

Apple Computer (UK) Limited

**Directors' report and financial
statements**

Registered number 1591116

30 September 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2000.

Principal activities

The company's principal activity is to provide services to group companies.

Results

The profit for the period, after taxation, amounted to £4,111,000 (1999: £3,137,000).

Business review

The results of the company for the year ended 30 September 2000 as set out on page 5 are considered satisfactory.

Proposed dividend

The directors do not recommend the payment of a dividend (1999: £42,000,000)

Directors and their interests

The directors who held office during the year were as follows:

N Heinen

G Guyon de Chemilly

G Wipfler

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

European Monetary Union

Apple Computer (UK) Limited does not expect significant changes to be made in its operations or systems, due to the introduction of the Euro.

Political and charitable contributions

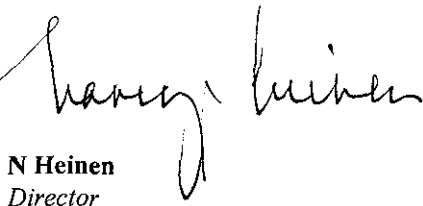
The company made no political contributions during the year (1999: £nil). Donations to UK charities amounted to £4,000 (1999: £nil).

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



N Heinen
Director

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.



Arlington Business Park
Theale
Reading, RG7 4SD
United Kingdom

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

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

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 affairs of the company as at 30 September 2000 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG

*Chartered Accountants
Registered Auditors*

14 September 2001

Profit and loss account

for the year ended 30 September 2000

	Note	2000 £000	1999 £000
Turnover		19,416	15,934
Cost of sales		(910)	(748)
Gross profit		18,506	15,186
Distribution costs		(539)	(481)
Administrative expenses		(16,448)	(13,059)
Operating profit	2-4	1,519	1,646
Income from participating interests		4,451	2,110
Other interest receivable and similar income	5	32	1,421
Interest payable	6	(8)	(7)
Profit on ordinary activities before taxation		5,994	5,170
Tax on profit on ordinary activities	7	(1,883)	(2,033)
Profit on ordinary activities after taxation		4,111	3,137
Dividend proposed and paid	8	-	(42,000)
Retained profit/(loss) for the financial year		4,111	(38,863)

All results relate to continuing operations. There were no other recognised gains or losses other than those shown above.

Balance sheet

at 30 September 2000

	Note	2000 £000	1999 £000
Fixed assets			
Tangible assets	9	858	698
Investments	10	3,716	3,716
		<u>4,574</u>	<u>4,414</u>
Current assets			
Debtors	11	12,247	15,071
Cash at bank and in hand		123	-
		<u>12,370</u>	<u>15,071</u>
Creditors: amounts falling due within one year	12	<u>(6,813)</u>	<u>(13,465)</u>
Net current assets		<u>5,557</u>	<u>1,606</u>
Net assets		<u>10,131</u>	<u>6,020</u>
Capital and reserves			
Called up share capital	14	1,000	1,000
Profit and loss account	15	9,131	5,020
Shareholders' funds – equity	15	<u>10,131</u>	<u>6,020</u>

These financial statements were approved by the board of directors on 6 September 2001 and were signed on its behalf by:

Director
G Wipfler 

Notes

(forming part of the financial statements)

1 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, Related Party Transactions, 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 obtained from the address given in note 18.

Investments

Investments are valued at cost, less any charge for impairment.

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
Leasehold improvements	-	period of lease
Apple own use	-	33% straight line

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

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 defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme (note 16).

Notes (continued)

1 Accounting policies (continued)

Operating leases

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

Turnover

Turnover represents the amounts derived from the provision of services during the year, all of which are continuing (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.

2 Profit on ordinary activities before charging taxation

Profit on ordinary activities before taxation is stated after charging/(crediting);

	2000 £000	1999 £000
Auditors' remuneration		
- audit	32	19
- non audit services	86	82
Depreciation	214	270
Profit on disposal of fixed assets	-	(14)
Hire of plant and machinery – rentals under operating leases	437	419
Other operating leases	1,270	1,289

3 Directors' emoluments

	2000 £000	1999 £000
Emoluments (including pension contributions)	370	351

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

	Number of directors	
	2000	1999
Money purchase scheme	1	1

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £237,276 (1999: £166,000) and company pension contributions of £21,278 (1999: £23,000) were paid to a defined contribution scheme on his behalf.

