

# Apple (UK) Limited

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

**Period ended 01 April 2017**

*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 period ended 01 April 2017.

### Change of year end

The Company changed its financial year end to 01 April from 24 September. Due to the change in year end, audited results cover the 18-month period to 01 April 2017 with comparative data being the audited results for the year ended 26 September 2015.

### Principal activities and business review

Apple Inc. and its wholly-owned subsidiaries (the "Group") designs, manufactures and markets mobile communication and media devices, personal computers and portable digital music players, 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<sup>®</sup>, iPad<sup>®</sup>, Mac<sup>®</sup>, iPod<sup>®</sup>, Apple Watch<sup>®</sup>, Apple TV<sup>®</sup>, a portfolio of consumer and professional software applications, iOS, macOS<sup>™</sup>, watchOS<sup>™</sup> and tvOS<sup>™</sup> operating systems, iCloud<sup>®</sup>, Apple Pay<sup>™</sup> and a variety of accessory, service and support offerings. The Group sells and delivers digital content and applications through the iTunes Store<sup>®</sup>, App Store<sup>®</sup>, Mac App Store, TV App Store, iBooks Store<sup>™</sup> and Apple Music<sup>®</sup> (collectively "Internet 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 include sales support, marketing and technical support.

Following an extensive audit by Her Majesty's Revenue and Customs (HMRC), the Company agreed to pay a corporate income tax adjustment of £81m covering prior years up to September 26, 2015. This payment of additional tax and interest reflects the Company's increased activity and is recognized in the current financial period which ended on 1 April 2017. As a result of this adjustment the Company's corporate income tax payments will increase going forward.

### Key performance indicators

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

	<i>18-month period ended 01 April 2017</i>	<i>Year ended 26 September 2015</i>	<i>Change</i>
	<i>£'000</i>	<i>£'000</i>	<i>%</i>
Operating costs	<b>126,001</b>	<b>78,555</b>	+60%
Total equity	<b>1,000</b>	<b>85,895</b>	-99%

Operating costs increased by 60% versus 2015 due to the extension of the reporting period in addition to an increase in headcount costs. Total equity has decreased by 99% versus 2015 due to dividends paid in the period.

# Apple (UK) Limited

Registered number 1591116

## Strategic report (continued)

In the 18-month period to 01 April 2017, the Company had a monthly average number of employees of 382 (2015: 403), which was a decrease of 5% on the prior year. The decrease was due to restructuring undertaken during the period.

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 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 23 June 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". As a result of the referendum, it is expected that the British government will begin negotiating the terms of the U.K.'s future relationship with the E.U. Although it is unknown what those terms will be, it is possible that 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 period after taxation amounted to £174,694,000 (2015: £71,544,000).

By order of the board

Director *Peter R. Denwood*

*Dated 18 December 2017*

Print *Peter R. Denwood*

100 New Bridge Street  
London EC4V 6JA

# Apple (UK) Limited

Registered number 1591116

## Director's report

The directors of the Company present their report for the period ended 01 April 2017.

### Directors

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

Gary Wipfler (resigned 14 June 2016)

Gene Levoff

Michael Boyd (appointed 14 June 2016)

The Company Secretary is Abogado Nominees Limited.

### Dividend

A dividend of £255,132,000 (2015: £35,915,000) was proposed and paid during the period.

### 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 period.

### 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 period ended 01 April 2017 as set out on page 8 are considered satisfactory.

### Political contributions

The Company made no political contributions during the period (2015: £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.

# Apple (UK) Limited

Registered number 1591116

## 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 reappointed as auditors of the Company.

By order of the board

Director *P.R. Denwood*

*Dated 18 December 2017*

Print *Peter R. Denwood*

100 New Bridge Street  
London EC4V 6JA

# Apple (UK) Limited

Registered number 1591116

## Directors' responsibilities statements

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 period. 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.



