

Apple Retail UK Limited

Strategic report, directors' report and
financial statements

Year ended 27 September 2014

Registered number 4996702

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Apple Retail UK Limited

Strategic report, directors' report and financial statements

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Apple Retail UK Limited

Strategic report
Registered Number 4996702

The directors of Apple Retail UK Limited (the "Company") present their strategic report for the year ended 27 September 2014.

Principal Activity and Business Review

Apple Inc. and its wholly-owned subsidiaries ("Group") design, manufacture, and market mobile communication and media devices, personal computers, and portable digital music players, and sell a variety of related software, services, accessories, networking solutions, and third-party digital content and applications. The Group's products and services include iPhone[®], iPad[®], Mac[®], iPod[®], Apple TV[®], a portfolio of consumer and professional software applications, the iOS and OS X[®] operating systems, iCloud[®], and a variety of accessory, service and support offerings. The Group also sells and delivers digital content and applications through the iTunes Store[®], App Store[™], iBooks Store[™] and Mac App Store. The Group sells its products worldwide through its retail stores, online stores and direct sales force, as well as through third-party cellular network carriers, wholesalers, retailers and value-added resellers. In addition, the Group sells a variety of third-party iPhone, iPad, Mac and iPod compatible products, including application software, and various accessories, through its online and retail stores. The Group sells to consumers, small and mid-sized businesses and education, enterprise and government customers.

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.

The Company's financial year is the 52 or 53-week period that ends on the last Saturday of September. The Company's financial years 2014 and 2013 ended on September 27, 2014 and September 28, 2013, respectively.

Key performance indicators

The key financial and other performance indicators during the year were as follows:

	2014	2013	Change
	£'000	£'000	%
Turnover	897,572	900,797	0%
Operating profit	15,270	18,604	-18%
Total equity	77,649	54,560	+42%

Turnover has remained steady this year.

Operating profit decreased by 18% versus 2013. This was driven by increased operating expenses, due mainly to increased payroll and rent expenses.

Total equity has increased by 42% year on year. This was mainly due to share-based compensation cost of £13m recognised as an expense over the requisite service period and the corresponding shareholder contribution recorded within equity.

Apple Retail UK Limited

Strategic report
Registered Number 4996702

There were 37 stores open as at 27 September 2014, the same number as at 28 September 2013. Since 27 September 2014, one new store has been opened.

Each indicator 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 set out above.

Risks and uncertainties

The risks and uncertainties faced by the business are those typical of the retail sector. The Company has invested in equipment and leasehold improvements, information systems, and personnel. In addition, the Company has also entered into operating lease commitments for retail space with lease terms generally 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 store costs are fixed because of personnel costs, depreciation of store construction costs, and lease expenses. As a result, significant losses may 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.

Results

The profit for the year after taxation amounted to £9,973,675 (2013: £14,638,886).

By order of the board

Director

Print.....

Gene Levoff

Dated 23 June 2015

5th Floor
6 St Andrew Street
London EC4A 3AE

Apple Retail UK Limited

Directors' report
Registered Number 4996702

The directors present their annual report and audited financial statements for the year ended 27 September 2014.

Directors

The directors who held office during the year were as follows:
Gary Wipfler
Gene Levoff

The Company Secretary is Abogado Nominees Limited.

Dividends

No dividend was paid during the year (2013: £30,000,000).

Future developments

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

Post balance sheet events

No important events affecting the Company have taken place since the end of the 2014 financial year.

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 Strategic Report. The directors believe the Company is well placed to manage its business risks successfully.

The Company's directors have a reasonable expectation that the Company has adequate resources to continue its operations for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

The results of the Company for the year ended 27 September 2014 as set out on page 8 are considered satisfactory. Please also refer to Note 1 to the financial statements "Basis of preparation" for further information.

Political contributions

The Company made no political contributions during the year (2013: Nil).

Disabled employees

The Company 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.

Apple Retail UK Limited

Directors' report (continued)

It is the Company'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 employees are invited to participate and complete an on-line feedback questionnaire three times a year, which will inform 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.

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 and Young, Chartered Accountants will be deemed reappointed as auditors of the Company.

By order of the board

Director



Print

Gene Levoff

Dated 23 June 2015

5th Floor
6 St Andrew Street
London EC4A 3AE

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 strategic report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 27 September 2014 which comprise the Profit and Loss Account, 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 (APB'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 Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications 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 27 September 2014 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 Strategic Report and 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.

