

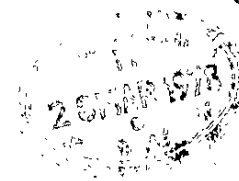
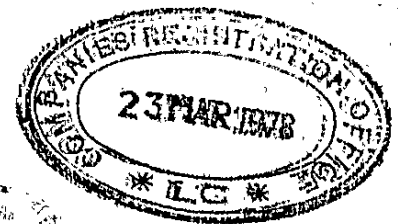
APPLE CORPS LIMITED

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STATUTORY ACCOUNTS
AND RELATED DOCUMENTS
DECEMBER 31, 1975



Arthur Young McClelland Moores & Co.

CHARTERED ACCOUNTANTS

LONDON

764797
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APPLE CORPS LIMITED

1975

REPORT AND ACCOUNTS
DECEMBER 31, 1975

APPLE CORPS LIMITED

DIRECTORS' REPORT

The directors submit their report and group accounts for the year ended December 31, 1975.

Results

The loss after taxation and extraordinary items of Apple Corps Limited and its subsidiaries, excluding the US Apple Group, for the year was £416,930. The directors do not recommend the payment of a dividend.

Principal activity

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

Exports

No goods were exported during the year by the company or its subsidiaries.

Directors and their interests

The directors at December 31, 1975 who served during the year and their beneficial interests in the share capital of the company were as follows:-

	At December 31, 1975 at date of appointment	At January 1, 1975 or at date of appointment
	Ordinary shares	Ordinary shares
Mr. J. G. Lennon	15	25
Mr. J. P. McCartney	15	25
Mr. R. Starkey	15	25
Mr. P. D. D'Souza (appointed December 3, 1975)	-	-

In addition Mr. J. Starkey, who had a beneficial interest in 25 ordinary shares throughout the year, served as a director until December 2, 1975 when he resigned.

The company was a party to an agreement with Warner Music Limited of which Messrs. George and McCartney each owned 40% of the share capital, for the administration of their company. An agreement for the management of Warner Music Limited was terminated on January 22, 1975.

Directors and their interests (continued)

Messrs. Harrison, Lennon, McCartney and Starkey have from the inception of the company devoted the majority of their activities to creative matters and the exploitation and promotion of their creative efforts and they have not actively been involved in the financial affairs of the company. These have primarily been handled on their behalf by various personal managers, business managers and management companies.

Auditors

A resolution to reappoint as auditors Arthur Young McClelland Moores & Co. will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD

MOOR HOUSE SECRETARIES

Secretary

29, St. James's Street,
London, SW1.

Arthur Young McClelland Moores & Co.

CHARTERED ACCOUNTANTS

Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL

REPORT OF THE AUDITORS TO THE MEMBERS OF APPLE CORPS LIMITED

- 1.1 We have examined the accounts of Apple Corps Limited and its subsidiaries, excluding the US Apple Group as defined in paragraph 2.1 below for the year ended December 31, 1975 set out on pages 6 to 21 which have been prepared under the historical cost convention.
- 1.2 As stated in note 11, the company has not yet agreed with H.M. Inspector of Taxes the corporation tax liabilities for the nine years ended December 31, 1975. Until such time as the corporation tax liabilities are agreed with H.M. Inspector of Taxes, we are unable to form an opinion on whether the provision for taxes is fairly stated.
- 1.3 As stated in note 11 no provision has been made in the accounts in respect of the possible taxation liability on shortfall/excess relevant income which, on the basis of the corporation tax liabilities reflected in these accounts, could amount to a maximum of £3,750,000. Until such time as these tax liabilities are agreed with H.M. Inspector of Taxes, we are unable to form an opinion as to what provision, if any, might have been necessary in this respect.
- 1.4 No account has been taken of:
- a) any additional royalties which may be receivable as a result of the claim referred to in note 18(b);
 - b) any additional amounts which may be payable as a result of the proceedings referred to in note 18(c);
 - c) any additional amounts which may be payable as a result of the claim referred to in note 18(e).
- 1.5 As stated in note 7, amounts due from subsidiaries not consolidated are included after deducting a provision of £720,297. However we are unable to form an opinion as to the state of affairs of the US Apple Group (see paragraph 2.4 below) and accordingly we are unable to form an opinion as to whether such provisions may be excessive or whether further provisions may be required.

- 1.6 Subject to such adjustments, if any, as might have been required had the outcome of the matters referred to in paragraphs 1.2, 1.3, 1.4 and 1.5 above been known, in our opinion the accounts set out on pages 6 to 21 give, under the historical cost convention, a true and fair view of the state of affairs of the company and of Apple Corps Limited and its subsidiaries, excluding the US Apple Group, at December 31, 1975, and of the loss for the year ended on that date and comply with the Companies Acts 1948 and 1967.
- 2.1 As mentioned in note 7 to the accounts of Apple Corps Limited, the unaudited consolidated financial statements of Apple Corps Inc. and its subsidiaries (the US Apple Group) for the year ended June 30, 1975, have been presented separately on pages 22 to 29. These financial statements have been prepared under the historical cost convention.
- 2.2 We have been unable to obtain all the information and explanations which we required for the purposes of our examination of the unaudited consolidated financial statements of the US Apple Group in relation to our audit of the group accounts, in that adequate documentation in support of certain material assets and liabilities reflected in these financial statements and initially contained in the books of account at June 30, 1973 has not been made available. For this reason we have not been able to satisfy ourselves that the books of account of the US Apple Group were properly kept for the year ended June 30, 1975, nor has it been possible to complete an audit.
- 2.3 No account has been taken of: -
- a) any additional liability for contingent taxes relating to income derived from the Concert for Bangladesh as referred to in note 5.
 - b) any potential tax deficiencies referred to in note 6.
 - c) any additional amounts which may be receivable as a result of the claim referred to in note 11.
- 2.4 In view of the materiality of the matters mentioned in paragraphs 2.2 and 2.3 above, we are unable to form an opinion on whether or not the unaudited consolidated financial statements of the US Apple Group give, so far as is relevant in connection with our audit of the group accounts:
- i) a true and fair view of the state of affairs of the US Apple Group at June 30, 1975 or of the results for the year ended on that date, or
 - ii) the information required by the Companies Acts 1948 and 1967.

