

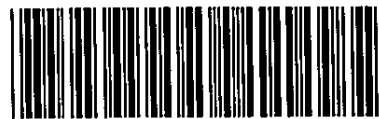
Apple Retail UK Limited

Directors' report and Financial statements

Year ended 24 September 2011

Registered number 4996702

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Apple Retail UK Limited

Directors' report and financial statements

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Apple Retail UK Limited

Directors' report

Registered Number 4996702

The directors present their annual report and audited financial statements for the year ended 24 September 2011

Principal activities and business review

The company's principal activity is the sale of personal computing products, mobile communication devices, and portable digital music and video players, as well as a variety of related software, services, peripherals, networking solutions and various third party hardware and software products. Following the opening of four new retail stores during 2011 the number of stores open as at 24 September 2011 was thirty-three stores compared to twenty-nine stores as at 25 September 2010. Since September 24 2011, no additional stores have been opened.

Turnover was £860m for the year ended 24 September 2011 compared to £504m for the year ended 25 September 2010. The current year increase in Retail turnover was primarily due to strong sales of iPhones, iPads, and Mac products. Throughout the year new releases of consumer and pro-software products were introduced. iPad2 was launched in March 2011. Administrative expenses were £153m for the year ended 24 September 2011 compared to £99m for the year ended 25 September 2010. The increase in administrative expenses is attributable to the increase in the number of stores and higher sales volumes. Profit on ordinary activities before tax for the financial year was £31m for the year ended 24 September 2011.

As at 24 September 2011, the company had 3,488 total average monthly employees.

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.

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 expenses. 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 company 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.

Key performance indicators

Key performance indicators that are focused on by management include

- Sales
- Margin
- Overheads
- New developments

Apple Retail UK Limited

Directors' report *(continued)*

Each of these Indicators is 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.

Disabled Employees

Apple Retail UK is an equal opportunity employer, and does not discriminate on the basis of race, colour, ethnic origin, religion, sex, national origin, marital status, age, sexual orientation, gender identity characteristics or expression, disability, or medical condition in recruiting, accessing and hiring, training, and promoting.

It is Apple's policy and practice to recruit, transfer and promote for all jobs without discriminating on grounds of any physical or mental disability. Information obtained about a disability is confidential.

Employee Involvement

The company operates a framework for employee information and consultation, which complies with the requirements of the Information and Consultation of Employees Regulations 2004. All retail employees are invited to participate and complete an on-line feedback questionnaire three times a year, which will inform Apple Management how well the work environment aligns with our goals. This survey is optional and anonymous.

An employee forum representing all the company's employees is also established, which enables the company to share relevant information in an open environment and allows the employee to bring important issues from a business and employee perspective.

Post balance sheet events

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

Future developments

The directors aim to maintain the management policies which have resulted in the company's growth in recent years.

Results and dividends

The profit for the year after taxation amounted to £22,431,310 (2010: £6,018,063). The directors do not recommend the payment of a dividend (2010: Nil).

Going Concern

The company's business activities, together with factors likely to affect its future development, performance and position are set out in the principal activities and business review, risks and uncertainties and key performance indicators sections of the Directors' Report.

The company has net current liabilities of £79m of which £69m is amounts owed to group undertakings. The financial statements have been prepared on the going concern basis, the validity of which depends on the continued financial support of the company's ultimate parent undertaking, Apple Inc. The ultimate parent undertaking has indicated that it is its intention to continue to provide financial support to the extent necessary to enable the company to meet its liabilities as they fall due.

Apple Retail UK Limited

Directors' report *(continued)*

The directors, having assessed the parental support described above, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern

On the basis of their assessment of the company's financial position, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements

Directors

The directors who held office during the year were as follows

Gary Wipfler

Peter Oppenheimer (resigned 29 August 2011)

Gene Levoff (also Company Secretary) (appointed 29 August 2011)

Political and charitable contributions

The company made no political contributions during the year (2010 Nil). Donations to UK charities amounted to £nil (2010 Nil)

Disclosure of information to the 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 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

Reappointment of auditors

In accordance with s.487 of the Companies Act 2006, Ernst & Young, Chartered Accountants will be deemed reappointed as auditors of the company

By order of the board

Director


Print
Gene Levoff

Dated 31 May 2012

7 Albemarle Street
London W1S 4HQ

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 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 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 are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

We have audited the financial statements of Apple Retail UK Limited for the year ended 24 September 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report and financial statements for the year ended 24 September 2011 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements we consider the implication for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 24 September 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.



