

Apple (UK) Limited
(formerly Apple Computer (UK) Limited)

**Directors' report and
financial statements**

Year ended 30 September 2006

Registered number 1591116

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Apple (UK) Limited

Formerly Apple Computer (UK) Limited

Directors' report and financial statements

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Apple (UK) Limited

Formerly Apple Computer (UK) Limited

Directors' report

The directors present their annual report and audited financial statements for the year ended 30 September 2006

Principal activities and business review

Apple (UK) Limited provides services to group companies. These services include sales support, marketing and technical support. As of 30 September 2006, the company had 155 employees, which was an increase of 12.3% on the prior year. This growth was seen primarily in the sales support and marketing area.

On 3 November 2006 Apple (UK) Limited registered a branch office in The Russian Federation with the intention to provide sales support, marketing and other services to group companies trading with Russian customers. There are currently no employees in this branch.

Apple (UK) Limited is a wholly owned subsidiary of Apple Inc., a company incorporated in California, United States of America and listed on the Nasdaq exchange. The Apple Inc Group of companies, referred to collectively as "Apple" design, manufacture and market Macintosh personal computers and related software, services and peripherals, Digital music players (iPod) and related accessories and services including the online sale of audio and video.

During 2006, Apple made updates to its range of personal computers including transitioning from IBM "PowerPC" processors to Intel processors. Apple also updated its popular iPod music players with new iPod Nano and iPod Shuffle models.

Apple sells to education, consumer, creative professional, and business and government customers through a variety of direct and indirect distribution channels. Apple (UK) Limited's principal business is the provision of sales support and marketing services in connection with sales of Apple products in the UK market.

Sales of Apple products have been growing in recent years with Apple Inc recording a 38% growth in worldwide net revenue in 2006 over 2005. Results from the first two quarters of 2007 show the growth in worldwide sales of Apple products continuing. This strong performance in worldwide sales of Apple products is also reflected in the underlying sales of Apple products in the UK market and is therefore the basis for robust financial performance of Apple (UK) Limited.

The results of the company for the year ended 30 September 2006 as set out on page 6 are considered satisfactory.

Results

The profit for the year after taxation amounted to £26,538,000 (2005 £5,632,000 profit)

Dividend

A dividend of £43,006,642 (2005 £Nil) was paid.

Apple (UK) Limited

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Directors' report *(continued)*

Directors, secretary and their interests

The directors who held office during the year were as follows

Georges Guyon de Chemilly

Nancy Heinen (on 1 May 2006, resigned as a director)

Peter Oppenheimer (replaced Nancy Heinen as secretary on 11 May 2006)

Gary Wipfler

Tim Cook (on 8 May 2006, appointed as a director)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company. The interests of the directors in other group companies are disclosed in the directors' report of the parent company.

Political and charitable contributions

The company made no political contributions during the year (2005 £Nil). Donations to UK charities amounted to £3,000 (2005 £Nil).

Post balance sheet events

No important events affecting the company have taken place since the end of the financial year.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Election of auditors

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG will therefore continue in office.

By order of the board

Director

Dated *JULY 23, 2007*

Print



100 New Bridge Street
London EC4V 6JA

Apple (UK) Limited

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Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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



KPMG
Chartered Accountants
90 South Mall
Cork
Ireland

Independent auditors' report to the members of Apple (UK) Limited (formerly Apple Computer (UK) Limited)

We have audited the financial statements of Apple (UK) Limited for the year ended 30 September 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.



KPMG
Chartered Accountants
90 South Mall
Cork
Ireland

Independent auditors' report to the members of Apple (UK) Limited (formerly Apple Computer (UK) Limited)

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its profit for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985

Chartered Accountants
Registered Auditor

25 July 2007

Apple (UK) Limited

Formerly Apple Computer (UK) Limited

Profit and loss account

for the year ended 30 September 2006

	Note	2006 £'000	2005 £'000
Turnover	2	23,735	23,379
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit		23,735	23,379
Distribution costs		(282)	(387)
Administrative expenses		(17,435)	(18,226)
		<hr/>	<hr/>
Operating profit	3	6,018	4,766
Income from participating interests	17	28,972	-
Interest receivable and similar income	6	707	897
Interest payable & similar charges	7	(92)	(206)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		35,605	5,457
Tax on profit on ordinary activities	8	(9,067)	175
		<hr/>	<hr/>
Profit for the financial year	16	26,538	5,632
		<hr/>	<hr/>