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

Cork, Ireland.

24 June 2015

Apple Retail UK Limited

Profit and loss account

for the year ended 27 September 2014

	Note	2014 £'000	2013 £'000
Turnover – continuing operations	3	897,572	900,797
Cost of sales		(685,369)	(690,667)
Gross profit		212,203	210,130
Distribution costs		(622)	(629)
Administrative expenses		(196,311)	(190,897)
Operating profit – continuing operations	4	15,270	18,604
Interest receivable and similar income	7	241	427
Interest payable and similar charges	8	(859)	(1,025)
Profit on ordinary activities before taxation		14,652	18,006
Tax on profit on ordinary activities	10	(4,678)	(3,367)
Profit for the financial year		9,974	14,639

There are no recognised gains or losses for either year other than those dealt with in the profit and loss account.

Apple Retail UK Limited

Balance Sheet

as at 27 September 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible fixed assets	11	93,124	105,853
Intangible fixed assets	12	374	312
		<u>93,498</u>	<u>106,165</u>
Current assets			
Stocks	13	43,347	43,238
Debtors	14	108,168	67,208
Cash at bank and in hand		4,274	3,445
		<u>155,789</u>	<u>113,891</u>
Creditors: amounts falling due within one year	15	(156,784)	(155,906)
Net current liabilities		<u>(995)</u>	<u>(42,015)</u>
Total assets less current liabilities		<u>92,503</u>	<u>64,150</u>
Creditors: amounts falling due after one year	16	(10,333)	(7,769)
Provisions for liabilities	17	(4,521)	(1,821)
Net assets		<u>77,649</u>	<u>54,560</u>
Capital and reserves			
Called up share capital	18	1	1
Profit and loss account	19	32,386	22,412
Capital contribution reserve	19	45,262	32,147
Shareholders' funds		<u>77,649</u>	<u>54,560</u>

These financial statements were approved by the board of directors on 23 June 2015 and were signed on its behalf by:

Director



Print... Gene Levoff

Dated 23 June 2015

5th Floor,
6 St Andrew Street,
London EC4A

Apple Retail UK Limited

Notes

*forming part of the financial statements
Year ended 27 September 2014*

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 £1m of which £15m is amounts owed to Apple Inc. 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. Apple Inc. has indicated that it will use its best efforts to cause the Company to pay its obligations to its creditors as they become due and payable.

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.

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

Apple Retail UK Limited

Notes (continued)

2 Accounting policies (continued)

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.

Related party transactions

As the Company is a wholly owned subsidiary of Apple Inc. the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the Apple Inc. 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	5 years
Machinery and equipment	5 years
Leasehold improvements	lesser of 10 years or lease term

Apple Retail UK Limited

Notes (continued)

2 Accounting policies (continued)

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 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 financial statements 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.

Share-based compensation

The Company recognizes no shareholder dilution related to share-based payment transactions in which it receives employee services in exchange for equity instruments of the Company's parent, Apple Inc. Share-based compensation cost for restricted stock units ("RSUs") is measured based on the closing fair market value of Apple Inc.'s common stock on the date of grant. Share-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 Company recognizes share-based compensation cost as expense over the requisite service period with a corresponding shareholder contribution recorded within equity.

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

Apple Retail UK Limited

Notes (continued)

2 Accounting policies (continued)

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.

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.

Apple Retail UK Limited

Notes (continued)

4 Operating profit

	2014 £'000	2013 £'000
<i>Operating profit is stated after charging:</i>		
Auditors' remuneration		
- audit of the financial statements	26	25
Loss on disposal of fixed assets	758	812
Depreciation of tangible fixed assets	25,750	19,208
Amortisation of intangible fixed assets	224	146
Other operating lease rentals	18,984	17,858
	<hr/>	<hr/>

5 Remuneration of directors

There were no payments to directors during the year (2013: Nil).

One director exercised share options in Apple Inc. during the year (2013: Nil).