Independent auditor's report to the members of Apple Retail UK Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

A handwritten signature in black ink, appearing to read 'Anne O'Leary', written over a horizontal line.

**Anne O'Leary (Senior Statutory Auditor)
for and on behalf of Ernst & Young, Statutory Auditor
Cork, Ireland.**

5 June 2012

Apple Retail UK Limited

Profit and loss account

for the year ended 24 September 2011

	Note	2011 £'000	2010 £'000
Turnover – continuing operations	3	860,305	504,307
Cost of sales		(675,188)	(394,932)
Gross profit		185,117	109,375
Distribution costs		(184)	(90)
Administrative expenses		(153,058)	(98,934)
Operating profit – continuing operations	4	31,875	10,351
Interest receivable and similar income	7	60	9
Interest payable and similar charges	8	(943)	(552)
Profit on ordinary activities before taxation		30,992	9,808
Tax on profit on ordinary activities	10	(8,561)	(3,790)
Profit for the financial year		22,431	6,018

There are no recognised gains or losses for either year other than the profit attributable to the members of the company

Apple Retail UK Limited

Balance Sheet

as at 24 September 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Tangible fixed assets	11	115,809	113,672
Intangible fixed assets	12	18	44
		<u>115,827</u>	<u>113,716</u>
Current assets			
Stocks	13	31,227	30,009
Debtors	14	40,668	17,771
Cash at bank and in hand		1,443	5,946
		<u>73,338</u>	<u>53,726</u>
Creditors amounts falling due within one year	15	(152,698)	(159,632)
Net current liabilities		<u>(79,360)</u>	<u>(105,906)</u>
Total assets less current liabilities		<u>36,467</u>	<u>7,810</u>
Creditors: amounts falling due after one year	16	(2,774)	(1,171)
Provisions for liabilities	17	(4,351)	(4,564)
Net assets		<u>29,342</u>	<u>2,075</u>
Capital and reserves			
Called up share capital	18	1	1
Profit and loss account	19	18,741	(3,690)
Capital contribution reserve	19	10,600	5,764
Shareholders' funds		<u>29,342</u>	<u>2,075</u>

These financial statements were approved by the board of directors on 31 May 2012 and were signed on its behalf by

Director

Print


Gene Levoff

Dated 31 May 2012

7 Albemarle Street
London W1S 4HQ

Apple Retail UK Limited

Notes

forming part of the financial statements

1 Basis of preparation

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

The company has net current liabilities of £79m of which £69m is amounts owed to group undertakings. The financial statements have been prepared on the going concern basis, the validity of which depends on the continued financial support of the company's ultimate parent undertaking, Apple Inc. The ultimate parent undertaking has indicated that it is its intention to continue to provide financial support to the extent necessary to enable the company to meet its liabilities as they fall due

After making enquiries and considering the parental support described above the directors are of the opinion that it is appropriate to adopt the going concern basis in preparing the financial statements

2 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

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and cost, if applicable, can be reliably measured

Sales of Goods

Revenue from sales of goods is recognized upon transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is measured at the fair value of the consideration received or receivable. Revenue is not recognized to the extent there are significant uncertainties regarding recovery of the consideration due.