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## **Independent auditor's report to the members of Apple (UK) Limited**

We have audited the financial statements of Apple (UK) Limited for the 18 month period ended 1<sup>st</sup> April 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 1<sup>st</sup> April 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



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

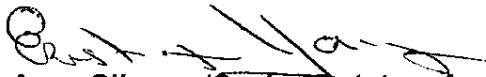
**Opinion on other matter prescribed by the Companies Act 2006**

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.

10 December 2017

# Apple (UK) Limited

## Statement of comprehensive income for the period ended 01 April 2017

		<b>18-month Period ended 01 April 2017</b>	<b>Year ended 26 September 2015</b>
	<i>Note</i>	<b>£'000</b>	<b>£'000</b>
<b>Turnover – continuing operations</b>	2	<b>313,142</b>	121,539
Administrative expenses		<b>(126,001)</b>	(78,555)
		—	—
<b>Operating profit – continuing operations</b>	3	<b>187,141</b>	42,984
Other interest receivable and similar income	5	<b>1,362</b>	486
Interest payable and similar charges	6	<b>(27)</b>	(16)
Income from interests in associated undertakings	7	<b>103,272</b>	34,598
		—	—
<b>Profit on ordinary activities before taxation</b>		<b>291,748</b>	78,052
Tax on profit on ordinary activities	8	<b>(117,054)</b>	(6,508)
		—	—
<b>Profit for the financial period</b>		<b>174,694</b>	71,544
Total other comprehensive income/ (loss)		-	-
		—	—
<b>Total comprehensive income for the period</b>		<b>174,694</b>	71,544

# Apple (UK) Limited

## Statement of financial position

at 01 April 2017

		01 April 2017 £'000	26 September 2015 £'000
<b>Fixed assets</b>			
Tangible fixed assets	10	5,030	5,421
Investments	11	-	3,715
		5,030	9,136
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	99,007	95,663
Cash at bank and in hand		4,130	2,232
		103,137	97,895
<b>Creditors: amounts falling due within one year</b>	13	(101,188)	(15,797)
<b>Net current (liabilities)/ assets</b>		1,949	82,098
<b>Total assets less current liabilities</b>		6,979	91,234
<b>Provisions for liabilities</b>	14	(5,979)	(5,339)
<b>Net assets</b>		1,000	85,895
<b>Capital and reserves</b>			
Called up share capital	15	1,000	1,000
Profit and loss account		-	84,895
Capital reserves	16	-	-
<b>Shareholder's funds</b>		1,000	85,895

These financial statements were approved by the board of directors on 18 December 2017 and were signed on its behalf by:

Director *P.R. Denwood*

Dated 18 December 2017

Print... *Peter R. Denwood*

100 New Bridge Street,  
London EC4V 6JA

## Apple (UK) Limited

### Statement of changes in equity for the period ended 01 April 2017

	Called up share capital £'000	Profit and loss account £'000	Capital reserve £'000	Total £'000
At 27 September 2014	1,000	57,664	-	58,664
Profit for the financial year	-	71,544	-	71,544
Other comprehensive income	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	71,544	-	71,544
Capital contribution (note 16)	-	-	19,621	19,621
Recharge of stock compensation expense	-	(8,398)	(19,621)	(28,019)
Dividends paid (note 9)	-	(35,915)	-	(35,915)
	<hr/>	<hr/>	<hr/>	<hr/>
At 26 September 2015	1,000	84,895	-	85,895
Profit for the financial period	-	174,694	-	174,694
Other comprehensive income	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	174,694	-	174,694
Capital contribution (note 16)	-	-	28,995	28,995
Recharge of stock compensation expense	-	(4,457)	(28,995)	(33,452)
Dividends paid (note 9)	-	(255,132)	-	(255,132)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 01 April 2017</b>	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>1,000</b>

# Apple (UK) Limited

Notes to the financial statements  
as at 01 April 2017

## 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.

The Company transitioned from previously extant UK GAAP to FRS 102 as at 28 September 2014. There is no material impact on the reported financial position and financial performance from the transition to FRS 102 to the Company.

Prior year comparatives have been updated to reflect the changes in the presentation and disclosures as required by FRS 102.

