

Apple (UK) Limited

**Strategic report,
directors' report and
financial statements**

Year ended 29 September 2018

Registered number 1591116

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Apple (UK) Limited

Strategic report, directors' report and financial statements

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Apple (UK) Limited

Registered number 1591116

Strategic report

The directors of Apple (UK) Limited (the "Company") present their strategic report for the year ended 29 September 2018.

Change of accounting reference date

The Company changed its accounting reference date in the prior period from 1 April to 30 September. Due to the change, prior period audited results cover the 6-month period to 30 September 2017. Current period results reflect audited results for the 12-month period ended 29 September 2018.

Principal activities and business review

Apple Inc. and its wholly-owned subsidiaries (the "Group") designs, manufactures and markets mobile communication and media devices and personal computers, and sells 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®, Apple Watch®, Apple TV®, a portfolio of consumer and professional software applications, iOS, macOS®, watchOS® and tvOS™ operating systems, iCloud®, Apple Pay® and a variety of accessory, service and support offerings. The Group sells and delivers digital content and applications through the iTunes Store®, App Store®, Mac App Store, TV App Store, iBooks Store™ and Apple Music® (collectively "Digital Content and Services"). 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 Apple compatible products, including application software and various accessories through its retail and online stores. The Group sells to consumers, small and mid-sized businesses and education, enterprise and government customers.

The Company provides services to group affiliates. These services included sales support, marketing, research and development and technical support. During the year, the sales support and marketing functions were transferred to another group company, Apple Europe Limited while research and development service functions were transferred from Apple Europe Limited to the Company.

Key performance indicators

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

	2018	6-month period ended 30 September 2017	Change
	£'000	£'000	%
Operating costs	135,513	38,957	+248%
Total equity	176,091	58,337	+202%

Operating costs increased by 248% versus 2017 (6-month period) due to the increased length of the reporting period and the change in operations of the Company. Total equity has increased versus 2017 (6-month period) due to no dividends paid in the year.

Apple (UK) Limited

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Strategic report (continued)

In 2018, the Company had a monthly average number of employees of 473 (6 months to 30 September 2017: 374), which was an increase of 26% on the prior year. The increase was due to restructuring undertaken during the year.

Each indicator is monitored by local management against budget and against prior years. 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 technology sector, but are mitigated by the historically strong financial performance of the Company and its long-standing reputation and tradition within the sector.

The directors consider the principal risks and uncertainties facing the Company are:

- retaining key employees and succession planning
- a rising cost base.

The directors believe that these risks are effectively managed through a strong focus on its cost base and on its key employees.

On June 23, 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the European Union (E.U.), commonly referred to as "Brexit". The British government continue to negotiate the terms of the U.K.'s withdrawal, and of its future relationship with the E.U. The exit date is 31 October 2019 however the terms of the withdrawal agreement have yet to be finalised. If no agreement is reached and a change to the withdrawal date is not agreed by consensus, the U.K. will become a 'third country' on 31 October. Such an event may bring disruption to business operations and increased operational complexity. If a withdrawal agreement is concluded, both sides have indicated the U.K. will enter a twenty-month 'implementation period' in which it continues to apply EU law, during which time the two sides would commence negotiating their future relationship. Although it is unknown what the terms of that relationship will be, or when they come into force, it is possible that under the future arrangements there will be greater restrictions on imports and exports between the U.K. and E.U. countries and increased regulatory complexities. These changes may adversely affect the Company's operations and financial results.

Financial risk is managed by Apple Inc.'s, specialist Treasury department under policies approved by its board of directors. Therefore, the financial risk facing the Company is considered low.

Results

The profit for the year after taxation amounted to £91,395,000 (6 months to 30 September 2017: £49,757,000).

By order of the board

Director



Print..... Peter R. Denwood.....

Dated 17 June 2019

100 New Bridge Street
London EC4V 6JA

Apple (UK) Limited

Registered number 1591116

Directors' report

The directors of the Company present their report for the year ended 29 September 2018.

Directors

The directors who held office during the year were as follows:

Gene Levoff (resigned 14 March 2018)

Michael Boyd

Peter Denwood

The Company Secretary is Abogado Nominees Limited.

Dividend

No dividends were proposed and paid during the year (6 months to 30 September 2017: £Nil).

Future developments

There are no significant future developments expected to impact the Company.

Post balance sheet events

No important events affecting the Company have taken place since the end of the 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 29 September 2018 as set out on page 9 are considered satisfactory.

Political contributions

The Company made no political contributions during the year (6 months to 30 September 2017: £Nil).

