>

Company

	<i>Subsidiary undertakings</i>	<i>Associated undertakings</i>	<i>Total</i>
	£	£	£
Cost			
At 1 February 1994 and 31 January 1995	12,827	171,700	184,527
Amounts written off:			
At 1 February 1994 and 31 January 1995	<u>(8,045)</u>	<u>—</u>	<u>(8,045)</u>
Net book value:			
At 1 February 1994 and 31 January 1995	<u>4,782</u>	<u>171,700</u>	<u>176,482</u>

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.	USA	100%*)
(California))
Apple Records Inc.)
(New York))
Apple Music Inc.)
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

* Held by a subsidiary undertaking.

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 1995

11. 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>
<i>Principal subsidiary undertakings</i>			
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
Maclen Joint Limited	England & Wales	20%	Exploitation of musical copyrights
Subafilms Limited	England & Wales	23.9%	Marketing, production and distribution of films and videos

12. DEBTORS

	<i>1995</i>	<i>Group 1994</i>	<i>1995</i>	<i>Company 1994</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Prepayments	1,619	6,371	1,619	6,371
Amounts owed by subsidiary undertakings after deducting provision of £53,174 (1994 – £53,174)	–	–	62,190	312,042
Amounts owed by associated undertakings	2,723,034	306,421	2,723,034	306,421
Amounts owed by affiliated undertakings	17,655	10,909	17,655	10,909
Taxation recoverable	–	246,114	–	246,114
Other debtors	180,894	256,018	154,152	235,669
	<u>2,923,202</u>	<u>825,833</u>	<u>2,958,650</u>	<u>1,117,526</u>

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 1995

13. CASH AND CASH EQUIVALENTS

	1995 £	1994 £	Change in year £
Cash and short term deposits at bank and in hand	3,452,627	4,332,545	(879,918)
	<u>1994</u> £	<u>1993</u> £	<u>Change</u> <u>in year</u> <u>£</u>
Cash and short term deposits at bank and in hand	4,332,545	2,776,791	1,555,754

14. CREDITORS: amounts falling due within one year

	1995 £	Group 1994 £	1995 £	Company 1994 £
Accruals	2,127,412	3,259,378	2,123,634	3,255,375
Amounts owed to subsidiary undertakings	—	—	—	253,967
Amounts owed to associated undertakings	618,494	657,040	—	75,856
Amounts owed to affiliated undertakings	578,457	665,867	—	2,454
Loan (see below)	225,000	225,000	—	—
Other creditors	722,068	636,138	96,043	18,070
Current corporation tax	198,804	5,928	193,207	—
	<u>4,470,235</u>	<u>5,449,351</u>	<u>2,412,884</u>	<u>3,605,722</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.

15. DEFERRED TAXATION

There was no potential liability to deferred taxation at either 31 January 1995 or 31 January 1994.

16. SHARE CAPITAL

	1995 No.	Authorised 1994 No.	1995 £	Allotted, called up and fully paid 1994 £
Ordinary shares of £1 each	100	100	100	100

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 1995

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

Group

	Share capital £	Profit and loss account £	Total £
At 1 February 1993	100	1,081,117	1,081,217
Exchange differences on retranslation of net assets of subsidiary undertakings	—	5,268	5,268
Profit for the year	—	1,360,193	1,360,193
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 31 January 1995	100	6,108,157	6,108,257

Company

	Share capital £	Profit and loss account £	Total £
At 1 February 1993	100	1,681,205	1,681,305
Profit for the year	—	1,431,671	1,431,671
At 1 February 1994	100	3,112,876	3,112,976
Profit for the year	—	3,416,854	3,416,854
At 31 January 1995	100	6,529,730	6,529,830

18. CONTINGENT LIABILITIES

The group is involved in various legal disputes in the ordinary course of business and, as at 31 January 1995, 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

	Land and buildings	
	1995	1994
	£	£
Operating leases which expire:		
Within one year	—	45,000
In over five years	75,000	—

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 1995

20. CAPITAL COMMITMENTS

At 31 January 1995 capital commitments contracted for and not provided in these accounts amounted to £nil (1994 – £nil).

At 31 January 1995 no amounts had been authorised by the directors but not contracted for (1994 – £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.