

Apple Sales New Zealand

Annual Financial Statements
30 September 2017

Apple Sales New Zealand

Index

	Page
Statement by Directors	1
Independent Auditor's Report	2
Statement of Financial Position	4
Statement of Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 23

Apple Sales New Zealand

Statement by Directors

In the opinion of the directors of Apple Sales New Zealand, the financial statements and notes, on pages 4 to 23:

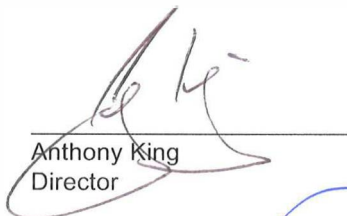
- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the financial position of the Company as at 30 September 2017 and the financial performance and cash flows of the Company for the year then ended;

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position and financial performance of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

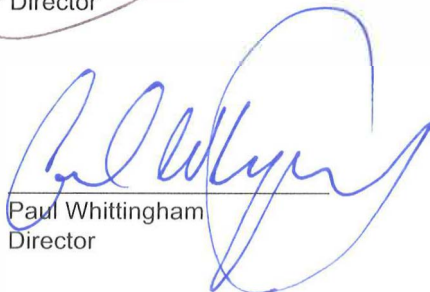
The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The directors are pleased to present the financial statements of Apple Sales New Zealand for the year ended 30 September 2017.

For and on behalf of the board of directors



Anthony King
Director



Paul Whittingham
Director

16 January 2018

Independent Auditor's Report to the Shareholders of Apple Sales New Zealand Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Apple Sales New Zealand ("the Company") on pages 4 to 23, which comprise the statement of financial position of the Company as at 30 September 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Company, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 23 present fairly, in all material respects, the financial position of the Company as at 30 September 2017 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

This report is made solely to the Company's shareholders. Our audit has been undertaken so that we might state to the Company's shareholders 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 shareholders for our audit work, for this report, or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with Professional and Ethical Standard 1 (revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, 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.

Other than in our capacity as auditor we have no relationship with, or interest in, the company.

Information Other than the Financial Statements and Auditor's Report

The directors of the Company are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

Our opinion on the financial statements does not cover the other information and 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 during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

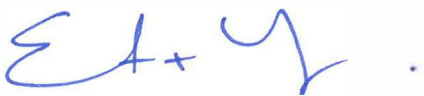
The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime, and for such internal control as the directors determine 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 on behalf of the entity 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 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 International Standards on Auditing (New Zealand) 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 at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>. This description forms part of our auditor's report.



Ernst & Young
Sydney
16 January 2018

Apple Sales New Zealand

Statement of Financial Position as at 30 September 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Trade and other receivables	4	74,178	70,700
Other current assets		448	1,194
Derivative financial instruments	5	421	-
Cash and cash equivalents		27,312	27,287
Inventories		735	-
		<u>103,094</u>	<u>99,181</u>
Non-current assets			
Property, plant and equipment	6	517	478
Deferred tax assets	7	14,131	16,789
Other non-current assets		34	-
		<u>14,682</u>	<u>17,267</u>
Total assets		<u>117,776</u>	<u>116,448</u>
Current liabilities			
Trade and other payables	8	40,732	44,418
Provisions	9	22,964	26,070
Derivative financial instruments	5	-	4,288
Deferred revenue		18,931	21,125
Income tax payable		800	-
		<u>83,427</u>	<u>95,901</u>
Non-current liabilities			
Deferred revenue		11,833	12,236
Other non-current liabilities		159	159
		<u>11,992</u>	<u>12,395</u>
Total liabilities		<u>95,419</u>	<u>108,296</u>
Net assets		<u>22,357</u>	<u>8,152</u>
Share capital and reserve			
Share capital		-	-
Share-based compensation reserve		2,865	1,648
Retained profits		19,492	6,504
		<u>22,357</u>	<u>8,152</u>
Total equity and liabilities		<u>117,776</u>	<u>116,448</u>

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

Apple Sales New Zealand

Statement of Comprehensive Income for the financial year ended 30 September 2017

	Note	2017 \$'000	2016 \$'000
Revenue	10	811,403	743,931
Cost of sales		(770,926)	(729,177)
Gross profit		40,477	14,754
Other income/(expense) - net	11	2,547	(11)
Selling, general and administrative expenses		(13,999)	(6,303)
Interest income		670	1,114
Profit before income tax		29,695	9,554
Income tax expense	12	(10,203)	(3,050)
Profit for the year		19,492	6,504
Other comprehensive income		-	-
Total comprehensive income for the year		19,492	6,504

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

Apple Sales New Zealand

Statement of Changes in Equity for the financial year ended 30 September 2017

	Share capital \$'000	Share based payments reserve \$'000	Retained profits \$'000	Total \$'000
At 26 September 2015	-	665	28,395	29,060
Total comprehensive income for the year	-	-	6,504	6,504
Share-based compensation expense	-	983	-	983
Dividends paid	-	-	(28,395)	(28,395)
At 24 September 2016	-	1,648	6,504	8,152
At 25 September 2016	-	1,648	6,504	8,152
Total comprehensive income for the year	-	-	19,492	19,492
Share-based compensation expense	-	1,217	-	1,217
Dividends paid	-	-	(6,504)	(6,504)
At 30 September 2017	-	2,865	19,492	22,357

