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**Form 388**
Corporations Act 2001
**294, 295, 298-300, 307, 308, 319, 321, 322**
Corporations Regulations
**1.0.08**

# Copy of financial statements and reports

## Company details

Company name

**APPLE PTY LIMITED**

ACN

**002 510 054**

## Lodgement details

Registered agent number

**277**

Registered agent name

**BAKER & MCKENZIE**

## Reason for lodgement of statement and reports

A large proprietary company that is not a disclosing entity

**Dates on which financial year ends**

Financial year end date
**26-09-2015**

## Details of large proprietary company

What is the consolidated revenue of the large proprietary company and the entities that it controls?
**7864442385**

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?
**2122736191**

How many employees are employed by the large proprietary company and the entities that it controls?
**3672**

How many members does the large proprietary company have?
**1**

## Auditor's report

Were the financial statements audited?

**Yes**

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

**No**

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

**No**

## Details of current auditor or auditors

**Current auditor**

Date of appointment **14-07-2009**

Name of auditor

**ERNST & YOUNG**

Address

**680 GEORGE STREET**
**SYDNEY NSW 2000**

## Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

**Yes**

## Signature

Select the capacity in which you are lodging the form

Director

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

**Yes**

## Authentication

This form has been authenticated by
Name BAKER & MCKENZIE
This form has been submitted by
Name Joanne GRANGE
Date 25-01-2016

**For more help or information**

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ABN 46002510054

# Apple Pty Limited

Annual Financial Statements
26 September 2015

Apple Pty Limited

General Information

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**Directors**

Anthony King
Paul Whittingham
Gene Daniel Levoff

**Company Secretary**

Rebecca McCallum

**Registered Office**

Level 13 Capital Centre
255 Pitt Street
Sydney, NSW 2000

**Auditor**

Ernst & Young

**Principal Banker**

Citibank

**Index**

The directors present their report to the members together with the audited financial statements of Apple Pty Limited (the "Company") for the financial year ended 26 September 2015.

## Directors

The directors of the Company in office during the financial year and at the date of this report are:

Anthony King
Paul Whittingham
Gene Daniel Levoff

## Company particulars

Apple Pty Limited is incorporated and domiciled in Australia. The address of the registered office is:

Apple Pty Limited
Level 13 Capital Centre
255 Pitt Street
Sydney, NSW 2000

## Principal activities

The Company 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.

## Operating and financial review

Net profit after tax for the Group for the financial year was $123,059,714 (2014: Net profit after tax $171,542,038).

Revenue for the Group for the financial year was $7,864,442,285. Compared to last financial year, revenue increased from $6,072,925,296 by $1,791,516,989 or 29.5%.

**Events subsequent to reporting date**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

**Likely developments**

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

**Environmental regulation**

The Company's operations are not subject to any significant environmental regulation under either Commonwealth or State legislation. However, the directors believe that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

**Share-based payments**

The ultimate parent entity of the Company, Apple Inc., grants equity instruments for no consideration over unissued ordinary shares in Apple Inc. to the employees of the Company as part of their remuneration.

The fair value of the share-based payments is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date.

All share-based payments expire on the earlier of their expiry date or 90 days after termination of the employee's employment.

**Indemnification and insurance of officers and directors**

***Indemnification***

The Company provides an indemnity to any director, secretary and executive officer of the Company against any liabilities incurred by that person in defending any proceedings relating to that person's position with the Company in specified circumstances.

## Indemnification and insurance of officers and directors (cont'd)

*Insurance premiums*

During the financial year the ultimate parent entity has paid premiums on behalf of the Company in respect of directors' and officers' liability and legal expenses insurance contracts for the financial year ended 26 September 2015 and since the financial year, the ultimate parent entity has paid or agreed to pay on behalf of the Company, premiums in respect of such insurance contracts for the financial year ending 26 September 2015. Such insurance contracts insure against certain liability (subject to specific exclusions) of persons who are or have been directors or executive officers of the Company.

## Rounding

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

## Independence

The auditor's independence declaration is set out on page 7 and forms part of the directors' report for financial year ended 26 September 2015.

Signed in accordance with a resolution of the Directors

Anthony King
Director

Paul Whittingham
Director

15 January 2016
Dated at Sydney,

**Apple Pty Limited**

**Directors' Declaration**

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We, being two of the directors of Apple Pty Limited, do hereby determine that the Company is not a reporting entity. The directors have determined that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 2 of the financial statements.

In accordance with a resolution of the directors of Apple Pty Limited, we state that:

(1) In the opinion of the directors:

(a) the financial statements and notes of Apple Pty Limited and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of Apple Pty Limited and the consolidated entity's financial position as at 26 September 2015 and of their performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent disclosed in Note 2 of the financial statements and Corporate Regulations 2001.

(b) at the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Anthony King
Director

Paul Whittingham
Director

15 January 2016
Dated at Sydney,

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Ernst & Young
680 George Street
Sydney NSW 2000 Australia
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# Independent auditor's report to the member of Apple Pty Limited

We have audited the accompanying financial report, being a special purpose financial report of Apple Pty Limited, which comprises the statements of financial position as at 26 September 2015, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

## Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal controls as the directors determine are necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

## Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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## Opinion

In our opinion the financial report of Apple Pty Limited is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the company's and consolidated entity's financial positions as at 26 September 2015 and of their performance for the year ended on that date; and

b. complying with Australian Accounting Standards to the extent described in Note 2, and the *Corporations Regulations 2001*.

