

Apple Retail UK Limited

Directors' report and financial statements

Year ended 24 September 2005

Registered number 4996702



Apple Retail UK Limited

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1-2
Statement of directors' responsibilities	3
Independent auditors' report to the members of Apple Retail UK Limited	4
Profit and loss account	5
Balance sheet	6
Notes forming part of the financial statements	7 - 17

Apple Retail UK Limited

Directors' report

The directors present their directors' report and financial statements for the year ended 24 September 2005.

Principal activities, business review and future developments

The company's principal activity is the sale of computer equipment and electrical goods and the provision of ancillary services through its retail stores located in the UK. The company is committed to its retail growth initiative across the UK and this will continue in the foreseeable future.

Post balance sheet events

Post year-end, the company opened three new retail stores.

Results and dividends

The loss for the year after taxation amounted to £545k (2004: £364k loss). The directors do not recommend the payment of a dividend (2004: £nil)

Directors and secretary

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

Tim Cook, (on 12 May 2006 was appointed as a director)
Nancy Heinen, (on 1 May 2006 resigned as a director)
Gary Wipfler
Peter Oppenheimer.

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

Peter Oppenheimer replaced Nancy Heinen as secretary on 11 May 2006.

Directors' and secretaries' interests

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' reports of the parent company. The above directors have options to acquire shares in Apple Computer, Inc.

Political and charitable contributions

The company made no political contributions during the year (2004: £Nil). Donations to UK charities amounted to £nil (2004: £Nil).

Apple Retail UK Limited

Directors' report *(continued)*

Auditors

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

By order of the board



Director

12 September 2006

100 New Bridge Street
London EC4V 6JA

Apple Retail UK Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period, in accord, 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 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 books of account 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 Acts 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
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

Independent auditors' report to the members of Apple Retail UK Limited

We have audited the financial statements on pages 5 to 17.

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 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 transactions with the company is not disclosed.

Basis of audit 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 24 September 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

14 September 2006

Apple Retail UK Limited

Profit and loss account

for the year ended 24 September 2005

	<i>Note</i>	2005 £'000	2004 £'000
Turnover – continuing operations	2	61,767	
Cost of sales		(49,304)	-
		<hr/>	<hr/>
Gross profit – continuing operations		12,463	-
Distribution costs		(48)	(1)
Administrative expenses		(13,401)	(512)
		<hr/>	<hr/>
Operating loss – continuing operations	3	(986)	(513)
Other interest receivable and similar income	6	615	-
Interest payable and similar charges	7	(18)	-
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(389)	(513)
Tax on loss on ordinary activities	8	(156)	149
		<hr/>	<hr/>
Loss for the financial year		(545)	(364)
		<hr/>	<hr/>

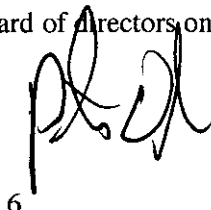
All results relate to continuing operations. There were no other recognised gains or losses other than those shown above.

Apple Retail UK Limited

Balance sheet at 24 September 2005

	<i>Note</i>	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	9	16,214	5,920
		<hr/>	<hr/>
Current assets			
Stock	10	4,352	-
Debtors	11	2,676	828
Cash at bank and in hand		11,682	10,000
		<hr/>	<hr/>
		18,710	10,828
Creditors: amounts falling due within one year	12	(35,666)	(17,111)
		<hr/>	<hr/>
Net current liabilities		(16,956)	(6,283)
		<hr/>	<hr/>
Total assets less current liabilities		(742)	(363)
		<hr/>	<hr/>
Provision for liabilities and charges	13	(166)	-
		<hr/>	<hr/>
Net liabilities		(908)	(363)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account	15	(909)	(364)
		<hr/>	<hr/>
Shareholders' funds – equity	15	(908)	(363)
		<hr/>	<hr/>

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



12 September 2006

Apple Retail 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 and comply with the financial reporting standards of the Accounting Standards Board.

Cashflow Statement

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. Details of the availability of the parent consolidated financial statement are set out in note 18.

Related Party Transactions

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).

