

Apple Retail UK Limited

**Strategic Report,
Directors' Report and
Financial Statements**

Year ended 26 September 2020

Registered number 4996702



Apple Retail UK Limited
Strategic Report, Directors' Report and Financial Statements
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Strategic Report

The directors of Apple Retail UK Limited (the “Company”) present their strategic report for the year ended 26 September 2020.

The Company’s ultimate parent is Apple Inc. (“Ultimate Parent”, “Apple” or “Apple Inc.”), a company incorporated in California, United States of America.

Principal activities and business review

Apple Inc. and its wholly-owned subsidiaries (the “Group”) design, manufacture and market smart phones, tablets, personal computers, wearables and accessories, and sell a variety of related services. The Group’s products include iPhone®, Mac®, iPad®, Apple Watch® and a variety of other devices and accessories. The Group’s services include digital content stores and streaming services, AppleCare®, iCloud®, licensing and various other services. The Group sells its products and services worldwide through various direct and indirect distribution channels. The Group’s customers are primarily in the consumer, small and mid-sized business, education, enterprise and government markets.

The Company’s principal activity is the sale of personal computing products and mobile communication devices as well as a variety of related software, services, peripherals, networking solutions and various third-party hardware and software products.

Key performance indicators

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

Particulars	2020	2019	Change
	£'000	£'000	%
Turnover	1,104,239	1,377,770	-20%
Operating profit	29,134	37,197	-22%
Total equity	221,831	201,067	10%

Turnover decreased by 20% versus 2019. During 2020, aspects of the Company’s business were adversely affected by the COVID-19 pandemic, with many of the Company’s retail stores temporarily closed at various times and the vast majority of the Company’s employees working remotely.

Operating profit decreased by 22% versus 2019 closely tracking the decrease in net revenue.

Total equity has increased by 10% year on year due to capital contributions received in the year in addition to the net profit recognised for the period. These were partially offset by dividend declared and paid.

There were 38 stores in operation on 26 September 2020. No new stores have been opened during 2020.

In 2020, the Company had a monthly average number of employees of 5,120 (2019: 5,012).

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.

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Strategic Report (continued)

Risk 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 20 years.

Should the Company choose to terminate these commitments or close individual stores, including as a result of protective public safety measures in response to the COVID-19 pandemic, then the Company could incur substantial costs. Such costs could adversely affect the results of the Company's 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.

During 2020, aspects of the Company's business were adversely affected by the COVID-19 pandemic, with many of the Company's retail stores temporarily closed at various times, and the vast majority of the Company's employees working remotely. The Company is continuing to monitor the situation and take appropriate actions in accordance with the recommendations and requirements of relevant authorities. The full extent of the future impact of the COVID-19 pandemic on the Company's operational and financial performance is currently uncertain and will depend on many factors outside the Company's control, including, without limitation, the timing, extent, trajectory and duration of the pandemic, the development and availability of effective treatments and vaccines, the imposition of protective public safety measures, and the impact of the pandemic on the global economy and demand for consumer products.

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 £28,222,000 (2019: £32,787,000).

Post balance sheet events

On 30 December 2020, the EU-UK Trade and Cooperation Agreement was signed establishing the framework for future relations between the UK and the European Union. Although challenges might arise from the terms of this new framework, the Company is of the view that it maintains robust processes to continue the supply of goods and services without disruption to its customers.

Subsequent to year end, aspects of the Company's business continue to be affected by the COVID-19 pandemic, with many of the Company's retail stores temporarily closed at various times, and the vast majority of the Company's employees working remotely. The full extent of the future impact of the COVID-19 pandemic on the Company's operational and financial performance is currently uncertain and will depend on many factors outside the Company's control, including, without limitation, the timing, extent, trajectory and duration of the pandemic, the development and availability of effective treatments and vaccines, the imposition of protective public safety measures, and the impact of the pandemic on the global economy and demand for consumer products.

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Strategic Report (continued)

Section 172 Statement

The directors of the Company have acted during the financial period in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so they have had regard to the matters set out in section 172(1) of the Companies Act 2006. Highlighted below are certain aspects of the duties under section 172(1) that the directors consider most relevant to the Company, and the key stakeholders of the Company. The directors receive training relevant to their role, including on directors' duties, to support their consideration of stakeholder impact.

The directors have delegated day-to-day engagement with stakeholders to management with relevant subject matter expertise, but they oversee this engagement and consider stakeholder impacts in relation to key decisions that are escalated to the board.

Culture

The Company is part of the Apple Inc. group of companies. The Company aligns its corporate governance structures, policies and values with Apple Inc., and these structures, policies and values are adopted and applied in the Company by the directors. The Company's values are set out in the *Statement of Corporate Governance Arrangements* on page 11 to 12. Apple's core values, which guide the Company's directors and management, are accessibility, inclusion & diversity, education, the environment, privacy & security and supplier responsibility. These values, including how they are applied by the Company, are discussed in more detail in our *statement of engagement with employees* on page 7 to 9; *statement of engagement with suppliers, customers and others in a business relationship with the Company* on page 10 to 11; and in our *streamlined energy and carbon report*, on page 13 to 14.

Considering long-term impact of decisions

We believe business can and should be a force for good. Achieving that takes innovation, hard work, and a focus on serving others. It also means leading with our values in the technology we make, in the way we make it, and in how we treat people and the planet we share. Apple is dedicated to leaving the world better than we found it, and the directors seek to have a long-term mindset when making decisions on behalf of the Company.

Employees

At Apple, we're not all the same. And that's our greatest strength. We draw on the differences in who we are, what we've experienced, and how we think. Because to create products that serve everyone, we believe in including everyone. We know that the long-term success of the Company is dependent on its people. We describe further how the Company engages with employees in our *statement of engagement with employees*, on page 7 to 9.