### *Basis of preparation*

The company has taken advantage of the disclosure exemptions allowed under this standard. The company's shareholder was notified of and did not object to the use of the disclosure exemptions.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- 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)
- 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 have been prepared under the historical cost convention on the accrual basis of accounting, and they 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  
as at 01 April 2017

## 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 8.

- *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**

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

### **Dividends**

Revenue is recognised when the Company's right to receive payment is established.

# Apple (UK) Limited

Notes to the financial statements  
as at 01 April 2017

## 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 (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 21 to the accounts.

### *Tangible and intangible fixed assets*

#### **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:	5 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  
as at 01 April 2017

## 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 balance sheet rate and the exchange differences are dealt with in the profit and loss account.

### *Pensions*

The Company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

### *Operating leases*

Rentals payable under operating leases are charged in the profit and loss account 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 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  
as at 01 April 2017

## 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 debtors are recognised initially at transaction price less attributable transaction costs. 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.

## 3 Operating profit

	<b>18-month period ended 01 April 2017 £'000</b>	<b>Year ended 26 September 2015 £'000</b>
<i>Operating profit is stated after charging:</i>		
Depreciation of tangible fixed assets (note 10)	<b>3,302</b>	1,521
Foreign exchange losses/ (gains)	<b>28</b>	(947)
Hire of plant and machinery		
- rentals under operating leases	<b>9</b>	31
Other operating lease rentals	<b>3,341</b>	1,705
Loss on disposal of fixed assets	<b>8</b>	-

Audit fees are borne by another group company in 2017 and 2015.

# Apple (UK) Limited

Notes to the financial statements  
as at 01 April 2017

## 4 Staff costs

(a) Staff costs are analysed as follows:

	<b>18-month period ended 01 April 2017 £'000</b>	<b>Year ended 27 September 2015 £'000</b>
Wages and salaries	50,177	34,440
Social security costs	13,621	8,304
Other pension costs (note 17)	2,486	1,727
Share based payments	28,995	19,621
	<hr/>	<hr/>
Total staff costs	<b>95,279</b>	<b>64,092</b>

The average monthly number of employees during the period was 382 (2015: 403) and is analysed into the following categories:

	<b>18-month period ended 01 April 2017 Number</b>	<b>Year ended 26 September 2015 Number</b>
Sales Support/Marketing	265	263
Finance/Administration	43	62
Technical	74	78
	<hr/>	<hr/>
	<b>382</b>	<b>403</b>

### (b) Directors' remuneration

There were no payments to directors during the financial period (2015: Nil).

All directors exercised Apple Inc. restricted stock units during the period (2015: all directors exercised Apple Inc. restricted stock units).

### (c) Share-based payments

As of 01 April 2017 and 26 September 2015, 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 up until 28 December 2014: the 2014 Employee Stock Plan (the "2014 Plan"), the 2003 Employee Stock Plan (the "2003 Plan"), and the Employee Stock Purchase Plan (the

# Apple (UK) Limited

Notes to the financial statements  
as at 01 April 2017

## 4 Staff costs (continued)

“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.

### 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.

# Apple (UK) Limited

Notes to the financial statements  
as at 01 April 2017

## 5 Other interest receivable and similar income

	18-month period ended 01 April 2017 £'000	Year ended 26 September 2015 £'000
Interest from loans to related undertakings	1,070	332
Other interest and similar charges	292	154
	<hr/>	<hr/>
	1,362	486

## 6 Interest payable and similar charges

	18-month period ended 01 April 2017 £'000	Year ended 26 September 2015 £'000
Bank charges and fees	27	10

## 7 Income from interests in associated undertakings

The Company received dividends in the amount of £103,272,000 (2015: £34,598,011) during the period.