6 Staff costs

	2014 £'000	2013 £'000
Wages and salaries	103,604	103,463
Social security costs	14,510	10,952
Other pension costs	3,849	2,819
Share based payments (note 9)	13,115	12,379
	<hr/>	<hr/>
	135,078	129,613
	<hr/>	<hr/>

The average monthly number of employees during the year was 4,317 (2013: 4,598) and is analysed into the following categories:

	2014 Number	2013 Number
Administration	173	184
Sales	4,144	4,414
	<hr/>	<hr/>
	4,317	4,598
	<hr/>	<hr/>

Apple Retail UK Limited

Notes (continued)

7 Interest receivable and similar income

	2014 £'000	2013 £'000
Interest receivable from group undertakings	241	427

8 Interest payable and similar charges

	2014 £'000	2013 £'000
Bank charges	859	1,025

9 Employee Benefit Plans

As of September 27th 2014, the Company did not have any equity-settled plans or transactions. However the Company's ultimate parent, Apple Inc. had three employee benefit plans relevant to the Company: the 2014 Employee Stock Plan (the "2014 Plan"), the 2003 Employee Stock Plan (the "2003 Plan"), and the Employee Stock Purchase Plan (the "Purchase Plan"). Under these plans, the Company's ultimate parent issues shares of Apple Inc. upon vesting of restricted stock units ("RSUs"), exercise of stock options or the employees' purchase of shares under the plans. The issuance of shares and cash received upon exercise or sale is undertaken solely by Apple Inc. and as a result no dilution in shareholder's equity or cash inflows will occur for the Company. Apple Inc.'s relevant employee benefit plans are summarized as follows:

2014 Plan

In the second fiscal quarter of 2014, Apple Inc. shareholders approved the 2014 Plan and terminated Apple Inc.'s authority to grant new awards under the 2003 Plan. The 2014 Plan provides for broad-based equity grants to employees, including executive officers, and permits the granting of RSUs, stock grants, performance-based awards, stock options and stock appreciation rights, as well as cash bonus awards. RSUs granted under the 2014 Plan generally vest over four years, based on continued employment, and are settled upon vesting in shares of Apple Inc.'s common stock on a one-for-one basis. Each share issued with respect to RSUs granted under the 2014 Plan reduces the number of shares available for grant under the plan by two shares. RSUs cancelled and shares withheld to satisfy tax withholding obligations increase the number of shares available for grant under the 2014 Plan utilizing a factor of two times the number of RSUs cancelled or shares withheld. Currently, all RSUs granted under the 2014 Plan have dividend equivalent rights ("DERs"), which entitle holders of RSUs to the same dividend value per share as holders of common stock. DERs are subject to the same vesting and other terms and conditions as the corresponding unvested RSUs. DERs are accumulated and paid when the underlying shares vest. Upon approval of the 2014 Plan, Apple Inc. reserved 385 million shares plus the number of shares remaining that were reserved but not issued under the 2003 Plan. Shares subject to outstanding awards under the 2003 Plan that expire, are cancelled or otherwise terminate, or are withheld to satisfy tax withholding obligations with respect to RSUs, will also be

Apple Retail UK Limited

Notes (continued)

9 Employee Benefit Plans (continued)

available for awards under the 2014 Plan. As of September 27th 2014, approximately 492.6 million shares were reserved for future issuance under the 2014 Plan.

2003 Plan

The 2003 Plan is an Apple Inc. shareholder approved plan that provided for broad-based equity grants to employees, including executive officers. The 2003 Plan permitted the granting of stock options, 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. RSUs granted under the 2003 Plan generally vest over two to four years, based on continued employment and are settled upon vesting in shares of Apple Inc.'s common stock on a one-for-one basis. All RSUs, other than RSUs held by the Chief Executive Officer of Apple Inc., granted under the 2003 Plan have DERs. DERs are subject to the same vesting and other terms and conditions as the corresponding unvested RSUs. DERs are accumulated and paid when the underlying shares vest. In the second quarter of 2014, Apple Inc. terminated the authority to grant new awards under the 2003 Plan.

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. As of September 27th, 2014, approximately 7.6 million shares were reserved for future issuance under the Purchase Plan.

On June 6, 2014, Apple Inc. effected a seven-for-one stock split to shareholders of record as of June 2, 2014. All Apple Inc. share and per share information has been retroactively adjusted to reflect the stock split.