The community, suppliers, customers and others in a business relationship

At Apple, people are at the heart of everything we do and everything we make. Our responsibilities go beyond our stores and corporate offices: they extend to our supply chain and the communities we're a part of. See our *statement of engagement with suppliers, customers and others in a business relationship with the Company*, on page 10 to 11 for more detail on how we monitor and nurture our business relationships.

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Strategic Report (continued)

The environment

Apple has a history of channelling innovation to address global challenges. That task has never been more urgent than now, with the existing threats of climate change and environmental degradation that our planet faces. We believe we can make the world's most iconic products—without depleting the earth's resources.

Apple is committed to protecting the environment, for the long-term, and environmental responsibility is at the core of how we operate. That's why we take responsibility for the impact of our entire value chain, including the complete life cycle of our products, as well as our own facilities. Apple's high standards are highlighted in its Supplier Code of Conduct, which has been adopted by the directors as a policy of the Company.

By 2030, Apple is committed to total carbon neutrality across its entire supply chain, including material sourcing, manufacturing, shipping and in-use power of customer devices. Since April 2020, Apple is already carbon neutral for our corporate emissions, including corporate travel and facilities – resulting from our use of 100% renewable electricity and investment in high-quality projects that protect and restore forests, wetlands and grasslands. See our *streamlined energy and carbon report*, on page 13 to 14, for more details.

Principal decisions of the Company

As mentioned in the statement of corporate governance arrangements, decisions which are of strategic importance, are commercially material, or have a significant impact on key stakeholders are considered principal decisions of the Company. The board of the Company has taken the following principal decisions during the financial period:

Declaration and payment of dividend to shareholder

A dividend of £38,229,000 was proposed and paid during the year. In proposing and approving the payment of such dividend, the directors carefully considered its financial impact on the Company (taking into account the impact on the Company's stakeholders), including whether there were any actual or reasonably foreseeable contingent or prospective liabilities the payment or settlement of which would be jeopardised by the payment of the dividend. The directors also considered carefully the effect that the dividend would have on the Company's ability to pay its debts as they fell due, having regard to the entirety of the Company's business and the actual and contingent liabilities (present and future) inherent in that business.

Covid-19 – retail store closures


The Company temporarily closed all of its retail stores in March 2020. As with the Company's office closures, these and related decisions were discussed and approved by the directors of the Company and further details, including a description of the way in which our stakeholders' interests were taken into account in decision-making, can be found in the *statement of engagement with employees*, on page 7 to 9, as well as the *statement of engagement with suppliers, customers and others in a business relationship with the Company* on page 10 to 11.

Covid-19 – office closures

The Company substantially closed all of its office locations on a temporary basis in March 2020 because of the Pandemic, with these and related decisions being discussed and approved by the directors of the Company. Further details of the Company's response to the Pandemic, including the way in which our stakeholders' interests were taken into account in decision-making, can be found in the *statement of engagement with employees*, on page 7 to 9.

By order of the board

Director


Peter Denwood

Dated 25 June 2021

8th Floor, 20 Farringdon Street
London EC4A 4AB

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Directors' Report

The directors of the Company present their report for the year ended 26 September 2020.

The Company's ultimate parent is Apple Inc. ("Ultimate Parent", "Apple" or "Apple Inc."), a company incorporated in California, United States of America.

Directors

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

Michael Boyd
Peter Denwood

The Company Secretary is Abogado Nominees Limited.

Dividend

A dividend of £38,229,000 (2019: £25,000,000) was proposed and paid during the year.

Future developments

The directors aim to sustain the management policies which will drive growth in the Company's results.

Post balance sheet events

Post Balance Sheet events are disclosed in the Strategic Report.

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 26 September 2020 as set out on page 19 are considered satisfactory.

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Directors' Report (continued)

Political contributions

The Company made no political contributions during the year (2019: £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.

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.

Statement of engagement with employees

Employee engagement

At Apple, we're not all the same. And that's our greatest strength. We draw on the differences in who we are, what we've experienced, and how we think. Because to create products that serve everyone, we believe in including everyone. To keep our employees informed and engaged, we communicate with them in many ways including weekly newsletters, all-hands meetings with our senior executives, internal communications to share ideas both ways, and through a culture of open feedback. Our Company directors delegate day-to-day management of employee matters to local managers, trusting their expertise to ensure the best experience and support for their teams.

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Directors' Report (continued)

Statement of engagement with employees (continued)

Consulting with employees and their representatives

We engage with our teams through regular surveys to ensure every voice is heard. The Company regularly invites all store-based employees to complete an online feedback questionnaire, which allows the Company to hear directly from team members about their own experiences working in the Company and is designed to help support an environment of consistent and ongoing feedback among the Company's teams and leadership. This survey is optional and anonymous. Further surveys of other employee groups may be carried out on an ad-hoc basis. We use the data and comments from these surveys to inform our employee experience, engagement levels, and feedback on any Company initiatives. Feedback is analysed at a team and organisational level with action plans in place where we see areas for improvement.

Additionally, this year, we surveyed our teams to understand their experience of resumption once we reopened our stores following the first UK Covid-19 lockdown.

Apple is committed to listening and engaging with its employees in a supportive environment, and has an employee representative forum in place. This operates monthly at store level, quarterly at market level, and twice per year at national level. Dedicated resources and tools exist to support the effective representation of matters between employees and management.

