

764797

# Apple Corps Limited

## Report and Financial Statements

31 January 2007

MONDAY



\*LVXIHUZ5\*

LD4

26/11/2007  
COMPANIES HOUSE

41

# Apple Corps Limited

---

Registered No 764797

## **Directors**

Mrs Y O Lennon  
Mrs O T Harrison  
H L Gerrard  
J L Eastman

## **Secretary**

J V Jones

## **Auditors**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

## **Registered office**

27 Ovington Square  
London  
SW3 1LJ

## Directors' report

The directors present their report and financial statements for the year ended 31 January 2007

### Results and dividends

The profit for the year, after taxation, amounted to £1,880,950 (2006, loss - £1,323,261) The directors do not recommend the payment of any dividends

### Principal activities and review of the business

The principal activity of the company is the exploitation of audio, visual and ancillary activities relating to "The Beatles"

The company performed as expected during the year and the directors do not envisage any change in its activities

### Directors

The directors who served during the year were as follows

Mrs Y O Lennon  
Mrs O T Harrison  
H L Gerrard  
J L Eastman

### Financial risk management and liquidity risk

The directors confirm that, in accordance with the Companies Act 1985 (Operating and Financial Review and Director's Report) Regulations 2005, they have considered and reviewed the provisions included within Schedule 7(5A), relating to the financial risk management and policies of the company  
As a result of the review, the directors have concluded that the company will be able to continue funding its activities through its cash reserves, retained profits and cash flows from ongoing activities

### Auditors

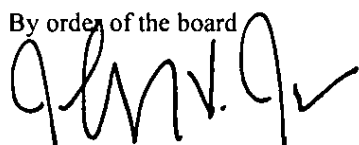
In accordance with section 386 of the Companies Act 1985, a resolution to dispense with the obligation to appoint auditors annually was passed on 16 December 1997 Accordingly, Ernst & Young LLP will be deemed to be reappointed as auditors

### Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1 Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

By order of the board



J V Jones  
Secretary

25 SEP 2007

## Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report**

### **to the members of Apple Corps Limited**

We have audited the company's financial statements for the year ended 31 January 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 financial statements 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 financial statements.

## **Independent auditors' report**

**to the members of Apple Corps Limited**

### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 January 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
London

*1 October 2007*

## Profit and loss account

for the year ended 31 January 2007

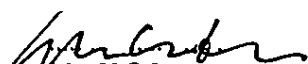
	Notes	2007 £	2006 £
<b>Turnover</b>	2	17,506,437	5,957,541
Administrative expenses		(16,335,921)	(8,451,806)
		<u>1,170,516</u>	<u>(2,494,265)</u>
Other operating income		653,360	767,800
<b>Operating profit/(loss)</b>	3	<u>1,823,876</u>	<u>(1,726,465)</u>
Income from investments		300,000	450,000
Interest receivable	6	411,123	314,771
Interest payable and similar charges	7	(654,049)	(362,508)
		<u>57,074</u>	<u>402,263</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		<u>1,880,950</u>	<u>(1,324,202)</u>
Tax on profit/(loss) on ordinary activities	8	—	941
<b>Profit/(Loss) for the year</b>	16	<u>1,880,950</u>	<u>(1,323,261)</u>

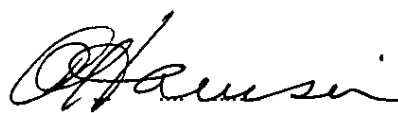
## Statement of total recognised gains and losses


There were no recognised gains or losses other than the profit for the year of £1,880,950 (2006 - loss of £1,323,261)