- 3.1 The attached accounts of Apple Corps Limited and its subsidiaries, excluding the US Apple Group, set out on pages 6 to 21, together with the unaudited consolidated financial statements of Apple Corps Inc., set out on pages 22 to 29, form the group accounts.
- 3.2 In our opinion the group accounts have been prepared on the bases stated in the notes and give the information required by the Companies Acts 1948 and 1967 to the extent that it is practicable in the light of the foregoing matters. However, in view of the materiality of the matters referred to in this report, we are unable to form an opinion on whether or not the group accounts:
- i) give, so far as concerns members of the holding company, a true and fair view of the state of affairs of the group at December 31, 1975 or of the results for the year ended on that date, or
 - ii) comply with the Companies Acts 1948 and 1967.

London
March 20, 1976

Arthur Young Chartered Accountants

APPLE CORPS LIMITED AND ITS SUBSIDIARIES
(EXCLUDING THE US APPLE GROUP)

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1975

	Notes	1975	1974
		£	£
Turnover -	1		
Third parties		2,540,979	3,770,014
Subsidiaries not consolidated		-	(10,887)
		<u>£2,540,979</u>	<u>£3,759,127</u>
		£	£
Operating profit after charging:		395,579	593,488
Depreciation	2	14,403	27,142
Directors' remuneration	3	600,000	806,576
Auditors' remuneration		26,000	26,000
Interest on long term debt		14,851	14,992
Other interest		27,952	93,933
after crediting:			
Profit on disposal of investments		196,821	-
Interest		696,205	12,449
Income from trade investment	5	-	1,626,400
Compensation for termination of management agreement	8	-	857,929
Share of profits less losses of associated companies	8	144,976	(55,816)
Profit before taxation and extraordinary items		540,555	537,672
Taxation	11	279,480	362,228
Profit before extraordinary items		261,075	175,444
Extraordinary items	12	(778,005)	(183,726)
Loss for the year after extraordinary items of which a loss of £(576,672) (1974 - a profit of £118,275) is dealt with in the accounts of the holding company		(516,930)	(8,282)
Retained profits at January 1, 1975		4,793,568	4,801,850
Retained profits at December 31, 1975	13	<u>£4,276,638</u>	<u>£4,793,568</u>

The notes on pages 9 to 21 form part of these accounts.

APPLE CORPS LIMITED AND ITS SUBSIDIARIES
(EXCLUDING THE US APPLE GROUP)

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 1975

	Notes	1975	1974
		£	£
Fixed assets	2	430,083	1,164,851
Due from former Receiver and Manager of The Beatles and Co.	5	4,344,452	7,007,544
Investment in subsidiaries not consolidated	7	4	4
Interest in associated companies	8	264,806	187,379
Current assets			
Due from subsidiaries not consolidated less provision of £720,297 (1974 - £621,690)	7	45,412	42,414
Advances to directors	9	212,220	236,821
Accounts receivable	10	1,469,112	2,217,267
Cash and short term loans		2,889,382	1,872,150
		<u>4,616,126</u>	<u>4,368,652</u>
Current liabilities			
Bank overdraft		-	346,985
Accounts payable		2,342,483	4,023,526
Due to subsidiaries not consolidated		312,179	616,479
Promissory notes		-	302,250
Loan	14	225,000	225,000
Current portion of long term debt	15	196,589	2,273
Corporation tax due July 1, 1977		84,191	249,887
Current taxation		2,218,291	1,971,773
		<u>5,378,733</u>	<u>7,738,173</u>
Net current liabilities		(762,607)	(3,369,521)
		<u>4,276,738</u>	<u>4,990,257</u>
Long term debt	15	-	(196,589)
		<u>£4,276,738</u>	<u>£4,793,668</u>
Representing:		£	£
Share capital	16	100	100
Retained profits		4,276,638	4,793,568
	Directors	<u>£4,276,738</u>	<u>£4,793,668</u>

The notes on pages 9 to 21 form part of these accounts.

