

# Apple Retail UK Limited

## Directors' report and Financial statements

Year ended 26 September 2009

*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 26 September 2009.

## **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 three new retail stores during 2009 the number of stores open as at 26 September 2009 was twenty-two stores comparing to nineteen stores as at 27th September 2008. Since September 26, 2009, four additional stores have been opened for a total of twenty-six stores opened in the United Kingdom.

Turnover was £272m for the year ended 26 September 2009 compared to £207m for the year ended 27 September 2008. 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. Administrative expenses were £67m for the year ended 26 September 2009 compared to £51m for the year ended 27 September 2008. The increase in administrative expenses is attributable to the increase in the number of stores. Loss on ordinary activities before tax for the financial year was £2.0m for the year ended 26 September 2009. The loss for the year is due to the company's continued investment in new stores during the year.

As at 26 September 2009, UK Retail had 1,703 total average weekly 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 expense. As a result, significant losses would result should the stores experience a significant decline in sales for any reason.

Potential risks and uncertainties unique to retail operations that could have an adverse impact on the 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 are monitored by local management against budget and against prior periods. The directors are satisfied with the performance of the company during the year with regard to the indicators above.

### **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. On a quarterly basis all retail employees are invited to participate and complete an on-line feedback questionnaire, 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 running, 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.

### **Comparative figures**

Deferred costs previously disclosed under "deferred revenue" are now presented under "deferred costs" in order to achieve a consistent presentation of the balance sheet and the comparative figures have been restated. The change in presentation increases short-term deferred revenue by £2,249,347 and long-term deferred revenue by £3,159,875 at 27 September 2008.

# Apple Retail UK Limited

## Directors' report *(continued)*

### Post balance sheet events

Subsequent to 26 September 2009, the company opened four new retail stores

### Future Developments

The company expects to continue to expand its operation in the United Kingdom with an additional two stores planned to open in 2010

### Results and dividends

The loss for the year after taxation amounted to £2,496,059 (2008 £4,071,817) The directors do not recommend the payment of a dividend (2008 £0)

### 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 (2008 £0) Donations to UK charities amounted to £nil (2008 £0)

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

### Election of the auditor

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

Gary Wipfler

Dated 20 May 2010

100 New Bridge Street  
London EC4V 6JA

# Apple Retail UK Limited

## Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial 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 the 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 26 September 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 26. 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.

### **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 26 September 2009 and of its loss 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 a faint, larger version of the Ernst & Young logo.

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

**27 May 2010**



# Apple Retail UK Limited

## Profit and loss account

for the year ended 26 September 2009

	<i>Note</i>	<b>2009</b> <b>£'000</b>	2008 £'000
<b>Turnover – continuing operations</b>	<b>3</b>	<b>271,837</b>	207,069
Cost of sales		<b>(206,877)</b>	(159,008)
		—	—
<b>Gross profit</b>		<b>64,960</b>	48,061
Distribution costs		<b>(28)</b>	(36)
Administrative expenses		<b>(66,622)</b>	(50,856)
		—	—
<b>Operating loss – continuing operations</b>	<b>4</b>	<b>(1,690)</b>	(2,831)
Interest receivable and similar income	7	<b>23</b>	913
Interest payable and similar charges	8	<b>(378)</b>	(311)
		—	—
<b>Loss on ordinary activities before taxation</b>		<b>(2,045)</b>	(2,229)
Tax on loss on ordinary activities	10	<b>(451)</b>	(1,843)
		—	—
<b>Loss for the financial year</b>		<b>(2,496)</b>	(4,072)
		=====	=====