The Company records reductions to revenue for expected future product returns based on the Company's historical experience. Revenue is recorded net of taxes collected from customers that are remitted to governmental authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority

Service and support contracts

Revenue from service and support contracts is deferred and recognized over the service coverage periods

Apple Retail UK Limited

Notes (*continued*)

2 Accounting policies (*continued*)

Revenue Recognition for Arrangements with Multiple Deliverables

For multi-element arrangements that include hardware products containing software essential to the hardware product's functionality, undelivered software elements that relate to the hardware product's essential software, and undelivered non-software services, the Company allocates revenue to all deliverables based on their relative selling prices. In such circumstances, the Company uses a hierarchy to determine the selling price to be used for allocating revenue to deliverables: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price ("TPE"), and (iii) best estimate of the selling price ("ESP"). VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable. ESPs reflect the Company's best estimates of what the selling prices of elements would be if they were sold regularly on a stand-alone basis.

For sales of iPhone, iPad, Apple TV, iPod touch ("iOS devices") beginning in June 2010, and Mac products ("Mac") beginning in June 2011, the Company has indicated it may from time-to-time provide future unspecified software upgrades and features to the essential software bundled with each of these hardware products free of charge to customers. In June 2011, the Company announced it would provide various non-software services to owners of qualifying versions of iOS devices and Mac. The Company has identified up to three deliverables in arrangements involving the sale of these devices. The first deliverable is the hardware and software essential to the functionality of the hardware device delivered at the time of sale. The second deliverable is the embedded right included with the purchase of iOS devices, Mac and Apple TV to receive on a when-and-if-available basis, future unspecified software upgrades and features relating to the product's essential software. The third deliverable is the non-software services to be provided to qualifying versions of iOS devices and Mac. The Company allocates revenue between these deliverables using the relative selling price method. Because the Company has neither VSOE nor TPE for these deliverables, the allocation of revenue has been based on the Company's ESPs. Amounts allocated to the delivered hardware and the related essential software are recognized at the time of sale provided the other conditions for revenue recognition have been met. Amounts allocated to the embedded unspecified software upgrade rights and the non-software services are deferred and recognized on a straight-line basis over the estimated lives of each of these devices, which range from 24 to 48 months.

Cash flow 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.

Apple Retail UK Limited

Notes (continued)

2 Accounting policies (continued)

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 note 22

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.

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.

Foreign currencies

The accounts are expressed in Sterling (£'000).

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.

Apple Retail UK Limited

Notes *(continued)*

2 Accounting policies *(continued)*

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 recognised ratably on a front loaded basis 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.

Stocks

Stocks 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 disposal.

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)

2 Accounting policies (continued)

Provisions for liabilities

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 company's costs in relation to restoration liabilities at its leasehold properties. The estimated costs are capitalised as leasehold improvements and depreciated over the remaining useful life of the leasehold property. 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. Lease incentives are recognised on a straight-line basis over the term of the lease.

3. Turnover

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

As permitted by paragraph 68(5) of schedule 1 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, 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.

4 Operating profit

	2011 £'000	2010 £'000
<i>Operating profit is stated after charging</i>		
Auditors' remuneration		
- audit of the financial statements	22	56
Loss on disposal of fixed assets	1,010	121
Depreciation of tangible fixed assets	14,886	10,951
Amortisation of intangible fixed assets	26	26
Other operating lease rentals	13,535	11,675
	<hr/>	<hr/>

Apple Retail UK Limited

Notes (continued)

5 Remuneration of directors

There were no payments to directors during the year (2010 Nil)

Two directors exercised share options in Apple Inc. during the year (2010 1)

6 Staff costs

	2011 £'000	2010 £'000
Wages and salaries	69,478	45,254
Social security costs	7,022	4,481
Other pension costs	687	388
Share based payments (note 9)	4,836	2,927
	<u>82,023</u>	<u>53,050</u>

The average monthly number of employees during the year was 3,488 (2010 2,393), categorised below.