Tangible Fixed assets

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
Machinery & Equipment	20% straight line
Leasehold improvements	10% straight line
Apple own use	100% straight line

Provision is made for impairments of tangible fixed assets below their carrying amounts.

The capital costs associated with capital projects, are accumulated in a "Construction In Progress" (CIP) general ledger account until the project is placed in service. When a capital project is placed in service, the fixed assets are transferred from the Construction-In-Progress account to the appropriate capital asset accounts.

Apple Retail UK Limited

Notes (*continued*)

1 Accounting policies (*continued*)

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 inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

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.

Stock

Stocks and work in progress are valued on a first in first out basis at the lower of cost and net realisable value. Net realisable value is based on normal selling price, less further costs expected to be incurred to completion and disposal.

Foreign currencies

The accounts are expressed in Sterling.

Transactions in foreign currencies are translated at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All gains and losses on translation are taken to the profit and loss account.

Pensions

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. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Apple Retail UK Limited

Notes (continued)

1 Accounting policies (continued)

Operating leases

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

Revenue recognition

Turnover in respect of the sale of goods is recognised on delivery/collection by the customer, while service turnover is recognised once the company has met its obligations under its service.

Turnover

Turnover represents the fair value of goods (computer products, hardware and peripherals) and the provision of services during the year, all of which are net of value added tax.

2 Turnover

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 loss

	2005 £'000	2004 £'000
<i>Operating loss is stated after charging:</i>		
Auditors' remuneration	-	-
- audit	-	-
Depreciation	1,004	-
Other operating lease rentals	2,281	-
Loss on disposal of tangible fixed assets	68	-
	<hr/>	<hr/>

Audit fees have been borne by a group company.

Apple Retail UK Limited

Notes (continued)

4 Remuneration of directors

There were no payments to directors during the year (2004: £Nil).

5 Staff costs

	2005 £'000	2004 £'000
Wages and salaries	3,871	8
Social security costs	388	3
Other pension costs	19	-
	<hr/>	<hr/>
	4,278	11
	<hr/>	<hr/>

The average weekly number of employees during the year was 212 (2004: 10), categorised as follows:

	2005	2004
Administration	28	-
Sales	<u>184</u>	<u>10</u>
Total average weekly	<hr/> 212 <hr/>	<hr/> 10 <hr/>

6 Other interest receivable and similar income

	2005 £'000	2004 £'000
Bank interest receivable	613	-
Other Income	2	-
	<hr/>	<hr/>
	615	-
	<hr/>	<hr/>

Apple Retail UK Limited

Notes *(continued)*

7 Interest payable and similar charges

	2005 £'000	2004 £'000
Other charges	18	-
	<u>18</u>	<u>-</u>
	<u>18</u>	<u>-</u>

8 Tax on profit on ordinary activities

	2005 £'000	2004 £'000
(a) Analysis of tax charge in the year		
Total current tax charge	-	
Deferred Tax	156	(149)
	<u>156</u>	<u>(149)</u>
Tax on profit on ordinary activities	<u>156</u>	<u>(149)</u>

Apple Retail UK Limited

Notes (continued)

8 Tax on profit on ordinary activities

2005	2004
£'000	£'000

(b) Factors affecting tax charge for the year

The company recorded an overall loss before taxation in the period and recognised a nil charge for current taxes. A reconciliation of the tax charge to the standard rate of UK Corporation Tax (30%) is given below.

	2005 £'000	2004 £'000
Current tax reconciliation		
Loss on ordinary activities before tax	(389)	(513)
	<hr/>	<hr/>
Taxation charge at UK corporation tax rate of 30%	(117)	(154)
Effects of:		
Accelerated Capital Allowances/		
Other timing differences	(156)	149
Expenses not deductible	274	5
Pension provision	(1)	-
	<hr/>	<hr/>
Total current tax charge	-	-
	<hr/>	<hr/>

Apple Retail UK Limited

Notes (continued)