APPLE CORPS LIMITED

BALANCE SHEET AT DECEMBER 31, 1975

	Notes	1975	1974
		£	£
Fixed assets	2	430,083	1,164,851
Due from former Receiver and Manager of The Beatles and Co.	5	4,344,452	7,007,544
Investment in subsidiaries	6	17,711	17,711
Interest in associated companies	8	171,700	171,700
Current assets			
Due from subsidiaries	6	169,230	158,185
Advances to directors	9	212,220	236,821
Accounts receivable	10	1,460,699	2,191,060
Cash and short term loans		2,711,486	1,721,051
		<u>4,553,635</u>	<u>4,307,117</u>
Current liabilities			
Bank overdraft		-	339,168
Accounts payable		2,230,101	3,939,885
Due to subsidiaries		312,179	616,479
Promissory notes		-	302,250
Current portion of long term debt	15	196,589	2,273
Corporation tax due July 1, 1977		84,191	249,887
Current taxation		2,210,560	1,961,759
		<u>5,033,620</u>	<u>7,411,701</u>
Net current liabilities		<u>(479,985)</u>	<u>(3,104,584)</u>
		4,483,951	5,257,222
Long term debt	15	-	(196,589)
		<u>£4,483,951</u>	<u>£5,060,633</u>
Representing:		£	£
Share capital	16	100	100
Retained profits		4,483,851	5,060,533
		<u>£4,483,951</u>	<u>£5,060,633</u>
Directors			
		<u>£4,483,951</u>	<u>£5,060,633</u>

The notes on pages 9 to 21 form part of these accounts.

APPLE CORPS LIMITED AND ITS SUBSIDIARIES
(EXCLUDING THE US APPLE GROUP)

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1975

1. Accounting policies

a) Historical cost convention

The accounts of the group have been prepared under the historical cost convention.

b) Turnover

Turnover comprises: -

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

No provision is made for any reduction in royalties receivable in subsequent periods as a result of the return of records sold in respect of which royalties would normally have become due and payable during the period.

- (ii) Administration fees to an associated company, interest receivable, and income from investments held by the former Receiver and Manager of The Beatles and Co. on behalf of the company.

- (iii) In the year ended December 31, 1974, share of profits from the trade investment in a partnership, as disclosed in that partnership's annual accounts, which have been prepared on the same basis as the group accounts except as stated in note 5(v)(a) below, and which are coterminous with the group accounts.

(c) Depreciation

The group policy is to provide depreciation on all fixed assets other than on freehold land and buildings. The rates used are calculated to write off the cost of each asset by equal annual instalments over its expected useful life, as follows: -

Short leasehold	- over the unexpired portion of the lease
Vehicles and equipment	- over 4 years.

(d) Preliminary expenses

Preliminary expenses in setting up subsidiary companies are written off in the profit and loss account in the period in which they are incurred.

(e) Subsidiary companies

Apart from the unaudited consolidated financial statements of Apple Corps Inc., and its subsidiaries to which reference is made in note 7, the consolidated accounts include the audited accounts of all subsidiary companies all of which are made up to December 31, 1975.

APPLE CORPS LIMITED AND ITS SUBSIDIARIES
(EXCLUDING THE US APPLE GROUP)

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1975
(continued)

1. Accounting policies (continued)

(f) Associated companies

The consolidated profit and loss account includes the proportion of the results of associated companies attributable to the shareholdings of Apple Corps Limited and its subsidiaries. In the consolidated balance sheet the investments in associated companies are shown at the aggregate of cost and the group's share of post-acquisition profits less losses.

(g) Foreign currencies

Transactions in foreign currencies during the year are converted at the rate ruling at the date of the transaction. Receivables and payables in foreign currencies are converted at the rate of exchange on the balance sheet date. Differences on conversion are taken to profit and loss account.

The accounts of the overseas subsidiaries that have been consolidated have been translated into sterling at rates of exchange ruling at the balance sheet date.

2. Fixed assets

	<u>Group and Company</u>			
	<u>Freehold land and buildings</u>	<u>Short leaseholds</u>	<u>Vehicles and equipment</u>	<u>Total</u>
	£	£	£	£
Cost less provision				
At January 1, 1975	1,137,085	4,320	151,396	1,292,801
Additions	58,480	-	2,464	60,944
Disposals	-	-	(7,934)	(7,934)
Less provision for permanent diminution in estimated market value	(776,707)	(4,320)	-	(781,027)
At December 31, 1975	418,858	-	145,926	564,784
Depreciation				
At January 1, 1975	-	2,590	125,360	127,950
Provided during the year	-	432	13,971	14,403
Disposals	-	-	(4,630)	(4,630)
Adjustment for permanent diminution in estimated market value	-	(3,022)	-	(3,022)
At December 31, 1975	-	-	134,701	134,701

APPLE CORPS LIMITED AND ITS SUBSIDIARIES
(EXCLUDING THE US APPLE GROUP)

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1975
(continued)

2. <u>Fixed assets</u> (continued)	<u>Group and Company</u>			<u>Total</u>
	<u>Freehold land and buildings</u>	<u>Short leaseholds</u>	<u>Vehicles and equipment</u>	
Net book amounts				
December 31, 1975	£418,858	£ -	£11,225	£430,083
January 1, 1975	£1,137,085	£1,730	£26,036	£1,164,851

During the year the company decided not to complete the redevelopment programme of the company's premises at 3, Savile Row, London, W.1., which had continued since 1971. The directors, on professional advice, have made provision in these accounts for the difference between the estimated open market existing use value of £400,000 at December 31, 1975 and the accumulated development costs to that date. Consequently £776,707 has been charged as an extraordinary item in the profit and loss account for the year ended December 31, 1975 (see note 12).

3. <u>Directors' remuneration</u>	<u>1975</u>	<u>1974</u>
	£	£
Fees	-	-
Other emoluments	600,000	806,576
	<u>£600,000</u>	<u>£806,576</u>

The emoluments of the highest paid director were £150,000 (1974 - £400,000).