Restricted Stock Units

A summary of the Company's RSU activity and related information for the two years ended September 27th 2014, is as follows (in thousands, except per-share amounts and remaining contractual term in years):

Apple Retail UK Limited

Notes (continued)

9 Employee Benefit Plans (continued)

	Number of RSUs	Weighted- Average Grant Date Fair Value
Balance at September 29, 2012	527.94	USD \$49.29
Vested	(230.65)	
Granted	310.73	USD \$79.14
Cancelled/forfeited/expired/transferred, net	(32.62)	
Balance at September 28, 2013	575.40	USD \$65.25
Vested	(264.89)	
Granted	343.71	USD \$71.89
Cancelled/forfeited/expired/transferred, net	(99.35)	
Balance at September 27 2014	554.87	USD \$71.37

Stock Option Activity

A summary of the Company's stock option activity and related information for the two years ended September 27th 2014, is as follows (in thousands, except per share amounts and remaining contractual term in years):

	Number of Options	Exercisable	Weighted- Average Exercise Price	Remaining Contractual Life
Balance at September 29, 2012	86.10	86.10	USD \$20.17	2.00
Exercised	(17.85)		USD \$11.16	
Granted	-			
Cancelled/forfeited/expired/transferred, net	3.29			
Balance at September 28, 2013	71.54	71.54	USD \$22.64	1.22
Exercised	(51.74)			
Granted	-			
Cancelled/forfeited/expired/transferred, net	(7.36)			
Balance at September 27, 2014	12.44	12.44	USD \$21.89	0.12

Share-based Compensation

Share-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. Share-based compensation cost for stock options and employee stock purchase plan 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 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 purchase plan rights recorded for the years ended September 30, 2014 and 2013 was £13.115 million and £12.379 million respectively with a corresponding shareholder contribution recorded within equity.

Apple Retail UK Limited

Notes (continued)

10 Tax on profit on ordinary activities

(a) Analysis of tax charge in the year

	2014 £'000	2013 £'000
<i>UK corporation tax</i>		
Current tax on income for the period	7,587	6,431
Adjustment in respect of prior years	302	(1,725)
	<hr/>	<hr/>
Total current tax charge (b)	7,889	4,706
<i>Deferred tax</i>		
Depreciation/capital allowances	(3,381)	(459)
Other timing differences	170	(880)
	<hr/>	<hr/>
Total deferred tax charge (d)	(3,211)	(1,339)
	<hr/>	<hr/>
Tax on profit on ordinary activities	4,678	3,367
	<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 22% (2013: 23.5%). The differences are explained below.

	2014 £'000	2013 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	14,652	18,006
	<hr/>	<hr/>
Taxation charge at UK corporation tax rate of 22% (2013: 23.5%)	3,223	4,231
<i>Effects of:</i>		
Depreciation in excess of capital allowances	4,321	1,830
Expenses not deductible	347	166
Difference between UK GAAP and UK tax treatment of share based compensation	(304)	204
Adjustment in respect of prior years	302	(1,725)
	<hr/>	<hr/>
Total current tax charge	7,889	4,706
	<hr/>	<hr/>

Apple Retail UK Limited

Notes (continued)

10 Tax on profit on ordinary activities (continued)

(c) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 23% to 21% took effect from 1 April 2014. The rate of UK corporation tax will further reduce to 20% from 1 April 2015. Accordingly, these rates have been applied in the measurement of the deferred tax assets and liabilities at 27 September 2014.

Finance Act 2011 effected a reduction in the annual rates of writing down allowance applicable to plant and machinery expenditure, applying from 1 April 2012. The annual rates applied to qualifying main pool plant and machinery and special rate pool plant and machinery reduced from 20% to 18% and 10% to 8% respectively, as announced in Budget 2010.

(d) Deferred tax

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

	2014 £'000	2013 £'000
Accelerated capital allowances	928	(2,453)
FRS 20 timing differences	2,909	3,079
	<hr/> 3,837	<hr/> 626

Apple Retail UK Limited

Notes (continued)

11 Tangible fixed assets

	<i>Leasehold improvement £'000</i>	<i>Office equipment and £'000</i>	<i>Machinery and equipment £'000</i>	<i>Construction in progress £'000</i>	<i>Total £'000</i>
Cost					
At beginning of year	161,011	4,517	13,080	3,378	181,986
Additions	7,160	20	1,109	5,490	13,779
Transfer from CIP	747	7	25	(779)	-
Disposals	(3,002)	(97)	(469)	-	(3,568)
At end of year	165,916	4,447	13,745	8,089	192,197
Depreciation					
At beginning of year	(65,396)	(2,889)	(7,848)	-	(76,133)
Charge for year	(22,944)	(591)	(2,215)	-	(25,750)
Disposals	2,304	95	411	-	2,810
At end of year	(86,036)	(3,385)	(9,652)	-	(99,073)
Net book value					
At 27 September 2014	79,880	1,062	4,093	8,089	93,124
At 28 September 2013	95,615	1,628	5,232	3,378	105,853