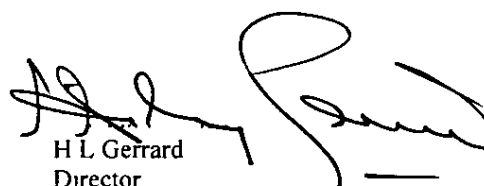
# **Balance sheet** at 31 January 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Intangible assets	9	—	—
Tangible assets	10	2,149,552	2,224,300
Investments	11	3,254,035	1,781,743
		<u>5,403,587</u>	<u>4,006,043</u>
<b>Current assets</b>			
Debtors	12	14,500,085	6,484,613
Cash at bank		<u>6,960,787</u>	<u>7,155,567</u>
		21,460,872	13,640,180
<b>Creditors</b> amounts falling due within one year	13	(14,495,200)	(4,907,810)
<b>Net current assets</b>		<u>6,965,672</u>	<u>8,732,370</u>
<b>Total assets less current liabilities</b>		12,369,259	12,738,413
<b>Creditors</b> amounts falling due after more than one year			
Loans	14	(5,465,632)	(7,715,736)
		<u>6,903,627</u>	<u>5,022,677</u>
<b>Capital and reserves</b>			
Called up share capital	15	100	100
Profit and loss account	16	6,903,527	5,022,577
<b>Equity shareholders' funds</b>	16	<u>6,903,627</u>	<u>5,022,677</u>

  
Mrs Y O Lennon  
Director

  
Mrs O T Harrison  
Director

  
J L Eastman  
Director

  
H L Gerrard  
Director

25 SEP 2007

## Statement of cash flows

for the year ended 31 January 2007

	Notes	2007 £	2006 £
<b>Net cash inflow/(outflow) from operating activities</b>	19(a)	630,032	(3,246,549)
<b>Returns on investments and servicing of finance</b>	19(b)	522,778	720,366
<b>Taxation</b>	19(c)	227,741	387,789
<b>Capital expenditure</b>	19(d)	(1,488,998)	(1,615,026)
<b>Financing</b>	19(e)	(86,333)	6,664,722
<b>(Decrease)/increase in cash</b>		<u>(194,780)</u>	<u>2,911,302</u>

### Reconciliation of net cash flow to movement in net funds/(debt)

		2007 £	2006 £
(Decrease)/increase in cash		(194,780)	2,911,302
Cash outflow from decrease in bank loans		86,333	86,333
Cash inflow from shareholder loans		–	(6,751,055)
Change in net debt resulting from cash flows	19(f)	(108,447)	(3,753,420)
Exchange difference		620,473	–
Movement in net funds/(debt)		512,026	(3,753,420)
Net (debt)/funds at 1 February	19(f)	(329,322)	3,424,098
Net funds/(debt) at 31 January	19(f)	<u>182,704</u>	<u>(329,322)</u>

## Notes to the financial statements

at 31 January 2007

### 1. Accounting policies

#### *Basis of preparation*

The financial statements are prepared under the historical cost convention

#### *Consolidated financial statements*

The company is exempt from the requirement to prepare group financial statements by virtue of section 248 of the Companies Act 1985. The financial statements therefore present information about the company as an individual undertaking and not about its group.

#### *Intangible assets*

Intangible assets acquired separately from a business are capitalised at cost. They are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Fixed assets*

All fixed assets are initially recorded at cost.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold buildings	- over 50 years
Fixtures, fittings and equipment	- over 4 years
Motor vehicles	- over 4 years
Website costs	- over 3 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Investments*

Investments are stated at cost less provision for any impairment in value.

The carrying values of investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for deferred tax that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## Notes to the financial statements

at 31 January 2007

### 1. Accounting policies (continued)

#### *Foreign currencies*

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

#### *Operating lease agreements*

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

#### *Affiliated undertakings*

In these financial statements 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

#### *Royalty income*

Royalty income is accounted for on an accruals basis. Royalty audit claims are not booked as income until amounts arising from such claims are received by the company

#### *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 been accounted for during the year. Any reductions are accounted for as a deduction from turnover in subsequent periods

### 2. Turnover

Turnover represents income derived from the company's continuing ordinary activities, stated net of value added tax, and is accounted for on an accruals basis

It is the opinion of the directors that, in view of the nature of the company'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 the particulars of turnover in these financial statements

### 3. Operating profit/(loss)

This is stated after charging

	2007 £	2006 £
Auditors' remuneration - audit services	30,000	30,000
- non-audit services	192,766	233,739
	<u>91,454</u>	<u>92,620</u>
Depreciation of owned fixed assets	91,454	92,620
Amortisation	-	143,907
	<u>91,454</u>	<u>236,527</u>
Operating lease rentals - office equipment	6,975	5,269

