

Apple Retail UK Limited

Directors' report and Financial statements

Year ended 25 September 2010

Registered number 4996702



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 25 September 2010

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 seven new retail stores during 2010 the number of stores open as at 25 September 2010 was twenty-nine stores compared to twenty-two stores as at 26 September 2009. Since September 25, 2010, no additional stores have been opened.

Turnover was £504m for the year ended 25 September 2010 compared to £289m for the year ended 26 September 2009. The current year increase in Retail turnover was primarily due to stronger sales of Mac portable products, Mac, Music and iPhone accessories and the iPod Touch. Throughout the year new releases of consumer and pro-software products were introduced. iPad was launched in May 2010 and iPhone 4 was released to the market in June 2010. Administrative expenses were £99m for the year ended 25 September 2010 compared to £67m for the year ended 26 September 2009. The increase in administrative expenses is attributable to the increase in the number of stores. Profit on ordinary activities before tax for the financial year was £10m for the year ended 25 September 2010.

As at 25 September 2010, the company had 3,083 total average monthly employees.

During the year the company changed its accounting policy for revenue recognition in respect of arrangements with multiple deliverables and arrangements that include software elements. Details of the change in accounting policy and the prior year adjustment to comparative figures are explained in note 18.

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.

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 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 £6,018,063 (2009 £431,814 loss, after restatement).
The directors do not recommend the payment of a dividend (2009. Nil).

Apple Retail UK Limited

Directors' report *(continued)*

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 £106m of which £95m 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

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.

Tim Cook (resigned 17 November 2009)
Gary Wipfler
Peter Oppenheimer (also Company Secretary)

Political and charitable contributions

The company made no political contributions during the year (2009 Nil). Donations to UK charities amounted to £nil (2009 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.

Apple Retail UK Limited

Directors' report *(continued)*

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

Gary Wipfler
Print. Gary Wipfler

Dated 20 May 2011

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 25 September 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Reconciliation of Shareholders' Funds, the Balance Sheet and the related notes 1 to 25. 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 5, 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.

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 25 September 2010 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.

Opinion on other matter prescribed by the Companies Act 2006

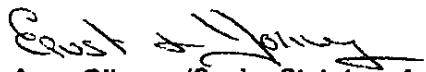
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APPLE RETAIL UK LIMITED
(CONTINUED)**

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 the printed name.

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

Date: 26 May 2011

Apple Retail UK Limited

Profit and loss account

for the year ended 25 September 2010

		2010 £'000	restated 2009 £'000
	<i>Note</i>		
Turnover – continuing operations	3	504,307	289,376
Cost of sales		(394,932)	(221,549)
		<hr/>	<hr/>
Gross profit		109,375	67,827
Distribution costs		(90)	(28)
Administrative expenses		(98,934)	(66,622)
		<hr/>	<hr/>
Operating profit – continuing operations	4	10,351	1,177
Interest receivable and similar income	7	9	23
Interest payable and similar charges	8	(552)	(378)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		9,808	822
Tax on profit on ordinary activities	10	(3,790)	(1,254)
		<hr/>	<hr/>
Profit/(loss) for the financial year		6,018	(432)
		<hr/>	<hr/>

Apple Retail UK Limited

Statement of total recognised gain and losses for the year ended 25 September 2010

	2010 £'000	<i>restated</i> 2009 £'000
Profit/(loss) for the financial year	6,018	(432)
Other recognised gains and losses	-	-
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	6,018	(432)
		<hr/>
Prior year adjustment (Note 18)	3,335	
	<hr/>	
Total recognised gains and losses since last financial statements	9,353	
	<hr/>	

Reconciliation of shareholders' funds for the year ended 25 September 2010

	2010 £'000	<i>restated</i> 2009 £'000
Profit/(loss) for the financial year	6,018	(432)
Capital contribution	2,927	1,396
	<hr/>	<hr/>
Net addition to shareholders' funds	8,945	964
	<hr/>	<hr/>
Opening shareholders' funds		
As previously stated	(10,205)	(9,105)
Prior year adjustment (Note 18)	3,335	1,271
	<hr/>	<hr/>
	(6,870)	(7,834)
	<hr/>	<hr/>
Shareholders' funds/(deficit) at end of year	2,075	(6,870)
	<hr/>	<hr/>