The Company's employees are also represented in the European Consultation Forum (ECF), Apple's European Works Council. The ECF gives Apple employees and central management in the European Economic Area (EEA) a way to exchange views and establish dialogue on relevant transnational issues. Apple fully supports the ECF as a way to assist communication between the parts of its business in the EEA and to provide a venue for feedback from its employees through the ECF's representatives. The ECF, however, does not replace consultation with employee representatives at the country and site level.

Involvement of employees in the Company's performance

As outlined further in Note 5 to the financial statements, the Company's ultimate parent, Apple Inc. operates two employee benefit plans relevant to the Company: the 2014 Employee Stock Plan and the Employee Stock Purchase Plan. This is part of Apple's global approach to employee benefits. All employees are eligible to receive awards of restricted stock units from Apple Inc. under the 2014 Employee Stock Plan and have the opportunity to invest in Apple Inc. stock through participation in the Employee Stock Purchase Plan, which enables employees to participate in the success of the Company and the Group.

Inclusion and Diversity

At Apple, we believe diversity drives innovation and is key to our success. We are deeply committed to hiring and promoting inclusively, championing pay equity, increasing diverse representation at all levels, and fostering an inclusive culture that gives every employee the opportunity to do the best work of their lives. We are challenging the systemic barriers to opportunity and dignity that exist for underrepresented communities around the world.

We believe in equal pay for equal work. At Apple, women earn the same as men when performing similar work. Every year, we examine the compensation employees receive and make adjustments to ensure we maintain pay equity. As part of our commitment, we've also stopped asking candidates about their salary history. We continue to publish our Gender Pay Gap report on an annual basis. Whilst we currently have a gender pay gap in favour of men, this gender pay gap is driven by the representation of women in our workforce across levels and tenure. As we sustain our efforts to ensure more women are hired, promoted, and retained, we expect to progress in a meaningful way.

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Directors' Report (continued)

Statement of engagement with employees (continued)

Accessibility

The Company encourages applications for employment from people with a disability. Equal opportunities are available to employees with disabilities for training, career development and promotion. The Company is registered as a Disability Confident Employer.

The impact of COVID-19

In a year that brought everyone's health sharply into focus, Apple's first priority was the health and safety of our teams, their families and communities. We supported the COVID-19 public health response, delivered new innovative tools, and adapted our business to empower people with the information and technology they needed most.

We made significant contributions towards relief efforts supporting healthcare professionals, first responders, and impacted communities worldwide. This included sourcing 30 million masks and 10 million custom-built face shields around the globe, and matching our employees' charitable donations. And we collaborated to create a new exposure notifications system for governments and health agencies, with user privacy and security central to its design.

We brought our most powerful ever generation of hardware, software and services into customers' hands, helping them stay safe, connected, and entertained. We also tailored our services to promote easy access to trusted information on COVID-19: launching a new section on Apple News; prioritizing visibility of essential services locations on Apple Maps; and offering a curated collection of telehealth apps on the App Store. To meet the extraordinary challenges of virtual education, we delivered new content and services for students, parents, and teachers to foster creativity and learning in a digital environment, and worked with mobile carriers and school administrators to deliver iPads with LTE support to students in need.

Apple was one of the first major companies to lead the COVID-19 response, temporarily closing our retail stores and moving to flexible work arrangements for our corporate offices globally. We have continued to pay our teams during temporary store and office closures; expanded our paid leave policies; provided team members with personal protective equipment; and established policies and procedures for a safe environment. Together with our suppliers, we also implemented new health and safety procedures for supplier workforces, and worked to support our suppliers' ability to pay their hourly workers. And we have further supported our business partners by accelerating our payments to suppliers and extending payment and credit terms for our resellers.

The decisions to close the Company's retail stores and substantially all of the Company's offices and ask employees to work remotely during this time, including pivoting certain retail employee roles to support the needs of the Company and its customers, were considered principal decisions of the Company. The key stakeholders impacted by such decisions were the employees and customers of the Company. The interests of the stakeholders were aligned with the Company's goal of safeguarding the health and well-being of employees and customers. The Company seeks feedback on its response to the Pandemic on a continuous basis and has received positive feedback from impacted stakeholders.

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Directors' Report (continued)

Statement of engagement with suppliers, customers and others in a business relationship with the Company

Supplier responsibility and environment

At Apple, people are at the heart of everything we do and everything we make. Our responsibilities go beyond our stores and corporate offices: they extend to our supply chain, the communities we're a part of, and the planet we all share. That means considering not only those who will use a product, but also those who help build it. So we hold ourselves and our suppliers to the highest standards to protect the people in our supply chain, and the planet we all call home. Apple's global Supplier Code of Conduct has been adopted by the Company following approval by the directors of the Company, and is designed to uphold that commitment. From the sourcing of materials to the recycling of our products, we work with suppliers to ensure that our requirements are being met. We enforce our policies by assessing and closely partnering with suppliers at every point in our supply chain.

We have a deep commitment to ensuring that the people in our supply chain are safe at work, that they are treated with dignity and respect, and that throughout the process of building our products, our planet is protected. Our strict human rights and environmental protections set the foundation of our work. Then, we constantly evaluate our own efforts, listen to people in our supply chain, and implement robust programs that have a measurable impact on protecting people and the planet.

Accessibility

Apple believes accessibility is a human right and technology should be accessible to everyone. Our products are powerful and affordable assistive devices, with built-in accessibility features such as VoiceOver, Voice Control, and support for Made for iPhone hearing aids. New features, such as Sound Recognition, Back Tap, and People Detection, continue Apple's mission to make our technology customizable to the diverse needs of all our users. You can read more about Apple's commitment to accessibility at <https://www.apple.com/accessibility>.