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

# Apple Retail UK Limited

## Balance Sheet

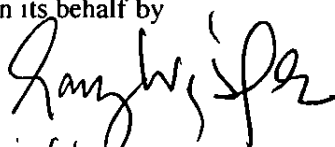
as at 26 September 2009

	Note	2009 £'000	restated 2008 £'000
<b>Fixed assets</b>			
Tangible assets	11	82,051	61,137
Intangible assets	12	70	95
		<u>82,121</u>	<u>61,232</u>
<b>Current assets</b>			
Stock	13	22,643	14,306
Debtors falling due within one year	14	30,242	15,010
Debtors falling due in more than one year	14	9,462	5,538
Cash at bank and in hand		2,186	2,475
		<u>64,533</u>	<u>37,329</u>
<b>Creditors: amounts falling due within one year</b>	15	<b>(142,528)</b>	<b>(99,805)</b>
		<u>(142,528)</u>	<u>(99,805)</u>
<b>Net current liabilities</b>		<b>(77,995)</b>	<b>(62,476)</b>
		<u>(77,995)</u>	<u>(62,476)</u>
<b>Total assets less current liabilities</b>		<b>4,126</b>	<b>(1,244)</b>
		<u>4,126</u>	<u>(1,244)</u>
<b>Creditors: amounts falling due after one year</b>	16	<b>(11,202)</b>	<b>(5,245)</b>
		<u>(11,202)</u>	<u>(5,245)</u>
<b>Provision for liabilities</b>	17	<b>(3,129)</b>	<b>(2,616)</b>
		<u>(3,129)</u>	<u>(2,616)</u>
<b>Net liabilities</b>		<b>(10,205)</b>	<b>(9,105)</b>
		<u>(10,205)</u>	<u>(9,105)</u>
<b>Capital and reserves</b>			
Called up share capital	18	1	1
Profit and loss account	19	(13,043)	(10,547)
Capital contribution reserve	20	2,837	1,441
		<u>1</u>	<u>1</u>
		<u>(13,043)</u>	<u>(10,547)</u>
		<u>2,837</u>	<u>1,441</u>
<b>Shareholders' deficit</b>		<b>(10,205)</b>	<b>(9,105)</b>
		<u>(10,205)</u>	<u>(9,105)</u>

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

Director

Print Gary Wipfler



20 May 2010

Dated 20 May 2010

100 New Bridge Street  
London EC4V 6JA

# Apple Retail UK Limited

## Notes

forming part of the financial statements

### 1 Basis of preparation

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.

### 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.

#### *Cashflow Statement*

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

#### *Related Party Transactions*

As the company is a wholly owned subsidiary of Apple Inc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

The consolidated financial statements of Apple Inc, within which the results of this company are included, can be obtained from the address given in note 24.

#### *Tangible Fixed assets*

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Office equipment	20% - 33% straight line
Machinery & equipment	20% - 33% straight line
Leasehold improvements	lesser of 10 years or lease term
Apple own use	100% straight line

Provision is made for impairments of tangible fixed assets below their carrying amounts.

The capital costs associated with capital projects, are accumulated in a "Construction In Progress" (CIP) account until the project is placed in service. When a capital project is placed in service, the fixed assets are transferred from the Construction-In-Progress account to the appropriate capital asset accounts.

# Apple Retail UK Limited

## Notes (continued)

### 2 Accounting policies (continued)

#### *Intangible Fixed assets*

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

#### *Equity settled share based payment transactions*

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

#### *Taxation*

Current tax is provided on the company's taxable profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

#### *Stock*

Stocks 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.

# Apple Retail UK Limited

## Notes *(continued)*

### **2 Accounting policies *(continued)***

#### ***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.

#### ***Pensions***

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

#### ***Provisions***

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

#### ***Leasehold property restoration***

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

#### ***Operating leases***

Rentals paid under operating lease are charged to the profit and loss account on a straight-line basis over the term of the lease.

#### ***Turnover***

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

# Apple Retail UK Limited

Notes (continued)

## 3 Turnover

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 associated revenue and cost of goods sold on a straight-line basis over the estimated economic lives of these products, with any loss recognised at the time of sale.