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

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Directors' report (continued)

Employee involvement

The Company operates a framework for employee information and consultation. Employees receive regular updates on the business, products and matters of concern to them. The Company uses anonymous surveys to hear directly from team members about their own experiences working at Apple, to help support an environment of consistent and ongoing feedback among our teams and leadership. The Company's employees are represented in the European Consultation Forum, Apple's European Works Council. All employees are encouraged to invest in the Group through participation in the employee share purchase plan.

Risks and uncertainties

The risks and uncertainties facing the Company are disclosed in the Strategic report.

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Qualifying third-party indemnity provisions


The company benefits from a global indemnity policy which protects its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the Directors' Report.

Reappointment of the auditors

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

By order of the board

Director


Print. Peter R. Denwood.....

Dated 17 June 2019

100 New Bridge Street
London EC4V 6JA

Apple (UK) Limited

Registered number 1591116

Directors' responsibilities statement

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

UK company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law), including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland'.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 (UK) LIMITED

Opinion

We have audited the financial statements of Apple (UK) Limited for the year ended 29 September 2018 which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 29 September 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APPLE (UK) LIMITED (Continued)

Other information

The other information comprises the information included in the Strategic Report and the Directors' Report. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APPLE (UK) LIMITED (Continued)

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's Report.

Use of our report

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.

Maria Leonard (Senior statutory auditor)
for and on behalf of Ernst & Young, Statutory Auditor

Cork, Ireland

Date 18 June 2019

Apple (UK) Limited

Statement of comprehensive income for the year ended 29 September 2018

		2018	6-month Period ended 30 September 2017
	Note	£'000	£'000
Turnover	2	241,234	98,811
Administrative expenses		(135,513)	(38,957)
		—	—
Operating profit	3	105,721	59,854
Other interest receivable and similar income	5	1,169	107
Interest payable and similar charges	6	(267)	(21)
		—	—
Profit before taxation		106,623	59,940
Tax on profit	7	(15,228)	(10,183)
		—	—
Profit for the financial year		91,395	49,757
		—	—
Other comprehensive income		-	-
		—	—
Total comprehensive income for the year		91,395	49,757
		—	—

Apple (UK) Limited

Statement of financial position at 29 September 2018

	<i>Note</i>	2018 £'000	2017 £'000
Fixed assets			
Tangible fixed assets	8	21,048	6,671
		<u>21,048</u>	<u>6,671</u>
Current assets			
Debtors: amounts falling due within one year	9	204,798	123,478
Cash at bank and in hand		377	3,110
		<u>205,175</u>	<u>126,588</u>
Creditors: amounts falling due within one year	10	(39,859)	(69,035)
		<u>165,316</u>	<u>57,553</u>
Net current assets		165,316	57,553
		<u>186,364</u>	<u>64,224</u>
Total assets less current liabilities		186,364	64,224
		<u>176,091</u>	<u>58,337</u>
Provisions for liabilities	11	(10,273)	(5,887)
		<u>176,091</u>	<u>58,337</u>
Net assets		176,091	58,337
		<u>176,091</u>	<u>58,337</u>
Capital and reserves			
Called up share capital	12	1,000	1,000
Profit and loss account		141,152	49,757
Capital reserves	13	33,939	7,580
		<u>176,091</u>	<u>58,337</u>
Shareholder's funds		176,091	58,337
		<u>176,091</u>	<u>58,337</u>

These financial statements were approved by the board of directors on 17 June 2019
and were signed on its behalf by:

Director

Dated 17 June 2019

P.R. Denwood

Print Peter R. Denwood

100 New Bridge Street,
London EC4V 6JA

Apple (UK) Limited

Statement of changes in equity for the year ended 29 September 2018

	Called up share capital £'000	Profit and loss account £'000	Capital reserve £'000	Total £'000
At 1 April 2017	1,000	-	-	1,000
Profit for the financial year	-	49,757	-	49,757
Other comprehensive income	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	49,757	-	49,757
Capital contribution (note 13)	-	-	7,580	7,580
At 30 September 2017	<hr/> 1,000	<hr/> 49,757	<hr/> 7,580	<hr/> 58,337
Profit for the financial year	-	91,395	-	91,395
Other comprehensive income	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	91,395	-	91,395
Capital contribution (note 13)	-	-	26,359	26,359
At 29 September 2018	<hr/> 1,000	<hr/> 141,152	<hr/> 33,939	<hr/> 176,091

Apple (UK) Limited

Notes to the financial statements
for the year ended 29 September 2018

1 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.

Statement of compliance

Apple (UK) Limited is a limited liability company incorporated in the United Kingdom. The Registered Office is 100 New Bridge Street, London, EC4V 6JA.

