

Apple Computer UK Limited

Directors' report and financial statements

26 September 1997

Registered number 1591116



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 26 September 1997.

Results and dividends

The loss for the year, after taxation, amounted to £60,000 (1996 - loss of £1,236,000).

The directors do not recommend the payment of a dividend.

Principal activities

Up to 11 February 1997, the company's principal activity was acting as undisclosed agent of Apple Computer B.V., a Dutch corporation. On that date, the company ceased to be an agent of Apple Computer B.V. and became a service provider.

Review of the business

The directors consider the results for the year to be satisfactory. However, owing to the substantial losses being suffered by the Apple Group in the year ended 26 September 1997, an agreement was signed during that year with Apple Computer B.V., whereby the commission was waived and instead the normal business operating costs of Apple Computer UK Limited were reimbursed with no mark-up. A similar arrangement had been entered into in respect of the previous year.

The directors do not envisage any change in the activities of the company in the foreseeable future.

Supplier payment policy

The company's policy is to agree terms and conditions with suppliers in advance, including terms of payment, and to abide by the payment terms subject to the terms and conditions being met by the supplier.

Directors and their interests

The directors who served during the year and their interests in the share capital of the company were as follows:

M Landi (resigned 1 March 1997)
J Molyneux
G Guyon de Chemilly
J Gesmar-Larsen (resigned 20 March 1997)
J Floisand (resigned 4 February 1997)
N Turner (resigned 27 November 1996)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

Post balance sheet events

Since the balance sheet date the company has sold its two properties (leasing one of them back under an operating lease). Also, the company disposed of its shareholding in Advanced RISC Machines Holdings Limited and Xemplar Education Limited in exchange for shares in a related company, Apple Computer Inc. Limited, an Irish corporation.

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



P Schön
Secretary

100 New Bridge Street
London
EC4V 6JA

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 for that period. In preparing those financial statements, 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 financial statements;
- 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 which 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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United Kingdom

Report of the auditors to the members of Apple Computer UK Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 26 September 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

18 January 1999.

KPMG

*Chartered Accountants
Registered Auditors*

Profit and loss account
for the year ended 26 September 1997

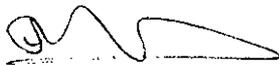
	<i>Note</i>	1997 £000	1996 £000
Turnover	2	18,174	31,252
Cost of sales		(325)	(3,221)
Gross profit		<u>17,849</u>	<u>28,031</u>
Distribution costs		(162)	(952)
Administrative expenses		(17,525)	(28,667)
Operating profit/(loss)	3	<u>162</u>	<u>(1,588)</u>
Interest receivable and similar income	6	316	357
Interest payable and similar charges	7	(3)	(5)
Profit/(loss) on ordinary activities before taxation		<u>475</u>	<u>(1,236)</u>
Tax on profit/(loss) on ordinary activities	8	(535)	-
Loss retained for the financial year and loss on ordinary activities after taxation		<u><u>(60)</u></u>	<u><u>(1,236)</u></u>

There are no recognised gains and losses other than the loss for the year of £60,000 (1996 - loss of £1,236,000).

Balance sheet
at 26 September 1997

	<i>Note</i>	1997		1996	
		£000	£000	£000	£000
Fixed assets					
Tangible asset	<i>9</i>		24,018		24,601
Investments	<i>10</i>		4,000		4,000
			<u>28,018</u>		<u>28,601</u>
Current assets					
Debtors	<i>11</i>	28,318		153,134	
Cash at bank and in hand		238		134	
		<u>28,556</u>		<u>153,268</u>	
Creditors: amounts falling due within one year	<i>12</i>	<u>(3,425)</u>		<u>(127,322)</u>	
Net current assets			<u>25,131</u>		<u>25,946</u>
Total assets less current liabilities			<u>53,149</u>		<u>54,547</u>
Creditors: amounts falling due after more than one year (including convertible debt)	<i>13</i>		(26,122)		(26,122)
Provision for liabilities and charges	<i>14</i>		-		(1,338)
Net assets			<u>27,027</u>		<u>27,087</u>
Capital and reserves					
Share capital	<i>16</i>		1,000		1,000
Profit and loss account	<i>17</i>		26,027		26,087
Shareholders' funds	<i>17</i>		<u>27,027</u>		<u>27,087</u>

These financial statements were approved by the board of directors on 12 / 1 / 1997 and were signed on its behalf by:



Jon Molyneux
Director

Notes

(forming part of the financial statements)

Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Apple Computer Inc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Apple Computer Inc, within which this company is included, can be contained from the address given in note 21.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Office equipment	-	33% straight line
Building - shell and core	-	straight line over 30 years
Building - fit out	-	straight line over 10 years
Apple own use	-	33% straight line

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

Foreign currencies

Transactions in foreign currencies are translated at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Pensions

The company operates a money purchase pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Notes (continued)

2 Turnover

Up to 11 February 1997 turnover represented the invoiced amount of goods sold and services provided (net of value added tax), together with commissions received and receivable. From that date, turnover is derived from the provision of services (net of value added tax).