Education

At Apple, we believe that educators should expect more from technology in learning. For over 40 years Apple has helped teachers unleash the creative potential in students. We provide a wide range of free programs and services to help educators understand how Apple can help them get the most from the technology they use for teaching and learning. Beyond our hardware and software products — which help teachers create learning experiences that inspire creativity — our programs and curriculums ensure that education institutions have what they need to effectively employ their use of technology in schools. These include Apple Teacher, a free, online professional learning program to help teachers learn how to get the most from Mac, iPad and our free suite of creativity apps for teaching and learning. Apple has developed curricula to support creative learning and coding such as Everyone Can Create and Everyone Can Code. To date these curriculum and teaching materials have reached millions of users worldwide. In Apple retail stores customers can participate in free 'Today at Apple' sessions based on Everyone Can Create. These sessions were adapted to become online 'Today at Apple - at Home' sessions when Apple retail stores were closed during the reporting period due to the Pandemic. Topics include Video Storytelling with Clips, Creating Photo Essays and Stories, Expressive Drawing with Apple Pencil, Recording Audio Projects with GarageBand, and App Design and Coding Basics.

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Directors' Report (continued)

Statement of engagement with suppliers, customers and others in a business relationship with the Company (continued)

Privacy

At Apple, we believe privacy is a fundamental human right. And so much of our customers' personal information—information they have a right to keep private—lives on their Apple devices. Every Apple product is designed from the ground up to protect that information. And to empower our customers to choose what they share and with whom. With every software release we introduce ever greater controls for our users so they can manage these choices including for the apps that they download from the App Store.

Our customers' personal data should always be protected on devices and never shared without our customers' permission. Apple supports privacy by building tools into devices, making data requests clear, empowering users with controls, and requiring external groups to follow applicable laws if seeking access to personal data controlled by Apple. Encryption, on-device intelligence, and other tools are built into Apple products to let customers share what they want on their terms. Sometimes user data is used to provide customers with a more personalised experience; however, users are given controls to manage these settings. We also use techniques like Differential Privacy to improve user experiences while protecting the information they share with Apple. Differential Privacy adds random information to user data before it is analysed by Apple, so we can't link that data to a specific device.

Apple's detailed privacy policy has been adopted by the Company following approval by the directors of the Company, and can be found at <https://www.apple.com/legal/privacy/en-ww>.

Bribery and corruption

Apple seeks to conduct business ethically, honestly and in full compliance with applicable laws and regulations. The directors of the Company have delegated authority to Apple's Business Conduct and Global Compliance group, which helps employees and third parties make the right decisions regarding ethical and lawful behaviour. This is done through a variety of resources, including Apple's policy "Business Conduct: The Way We Do Business Worldwide" and various anti-corruption policies, which have been adopted by the Company following approval by the directors of the Company.

The Company's business conduct policy describes Apple's principles for employee interactions with customers, other businesses, governments, and communities. The policies are publicly available on Apple's investor relations website.

Statement of Corporate Governance Arrangements

In the financial year ended 26 September 2020, the Company adopted a corporate governance policy (the "Corporate Governance Policy"), which reflects the global policies of Apple Inc., the Company's ultimate parent company. Apple's corporate governance policies can be found on Apple's website (<https://investor.apple.com/leadership-and-governance/default.aspx>). The global Apple policies reflected in the Corporate Governance Policy include, amongst others, Apple Inc.'s Business Conduct Policy, Anti-Corruption Policy, Privacy Policy, Human Rights Policy and Supplier Code of Conduct. Additional information relating to a wide range of environment, social and governance (ESG) matters can be found in Apple's ESG Index, via the website mentioned above.

Directors' Report (continued)

Statement of Corporate Governance Arrangements (continued)

Apple's core values, which further guide the Company's directors and management, are accessibility, inclusion & diversity, education, the environment, privacy & security and supplier responsibility. These values, including how they are applied by the Company (including in its engagement with stakeholders), are discussed in more detail in our *statement of engagement with employees* on page 7 to 9; *statement of engagement with suppliers, customers and others in a business relationship with the Company* on page 10 to 11; and in our *streamlined energy and carbon report* on page 13 to 14.

In order to ensure that the directors of the Company fulfil their obligations to the Company and maintain the highest standards of corporate governance, the Corporate Governance Policy sets out guidelines on board composition, director training and requirements as to in-person board meetings. The current board of the Company represents a diverse mix of skills and experience which is appropriate to the needs of the Company. The directors have received training relevant to their role during the financial period. The directors have taken decisions on behalf of the Company throughout the financial period at board meetings (for matters of greatest significance to the Company and its stakeholders) and by means of written resolutions. The Corporate Governance Policy's requirements relating to directors of the Company have been met during the financial period.

In accordance with the Corporate Governance Policy, directors have delegated certain decision-making authority to management. Management means any individual or body with authority for making decisions on behalf of the Company including, for example, local, regional, and line-of-business management having relevant subject matter expertise and job responsibility. However, the directors retain oversight of delegated matters and, specifically, the Corporate Governance Policy defines as "principal decisions" certain decisions which are considered to be of strategic importance, commercially material, or have a significant impact on key stakeholders. Matters categorised as principal decisions require approval by the board of directors, whether or not they are required as a matter of law to be escalated to the board. Principal decisions of the Company made during the financial period in compliance with the Corporate Governance Policy are discussed in the Company's *section 172(1) statement*, on page 4.