The number of other directors whose emoluments fell within the ranges below were:-

	<u>1975</u>	<u>1974</u>
£ 2,501 - £ 5,000	-	2
£147,501 - £150,000	3	-
£397,501 - £400,000	-	1

4. Employees' emoluments

The number of employees whose remuneration during the year exceeded £10,000 fell within the following range:

	<u>1975</u>	<u>1974</u>
£395,001 - £397,500	-	2

The employees included above were appointed as directors during 1974 and their emoluments for the purpose of this note relate solely to the period prior to their appointment as directors.

APPLE CORPS LIMITED AND ITS SUBSIDIARIES
(EXCLUDING THE US APPLE GROUP)

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1975
(continued)

5. Due from former Receiver and Manager of The Beatles and Co.

(i) The company had an 80% interest in the partnership, the Beatles and Co. Under the terms of the partnership the company was entitled to an 80% share of the partnership's profits and losses and this has been included as income in the company's accounts for the year ended December 31, 1974, based on the audited accounts of the partnership for the year then ended.

(ii) High Court proceedings seeking, inter alia, the dissolution of the partnership and the appointment of a Receiver were commenced by one of the partners on December 31, 1970. The court appointed a Receiver and Manager of the partnership on April 15, 1971. At that date the control of the assets and liabilities of the partnership was vested by the court in the Receiver and Manager, and the assets and liabilities were no longer at the disposal of the partners.

The dispute between the partners was settled by an agreement dated December 29, 1974 and by an Order of the High Court dated December 31, 1974 the partnership was dissolved and the Receiver and Manager was discharged.

Under the terms of the settlement agreement

- (a) the tangible assets and liabilities of the partnership reflected in the partnership accounts at the date of dissolution vested in the partners individually in accordance with their current accounts as at the date of dissolution and the right to receive income from Beatle group recordings vested in the partners individually in accordance with their respective entitlements to share in partnership profits.
- (b) income arising from recordings by the partners individually received by the partnership prior to October 1, 1974 was agreed to be treated as income of the partnership, and thereafter the income of the individual concerned.
- (iii) The group and company interest in the former partnership at December 31, 1974 and due from the former Receiver and Manager at that date, is made up as follows:

APPLE CORPS LIMITED AND ITS SUBSIDIARIES
(EXCLUDING THE US APPLE GROUP)

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1975
(continued)

5. Due from former Receiver and Manager of The Beatles and Co. (continued)

(iii) (continued)

	<u>1974</u>
	£
Capital at cost	816,000
Less acquisition costs written off	<u>(8,000)</u>
	<u>808,000</u>
Share of profits before taxation	
At January 1, 1974	9,067,813
For the year (see note 5(v) below)	<u>1,626,400</u>
	<u>10,694,213</u>
At December 31, 1974	<u>10,694,213</u>
Current account	<u>(4,494,669)</u>
Total interest at December 31, 1974	<u>£ 7,007,544</u>

(iv)

Following the dissolution of the partnership the former Receiver and Manager has retained, with the permission of the Court, funds due to the partners in order to meet any liabilities that might be payable by him in respect of the former partnership. At December 31, 1975 the funds held by the former Receiver and Manager and due to the company were represented by the following:

	<u>1975</u>	<u>1974</u>
	£	£
Investments at cost	4,521,973	4,222,633
(Market value £4,773,302, 1974 - £4,285,037)		
Cash at bank	291,462	3,529,393
Less:		
Provision for income tax	(247,593)	(547,593)
Due to other former partners	<u>(221,390)</u>	<u>(196,889)</u>
Due from former Receiver and Manager at December 31, 1975	<u>£4,344,452</u>	<u>£7,007,544</u>

The former Receiver and Manager released to the company on August 2, 1976 £943,000 in cash and on August 10, 1976 investments valued at cost at £2,025,000.

APPLE CORPS LIMITED AND ITS SUBSIDIARIES
(EXCLUDING THE US APPLE GROUP)

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1975
(continued)

5. Due from former Receiver and Manager of The Beatles and Co. (continued)

- (v) Profits of the partnership for the year ended December 31, 1974 are stated after taking account of the following matters:
- (a) In accordance with the terms of the dissolution of the partnership royalties repayable for returns prior to December 31, 1975 on individual recordings are the responsibility of the partnership. Consequently, the accounts of the partnership at December 31, 1974 include a provision for such royalties repayable amounting to £242,606 which has been offset against royalty income in the period ended December 31, 1974.
- (b) Following the dissolution of the partnership on December 31, 1974 the goodwill not amortised at that date amounting to £229,658 has been written off in the period then ended as an extraordinary item.

6. Subsidiaries

The company has the following principal subsidiary companies:-

	Country of incorporation	Percentage of capital owned		
		Direct	Indirect	Total
Apple Corps S.A.	Switzerland	100	-	100
Apple Corps Inc.	USA	-	100	100
Apple Records Inc. (California)	USA	-	100	100
Apple Records Inc. (New York)	USA	-	100	100
Apple Music Publishing Co. Inc.	USA	-	100	100
Apple Films Inc.	USA	-	100	100
Apple Management Limited	United Kingdom	100	-	100

The company's investment in subsidiaries is included in the accounts at December 31, 1975 at cost less preliminary expenses written off.

Amounts due from subsidiaries are stated after deducting provisions for irrecoverable amounts of £45,700 (1974 - £45,700).