## Basis of accounting

Without modifying our opinion, we draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

Ernst & Young

Lisa Nijssen-Smith
Partner
Sydney
15 January 2016

Ernst & Young
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Sydney NSW 2000 Australia
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## Auditor's Independence Declaration to the Directors of Apple Pty Limited

In relation to our audit of the financial report of Apple Pty Limited for the financial period ended 26 September 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Lisa Nijssen-Smith
Partner
15 January 2016

Apple Pty Limited

**Statement of Financial Position as at 26 September 2015**

| | Note | Consolidated 2015 $'000 | Consolidated 2014 $'000 | Company 2015 $'000 | Company 2014 $'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | 102,753 | 113,572 | 102,230 | 112,961 |
| Intangible asset | 5 | 623 | 1,040 | 623 | 1,040 |
| Deferred tax assets | | 199,671 | 125,182 | 190,274 | 117,599 |
| Other non-current assets | | 3,690 | 4,046 | 3,690 | 4,046 |
| | | 306,737 | 243,840 | 296,817 | 235,646 |
| **Current assets** | | | | | |
| Inventories | 7 | 198,668 | 113,653 | 198,668 | 113,653 |
| Trade and other receivables | 8 | 714,607 | 504,697 | 650,494 | 489,582 |
| Tax recoverable | | – | 13,942 | – | 13,942 |
| Other current assets | 9 | 15,372 | 7,561 | 14,420 | 7,215 |
| Derivative financial instruments | | 64,034 | 126,355 | 55,242 | 116,924 |
| Cash and cash equivalents | 10 | 823,318 | 462,756 | 807,942 | 414,607 |
| | | 1,815,999 | 1,228,964 | 1,726,766 | 1,155,923 |
| **Total assets** | | 2,122,736 | 1,472,804 | 2,023,583 | 1,391,569 |
| **Current liabilities** | | | | | |
| Trade and other payables | 11 | 896,573 | 603,930 | 870,601 | 573,757 |
| Provisions | 12 | 279,079 | 193,851 | 263,961 | 182,187 |
| Provision for taxation | | 62,285 | – | 62,285 | – |
| Deferred revenue | | 334,222 | 313,607 | 314,946 | 294,925 |
| Employee benefits | | 25,364 | 21,792 | 25,364 | 21,792 |
| | | 1,597,523 | 1,133,180 | 1,537,157 | 1,072,661 |
| **Net current assets/(liabilities)** | | 218,476 | 95,784 | 189,609 | 83,262 |
| **Non-current liabilities** | | | | | |
| Deferred revenue | | 142,446 | 117,462 | 129,685 | 106,478 |
| Employee benefits | | 6,821 | 5,298 | 6,821 | 5,298 |
| Other non-current liabilities | | 2,342 | 2,345 | 2,200 | 2,200 |
| | | 151,609 | 125,105 | 138,706 | 113,976 |
| **Total liabilities** | | 1,749,132 | 1,258,285 | 1,675,863 | 1,186,637 |
| **Net assets** | | 373,604 | 214,519 | 347,720 | 204,932 |

Apple Pty Limited

**Statement of Financial Position as at 26 September 2015 (cont'd)**

| | Note | Consolidated 2015 $'000 | Consolidated 2014 $'000 | Company 2015 $'000 | Company 2014 $'000 |
|---|---|---|---|---|---|
| **Share capital and reserve** | | | | | |
| Share capital | 13 | 10 | 10 | 10 | 10 |
| Share-based payment reserve | 14 | 136,341 | 99,983 | 135,765 | 99,508 |
| Translation reserve | | 497 | 830 | – | – |
| Retained profits | | 236,756 | 113,696 | 211,945 | 105,414 |
| | | 373,604 | 214,519 | 347,720 | 204,932 |
| **Total equity and liabilities** | | 2,122,736 | 1,472,804 | 2,023,583 | 1,391,569 |

*The accompanying accounting policies and explanatory information form an integral part of the financial statements.*

Apple Pty Limited

**Statement of Comprehensive Income for the financial year ended 26 September 2015**

| | Note | Consolidated 2015 $'000 | Consolidated 2014 $'000 | Company 2015 $'000 | Company 2014 $'000 |
|---|---|---|---|---|---|
| Revenue | 15 | 7,864,442 | 6,072,925 | 7,563,218 | 5,825,439 |
| Cost of sales | | (7,226,447) | (5,526,834) | (6,953,455) | (5,295,221) |
| **Gross profit** | | 637,995 | 546,091 | 609,763 | 530,218 |
| Other income | 16 | 24,748 | 89,535 | 24,164 | 96,438 |
| Sales, marketing and distribution expenses | | (434,966) | (378,256) | (429,908) | (374,454) |
| Administrative expenses | | (30,662) | (23,568) | (30,611) | (23,481) |
| Finance income | 17 | 10,860 | 18,091 | 9,779 | 16,998 |
| **Profit before income tax** | 18 | 207,975 | 251,893 | 183,187 | 245,719 |
| Income tax expense | 20 | (84,915) | (80,351) | (76,656) | (73,541) |
| **Profit for the year** | | 123,060 | 171,542 | 106,531 | 172,178 |
| Net other comprehensive income to be reclassified to the income statement in subsequent periods | | – | – | – | – |
| Net other comprehensive income not to be reclassified to the income statement in subsequent periods | | (333) | 491 | – | – |
| **Total comprehensive income for the year** | | 122,727 | 172,033 | 106,531 | 172,178 |