Apple Retail UK Limited

Balance Sheet

as at 25 September 2010

	<i>Note</i>	2010 £'000	<i>restated</i> 2009 £'000
Fixed assets			
Tangible fixed assets	11	113,672	82,051
Intangible fixed assets	12	44	70
		<u>113,716</u>	<u>82,121</u>
Current assets			
Stocks	13	30,009	22,643
Debtors	14	17,771	12,891
Cash at bank and in hand		5,946	2,186
		<u>53,726</u>	<u>37,720</u>
Creditors: amounts falling due within one year	15	(159,632)	(121,909)
Net current liabilities		(105,906)	(84,189)
Total assets less current liabilities		7,810	(2,068)
Creditors: amounts falling due after one year	16	(1,171)	(386)
Provisions for liabilities	17	(4,564)	(4,416)
Net assets/(liabilities)		2,075	(6,870)
Capital and reserves			
Called up share capital	19	1	1
Profit and loss account	20	(3,690)	(9,708)
Capital contribution reserve	20	5,764	2,837
Shareholders' funds/(deficit)		2,075	(6,870)

These financial statements were approved by the board of directors on 20 May 2011 and were signed on its behalf by

Director

Print. Gary Witter

Dated 20 May 2011

7 Albemarle Street
London W1S 4HQ

Apple Retail UK Limited

Notes

forming part of the financial statements

1 Basis of preparation

The company has net current liabilities of £106m of which £95m 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.

Change in accounting policy

During the year the company changed its accounting policy for revenue recognition in respect of arrangements with multiple deliverables and arrangements that include software elements. Details of the change in accounting policy and the prior year adjustment to comparative figures are explained in note 18.

Revenue recognition

Net sales consist primarily of revenue from the sale of products (hardware, software, and peripherals), 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 at point of sale and once risk of loss has been transferred.

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

For certain products, the company has indicated that from time to time it may provide future unspecified features and additional software products free of charge to customers. The company recognises the sale of these products as two deliverables. The first deliverable is the hardware and software essential to the functionality of the hardware device delivered at the time of sale, and the second deliverable is the right, included with the purchase of these products to receive on a when-and-if-available basis future unspecified software upgrades and features relating to the product's essential software. These accounting principles result in the recognition of substantially all of the revenue and product costs from the sales of these products at the time of sale. Additionally, the company is required to estimate a standalone selling price for the unspecified software upgrade rights included with the sale and to recognise that amount on a straight-line basis over the 24-month estimated life of the related hardware device.

Apple Retail UK Limited

Notes *(continued)*

2 Accounting policies *(continued)*

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

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 23

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

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
<i>Operating profit is stated after charging</i>		
Auditors' remuneration		
- audit of the financial statements	56	64
Loss on disposal of fixed assets	121	-
Depreciation of tangible fixed assets	10,951	8,068
Amortisation of intangible fixed assets	26	25
Other operating lease rentals	11,675	8,980
	<u> </u>	<u> </u>

Apple Retail UK Limited

Notes (continued)

5 Remuneration of directors

There were no payments to directors during the year (2009 Nil)

One director exercised share options in Apple Inc. during the year (2009 1).

6 Staff costs

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Wages and salaries	45,254	27,666
Social security costs	4,481	2,739
Other pension costs	388	260
Share based payments (note 9)	2,927	1,396
	<u>53,050</u>	<u>32,061</u>

The average monthly number of employees during the year was 3,083 (2009 1,703), categorised below

	<i>2010</i>	<i>2009</i>
	<i>Number</i>	<i>Number</i>
Administration	94	12
Sales	2,989	1,691
	<u>3,083</u>	<u>1,703</u>

7 Interest receivable and similar income

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Bank interest receivable	9	23
	<u>9</u>	<u>23</u>

8 Interest payable and similar charges

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Bank charges	552	378
	<u>552</u>	<u>378</u>

Apple Retail UK Limited

Notes (continued)

9 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.

2003 Employee Stock plan

The 2003 Employee Stock Plan (the "2003 Plan") is a 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, non-statutory stock options, restricted stock units ("RSUs"), stock appreciation rights, stock purchase rights and performance-based awards. Based on the terms of individual option grants, 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, RSU's granted under the 2003 Plan vest over two to four years, are subject to the employees' continued employment and do not have an expiration date.