# Apple (UK) Limited

Notes to the financial statements  
as at 01 April 2017

## 8 Tax

### (a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	18-month period ended 01 April 2017	Year ended 26 September 2015
	£'000	£'000
<i>Current tax:</i>		
UK corporation tax at 20% (2015: 20.5%)	35,347	7,301
Adjustment in respect of prior years	81,390	18
		-----
Total current tax charge	116,737	7,319
<i>Deferred tax:</i>		
Depreciation/ capital allowances	115	(133)
Other timing differences	202	(679)
		-----
Deferred tax charge/(credit)	317	(811)
	-----	-----
Tax on profit on ordinary activities	117,054	6,508
		=====

Following an extensive audit by Her Majesty's Revenue and Customs (HMRC), the Company agreed to pay a corporate income tax adjustment of £81m covering prior years up to September 26, 2015. This payment of additional tax and interest reflects the Company's increased activity and is recognized in the current financial period which ended on 1 April 2017. As a result of this adjustment the Company's corporate income tax payments will increase going forward.

# Apple (UK) Limited

Notes to the financial statements  
as at 01 April 2017

## 8 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 20% (2015: 20.5%). The differences are explained below:

	18-month period ended 01 April 2017	Year ended 26 September 2015
	£'000	£'000
Profit on ordinary activities before taxation	291,748	78,052
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.5%)	58,350	16,000
Difference between UK GAAP and UK tax treatment of share based compensation	(1,540)	(2,141)
Adjustment in respect of prior years	81,390	18
Dividend received exempt from UK corporation tax	(20,654)	(7,093)
Prior period adjustment to deferred tax asset	442	(605)
Impact of difference in rate between corporation tax and deferred tax	266	108
Other permanent differences	(1,200)	221
Total tax expense	117,054	6,508

### (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 01 April 2017, with a further reduction from 19% to 18% for the year beginning 01 April 2020. At budget 2016, the government announced a further reduction to the Corporate tax main rate for the year starting 01 April 2020, setting the rate at 17%.

The Company has a recognised deferred tax asset of £4,620,000 (2015: £4,937,000) comprising:

# Apple (UK) Limited

Notes to the financial statements  
as at 01 April 2017

## 8 Tax (continued)

### Deferred tax

	18-month period ended 01 April 2017	Year ended 26 September 2015
	£'000	£'000
Accelerated capital allowances	336	413
Leasehold retirement obligation	-	164
Share based payments timing difference	4,284	4,360
	<hr/>	<hr/>
	4,620	4,937
	-	-
Deferred tax asset at start of period	4,937	4,126
Deferred tax (charge)/credit in profit and loss account	(317)	811
	<hr/>	<hr/>
Deferred tax asset at end of period	4,620	4,937

The Company reviews its position on the utilisation of deferred tax assets on an annual basis. Currently the Company expects £2,502,000 of the closing deferred tax asset to be reversed during the next financial period.

## 9 Dividends

	18-month period ended 01 April 2017	Year ended 26 September 2015
	£'000	£'000
Declared and paid during the period	255,132	35,915

# Apple (UK) Limited

Notes to the financial statements  
as at 01 April 2017

## 10 Tangible fixed assets

	Leasehold improvement £'000	Office equipment £'000	Apple own use £'000	Total £'000
<i>Cost</i>				
At beginning of period	5,134	5,930	13	11,077
Additions	60	2,906	-	2,966
Disposals	(199)	(866)	(11)	(1,076)
Transfers	(300)	300	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At end of period</b>	<b>4,695</b>	<b>8,270</b>	<b>2</b>	<b>12,967</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of period	2,521	3,122	13	5,656
Charge for period	1,097	2,205	-	3,302
Disposals	(183)	(827)	(11)	(1,021)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At end of period</b>	<b>3,435</b>	<b>4,500</b>	<b>2</b>	<b>7,937</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
<b>At 01 April 2017</b>	<b>1,260</b>	<b>3,770</b>	<b>-</b>	<b>5,030</b>
	<hr/>	<hr/>	<hr/>	<hr/>
At 26 September 2015	2,613	2,808	-	5,421



