

Apple Retail UK Limited

Directors' report and Financial statements

Year ended 29 September 2007

Registered number 4996702



Apple Retail UK Limited

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1-3
Statement of directors' responsibilities in respect of the Directors' report and the financial statements	4
Independent auditor's report to the member of Apple Retail UK Limited	5-6
Profit and loss account	7
Statement of total recognised gains and losses	8
Balance sheet	9
Notes forming part of the financial statements	10 - 25

Apple Retail UK Limited

Directors' report

The directors present their annual report and audited financial statements for the year ended 29 September 2007

Principal activities and business review

The Company's principal activity is the sale of computer equipment, music related products, accessories and the provision of ancillary services through its retail stores located in the UK. Following the opening of four new retail stores during 2007 the number of stores open as at 29 September 2007 was eleven stores comparing to seven stores as at 30th September 2006. Since September 29, 2007, five additional stores have been opened for a total of sixteen stores opened in the United Kingdom as at July 2008.

Turnover was £132m for the year ended 29 September 2007 compared to £109m for the year ended 30 September 2006. The current year increase in Retail turnover was primarily due to stronger sales of Mac portable products and iMacs. Administrative expenses were £31m for the year ended 29 September 2007 compared to £25m for the year ended 30 September 2006. The increase in administrative expenses are attributable to the increase in the number of stores and the remodelling of certain stores. Loss on ordinary activities before tax for the financial year was £4.5m for the year ended 29 September 2007 compared to a loss of £952k for the year ended 30 September 2006. The loss for the year is due to the company's continued investment in new stores during the period, and continued investment in staff to provide excellent customer experience and service vision for our industry-leading store traffic. We will continue to open stores at a measured pace and are very selective with real estate, and remain confident in our retail stores.

As at 29 September 2007, UK Retail had 573 (full time equivalent) employees and had outstanding capital commitments associated with retail store space and related facilities of £20.3m.

Risks and uncertainties

The risks and uncertainties faced by the business are those typical of the retail sector. The Company has invested substantially in equipment and leasehold improvements, information systems, and personnel. In addition, the Company has also entered into substantial operating lease commitments for retail space with lease terms ranging from 10 to 15 years, the majority of which are for 15 years.

Should the Company choose to terminate these commitments or close individual stores, then the Company could incur substantial costs. Such costs could adversely affect the Company's results of operations and financial condition. Additionally, a relatively high proportion of the stores costs are fixed because of personnel costs, depreciation of store construction costs, and lease expense. As a result, significant losses would result should the stores experience a significant decline in sales for any reason.

Potential risks and uncertainties unique to retail operations that could have an adverse impact on the Retail segment include, among other things, macro-economic factors that have a negative impact on general retail activity, inability to manage costs associated with store construction and operation, inability to sell third-party hardware and software products at adequate margins, and inability to obtain and renew leases in quality retail locations at a reasonable cost.

Apple Retail UK Limited

Directors' report (*continued*)

Key performance indicators

Key performance indicators that are focused on by management include

- Sales
- Margin
- Overheads
- New developments

Each of these indicators are monitored by local management against budget and against prior periods. The directors are satisfied with the performance of the company during the year with regard to the indicators above.

Post balance sheet events

Subsequent to 29 September 2007, the company opened five new retail stores.

Results and dividends

The loss for the year after taxation amounted to £3,686,000 (2006 £1,880,000 *loss restated*). The directors do not recommend the payment of a dividend (2006 £0).

Directors

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

Tim Cook
Gary Wipfler
Peter Oppenheimer

Political and charitable contributions

The company made no political contributions during the year (2006 £0). Donations to UK charities amounted to £nil (2006 £0).

Disclosure of information to auditor

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 auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Apple Retail UK Limited

Directors' report *(continued)*

Election of the auditor

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

By order of the board

Director

Print 

Dated 9/5/08

100 New Bridge Street
London EC4V 6JA

Apple Retail UK Limited

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 period. 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 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 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 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
90 South Mall
Cork
Ireland

Independent auditor's report to the member of Apple Retail UK Limited

We have audited the financial statements of Apple Retail UK Limited for the year ended 29 September 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, 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 independent auditor

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 whether, in our opinion, the Directors' Report is consistent with the financial statements.