9 Tangible fixed assets

	Leasehold improvement	Office equipment	Machinery & equipment	Construction in progress	Total
	£'000	£'000	£'000	£'000	£'000
<i>Cost</i>					
At beginning of year	-	-	-	5,920	5,920
Additions	149	-	-	11,216	11,365
Transfer from CIP	13,414	59	402	(13,875)	-
Disposals	-	-	(71)	-	(71)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of year	13,563	59	331	3,261	17,214
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Depreciation</i>					
At beginning of year	-	-	-	-	-
Charge for year	(931)	(10)	(63)	-	(1,004)
Disposals	-	-	4	-	4
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of year	(931)	(10)	(59)	-	(1,000)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Net book value</i>					
At 24 September 2005	12,632	49	272	3,261	16,214
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 25 September 2004	-	-	-	5,920	5,920
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Apple Retail UK Limited

Notes (continued)

10 Stock

	2005 £'000	2004 £'000
Finished goods	4,255	-
Service inventory	97	-
	<u>4,352</u>	<u>-</u>

The replacement cost of stocks does not differ materially from their book values.

11 Debtors

	2005 £'000	2004 £'000
Amounts owed by group undertakings	284	26
Other debtors and prepayments	2,169	653
Deferred tax asset	-	149
Corporation tax recoverable	223	-
	<u>2,676</u>	<u>828</u>

12 Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Trade creditors	2,723	1,348
Amounts owed to group undertakings	21,040	5,685
Loan from group undertakings	10,000	10,000
<i>Other creditors including taxation and social security costs:</i>		
corporation tax	-	-
other taxes and social security	180	4
Accruals	1,723	74
	<u>35,666</u>	<u>17,111</u>

Apple Retail UK Limited

Notes (continued)

13 Provision for liabilities and charges

	2005 £'000	2004 £'000
Long term leasehold improvement retirement obligation	159	-
Deferred tax liability	7	-
	<hr/>	<hr/>
	166	-
	<hr/>	<hr/>

The movements in deferred taxation is as follows:

	£'000
At beginning of year	149
Charge to the profit and loss for the year	(156)
	<hr/>
At end of year	(7)
	<hr/>

The elements of deferred taxation are as follows:

	2005 £'000	2004 £'000
Difference between accumulated depreciation and amortisation and capital allowances	(343)	-
Tax losses	335	-
Other timing differences	1	149
	<hr/>	<hr/>
	(7)	149
	<hr/>	<hr/>

Apple Retail UK Limited

Notes (continued)

14 Called up share capital

	2005 £'000	2004 £'000
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted called up equity</i>		
1,000 ordinary shares of £1 each	1	1
	<hr/>	<hr/>

15 Reconciliation of shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
At beginning of year	1	(364)	(363)
Loss for the year	-	(545)	(545)
	<hr/>	<hr/>	<hr/>
At end of year	1	(909)	(908)
	<hr/>	<hr/>	<hr/>

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 independent administered fund. The pension costs charged for the period represents contributions payable by the company to the scheme and amounted to £19,197 (2004: £Nil). The liability outstanding at the year end was £4,291 (2004: £Nil).

Apple Retail UK Limited

Notes (*continued*)

17 Commitments

Capital commitments

As at 24 September 2005, contracts were in place relating to the opening of the Trafford and Meadowhall stores in 2006. These commitments were £372k and £1,122k respectively.

Lease commitments

The annual commitments under non-cancellable operating leases at 24 September 2005 are as follows:

	Buildings	
	2005	2004
	£'000	£'000
Operating leases which expire:		
-within one year	-	-
-in the second to fifth year	-	-
-over five years	3,537	384
	<hr/>	<hr/>
	3,537	384
	<hr/>	<hr/>

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

Apple Computer Europe Holding (formally *Apple Computer Europe Holding Limited*) is the parent company of Apple Retail UK Ltd. Apple Computer Europe Holding is a subsidiary undertaking of Apple Operations International (formally *Apple Computer Inc. Limited*) incorporated in Ireland, which is the smallest into which the results of Apple Retail UK Limited and Apple Computer Europe Holdings Limited are consolidated.

Apple Computer Inc., incorporated in the United States of America, is the ultimate parent undertaking and controlling party and is the largest undertaking into which the results of Apple Retail UK Ltd. are consolidated.

The consolidated financial statements of Apple Computer Inc. are available to the public and may be obtained from 1 Infinite Loop, Cupertino, California, CA 95014, USA.