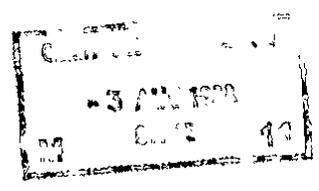


# Apple Computer (UK) Limited



Report and Accounts  
*September 25, 1987*

1591116



**Arthur Young**

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended September 25, 1987.

Results and dividends

The profit for the year, after taxation, amounted to £220,865 (1986 -loss £246,982).

The directors do not recommend the payment of a dividend.

Review of the business and future developments

The company's principal activities during the year were the provision of services to support the distribution of Apple Computer products in the United Kingdom and the performance of service work for Apple Computer products.

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

Capital commitments

Land and buildings

On January 8, 1988, the company signed an agreement to lease land and buildings at the Stockley Business Park, Heathrow.

It is envisaged that the company will re-locate to the new premises in February 1989. The annual rental will be £683,500. However there is an option to purchase the head lease for approximately £11 million. This option must be exercised by June 30, 1988.

The directors have authorised capital expenditures of £3 million for purchasing furniture, fixtures and equipment in the new building and for upgrading the shell and core of the building.

Computer

The directors have authorised up to £311,000 for a new computer system to be installed in 1988.

Directors and their interests

The directors who served during the year were as follows:

A. A. Eisenstat (U.S.A.)  
M. H. Spindler  
D. Hancock

D. Hancock resigned as a director on December 31, 1987 and K. Phillips was appointed on January 1, 1988.

No director had any disclosable interests in the share capital of the company or group companies incorporated in the United Kingdom at any time during the year. Directors' interests in the ultimate holding company are disclosed in the accounts of Apple Computer Inc.

12

APPLE COMPUTER (UK) LIMITED

DIRECTORS' REPORT  
(continued)

Close company

The company is not a close company within the provisions of the Income and Corporation Taxes Act, 1970.

Auditors

A resolution to reappoint Arthur Young as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD

*H R Beirne*

H. R. BEIRNE  
Secretary



# Arthur Young

Chartered Accountants  
Reta House 1 Reta Buildings  
Fetter Lane London EC4A 3NF

## REPORT OF THE AUDITORS TO THE MEMBERS OF APPLE COMPUTER (UK) LIMITED

We have audited the accounts on pages 4 to 12 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at September 25, 1987 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

ARTHUR YOUNG  
July 11, 1988

APPLE COMPUTER (UK) LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED SEPTEMBER 25, 1987

	<u>Notes</u>	<u>1987</u> £	<u>1986</u> £
Turnover	2	14,178,015	9,928,481
Cost of sales		1,979,018	1,847,136
Gross profit		12,198,997	8,081,345
Distribution costs and administrative expenses		11,666,353	8,302,647
Operating profit/(loss)	3	532,644	(221,302)
Interest payable	5	165	2,720
Profit/(loss) on ordinary activities before taxation		532,479	(224,022)
Tax on profit/(loss) on ordinary activities	6	(311,614)	(22,960)
Profit/(loss) for the financial year after taxation		220,865	(246,982)
Retained loss brought forward		(434,565)	(187,583)
Retained loss carried forward		£ (213,700)	£ (434,565)

The notes on pages 7 to 12 form part of these accounts

APPLE COMPUTER (UK) LIMITED

BALANCE SHEET AT SEPTEMBER 25, 1987

	<u>Notes</u>	£	<u>1987</u> £	<u>1986</u> £
<b>ASSETS</b>				
Tangible fixed assets	7		321,695	250,267
Current assets:				
Inventory	8	451,956		288,611
Debtors	9	3,713,366		2,055,380
Cash at bank and in hand		44,256		111,537
			4,209,578	2,455,528
			£4,531,273	£2,705,795
<b>LIABILITIES</b>				
Capital and reserves:				
Called up share capital	10		1,000,000	1,000,000
Profit and loss account			(213,700)	(434,565)
Creditors	12		3,744,973	2,140,360
			£4,531,273	£2,705,795

K. PHILLIPS  
*K. Phillips*  
 A. A. EISENSTAT  
*A. A. Eisenstat*

) Directors  
 )

The notes on pages 7 to 12 form part of these accounts

APPLE COMPUTER (UK) LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED SEPTEMBER 25, 1987