In accordance with the Corporate Governance Policy, the directors met to consider and discuss the Company's response to the Covid-19 pandemic (the "Pandemic") and the impact of the Pandemic on the stakeholders of the Company, who have been identified in this context as the Company's employees, customers and suppliers. The directors approved the measures being taken by the Company during the Pandemic and were satisfied that such measures were appropriate to protect the health and safety of employees, customers and suppliers, balancing the desire on the part of customers to access Apple's products in-person at Apple stores and the need to protect the health of all of the impacted stakeholders. This is discussed in further detail in the *statement of engagement with employees* on page 7 to 9 and the *statement of engagement with suppliers, customers and others in a business relationship with the Company* on page 10 to 11.

The Company has undertaken three principal decisions during the financial period, which are discussed in the Company's *section 172(1) statement*, on page 4.

The Company has not departed from the Corporate Governance Policy since its adoption.

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Directors' Report (continued)

Streamlined Energy and Carbon Reporting

Methodology

This assessment has been verified by a third-party (Delta-Simons Environmental Consultants Limited) to be carried out in general accordance to ISO14064-1:2006 Greenhouse Gases - Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals.

Results

The table below sets out total energy consumption and resulting GHG emissions by Scope arising from business operations of the Company.

Scope	FY20		FY19	
	kWh	tCO2e	kWh	tCO2e
Scope 1 – Heating Fuels	634,712	116.70	618,338	113.68
Scope 1 – Company Vehicles	0	0	0	0
Scope 2 – Purchased Electricity (Location-Based)	13,840,357	3,226.74	15,534,484.97	3,970.61
Scope 3 – Rental Vehicles	46,035	10.83	21,524	5.16
Scope 3 – Employee Mileage	124,515	30.86	158,087	40.46
Total Gross	14,645,620	3,385.13	16,268,372	4,129.91
Purchased Electricity (Market-Based)	-	-2,595.67	-	-3,171.72
Carbon Removal (April 2020 onwards)	-	-39.66	-	0
Total Net Emissions	-	750.80	-	958.00

Intensity Ratios	FY20	FY19
kWh/sq.ft/year	43.23	51.54
tCO2e/employee/year	0.66	0.82
tCO2e/£m/year	3.07	3.00

Energy Action Statement

By 2030, Apple¹ is committed to total carbon neutrality across its entire supply chain, including material sourcing, manufacturing, shipping and in-use power of customer devices. Since April 2020, Apple is already carbon neutral for our corporate emissions, including corporate travel and facilities – resulting from our use of 100% renewable electricity and investment in high-quality projects that protect and restore forests, wetlands and grasslands.

We have reduced our comprehensive carbon footprint by 35% since it peaked in 2015, with the aim of becoming carbon neutral by 2030, including a 75% reduction in emissions compared to 2015.

¹ References to Apple in this paragraph apply to the Group. The Company, as part of the Group, shares this commitment and participates in the Group's global actions to reduce the carbon and emissions.

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Directors' Report (continued)

Streamlined Energy and Carbon Reporting (continued)

To reduce emissions from Apple facilities, Apple conducts regular energy audits of our corporate offices, retail stores and data centres to identify system improvements that could reduce energy use. We have improved energy tracking and benchmarking processes – tracking 15 minutes electricity data and daily gas data. This helps us to identify low-performing buildings early and ensure issues are rectified quickly. We have integrated energy efficiency early in the design process for our new stores and refurbishments to ensure that savings are maximised.

For the electricity we do use, we source 100% renewable energy primarily through Apple-created projects, including direct ownership, equity investments (such as solar, wind and low-impact hydro), or long-term renewable energy contracts (primarily sourced from solar and wind). In the few remaining cases where we need more renewable energy than what's generated by our Apple-created projects, we directly purchase renewable energy through available utility green energy programs.

And, for the hard to avoid direct combustion emissions such as from the use of natural gas (scope 1 emissions), employee commuting, or business travel (scope 3 emissions), Apple has partnered with Conservation International to invest in high-quality forest, wetland and grassland protection or restoration projects to offset residual carbon.

Apple is committed to leading by example on tackling global climate change; and we will continue to lend our voice to climate advocacy, joining with others to drive for collective action and strong climate positive policies.

For more details on Apple's environmental performance, please go to apple.com/environment

By order of the board

Director


Peter Denwood

Dated 25 June 2021

8th Floor, 20 Farringdon Street
London EC4A 4AB

Apple Retail UK Limited
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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.

By order of the board

Director


Peter Denwood

Dated 25 June 2021

8th Floor, 20 Farringdon Street
London EC4A 4AB

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APPLE RETAIL UK LIMITED

Opinion

We have audited the financial statements of Apple Retail UK Limited for the year ended 26 September 2020 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 26, 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 26 September 2020 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 RETAIL 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 RETAIL UK LIMITED (Continued)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 15, 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: 25 June 2021.

Apple Retail UK Limited

Statement of comprehensive income for the year ended 26 September 2020

	Note	2020 £'000	2019 £'000
Turnover	2	1,104,239	1,377,770
Cost of sales		(766,275)	(1,040,458)
Gross profit		337,964	337,312
Administrative expenses		(336,069)	(327,433)
Other operating income	3	27,239	27,318
Operating profit	4	29,134	37,197
Other interest receivable and similar income	6	2,035	2,396
Interest payable and similar charges	7	(291)	(563)
Profit before taxation		30,878	39,030
Tax on profit	8	(2,656)	(6,243)
Profit for the financial year		28,222	32,787
Other comprehensive income		-	-
Total comprehensive income for the year		28,222	32,787