*The accompanying accounting policies and explanatory information form an integral part of the financial statements.*

Apple Pty Limited

Statement of Changes in Equity for the financial year ended 26 September 2015

| Consolidated | Share capital $'000 | Share-based payment reserve $'000 | Translation reserves $'000 | Retained profits $'000 | Total $'000 |
|---|---|---|---|---|---|
| **At 28 September 2013** | 10 | 71,071 | 339 | 52,154 | 123,574 |
| Total comprehensive income for the year | – | – | 491 | 171,542 | 172,033 |
| Dividends (Note 21) | – | – | – | (110,000) | (110,000) |
| Share-based payment (Note 14) | – | 28,912 | – | – | 28,912 |
| **At 27 September 2014** | 10 | 99,983 | 830 | 113,696 | 214,519 |
| | | | | | |
| **At 27 September 2014** | 10 | 99,983 | 830 | 113,696 | 214,519 |
| Total comprehensive income for the year | – | – | (333) | 123,060 | 122,727 |
| Dividends (Note 21) | – | – | – | – | – |
| Share-based payment (Note 14) | – | 36,358 | – | – | 36,358 |
| **At 26 September 2015** | 10 | 136,341 | 497 | 236,756 | 373,604 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

Apple Pty Limited

## Statement of Changes in Equity for the financial year ended 26 September 2015

| Company | Share capital $'000 | Share-based payment reserve $'000 | Retained profits $'000 | Total $'000 |
|---|---|---|---|---|
| **At 28 September 2013** | 10 | 70,811 | 43,236 | 114,057 |
| Total comprehensive income for the year | – | – | 172,178 | 172,178 |
| Dividends (Note 21) | – | – | (110,000) | (110,000) |
| Share-based payment (Note 14) | – | 28,697 | – | 28,697 |
| **At 27 September 2014** | 10 | 99,508 | 105,414 | 204,932 |
| | | | | |
| **At 27 September 2014** | 10 | 99,508 | 105,414 | 204,932 |
| Total comprehensive income for the year | – | – | 106,531 | 106,531 |
| Dividends (Note 21) | – | – | – | – |
| Share-based payment (Note 14) | – | 36,257 | – | 36,257 |
| **At 26 September 2015** | 10 | 135,765 | 211,945 | 347,720 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

Apple Pty Limited

Statement of Cash Flows for the financial year ended 26 September 2015

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| **Operating activities** | | | | |
| Profit before income tax | 207,975 | 251,893 | 183,187 | 245,719 |
| Adjustments for: | | | | |
| Grant of equity-settled share options to employees | 36,358 | 28,912 | 36,257 | 28,697 |
| Depreciation and amortisation | 29,637 | 34,225 | 29,501 | 34,216 |
| Provisions for obsolescence (Note 7) | 14,832 | (3,383) | 14,832 | (3,383) |
| Net unrealised foreign exchange (gain)/loss (Note 16) | (47,066) | (106,328) | (39,785) | (98,714) |
| Interest income (Note 17) | (10,860) | (18,091) | (9,779) | (16,998) |
| Property, plant and equipment written off (Note 4) | 690 | 424 | 690 | 424 |
| **Operating cash flows before changes in working capital** | 231,566 | 187,652 | 214,903 | 189,961 |
| Changes in working capital | | | | |
| Inventories | (99,847) | (14,447) | (99,847) | (14,447) |
| Trade and other receivables | (209,910) | 42,757 | (160,912) | 36,164 |
| Trade and other payables | 402,031 | (281,279) | 398,311 | (299,998) |
| Provisions, deferred revenue and employee benefits | 135,520 | 55,555 | 130,097 | 48,108 |
| Other current assets | (7,812) | 5,500 | (7,205) | 5,648 |
| Other non-current assets | 356 | 525 | 356 | 525 |
| Other non-current liabilities | (3) | 512 | – | 367 |
| Foreign exchange differences | (488) | 458 | – | – |
| Changes in working capital | 219,847 | (190,419) | 260,800 | (223,633) |
| **Cash flows from operations** | | | | |
| Income taxes paid | (82,609) | (101,092) | (73,104) | (94,575) |
| **Net cash flows generated from/(used in) operating activities** | 368,804 | (103,859) | 402,599 | (128,247) |

Apple Pty Limited

Statement of Cash Flows for the financial year ended 26 September 2015

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| **Investing activities** | | | | |
| Purchase of property, plant and equipment (Note 4) | (19,102) | (15,109) | (19,043) | (14,487) |
| Interest income | 10,860 | 18,091 | 9,779 | 16,998 |
| Purchase of intangible asset (Note 5) | – | (1,005) | – | (1,005) |
| **Net cash flows generated from/(used in) investing activities** | (8,242) | 1,977 | (9,264) | 1,506 |
| **Financing activity** | | | | |
| Dividends paid (Note 21) | – | (110,000) | – | (110,000) |
| **Net cash flows used in financing activity** | – | (110,000) | – | (110,000) |
| Net increase/(decrease) in cash and cash equivalents | 360,562 | (211,882) | 393,335 | (236,741) |
| Cash and cash equivalents at beginning of year | 462,756 | 674,638 | 414,607 | 651,348 |
| **Cash and cash equivalents at end of year (Note 10)** | 823,318 | 462,756 | 807,942 | 414,607 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

## 1. Corporate information

Apple Pty Limited (the "Company") is a company limited by shares incorporated and domiciled in Australia.