Employee Stock Purchase Plan

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.

<i>Grant date/entitled employees</i>	<i>Number of instruments in thousands</i>	<i>Vesting conditions</i>	<i>Contractual life of options</i>
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
Options Granted in 2008	41	1 to 4 years service	7-10 Years
Options Granted in 2009	2	1 to 4 years service	7-10 Years
Options Granted in 2010	-	1 to 4 years service	7-10 Years
Total share options	82		

<i>Grant date/entitled employees</i>	<i>Number of instruments in thousands</i>	<i>Contractual life of options</i>
RSU's Granted in 2008	7	2-4 Years
RSU's Granted in 2009	26	2-4 Years
RSU's Granted in 2010	32	2-4 Years
Total RSU's	65	

Apple Retail UK Limited

Notes (continued)

9 Share-based payments (continued)

The number and weighted average exercise price of share options is as follows

	<i>Weighted average price 2010 USD</i>	<i>Number of options 2010 '000</i>	<i>Weighted average price 2009 USD</i>	<i>Number of options 2009 '000</i>
Outstanding at 26 September 2009	129.68	54	130.04	65
Transfers out during the period	(0.14)	(0.5)	(3.23)	(3.2)
Forfeited during the period	(174.51)	(2.6)	(139.1)	(3.3)
Exercised during the period	113.73	(18.8)	85.44	(6.1)
Granted during the period	-	-	96.07	1.5
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at 25 September 2010	135.13	32	129.68	54
	<hr/>	<hr/>	<hr/>	<hr/>
Exercisable at 25 September 2010	125.69	21	113.50	27
	<hr/>	<hr/>	<hr/>	<hr/>

The number of Restricted Stock units is as follows

	<i>Number of RSUs 2010 '000</i>	<i>Number of RSUs 2009 '000</i>
Outstanding at 26 September 2009	29.3	7.7
Transfers out during the period	(1.3)	-
Forfeited during the period	(0.8)	(1.2)
Exercised during the period	(10.2)	(4.0)
Granted during the period	32.3	26.8
	<hr/>	<hr/>
Outstanding at 25 September 2010	49.3	29.3
	<hr/>	<hr/>
Exercisable at 25 September 2010	-	-
	<hr/>	<hr/>

Apple Retail UK Limited

Notes (continued)

9 Share-based payments (continued)

The options outstanding at 25 September 2010 have an exercise price of USD 135.13 and a weighted average contractual life of 3.83 years

Stock-based compensation cost for RSUs is measured based on the closing fair market value of Apple Inc's common stock on the date of grant. Stock-based compensation cost for stock options is estimated at the grant date based on each option's 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 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. The company 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 recognises stock-based compensation cost as expense ratably on a front loaded basis over the requisite service period

The weighted-average BSM assumptions used for 2009 and 2010 and the resulting weighted-average fair value per share of options granted and employee stock purchase plan rights ("stock purchase rights") during those periods are as follows

	2010	2009
Expected life of stock options	10 years	4.54 years
Expected life of stock purchases	6 months	6 months
Interest rate - stock options	3.71%	2.04%
Interest rate - stock purchases	0.25%	0.58%
Volatility - stock options	36.30%	50.98%
Volatility - stock purchases	33.28%	52.16%
Dividend yields	-	-
Weighted-average fair value of options granted during the year	\$0.00	\$38.10
Weighted-average fair value of stock purchases during the year	\$45.46	\$31.46

The weighted-average grant date fair value of RSUs granted during the year ended September 25, 2010 was \$200.78 (2009: \$105.77)

	2010	2009
	£'000	£'000
Employee expenses (Note 6)		
Total employee cost	2,927	1,396

Apple Retail UK Limited

Notes (continued)

10 Tax on profit on ordinary activities

(a) Analysis of tax charge in the year

	2010 £'000	<i>restated</i> 2009 £'000
<i>UK corporation tax</i>		
Current tax on income for the period	4,381	47
	<hr/>	<hr/>
Total current tax charge	4,381	47
<i>Deferred tax</i>		
Originating/reversal of timing differences	1,107	895
FRS 20 timing differences	(411)	(491)
Deferred tax on prior year adjustment	(1,287)	803
	<hr/>	<hr/>
Total deferred tax charge (note 17)	(591)	1,207
	<hr/>	<hr/>
Tax on profit on ordinary activities	3,790	1,254
	<hr/>	<hr/>