APPLE CORPS LIMITED AND ITS SUBSIDIARIES
(EXCLUDING THE US APPLE GROUP)

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1975
(continued)

7. Subsidiaries not consolidated

It is considered that it could be misleading to consolidate with the accounts of Apple Corps Limited the unaudited consolidated financial statements of Apple Corps Inc. and its subsidiaries (the US Apple Group), all of which are incorporated in the United States of America, and which for local fiscal reasons make up their financial statements to June 30 annually. Accordingly these unaudited statements, which are expressed in US dollars, are presented separately on pages 22 to 29 and form part of the group accounts.

As mentioned in the notes to these financial statements on pages 25 to 29, certain significant matters relating to the financial position of the US Apple Group at June 30, 1975 have not yet been established, or are in contention, and adequate documentation is not presently available to the directors of the company to support the information contained in the books and records of the US Apple Group. Consequently, it has not been practicable to complete an audit of the US Apple Group without excessive further costs and further undue delay in the presentation of the group accounts of Apple Corps Limited and its subsidiaries.

Amounts due from subsidiaries not consolidated are stated after deducting provisions for irrecoverable amounts of £720,297 (1974 - £621,690) which take into account part of the losses incurred by the US Apple Group to June 30, 1975

8. Interests in associated companies

The group and company were beneficially interested in the following associated companies: -

	<u>Country of incorporation</u>		<u>Holding of ordinary share capital</u>	
			%	
Maclean (Music) Limited	United Kingdom		20	
Subafilms Limited	United Kingdom		23.9	
	<u>Group</u>		<u>Company</u>	
	<u>1975</u>	<u>1974</u>	<u>1975</u>	<u>1974</u>
	£	£	£	£
Cost of investment in associated companies	171,700	171,700	171,700	171,700
Share of retained profits less losses since acquisition	93,106	15,679	-	-
	<u>£264,806</u>	<u>£187,379</u>	<u>£171,700</u>	<u>£171,700</u>

APPLE CORPS LIMITED AND ITS SUBSIDIARIES
(EXCLUDING THE US APPLE GROUP)

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1975
(continued)

8. Interests in associated companies (continued)

The profit and loss account of the company includes income for the year ended December 31, 1974 of £191,808 in respect of administration and management fees receivable from Maclen (Music) Limited (Maclen). There was a dispute between Maclen and the company as to the validity and the date of commencement of the management agreement, under which the company claimed these fees. This dispute was settled by an agreement dated December 29, 1974 under which it was accepted that the management agreement was validly entered into and that the above mentioned fees were payable by Maclen. The management agreement was terminated as at January 15, 1975 in consideration of the payment of £1,650,000 by Maclen to the company, representing £792,071 in respect of administration and management fees accrued but not paid at that date and £857,929 in respect of the termination of the management agreement. The termination element has been included as income in the profit and loss account for the year ended December 31, 1974.

9. <u>Advances to Directors</u>	<u>Mr. J.O. Lennon</u>	<u>Mr. J.F. McCartney</u>	<u>Mr. R. Starkey</u>	<u>Total</u>
	£	£	£	£
Advances under Section 190(1)(a) of the Companies Act 1948	10,697	51,284	113,253	175,234
Other advances prior to January 1, 1975				
- whilst a director	28,869	-	-	28,869
- in period prior to appointment as director	-	-	16,389	16,389
	<hr/>	<hr/>	<hr/>	<hr/>
Total advances at January 1, 1975	39,566	51,284	129,642	220,492
Advances (reductions) during the year	(2,480)	(2,896)	(2,896)	(8,272)
	<hr/>	<hr/>	<hr/>	<hr/>
Total advances at December 31, 1975	<u>£37,086</u>	<u>£48,388</u>	<u>£126,746</u>	<u>£212,220</u>

Mr. G. Harrison resigned as a director on December 5, 1975. Advances to Mr. Harrison at December 31, 1975 amounted to £13,433 after reductions of £2,896 during the year.

APPLE CORPS LIMITED AND ITS SUBSIDIARIES
(EXCLUDING THE US APPLE GROUP)

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1975
(continued)

10. Accounts receivable

Included in accounts receivable are record royalties amounting to £1,022,097 (1974 - £101,482), due and payable to the company, which have been withheld in the United States of America as a result of court attachment orders pending the resolution of litigation with ABKCO Industries Inc. mention in note 18(a) below.

11. Taxation

The taxation charge is made up as follows: -

	<u>1975</u>	<u>1974</u>
		£
Based on the profits of the year: -		
Of the company and its subsidiaries		
Corporation tax at 52% (1974 - 52%)	210,192	350,000
Less double taxation relief	51,806	69,013
	<hr/>	<hr/>
United Kingdom tax	158,386	280,987
Overseas tax	53,545	70,864
	<hr/>	<hr/>
	211,931	351,851
On the share of profits of associated companies	67,549	10,377
	<hr/>	<hr/>
	<u>£279,480</u>	<u>£362,228</u>

The high taxation charge in relation to profit before taxation is due to certain amounts having been treated in these accounts as not being allowed as deductible expenditure for tax purposes.

The company has not yet agreed with H.M. Inspector of Taxes the corporation tax liabilities for the nine years ended December 31, 1975. Until such time as the corporation tax liabilities are agreed with H.M. Inspector of Taxes it is not possible to determine whether the provision for taxes is fairly stated in these accounts.