The registered office and principal place of business of the Company is located at Level 13, 255 Pitt Street, Sydney. The consolidated financial statements of the Company as at and for the year ended 26 September 2015 comprise the Company and its New Zealand subsidiary (together referred to as the "Group"). The financial year end of the Company is based on a 52 week period (FY14: 52 week period).

The Company 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 immediate and ultimate holding companies are Apple Operations International and Apple Inc., incorporated in Ireland and the United States of America, respectively.

Related corporations in these financial statements refer to members of the Apple Inc. group of companies.

## 2. Summary of significant accounting policies

### 2.1 *Basis of preparation*

In the opinion of the directors, the Company is not a reporting entity. The financial report of the Company has been drawn up as a special purpose financial report for distribution to the members and for the purpose of fulfilling the requirements of the Corporations Act 2001.

The special purpose financial report has been prepared in accordance with the requirements of the Corporations Act 2001, the recognition and measurement aspects of all applicable Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB).

International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards ("AASBs") adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS") so as to distinguish them from the previous Australian GAAP. Due to the exclusions of disclosure requirements listed below, the report does not comply with IFRSs themselves.

The financial report does not include the disclosure requirements of the following pronouncements:

| | |
|---|---|
| AASB 2 | Share Based Payments |
| AASB 7 | Financial Instruments: Disclosure |
| AASB 112 | Income Taxes |
| AASB 117 | Leases |
| AASB 124 | Related Party Disclosures |
| AASB 132 | Financial Instruments: Presentation |
| AASB 136 | Impairment of Assets |

The financial statements are presented in Australian Dollars (AUD) and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

## 2. Summary of significant accounting policies (cont'd)

### 2.2 *Presentation of financial statements*

Apart from the special purpose exceptions noted above, the financial statements comply with Australian Accounting Standards, which include Australian Accounting Interpretations and other mandatory reporting requirements.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the current reporting period. These are not expected to have any material impact on the Group financial statements in subsequent reporting periods.

### 2.3 *Principles of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the balance sheet date. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

### 2.4 *Foreign currency*

Transactions in foreign currencies are measured in the functional currency of the Group and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the date of statement of financial position are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. These are recognised initially in equity as foreign currency translation reserve in the balance sheet and recognised in the income statement in the event of disposal of the foreign operations.

2. Summary of significant accounting policies (cont'd)

2.5 ***Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the income statement as incurred.
The depreciable amount of an item of property, plant and equipment is determined after deducting its residual value. Depreciation of the depreciable amount is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | | |
|---|---|---|
| Leasehold building and improvements | - | 5-10 years |
| Furniture and equipment | - | 2-5 years |

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

2.6 ***Impairment of non-financial assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset or group of assets, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

## 2. Summary of significant accounting policies (cont'd)

### 2.6 *Impairment of non-financial assets (cont'd)*

Impairment losses are recognised in the income statement except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.7 *Intangible assets*

Intangible assets, which have a finite useful life, are initially stated at cost. Following initial acquisition, intangible assets are stated at cost less any accumulated amortisation and accumulated impairment losses. The intangible assets are amortised in the income statement on a straight-line basis over their estimated useful life of 3 years, from the date on which they are available for use.

Intangible assets with a finite useful life are amortised over the estimated useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Gain or losses arising from derecognisation of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the assets are derecognised.

### 2.8 *Financial assets*

**Initial recognition and measurement**

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through the income statement, directly attributable transaction costs.

2. Summary of significant accounting policies (cont'd)

2.8 *Financial assets (cont'd)*

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

(a) **Financial assets at fair value through the income statement**

Financial assets at fair value through the income statement include financial assets held for trading and financial assets designated upon initial recognition at fair value through the income statement. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB139. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through the income statement are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the income statement. Net gains or net losses on financial assets at fair value through the income statement include exchange differences, interest and dividend income.

(b) **Loans and receivables**

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

**Derecognition**

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2. Summary of significant accounting policies (cont'd)

2.9 *Impairment of financial assets*

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

**Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset. To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

2.10 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2. Summary of significant accounting policies (cont'd)

2.11 ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using approximate actual cost on a first-in, first-out basis, and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.12 ***Provisions and contingent liabilities***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one of more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.13 ***Derivative financial instruments***

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in the income statement when the changes arise.

## 2. Summary of significant accounting policies (cont'd)

### 2.14 *Financial liabilities*

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

### 2.15 *Employee benefits*

***Other long-term employee benefits***

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Commonwealth Government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in the income statement in the period in which they arise.