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law), including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006.

Basis of preparation

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- Section 4 Statement of Financial Position paragraph 4.12(a)(iv)
- Section 3 Financial Statement Presentation paragraph 3.17(d)
- Section 7 Statement of Cash Flows
- Section 11 Basic Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48 (a) (iii), 11.48 (a) (iv), 11.48 (b) and 11.48 (c)
- Section 12 Other Financial Instruments Issues paragraphs 12.26, 12.27, 12.29 (a), 12.29 (b) and 12.29 (A)
- Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- Section 33 Related Party Disclosures paragraph 33.7.

The financial statements are presented in sterling which is the functional currency of the Company and rounded to the nearest £'000.

Going concern

The financial statements have been prepared on the going concern basis. The directors are therefore satisfied that adequate resources are available to the Company and they have no reason to believe that any material uncertainty exists that would cast a doubt about the ability of the Company to continue as a going concern.

Apple (UK) Limited

Notes to the financial statements
for the year ended 29 September 2018

1 Accounting policies (continued)

Judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognized in the financial statements.

- *Taxation*

The Company establishes provisions using reasonable estimates of taxable profits. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the Company and the responsible tax authority.

- *Deferred Tax Asset*

Management estimation is required to determine the amount of deferred tax assets that can be recognized, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.

- *Impairment of non-financial assets*

The Company reviews its non-financial assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to fair value. If these assets are considered to be impaired, the impairment recognized is equal to the amount by which the carrying value of the assets exceeds its fair value.

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.

Rendering of services

The Company earns service fee income under service agreements in place with related group undertakings. Income receivable for the provision of services to group companies is recognized when earned.

Interest income

Income is recognised as interest accrues using the effective interest method.

Apple (UK) Limited

Notes to the financial statements
for the year ended 29 September 2018

1 Accounting policies (continued)

Related party transactions

As the Company is a wholly-owned subsidiary of Apple Inc., the Company has taken advantage of the exemption contained in section 33.1A of FRS102 and has therefore not disclosed transactions or balances with entities which form part of the Group.

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 18 to the financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the costs directly attributable to making the asset capable of operating as intended.

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

Office equipment:	3-7 years
Leasehold improvement:	lesser of 10 years or lease term

The carrying values of tangible fixed assets are reviewed at each reporting date for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments are valued at cost, less any charge for impairment.

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 the 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.

Apple (UK) Limited

Notes to the financial statements
for the year ended 29 September 2018

1 Accounting policies (continued)

Foreign currencies

The financial statements are presented in Sterling ("£"), which is the company's presentational and functional currency and the level of rounding is to the nearest £'000. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. The resulting monetary assets and liabilities are translated at the statement of financial position date and the exchange differences are dealt with in the statement of comprehensive income.

Pensions

The Company operates a defined contribution pension scheme. Contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme.

Operating leases

Rentals payable under operating leases are charged in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives are recognised over the lease term on a straight-line basis.

Share based payments

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 the 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 an expense over the requisite service period with a corresponding shareholder contribution recorded within equity.

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.

Apple (UK) Limited

Notes to the financial statements
for the year ended 29 September 2018

1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Short-term debtors and creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Short-term debtors and creditors are not discounted.

2 Turnover

Turnover comprises consideration received or receivable for the sale of services in the ordinary course of the Company's activities.

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.

3 Operating profit

	2018	6-month period ended 30 September 2017
	£'000	£'000
<i>Operating profit is stated after charging:</i>		
Depreciation of tangible fixed assets (note 8)	3,354	1,111
Foreign exchange (losses) / gains	(106)	39
Lease payments recognised as expenses	2,049	925
Loss on disposal of fixed assets	74	3
	<hr/>	<hr/>

Audit fees were borne by another group company in 2018 and 2017.

Apple (UK) Limited

Notes to the financial statements
for the year ended 29 September 2018

4 Staff costs

(a) Staff costs are analysed as follows:

	2018	6-month period ended 30 September 2017
	£'000	£'000
Wages and salaries	47,296	15,985
Social security costs	18,949	4,580
Other pension costs (note 14)	2,166	785
Share based payments	26,359	7,580
	<hr/>	<hr/>
Total staff costs	94,770	28,930
	<hr/>	<hr/>

The average monthly number of employees during the year was 473 (6 months to 30 September 2017: 374).

(b) Directors' remuneration

There were no payments to directors during the financial year (6 months to 30 September 2017: Nil).

(c) Share-based payments

As of September 29, 2018 and September 30, 2017, 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 Employee Stock Plan

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.