	2011 Number	2010 Number
Administration	129	53
Sales	3,359	2,340
	<u>3,488</u>	<u>2,393</u>

7 Interest receivable and similar income

	2011 £'000	2010 £'000
Bank interest receivable	<u>60</u>	<u>9</u>

8 Interest payable and similar charges

	2011 £'000	2010 £'000
Bank charges	<u>943</u>	<u>552</u>

Apple Retail UK Limited

Notes (*continued*)

9 Share-based payments

As of September 24, 2011, the Company did not have any equity settled plans or transactions. However, the Company's Parent, Apple Inc. had two stock incentive plans relevant to the Company: the 2003 Employee Stock Plan (the "2003 Plan") and the Employee Stock Purchase Plan (the "Purchase Plan"). Under the 2003 Plan, the Company's Parent issues shares of Apple Inc. upon exercise of stock options issued under the plans. The issuance of shares and cash received upon exercise is solely undertaken by Apple Inc. and as a result, no dilution in shareholder's equity or cash inflows will occur for the Company (Apple Retail UK Limited).

Apple Inc.'s primary employee benefit plans are summarized as follows:

2003 Employee Stock Plan

The 2003 Plan is an Apple Inc. shareholder approved plan that provides for broad-based equity grants to employees, including executive officers. The 2003 Plan permits the granting of incentive stock options, nonstatutory stock options, restricted stock units ("RSUs"), stock appreciation rights, stock purchase rights and performance-based awards. Options granted under the 2003 Plan generally expire seven to ten years after the grant date and generally become exercisable over a period of four years, based on continued employment, with either annual, semi-annual or quarterly vesting. In general, RSUs granted under the 2003 Plan vest over two to four years, based on continued employment and are paid upon vesting in shares of Apple Inc. common stock on a one-for-one basis. Each share issued with respect to an award granted under the 2003 Plan (other than a stock option or stock appreciation right) reduces the number of shares available for grant under the plan by two shares, whereas shares issued in respect of an option or stock appreciation right count against the number of shares available for grant on a one-for-one basis. As of September 24, 2011, approximately 50.8 million shares were reserved for future issuance under the 2003 Plan.

Employee Stock Purchase Plan

The Purchase Plan is an Apple Inc. shareholder approved plan under which substantially all employees may purchase Apple Inc. common stock through payroll deductions at a price equal to 85% of the lower of the fair market values of the stock as of the beginning or the end of six-month offering periods. An employee's payroll deductions under the Purchase Plan are limited to 10% of the employee's compensation and employees may not purchase more than USD\$25,000 of stock during any calendar year. The weighted average fair value of stock purchase rights was \$71.47 and \$45.03 per share during 2011 and 2010, respectively. As of September 24, 2011, approximately 3.1 million shares were reserved for future issuance under the Purchase Plan.

Apple Retail UK Limited

Notes (continued)

9 Share-based payments (continued)

Restricted Stock Units

A summary of the Company's RSU activity and related information for the year ended September 24, 2011, is as follows (in thousands, except per-share amounts)

	Number of RSUs	Weighted- Average Grant Date Fair Value
Balance at September 26, 2009	29.3	
Vested	(10.2)	
Cancelled/forfeited/expired/transferred	(2.1)	
Granted	<u>32.3</u>	<u>USD \$200.78</u>
Balance at September 25, 2010	49.3	
Vested	(19.2)	
Cancelled/forfeited/expired/transferred	(3.4)	
Granted	<u>30.2</u>	<u>USD \$304.99</u>
Balance at September 24, 2011	<u>56.9</u>	

Stock Option Activity

A summary of the Company's stock option activity and related information for the year ended September 24, 2011, is as follows (in thousands, except per share amounts and remaining contractual term in years):

	Number Outstanding	Exercisable	Weighted- Average Exercise Price	Remaining Contractual Life
Balance at September 26, 2009	54	27	USD \$129.68	4.67
Exercised	(18.8)		USD \$113.73	
Cancelled/forfeited/expired/ transferred	(3.1)		USD \$174.51	
Granted	-		USD \$Nil	
Balance at September 25, 2010	<u>32.1</u>	21	<u>USD \$135.13</u>	3.83
Exercised	(14.1)		USD \$141.94	
Granted	-		USD \$Nil	
Balance at September 24, 2011	<u>18</u>	<u>15</u>	<u>USD \$134.44</u>	<u>2.98</u>

Apple Retail UK Limited

Notes (continued)

9 Share-based payments (continued)

Share-based Compensation

Share-based compensation cost for RSUs is measured based on the closing fair market value of the Apple Inc.'s common stock on the date of grant. Share-based compensation cost for stock options and employee stock purchase plan rights ("stock purchase rights") is estimated at the grant date and offering date, respectively, based on the fair-value as calculated by the Black-Scholes-Merton (BSM) option-pricing model. 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 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. The Company recognizes share-based compensation cost as expense over the requisite service period.