***Short-term employee benefits and contributions to defined contribution retirement plans***

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

***Share-based payments***

Share-based compensation cost for restricted stock units (RSUs) is measured based on the closing fair market value of Apple Inc.'s common stock on the date of grant. Share-based compensation cost for stock options and employee stock purchase plan rights is estimated at the grant date and offering date, respectively, based on the fair-value as calculated by the Black-Scholes-Merton ("BSM") option-pricing model. The BSM option-pricing model incorporates various assumptions including expected volatility, expected life and interest rates. The Company recognises share-based compensation cost as expense over the requisite service period.

## 2. Summary of significant accounting policies (cont'd)

### 2.15 *Employee benefits (cont'd)*

*Employee stock purchase plan*

The 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 USD$25,000 of stock during any calendar year. The amount of discount is recognised as an employee expense, with a corresponding increase in the capital reserve in equity, over the offering period. The amount of cash retained by the Company for the employees is classified under cash at bank and a corresponding liability is classified as current liability.

***Restricted stock units***

In the second quarter of 2014, shareholders approved the 2014 Employee Stock Plan (the "2014 Plan") and terminated Apple Inc.'s authority to grant new awards under the 2003 Employee Stock Plan (the "2003 Plan"). The 2014 Plan provides for broad-based equity grants to employees, including executive officers, and permits the granting of RSUs, stock grants, performance-based awards, stock options and stock appreciation rights, as well as cash bonus awards. RSUs granted under the 2014 Plan generally vest over four years, based on continued employment, and are settled upon vesting in shares of Apple Inc.'s common stock on a one-for-one basis. Each share issued with respect to RSUs granted under the 2014 Plan reduces the number of shares available for grant under the plan by two shares. RSUs cancelled and shares withheld to satisfy tax withholding obligations increase the number of shares available for grant under the 2014 Plan utilizing a factor of two times the number of RSUs cancelled or shares withheld. Currently, all RSUs granted under the 2014 Plan have dividend equivalent rights ("DERs"), which entitle holders of RSUs to the same dividend value per share as holders of common stock. DERs are subject to the same vesting and other terms and conditions as the corresponding unvested RSUs. DERs are accumulated and paid when the underlying shares vest.

***Termination benefits***

Termination benefits are recognised when, and only when, the Company demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

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

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Lease incentives received are recognised in the income statement as an integral part of the total lease payments made.

**2. Summary of significant accounting policies (cont'd)**

2.17 ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and cost, if applicable, can be reliably measured.

***Sales of Goods***

Revenue from sales of goods is recognised upon transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is measured at the fair value of the consideration received or receivable. Revenue is not recognised to the extent there are significant uncertainties regarding recovery of the consideration due.

The Company records reductions to revenue for estimated commitments related to price protection and for customer incentive programs. The estimated cost of these programs is recognised in the period the Company has sold the product and committed to a plan. The Company also records reductions to revenue for expected future product returns based on the Company's historical experience. Revenue is recorded net of taxes collected from customers that are remitted to governmental authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority.

***Service and support contracts***

Revenue from service and support contracts is deferred and recognised over the service coverage periods. These contracts typically include extended phone support, repair services, web-based support resources, diagnostic tools, and extend the service coverage offered under the Company's one-year limited warranty.

***Revenue Recognition for Arrangements with Multiple Deliverables***

For multi-element arrangements that include hardware products containing software essential to the hardware product's functionality, undelivered software elements that relate to the hardware product's essential software, and undelivered non-software services, the Company allocates revenue to all deliverables based on their relative selling prices. In such circumstances, the Company uses a hierarchy to determine the selling price to be used for allocating revenue to deliverables: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price ("TPE"), and (iii) best estimate of the selling price ("ESP"). VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable. ESPs reflect the Company's best estimates of what the selling prices of elements would be if they were sold regularly on a stand-alone basis. For multi-element arrangements accounted for in accordance with industry specific software accounting guidance, the Company allocates revenue to all deliverables based on the VSOE of each element, and if VSOE does not exist revenue is recognized when elements lacking VSOE are delivered.

## 2. Summary of significant accounting policies (cont'd)

### 2.17 *Revenue (cont'd)*

*Revenue Recognition for Arrangements with Multiple Deliverables (cont'd)*

For sales of qualifying versions of iPhone, iPad and iPod touch ("iOS devices"), Mac, Apple Watch and Apple TV, the Company has indicated it may from time to time provide future unspecified software upgrades to the device's essential software and/or non-software services free of charge. The Company has identified up to three deliverables regularly included in arrangements involving the sale of these devices. The first deliverable, which represents the substantial portion of the allocated sales price, is the hardware and software essential to the functionality of the hardware device delivered at the time of sale. The second deliverable is the embedded right included with qualifying devices to receive on a when-and-if-available basis, future unspecified software upgrades relating to the product's essential software. The third deliverable is the non-software services to be provided to qualifying devices. The Company allocates revenue between these deliverables using the relative selling price method. Because the Company has neither VSOE nor TPE for these deliverables, the allocation of revenue is based on the Company's ESPs. Revenue allocated to the delivered hardware and the related essential software is recognized at the time of sale provided the other conditions for revenue recognition have been met. Revenue allocated to the embedded unspecified software upgrade rights and the non-software services is deferred and recognized on a straight-line basis over the estimated period the software upgrades and non-software services are expected to be provided. Cost of sales related to delivered hardware and related essential software, including estimated warranty costs, are recognized at the time of sale. Costs incurred to provide non-software services are recognized as cost of sales as incurred, and engineering and sales and marketing costs are recognized as operating expenses as incurred.