	1987 £	1986 £
Source of funds:		
Profit on ordinary activities before taxation	532,479	-
Adjustment for items not involving the movement of funds:		
Depreciation	119,580	121,527
Profit on disposal of fixed assets	(1,866)	(1,999)
	<u>650,193</u>	<u>119,528</u>
Funds from other sources:		
Proceeds of sales of tangible fixed assets	2,362	-
	<u>652,555</u>	<u>119,528</u>
Application of funds:		
Loss on ordinary activities before taxation	-	224,022
Purchase of tangible fixed assets	191,504	19,544
Tax paid	63,000	-
	<u>254,504</u>	<u>243,566</u>
	£ 398,051	£ (124,038)
Increase/(decrease) in working capital		
Components of (decrease)/increase in working capital:		
Inventory	163,354	(167,083)
Debtors	1,657,986	1,261,136
Creditors	(1,356,008)	(1,271,192)
	<u>465,332</u>	<u>(177,139)</u>
Movement in net liquid funds:		
Cash at bank and in hand	(67,281)	53,101
	<u>£ 398,051</u>	<u>£ (124,038)</u>

The notes on pages 7 to 12 form part of these accounts

APPLE COMPUTER (UK) LIMITED

NOTES TO THE ACCOUNTS AT SEPTEMBER 25, 1987

1. Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention.

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:

Construction-in-progress	- not depreciated until asset comes into use
Office equipment	- 25% to 50% using double declining balance method
Motor vehicles	- 33% straight line

As a result of the company's decision to relocate to Stockley Park (see note 13) the useful life of the leasehold improvements has been revised from 10 years to eighteen months, effective from July 1, 1987. This resulted in an additional charge of £19,000 for the year.

Inventory

Inventory is stated at the lower of cost, on a F.I.F.O. basis, and net realisable value and a provision is made for excess and obsolete stock.

Deferred taxation

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

Foreign currencies

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

2. Turnover

Turnover represents the invoiced amount of goods sold and services provided (net of value added tax), together with commissions received and receivable.

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.

APPLE COMPUTER (UK) LIMITED

8.

NOTES TO THE ACCOUNTS AT SEPTEMBER 25, 1987  
(continued)

3. Operating profit/(loss)

	<u>1987</u>	<u>1986</u>
	£	£
(a) This is stated after charging/(crediting):		
Directors' remuneration (see below)	152,285	103,672
Auditors' remuneration	13,800	9,400
Depreciation	119,580	121,527
Software development costs	138,393	210,000
Operating lease rentals - plant and machinery	287,058	232,287
- land and buildings	144,838	112,128
	-----	-----
(b) Directors' remuneration:		
Fees	-	-
Other emoluments (including pension contributions)	152,285	103,672
	-----	-----
	£ 152,285	£ 103,672
	-----	-----

The emoluments of the highest paid director, excluding pension contributions, were £151,985 (1986 - £103,672). Other directors' emoluments, excluding pension contributions, fell within the following range:

	<u>1987</u>	<u>1986</u>
	No.	No.
£ Nil - £ 5,000	2	3

4. Staff costs

	<u>1987</u>	<u>1986</u>
	£	£
Wages and salaries	2,783,964	1,924,736
Social security costs	293,901	184,113
Other pension costs	85,917	16,645
	-----	-----
	£3,163,782	£2,125,494
	-----	-----

The average weekly number of employees during the year was made up as follows:

	<u>1987</u>	<u>1986</u>
	No.	No.
Sales and marketing	54	45
Distribution and administration	37	38
	-----	-----
	91	83
	-----	-----

APPLE COMPUTER (UK) LIMITED

NOTES TO THE ACCOUNTS AT SEPTEMBER 25, 1987  
(continued)

4. Staff costs  
(continued)

Senior employees

The following number of senior employees received remuneration falling within the ranges below:

	<u>1987</u> No.	<u>1986</u> No.
£30,001 - £35,000	2	7
£35,001 - £40,000	5	5
£40,001 - £45,000	6	2
£45,001 - £50,000	6	2
£50,001 - £55,000	4	2
£55,001 - £60,000	5	2
£60,001 - £65,000	-	-
£65,001 - £70,000	1	1
£70,001 +	4	-
	----- 33	----- 21
	=====	=====

