

APPLE CORPS LIMITED

Report and Accounts

31 January 2000



Apple Corps Limited

Registered No. 764797

DIRECTORS

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

SECRETARY

Standby Films Limited

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

REGISTERED OFFICE

27 Ovington Square
London SW3 1LJ

Apple Corps Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 January 2000.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £2,113,928 (1999 - £407,065).

Interim dividends amounting to £4,920,000 were declared and paid during 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 company 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 2000</i>	<i>Ordinary shares 1 February 1999</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

4 April 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 company 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 company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the shareholders of Apple Corps Limited

We have audited the accounts on pages 5 to 16, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

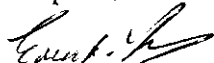
Basis of opinion

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 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 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 as at 31 January 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

6 April 2001

Apple Corps Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 January 2000

	Notes	2000 £	1999 £
TURNOVER	2	11,282,206	7,628,375
Administrative expenses		(10,126,414)	(8,238,738)
		<u>1,155,792</u>	<u>(610,363)</u>
Other operating income		733,000	630,000
OPERATING PROFIT	3	<u>1,888,792</u>	<u>19,637</u>
Income from investments		615,000	400,000
Interest receivable	6	240,635	410,434
Interest payable and similar charges	7	(32,995)	-
		<u>822,640</u>	<u>810,434</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>2,711,432</u>	<u>830,071</u>
Tax on profit on ordinary activities	8	(597,504)	(423,006)
PROFIT ON ORDINARY ACTIVITIES FOR THE YEAR		<u>2,113,928</u>	<u>407,065</u>
Dividends paid - interim		(4,920,000)	-
RETAINED (LOSS)/PROFIT FOR THE YEAR		<u>(2,806,072)</u>	<u>407,065</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of £2,113,928 for the year ended 31 January 2000 and profit of £407,065 for the year ended 31 January 1999.

Apple Corps Limited

BALANCE SHEET at 31 January 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible fixed assets	9	2,330,606	21,933
Investments	10	176,482	176,482
		<u>2,507,088</u>	<u>198,415</u>
CURRENT ASSETS			
Debtors	11	2,227,762	2,973,031
Cash and short term deposits at bank		4,233,404	5,619,025
		<u>6,461,166</u>	<u>8,592,056</u>
CREDITORS: amounts falling due within one year	12	2,939,226	1,120,871
		<u>3,521,940</u>	<u>7,471,185</u>
NET CURRENT ASSETS		<u>6,029,028</u>	<u>7,669,600</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,029,028</u>	<u>7,669,600</u>
CREDITORS: amounts falling due after more than one year			
Loans	13	1,165,500	-
		<u>4,863,528</u>	<u>7,669,600</u>
CAPITAL AND RESERVES			
Called up share capital	14	100	100
Profit and loss account	15	4,863,428	7,669,500
		<u>4,863,528</u>	<u>7,669,600</u>
Equity shareholders' funds	15	<u>4,863,528</u>	<u>7,669,600</u>

} Directors

[Handwritten signatures of directors]

4 April 2001

Apple Corps Limited

STATEMENT OF CASH FLOWS for the year ended 31 January 2000

	Notes	2000 £	1999 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	16(a)	4,187,800	(435,196)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		234,734	405,401
Interest paid		(32,995)	-
Dividends received		615,000	320,000
Dividends paid		(4,920,000)	-
		(4,103,261)	725,401
TAXATION			
Corporation tax paid		(295,000)	(460,000)
Corporation tax repaid		157,607	375,418
Overseas tax paid		(233,494)	(173,878)
		(370,887)	(258,460)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(2,351,106)	(27,998)
FINANCING			
New long term loans		1,295,000	-
Repayment of long term loans		(43,167)	-
		1,251,833	-
(DECREASE)/INCREASE IN CASH	16(b)	(1,385,621)	3,747

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

		2000 £	1999 £
(Decrease)/increase in cash		(1,385,621)	3,747
Cash inflow from increase in loans		(1,295,000)	-
Repayment of long term loans		43,167	-
Change in net funds resulting from cash flows	16(b)	(2,637,454)	3,747
NET FUNDS AT 1 FEBRUARY	16(b)	5,619,025	5,615,278
NET FUNDS AT 31 JANUARY	16(b)	2,981,571	5,619,025

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 2000

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Consolidated accounts

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

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 of each asset evenly over its expected useful life as follows:

Freehold buildings	-	over 50 years
Website costs	-	over 3 years
Fixtures, fittings and equipment	-	over 4 years
Motor vehicles	-	over 4 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 taxation is provided using the liability method on all timing differences which 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.