## Notes to the financial statements

at 31 January 2007

### 4. Staff costs

	2007 £	2006 £
Wages and salaries	360,284	340,128
Social security costs	38,025	35,832
	<u>398,309</u>	<u>375,960</u>

	2007 No	2006 No
The average monthly number of employees, excluding directors, all employed in an administrative capacity was	<u>13</u>	<u>12</u>

### 5. Directors' emoluments

	2007 £	2006 £
Fees	600,000	600,000
Other emoluments	105,666	107,670
	<u>705,666</u>	<u>707,670</u>

The aggregate emoluments of the highest paid director amounted to £190,353 (2006 - £190,743)

### 6. Interest receivable

	2007 £	2006 £
Bank interest receivable	250,657	257,924
Interest receivable from subsidiary undertaking	142,638	32,367
Other interest	17,828	24,480
	<u>411,123</u>	<u>314,771</u>

### 7. Interest payable and similar charges

	2007 £	2006 £
Loan interest	614,259	318,103
Bank loans	39,756	44,398
Other interest	34	7
	<u>654,049</u>	<u>362,508</u>

## Notes to the financial statements

at 31 January 2007

### 8. Taxation

#### (a) Tax on loss on ordinary activities

The tax credit is made up as follows

	2007 £	2006 £
<i>Current tax</i>		
UK corporation tax	–	–
Tax over provided in previous years	–	941
Total current tax credit (note 8(b))	<u>–</u>	<u>941</u>

#### (b) Factors affecting current tax credit

The tax assessed on the profit/(loss) on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2006 - 30%) The differences are reconciled below

	2007 £	2006 £
Profit/(loss) on ordinary activities before taxation	<u>1,880,950</u>	<u>(1,324,202)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	564,285	(397,261)
Expenses not deductible for tax purposes	2,668	2,483
Dividends receivable, not taxable	(90,000)	(135,000)
Capital allowances in arrears of depreciation	16,893	15,700
Adjustments to tax charge in respect of previous years	–	(941)
Losses (utilised)/carried forward to future years	<u>(493,846)</u>	<u>514,078</u>
Total current tax (note 8(a))	<u>–</u>	<u>(941)</u>

#### (c) Deferred tax

The company has a deferred tax asset of approximately £48,000 (2006 - £58,000) in respect of decelerated capital allowances and £94,000 (2006 - £580,000) in respect of trading losses, which, subject to agreement with HM Revenue & Customs, are available for carry forward and offset against future profits arising from the same trade. The asset has not been recognised in the financial statements on the grounds that there is insufficient evidence available that the asset will be recovered in future years.

## Notes to the financial statements

at 31 January 2007

### 9. Intangible fixed assets

	<i>Trademarks</i> £
Cost	
At 1 February 2006 and 31 January 2007	<u>518,067</u>
Amortisation	
At 1 February 2006 and 31 January 2007	<u>518,067</u>
Net book value	
At 1 February 2006 and 31 January 2007	<u>—</u>

### 10. Tangible fixed assets

	<i>Freehold land and buildings</i> £	<i>Fixtures, fittings and equipment</i> £	<i>Motor vehicles</i> £	<i>Website costs</i> £	<i>Total</i> £
Cost					
At 1 February 2006	2,385,367	409,286	95,329	30,518	2,920,500
Additions	—	16,706	—	—	16,706
At 31 January 2007	<u>2,385,367</u>	<u>425,992</u>	<u>95,329</u>	<u>30,518</u>	<u>2,937,206</u>
Depreciation					
At 1 February 2006	242,591	347,688	75,403	30,518	696,200
Provided during the year	37,604	33,924	19,926	—	91,454
At 31 January 2007	<u>280,195</u>	<u>381,612</u>	<u>95,329</u>	<u>30,518</u>	<u>787,654</u>
Net book value					
At 31 January 2007	<u>2,105,172</u>	<u>44,380</u>	<u>—</u>	<u>—</u>	<u>2,149,552</u>
At 1 February 2006	<u>2,142,776</u>	<u>61,598</u>	<u>19,926</u>	<u>—</u>	<u>2,224,300</u>