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

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 loss

	2009 £'000	2008 £'000
<i>Operating loss is stated after charging</i>		
Auditors' remuneration		
- audit	64	40
Depreciation	8,068	5,409
Other operating lease rentals	8,980	6,536
	<hr/>	<hr/>

## 5 Remuneration of directors

There were no payments to directors during the year (2008 £0)

# Apple Retail UK Limited

## Notes (continued)

### 6 Staff costs

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Wages and salaries	<b>27,666</b>	20,350
Social security costs	<b>2,739</b>	2,830
Other pension costs	<b>260</b>	336
Share based payments	<b>1,396</b>	1,048
	<hr/>	<hr/>
	<b>32,061</b>	24,564
	<hr/> <hr/>	<hr/> <hr/>

The average weekly number of employees during the year was 1,703 (2008 1,452 ave), categorised below

	<b>2009</b>	2008
Administration	<b>12</b>	10
Sales	<b>1,691</b>	1,442
Total average weekly	<b>1,703</b>	1,452
	<hr/> <hr/>	<hr/> <hr/>

### 7 Other interest receivable and similar income

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Bank interest receivable	<b>23</b>	913
	<hr/>	<hr/>
	<b>23</b>	913
	<hr/> <hr/>	<hr/> <hr/>

### 8 Interest payable and similar charges

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Bank charges	<b>378</b>	311
	<hr/>	<hr/>
	<b>378</b>	311
	<hr/> <hr/>	<hr/> <hr/>

# 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, nonstatutory 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

<b>Grant date / entitled employees</b>	<b>Number of instruments in thousands</b>	<b>Vesting conditions</b>	<b>Contractual life of options</b>
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
<b>Total share options</b>	<b>82</b>		

<b>Grant date / entitled employees</b>	<b>Number of instruments in thousands</b>	<b>Contractual life of options</b>
Options Granted in 2008	7	2-4 Years
Options Granted in 2009	26	2-4 Years
<b>Total RSUs</b>	<b>33</b>	



# Apple Retail UK Limited

## Notes (continued)

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

### Share Options

	Weighted average price 2009 USD	Number of options 2009 '000	Weighted average price 2008 USD	Number of options 2008 '000
Outstanding at 27 September 2008	130.04	65	76.85	33
Transfers out during the period	(3.23)	(3.2)	-	-
Forfeited during the period	(139.1)	(3.3)	(82.86)	(1)
Exercised during the period	85.44	(6.1)	60.73	(7)
Granted during the period	96.07	1.5	168.97	40
Outstanding at 26 September 2009	<u>129.68</u>	<u>54</u>	<u>130.04</u>	<u>65</u>
Exercisable at 26 September 2009	<u>113.50</u>	<u>27</u>	<u>95.55</u>	<u>13</u>

The number of Restricted Stock units is as follows

	Number of RSUs 2009 '000	Number of RSUs 2008 '000
Outstanding at 27 September 2008	7.7	-
Forfeited during the period	(1.2)	-
Exercised during the period	(4.0)	7.7
Granted during the period	26.8	-
Outstanding at 26 September 2009	<u>29.3</u>	<u>7.7</u>
Exercisable at 26 September 2009	<u>0</u>	<u>0</u>

The options outstanding at 26 September 2009 have an exercise price of USD 129.68 and a weighted average contractual life of 4.67 years. Stock-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. 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 the 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.

# Apple Retail UK Limited

## Notes (continued)

The Company recognizes stock-based compensation cost as expense ratably on a front loaded basis over the requisite service period

The weighted-average BSM assumptions used for 2008 and 2009 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

	2009	2008
Expected life of stock options	<b>4.54 years</b>	3.41 years
Expected life of stock purchases	<b>6 months</b>	6 months
Interest rate - stock options	<b>2.04%</b>	3.40%
Interest rate - stock purchases	<b>0.58%</b>	3.48%
Volatility - stock options	<b>50.98%</b>	45.64%
Volatility - stock purchases	<b>52.16%</b>	38.51%
Dividend yields	-	-
Weighted-average fair value of options granted during the year	<b>\$38.10</b>	\$62.73
Weighted-average fair value of stock purchases during the year	<b>\$31.46</b>	\$42.27

The weighted-average grant date fair value of RSUs granted during the year ended September 26, 2009 was \$105.77

	2009	2008
	£'000	£'000
<b>Employee expenses (Note 6)</b>		
<b>Total employee cost (GBP)</b>	<b>1,396</b>	1,048

# Apple Retail UK Limited

Notes (continued)