In addition, we report to you, if in our opinion, 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 auditor's report to the member of Apple Retail UK Limited
(continued)**

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 29 September 2007 and of its loss for the year ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements


Chartered Accountants
Registered Auditor

10 September 2008

Apple Retail UK Limited

Profit and loss account

for the year ended 29 September 2007

	<i>Note</i>	2007 £'000	2006 £'000 (as restated)
Turnover – continuing operations	2	131,971	109,267
Cost of sales		(106,087)	(86,273)
		<hr/>	<hr/>
Gross profit		25,884	22,994
Distribution costs		(7)	(53)
Administrative expenses		(31,115)	(24,783)
		<hr/>	<hr/>
Operating loss – continuing operations	3	(5,238)	(1,842)
Other interest receivable and similar income	6	890	990
Interest payable and similar charges	7	(191)	(100)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(4,539)	(952)
Tax on loss on ordinary activities	9	853	(928)
		<hr/>	<hr/>
Loss for the financial year		(3,686)	(1,880)
		<hr/> <hr/>	<hr/> <hr/>

Apple Retail UK Limited

Statement of total recognised gains and losses for the year ended 29 September 2007

	2007 £'000	2006 £'000 (as restated)
Loss for the year - (Includes share based payments charge)	(3,686)	(1,880)
Other recognised gains and losses	-	-
Total recognised gains and losses	<u>(3,686)</u>	<u>(1,880)</u>
Prior year adjustment (Note 16)	<u>(123)</u>	
Total recognised gains and losses since last financial statements	<u>(3,809)</u>	

Apple Retail UK Limited

Balance Sheet

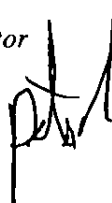
as at 29 September 2007

	<i>Note</i>	2007 £'000	2006 £'000 (as restated)
Fixed assets			
Tangible assets	10	41,542	24,804
Intangible assets	11	87	-
		<u>41,629</u>	<u>24,804</u>
Current assets			
Stock	12	11,914	8,021
Debtors	13	6,467	4,548
Cash at bank and in hand		22,675	29,230
		<u>41,056</u>	<u>41,799</u>
Creditors: amounts falling due within one year	14	(87,987)	(68,081)
		<u>(46,931)</u>	<u>(26,282)</u>
Net current liabilities			
		<u>(46,931)</u>	<u>(26,282)</u>
Total assets less current liabilities		<u>(5,302)</u>	<u>(1,478)</u>
Provision for liabilities	15	(779)	(1,187)
		<u>(6,081)</u>	<u>(2,665)</u>
Net liabilities			
		<u>(6,081)</u>	<u>(2,665)</u>
Capital and reserves			
Called up share capital	17	1	1
Profit and loss account	18	(6,475)	(2,789)
Capital contribution reserve	19	393	123
		<u>(6,081)</u>	<u>(2,665)</u>
Shareholders' deficit – equity	20		
		<u>(6,081)</u>	<u>(2,665)</u>

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

Director

Print



Dated 9/5/08

100 New Bridge Street
London EC4V 6JA

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, except as noted below

The company adopted Financial Reporting Standard 20, *Share Based Payments*, in these financial statements for the first time and the disclosures it requires have been presented for both the current and comparative period

Basis of preparation

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

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

Related Party Transactions

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

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% - 33% straight line
Machinery & equipment	20% - 33% straight line
Leasehold improvements	lesser of 10 years or lease term
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) 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)

Intangible Fixed assets

Intangible assets with definite useful lives are amortised over their estimated useful lives. Amortised assets are reviewed for impairment and losses recognised.

Equity settled share based payment transactions

The Apple share schemes allow employees to acquire shares in Apple Inc. They are all equity settled. The fair value of share entitlements granted is recognised as an employee expense in the profit and loss account with a corresponding increase in a capital contribution reserve. Apple Inc. uses the Black-Scholes-Merton (BSM) option-pricing model to calculate the fair value. Share entitlements granted by Apple Inc. are subject to certain non-market based vesting conditions. Non-market vesting conditions are not taken into account when estimating the fair value of entitlements as at the grant date. The expense for the share entitlements shown in the profit and loss account is based on the fair value of the total number of entitlements expected to vest and is allocated to accounting periods ratably over the vesting period. The cumulative charge to the profit and loss account is only reversed where entitlements do not vest because all non-market performance conditions have not been met or where an employee in receipt of share entitlements leaves the company before the end of the vesting period.

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.

Apple Retail UK Limited

Notes (*continued*)

1 Accounting policies (*continued*)

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.

Provisions

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to that liability.

Leasehold property restoration

Full provision is made for the net present value of the company's costs in relation to restoration liabilities at its leasehold properties. The net present value of the estimated costs is capitalised as leasehold improvements and depreciated over the remaining useful life of the leasehold property. The unwinding of the discount element on the restoration provision is reflected in profit or loss. Current cost estimates are revised each year and any resulting change is reflected in the carrying amount of the relevant assets.