The directors have elected not to disclose the analysis of turnover and profit before taxation by class of business and geographical market, on the grounds that it would be prejudicial to the interests of the company to do so.

3 Operating profit/(loss)

This is stated after charging/(crediting):

	1997 £000	1996 £000
Auditors' remuneration - audit	24	39
- non audit services	11	38
Depreciation	984	1,493
Loss on disposal of fixed assets	21	252
Operating lease/rental:		
- plant and machinery	591	696
- land and buildings	-	966
	<u> </u>	<u> </u>

Directors' emoluments

	1997 £000	1996 £000
Directors' emoluments	138	148
Compensation for loss of office	-	309
	<u> </u>	<u> </u>
	<u>138</u>	<u>457</u>

Retirement benefits are accruing to the following number of directors under:

	Number of directors	
	1997	1996
Money purchase scheme	1	1
	<u> </u>	<u> </u>

Notes *(continued)*

5 Staff costs

	1997 £000	1996 £000
Wages and salaries	8,319	6,846
Social security costs	719	585
Other pension costs	324	289
	<u>9,362</u>	<u>7,720</u>

The average weekly number of employees during the year was 130 (1996: 109).

6 Interest receivable and similar income

	1997 £000	1996 £000
Bank interest receivable	171	357
Net exchange gains	145	-
	<u>316</u>	<u>357</u>

7 Interest payable and similar charges

	1997 £000	1996 £000
Bank interest payable	3	5
	<u>3</u>	<u>5</u>

Notes (continued)

8 Tax on profit on ordinary activities

	1997 £000	1996 £000
UK corporation tax at 32%	-	-
Under provision in previous years	535	-
	<u>535</u>	<u>-</u>

9 Tangible fixed assets

	Land £000	Buildings £000	Leasehold improvement £000	Office equipment £000	Apple own use £000	Total £000
Cost:						
At 27 September 1996	17,522	16,096	381	6,171	952	41,122
Additions	-	246	-	-	267	513
Disposals	-	-	-	(192)	(39)	(231)
	<u>17,522</u>	<u>16,342</u>	<u>381</u>	<u>5,979</u>	<u>1,180</u>	<u>41,404</u>
At 26 September 1997	17,522	16,342	381	5,979	1,180	41,404
Depreciation:						
At 27 September 1996	-	9,657	381	5,970	513	16,521
Charge for year	-	627	-	72	285	984
Disposals	-	-	-	(115)	(4)	(119)
	<u>-</u>	<u>10,284</u>	<u>381</u>	<u>5,927</u>	<u>794</u>	<u>17,386</u>
At 26 September 1997	-	10,284	381	5,927	794	17,386
Net book value:						
At 27 September 1997	<u>17,522</u>	<u>6,058</u>	<u>-</u>	<u>52</u>	<u>386</u>	<u>24,018</u>
Net book value:						
At 29 September 1996	<u>17,522</u>	<u>6,439</u>	<u>-</u>	<u>201</u>	<u>439</u>	<u>24,601</u>

Notes (continued)

10 Investments

	Participating interest (unlisted) £000
Cost and net book value At beginning and end of the year	4,000

Details of the investments in which the company holds more than 10% of the nominal value of any class of share capital are as follows:

Name of company	Country of registration	Holding	Proportion of shares held	Nature of business
Advanced RISC Machines Holdings Limited	England and Wales	Ordinary shares Preferences shares	39% 43%	RISC based microprocessors
Xemplar Education Limited	England and Wales	Ordinary shares	50%	Computer equipment

Apple Computer UK Limited does not prepare consolidated accounts, therefore the following supplementary information has been prepared to incorporate the results of Advanced RISC Machines Holdings Limited and Xemplar Education Limited as at 31 December 1996, as associated undertakings of Apple Computer UK Limited.