<b>10 Tax on loss on ordinary activities</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>(a) Analysis of tax charge in the year</b>		
<i>UK corporation tax</i>		
Current tax on income for the period	47	(47)
Total current tax charge	<u>47</u>	<u>(47)</u>
<i>Deferred tax</i>		
Originating/reversal of timing differences	895	1,890
FRS 20 timing differences	(491)	-
Total deferred tax charge (note 17)	<u>404</u>	<u>1,890</u>
<b>Tax on loss on ordinary activities</b>	<b><u>451</u></b>	<b><u>1,843</u></b>

# Apple Retail UK Limited

Notes (continued)

## 10 Tax on loss on ordinary activities (continued)

### (b) Factors affecting tax charge for the year

The current tax charge for the period is different than the standard rate of corporation tax in the UK (28%, 2008 28%) The differences are explained below

	<b>2009</b> <b>£'000</b>	2008 £'000
<b>Current tax reconciliation</b>		
Loss on ordinary activities before tax	<b>(2,045)</b>	(2,229)
	_____	_____
Taxation charge at UK corporation tax rate of 28%	<b>(573)</b>	(624)
Effects of		
Accelerated Capital Allowances/ Other timing differences	<b>21</b>	(1,317)
Expenses not deductible	<b>387</b>	932
Group relief not paid	<b>212</b>	962
	_____	_____
<b>Total current tax charge</b>	<b>47</b>	(47)
	=====	=====

# Apple Retail UK Limited

Notes (continued)

## 11 Tangible fixed assets

	Leasehold improvement	Office equipment	Machinery & equipment	Construction in progress	Total
	£'000	£'000	£'000	£'000	£'000
<i>Cost</i>					
At beginning of year	49,397	1,130	2,327	19,796	72,650
Additions	1,452	-	141	27,744	29,337
Transfer from CIP	17,831	532	853	(19,216)	-
Disposals	(347)	-	(156)	-	(503)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At end of year</b>	<b>68,333</b>	<b>1,662</b>	<b>3,165</b>	<b>28,324</b>	<b>101,484</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Depreciation</i>					
At beginning of year	(10,028)	(467)	(1,018)	-	(11,513)
Charge for year	(7,015)	(372)	(681)	-	(8,068)
Disposals	135	-	13	-	148
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At end of year</b>	<b>(16,908)</b>	<b>(839)</b>	<b>(1,686)</b>	<b>-</b>	<b>(19,433)</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Net book value</i>					
<b>At 26 September 2009</b>	<b>51,425</b>	<b>823</b>	<b>1,479</b>	<b>28,324</b>	<b>82,051</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 27 September 2008	39,369	663	1,309	19,796	61,137
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# Apple Retail UK Limited

Notes *(continued)*

## 12 Intangible fixed assets

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>		
At beginning of year	127	97
Additions	-	30
	<u>127</u>	<u>127</u>
<b>At end of year</b>	<b>127</b>	<b>127</b>
	<u>127</u>	<u>127</u>
<b>Depreciation</b>		
At beginning of year	(32)	(10)
Charge for the year	(25)	(22)
	<u>(57)</u>	<u>(32)</u>
<b>At end of year</b>	<b>(57)</b>	<b>(32)</b>
	<u>(57)</u>	<u>(32)</u>
<b>Net book value</b>	<b>70</b>	<b>95</b>
	<u>70</u>	<u>95</u>

# Apple Retail UK Limited

## Notes (continued)

### 13 Stock

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Finished goods	22,577	14,270
Service inventory	544	359
Demo reserve	(478)	(323)
	<u>22,643</u>	<u>14,306</u>

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

### 14 Debtors

	<b>2009</b>	<i>Restated</i>
	<b>£'000</b>	2008
		£'000
Amounts falling due in less than one year		
Trade debtors	12,551	7,040
Amounts owed by group undertakings	226	57
Prepayments & accrued income	114	894
Short term deferred cost	17,351	7,019
	<u>30,242</u>	<u>15,010</u>
Amounts falling due in more than one year		
Long term deferred costs	9,462	5,538

(a) Deferred costs previously disclosed under "deferred revenue" are now presented under "deferred costs" in order to achieve a consistent presentation of the balance sheet and the comparative figures have been restated. The change in presentation increases short-term deferred revenue by £2,249,347 and long-term deferred revenue by £3,159,875 at 27 September 2008.