Apple Retail UK Limited

Statement of financial position at 26 September 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible fixed assets	10	77,958	98,301
Intangible fixed assets	11	28	30
		77,986	98,331
Current assets			
Stocks	12	46,437	107,382
Debtors: amounts falling due within one year	13	203,647	281,368
Cash at bank and in hand		884	2,568
		250,968	391,318
Creditors: amounts falling due within one year	14	(82,113)	(268,545)
Net current assets		168,855	122,773
Total assets less current liabilities		246,841	221,104
Creditors: amounts falling due after more than one year	15	(10,512)	(10,255)
Provisions	16	(14,498)	(9,782)
Net assets		221,831	201,067
Capital and reserves			
Called up share capital	17	1	1
Profit and loss account		28,222	38,229
Capital reserves	18	193,608	162,837
Shareholder's funds		221,831	201,067

These financial statements were approved by the board of directors on 25 June 2021
and were signed on its behalf by:

Director


Peter Denwood

Dated 25 June 2021

8th Floor, 20 Farringdon Street
London EC4A 4AB

Apple Retail UK Limited

Statement of changes in equity for the year ended 26 September 2020

	Called up share capital	Profit and loss account	Capital reserves	Total
	£'000	£'000	£'000	£'000
At 29 September 2018	1	30,442	133,542	163,985
Profit for the financial year	-	32,787	-	32,787
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	32,787	-	32,787
Capital contribution	-	-	29,295	29,295
Dividends paid (note 9)	-	(25,000)	-	(25,000)
At 28 September 2019	1	38,229	162,837	201,067
Profit for the financial year	-	28,222	-	28,222
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	28,222	-	28,222
Capital contribution (note 18)	-	-	30,771	30,771
Dividends paid (note 9)	-	(38,229)	-	(38,229)
At 26 September 2020	1	28,222	193,608	221,831

Apple Retail UK Limited

Notes to the financial statements for the year ended 26 September 2020

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 Retail UK Limited is a limited liability company incorporated in the United Kingdom. The Registered Office is, 8th Floor, 20 Farringdon Street, London EC4A 4AB.

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 the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- Section 3 Financial Statement Presentation paragraph 3.17(d)
- Section 7 Statement of Cash Flows
- Section 11 Basic Financial Instruments paragraphs 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 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.

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 year. 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.

Apple Retail UK Limited

Notes to the financial statements for the year ended 26 September 2020

1. Accounting Policies (continued)

- **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.

- **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

Net sales consist of revenue from the sale of iPhone, Mac, iPad, Wearables, Home and Accessories, services and other products. The Company recognizes revenue at the amount to which it expects to be entitled when control of the products or services is transferred to its customers. Control is generally transferred when the Company has a present right to payment and title and the significant risks and rewards of ownership of products or services are transferred to its customers. For most of the Company's products net sales, control transfers when products are shipped. For the Company's services net sales, control transfers over time as services are delivered. Payment for products and services net sales is collected within a short period of time following transfer of control or commencement of delivery of services, as applicable.

The Company records reductions to products net sales related to future product returns, price protection and other customer incentive programs based on the Company's expectations and historical experience.

For arrangements with multiple performance obligations, which represent promises within an arrangement that are capable of being distinct, the Company allocates revenue to all distinct performance obligations based on their relative stand-alone selling prices ("SSP"). When available, the Company uses observable prices to determine the SSP. When observable prices are not available, SSPs are established that reflect the Company's best estimates of what the selling prices of the performance obligations would be if they were sold regularly on a stand-alone basis. The Company's process for estimating SSPs without observable prices considers multiple factors that may vary depending upon the unique facts and circumstances related to each performance obligation including, where applicable, prices charged by the Company for similar offerings, market trends in the pricing for similar offerings, product-specific business objectives and the estimated cost to provide the performance obligation.

Apple Retail UK Limited

Notes to the financial statements for the year ended 26 September 2020

1. Accounting Policies (continued)

The Company has identified up to three performance obligations regularly included in arrangements involving the sale of iPhone, Mac, iPad, Wearables, Home and Accessories and certain other products. The first performance obligation, which represents the substantial portion of the allocated sales price, is the hardware and bundled software delivered at the time of sale. The second performance obligation is the right to receive certain product related bundled services, which include iCloud, Siri and Maps. The third performance obligation is the right to receive, on a when-and-if-available basis, future unspecified software upgrades relating to the software bundled with each device. The Company allocates revenue and any related discounts to these performance obligations based on their relative SSPs. Because the Company lacks observable prices for the undelivered performance obligations, the allocation of revenue is based on the Company's estimated SSPs. Revenue allocated to the delivered hardware and bundled software is recognized when control has transferred to the customer, which generally occurs when the product is shipped. Revenue allocated to the product-related bundled services and unspecified software upgrade rights is deferred and recognized on a straight-line basis over the estimated period they are expected to be provided. Cost of sales related to delivered hardware and bundled software, including estimated warranty costs, are recognized at the time of sale. Costs incurred to provide product-related bundled services and unspecified software upgrade rights are recognized as cost of sales as incurred.

For the sale of third-party products where the Company obtains control of the product before transferring it to the customer, the Company recognizes revenue based on the gross amount billed to customers. The Company considers multiple factors when determining whether it obtains control of third-party products including, but not limited to, evaluating if it has the ability to establish the price of the product, retains inventory risk for tangible products or has the responsibility for ensuring acceptability of the product.

The Company records revenue net of taxes collected from customers that are remitted to governmental authorities, with the collected taxes recorded within other current liabilities until remitted to the relevant government authority.

Interest

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

Related party transactions

As the Company is a wholly owned indirect 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 23 to the accounts.

Apple Retail UK Limited

Notes to the financial statements for the year ended 26 September 2020

1. Accounting Policies (continued)

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:

Leasehold improvement	Lease term
Office equipment	3-7 years
Machinery and equipment	5 years

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.

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

Capitalised costs related to internal-use software are amortised using the straight-line method over the estimated useful economic lives of the assets, which range from 3 to 5 years. Amortisation is included in administration expenses in the Statement of comprehensive income.