(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 28% (2009, 28%). The differences are explained below

	2010 £'000	<i>restated</i> 2009 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	9,808	822
	<hr/>	<hr/>
Taxation charge at UK corporation tax rate of 28%	2,746	230
<i>Effects of.</i>		
Accelerated capital allowances/ Other timing differences	(107)	21
Timing differences on prior year adjustment	1,287	(803)
Expenses not deductible	1,068	387
Share scheme deduction	(613)	-
Group relief not paid	-	212
	<hr/>	<hr/>
Total current tax charge	4,381	47
	<hr/>	<hr/>

Apple Retail UK Limited

Notes (continued)

10 Tax on profit on ordinary activities (continued)

(c) Factors that may affect future tax charges

In 2010 the UK government announced that legislation will be introduced to reduce the main rate of corporation tax to 27% in the financial year commencing 1 April 2011 and that there will be further cuts in the main rate in future years: 26% in 2012-13, 25% in 2013-14 and 24% in 2014-15

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>
<i>Cost</i>					
At beginning of year	68,333	1,662	3,165	28,324	101,484
Additions	13,543	630	1,503	27,017	42,693
Transfer from CIP	37,900	52	1,501	(39,453)	-
Disposals	(184)	-	(6)	-	(190)
At end of year	119,592	2,344	6,163	15,888	143,987
<i>Depreciation</i>					
At beginning of year	(16,908)	(839)	(1,686)	-	(19,433)
Charge for year	(9,899)	(405)	(647)	-	(10,951)
Disposals	65	-	4	-	69
At end of year	(26,742)	(1,244)	(2,329)	-	(30,315)
<i>Net book value</i>					
At 25 September 2010	92,850	1,100	3,834	15,888	113,672
At 26 September 2009	51,425	823	1,479	28,324	82,051

Apple Retail UK Limited

Notes *(continued)*

12 Intangible fixed assets

	<i>2010</i> <i>£'000</i>	<i>2009</i> <i>£'000</i>
Cost		
At beginning of year	127	127
Additions	-	-
	<hr/>	<hr/>
At end of year	127	127
	<hr/>	<hr/>
Depreciation		
At beginning of year	(57)	(32)
Charge for the year	(26)	(25)
	<hr/>	<hr/>
At end of year	(83)	(57)
	<hr/>	<hr/>
Net book value	44	70
	<hr/>	<hr/>

13 Stocks

	<i>2010</i> <i>£'000</i>	<i>2009</i> <i>£'000</i>
Finished goods	29,702	22,577
Service inventory	1,063	544
Demo reserve	(756)	(478)
	<hr/>	<hr/>
	30,009	22,643
	<hr/>	<hr/>

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

Apple Retail UK Limited

Notes (continued)

14 Debtors	<i>2010</i> <i>£'000</i>	<i>restated</i> <i>2009</i> <i>£'000</i>
Amounts falling due in less than one year.		
Trade debtors	15,188	12,551
Amounts owed by group undertakings	518	226
Prepayments and accrued income	2,065	114
	<hr/>	<hr/>
	17,771	12,891
	<hr/>	<hr/>
15 Creditors, amounts falling due within one year	<i>2010</i> <i>£'000</i>	<i>restated</i> <i>2009</i> <i>£'000</i>
Trade creditors	20,881	18,376
Amounts owed to group undertakings	95,334	88,055
VAT	16,032	3,500
Corporation tax	3,451	-
Other taxes and social security taxes	2,397	880
Accruals	15,149	8,785
Short term deferred revenue	6,388	2,313
	<hr/>	<hr/>
	159,632	121,909
	<hr/>	<hr/>
16 Creditors amounts falling due after one year	<i>2010</i> <i>£'000</i>	<i>restated</i> <i>2009</i> <i>£'000</i>
Long term deferred revenue	1,171	386
	<hr/>	<hr/>

Apple Retail UK Limited

Notes (continued)