***Management fee income***

Management fee income is recognised when the services are rendered.

***Interest income***

Interest income is recognised on an accrual basis, using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

### 2.18 ***Taxes***

***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Current income taxes are recognised in the income statement except to the extent that the tax relates to items recognised outside the income statement, either in other comprehensive income or directly in equity.

2. **Summary of significant accounting policies (cont'd)**

2.18 ***Taxes (cont'd)***

***Deferred tax***

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each date of the statement of financial position and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the date of the statement of financial position.

## 2. Summary of significant accounting policies (cont'd)

### 2.18 *Taxes (cont'd)*

***Deferred tax (cont'd)***

Deferred income tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

***Goods and services tax***

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") except:

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables respectively in the balance sheet.

## 3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Actual results may differ from these estimates and such differences may be material.

### 3.1 *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

*Income taxes*

Significant judgement is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is subject to the agreement by the relevant tax authority. The Group recognises liabilities for such transactions based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax in the period in which such determination is made.

## 3. Significant accounting judgements and estimates (cont'd)

### 3.1 *Judgements made in applying accounting policies (cont'd)*

*Revenue*

Significant judgement is involved in determining the Company's revenue recognition for arrangements with multiple deliverables. The Company's process for determining ESPs involves management's judgment. The Company's process considers multiple factors that may vary over time depending upon the unique facts and circumstances related to each deliverable. If the facts and circumstances underlying the factors considered change, including the estimated or actual costs incurred to provide non-software services or the estimated lives of the related devices, or should future facts and circumstances lead the Company to consider additional factors, the Company's ESP for software upgrades and non-software services related to future sales of these devices could change. If the estimated life of one or more of the devices should change, the future rate of amortisation of the revenue allocated to the software upgrade rights would also change.

*Determination of functional currency*

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiary. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

### 3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Useful lives of property, plant and equipment*

The costs of property, plant and equipment are depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of the Group's property, plant and equipment to be within five years or the shorter of the lease terms or ten years for leasehold improvements. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amounts of the Group's property, plant and equipment at the end of the reporting period are disclosed in note 4 to the financial statements.

*Impairment of trade and other receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors including, inter alia, the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

## 3. Significant accounting judgements and estimates (cont'd)

### 3.2 *Key sources of estimation uncertainty (cont'd)*

*Provision for product warranties and phone support*

Under the terms of the Group's sales agreements, the Group will provide phone support services and rectify any product defects arising within one year of the date of sale, together with any claims outside this one year period as required by Australian Consumer Law. Provision is made using the best estimate of the expected costs of support and settlement under these agreements in respect of sales made within the one year prior to the end of the reporting period. The Group estimates the provision based on the Group's historical claim experience. Actual costs incurred could differ from these estimates.

*Share-based payment transactions*

The Group measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes option pricing model. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them.

*Allowance for inventories*

Allowance for inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical condition and their market selling prices. Actual costs could differ from these estimates.

## 4. Property, plant and equipment

| *Consolidated* | Leasehold building and improvements $'000 | Furniture and equipment $'000 | Construction in progress $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 28 September 2013 | 141,379 | 44,918 | 13,245 | 199,542 |
| Additions | 7,430 | 7,679 | – | 15,109 |
| Reclassifications | 12,329 | – | (12,329) | – |
| Disposals and write-off | (990) | (2,674) | – | (3,664) |
| At 27 September 2014 | 160,148 | 49,923 | 916 | 210,987 |
| Additions | 9,534 | 6,619 | 2,949 | 19,102 |
| Reclassifications | 406 | 642 | (1,048) | – |
| Disposals and write-off | (1,541) | (1,916) | – | (3,457) |
| At 26 September 2015 | 168,547 | 55,268 | 2,817 | 226,632 |
| **Accumulated depreciation** | | | | |
| At 28 September 2013 | 41,413 | 25,336 | – | 66,749 |
| Depreciation charge for the year | 22,139 | 11,765 | – | 33,904 |
| Disposals and write-off | (628) | (2,612) | – | (3,240) |
| Exchange differences | 2 | – | – | 2 |
| At 27 September 2014 | 62,926 | 34,489 | – | 97,415 |
| Depreciation charge for the year | 19,625 | 9,595 | – | 29,220 |
| Disposals and write-off | (858) | (1,909) | – | (2,767) |
| Exchange differences | 6 | 5 | – | 11 |
| At 26 September 2015 | 81,699 | 42,180 | – | 123,879 |
| **Net carrying amount** | | | | |
| At 27 September 2014 | 97,222 | 15,434 | 916 | 113,572 |
| At 26 September 2015 | 86,848 | 13,088 | 2,817 | 102,753 |