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 at 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 and laws that have been enacted or substantively enacted at the balance sheet date and 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.

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 closing rate and the exchange differences are dealt with in the statement of comprehensive income.

Apple Retail UK Limited

Notes to the financial statements for the year ended 26 September 2020

1. Accounting Policies (continued)

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. 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 recognises no shareholder dilution related to share-based payment transactions in which it receives employee services in exchange for equity instruments of the Company's ultimate 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

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.

Cash and cash equivalents

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

Apple Retail UK Limited

Notes to the financial statements for the year ended 26 September 2020

1. Accounting Policies (continued)

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 goods and 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. Other operating income

Particulars	2020	2019
	£'000	£'000
Service fee income from group undertakings	27,239	27,318

4. Operating profit

Particulars	2020	2019
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Loss on disposal of fixed assets	523	1,013
Depreciation of tangible fixed assets (note 10)	24,476	28,474
Foreign exchange losses/(gains)	517	(344)
Amortization of intangible fixed assets (note 11)	5	3
Lease payments recognised as expenses	24,166	24,235

Audit fees were borne by another group company in 2020 and 2019.

Apple Retail UK Limited

Notes to the financial statements for the year ended 26 September 2020

5. Staff costs

(a) Staff costs are analysed as follows:

Particulars	2020	2019
	£'000	£'000
Wages and salaries	155,482	146,932
Social security costs	28,135	20,326
Other pension costs (note 19)	8,620	7,517
Share based payments	30,771	29,295
Total staff costs	223,008	204,070

The average monthly number of employees during the year was 5,120 (2019: 5,012).

(b) Directors' remuneration

There were no payments to directors during the financial year (2019: Nil).

(c) Share-based payments

As of 26 September 2020, the Company did not have any equity-settled plans or transactions. However, the Company's Ultimate Parent, Apple Inc. had two employee benefit plans relevant to the Company: the 2014 Employee Stock Plan (the "2014 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) 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 shareholders' 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.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan (the "Purchase Plan") is a 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 \$25,000 of stock during any calendar year. As of 26 September 2020, approximately 107 million shares were reserved for future issuance under the Purchase Plan.

Common Stock Split

On August 28, 2020, Apple Inc. effected a four-for-one stock split to shareholders of record as of August 24, 2020. All share, restricted stock unit ("RSU"), stock option, and per share or RSU information has been retroactively adjusted to reflect the stock split.

Apple Retail UK Limited

Notes to the financial statements for the year ended 26 September 2020

6. Other interest receivable and similar income

Particulars	2020	2019
	£'000	£'000
Interest on amounts owed from related undertakings	2,030	2,175
Other interest income	5	221
Total	2,035	2,396

7. Interest payable and similar charges

Particulars	2020	2019
	£'000	£'000
Bank charges and fees	79	74
Other interest and similar charges	212	489
Total	291	563

8. Taxes on profit

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

Particulars	2020	2019
	£'000	£'000
Current tax:		
UK corporation tax at 19% (2019: 19%)	3,802	7,960
Adjustment in respect of prior years (under / (over)provision)	665	(60)
Total current tax charge	4,467	7,900
Deferred tax:		
Depreciation/ capital allowances	(1,504)	(829)
Other timing differences	(307)	(828)
Deferred tax credit	(1,811)	(1,657)
Tax on profit on ordinary activities	2,656	6,243

Apple Retail UK Limited

Notes to the financial statements for the year ended 26 September 2020

8. Taxes on profit (continued)

(b) Reconciliation of the total tax charge

The tax charge for the year is different to the standard rate of corporation tax in the UK of 19% (2019:19%). The differences are explained below:

Particulars	2020 £'000	2019 £'000
Profit on ordinary activities before taxation	30,878	39,030
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	5,867	7,416
Difference between UK GAAP and UK tax treatment of share-based compensation	(4,912)	(4,147)
Other permanent differences	2,200	3,464
Adjustment in respect of prior years (under/(over)provision)	665	(60)
Adjustment in respect of prior years deferred tax asset (under/(over)provision)	(1,164)	(430)
Total tax expense	2,656	6,243

(c) Factors that may affect future tax charges

UK Government has enacted a new corporation tax rate of 25% from 1 April 2023. The rate applied to UK deferred tax assets and liabilities is 19% (2019: 19%) as at the balance sheet date the new tax rate was not enacted or substantively enacted. The majority of temporary differences currently recorded will be reversed by 2023, therefore the impact of the proposed new corporate tax rate as at the balance sheet date is not significant.

Deferred tax

The Company has a recognised deferred tax asset of £8,633,000 (2019: £6,822,000) comprising:

Particulars	2020 £'000	2019 £'000
Accelerated capital allowances	1,281	(222)
Share based payments timing difference	7,352	7,044
Total	8,633	6,822
Deferred tax asset at start of year	6,822	5,165
Deferred tax credit in profit and loss account	1,811	1,657
Deferred tax asset at end of year	8,633	6,822

The Company reviews its position on the utilisation of deferred tax assets on an annual basis. Currently the Company expects £6,713,020 (2019: £6,522,000) of the closing deferred tax asset to be reversed during the next financial period.

