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**Report and Accounts**  
*Apple Corps Limited*

**31 January 1998**



**ERNST & YOUNG**

## Apple Corps Limited

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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 1998.

### RESULTS AND DIVIDENDS

The group profit for the year, after taxation, amounted to £1,329,164 (1997 – £10,244,283).

An interim dividend amounting to £1,000,000 has been declared and paid in respect of 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>Ordinary shares 31 January 1998</i>	<i>Ordinary shares 1 February 1997</i>
Mrs Y O Lennon	25	25
G Harrison	25	25
H L Gerrard	—	—
J L Eastman	—	—

### 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

29 April 1999

## Apple Corps Limited

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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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.

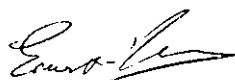
**Basis of opinion**

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 1998 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  
Registered Auditor  
London

29 April 1999

# Apple Corps Limited

## GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 January 1998

	Notes	1998 £	1997 £
<b>TURNOVER</b>	2	10,500,857	41,815,145
Administrative expenses		10,383,715	30,446,752
		<u>117,142</u>	<u>11,368,393</u>
Exchange differences		(21,067)	30,082
Other operating income		750,000	760,000
Income from interests in associated undertakings		418,838	740,860
		<u>1,147,771</u>	<u>1,530,942</u>
<b>OPERATING PROFIT</b>	3	1,264,913	12,899,335
Interest receivable	6	676,710	981,052
Interest payable	7	(17,142)	(15,614)
		<u>659,568</u>	<u>965,438</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,924,481	13,864,773
Tax charge on profit on ordinary activities	8	(595,317)	(3,620,490)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>			
<b>ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING</b>	9	1,329,164	10,244,283
Dividends paid – interim		(1,000,000)	(10,600,000)
<b>RETAINED PROFIT/(DEFICIT) FOR THE YEAR</b>	17	<u>329,164</u>	<u>(355,717)</u>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1998 £	1997 £
Profit for the financial year attributable to members of the parent company	1,329,164	10,244,283
Exchange difference on retranslation of net assets of subsidiary undertakings	(8,039)	(28,249)
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<u>1,321,125</u>	<u>10,216,034</u>

# Apple Corps Limited

## GROUP BALANCE SHEET

at 31 January 1998

	Notes	1998 £	1997 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	10	40,622	71,836
Investments	11	481,236	433,255
		<u>521,858</u>	<u>505,091</u>
<b>CURRENT ASSETS</b>			
Debtors	12	4,873,493	3,005,788
Cash and short term deposits at bank and in hand		8,681,418	13,550,088
		<u>13,554,911</u>	<u>16,555,876</u>
<b>CREDITORS: amounts falling due within one year</b>	14	4,705,226	8,010,549
		<u>8,849,685</u>	<u>8,545,327</u>
<b>NET CURRENT ASSETS</b>			
		<u>9,371,543</u>	<u>9,050,418</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	100	100
Profit and loss account	17	9,371,443	9,050,318
		<u>9,371,543</u>	<u>9,050,418</u>
Shareholders' funds	17		

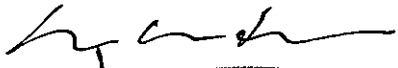
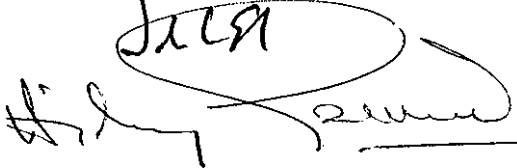
  
  
  
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29 April 1999

# Apple Corps Limited

## BALANCE SHEET at 31 January 1998

	Notes	1998 £	1997 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	10	40,622	71,836
Investments	11	176,482	176,482
		<u>217,104</u>	<u>248,318</u>
<b>CURRENT ASSETS</b>			
Debtors	12	4,350,506	3,069,044
Cash and short term deposits at bank and in hand		5,615,278	10,616,500
		<u>9,965,784</u>	<u>13,685,544</u>
<b>CREDITORS: amounts falling due within one year</b>	14	2,920,353	6,811,138
		<u>7,045,431</u>	<u>6,874,406</u>
<b>NET CURRENT ASSETS</b>		<u>7,262,535</u>	<u>7,122,724</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,262,535</u>	<u>7,122,724</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	100	100
Profit and loss account	17	7,262,435	7,122,624
		<u>7,265,535</u>	<u>7,122,724</u>
Shareholders' funds	17	7,265,535	7,122,724

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29 April 1999



## Apple Corps Limited

### GROUP STATEMENT OF CASH FLOWS for the year ended 31 January 1998

	Notes	1998 £	1997 £
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	18	(2,644,034)	2,979,119
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		676,710	1,986,196
Interest paid		(17,142)	(15,614)
Dividends received from associated undertakings		240,000	520,000
Dividends paid		(1,000,000)	(10,600,000)
		(100,432)	(8,109,418)
<b>TAXATION</b>			
Corporation tax paid		(1,775,017)	(3,028,563)
Overseas tax paid		(340,281)	(733,836)
		(2,115,298)	(3,762,399)
<b>INVESTING ACTIVITIES</b>			
Payments to acquire tangible fixed assets		(8,906)	(18,407)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	13	(4,868,670)	(8,911,105)

# Apple Corps Limited

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## NOTES TO THE ACCOUNTS at 31 January 1998

### 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 1997.

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.

