


APPLE CORPS LIMITED

Report and Accounts

31 January 2002

 ERNST & YOUNG



A04 *AX8KJG53* 0245
COMPANIES HOUSE 23/11/02

Apple Corps Limited

Registered No. 764797

DIRECTORS

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

SECRETARY

Standby Films Limited

AUDITORS

Ernst & Young LLP
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 2002.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £12,890,679 (2001 - £1,303,143).

Interim dividends amounting to £12,000,000 (2001 - £1,640,000) were declared and paid during the year. The directors do not recommend the payment of a final dividend.

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>At 31 January 2002 Ordinary shares</i>	<i>At 1 February 2001 or subsequent date of appointment Ordinary shares</i>
Mrs Y O Lennon	25	25
G Harrison (resigned 26 October 2001)	-	25
H L Gerrard	-	-
J L Eastman	-	-
Mrs O T Harrison (appointed 26 October 2001)	25	-

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.

By order of the board



For and on behalf of
Standby Films Limited

Secretary

11 October 2002

Apple Corps Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the 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 INDEPENDENT AUDITORS
to the members of Apple Corps Limited

We have audited the company's accounts for the year ended 31 January 2002, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the statement of cash flows and the related notes 1 to 19. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if 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 transactions with the company 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.

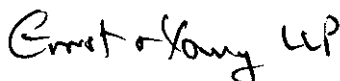
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

11 October 2002

Apple Corps Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 January 2002

	Notes	2002 £	2001 £
TURNOVER	2	50,958,496	11,538,672
Administrative expenses		(34,645,534)	(10,794,333)
		<u>16,312,962</u>	<u>744,339</u>
Other operating income		1,292,400	719,600
		<u>17,605,362</u>	<u>1,463,939</u>
OPERATING PROFIT	3	17,605,362	1,463,939
Income from investments		-	200,000
Interest receivable	6	875,121	214,063
Interest payable and similar charges	7	(80,394)	(84,806)
		<u>794,727</u>	<u>329,257</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>18,400,089</u>	<u>1,793,196</u>
Taxation	8	(5,509,410)	(490,053)
		<u>12,890,679</u>	<u>1,303,143</u>
PROFIT ON ORDINARY ACTIVITIES FOR THE YEAR		12,890,679	1,303,143
Dividends paid - interim		(12,000,000)	(1,640,000)
		<u>890,679</u>	<u>(336,857)</u>
RETAINED PROFIT/(LOSS) FOR THE YEAR		<u>890,679</u>	<u>(336,857)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of £12,890,679 for the year ended 31 January 2002 and profit of £1,303,143 for the year ended 31 January 2001.

Apple Corps Limited

BALANCE SHEET

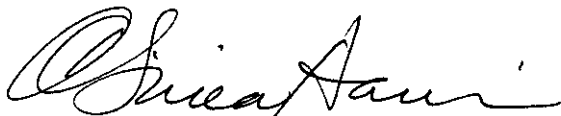
at 31 January 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible fixed assets	9	2,284,034	2,305,904
Investments	10	176,482	176,482
		<u>2,460,516</u>	<u>2,482,386</u>
CURRENT ASSETS			
Debtors	11	2,673,058	2,030,519
Cash and short term deposits at bank		7,150,126	4,466,090
		<u>9,823,184</u>	<u>6,496,609</u>
CREDITORS: amounts falling due within one year	12	<u>(5,873,516)</u>	<u>(3,373,157)</u>
NET CURRENT ASSETS		<u>3,949,668</u>	<u>3,123,452</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,410,184</u>	<u>5,605,838</u>
CREDITORS: amounts falling due after more than one year			
Loans	13	(992,834)	(1,079,167)
		<u>5,417,350</u>	<u>4,526,671</u>
CAPITAL AND RESERVES			
Called up share capital	14	100	100
Profit and loss account	15	5,417,250	4,526,571
		<u>5,417,350</u>	<u>4,526,671</u>
Equity shareholders' funds	15	<u>5,417,350</u>	<u>4,526,671</u>



11/18

11/18



11 October 2002

)
)
)
)
) Directors
)
)
)