Apple Retail UK Limited

Notes to the financial statements for the year ended 26 September 2020

9. Dividends

Particulars	2020	2019
	£'000	£'000
Declared and paid during the year	38,229	25,000

10. Tangible fixed assets

Particulars	Leasehold improvement	Office equipment	Machinery and equipment	Construction in progress	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At the beginning of year	229,293	4,912	28,384	4,937	267,526
Additions	3,891	54	944	506	5,395
Transfer from CIP	1,151	3	1,023	(2,177)	-
Disposals	(678)	-	-	-	(678)
At end of year	233,657	4,969	30,351	3,266	272,243
Depreciation:					
At the beginning of year	(144,350)	(4,345)	(20,530)	-	(169,225)
Charge for year	(20,038)	(241)	(4,197)	-	(24,476)
Disposals	(584)	-	-	-	(584)
At end of year	(164,972)	(4,586)	(24,727)	-	(194,285)
Net book value:					
At 26 September 2020	68,685	383	5,624	3,266	77,958
At 28 September 2019	84,943	567	7,854	4,937	98,301

Apple Retail UK Limited

Notes to the financial statements for the year ended 26 September 2020

11. Intangible fixed assets

Particulars	Software £'000	Total £'000
Cost		
At beginning of year	711	711
Additions	3	3
Disposals	-	-
At end of year	714	714
Amortisation		
At beginning of year	681	681
Charge for the year	5	5
Disposals	-	-
At end of year	686	686
Net book value:		
At 26 September 2020	28	28
At 28 September 2019	30	30

12. Stocks

Particulars	2020 £'000	2019 £'000
Finished goods	36,518	95,927
Service inventory	9,919	11,455
Total	46,437	107,382

There is no material difference between the replacement cost of stock and the carrying value.

13. Debtors: amounts falling due within one year

Particulars	2020 £'000	2019 £'000
Trade debtors	22,133	41,710
Amounts owed by group undertakings	164,083	222,537
Amounts owed by parent undertaking	-	191
Prepayments and accrued income	6,884	10,108
Deferred tax asset (note 8)	8,633	6,822
Corporation Tax	1,914	-
Total	203,647	281,368

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

Apple Retail UK Limited

Notes to the financial statements for the year ended 26 September 2020

14. Creditors: amounts falling due within one year

Particulars	2020	2019
	£'000	£'000
Trade creditors	10,028	3,036
Amounts owed to group undertakings	662	178,585
VAT	13,860	23,682
Corporation tax	-	5,011
Other taxes and social security taxes	6,388	6,176
Accruals	34,920	30,604
Short term deferred revenue	16,255	21,451
Total	82,113	268,545

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

15. Creditors: amounts falling due after more than one year

Particulars	2020	2019
	£'000	£'000
Long term deferred revenue	10,512	10,255

16. Provisions

Particulars	National insurance on unvested SBP	Long term leasehold improvement	Total
	£'000	£'000	£'000
At 28 September 2019	6,873	2,909	9,782
Arising during the year	6,213	-	6,213
Utilised during the year	(1,497)	-	(1,497)
At 26 September 2020	11,589	2,909	14,498

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 leases between 2020 and 2041.

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 2020 and 2024.

Apple Retail UK Limited

Notes to the financial statements for the year ended 26 September 2020

17. Called up share capital

Particulars	2020	2019
	£'000	£'000
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	1	1

On 16 December 2003, 1,000 ordinary shares were issued for £1,000 to the parent company, Apple Retail Europe Limited.

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 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.

18. Capital reserves

Particulars	2020	2019
	£'000	£'000
Capital reserves	193,608	162,837

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

19. 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 £8,620,000 (2019: £7,517,000). The liability outstanding at year end was £1,168,000 (2019: £1,207,000).

20. Commitments

Capital Commitments

There were no capital commitments at 26 September 2020 (2019: £Nil).

Other Commitments

As at 26 September 2020, there were no other commitments (2019: £Nil).

Apple Retail UK Limited

Notes to the financial statements for the year ended 26 September 2020

21. Guarantees

The Company has issued a guarantee in favour of HM Customs & Excise in the amount of £1,000,000 (2019: £1,000,000).

22. Obligations under lease contracts

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

Particulars	2020	2019
	Buildings	Buildings
	£'000	£'000
- Not later than one year	19,541	19,848
- Later than one year and not later than five years	82,242	82,254
- Later than five years	138,186	155,565
Total	239,969	257,667

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

The Company's immediate parent undertaking is Apple Retail Europe Limited, a private company limited by shares incorporated in the Republic of Ireland. The Company's ultimate parent undertaking is 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. The smallest group in which the results of the Company are consolidated is that headed by Apple Operations International Limited and the largest group in which the results of the Company are consolidated is that headed by its ultimate parent undertaking, Apple Inc. The consolidated financial statements of Apple Operations International Limited are publicly available from the Registrar of Companies, CRO Public Office, Gloucester Place Lower, Mountjoy, Dublin 1, D01 F2X5, Republic of Ireland.

24. Related party transactions

The Company undertakes transactions with other group undertakings. As the Company is a wholly-owned indirect 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.

Apple Retail UK Limited

Notes to the financial statements for the year ended 26 September 2020

25. Events after the reporting period

On 30 December 2020, the EU-UK Trade and Cooperation Agreement was signed establishing the framework for future relations between the UK and the European Union. Although challenges might arise from the terms of this new framework, the Company is of the view that it maintains robust processes to continue the supply of goods and services without disruption to its customers.

Subsequent to year end, aspects of the Company's business continue to be affected by the COVID-19 pandemic, with many of the Company's retail stores temporarily closed at various times, and the vast majority of the Company's employees working remotely. The full extent of the future impact of the COVID-19 pandemic on the Company's operational and financial performance is currently uncertain and will depend on many factors outside the Company's control, including, without limitation, the timing, extent, trajectory and duration of the pandemic, the development and availability of effective treatments and vaccines, the imposition of protective public safety measures, and the impact of the pandemic on the global economy and demand for consumer products.

26. Approval of financial statements

The directors issued and approved the financial statements on 25 June 2021.