There were no other recognised gains or losses other than those shown above

Apple (UK) Limited

Formerly Apple Computer (UK) Limited

Balance sheet

at 30 September 2006

	<i>Note</i>	2006 £'000	2005 £'000
Fixed assets			
Tangible assets	9	738	547
Investments	10	3,715	3,715
		<u>4,453</u>	<u>4,262</u>
Current assets			
Debtors	11	11,518	24,579
Cash at bank and in hand		3,833	2,183
		<u>15,351</u>	<u>26,762</u>
Creditors: amounts falling due within one year	12	(7,021)	(2,622)
		<u>8,330</u>	<u>24,140</u>
Net current assets			
		<u>12,783</u>	<u>28,402</u>
Total assets less current liabilities			
		<u>12,783</u>	<u>28,402</u>
Provision for liabilities and charges	13	(849)	-
		<u>11,934</u>	<u>28,402</u>
Net assets			
		<u>11,934</u>	<u>28,402</u>
Capital and reserves			
Called up share capital	15	1,000	1,000
Profit and loss account	16	10,934	27,402
		<u>11,934</u>	<u>28,402</u>
Shareholders' funds – equity	16	<u>11,934</u>	<u>28,402</u>

These financial statements were approved by the board of directors on and were signed on its behalf by

Director

Print



Dated *July 23, 2007*

Apple (UK) Limited

Formerly Apple Computer (UK) Limited

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 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 Inc, within which the results of this company are included, can be obtained from the address given in the notes to the accounts

Investments

Investments are valued at cost, less any charge for impairment

Fixed assets & 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	20% straight line
Leasehold improvements	lesser of 10 years or lease term
Apple own use	33% - 100% straight line

Taxation

Current tax is provided on the company's taxable profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements

Apple (UK) Limited

Formerly Apple Computer (UK) Limited

Notes (continued)

1 Accounting policies (continued)

Taxation (continued)

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

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

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

The company earns commission income under commission agent agreements in place with related group undertakings Commission receivable for the provision of services to group companies is recognised when earned

2 Turnover

As permitted by paragraph 55(5) of Schedule 4 to the Companies Act 1985, turnover is not analysed as in the opinion of the directors the disclosure of this information would be seriously prejudicial to the interests of the company

3 Operating profit

	2006 £'000	2005 £'000
<i>Operating profit is stated after charging</i>		
Auditors' remuneration		
- audit	15	33
Depreciation	407	240
Hire of plant and machinery		
- rentals under operating leases	302	303
Other operating lease rentals	1,311	1,420
Loss on disposal of tangible fixed assets	4	51
	<hr/>	<hr/>

Apple (UK) Limited

Formerly Apple Computer (UK) Limited

Notes (continued)

4 Remuneration of directors

	2006 £'000	2005 £'000
Emoluments (including pension contributions)	-	-

Four directors exercised share options in Apple group companies during the year (2005 2)

5 Staff numbers and costs

The average weekly number of employees during the year was 155 (2005 138) and is analysed into the following categories

	2006 Number	2005 Number
Sales/Marketing	104	81
Finance/Administration	20	20
Technical	31	37
	155	138

Staff costs can be analysed as follows,

	2006 £'000	2005 £'000
Wages and salaries	8,342	8,427
Social security costs	1,716	1,659
Other pension costs	254	275
	10,312	10,361

6 Interest receivable and similar income

	2006 £'000	2005 £'000
Bank interest receivable	196	30
Interest from loans to related undertakings	482	862
Other	29	5
	707	897

Apple (UK) Limited

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Notes (continued)

7 Interest payable & similar charges

	2006	2005
	£'000	£'000
Bank charges and fees	85	111
Other	7	95
	<u>92</u>	<u>206</u>

8 Tax on profit on ordinary activities

(a) Analysis of tax charge

	2006	2005
	£'000	£'000
UK Corporation tax (note 8(b))	9,192	(214)
Total current tax charge	<u>9,192</u>	<u>(214)</u>
Deferred tax (note 11)	(125)	39
Tax on profit on ordinary activities	<u>9,067</u>	<u>(175)</u>

(b) Factors affecting tax charge for year

The current tax charge for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below

Current tax reconciliation

	2006	2005
	£'000	£'000
Profit/(loss) on ordinary activities before tax	35,605	5,457
Taxation charge at UK corporation tax rate of 30%	<u>10,682</u>	<u>1,637</u>
Effects of		
Depreciation for period in excess of capital allowances	50	(16)
Expensed fixed assets	-	9
Permanent timing differences	(1,384)	(2,317)
Adjustment in respect of prior years	(156)	(214)
Group relief surrendered not paid	-	114
Utilisation Losses (carry back to 2004)	-	573
Total current tax charge	<u>9,192</u>	<u>(214)</u>

Apple (UK) Limited

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Notes (continued)