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.

Affiliated undertakings

In these accounts companies are described as affiliated to Apple Corps Limited if:

- (i) they have the same shareholders or ultimate shareholders as Apple Corps Limited; or
- (ii) the company is owned by one or more of the shareholders of Apple Corps Limited.

Leasing commitments

Rentals paid under operating leases are charged in the profit and loss account 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.

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 2000

2. TURNOVER

Turnover represents income derived from the company's continuing ordinary activities, stated net of value added tax, and is accounted for when the income would normally be due and payable to the company.

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 accounts.

3. OPERATING PROFIT

This is stated after charging:

	2000 £	1999 £
Depreciation	42,433	46,687
Auditors' remuneration - audit services	30,000	30,000
- non-audit services	400,308	347,271
Operating lease rentals - land and buildings	33,151	75,000
	<u>465,892</u>	<u>498,958</u>

4. DIRECTORS' REMUNERATION

	2000 £	1999 £
Fees	600,000	600,000
Other emoluments	49,204	97,463
	<u>649,204</u>	<u>697,463</u>

There was no highest paid director during either year.

5. STAFF COSTS

<i>Excluding directors</i>	2000 £	1999 £
Wages and salaries	215,767	174,738
Social security costs	18,906	15,767
	<u>234,673</u>	<u>190,505</u>

	2000 No.	1999 No.
The average monthly number of employees, excluding directors, all employed in an administrative capacity was	7	8

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 2000

6. INTEREST RECEIVABLE

	2000 £	1999 £
Bank deposits	225,082	410,434
Other interest	15,553	-
	<u>240,635</u>	<u>410,434</u>

7. INTEREST PAYABLE

	2000 £	1999 £
Bank loans	32,995	-
	<u>32,995</u>	<u>-</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is made up as follows:

	2000 £	1999 £
Based on the profit for the year:		
UK corporation tax	645,000	170,000
Tax credits attributable to dividends received	-	80,000
	<u>645,000</u>	<u>250,000</u>
Double taxation relief	(233,494)	(45,005)
	<u>411,506</u>	<u>204,995</u>
Overseas taxation	233,494	173,878
	<u>645,000</u>	<u>378,873</u>
Adjustment in respect of previous years	(47,496)	44,133
	<u>597,504</u>	<u>423,006</u>

There was no liability to deferred taxation at either 31 January 2000 or 31 January 1999.

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 2000

9. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings</i>	<i>Website costs</i>	<i>Fixtures, fittings and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£	£
Cost:					
At 1 February 1999	-	-	203,096	35,000	238,096
Additions	2,299,800	30,518	20,788	-	2,351,106
Disposals	-	-	(17,975)	-	(17,975)
At 31 January 2000	2,299,800	30,518	205,909	35,000	2,571,227
Depreciation:					
At 1 February 1999	-	-	181,163	35,000	216,163
Provided during the year	17,998	10,172	14,263	-	42,433
Disposals	-	-	(17,975)	-	(17,975)
At 31 January 2000	17,998	10,172	177,451	35,000	240,621
Net book value:					
At 31 January 2000	2,281,802	20,346	28,458	-	2,330,606
At 1 February 1999	-	-	21,933	-	21,933

10. INVESTMENTS

	<i>Subsidiary undertakings</i>	<i>Associated undertakings</i>	<i>Total</i>
	£	£	£
Cost:			
At 1 February 1999 and 31 January 2000	12,827	171,700	184,527
Amounts provided:			
At 1 February 1999 and 31 January 2000	(8,045)	-	(8,045)
Net book value:			
At 1 February 1999 and 31 January 2000	4,782	171,700	176,482

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 2000

10. INVESTMENTS (continued)

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>
Subsidiary undertakings			
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 Inc.	USA	100%*	Exploitation of musical copyrights
Apple Films Inc.	USA	100%*	Exploitation of film copyrights
Apple Charity	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

* Held by a subsidiary undertaking.

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Associated undertakings			
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.