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.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Apple Retail UK Limited

Notes (continued)

1 Accounting policies (continued)

Turnover (continued)

Net sales consist primarily of revenue from the sale of products (hardware, software, and peripherals), and extended warranty and support contracts. The Company recognises revenue pursuant to applicable accounting standards.

The Company recognises revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable. Product is considered delivered to the customer once it has been shipped and risk of loss has been transferred. Revenue from extended warranty and support contracts is deferred and recognised rateably over the warranty and support periods. These contracts typically include extended phone support, certain repairs, web-based support resources, diagnostic tools, and extend the Company's basic limited parts and labour warranty.

The Company sells software and peripheral products obtained from other companies.

Generally, the Company does not offer specified or unspecified upgrade rights to its customers in connection with software sales or the sale of extended warranty and support contracts. However, a limited number of the Company's software products are available with maintenance agreements that grant customers rights to unspecified future upgrades over the maintenance term on a when and if available basis. Revenue associated with such maintenance is recognised rateably over the maintenance term.

2 Turnover

As permitted by paragraph 55(5) of schedule 4 to the Companies Act 1985, 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

	2007 £'000	2006 £'000
<i>Operating loss is stated after charging</i>		
Auditors' remuneration		
- audit	10	11
Depreciation	3,510	1,934
Other operating lease rentals	4,779	3,767
(Gain)/Loss on disposal of tangible fixed assets	119	(1,199)
	<hr/>	<hr/>

4 Remuneration of directors

There were no payments to directors during the year (2006: £0).

Apple Retail UK Limited

Notes (continued)

5 Staff costs

	2007 £'000	2006 £'000
Wages and salaries	12,505	9,036
Social security costs	1,321	894
Other pension costs	174	111
Share based payments	270	123
	<u>14,270</u>	<u>10,164</u>

The average monthly number of employees during the year was 611 (2006 461), categorised below

	2007	2006
Administration	9	55
Sales	<u>602</u>	<u>406</u>
Total average weekly	<u>611</u>	<u>461</u>

6 Other interest receivable and similar income

	2007 £'000	2006 £'000
Bank interest receivable	890	990
	<u>890</u>	<u>990</u>

7 Interest payable and similar charges

	2007 £'000	2006 £'000
Bank charges	191	100
	<u>191</u>	<u>100</u>

Apple Retail UK Limited

Notes (continued)

8 Share-based payments

Apple Inc, has two share option schemes in operation for Apple Retail UK Limited employees and executives of the company (the "2003 Employee Stock Plan" and the "Employee Stock Purchase Plan") Details of the respective plans are outlined below

The 2003 Employee Stock Plan (the "2003 Plan") is a shareholder approved plan that provides for broad-based grants to employees, including executive officers Based on the terms of individual option grants, options granted under the 2003 Plan generally expire 7 to 10 years after the grant date and generally become exercisable over a period of four years, based on continued employment, with either annual or quarterly vesting The 2003 Plan permits the granting of incentive stock options, non-statutory stock options, restricted stock units, stock appreciation rights, stock purchase rights and performance-based awards Apple Inc has a shareholder approved employee stock purchase plan (the "Purchase Plan"), under which substantially all employees may purchase common stock through payroll deductions at a price equal to 85% of the lower of the fair market values as of the beginning and end of six-month offering periods Stock purchases under the Purchase Plan are limited to 10% of an employee's compensation, up to a maximum of USD 25,000 in any calendar year

As grants of share options have occurred since 7 November 2002, which have not vested by 1 January 2006, the recognition and measurement principles of FRS 20 have been applied by the Company, in the current year The terms and conditions of each grant is as follows, all options are to be settled by physical delivery of shares

Grant date / entitled employees	Number of instruments in thousands	Vesting conditions	Contractual life of options
Options Granted in 2005	15	1 to 4 years service	7-10 Years
Options Granted in 2006	4	1 to 4 years service	7-10 Years
Options Granted in 2007	20	1 to 4 years service	7-10 Years
Total share options	39		

Apple Retail UK Limited

Notes (continued)

8 Share-based payments (continued)

The number and weighted average exercise price is as follows

	Weighted average price 2007 USD	Number of options 2007 '000	Weighted average price 2006 USD	Number of options 2006 '000
Outstanding at 1 October 2006	44.61	17	39 59	15
Forfeited during the period	-	-	44 50	(1)
Exercised during the period	41.67	(4)	41 73	(1)
Granted during the period	98.33	20	63 30	4
Outstanding at 29 September 2007	76.86	33	44 61	17
Exercisable at 29 September 2007	59.36	8	36 26	4