# Apple (UK) Limited

Notes to the financial statements  
as at 01 April 2017

## 11 Investments

	<b>Share in Group Undertakings £'000</b>
Cost at beginning of period	3,715
Additions	
Disposals	(3,715)
	<hr/>
<b>At end of period</b>	<b>-</b>
	<hr/>

## 12 Debtors: amounts falling due within one period

	<b>18-month period ended 01 April 2017</b>	<b>Year ended 26 September 2015</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed by group undertakings	94,075	42,976
Loans to group undertakings	-	46,920
VAT receivable	288	811
Other debtors and prepayments	24	19
Deferred tax asset (note 8)	4,620	4,937
	<hr/>	<hr/>
	<b>99,007</b>	<b>95,663</b>
	<hr/>	<hr/>

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

# Apple (UK) Limited

Notes to the financial statements  
as at 01 April 2017

## 13 Creditors: amounts falling due within one year

	18-month period ended 01 April 2017	26 September 2015
	£'000	£'000
Trade creditors	678	2,020
Loans from group undertakings	2,810	-
Amounts owed to group undertakings	426	-
Corporation tax	92,791	6,061
Other taxes and social security taxes	1,491	2,121
Accruals	2,992	5,595
	<hr/>	<hr/>
	101,188	15,797

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

## 14 Provisions for liabilities

	National insurance on unvested SBP £'000	Long term leasehold improvement £'000	Total £'000
At 26 September 2015	4,209	1,130	5,339
Arising during the period	640	-	640
	<hr/>	<hr/>	<hr/>
At 01 April 2017	4,849	1,130	5,979
	<hr/>	<hr/>	<hr/>

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 lease in 2017.

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

# Apple (UK) Limited

Notes to the financial statements  
as at 01 April 2017

## 15 Called up share capital

	18-month period ended 01 April 2017	Year ended 26 September 2015
	£'000	£'000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	1,000	1,000

On 30 August 1995, 1,000 ordinary shares with aggregate nominal value of £1,000,000, were allotted for cash at £1.00 each to the parent company at the time, Apple Inc. On 29 March 2017, these shares were transferred to Apple Operations International.

The ordinary shares carry the right to:

- (a) 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;
- (b) participate in any dividends (if any) declared on that class of share; and
- (c) 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 or profits of the company.

## 16 Capital reserves

	18-month period ended 01 April 2017	Year ended 26 September 2015
	£'000	£'000
At beginning of year	-	-
Capital Contribution during year	28,995	19,621
Recharge of stock compensation expenses	(28,995)	(19,621)
	-----	-----
	-	-

Capital contribution balance as at 01 April 2017 consists of share-based compensation related to employee stock options.

# Apple (UK) Limited

Notes to the financial statements  
as at 01 April 2017

## 17 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 £2,486,000 (2015: £1,727,000). The liability outstanding at the end of the period was £211,000 (2015: £264,000).

## 18 Commitments

### Capital Commitments

There were no capital commitments at 01 April 2017 (2015: £Nil).

## 19 Guarantees

The Company has issued a guarantee in favour of HM Customs & Excise in the amount of £174,000 (2015: £100,000).

## 20 Obligations under lease contracts

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

	<b>18-month period ended 01 April 2017</b>	<b>Year ended 26 September 2015</b>
	<b>Buildings £'000</b>	<b>Buildings £'000</b>
- Not later than one year	1,617	1,367
- Later than one year and not later than five years	1,440	1,849
- Later than five years	-	-
	<u>3,057</u>	<u>3,215</u>

# Apple (UK) Limited

Notes to the financial statements  
as at 01 April 2017

## **21 Ultimate parent company and parent undertaking of largest group of which the Company is a member**

Apple Inc., a company incorporated under the laws of the State of California, United States of America, is the ultimate parent undertaking and controlling party and is both the smallest and largest undertaking into which the results of Apple (UK) Limited are consolidated.

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

1 Infinite Loop  
Cupertino  
California 95014  
USA

## **22 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 publically 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.

## **23 Events after the reporting period**

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

## **24 Approval of financial statements**

The directors issued and approved the financial statements on 18 December 2017

*P. J. Demme*