## Notes to the financial statements

at 31 January 2007

### 11. Investments

	<i>Subsidiary undertakings</i> £	<i>Associated undertakings</i> £	<i>Joint ventures</i> £	<i>Total</i> £
Cost				
At 1 February 2006	1,018,225	171,700	599,863	1,789,788
Additions	1,228,921	–	243,371	1,472,292
At 31 January 2007	<u>2,247,146</u>	<u>171,700</u>	<u>843,234</u>	<u>3,262,080</u>
Amounts provided				
At 1 February 2006 and 31 January 2007	<u>(8,045)</u>	<u>–</u>	<u>–</u>	<u>(8,045)</u>
Net book value				
At 31 January 2007	<u>2,239,101</u>	<u>171,700</u>	<u>843,234</u>	<u>3,254,035</u>
At 1 February 2006	<u>1,010,180</u>	<u>171,700</u>	<u>599,863</u>	<u>1,781,743</u>

The additions to subsidiary undertakings represent further capital subscribed in Apple Show Inc, and the additions to Joint ventures additional capital subscribed to The Cirque Apple Creation Partnership

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows

<i>Name of company</i>	<i>Country of incorporation (or registration) if not Great Britain</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
<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%*	Exploitation of musical copyrights
Apple Music Publishing Inc	USA	100%*	Exploitation of musical copyrights
Apple Films Inc	USA	100%*	Exploitation of film copyrights
Apple Washington	USA	100%	Charity
Apple Publicity Limited		100%	Dormant
Apple Management Limited		100%	Dormant
Apple Electronics Limited		100%	Dormant
Apple Charity (UK) Limited		100%*	Charity
Python Music Limited		100%	Production and commercial exploitation of films
Apple Show Inc	USA	100%	Intermediate holding company

\* Held by a subsidiary undertaking

All shareholdings are ordinary shares or common stock

# Notes to the financial statements

at 31 January 2007

## 11. Investments (continued)

<i>Name of company</i>	<i>Proportion of voting rights and shares held</i>		<i>Nature of business</i>
<b>Associated undertakings</b>			
Maclen (Music) Limited	'C' ordinary shares	20%	Holding company
Maclen Joint Limited+	Ordinary shares	20%	Exploitation of musical copyrights
Subafilms Limited	Ordinary shares	23.9%	Marketing, production and distribution of films and videos

+ Held by an associated undertaking

	<i>Proportion of voting rights or shares held</i>	<i>Nature of business</i>
<b>Joint ventures</b>		
The Cirque Apple Creation Partnership	50%	Creation of musical performance
Cirque Apple Las Vegas, L L C * (incorporated in the USA)	50%	Producing and presenting a live show

\* Held by a subsidiary undertaking

The registered office address of The Cirque Apple Creation Partnership is 27 Ovington Square, London SW3 1LJ. The exemptions conferred by regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993 has been taken.

Information relevant to the subsidiary and associated undertakings is as follows

	<i>Aggregate capital and reserves SFr</i>	<i>Profit/(loss) for the year SFr</i>
<b>Subsidiary undertakings</b>		
Apple Corps S A+	481,313	17,911
	<i>US\$</i>	<i>US\$</i>
Apple Corps Inc*	(292,607)	97,245
Apple Records Inc (California)*	(2,420,299)	(1,031)
Apple Records Inc (New York)*	(102,175)	(1,051)
Apple Music Publishing Inc *	813,894	28,836
Apple Films Inc *	575,037	32,100
Apple Show Inc	3,523,457	613,357
	<i>£</i>	<i>£</i>
Apple Publicity Limited	2	—
Apple Management Limited	2	—
Apple Electronics Limited	(48,413)	—
Apple Charity (UK) Limited	235	(39)
Apple Washington	12,500	(1,067)
Python Music Limited	(1,019,646)	(12,813)