The options outstanding at 29 September 2007 have an exercise price of USD 76 86 and a weighted average contractual life of 6 years

Apple Inc , uses the Black-Scholes-Merton (BSM) option-pricing model to calculate the fair value of stock-based awards. The BSM option-pricing model incorporates various assumptions including expected volatility, expected life, and interest rates. The expected volatility is based on the historical volatility of Apple Inc 's common stock over the most recent period commensurate with the estimated expected life of Apple Inc 's stock options and other relevant factors including implied volatility in market traded options on Apple Inc 's common stock. Apple Inc , bases its expected life assumption on its historical experience and on the terms and conditions of the stock awards it grants to employees. Stock-based compensation cost is estimated at the grant date based on the award's fair-value as calculated by the BSM option-pricing model and is recognized as expense ratably on a front-loaded basis over the requisite service period.

The weighted average assumptions used for 2007 and 2006 and the resulting estimates of weighted-average fair value per share of options granted and for stock purchases during those periods are as follows

	2007	2006
Expected life of stock options	3.46 years	3 56 years
Expected life of stock purchases	6 months	6 months
Interest rate - stock options	4.61 %	4 60 %
Interest rate - stock purchases	5.13 %	4 29 %
Volatility - stock options	38.13 %	40 34 %
Volatility - stock purchases	39.22 %	39.56 %
Dividend yields	-	-
Weighted-average fair value of options granted during the year	\$31.86	\$23 16
Weighted-average fair value of stock purchases during the year	\$20.90	\$14 06

Apple Retail UK Limited

Notes (continued)

8 Share-based payments (continued)

Employee expenses (Note 5)	2007 \$'000	2006 \$'000
Share options granted prior to 24 September 2005	42	75
Share options granted in year ended 30 September 2006	36	150
Share options granted in year ended 29 September 2007	456	-
Total employee cost (USD)	534	225
	£'000	£'000
Total employee cost (GBP)	270	123

2007 expense charge was converted from USD to GBP at \$1 9793 £1 (2006 \$1 8207 £1)

9 Tax on loss on ordinary activities

	2007 £'000	2006 £'000
(a) Analysis of tax charge in the year		
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	-
Total current tax charge	-	-
<i>Deferred tax</i>		
Originating/reversal of timing differences	(529)	587
Change in tax rate	(6)	-
Adjustment in respect of previous years	(318)	341
Total deferred tax charge/(credit)	(853)	928
Tax on loss on ordinary activities	(853)	928

Apple Retail UK Limited

Notes (continued)

9 Tax on loss on ordinary activities (continued)

(b) Factors affecting tax charge for the year

The current tax charge for the period is different than the standard rate of corporation tax in the UK (30%, 2006 30%) The differences are explained below

	2007 £'000	2006 £'000 (as restated)
Current tax reconciliation		
Loss on ordinary activities before tax	(4,539)	(952)
	<hr/>	<hr/>
Taxation charge at UK corporation tax rate of 30%	(1,362)	(286)
Effects of		
Accelerated Capital Allowances/		
Other timing differences	(1,093)	(587)
Expenses not deductible	833	668
Group relief not paid	1,622	205
	<hr/>	<hr/>
Total current tax charge	-	-
	<hr/>	<hr/>

Apple Retail UK Limited

Notes (continued)

10 Tangible fixed assets

	Leasehold improvement	Office equipment	Machinery & equipment	Construction in progress	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At beginning of year	17,375	299	658	9,159	27,491
Additions	630	-	470	19,267	20,367
Transfer from CIP	14,553	422	430	(15,405)	-
Disposals	(157)	-	-	-	(157)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of year	32,401	721	1,558	13,021	47,701
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation					
At beginning of year	(2,445)	(61)	(181)	-	(2,687)
Charge for year	(3,012)	(157)	(341)	-	(3,510)
Disposals	38	-	-	-	38
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of year	(5,419)	(218)	(522)	-	(6,159)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value					
At 29 September 2007	26,982	503	1,036	13,021	41,542
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 September 2006	14,930	238	477	9,159	24,804
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Apple Retail UK Limited

Notes *(continued)*

11. Intangible Fixed Assets

	2007 £'000	Total £'000
Costs		
At beginning of year	-	-
Additions	97	97
Disposals	-	-
	<hr/>	<hr/>
At end of year	97	97
	<hr/>	<hr/>
Depreciation		
At beginning of year	-	-
Additions	(10)	(10)
Disposals	-	-
	<hr/>	<hr/>
At end of year	(10)	(10)
	<hr/>	<hr/>
Net book value	87	87
At 29 September 2007	<hr/>	<hr/>

