

Apple Computer (UK) Limited

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Report and Accounts
30th September, 1988

31/7/89
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Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

APPLE COMPUTER (UK) LIMITED

1.

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended September 30, 1988.

Results and dividends

The profit for the year, after taxation, amounted to £583,927 (1987 - profit £220,865).

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 and the company re-located to the new premises in March 1989. An option to purchase the head lease for approximately £11 million was exercised by the company on December 9, 1988.

Computer

The directors have authorised up to £314,000 for a new computer system to be installed in 1989.

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	(Resigned December 31, 1987)
K. Phillips	(Appointed January 1, 1988; resigned September 30, 1988)

P. Chauveau was appointed as a director on October 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.

APPLE COMPUTER (UK) LIMITED

2.

DIRECTORS' REPORT
(continued)

Close company

The company is not a close company within the provisions of the Income and Corporation Taxes Act, 1988.

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
Secretary

June 21, 1988



A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

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 30, 1988 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

ARTHUR YOUNG

June 21, 1989

APPLE COMPUTER (UK) LIMITED

4.

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 1988

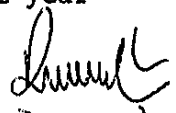

	<u>Notes</u>	<u>1988</u> <u>£</u>	<u>1987</u> <u>£</u>
Turnover	2	21,282,930	14,178,015
Cost of sales		2,265,662	1,979,018
Gross profit		19,017,268	12,198,997
Distribution costs and administrative expenses		17,684,913	11,666,518
Operating profit	3	1,332,355	532,479
Interest receivable	5	4,357	--
Profit on ordinary activities before taxation		1,336,712	532,479
Tax on profit on ordinary activities	6	(752,785)	(311,614)
Profit for the financial year after taxation		583,927	220,865
Retained loss brought forward		(213,700)	(434,565)
Retained profit/(loss) carried forward		£ 370,227	£ (213,700)

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

APPLE COMPUTER (UK) LIMITED

5.

BALANCE SHEET AT SEPTEMBER 30, 1988

	<u>Notes</u>	£	<u>1988</u> £	<u>1987</u> £
ASSETS				
Tangible fixed assets	7		1,013,716	321,695
Current assets:				
Inventory	8	581,223		451,956
Debtors	9	3,642,925		3,713,366
Cash at bank and in hand		1,825,280		44,256
			6,049,428	4,209,578
			<u>£7,063,144</u>	<u>£4,531,273</u>
LIABILITIES				
Capital and reserves:				
Called up share capital	10		1,000,000	1,000,000
Profit and loss account			370,227	(213,700)
Creditors: amounts falling due within one year	12		5,692,917	3,744,973
<div style="display: flex; justify-content: space-between; align-items: center;"> <div> <p>P. CHAUVEAU</p> <p>A. A. EISENSTAT</p> </div> <div style="text-align: center;">   </div> <div> <p>Directors</p> </div> </div>				
June 21, 1989			<u>£7,063,144</u>	<u>£4,531,273</u>

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

APPLE COMPUTER (UK) LIMITED

6.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1988

	£	<u>1988</u> £	<u>1987</u> £
Source of funds:			
Profit on ordinary activities before taxation		1,336,712	532,479
Adjustment for items not involving the movement of funds:			
Depreciation		306,923	119,580
Profit on disposal of fixed assets		(1,840)	(1,866)
		<u>1,641,795</u>	<u>650,193</u>
Funds from other sources:			
Proceeds of sales of tangible fixed assets		4,850	2,362
		<u>1,646,645</u>	<u>652,555</u>
Application of funds:			
Purchase of tangible fixed assets	1,001,954		191,504
Tax paid	329,050		63,000
	<u> </u>	<u>1,331,004</u>	<u>254,504</u>
Increase in working capital		£ 315,641	£ 398,051
Components of increase in working capital:			
Inventory		129,267	163,354
Debtors		(70,441)	1,657,836
Creditors		(1,524,209)	(1,356,008)
		<u>(1,465,383)</u>	<u>465,332</u>
Movement in net liquid funds:			
Cash at bank and in hand		1,781,024	(67,281)
		<u>£ 315,641</u>	<u>£ 398,051</u>

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

NOTES TO THE ACCOUNTS AT SEPTEMBER 30, 1988

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 £100,000 for the year.

Inventory

Inventory is stated at the lower of cost, on a F.I.F.O. basis, and net realisable value.

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

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NOTES TO THE ACCOUNTS AT SEPTEMBER 30, 1988
(continued)3. Operating profit

	<u>1988</u> £	<u>1987</u> £
(a) This is stated after charging:		
Directors' remuneration (see below)	130,071	152,285
Auditors' remuneration	16,840	13,800
Depreciation	306,923	119,580
Software development costs	160,115	138,393
Operating lease rentals - plant and machinery	447,577	287,058
- land and buildings	172,974	144,838
	=====	=====
(b) Directors' remuneration:		
Fees	-	-
Other emoluments (including pension contributions)	130,071	152,285
	-----	-----
	£ 130,071	£ 152,285
	=====	=====

The emoluments of the highest paid director, excluding pension contributions, were £85,901 (1987 - £151,985). Other directors' emoluments, excluding pension contributions, fell within the following range:

	<u>1988</u> No.	<u>1987</u> No.
£ Nil - £ 5,000	2	2
£35,000 - £40,000	1	-

4. Staff costs

	<u>1988</u> £	<u>1987</u> £
Wages and salaries	3,920,752	2,783,964
Social security costs	393,377	293,901
Other pension costs	121,280	85,917
	-----	-----
	£4,435,409	£3,163,782
	=====	=====

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

	<u>1988</u> No.	<u>1987</u> No.
Sales and marketing	70	54
Distribution and administration	44	37
	-----	-----
	114	91
	=====	=====

APPLE COMPUTER (UK) LIMITED

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NOTES TO THE ACCOUNTS AT SEPTEMBER 30, 1988
(continued)

4. Staff costs
(continued)

Senior employees

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

	<u>1988</u> No.	<u>1987</u> No.
£30,001 - £35,000	6	2
£35,001 - £40,000	7	5
£40,001 - £45,000	6	6
£45,001 - £50,000	6	6
£50,001 - £55,000	4	4
£55,001 - £60,000	2	5
£60,001 - £65,000	2	-
£65,001 - £70,000	1	1
£70,001 +	5	4
	<u>39</u>	<u>33</u>
	=====	=====

5. Interest receivable

	<u>1988</u>	<u>1987</u>
Bank interest	£ 4,357	£ -
	=====	=====

6. Tax on profit on ordinary activities

	<u>1988</u> £	<u>1987</u> £
Based on the profit for the year:		
Current taxation at 35% (1987 - 35%)	752,529	328,794
	<u>752,529</u>	<u>328,794</u>
Corporation tax:		
Under/(overprovided) in previous years	256	(17,180)
	<u>£752,785</u>	<u>£311,614</u>
	=====	=====

The company is discussing with the Inland Revenue the basis of taxation of its results. The directors of the company are confident that the outcome of these discussions will not have any adverse effect on the net assets of the company.

NOTES TO THE ACCOUNTS AT SEPTEMBER 30, 1988
(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, 1987	344,277	425,062	9,030	128,415	906,784
Additions	25,714	367,623	-	608,617	1,001,954
Disposals	-	-	(9,030)	-	(9,030)
At September 30, 1988	369,991	792,685	-	737,032	1,899,708
Depreciation:					
At September 26, 1987	204,964	375,610	4,315	-	585,089
Provided during the year	127,166	178,252	1,505	-	306,923
Disposals	-	-	(6,020)	-	(6,020)
At September 30, 1988	332,130	553,862	-	-	885,992
Net book value:					
At September 30, 1988	£ 37,861	£238,823	£ -	£ 737,032	£1,013,716
At September 25, 1987	£139,313	£ 49,452	£ 4,515	£ 128,415	£ 321,695

8. Inventory

	<u>1988</u>	<u>1987</u>
	£	£
Goods for resale	£ 581,223	£ 451,956

9. Debtors

	<u>1988</u>	<u>1987</u>
	£	£
Trade debtors	681,465	424,628
Amounts owed by group companies	2,810,150	3,022,881
Prepayments	51,310	265,857
	£3,642,925	£3,713,366

10. Share capital

	<u>Authorised</u>	<u>Allotted, called up and fully paid</u>
	<u>1988</u> No.	<u>1987</u> No.
	<u>1988</u>	<u>1987</u>
Ordinary shares of £1 each	1,000,000	1,000,000
	£1,000,000	£1,000,000

NOTES TO THE ACCOUNTS AT SEPTEMBER 30, 1988
(continued)

11. Deferred taxation

	<u>Potential</u>		<u>Provision</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
	£	£	£	£
Capital allowances in advance of depreciation	(417,785)	(178,198)	-	-
Other differences in recognising revenue and expense items in other periods for taxation purposes	(2,402)	(1,641)	-	-
	£(420,187)	£(179,839)	£ -	£ -
	=====	=====	=====	=====

12. Creditors: amounts falling due within one year

	<u>1988</u>	<u>1987</u>
	£	£
Trade creditors	868,011	261,861
Amounts owed to group companies	108,800	42,046
Taxes and social security costs	134,387	85,353
Accruals	3,883,191	3,080,920
Corporation tax	698,528	274,793
	£5,692,917	£3,744,973
	=====	=====

13. Capital commitments

	<u>1988</u>	<u>1987</u>
	£'000	£'000
Authorised but not contracted:		
Computer	314	311
Other	114	80
	428	391
	=====	=====

An option to purchase the head lease on land and buildings at the Stockley Business Park, Heathrow for approximately £11 million was exercised by the company on December 9, 1988.

APPLE COMPUTER (UK) LIMITED

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NOTES TO THE ACCOUNTS AT SEPTEMBER 30, 1988
(continued)

14. Other financial commitments

At September 30, 1988 the company had annual commitments under non-cancellable operating leases as set out below:

	<u>1988</u>		<u>1987</u>	
	<u>Building</u> £	<u>Other</u> £	<u>Building</u> £	<u>Other</u> £
Operating leases which expire:				
Within one year	20,437	28,131	-	51,993
In second to fifth years	-	438,691	-	263,178
In over five years	657,556	-	143,000	-
	-----	-----	-----	-----
	£677,993	£466,822	£143,000	£315,171
	=====	=====	=====	=====

15. Directors loans

Included in the accounts is a loan to K. Phillips of £25,000. This loan bears interest at 5% and is repayable by July 1, 1990.

16. Ultimate holding company

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