# Apple Retail UK Limited

## Notes (continued)

<b>15 Creditors: amounts falling due within one year</b>		<i>Restated</i>
	<b>2009</b>	2008
	<b>£'000</b>	£'000
Trade creditors	<b>18,376</b>	11,055
Amounts owed to group undertakings	<b>88,055</b>	64,291
Loan from group undertakings	-	10,000
<i>Other creditors including taxation and social security costs</i>		
VAT	<b>3,500</b>	-
Other taxes and social security	<b>880</b>	725
Accruals	<b>8,785</b>	3,672
Short term deferred revenue (note 14 (a))	<b>22,932</b>	10,062
	<hr/>	<hr/>
	<b>142,528</b>	99,805
	<hr/>	<hr/>
<b>16 Creditors: amounts falling due after one year</b>		<i>Restated</i>
	<b>2009</b>	2008
	<b>£'000</b>	£'000
Long term deferred revenue (note 14 (a))	<b>11,202</b>	5,245
	<hr/>	<hr/>
<b>17 Provision for liabilities</b>		
	<b>2009</b>	2008
	<b>£'000</b>	£'000
Long term leasehold improvement retirement obligation	<b>753</b>	644
Deferred tax liability	<b>2,867</b>	1,972
Deferred tax asset	<b>(491)</b>	-
	<hr/>	<hr/>
	<b>3,129</b>	2,616
	<hr/>	<hr/>



# Apple Retail UK Limited

## Notes (continued)

The movements in deferred taxation is as follows

	£'000
At beginning of year	(1,972)
Charge to the profit and loss for the year	(404)
	<hr/>
At end of year	(2,376)
	<hr/> <hr/>

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

	2009 £'000	2008 £'000
Accelerated capital allowances	(2,867)	(1,972)
FRS 20 timing differences	491	-
	<hr/>	<hr/>
	(2,376)	(1,972)
	<hr/> <hr/>	<hr/> <hr/>

### 18 Called up share capital

	2009 £'000	2008 £'000
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted called up equity</i>		
1,000 ordinary shares of £1 each	1	1
	<hr/> <hr/>	<hr/> <hr/>

### 19 Reconciliation of profit and loss reserves

	2009 £'000	2008 £'000
At beginning of year	(10,547)	(6,475)
Loss for the year	(2,496)	(4,072)
	<hr/>	<hr/>
At end of year	(13,043)	(10,547)
	<hr/> <hr/>	<hr/> <hr/>

# Apple Retail UK Limited

## Notes (continued)

<b>20 Capital contribution reserve</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of year	1,441	393
Capital contribution during year (note 9)	1,396	1,048
	<hr/>	<hr/>
At end of year	2,837	1,441
	<hr/>	<hr/>
<b>21 Reconciliation of movement in shareholder's deficit</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Opening shareholder's deficit	(9,105)	(6,081)
Loss for year	(2,496)	(4,072)
Capital contribution during year (Note 20)	1,396	1,048
	<hr/>	<hr/>
Closing shareholder's deficit	(10,205)	(9,105)
	<hr/>	<hr/>

## 22 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 £260,000 (2008 £336,483). The liability outstanding at the year-end was £25,127 (2008 £0).

# Apple Retail UK Limited

Notes (continued)

## 23 Commitments

### Capital commitments

As at 26 September 2009, there were capital commitments relating to store expansion of £16 1m (2008 £2m)

### Lease commitments

The annual commitments under non-cancellable operating leases at 26 September 2009 are as follows

	Buildings	
	2009	2008
	£'000	£'000
Operating leases which expire		
-within one year	-	-
-in the second to fifth year	1,953	-
-over five years	6,470	6,328
	<u>8,423</u>	<u>6,328</u>

## 24 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

## 25 Post Balance Sheet Event

Subsequent to the 26 September 2009 the Company opened four retail stores

## 26 Approval of financial statements

The directors' approved the financial statements on 20 May 2010.