# Apple Corps Limited

## NOTES TO THE ACCOUNTS at 31 January 1998

### 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

This is stated after charging:

	1998 £	1997 £
Depreciation	40,120	33,743
Auditors' remuneration – audit services	30,000	30,000
– non-audit services	293,930	358,741
Operating lease rentals – land and buildings	75,000	75,000
	<u>439,050</u>	<u>597,484</u>

### 4. DIRECTORS' REMUNERATION

	1998 £	1997 £
Fees	600,000	600,000
Other emoluments	92,033	58,302
	<u>692,033</u>	<u>658,302</u>

There was no highest paid director during either year.

## Apple Corps Limited

### NOTES TO THE ACCOUNTS at 31 January 1998

#### 5. STAFF COSTS *Excluding directors*

	1998 £	1997 £
Wages and salaries	145,874	152,590
Social security costs	12,405	15,350
	<u>158,279</u>	<u>167,940</u>

	No.	No.
The average number of employees, excluding directors, all employed in an administrative capacity was	<u>8</u>	<u>8</u>

#### 6. INTEREST RECEIVABLE

	1998 £	1997 £
Bank deposits	676,710	936,752
Interest on certificate of tax deposit	—	44,300
	<u>676,710</u>	<u>981,052</u>

#### 7. INTEREST PAYABLE

	1998 £	1997 £
Other interest	<u>17,142</u>	<u>15,614</u>

# Apple Corps Limited

## NOTES TO THE ACCOUNTS at 31 January 1998

### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is made up as follows:

	1998 £	1997 £
Based on the profit for the year:		
UK Corporation tax	450,000	4,820,000
Deferred taxation	—	(1,436,326)
	<hr/> 450,000	<hr/> 3,383,674
Double taxation relief	(327,035)	(732,338)
	<hr/> 122,965	<hr/> 2,651,336
Overseas taxation	340,281	733,836
	<hr/> 463,246	<hr/> 3,385,172
Adjustment in respect of previous years	1,214	—
	<hr/> 464,460	<hr/> 3,385,172
Associated undertakings	130,857	235,318
	<hr/> 595,317	<hr/> 3,620,490

### 9. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The profit dealt with in the accounts of the parent undertaking was £1,139,811 (1997 – £7,676,883).

### 10. TANGIBLE FIXED ASSETS

*Group and Company*

	<i>Fixtures, fittings and equipment</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost:			
At 1 February 1997	176,812	35,000	211,812
Additions	8,906	—	8,906
	<hr/> 185,718	<hr/> 35,000	<hr/> 220,718
At 31 January 1998			
Depreciation:			
At 1 February 1997	104,976	35,000	139,976
Provided during the year	40,120	—	40,120
	<hr/> 145,096	<hr/> 35,000	<hr/> 180,096
At 31 January 1998			
Net book value:			
At 31 January 1998	40,622	—	40,622
	<hr/> 71,836	<hr/> —	<hr/> 71,836
At 1 February 1997			

# Apple Corps Limited

## NOTES TO THE ACCOUNTS at 31 January 1998

### 11. INVESTMENTS

#### Group

	1998 £	Associated undertakings 1997 £
Share of net assets at 1 February	433,255	447,713
Share of after tax profits for the year	287,981	505,542
Less dividends received	(240,000)	(520,000)
Share of net assets at 31 January	<u>481,236</u>	<u>433,255</u>

#### Company

	Subsidiary undertakings £	Associated undertakings £	Total £
Cost			
At 1 February 1997 and 31 January 1998	12,827	171,700	184,527
Amounts written off:			
At 1 February 1997 and 31 January 1998	(8,045)	—	(8,045)
Net book value:			
At 1 February 1997 and 31 January 1998	<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:

Name of company	Country of incorporation (or registration)	Proportion of share capital held	Nature of business
<b>Subsidiary undertakings</b>			
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
Python Music Limited	England and Wales	100%	Production and commercial exploitation of films

# Apple Corps Limited

## NOTES TO THE ACCOUNTS at 31 January 1998

### 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>
<b><i>Subsidiary undertakings</i></b>			
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
<b><i>Associated undertakings</i></b>			
Maclen (Music) Limited	England and Wales	20%	Exploitation of musical copyrights
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 a subsidiary undertaking.