9 Tangible fixed assets

	Leasehold improvement £'000	Office equipment £'000	Apple own use £'000	Total £'000
Cost				
At beginning of year	847	1,013	259	2,119
Additions	536	20	45	601
Disposals	-	(169)	(63)	(232)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,383	864	241	2,488
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	409	918	245	1,572
Charge for year	314	36	57	407
Disposals	-	(166)	(63)	(229)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	723	788	239	1,750
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 September 2006	660	76	2	738
	<hr/>	<hr/>	<hr/>	<hr/>
At 25 September 2005	438	95	14	547
	<hr/>	<hr/>	<hr/>	<hr/>

10 Investments

	Share in group undertakings £'000
Cost at beginning and end of year	3,715
	<hr/>

The above investment represents 3.58% of ordinary share capital of Apple Operations International (formerly Apple Computer Inc Ltd), a company incorporated in the Republic of Ireland

Apple (UK) Limited

Formerly Apple Computer (UK) Limited

Notes (continued)

11 Debtors

Debtors due within one year:

	2006 £'000	2005 £'000
Amounts owed by Group undertakings	10,019	10,376
Loans to related undertakings	-	11,426
Other debtors and prepayments	699	549
Deferred tax asset	276	151
Corporation tax recoverable	-	1,492
	<u>10,994</u>	<u>23,994</u>

Debtors due after more than one year:

Amounts owed by Group undertakings	524	585
	<u>11,518</u>	<u>24,579</u>

The loans to related undertakings are interest bearing The amounts owed by related undertakings are non-interest bearing

The company has a recognised deferred tax asset of £276,000 (2005 £151,000) arising from the excess of depreciation over capital allowances plus a provision taken on the leasehold retirement obligation

Deferred tax

	2006 £'000	2005 £'000
Accelerated capital allowances	174	151
Leasehold retirement obligation	102	-
	<u>276</u>	<u>151</u>

Apple (UK) Limited

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Notes (continued)

12 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Amounts owed to Group undertakings	696	-
Trade creditors	721	896
Social security	495	349
Accruals	795	1,377
Corporation tax payable	4,314	-
	<u>7,021</u>	<u>2,622</u>

13 Provision for liabilities and charges

	2006 £'000	2005 £'000
Asset retirement obligation	849	-
	<u>849</u>	<u>-</u>

The provision for liabilities and charges is in respect of an asset retirement obligation whereby the company has an obligation to restore its leased premises to its original condition on vacation of the premises at the end of the lease in 2017. The company has provided for expected future costs of £1,583,000 in this regard and has discounted them at a rate of 5.83% to net present value.

14 Dividends

The aggregate amount of dividends comprise

	2006 £'000	2005 £'000
Interim dividends paid in respect of current year	43,006	-

The Company paid dividends amounting to £43,006,642 (£43.01 per share) to Apple Inc (formerly Apple Computer, Inc.)

Apple (UK) Limited

Formerly Apple Computer (UK) Limited

Notes (continued)

15 Called up share capital

	2006 £'000	2005 £'000
<i>Authorised, called up and fully paid</i>		
1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

16 Reconciliation of shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
At beginning of year	1,000	27,402	28,402
Profit for the year	-	26,538	26,538
Dividend payment	-	(43,006)	(43,006)
	<u>1,000</u>	<u>10,934</u>	<u>11,934</u>

17 Income from participating interests

The Company received dividends amounting to £28,972,229 from Apple Operations International (formerly Apple Computer, Inc Ltd) within the year

18 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 independent administered fund. The pension costs charged for the period represents contributions payable by the company to the scheme and amounted to £254,395 (2005 £275,421). The liability outstanding at year end was £nil (2005 £29,660).

Apple (UK) Limited

Formerly Apple Computer (UK) Limited

Notes (continued)

19 Commitments

Capital commitments

There were no capital commitments at 30 September 2006 (2005 £Nil)

Lease commitments

The annual commitments under non-cancellable operating leases at 30 September 2006 are as follows

	2006		2005	
	Buildings £'000	Other £'000	Buildings £'000	Other £'000
Operating leases which expire				
- within one year	-	16	-	305
- in the second to fifth year	-	164	-	343
- over five years	1,311	-	1,311	-
	<u>1,311</u>	<u>180</u>	<u>1,311</u>	<u>648</u>

The company has issued a guarantee in favour of HM Customs & Excise in the amount of £100,000

20 Ultimate parent company and parent undertaking of larger group of which the company is a member

Apple Inc (formerly Apple Computer, Inc), a company incorporated in California, 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 (UK) Limited are consolidated

Copies of Apple Inc , accounts may be obtained from

1 Infinite Loop
Cupertino
CA 95014
USA