Apple Retail UK Limited

Notes (continued)

12 Stock

	2007 £'000	2006 £'000
Finished goods	11,697	7,885
Service inventory	217	136
	<u>11,914</u>	<u>8,021</u>

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

13 Debtors

	2007 £'000	2006 £'000
Amounts owed by group undertakings	45	10
Other debtors and prepayments	6,422	4,315
Corporation tax recoverable	-	223
	<u>6,467</u>	<u>4,548</u>

14 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	4,316	2,931
Amounts owed to group undertakings	69,898	52,089
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	834	304
Accruals	2,939	2,757
	<u>87,987</u>	<u>68,081</u>

Apple Retail UK Limited

Notes (continued)

15 Provision for liabilities

	2007 £'000	2006 £'000
Long term leasehold improvement retirement obligation	407	252
Deferred tax liability	82	935
Long Term Deferred Revenue	290	-
	<u>779</u>	<u>1,187</u>

The movements in deferred taxation is as follows

	£'000
At beginning of year	(935)
Charge to the profit and loss for the year	853
	<u>(82)</u>

The elements of the deferred tax asset/(liability), recognised in full, are as follows

	2007 £'000	2006 £'000
Accelerated capital allowances	(1,635)	(935)
Trading losses	1,514	-
Other timing differences	39	-
	<u>(82)</u>	<u>(935)</u>

Apple Retail UK Limited

Notes (continued)

16 Prior year adjustments

The company has adopted the requirements of FRS 20, Share Based Payments for the first time in the current financial year. The standard requires the fair value of share entitlements granted by Apple Inc to participating employees of the company to be recognised as an expense in the profit and loss account with a corresponding increase in equity. The adoption of the standard gives rise to a prior year adjustment with an additional employee expense of £123,000. All adjustments are being recognised in the year ended 29 September 2007. A corresponding Capital contribution has been recognised from the company's ultimate parent in this regard.

17 Called up share capital

	2007 £'000	2006 £'000
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	1,000	1,000
<i>Allotted called up equity</i>		
1,000 ordinary shares of £1 each	1	1

18 Reconciliation of profit and loss reserves

	2007 £'000	2006 £'000
Opening profit and loss reserve as originally reported	(2,666)	(909)
Prior year adjustment (Note 16)	(123)	-
Opening profit and loss account reserve as restated	(2,789)	(909)
Total recognised gains and losses for year	(3,686)	(1,880)
Profit and loss account reserve at end of year	(6,475)	(2,789)

19 Capital contribution reserve

	2007 £'000	2006 £'000
At beginning of year	123	-
Capital contribution during year	270	123
At end of year	393	123

Apple Retail UK Limited

Notes (continued)

20 Reconciliation of movement in shareholder's deficit	2007	2006
	£'000	£'000
Opening shareholder's deficit as originally reported	(2,665)	(908)
Prior year adjustment (Note 16)	(123)	-
Capital contribution relating to prior years (Note 19)	123	-
	<hr/>	<hr/>
Opening shareholder's deficit as restated	(2,665)	(908)
Total recognised gains and losses for year	(3,686)	(1,880)
Dividends	-	-
Capital contribution during year (Note 19)	270	123
	<hr/>	<hr/>
Closing shareholder's deficit	(6,081)	(2,665)
	<hr/>	<hr/>

21 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 £174,350 (2006 £110,511). The liability outstanding at the year-end was £nil (2006 £0).

22 Commitments

Capital commitments

As at 29 September 2007, contracts were in place relating to the opening ten stores in 2008 and 2009. These commitments were £20,307,487.

Lease commitments

The annual commitments under non-cancellable operating leases at 29 September 2007 are as follows:

	Buildings	
	2007	2006
	£'000	£'000
Operating leases which expire		
-within one year	-	-
-in the second to fifth year	-	-
-over five years	5,842	4,637
	<hr/>	<hr/>
	5,842	4,637
	<hr/>	<hr/>

Apple Retail UK Limited

Notes (continued)

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

Apple Inc , a company incorporated in California, United States of America, is the ultimate parent undertaking and controlling party and is both smallest and the largest undertaking into which the results of Apple Retail UK Limited are consolidated

Copies of Apple Inc., accounts may be obtained from

1 Infinite Loop,
Cupertino,
CA 95014,
USA

24 Post Balance Sheet Event

Subsequent to the 29 September 2007 the Company opened five retail stores

25 Approval of financial statements

The directors' approved the financial statements on *September 5, 2008*