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 2000

10. INVESTMENTS (continued)

Information relevant to the subsidiary and associated undertakings, is as follows:

	Aggregate capital and reserves SFr	Profit/(loss) for the year SFr
<i>Subsidiary undertakings</i>		
Apple Corps S.A. †	531,114	(651,769)
	\$	\$
Apple Corps Inc.*	(237,885)	(69,717)
Apple Records Inc. (California)*	(2,329,152)	(60)
Apple Records Inc. (New York)*	(97,732)	(179)
Apple Music Inc.*	576,432	49,062
Apple Films Inc.*	493,626	37,413
	£	£
Apple Charity	16,895	531
Python Music Limited	(930,915)	(14,179)
Apple Publicity Limited	2	-
Apple Management Limited	2	-
Apple Electronics Limited	(48,413)	-
Apple Charity (UK) Limited	914,847	(728,611)
<i>Associated undertakings</i>		
Maclen (Music) Limited †	87,013	2,523,458
Maclen Joint Limited †	567,259	1,539,500
Subafilms Limited †	(7,642)	(103,790)

* Year ended 30 June 1999

† Year ended 31 December 1999

11. DEBTORS

	2000 £	1999 £
Prepayments	9,561	12,500
Amounts owed by subsidiary undertakings after deducting provision of £53,174 (1999 - £53,174)	220,542	191,548
Amounts owed by associated undertakings	1,483,296	1,887,681
Amounts owed by affiliated undertakings	17,655	19,864
Other debtors	168,275	422,899
Corporation tax recoverable	328,433	438,539
	<u>2,227,762</u>	<u>2,973,031</u>

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 2000

12. CREDITORS: amounts falling due within one year

	2000	1999
	£	£
Current instalment due on bank loan (note 13)	86,333	-
Accruals	2,428,415	972,803
Other taxes and social security costs	159,899	-
Current corporation tax	264,579	148,068
	<u>2,939,226</u>	<u>1,120,871</u>

13. LOANS

	2000	1999
	£	£
Not wholly repayable within five years:		
Variable rate bank loan at 1% over bank base rate	1,251,833	-
Less: included in creditors: amounts falling due within one year	(86,333)	-
	<u>1,165,500</u>	<u>-</u>
Amounts repayable:		
In one year or less	86,333	-
In more than one year but not more than two years	86,333	-
In more than two years but not more than five years	259,000	-
	<u>431,666</u>	<u>-</u>
In more than five years	820,167	-
	<u>1,251,833</u>	<u>-</u>

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

14. SHARE CAPITAL

	2000	Authorised	Allotted, called up and fully paid
	No.	1999	2000
	No.	No.	£
Ordinary shares of £1 each	100	100	100

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 2000

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 February 1998	100	7,262,435	7,262,535
Profit for the year	-	407,065	407,065
At 31 January 1999	100	7,669,500	7,669,600
Profit for the year	-	2,113,928	2,113,928
Dividends	-	(4,920,000)	(4,920,000)
At 31 January 2000	100	4,863,428	4,863,528

16. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2000 £	1999 £
Operating profit	1,888,792	19,637
Depreciation	42,433	46,687
Decrease in debtors	641,064	1,446,030
Increase/(decrease) in creditors	1,615,511	(1,947,550)
Net cash inflow/(outflow) from operating activities	4,187,800	(435,196)

(b) Analysis of changes in net funds

	At 1 February 1999 £	Cash flow £	At 31 January 2000 £
Cash and short term deposits at bank and in hand	5,619,025	(1,385,621)	4,233,404
Bank loan	-	(1,251,833)	(1,251,833)
	5,619,025	(2,637,454)	2,981,571

17. CONTINGENT LIABILITIES

The company is involved in various legal disputes in the ordinary course of business and, as at 31 January 2000, 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.

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 2000

18. OTHER FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases at 31 January 2000 were as follows:

	<i>Land and buildings</i>	
	<i>2000</i>	<i>1999</i>
	£	£
Operating leases which expire:		
In over five years	-	75,000

19. RELATED PARTY TRANSACTIONS

- (a) 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 £1,569,500 each (1999 - £968,500 each) and name and likeness payments amounting to £43,825 each (1999 - £178,250 each).
- (b) 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 Joint Limited for which £733,000 was included as income in the profit and loss account in the year (1999 - £630,000).