The UK companies within the group and the group's associated companies are close companies within the provisions of the Income and Corporation Taxes Act 1970. As such, they are liable to income tax under Schedule F, surtax and, for 1967/68 a special charge, on any amount by which its distributions fall short of the "required standard" or "relevant income". The "required standard"/"relevant income" has not yet been determined for Apple Corps Limited nor Subafilms Limited

APPLE CORPS LIMITED AND ITS SUBSIDIARIES
(EXCLUDING THE US APPLE GROUP)

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1975
(continued)

11. Taxation (continued)

in respect of the period from April 6, 1966 (for Apple Corps Limited) and from January 1, 1967 (for Subafilms Limited) to December 31, 1975. The maximum contingent liability for taxes mentioned above on shortfall/excess relevant income in respect of the periods to December 31, 1975 is estimated at £3,700,000 (1974 - £3,700,000) for Apple Corps Limited and at £50,000 (1974 - £50,000) for Apple Corps Limited's interest in Subafilms Limited's contingent liability.

However, in the opinion of the directors the payment of dividends by Apple Corps Limited and Subafilms Limited in respect of each of the years concerned would have been prejudicial to the requirements and development of the companies' businesses and accordingly it is the directors view that no material liability should arise.

12. Extraordinary item

This comprises: -	<u>1975</u>	<u>1974</u>
	£	£
Provision for permanent diminution in estimated market value of freehold land and buildings	776,707	-
Provision for permanent diminution in estimated market value of short leasehold	1,298	-
The group's share of goodwill of the partnership, The Beatles and Co., not amortised by the time of dissolution of the partnership and consequently written off in the period to December 31, 1974 (see note 5(v)(b))	-	183,726
	<u>£778,005</u>	<u>£183,726</u>

13. Retained profits

Profits (losses) retained at December 31, 1975 were as follows: -

	<u>1975</u>	<u>1974</u>
	£	£
By the company	4,483,861	5,060,533
By its subsidiaries	(300,329)	(282,644)
By associated companies	93,106	15,679
	<u>£4,276,638</u>	<u>£4,793,568</u>

APPLE CORPS LIMITED AND ITS SUBSIDIARIES
(EXCLUDING THE US APPLE GROUP)

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1975
(continued)

14. Loan

This represents a loan of £225,000 (1974 - £225,000) to a subsidiary, interest being payable at 1% above the Bank of England's minimum lending rate. There are no fixed terms for repayment.

15. Long term debt

At December 31, 1974 there was an amount of £196,589 outstanding on a loan to the company, with a further £2,273 included in current liabilities as due within one year. This loan was secured upon the company's freehold premises at 3, Savile Row, London, W1. Interest was payable at the rate of $7\frac{1}{2}\%$ per annum on the full amount of the loan until December 1, 1974. From that date the company commenced repayment of the capital by half yearly instalments of £1,136, interest at the same rate being calculated on the reducing balance. In 1975 the company was notified that repayment of the loan would be demanded if the redevelopment programme of the secured premises was not completed. As the redevelopment programme had been abandoned the loan outstanding at December 31, 1975 has been included as a current liability. The loan was repaid on March 31, 1977.

16. Share capital

At December 31, 1974 and December 31, 1975	<u>Authorised</u>	<u>Issued and fully paid</u>
Ordinary shares of £1 each	£100 <u> </u>	£100 <u> </u>

17. Capital commitments

At December 31, 1975 amounts contracted for but not provided in the accounts of the group and company amounted to £23,000 (1974 - £3,000).

No amounts had been authorised by the directors but not contracted for (1974 - nil).

18. Contingencies

- (a) In 1973 a dispute arose between the company and ABKCO Industries Inc. (ABKCO), who acted as business manager of the company and its subsidiaries from May 8, 1969 to March 31, 1973, as to the validity of an agreement under which ABKCO claimed commission on certain past and future income of the company and of the partnership, The Beatles and Co. (the partnership). The amount claimed by ABKCO as payable by the company on its income and on the income of the partnership amounted to £141,538 in respect of the year ended December 31, 1975 and £2,650,148 in respect of prior years. At December 31, 1975 £1,157,598 had been paid to ABKCO by the company or on its behalf (1974 - £1,157,598).

APPLE CORPS LIMITED AND ITS SUBSIDIARIES
(EXCLUDING THE US APPLE GROUP)

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1975
(continued)

18. Contingencies (continued)

(a) (Continued)

This dispute was settled by an agreement dated January 8, 1977 under which it was accepted that amounts already paid to ABKCO by the company or on its behalf should be retained by ABKCO and that a further final payment of £2,912,664 should be made by the company to ABKCO. Amounts paid to ABKCO have been included in the accounts as expenditure in the accounting period in which the payments were made or the liability admitted. The profit and loss account of the company for the year ended December 31, 1975 includes £nil in this respect (1974 - £nil).

Certain subsidiary companies and an associated company were likewise involved in this dispute with ABKCO. The group's share of the amount claimed by ABKCO as payable by these companies on their income amounted to £nil in respect of the year ended December 31, 1975 and £38,284 in respect of prior years, of which by December 31, 1975 £17,427 had been paid to ABKCO or on its behalf (1974 - £17,427). Under the settlement of the dispute it was agreed that amounts already paid to ABKCO by these companies or on their behalf should be retained by ABKCO and that no further payment was due to ABKCO. As above, amounts paid to ABKCO have been included in the accounts as expenditure in the accounting period in which the payments were made. The profit and loss account of the group for the year ended December 31, 1975 includes £nil in this respect (1974 - £nil).