5. Interest payable

	<u>1987</u>	<u>1986</u>
Bank loans and overdrafts	£ 165	£ 2,720
	=====	=====

6. Tax on profit/(loss) on ordinary activities

	<u>1987</u> £	<u>1986</u> £
Based on the profit/(loss) for the year:		
Current taxation at 35% (1986 - 37½%)	328,794	26,179
Deferred taxation	-	(3,219)
	-----	-----
	328,794	22,960
Corporation tax:		
Overprovided in previous years	(17,180)	-
	-----	-----
	£311,614	£22,960
	=====	=====

APPLE COMPUTER (UK) LIMITED

NOTES TO THE ACCOUNTS AT SEPTEMBER 25, 1987  
(continued)

7. Tangible fixed assets

	<u>Leasehold improvements</u> £	<u>Office equipment</u> £	<u>Motor vehicles</u> £	<u>Construction in progress</u> £	<u>Total</u> £
Cost:					
At September 26, 1986	338,448	489,593	4,463	-	832,504
Additions	5,829	48,230	9,030	128,415	191,504
Disposals	-	-	(4,463)	-	(4,463)
Write off	-	(112,761)	-	-	(112,761)
At September 25, 1987	344,277	425,062	9,030	128,415	906,784
Depreciation:					
At September 26, 1986	151,544	426,850	3,843	-	582,237
Provided during the year	53,420	61,521	4,639	-	119,580
Disposals	-	-	(3,967)	-	(3,967)
Write off	-	(112,761)	-	-	(112,761)
At September 25, 1987	204,964	375,610	4,515	-	585,089
Net book value:					
At September 25, 1987	£139,313	£ 49,452	£ 4,515	£128,415	£321,695
At September 26, 1986	£186,904	£ 62,743	£ 620	£ -	£250,267

8. Inventory

Goods for resale

1987	1986
£ 451,956	£ 288,611

9. Debtors

Trade debtors  
Amounts owed by group companies  
Prepayments

1987	1986
£	£
424,628	250,088
3,022,881	1,379,650
265,857	425,642
£3,713,366	£2,055,380

10. Share capital

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	1987 No.	1986 No.	1987	1986
Ordinary shares of £1 each	1,000,000	1,000,000	£1,000,000	£1,000,000

NOTES TO THE ACCOUNTS AT SEPTEMBER 25, 1987  
(continued)

11. Deferred taxation

	<u>Potential</u>		<u>Provision</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	£	£	£	£
Capital allowances in advance of depreciation	(178,198)	(59,858)	-	-
Other differences in recognising revenue and expense items in other periods taxation purposes	(1,641)	(3,332)	-	-
	£(179,839)	£(63,190)	£ -	£ -

12. Creditors: amounts falling due within one year

	<u>1987</u>	<u>1986</u>
	£	£
Trade creditors	261,861	547,717
Amounts owed to group companies	42,046	79,840
Taxes and social security costs	85,353	166,828
Accruals	3,080,920	1,319,796
Corporation tax	274,793	26,179
	£3,744,973	£2,140,360

13. Capital commitments

	<u>1987</u>	<u>1986</u>
	£'000	£'000
Authorised but not contracted:		
Computer	311	-
Other	80	-
	£ 391	£ -
Contracted for but not provided in accounts:		
Building (see below)	£ 3,000	£ -

On January 8, 1988 the company signed an agreement to lease land and buildings at the Stockley Business Park, Heathrow.

The directors have authorised capital expenditure of £3 million for purchasing furniture, fixtures and equipment in the new building and for upgrading the shell and core of the building.

APPLE COMPUTER (UK) LIMITEDNOTES TO THE ACCOUNTS AT SEPTEMBER 25, 1987  
(continued)14. Other financial commitments

At September 25, 1987 the company had annual commitments under non-cancellable operating leases as set out below:

	<u>1987</u>		<u>1986</u>	
	<u>Building</u>	<u>Other</u>	<u>Building</u>	<u>Other</u>
	£	£	£	£
Operating leases which expire:				
Within one year	-	51,993	-	93,327
In second to fifth years	-	263,178	-	47,719
In over five years	143,000	-	112,128	-
	<u>£143,000</u>	<u>£315,171</u>	<u>£112,128</u>	<u>£141,046</u>
	=====	=====	=====	=====

15. Ultimate holding company

Apple Computer Inc., incorporated in the United States of America, is the ultimate holding company.