† Held by an associated undertaking.

### 12. DEBTORS

	<i>1998</i>	<i>Group 1997</i>	<i>1998</i>	<i>Company 1997</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Prepayments	12,500	12,500	12,500	12,500
Amounts owed by subsidiary undertakings after deducting provision of £53,174 (1997 – £53,174)	–	–	150,264	73,912
Amounts owed by associated undertakings	3,273,100	2,523,070	3,273,100	2,523,070
Amounts owed by affiliated undertakings	171,497	110,871	171,497	110,871
Other debtors	1,041,379	359,347	368,128	348,691
Corporation tax recoverable	375,017	–	375,017	–
	<u>4,873,493</u>	<u>3,005,788</u>	<u>4,350,506</u>	<u>3,069,044</u>

# Apple Corps Limited

## NOTES TO THE ACCOUNTS at 31 January 1998

### 13. CASH

	1998 £	1997 £	Change in year £
Cash and short term deposits at bank and in hand	8,681,418	13,550,088	(4,868,670)

	1997 £	1996 £	Change in year £
Cash and short term deposits at bank and in hand	13,550,088	22,461,193	(8,911,105)

### 14. CREDITORS: amounts falling due within one year

	Group 1998 £	Group 1997 £	Company 1998 £	Company 1997 £
Accruals	2,627,521	3,506,018	2,623,853	3,502,274
Amounts owed to associated undertakings	668,559	651,417	—	—
Amounts owed to affiliated undertakings	408,121	490,386	—	—
Loan (see below)	225,000	225,000	—	—
Other creditors	776,025	1,861,907	296,500	1,434,912
Current corporation tax	—	1,275,821	—	1,873,952
	4,705,226	8,010,549	2,920,353	6,811,138

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 liability to deferred taxation at either 31 January 1998 or 31 January 1997.

### 16. SHARE CAPITAL

	Authorised 1998 No.	Authorised 1997 No.	Allotted, called up and fully paid 1998 £	Allotted, called up and fully paid 1997 £
Ordinary shares of £1 each	100	100	100	100



# Apple Corps Limited

## NOTES TO THE ACCOUNTS at 31 January 1998

### 17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

#### Group

	Share capital £	Profit and loss account £	Total £
At 1 February 1996	100	9,434,284	9,434,384
Exchange differences on retranslation of net assets of subsidiary undertakings	—	(28,249)	(28,249)
Profit for the year	—	10,244,283	10,244,283
Dividends	—	(10,600,000)	(10,600,000)
At 1 February 1997	100	9,050,318	9,050,418
Exchange differences on retranslation of net assets of subsidiary undertakings	—	(8,039)	(8,039)
Profit for the year	—	1,329,164	1,329,164
Dividends	—	(1,000,000)	(1,000,000)
At 31 January 1998	100	9,371,443	9,371,543

#### Company

	Share capital £	Profit and loss account £	Total £
At 1 February 1996	100	10,045,741	10,045,841
Profit for the year	—	7,676,883	7,676,883
Dividends	—	(10,600,000)	(10,600,000)
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 31 January 1998	100	7,262,435	7,262,535

# Apple Corps Limited

## NOTES TO THE ACCOUNTS

at 31 January 1998

### 18. NOTES TO THE STATEMENT OF CASH FLOWS

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

	1998 £	1997 £
Operating profit	1,264,913	12,899,335
Depreciation	40,120	33,743
Translation reserve	(8,039)	(28,249)
Share of profits of associated undertakings	(418,838)	(740,860)
Decrease in film production costs	—	3,659,991
Increase in debtors	(1,492,688)	(178,958)
Decrease in creditors	(2,029,502)	(12,665,883)
Net cash (outflow)/inflow from operating activities	(2,644,034)	2,979,119

### 19. CONTINGENT LIABILITIES

The group is involved in various legal disputes in the ordinary course of business and, as at 31 January 1998, 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.

### 20. OTHER FINANCIAL COMMITMENTS

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

*Group and company*

	Land and buildings	
	1998 £	1997 £
Operating leases which expire:		
Within one year	—	—
In over five years	75,000	75,000

### 21. RELATED PARTY TRANSACTIONS

- 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 £1,387,500 each (1997 – £5,392,500 each) and name and likeness payments amounting to £140,750 each (1997 – £200,030 each).
- 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 (Music) Limited and Maclen Joint Limited for which £750,000 was included as income in the profit and loss account in the year (1997 – £760,000).