Apple (UK) Limited

Notes to the financial statements
for the year ended 29 September 2018

4 Staff costs (continued)

2003 Employee Stock Plan

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 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. In the second quarter of 2014, Apple Inc. terminated the authority to grant new awards under the 2003 plan.

Employee Stock Purchase Plan

The Purchase Plan is an Apple Inc. shareholder approved plan under which substantially all employees may purchase Apple Inc. common stock through payroll deductions at a price equal to 85% of the lower of the fair market values of the stock as of the beginning or the end of six-month offering periods. An employee's payroll deductions under the Purchase Plan are limited to 10% of the employee's compensation and employees may not purchase more than US\$25,000 of stock during any calendar year.

5 Other interest receivable and similar income

	2018 £'000	6-month period ended 30 September 2017 £'000
Interest from loans to related undertakings	1,169	107

6 Interest payable and similar charges

	2018 £'000	6-month period ended 30 September 2017 £'000
Bank charges and fees	13	6
Other charges	254	15
	<u>267</u>	<u>21</u>

Apple (UK) Limited

Notes to the financial statements
for the year ended 29 September 2018

7 Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2018	6-month period ended 30 September 2017
	£'000	£'000
<i>Current tax:</i>		
UK corporation tax at 19% (6 months to 30 September 2017: 19%)	17,321	8,688
Adjustment in respect of prior years	1,478	1,340
	<hr/>	<hr/>
Total current tax charge	18,799	10,028
<i>Deferred tax:</i>		
Depreciation/ capital allowances	82	60
Other timing differences	(3,653)	95
	<hr/>	<hr/>
Deferred tax (credit) /charge	(3,571)	155
	<hr/>	<hr/>
Tax on profit on ordinary activities	15,228	10,183
	<hr/>	<hr/>

Apple (UK) Limited

Notes to the financial statements
for the year ended 29 September 2018

7 Tax (continued)

(b) Reconciliation of the total tax charge

The tax charge for the period is different to the standard rate of corporation tax in the UK of 19% (6 months to 30 September 2017: 19%). The differences are explained below:

	2018	6-month period ended 30 September 2017
	£'000	£'000
Profit on ordinary activities before taxation	106,623	59,940
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (6 months to 30 September 2017: 19%)	20,258	11,389
Difference between UK GAAP and UK tax treatment of share based compensation	(10,252)	(3,932)
Adjustment in respect of prior years	1,478	1,340
Prior period adjustment to deferred tax asset	(141)	(81)
Other permanent differences	3,885	1,467
Total tax expense	15,228	10,183

(c) Factors that may affect future tax charges

At the Summer Budget 2015, the government announced a reduction in the rate from 20% to 19% for the year beginning 1 April 2017, with a further reduction from 19% to 18% for the year beginning 1 April 2020. At Budget 2016, the government announced a further reduction to the corporate tax main rate for the year starting 1 April 2020, setting the rate at 17%.

The Company has a recognised deferred tax asset of £8,036,000 (30 September 2017: £4,465,000) comprising:

Apple (UK) Limited

Notes to the financial statements
for the year ended 29 September 2018

7 Tax (continued)

Deferred tax

	2018	6-month period ended 30 September 2017
	£'000	£'000
Accelerated capital allowances	195	276
Share based payments timing difference	7,841	4,189
	<u>8,036</u>	<u>4,465</u>
Deferred tax asset at start of year	4,465	4,620
Deferred tax credit/(charge) in profit and loss account	3,571	(155)
	<u>8,036</u>	<u>4,465</u>

The Company reviews its position on the utilisation of deferred tax assets on an annual basis. Currently the Company expects £4,421,000 of the closing deferred tax asset to be reversed during the next financial year.

Apple (UK) Limited

Notes to the financial statements
for the year ended 29 September 2018

8 Tangible fixed assets

	Leasehold improvement £'000	Office equipment £'000	Construction in progress £'000	Total £'000
<i>Cost</i>				
At beginning of year	4,803	9,081	1,518	15,402
Additions	953	16,893	-	17,846
Disposals	(37)	(1,404)	-	(1,441)
Transfer from CIP	1,463	55	(1,518)	-
	—	—	—	—
At end of year	7,182	24,625	-	31,807
	—	—	—	—
<i>Depreciation</i>				
At beginning of year	3,944	4,787	-	8,731
Charge for year	401	2,953	-	3,354
Disposals	(16)	(1,310)	-	(1,326)
	—	—	—	—
At end of year	4,329	6,430	-	10,759
	—	—	—	—
<i>Net book value</i>				
At 29 September 2018	2,853	18,195	-	21,048
	—	—	—	—
At 30 September 2017	859	4,294	1,518	6,671
	—	—	—	—

Additions include transfers from Apple Europe Limited at net book value.