## Notes to the financial statements

at 31 January 2007

### 11. Investments (continued)

	<i>Aggregate capital and reserves</i> £	<i>Profit/(loss) for the year</i> £
<b>Associated undertakings</b>		
Maclen (Music) Limited+	263,892	3,546,821
Maclen Joint Limited+	2,353,565	1,598,258
Subafilms Limited+	501,847	137,451

	<i>Aggregate capital and reserves</i> US\$	<i>Profit/(loss) for the period</i> US\$
<b>Joint ventures</b>		
The Cirque Apple Creation Partnership+	3,912,690	654,880
Cirque, Apple Las Vegas, L L C +	23,077,858	4,735,286

\* Year ended 30 June 2006

+ Year ended 31 December 2006

| Period ended 31 May 2006

### 12. Debtors

	2007 £	2006 £
Amounts owed by subsidiary undertakings	3,735,842	1,948,034
Amounts owed by associated undertakings	1,706,918	1,972,542
Amounts owed by affiliated undertakings	115,052	107,052
Corporation tax repayable	360,411	588,152
Other debtors	1,384	62,194
Prepayments and accrued income	8,580,478	1,806,639
	<u>14,500,085</u>	<u>6,484,613</u>

### 13. Creditors: amounts falling due within one year

	2007 £	2006 £
Current instalment due on loans (note 14)	2,214,739	86,333
Accruals and deferred income	12,280,461	4,821,477
	<u>14,495,200</u>	<u>4,907,810</u>

## Notes to the financial statements

at 31 January 2007

### 14. Loans

	2007 £	2006 £
Not wholly repayable within five years		
Variable rate bank loan at 1% over bank base rate, repayable in annual instalments of £86,333	647,500	733,833
Wholly repayable within five years		
Variable rate loans at 2% over J P Morgan Chase, Prime Rate, from shareholders, repayable in quarterly instalments of US\$600,000	6,130,582	6,751,055
Interest accrued on variable rate loans	902,289	317,181
	<u>7,680,371</u>	<u>7,802,069</u>
Less included in creditors amounts falling due within one year (note 13)	(2,214,739)	(86,333)
	<u>5,465,632</u>	<u>7,715,736</u>
	2007 £	2006 £
Amounts repayable		
In one year or less	2,214,739	86,333
In more than one year but not more than two years	1,312,450	1,753,727
In more than two years but not more than five years	3,937,349	4,309,631
	<u>7,464,538</u>	<u>6,149,691</u>
In more than five years	215,833	1,652,378
	<u>7,680,371</u>	<u>7,802,069</u>

The variable rate bank loan is secured by a fixed legal charge over the freehold land and buildings

### 15. Share capital

	2007 £	Authorised 2006 £
Ordinary shares of £1 each	<u>100</u>	<u>100</u>
	<i>Allotted, called up and fully paid</i>	
	2007	2006
	No	No
	£	£
Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

### 16. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Profit and loss account £	Total share- holders' funds £
At 31 January 2005	100	6,345,838	6,345,938
Loss for the year	—	(1,323,261)	(1,323,261)
At 31 January 2006	<u>100</u>	<u>5,022,577</u>	<u>5,022,677</u>
Profit for the year	—	1,880,950	1,880,950
At 31 January 2007	<u>100</u>	<u>6,903,527</u>	<u>6,903,627</u>

## Notes to the financial statements

at 31 January 2007

### 17. Commitments under operating leases

At 31 January 2007 the company had annual commitments under non-cancellable operating leases as set out below

	2007	Other 2006
	£	£
Operating leases which expire In two to five years	5,400	5,400

### 18. Contingent liabilities

The company is involved in various legal disputes in the ordinary course of business and, as at 31 January 2007, 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 company

### 19. Notes to the statement of cash flows

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

	2007	2006
	£	£
Operating profit/(loss)	1,823,876	(1,726,465)
Depreciation	91,454	92,620
Amortisation	—	143,907
Unrealised exchange gain	(649,624)	(923)
(Increase)/decrease in debtors	(8,094,520)	1,115,212
Increase/(decrease) in creditors	7,458,846	(2,870,900)
Net cash inflow/(outflow) from operating activities	630,032	(3,246,549)