Total share-based compensation expense related to employee stock options, RSUs and employee stock purchases rights recorded for the years ended September 24, 2011 and September 25 2010 £4,836 million and £2,927 million respectively with a corresponding shareholder contribution recorded within equity.

10 Tax on profit on ordinary activities

(a) Analysis of tax charge in the year

	2011 £'000	2010 £'000
<i>UK corporation tax</i>		
Current tax on income for the period	8,823	4,381
	<hr/>	<hr/>
Total current tax charge	8,823	4,381
<i>Deferred tax</i>		
Originating/reversal of timing differences	91	1,107
FRS 20 timing differences	(353)	(411)
Deferred tax on prior year adjustment	-	(1,287)
	<hr/>	<hr/>
Total deferred tax charge (note 17)	(262)	(591)
	<hr/>	<hr/>
Tax on profit on ordinary activities	8,561	3,790
	<hr/>	<hr/>

Apple Retail UK Limited

Notes (continued)

10 Tax on profit 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 of 26% (2010: 28%). The differences are explained below.

	2011 £'000	2010 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	30,992	9,808
	<hr/>	<hr/>
Taxation charge at UK corporation tax rate of 26% (2010: 28%)	8,058	2,746
<i>Effects of</i>		
Accelerated capital allowances/ Other timing differences	1,055	(107)
Timing differences on prior year adjustment	-	1,287
Expenses not deductible	1,829	1,068
Share scheme deduction	(1,691)	(613)
Adjustment in respect of prior years	(999)	-
Difference due to differing tax rate during the year	571	-
	<hr/>	<hr/>
Total current tax charge	8,823	4,381

(c) Factors that may affect future tax charges

On 21 March 2012 the UK government announced that the main rate of corporation tax will be reduced to 24% in the financial year commencing 1 April 2012, to 23% in 2013 and 22% in 2014

Apple Retail UK Limited

Notes (*continued*)

11 Tangible fixed assets

	<i>Leasehold improvement £'000</i>	<i>Office equipment £'000</i>	<i>Machinery & equipment £'000</i>	<i>Construction in progress £'000</i>	<i>Total £'000</i>
Cost					
At beginning of year	119,592	2,344	6,163	15,888	143,987
Additions	10,262	882	2,302	4,587	18,033
Transfer from CIP	14,520	74	967	(15,561)	-
Disposals	(1,925)	(80)	(123)	-	(2,128)
At end of year	142,449	3,220	9,309	4,914	159,892
Depreciation					
At beginning of year	(26,742)	(1,244)	(2,329)	-	(30,315)
Charge for year	(12,825)	(506)	(1,555)	-	(14,886)
Disposals	925	80	113	-	1,118
At end of year	(38,642)	(1,670)	(3,771)	-	(44,083)
Net book value					
At 24 September 2011	103,807	1,550	5,538	4,914	115,809
At 25 September 2010	92,850	1,100	3,834	15,888	113,672

Apple Retail UK Limited

Notes (continued)

12 Intangible fixed assets

	2011 £'000	2010 £'000
Cost		
At beginning of year	127	127
Additions	-	-
	<u>127</u>	<u>127</u>
At end of year	127	127
	<u>127</u>	<u>127</u>
Depreciation		
At beginning of year	(83)	(57)
Charge for the year	(26)	(26)
	<u>(109)</u>	<u>(83)</u>
At end of year	(109)	(83)
	<u>(109)</u>	<u>(83)</u>
Net book value	18	44
	<u>18</u>	<u>44</u>