Apple (UK) Limited

Notes to the financial statements
for the year ended 29 September 2018

9 Debtors: amounts falling due within one year

	2018	2017
	£'000	£'000
Amounts owed by group undertakings	75,997	117,876
Loans to parent undertaking	118,835	-
VAT receivable	1,010	885
Other debtors and prepayments	920	252
Deferred tax asset (note 7)	8,036	4,465
	<hr/>	<hr/>
	204,798	123,478
	<hr/>	<hr/>

The amounts owed by group undertakings are interest bearing and repayable on demand.

10 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	1,256	1,712
Loans from parent undertakings	-	43,176
Amounts owed to group undertakings	15,022	-
Corporation tax	6,738	18,705
Other taxes and social security taxes	3,413	1,657
Accruals	13,430	3,785
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	39,859	69,035
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The amounts owed to group undertakings are non-interest bearing and repayable on demand.

Apple (UK) Limited

Notes to the financial statements
for the year ended 29 September 2018

11 Provisions for liabilities

	National insurance on unvested SBP £'000	Long term leasehold improvement £'000	Total £'000
At 30 September 2017	4,637	1,250	5,887
Arising during the year	3,221	-	3,221
Utilised during the year	1,960	(795)	1,165
	<hr/>	<hr/>	<hr/>
At 29 September 2018	9,818	455	10,273

A leasehold improvement accrual has been applied 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 premises at the end of the leases between 2020 and 2024.

A provision has been applied for national insurance contribution liability in relation to unvested restricted stock units and unexercised stock options, which are expected to vest between 2018 and 2022.

12 Called up share capital

	2018	2017
	£'000	£'000
<i>Allotted, called up and fully paid</i> 1,000,000 Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>

The ordinary shares carry the right to:

- receive notice of, attend, speak or vote at any general meeting of the company. Where a matter is being decided on a show of hands, every member present in person and every proxy shall have one vote and on a poll, every member shall have one vote for every share held or for each £1 of stock held;
- participate in any dividends (if any) declared on that class of share; and
- in the winding up of the company, repayment of capital paid upon such shares and the right to participate in the division of any surplus assets of profits of the company.

Apple (UK) Limited

Notes to the financial statements
for the year ended 29 September 2018

13 Capital reserves

	2018	2017
	£'000	£'000
Capital Contributions	<u>33,939</u>	<u>7,580</u>

Capital contribution balance consists of share-based compensation related to employee stock options.

14 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 year represents contributions payable by the Company to the scheme and amounted to £2,166,000 (6 months to 30 September 2017: £785,000). The liability outstanding at the end of the year was £471,428 (30 September 2017: £231,501).

15 Commitments

Capital commitments

There were no capital commitments at 29 September 2018 (30 September 2017: £Nil).

16 Guarantees

The Company has issued a guarantee in favour of HM Customs & Excise in the amount of £174,000 (30 September 2017: £174,000).

Apple (UK) Limited

Notes to the financial statements
for the year ended 29 September 2018

17 Obligations under lease contracts

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2018	2017
	Buildings £'000	Buildings £'000
- Not later than one year	2,015	645
- Later than one year and not later than five years	7,279	999
- Later than five years	1,779	-
	<hr/>	<hr/>
	11,073	1,644
	<hr/>	<hr/>

18 Ultimate parent undertaking and parent undertaking of largest group of which the Company is a member

The smallest group in which the results of the company are consolidated is that headed by, Apple Operations International Limited, a company incorporated in the Republic of Ireland, the consolidated financial statements of which will be publicly available from the Registrar of Companies, CRO Public Office, Gloucester Place Lower, Mountjoy, Dublin 1, D01 F2X5. The largest group in which the results of the company are consolidated is that headed by its ultimate parent undertaking, Apple Inc., a company incorporated in California, United States of America, the consolidated financial statements of which are publicly available from Investor Relations, Apple Inc., One Apple Park Way, Cupertino, California, 95014, United States of America.

19 Related party transactions

The company undertakes transactions with other group undertakings. As the company is a wholly-owned subsidiary undertaking of Apple Inc., the consolidated financial statements of which are publicly available, disclosure of such transactions is not required under Section 33 Related party disclosures paragraph 33.1A of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

20 Events after the reporting period

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

Apple (UK) Limited

Notes to the financial statements
for the year ended 29 September 2018

21 Approval of financial statements

The directors issued and approved the financial statements on *17 June 2019*