Apple Corps Limited

STATEMENT OF CASH FLOWS for the year ended 31 January 2002

	Notes	2002 £	2001 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	16(a)	17,259,159	2,053,586
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		875,386	219,817
Interest paid		(80,394)	(84,806)
Dividends received		-	200,000
		<u>794,992</u>	<u>335,011</u>
TAXATION			
Corporation tax paid		(1,961,000)	(365,000)
Corporation tax repaid		37,296	292,137
Overseas tax paid		(1,308,777)	(310,300)
		<u>(3,232,481)</u>	<u>(383,163)</u>
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(51,301)	(46,415)
DIVIDENDS PAID			
Dividends paid		(12,000,000)	(1,640,000)
FINANCING			
Repayment of long term loans		(86,333)	(86,333)
INCREASE IN CASH	16(b)	<u>2,684,036</u>	<u>232,686</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Notes	2002 £	2001 £
Increase in cash		2,684,036	232,686
Repayment of long term loans		86,333	86,333
Change in net funds resulting from cash flows	16(b)	<u>2,770,369</u>	<u>319,019</u>
NET FUNDS AT 1 FEBRUARY	16(b)	<u>3,300,590</u>	<u>2,981,571</u>
NET FUNDS AT 31 JANUARY	16(b)	<u>6,070,959</u>	<u>3,300,590</u>

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 2002

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 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 right to pay less or to receive more tax, with the following exception:

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.

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.

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 2002

1. ACCOUNTING POLICIES (continued)

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.

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:

	2002 £	2001 £
Depreciation	73,171	71,117
Auditors' remuneration - audit services	30,000	30,000
- non-audit services	390,707	305,783
Operating lease rentals - other	2,849	3,052
	<u> </u>	<u> </u>

4. DIRECTORS' REMUNERATION

	2002 £	2001 £
Fees	600,000	600,000
Other emoluments	28,470	83,349
	<u> </u>	<u> </u>
	<u>628,470</u>	<u>683,349</u>

There was no highest paid director during either year.

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 2002

5. STAFF COSTS

Excluding directors

	2002	2001
	£	£
Wages and salaries	250,781	211,057
Social security costs	24,843	21,032
	<u>275,624</u>	<u>232,089</u>
	2002	2001
	No.	No.
The average monthly number of employees, excluding directors, all employed in an administrative capacity was	9	7

6. INTEREST RECEIVABLE

	2002	2001
	£	£
Bank deposits	873,464	200,515
Other interest	1,657	13,548
	<u>875,121</u>	<u>214,063</u>

7. INTEREST PAYABLE

	2002	2001
	£	£
Bank loans	80,394	84,806

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 2002

8. TAXATION

(a) Analysis of charge in year:

	2002	2001
	£	£
<i>Current tax</i>		
UK corporation tax on the profit for the year	5,546,000	508,000
Over provision in prior years	(36,590)	(17,947)
	<u>5,509,410</u>	<u>490,053</u>
Double taxation relief	(1,308,777)	(310,300)
	<u>4,200,633</u>	<u>179,753</u>
Foreign tax	1,308,777	310,300
	<u>5,509,410</u>	<u>490,053</u>
Total current tax	<u>5,509,410</u>	<u>490,053</u>

(b) Factors affecting tax charge for the year:

The tax assessed for the year is lower (2001 - lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002	2001
	£	£
Profit on ordinary activities before tax	18,400,089	1,793,196
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 - 30%)	<u>5,520,026</u>	<u>537,959</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	48,024	27,235
Income from investments	-	(60,000)
Capital allowances in advance of depreciation	1,050	2,806
Adjustments to tax charge in respect of previous years	(36,590)	(17,947)
	<u>5,509,410</u>	<u>490,053</u>
Current tax for the year	<u>5,509,410</u>	<u>490,053</u>

(c) Deferred taxation

The company has a deferred tax asset of approximately £10,000 (2001 - £11,000) in respect of accelerated capital allowances which has not been recognised in the accounts on the grounds that it is not material.

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 2002

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 2001	2,299,800	30,518	252,324	35,000	2,617,642
Additions	31,929	-	19,372	-	51,301
At 31 January 2002	2,331,729	30,518	271,696	35,000	2,668,943
Depreciation:					
At 1 February 2001	53,994	20,344	202,400	35,000	311,738
Provided during the year	36,634	10,174	26,363	-	73,171
At 31 January 2002	90,628	30,518	228,763	35,000	384,909
Net book value:					
At 31 January 2002	2,241,101	-	42,933	-	2,284,034
At 1 February 2001	2,245,806	10,174	49,924	-	2,305,904

10. INVESTMENTS

	<i>Subsidiary undertakings</i>	<i>Associated undertakings</i>	<i>Total</i>
	£	£	£
Cost:			
At 1 January 2001 and 31 January 2002	12,827	171,700	184,527
Amounts provided:			
At 1 January 2001 and 31 January 2002	(8,045)	-	(8,045)
Net book value:			
At 1 January 2001 and 31 January 2002	4,782	171,700	176,482