## 4. Property, plant and equipment

| *Company* | Leasehold building and improvements $'000 | Furniture and equipment $'000 | Construction in progress $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 28 September 2013 | 141,379 | 44,918 | 13,245 | 199,542 |
| Additions | 6,903 | 7,584 | – | 14,487 |
| Reclassifications | 12,329 | – | (12,329) | – |
| Disposals and write-off | (990) | (2,674) | – | (3,664) |
| At 27 September 2014 | 159,621 | 49,828 | 916 | 210,365 |
| Additions | 9,535 | 6,559 | 2,949 | 19,043 |
| Reclassifications | 406 | 642 | (1,048) | – |
| Disposals and write-off | (1,541) | (1,916) | – | (3,457) |
| At 26 September 2015 | 168,021 | 55,113 | 2,817 | 225,951 |
| **Accumulated depreciation** | | | | |
| At 28 September 2013 | 41,413 | 25,336 | – | 66,749 |
| Depreciation charge for the year | 22,131 | 11,764 | – | 33,895 |
| Disposals and write-off | (628) | (2,612) | – | (3,240) |
| At 27 September 2014 | 62,916 | 34,488 | – | 97,404 |
| Depreciation charge for the year | 19,522 | 9,562 | – | 29,084 |
| Disposals and write-off | (858) | (1,909) | – | (2,767) |
| At 26 September 2015 | 81,580 | 42,141 | – | 123,721 |
| **Net carrying amount** | | | | |
| At 27 September 2014 | 96,705 | 15,340 | 916 | 112,961 |
| At 26 September 2015 | 86,441 | 12,972 | 2,817 | 102,230 |

## 5. Intangible asset (Consolidated and Company)

| | Software $'000 |
|---|---|
| **Cost** | |
| At 28 September 2013 | 1,577 |
| Additions | 1,005 |
| Disposals and write-off | (12) |
| At 27 September 2014 | 2,570 |
| Additions | – |
| Disposals and write-off | (51) |
| At 26 September 2015 | 2,519 |
| **Accumulated amortisation** | |
| At 28 September 2013 | 1,221 |
| Amortisation charge for the year | 321 |
| Disposals and write-off | (12) |
| At 27 September 2014 | 1,530 |
| Amortisation charge for the year | 417 |
| Disposals and write-off | (51) |
| At 26 September 2015 | 1,896 |
| **Carrying amount** | |
| At 27 September 2014 | 1,040 |
| At 26 September 2015 | 623 |

## 6. Other investments

Apple Sales New Zealand, which is 100% owned by the Company, commenced trading during the financial year ended 29 September 2007. The share capital of Apple Sales New Zealand is $1.

## 7. Inventories

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Finished goods – at cost | 149,230 | 84,911 | 149,230 | 84,911 |
| Provisions for obsolescence | (22,785) | (9,337) | (22,785) | (9,337) |
| | 126,445 | 75,574 | 126,445 | 75,574 |
| Service parts – at cost | 75,718 | 40,190 | 75,718 | 40,190 |
| Provisions for obsolescence | (3,495) | (2,111) | (3,495) | (2,111) |
| | 72,223 | 38,079 | 72,223 | 38,079 |
| | 198,668 | 113,653 | 198,668 | 113,653 |

## 8. Trade and other receivables

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade receivables | 634,357 | 469,730 | 556,055 | 420,970 |
| Allowance for impairment – non-related parties | – | (549) | – | (549) |
| Trade receivables, net | 634,357 | 469,181 | 556,055 | 420,421 |
| Amounts due from | | | | |
| - related corporations | 569 | 1,007 | 30,583 | 35,914 |
| - ultimate holding company | 6,329 | – | 6,331 | – |
| Other receivables | 73,352 | 34,509 | 57,525 | 33,247 |
| | 714,607 | 504,697 | 650,494 | 489,582 |

## 9. Other current assets

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Deferred cost | 13,945 | 5,448 | 13,026 | 5,115 |
| Others | 1,427 | 2,113 | 1,394 | 2,100 |
| | 15,372 | 7,561 | 14,420 | 7,215 |

## 10. Cash and cash equivalents

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash at bank and on hand | 823,318 | 462,756 | 807,942 | 414,607 |

## 11. Trade and other payables

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade payables | 271,714 | 139,798 | 257,668 | 134,641 |
| Amounts due to | | | | |
| - related corporations | 444,419 | 295,327 | 431,916 | 272,176 |
| - ultimate holding company | – | 7,425 | – | 7,280 |
| Other payables and accruals | 180,440 | 161,380 | 181,017 | 159,660 |
| | 896,573 | 603,930 | 870,601 | 573,757 |

Trade and other payables are non-interest bearing. Trade payables are normally settled on 45-day terms. Amounts due to related corporations and the ultimate holding company are unsecured, non-interest bearing and are repayable on demand.