(b)

An audit has been carried out on royalties payable by EMI Records Limited and its subsidiaries (EMI) to the company and to The Beatles and Co., the partnership in which the company has an 80% interest, and included in these accounts, and additional royalties have been claimed by the company and the partnership. At present negotiations are in progress with EMI but the outcome of these negotiations cannot yet be determined. Therefore it is not possible to quantify any additional royalties which may be receivable by the company in respect of the year ended December 31, 1975 or prior periods. Accordingly no account has been taken in the accounts of the company or the partnership of any additional royalties which may be receivable for EMI in this respect.

APPLE CORPS LIMITED AND ITS SUBSIDIARIES
(EXCLUDING THE US APPLE GROUP)

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1975
(continued)

18. Contingencies (continued)

- (c) Proceedings have been commenced against the company in which it is claimed that further royalties are payable to an individual as producer of certain recordings by "The Beatles". The amount claimed is material to the financial position of the company. The company is vigorously contesting these proceedings but the outcome of them cannot be foreseen. No provision has been made in these accounts for any additional amounts payable in this respect.
- (d) A claim has been lodged against, inter alia, the company and certain of its subsidiaries, that the copyright of a certain composition had been infringed and that certain profits arising from sales in the United States of America should be forfeited. The claim for infringement of copyright has been upheld by the courts in the United States of America but this decision may be the subject of an appeal. It has not as yet been possible to quantify the amounts, if any, that might be payable by the company and its subsidiaries in this respect, but it is considered that there would be no material effect on the group's and company's financial position at December 31, 1975. Accordingly no provision has been made in these accounts for any amounts payable in this respect.
- (e) A claim has been made on behalf of the publishers of certain songs that have been recorded, and from which record royalty income has been received by, and included in the accounts of, the company or the former partnership, The Beatles and Co., asserting that royalties due to the publishers, arising from record sales in the United States of America and Canada, have been incorrectly reported and that further amounts are due to the publishers. Royalties due to publishers arising from record sales in the United States of America and Canada are payable out of the record royalty income received by the company or the former partnership. Any further amounts due to publishers arising from the claim would therefore reduce the income of the company and/or the former partnership. The claim is being vigorously contested on the grounds that no further royalties are due, but it is not possible to determine the outcome of the matter at this time. Accordingly no account has been taken in these accounts of any additional royalties which might be payable to publishers by the company or the former partnership in this respect.
- (f) The company was a member of an unlimited partnership and is therefore, liable jointly and severally with its partners for partnership debts incurred in the course of the business, including income tax assessable on the shares of profit applicable to the individual partners.

APPLE CORPS INC.

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1975

UNAUDITED

APPLE CORPS INC., AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1975

(Expressed in US Dollars)

UNAUDITED

	Notes	<u>1975</u>	<u>1974</u>
Turnover	2(b)	<u>\$1,118,452</u>	<u>\$1,548,649</u>
		\$	\$
Profit (loss) before taxation	.	(149,829)	341,762
after charging:			
Depreciation	3	<u>6,659</u>	<u>1,664</u>
and after crediting:			
Interest income		<u>337,995</u>	<u>321,743</u>
US state and federal taxes	6	<u>(99,700)</u>	<u>80,250</u>
Net profit (loss) after taxation		<u>(50,129)</u>	<u>261,512</u>
Accumulated deficit at July 1, 1974		<u>(2,452,905)</u>	<u>(2,714,417)</u>
Accumulated deficit at June 30, 1975		<u>\$(2,503,034)</u>	<u>\$(2,452,905)</u>

The notes on pages 25 to 29 form part of these accounts.

APPLE CORPS INC., AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT JUNE 30, 1975

(Expressed in US Dollars)

UNAUDITED

	<u>Notes</u>	<u>1975</u>	<u>1974</u>
		\$	\$
Fixed assets	3	-	84,403
Current assets			
Stocks of records and tapes		821,974	776,546
Due from ultimate holding company		1,530,293	1,631,965
Advances to director	4	490,972	532,511
Accounts receivable		3,600,778	3,791,609
Cash		4,500,826	3,962,180
		<u>10,944,843</u>	<u>10,694,811</u>
Current liabilities			
Accounts payable		5,834,756	6,280,014
Due to UNICEF	5	6,053,385	5,378,002
Current taxation	6	19,300	24,079
Due to fellow subsidiary companies outside the US group		1,540,426	1,550,014
		<u>13,447,867</u>	<u>13,232,109</u>
Net current liabilities		<u>(2,503,024)</u>	<u>(2,537,298)</u>
		<u>\$(2,503,024)</u>	<u>\$(2,452,895)</u>
Representing:		\$	\$
Share capital	9	10	10
Accumulated deficit		(2,503,034)	(2,452,905)
		<u>\$(2,503,024)</u>	<u>\$(2,452,895)</u>

The notes on pages 25 to 29 form part of these accounts.

APPLE CORPS INC., AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT JUNE 30, 1975

(Expressed in US Dollars)

UNAUDITED

1. Basis of preparation

These unaudited consolidated financial statements at June 30, 1975 are based on the books of account and records of Apple Corps Inc. and its subsidiaries. Adequate documentation is not presently available to the directors of the company to support certain information reflected in these financial statements and initially contained in the books and records of the group for periods to June 30, 1973. Consequently it is considered impracticable to complete an audit of the group without excessive further costs and further undue delay in the presentation of the group accounts of the ultimate holding company.