Apple Retail UK Limited

Notes (continued)

12 Intangible fixed assets

	2014 £'000	2013 £'000
Cost		
At beginning of year	582	556
Additions	294	26
Disposals	(34)	-
	<hr/>	<hr/>
At end of year	842	582
	<hr/>	<hr/>
Amortisation		
At beginning of year	(270)	(124)
Charge for the year	(224)	(146)
Disposals	26	-
	<hr/>	<hr/>
At end of year	(468)	(270)
	<hr/>	<hr/>
Net book value	374	312
	<hr/>	<hr/>

13 Stocks

	2014 £'000	2013 £'000
Finished goods	39,053	40,176
Service inventory	4,294	4,616
Demo reserve	-	(1,554)
	<hr/>	<hr/>
	43,347	43,238
	<hr/>	<hr/>

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

Apple Retail UK Limited

Notes (continued)

14 Debtors

	2014 £'000	2013 £'000
Amounts falling due in less than one year:		
Trade debtors	28,162	15,364
Amounts owed by group undertakings	71,876	47,903
Prepayments and accrued income	4,293	3,315
Deferred tax asset	3,837	626
	<hr/> 108,168	<hr/> 67,208

15 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	6,590	10,676
Amounts owed to group undertakings	86,597	92,868
VAT	15,424	9,625
Corporation tax	5,263	563
Other taxes and social security taxes	3,142	2,779
Accruals	20,515	18,233
Short term deferred revenue	19,253	21,162
	<hr/> 156,784	<hr/> 155,906

16 Creditors: amounts falling due after one year

	2014 £'000	2013 £'000
Long term deferred revenue	<hr/> 10,333	<hr/> 7,769

Apple Retail UK Limited

Notes (continued)

17 Provisions for liabilities

	<i>National Insurance on unvested SBP £'000</i>	<i>Long term leasehold improvement £'000</i>	<i>Deferred tax £'000</i>	<i>Total £'000</i>
At 29 September 2012	-	1,566	713	2,279
Arising during the year	-	255	(1,339)	(1,084)
Utilised	-	-	-	-
Presented as Debtors	-	-	626	626
<hr/>				
At 28 September 2013	-	1,821	-	1,821
Arising during the year	2,700	-	-	2,700
Utilised	-	-	-	-
<hr/>				
At 27 September 2014	2,700	1,821	-	4,521

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 2017 and 2028. A provision has been applied for national insurance contribution liability in relation to unvested restricted stock units and unexercised stock options.

18 Called up share capital

	<i>2014 £'000</i>	<i>2013 £'000</i>
<i>Allotted called up equity</i>		
1,000 ordinary shares of £1 each	1	1

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 29 September 2012	1	37,773	19,768	57,542
Profit for the year	-	14,639	-	14,639
Capital contribution	-	-	12,379	12,379
Dividend	-	(30,000)	-	(30,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 28 September 2013	1	22,412	32,147	54,560
Profit for the year	-	9,974	-	9,974
Capital contribution	-	-	13,115	13,115
	<hr/>	<hr/>	<hr/>	<hr/>
At 27 September 2014	1	32,386	45,262	77,649
	<hr/>	<hr/>	<hr/>	<hr/>

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 £3,848,513 (2013: £2,819,328). The liability outstanding at the year-end was £568,396 (2013: £400,664).

Apple Retail UK Limited

Notes (continued)

21 Commitments

Capital commitments

As at 27 September 2014, there were no capital commitments relating to store expansion (2013: Nil).

Other commitments

As at 27 September 2014, there were other commitments, relating to the licencing of technology and provision of support services, amounting to £3,361,983 (2013: Nil).

Lease commitments

The annual commitments under non-cancellable operating leases at 27 September 2014 are as follows:

	Buildings	
	2014	2013
	£'000	£'000
Operating leases which expire:		
-in the second to fifth year	6,245	3,226
-over five years	13,876	14,801
	<hr/>	<hr/>
	20,121	18,027
	<hr/>	<hr/>

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 the smallest and the largest undertaking into which the results of the Company are consolidated.

Copies of Apple Inc., accounts may be obtained from:

1 Infinite Loop
Cupertino
California 95014, USA.

23 Post Balance Sheet Event

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

24 Comparative figures

The prior year comparative have been restated where necessary to conform to the current year presentation.

25 Approval of financial statements

The directors' approved the financial statements on 23 June 2015