(b) Returns on investments and servicing of finance

	2007	2006
	£	£
Dividends received	300,000	450,000
Interest received	262,430	314,771
Interest paid	(39,652)	(44,405)
	522,778	720,366

(c) Taxation

	2007	2006
	£	£
Corporation tax paid	(75,000)	(66,800)
Corporation tax repaid	302,741	454,589
	227,741	387,789

## Notes to the financial statements

at 31 January 2007

### 19. Notes to the statement of cash flows (continued)

#### (d) Capital expenditure

	2007 £	2006 £
Payments to acquire tangible fixed assets	(16,706)	(9,765)
Payments to acquire fixed asset investments	(1,472,292)	(1,605,261)
	<u>(1,488,998)</u>	<u>(1,615,026)</u>

#### (e) Financing

	2007 £	2006 £
Repayment of bank loans	(86,333)	(86,333)
Unsecured loans	–	6,751,055
	<u>(86,333)</u>	<u>6,664,722</u>

#### (f) Analysis of changes in net funds

	At 1 February 2006 £	Cash flows £	Other non-cash movements £	Exchange differences £	At 31 January 2007 £
Cash at bank and in hand	7,155,567	(194,780)	–	–	6,960,787
Debt due within one year	(86,333)	86,333	(1,436,545)	124,094	(1,312,451)
Debt due after one year, excluding accrued interest	(7,398,556)	–	1,436,545	496,379	(5,465,632)
	<u>(329,322)</u>	<u>(108,447)</u>	<u>–</u>	<u>620,473</u>	<u>182,704</u>

### 20. Related party transactions

- Amounts charged to the profit and loss account include fees for the promotional services of the beneficial shareholders (Sir J P McCartney, Mr R Starkey, Mrs Y O Lennon and Mrs O T Harrison) amounting to £2,110,225 each (2006 - £672,475 each) and name and likeness payments amounting to £561,750 each (2006 - £210,625 each)
- Apple Corps Limited provides administration services to Maclen Joint Limited for which £653,360 was included as income in the profit and loss account in the year (2006 - £767,800) The amount due from Maclen Joint Limited at the year end amounted to £535,513 (2006 - £652,563) Mrs Y O Lennon and Sir J P McCartney each has a direct interest of 40% in the share capital of Maclen (Music) Limited, the parent undertaking of Maclen Joint Limited
- At 31 January 2007, the company was owed a net amount of £1,138,754 (2006 - £1,317,858) by Subafilms Limited, a company owned by one or more of the shareholders of Apple Corps Limited

## Notes to the financial statements

at 31 January 2007

### 20. Related party transactions (continued)

(d) At 31 January 2007, the company was owed the following amounts by its US subsidiaries

	2007 £	2006 £
Apple Records Inc	12,436	13,208
Apple Records Inc (California)	34,335	37,319
Apple Music Publishing Inc	11,862	12,717
Apple Films Inc.	169,373	167,542
Apple Corps Inc	274,260	173,870
Apple Show Inc	<u>3,233,579</u>	<u>1,543,382</u>

(e) Details in respect of advances received from the shareholders of the company are as set out below

	<i>Advance received in 2007 US\$</i>	<i>Advance received in 2006 US\$</i>	<i>Balance owed at 31 January 2007 £</i>	<i>Balance owed at 31 January 2006 £</i>
G H Estate Limited	—	3,000,000	1,759,964	1,770,106
Sir J P McCartney	—	3,000,000	1,758,813	1,767,340
Mrs Y O Lennon	—	3,000,000	1,756,825	1,765,152
Widgeon Investments Limited	—	<u>1,500,000</u>	<u>1,757,268</u>	<u>1,765,638</u>

The amounts owed at 31 January 2007 and 31 January 2006 are included in loans (note 14)

(f) Details in respect of interest payable on the shareholder loans are as set out below

	<i>Year ended 31 January 2007 £</i>	<i>Year ended 31 January 2006 £</i>
G H Estate Limited	152,544	82,508
Sir J P McCartney	153,905	79,797
Mrs Y O Lennon	153,905	77,625
Widgeon Investments Limited	<u>153,905</u>	<u>78,173</u>

The company has no ultimate controlling party