	1997 £000	1996 £000
Share of profit and losses of associated undertakings	735	1,290
Less tax	(395)	(352)
	<hr/>	<hr/>
Share of profits of associated undertaking	340	938
Loss on ordinary activities after taxation	(60)	(1,236)
	<hr/>	<hr/>
Net profit/(loss) retained	<u>280</u>	<u>(298)</u>

Notes *(continued)*

10 Investments *(continued)*

Supplementary balance sheet:	1997	1996
	£000	£000
Fixed assets		
Tangible assets	24,018	24,601
Investments (interests in associated undertakings)	5,699	5,359
	<u>29,717</u>	<u>29,960</u>
Current assets	28,556	153,268
Creditors: amounts falling due within one year	(3,425)	(127,322)
	<u>25,131</u>	<u>25,946</u>
Net current assets		
	<u>25,131</u>	<u>25,946</u>
Total assets less current liabilities	54,848	55,906
Creditors: amounts falling due after more than one year	(26,122)	(26,122)
Provision for liabilities and charges	-	(1,338)
	<u>28,726</u>	<u>28,446</u>
	<u><u>28,726</u></u>	<u><u>28,446</u></u>
Capital and reserves:		
Called up share capital	1,000	1,000
Profit and loss account	27,726	27,446
	<u>28,726</u>	<u>28,446</u>
	<u><u>28,726</u></u>	<u><u>28,446</u></u>

11 Debtors

	1997	1996
	£000	£000
Amounts owed by group undertakings	27,897	151,405
Other debtors and prepayments	421	1,729
	<u>28,318</u>	<u>153,134</u>
	<u><u>28,318</u></u>	<u><u>153,134</u></u>

Notes (continued)

12 Creditors: amounts falling due within one year

	1997 £000	1996 £000
Trade creditors	558	815
Amounts owed to group undertakings	1,077	123,540
Taxes and social security costs	311	272
Accruals	1,479	2,500
Corporation tax	-	195
	3,425	127,322
	3,425	127,322

13 Creditors: amounts falling due after more than one year

	1997 £000	1996 £000
Loan from group undertaking at 0% wholly repayable on 7 September 2040	15,122	15,122
Loan from group undertaking at 0% wholly repayable on 6 December 2038	11,000	11,000
	26,122	26,122
	26,122	26,122

Both loans are convertible at the option of the issuer to Apple Computer UK Limited ordinary shares based on the market value of the shares at the date of conversion. Repayment of the loans on the dates above is contingent on the ability of Apple Computer UK Limited to make such repayments from accumulated post-tax profits. In addition, repayment of the loans will not be made unless Apple Computer UK Limited has sufficient funds to make full repayment to all other creditors of the company.

14 Provision for liabilities and charges

	Provision for disposal of empty property £000
At 27 September 1996	1,338
Movement in year	(1,338)
	-
At 26 September 1997	-

Notes (continued)

15 Deferred taxation

	Unprovided		Provided	
	1997 £000	1996 £000	1997 £000	1996 £000
Capital allowances in advance of depreciation	(107)	(651)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16 Share capital

	Authorised, allotted, called up and fully paid	
	1997 £000	1996 £000
1,000,000 ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>

17 Reconciliation of shareholders' funds and movements on reserves

	Share capital	Profit and loss account	Total shareholders' funds
	£000	£000	£000
At 29 September 1996	1,000	26,087	27,087
Loss for the year	-	(60)	(60)
	<u> </u>	<u> </u>	<u> </u>
At 26 September 1997	1,000	26,027	27,027
	<u> </u>	<u> </u>	<u> </u>

Notes *(continued)*

18 Capital commitments

There were no capital commitments at 26 September 1997 (1996 - £nil).

19 Pension commitments

The company operates a money purchase scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable to this fund at 31 December 1997 were £54,798.

20 Other financial commitments

At 26 September 1997, the company had annual commitments under non-cancellable operating leases as set out below:

	Building 1997 £000	Other 1997 £000	Buildings 1996 £000	Other 1996 £000
Operating leases expiring:				
Within one year	-	519	-	118
Two to five years	-	188	-	1,043
	<hr/>	<hr/>	<hr/>	<hr/>
	-	707	-	1,161
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

21 Ultimate parent undertaking

Apple Computer Inc., incorporated in the United States of America, is the ultimate parent undertaking and is both the smallest and largest undertaking into which the results of Apple Computer UK Limited are consolidated.

Copies of Apple Computer Inc., accounts may be obtained from:

20525 Mariani Avenue
 Cupertino
 CA 95014 USA