13 Stocks

	2011 £'000	2010 £'000
Finished goods	31,265	29,702
Service inventory	1,229	1,063
Demo reserve	(1,267)	(756)
	<u>31,227</u>	<u>30,009</u>

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

Apple Retail UK Limited

Notes (continued)

14 Debtors	2011 £'000	2010 £'000
Amounts falling due in less than one year		
Trade debtors	13,884	15,188
Amounts owed by group undertakings	23,923	518
Prepayments and accrued income	2,861	2,065
	<hr/>	<hr/>
	40,668	17,771
	<hr/>	<hr/>
15 Creditors. amounts falling due within one year	2011 £'000	2010 £'000
Trade creditors	14,173	20,881
Amounts owed to group undertakings	93,049	95,334
VAT	6,445	16,032
Corporation tax	5,464	3,451
Other taxes and social security taxes	2,640	2,397
Accruals	19,334	15,149
Short term deferred revenue	11,593	6,388
	<hr/>	<hr/>
	152,698	159,632
	<hr/>	<hr/>
16 Creditors. amounts falling due after one year	2011 £'000	2010 £'000
Long term deferred revenue	2,774	1,171
	<hr/>	<hr/>

Apple Retail UK Limited

Notes (continued)

17 Provisions for liabilities

	<i>Long term leasehold improvement £'000</i>	<i>Deferred tax £'000</i>	<i>Total £'000</i>
At 26 September 2009	753	3,663	4,416
Arising during the year	739	696	1,435
Utilised	-	(1,287)	(1,287)
	<hr/>	<hr/>	<hr/>
At 25 September 2010	1,492	3,072	4,564
Arising during the year	49	(558)	(509)
Utilised	-	296	296
	<hr/>	<hr/>	<hr/>
At 24 September 2011	<u>1,541</u>	<u>2,810</u>	<u>4,351</u>

The long term leasehold improvement provision is in respect of asset retirement obligations whereby the company has an obligation to restore its leased premises to their original condition on vacation of the lease between 2014 and 2024.

The elements of the deferred tax liability, recognised in full, are as follows:

	<i>2011 £'000</i>	<i>2010 £'000</i>
Accelerated capital allowances	4,065	3,974
FRS 20 timing differences	(1,255)	(902)
	<hr/>	<hr/>
	2,810	3,072
	<hr/>	<hr/>

18 Called up share capital

	<i>2011 £'000</i>	<i>2010 £'000</i>
<i>Allotted called up equity</i>		
1,000 ordinary shares of £1 each	1	1
	<hr/>	<hr/>

Apple Retail UK Limited

Notes (continued)

19 Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital £'000</i>	<i>Profit and loss account £'000</i>	<i>Capital contribution reserve £'000</i>	<i>Total £'000</i>
At 26 September 2009	1	(9,708)	2,837	(6,870)
Profit for the year	-	6,018	-	6,018
Capital contribution	-	-	2,927	2,927
	-----	-----	-----	-----
At 25 September 2010	1	(3,690)	5,764	2,075
Profit for the year	-	22,431	-	22,431
Capital contribution	-	-	4,836	4,836
	-----	-----	-----	-----
At 24 September 2011	1	18,741	10,600	29,342
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20 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 £686,473 (2010, £387,882). The liability outstanding at the year-end was £138,956 (2010 £77,486).

21 Commitments

Capital commitments

As at 24 September 2011, there were no capital commitments relating to store expansion (2010, Nil).

Lease commitments

The annual commitments under non-cancellable operating leases at 24 September 2011 are as follows.

	<i>Buildings</i>	
	<i>2011 £'000</i>	<i>2010 £'000</i>
Operating leases which expire:		
-in the second to fifth year	2,188	2,188
-over five years	11,388	9,011
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	13,576	11,199
	-----	-----

Apple Retail UK Limited

Notes *(continued)*

- 22 Ultimate parent company and parent undertaking of largest 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.

- 23 Post Balance Sheet Event**

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

- 24 Approval of financial statements**

The directors' approved the financial statements on *31. May 2012*