17 Provisions for liabilities

	<i>Long term leasehold improvement £'000</i>	<i>restated Deferred tax £'000</i>	<i>restated Total £'000</i>
At beginning of year	753	3,663	4,416
Arising during the year	739	696	1,435
Utilised	-	(1,287)	(1,287)
	<hr/>	<hr/>	<hr/>
At end of year	1,492	3,072	4,564
	<hr/>	<hr/>	<hr/>

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>2010 £'000</i>	<i>2009 £'000</i>
Accelerated capital allowances	3,974	2,867
FRS 20 timing differences	(902)	(491)
Deferred tax on prior year adjustment	-	1,287
	<hr/>	<hr/>
	3,072	3,663
	<hr/>	<hr/>

18 Change in accounting policy

During the year the company changed its accounting policy for revenue recognition in respect of arrangements with multiple deliverables and arrangements that include software elements

Previously, the company had indicated it might from time-to-time provide future unspecified software upgrades and features for those products free of charge whereby revenue and associated product cost of sales were deferred at the time of sale and recognised on a straight-line basis over each product's estimated economic life. This resulted in the deferral of significant amounts of revenue and cost of sales related to these products

The new accounting policy generally requires the company to account for the sale of these products as two deliverables. The first deliverable is the hardware and software essential to the functionality of the hardware device delivered at the time of sale, and the second deliverable is the right to receive on a when-and-if-available basis future unspecified software upgrades and

Apple Retail UK Limited

Notes (continued)

18 Change in accounting policy (continued)

features relating to the product's essential software. The new accounting policy results in the recognition of substantially all of the revenue and product costs from the sales of these products at the time of sale. Additionally, the company is required to estimate a standalone selling price for the unspecified software upgrade rights included with the sale of these products and to recognise that amount on a straight-line basis over the 24-month estimated life of the related hardware device.

In the opinion of the directors, the adoption of this accounting policy provides reliable and more relevant information and better reflects the underlying economics of these sales transactions. Additionally, it ensures consistency with the corresponding accounting policy of the ultimate holding company.

In accordance with FRS 3 *Reporting Financial Performance* comparatives have been restated. The effect of the change is to increase prior year turnover, net profit and reserves as follows:

	2009 £'000
Turnover – continuing operations	17,538
Cost of sales	(14,671)
Tax on loss on ordinary activities	(803)
	<hr/>
Decrease in loss for the financial period	2,064
Decrease in profit and loss account brought forward	1,271
	<hr/>
Increase in profit and loss account reserve	3,335
	<hr/>

The effect of the change in the balance sheet is to decrease deferred revenue in creditors and deferred costs in debtors as follows:

	2009 £'000
Decrease in debtors falling due within one year	(17,351)
Decrease in debtors falling due in more than one year	(9,462)
Decrease in creditors' amounts falling due within one year	20,619
Decrease in creditors' amounts falling due after one year	10,816
Increase in provisions for liabilities (deferred taxation)	(1,287)
	<hr/>
Increase in net assets	3,335
	<hr/>

The effect of the change in accounting policy on the results for the current period is not disclosed as the effect has not been measured.

Apple Retail UK Limited

Notes (continued)

19 Called up share capital

	2010 £'000	2009 £'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

20 Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i> £'000	<i>Profit and loss account</i> £'000	<i>Capital contribution reserve</i> £'000	<i>restated Total</i> £'000
At 27 September 2008				
As originally reported	1	(10,547)	1,441	(9,105)
Prior year adjustment (note 18)	-	1,271	-	1,271
At 27 September 2008	1	(9,276)	1,441	(7,834)
Loss for the year	-	(432)	-	(432)
Capital contribution	-	-	1,396	1,396
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

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 £387,882 (2009: £260,000). The liability outstanding at the year-end was £77,486 (2009: £25,127).

Apple Retail UK Limited

Notes (continued)

22 Commitments

Capital commitments

As at 25 September 2010, there were no capital commitments relating to store expansion (2009 £16 1m)

Lease commitments

The annual commitments under non-cancellable operating leases at 25 September 2010 are as follows

	<i>Buildings</i>	
	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Operating leases which expire		
-within one year	-	-
-in the second to fifth year	2,188	1,953
-over five years	9,011	6,470
	<hr/>	<hr/>
	11,199	8,423
	<hr/>	<hr/>

23 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

24 Post Balance Sheet Event

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

25 Approval of financial statements

The directors' approved the financial statements on *20 May 2011*.