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 2002

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 Publishing 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>Country of incorporation (or registration) if not Great Britain</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 2002

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. †	538,958	(1,459)
	US\$	US\$
Apple Corps Inc.*	(307,491)	(26,226)
Apple Records Inc. (California)*	(2,330,805)	(888)
Apple Records Inc. (New York)*	(99,277)	(272)
Apple Music Publishing Inc.*	576,441	69
Apple Films Inc.*	573,932	40,556
	£	£
Python Music Limited	(960,083)	(13,396)
Apple Publicity Limited	2	-
Apple Management Limited	2	-
Apple Electronics Limited	(48,413)	-
Apple Charity (UK) Limited	376,454	(308,467)
Apple Charity	19,847	801
<i>Associated undertakings</i>		
Maclen (Music) Limited †	312,954	111,728
Maclen Joint Limited †	4,359,992	2,915,267
Subafilms Limited †	(92,057)	(72,259)

* Year ended 30 June 2000

† Year ended 31 December 2001

11. DEBTORS

	2002 £	2001 £
Prepayments and accrued income	148,583	446
Amounts owed by subsidiary undertakings	315,637	270,782
Amounts owed by associated undertakings	2,111,341	1,613,926
Amounts owed by affiliated undertakings	63,858	66,655
Other debtors	33,639	42,414
Corporation tax recoverable	-	36,296
	2,673,058	2,030,519

Apple Corps Limited

NOTES TO THE ACCOUNTS

at 31 January 2002

12. CREDITORS: amounts falling due within one year

	2002	2001
	£	£
Current instalment due on bank loan (note 13)	86,333	86,333
Accruals	3,467,218	3,172,527
Other taxes and social security costs	-	34,965
Current corporation tax	2,319,965	79,332
	<u>5,873,516</u>	<u>3,373,157</u>

13. LOANS

	2002	2001
	£	£
Not wholly repayable within five years:		
Variable rate bank loan at 1% over bank base rate, repayable in annual instalments of £86,333	1,079,167	1,165,500
Less: included in creditors: amounts falling due within one year	(86,333)	(86,333)
	<u>992,834</u>	<u>1,079,167</u>
Amounts repayable:		
In one year or less	86,333	86,333
In more than one year but not more than two years	172,666	172,666
In more than two years but not more than five years	258,999	258,999
	<u>517,998</u>	<u>517,998</u>
In more than five years	561,169	647,502
	<u>1,079,167</u>	<u>1,165,500</u>

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

14. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2002	2001	2002	2001
	No.	No.	£	£
Ordinary shares of £1 each	100	100	100	100

Apple Corps Limited

NOTES TO THE ACCOUNTS at 31 January 2002

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£	£	£
At 1 February 2000	100	4,863,428	4,863,528
Profit for the year	-	1,303,143	1,303,143
Dividends	-	(1,640,000)	(1,640,000)
At 1 February 2001	100	4,526,571	4,526,671
Profit for the year	-	12,890,679	12,890,679
Dividends	-	(12,000,000)	(12,000,000)
At 31 January 2002	100	5,417,250	5,417,350

16. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2002	2001
	£	£
Operating profit	17,605,362	1,463,939
Depreciation	73,171	71,117
Increase in debtors	(679,100)	(100,648)
Increase in creditors	259,726	619,178
Net cash inflow from operating activities	17,259,159	2,053,586

(b) Analysis of changes in net funds

	<i>At 1 February 2001</i>	<i>Cash flow</i>	<i>At 31 January 2002</i>
	£	£	£
Cash and short term deposits at bank and in hand	4,466,090	2,684,036	7,150,126
Bank loan	(1,165,500)	86,333	(1,079,167)
	3,300,590	2,770,369	6,070,959

17. CONTINGENT LIABILITIES

The company is involved in various legal disputes in the ordinary course of business and, as at 31 January 2002, 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 2002

18. OTHER FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases at 31 January 2002 were as follows:

	2002	Other 2001
	£	£
Operating leases which expire:		
In two to five years	3,000	3,000

19. RELATED PARTY TRANSACTIONS

- (a) 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 the late Mr G Harrison) amounting to £7,435,000 each (2001 - £1,608,000 each) and name and likeness payments amounting to £113,750 each (2001 - £54,000 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 £1,292,400 was included as income in the profit and loss account in the year (2001 - £719,600). The amount due from Maclen Joint Limited at the year end amounted to £820,048 (2001 - £327,648).
- (c) At 31 January 2002, the company was owed a net amount of £1,289,247 (2000 - £1,284,247) by Subafilms Limited, a company owned by one or more of the shareholders of Apple Corps Limited.