2. Accounting policies

a) Historical cost convention

The financial statements of the group have been prepared under the historical cost convention.

b) Turnover

Turnover comprises: -

- (i) Gross sales of records and tapes less actual returns.
- (ii) Music publishing revenue and royalty income accounted for in the period in which notified to the group.
- (iii) Income receivable from the distribution of films.

c) Depreciation

The group policy is to provide depreciation on all fixed assets. The rates used are calculated to write off the cost of each asset by equal annual instalments over its expected useful life.

d) Subsidiary companies

The consolidated financial statements of the group include the financial statements of Apple Corps Inc., and all its subsidiaries all of which are made up to June 30, 1975.

e) Foreign currencies

Transactions in foreign currencies during the year are converted into US dollars at the rate ruling at the date of the transaction. Receivables and payables in foreign currencies are converted at the rate of exchange on the balance sheet date. Differences on conversion are taken to profit and loss account.

APPLE CORPS INC., AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT JUNE 30, 1975

(continued)

(Expressed in US Dollars)

UNAUDITED

2. Accounting policies (continued)

f) Stock

Stocks are valued at the lower of cost (on a first-in first-out basis) or market value.

3. Fixed assets

Studio and
equipment

\$

Cost

At July 1, 1974

90,427

Disposals

77,744

At June 30, 1975

12,683

Depreciation

At July 1, 1974

6,024

Charge for the year

6,659

At June 30, 1975

12,683

Net book amounts

At June 30, 1975

\$. -

At July 1, 1974

\$84,403

4. Advances to director

Sterling advances to Mr. G. Harrison at June 30, 1975 were made up as follows:

\$

Advances at July 1, 1974

532,511

Advances during the year

-

Exchange differences

(41,539)

Total advances at June 30, 1975

\$490,972

APPLE CORPS INC., AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT JUNE 30, 1975
(continued)

(Expressed in US Dollars)

UNAUDITED

5. Due to UNICEF

All income derived from the Concert for Bangladesh and the album, tape and film relating thereto after deducting expenses, reserves for returns and any contingent liabilities, are to be paid to the US Committee for UNICEF. These financial statements reflect the establishment of the estimated liability for returns and contingent expenses. However, no estimated liability for contingent taxes has been recorded since this matter continues to be a subject of review by the Internal Revenue Service.

6. Taxation

The group's consolidated income tax returns for the six years ended June 30, 1975 are currently being examined by the Internal Revenue Service. Although field work on the examination has not yet been completed, the examining agency has questioned the deductibility of certain expenses and the proper year of deduction for other expenses. If the examining agency was to continue its assertion on these issues the potential tax deficiencies would be material to the group's consolidated financial statements.

7. Dispute with ABKCO Industries Inc.

In 1973 a dispute arose between the group and ABKCO Industries Inc., (ABKCO), who acted as business manager of the company and its subsidiaries from May 8, 1969 to March 31, 1973, as to the validity of an agreement under which ABKCO claimed commission on certain past and future income.

These financial statements include a provision for the group in respect of the amounts claimed by ABKCO as payable by the group on its income amounting to \$13,958 in respect of the year ended June 30, 1975 and \$1,191,963 in respect of prior periods.

At June 30, 1975, \$705,654 had been paid to ABKCO by the group or on its behalf (1974: \$693,176).

The dispute was settled by an agreement dated January 8, 1977 under which it was accepted that amounts already paid to ABKCO by the group or on its behalf should be retained by ABKCO, that no further payment was due to ABKCO and that an amount of \$315,000 should be repaid by ABKCO to Apple Records Inc., of California.

The excess of the amounts provided in these financial statements over the net amounts paid to ABKCO by the group or on its behalf will be credited to income in the year ended June 30, 1977.

APPLE CORPS INC., AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT JUNE 30, 1975

(continued)

(Expressed in US Dollars)

UNAUDITED

8. Subsidiary companies and group transactions

The company has the following principal subsidiary companies all of which are wholly owned by Apple Corps Inc., and incorporated in the United States of America.

Apple Records Inc., (California)
Apple Records Inc., (New York)
Apple Music Publishing Co. Inc.
Apple Films Inc.

Apple Corps Inc., is a wholly owned indirect subsidiary of Apple Corps Limited, a United Kingdom company and is affiliated (through common shareholders) with a number of United Kingdom and other companies.

The group has material transactions with Apple Corps Limited and certain of its subsidiary and affiliated companies and these financial statements reflect these transactions on the bases determined among the parties concerned.

9. Share capital

At June 30, 1975 and 1974 the authorised and issued share capital consisted of .200 shares of no par value.

10. Rates of exchange

The rates of exchange with sterling were:

	<u>US dollars per £ sterling</u>
December 31, 1975	2.02
June 30, 1975	2.20
December 31, 1974	2.35
June 30, 1974	2.39

11. Contingencies

An audit has been carried out of amounts payable by Capitol Records Inc., (Capitol), to the group and included in the financial statements of the company at June 30, 1975 and additional amounts have been claimed by the group.

At present negotiations are in progress with Capitol but the outcome of these negotiations cannot yet be determined. Therefore it is not possible to quantify any additional amounts which may be receivable by the group in respect of the year ended June 30, 1975 or prior years.

APPLE CORPS INC., AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT JUNE 30, 1975

(continued)

(Expressed in US Dollars)

UNAUDITED

11. Contingencies (continued)

Accordingly no account has been taken in the financial statements of the group of any additional amounts which may be receivable from Capitol in this respect.

12. Ultimate holding company

Apple Corps Limited, a company incorporated in the United Kingdom, is regarded by the directors as the group's ultimate holding company.