## 12. Provisions

| | Warranty costs and phone support $'000 | Others $'000 | Total $'000 |
|---|---|---|---|
| ***Consolidated*** | | | |
| At 28 September 2013 | 155,613 | 3,542 | 159,155 |
| Provision made during the year | 175,100 | 89,359 | 264,459 |
| Provision used during the year | (162,321) | (67,658) | (229,979) |
| Exchange differences | 149 | 67 | 216 |
| At 27 September 2014 | 168,541 | 25,310 | 193,851 |
| Provision made during the year | 278,693 | 65,978 | 344,671 |
| Provision used during the year | (182,227) | (76,814) | (259,041) |
| Exchange differences | (434) | 32 | (402) |
| At 26 September 2015 | 264,573 | 14,506 | 279,079 |
| ***Company*** | | | |
| Balance at 27 September 2014 | 159,731 | 22,456 | 182,187 |
| Balance at 26 September 2015 | 250,215 | 13,746 | 263,961 |

***Provision for warranties***

The provision for warranties relates mainly to products sold during the financial year. The provision is based on estimates made from historical warranty data associated with similar products. The Company expects to incur the liability over the next financial year.

## 13. Share capital

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Authorised, issued and fully paid: | | |
| 10,000 (2014: 10,000) ordinary shares of $1 each | 10 | 10 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share.

## 14. Share-based payment reserve

Share-based payment reserve relates to the deemed capital contribution from ultimate holding company arising from the issuance of options by the ultimate holding company to the employees of the Company.

## 15. Revenue

The amount of each significant category of revenue recognised during the financial year is as follows:

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Sales of goods | 7,623,226 | 5,865,353 | 7,318,504 | 5,617,251 |
| Service and support contracts | 241,216 | 207,572 | 244,714 | 208,188 |
| | 7,864,442 | 6,072,925 | 7,563,218 | 5,825,439 |

## 16. Other income/ (expense)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Management fee income | 80,780 | 58,743 | 80,780 | 58,743 |
| Foreign exchange (loss) | (43,797) | (16,750) | (36,931) | (16,058) |
| Net unrealized foreign exchange gain/ (loss) | 47,066 | 106,328 | 39,785 | 98,714 |
| Dividend income | - | - | - | 13,869 |
| Others | (59,301) | (58,786) | (59,470) | (58,830) |
| | 24,748 | 89,535 | 24,164 | 96,438 |

## 17. Finance income

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Interest income on bank deposits | 10,860 | 18,091 | 9,779 | 16,998 |

## 18. Profit before income tax

The following items have been included in arriving at profit before income tax:

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Depreciation and amortisation | 29,637 | 34,225 | 29,501 | 34,216 |
| Property, plant and equipment written off | 690 | 424 | 690 | 424 |
| Provision made for: | | | | |
| - Price protection | 1,008 | 8,561 | 594 | 6,007 |
| - Sales rebates | 64,970 | 80,798 | 54,213 | 69,281 |
| - Warranty costs and phone support | 278,693 | 175,100 | 261,504 | 162,665 |

## 19. Personnel expense

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Wages and salaries | 184,337 | 161,747 | 183,500 | 160,804 |
| Other associated personnel expenses | 40,785 | 37,330 | 40,234 | 36,303 |
| Contributions to superannuation funds | 18,497 | 15,840 | 18,454 | 15,793 |
| Equity settled share-based payment expenses | 36,358 | 28,912 | 36,257 | 28,697 |
| Increase in liability for annual leave | 5,185 | 5,055 | 5,165 | 5,054 |
| Increase in liability for long-service leave | 1,907 | 1,552 | 1,907 | 1,552 |
| | 287,069 | 250,436 | 285,517 | 248,203 |

## 20. Income tax expense

Current year consolidated income tax expense of $84,914,903 is represented by the total of tax expense relating to the current year of $73,311,366 and adjustment relating to prior years amounting to $11,603,537.

Current year Company income tax expense of $76,656,034 is represented by the total of tax expense relating to the current year of $65,842,090 and adjustment relating to prior years amounting to $10,813,944.

## 21. Dividends

There were no dividends declared by the directors during the year.

On 29 April 2014, the directors declared a fully franked dividend of $110,000,000 to the shareholder. The dividend was paid on 8 May 2014.

## 22. Related parties

***Transactions with key management personnel***

No director has entered into a material contract with the Company during the financial year and there were no material contracts involving directors' interests subsisting at financial year end.

From time to time, key management personnel of the Company or their related corporations may purchase goods from the Company. These purchases are on the same terms and conditions as those entered into by other Company customers and are trivial or domestic in nature.

***Ultimate holding company***

The ultimate holding company of Apple Pty Limited is Apple Inc., a company listed and incorporated in the United States of America.

## 23. Contingencies

***Litigation***

From time to time the Company is party to legal claims or litigation. Apple Inc., the Company's ultimate holding company, will indemnify the Company for any losses in the event of an adverse judgement with respect to these matters.

***Taxation***

The Australia Taxation Office ("ATO") is currently auditing the Company's income tax position for the year 2012. As at the date of this report, the outcome of tax audit cannot be predicted with certainty and reliably estimated, no adjustments have been recognized in the financial statements.

## 24. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature that is likely in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## 25. Auditor's remuneration

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $ | $ | $ | $ |
| **Audit services** | | | | |
| Auditors of the Company – Ernst & Young | 131,222 | 98,121 | 85,617 | 57,673 |

## 26. Comparative

Certain comparative figures have been reclassified to conform to the current year's reclassification.

## 27. Authorisation of financial statements

The financial statements for the financial year ended 26 September 2015 were authorised for issue in accordance with a resolution of the directors on 15 January 2016.