Three directors exercised share options in Apple group companies during 2000 (1999: nil).

Notes *(continued)*

4 Staff costs

	2000 £000	1999 £000
Wages and salaries	9,511	6,914
Social security costs	826	660
Other pension costs	284	275
	<u>10,621</u>	<u>7,849</u>

The average weekly number of employees (including directors) during the year was 155 (1999: 150), all of whom relate to the provision of services and administration. During August 2000, 27 employees of Apple Xemplar Ltd transferred to Apple UK Ltd.

5 Interest receivable and similar income

	2000 £000	1999 £000
Bank interest receivable	32	14
Interest from group undertakings	-	1,405
Net exchange gains	-	2
	<u>32</u>	<u>1,421</u>

6 Interest payable

	2000 £000	1999 £000
On bank loans and overdrafts	8	7

Notes *(continued)*

7 Tax on profit on ordinary activities

	2000 £000	1999 £000
Corporation tax at 30% (1999: 30.58%)	1,692	2,033
Adjustments in respect of prior periods	191	-
	<u>1,883</u>	<u>2,033</u>

8 Dividends

	2000 £000	1999 £000
Interim dividend proposed and paid	-	42,000

9 Tangible fixed assets

	Leasehold improvement £000	Office Equipment £000	Apple own use £000	Total £000
Cost				
At beginning of year	907	5,909	1,385	8,201
Additions	92	14	270	376
Disposals	-	-	(3)	(3)
At end of year	<u>999</u>	<u>5,923</u>	<u>1,652</u>	<u>8,574</u>
Depreciation				
At beginning of year	488	5,878	1,137	7,503
Charge for year	56	17	141	214
Disposals	-	-	(1)	(1)
At end of year	<u>544</u>	<u>5,895</u>	<u>1,277</u>	<u>7,716</u>
Net book value				
At 30 September 2000	<u>455</u>	<u>28</u>	<u>375</u>	<u>858</u>
At 25 September 1999	<u>419</u>	<u>31</u>	<u>248</u>	<u>698</u>

Notes (continued)

10 Investments

Cost	Shares in group undertakings £000
At beginning and end of year	3,716

The cost of the investment relates to a shareholding of 3.58% of the ordinary share capital of Apple Computer Inc. Limited (a company incorporated and registered in Ireland).

11 Debtors

	2000 £000	1999 £000
Amounts owed by group undertakings	2,767	4,432
ACT recoverable	8,832	9,898
Other debtors and prepayments	648	741
	<u>12,247</u>	<u>15,071</u>

12 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Bank overdraft	-	70
Trade creditors	671	1,531
Amounts owed to group undertakings	3,703	9,588
Other creditors including taxation and social security costs:		
Corporation tax	1,406	1,454
Other taxes and social security	313	260
	<u>1,719</u>	<u>1,714</u>
Accruals	720	562
	<u>6,813</u>	<u>13,465</u>

Notes (continued)

13 Deferred taxation

The company has an unrecognised deferred tax asset of £275,000 (1999: £343,000) arising from the excess of depreciation over capital allowances.

14 Called up share capital

	2000 £000	1999 £000
<i>Authorised, allotted, called up and fully paid</i>		
1,000,000 ordinary shares of £1 each	1,000	1,000

15 Reconciliation of shareholders' funds

	Share capital £000	Profit and loss account £000	Total shareholders' funds £000
At beginning of year	1,000	5,020	6,020
Profit for the year	-	4,111	4,111
At end of year	1,000	9,131	10,131

16 Pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charged for the period represents contributions payable by the company to the scheme and amounted to £307,000 (1999: £275,000). The liability outstanding at the year end was £nil (1999: £28,000) and is included in accruals.

17 Commitments

(a) Capital commitments

There were no capital commitments at 30 September 2000 (1999: £nil).

(b) Lease commitments

The annual commitments under non-cancellable operating leases at 30 September 2000 are as follows:

	2000		1999	
	Buildings £000	Other £000	Buildings £000	Other £000
Operating leases which expire:				
- within one year	-	57	-	22
- in the second to fifth years	-	295	-	293
- over five years	1,270	-	1,270	-
	1,270	352	1,270	315

Notes *(continued)*

18 Ultimate parent undertaking

Apple Computer Inc., incorporated in the United States of America, is the ultimate parent undertaking and controlling party 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:

1 Infinite Loop
Cupertino
CA95014
USA