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

Apple Sales New Zealand

Statement of Cash Flows for the financial year ended 30 September 2017

	2017 \$'000	2016 \$'000
Operating activities		
Profit before income tax	29,695	9,554
Adjustments for:		
Grant of equity-settled share options to employees	1,217	983
Depreciation	143	148
Interest income	(670)	(1,114)
Provisions	43,258	40,366
Net unrealised foreign exchange (gain)/loss	(556)	5,096
	<hr/>	<hr/>
Operating cash flows changes before changes in working capital	73,087	55,033
<u>Changes in working capital</u>		
Trade and other receivables	(3,478)	37,963
Other current assets	746	(126)
Derivative financial instruments	(5,261)	11,105
Inventories	(735)	-
Other non-current assets	(34)	-
Trade and other payables	2,608	(22,745)
Provision utilised	(46,365)	(31,268)
Deferred revenue	(2,597)	(2,607)
	<hr/>	<hr/>
Changes in working capital	17,971	47,355
Cash flows from operations		
Income taxes paid	(11,930)	(10,013)
	<hr/>	<hr/>
Net cash flows generated from operating activities	6,041	37,342
Investing activities		
Interest received	670	1,114
Purchase of property, plant and equipment	(182)	(38)
	<hr/>	<hr/>
Net cash flows generated from investing activities	488	1,076
Financing activity		
Dividend paid	(6,504)	(28,395)
	<hr/>	<hr/>
Net cash flows used in financing activity	(6,504)	(28,395)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	25	10,023
Cash and cash equivalents at beginning of year	27,287	17,264
	<hr/>	<hr/>
Cash and cash equivalents at end of year	27,312	27,287
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The accounting policies and explanatory notes form an integral part of the financial statements.

Apple Sales New Zealand

Notes to Financial Statements for the financial year ended 30 September 2017

1. Corporate information

Apple Sales New Zealand (the "Company") is a company incorporated and domiciled in New Zealand. The address of the registered office is C/- Level 27, 88 Shortland Street, Auckland 1010, New Zealand. The financial year end of the Company is based on a 53 week period (FY16: 52 week period).

The principal activities of the Company are those relating to the sale and marketing of mobile communication and media devices, personal computers, and portable digital music players, and sells a variety of related software, services and accessories.

The immediate and ultimate holding companies are Apple Pty Limited and Apple Inc., incorporated in Australia and the United States of America, respectively.

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

2.1 Summary of significant accounting policies

2.1.1 Basis of preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). The Company is a Tier 2 For-profit entity and has elected to report in accordance with Tier 2 For-profit Accounting Standards. The Company is eligible to report in accordance with Tier 2 For-profit Accounting Standards on the basis that it does not have public accountability and is not a large for-profit public sector entity.

The financial statements are prepared on the historical cost basis, except for land and buildings classified as property, plant and equipment, derivative financial instruments and available-for-sale (AFS) financial assets that have been measured at fair value. The financial statements are presented in New Zealand dollars (\$).

The financial statements provide comparative information in respect of the previous period.

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand unless otherwise stated.

2.2 Changes in accounting policies and disclosures

2.2.1 New and amended standards and interpretations

Certain other 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 Company financial statements in subsequent reporting periods.

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

2.3 *Foreign currency*

Transactions in foreign currencies are measured in the functional currency of the Company 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.

Differences arising on the settlement or translation of monetary items at the date of statement of financial position are recognised in profit or loss. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

2.4 *Property, plant and equipment*

All items of property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses, if any. Depreciation is computed by use of the straight-line basis over estimated useful lives of the assets as follows:

Leasehold building and improvements	-	5 to 10 years
Furniture and equipment	-	3 to 7 years

The useful life and depreciation method are reviewed at each financial year-end.

2.5 *Impairment of non-financial assets*

Property, plant and equipment is tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. For the purpose of impairment testing, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount (i.e. the higher of fair value less cost of disposal and value-in-use) is determined for the cash-generating unit to which the asset belongs. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised in profit or loss.

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

2.6 **Loans and receivables**

Loans and receivables are recognised initially at fair values and are subsequently measured at amortised cost using the effective interest rate method, less impairment. 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.

2.7 **Impairment of financial assets**

The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated cash flows, discounted at the original effective interest rate.

2.8 **Inventories**

Inventories are stated at the lower of cost, computed using the first-in, first-out method, and net realisable value. Any adjustments to reduce the cost of inventories to their net realisable value are recognised in profit or loss in the current period.

2.9 **Fair Value Measurements**

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognised or disclosed at fair value in the financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk.

Fair value is estimated by applying the following hierarchy, which prioritises the inputs used to measure fair value into three levels and bases the categorisation within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

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

2.9 Fair Value Measurements (cont'd)

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

2.10 Derivative financial instruments

The Company accounts for its derivative instruments as either assets or liabilities and carries them at fair value.

Derivatives that do not qualify as hedges are adjusted to fair value through profit or loss in the current period.

2.11 Warranty costs

The Company provides for the estimated cost of hardware and software warranties at the time the related revenue is recognised. The Company assesses the adequacy of its accrued warranty liabilities and adjusts the amounts as necessary based on actual experience and changes in future estimates.

2.12 Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Employee benefits

Short-term employee benefits and contributions to defined contribution 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 compensation

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 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)

2.14 Revenue

Revenue consists primarily of revenue from the sale of hardware, software, accessories, service and support contracts and service fee income.

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.

Revenue from sales of products is recognised upon transfer of significant risk and rewards of ownership of the products 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.

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 recognised when elements lacking VSOE are delivered.

Apple Sales New Zealand

Notes to Financial Statements for the financial year ended 30 September 2017

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

2.14 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 recognised 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 recognised 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 recognised at the time of sale. Costs incurred to provide non-software services are recognised as cost of sales as incurred, and engineering and sales and marketing costs are recognised as operating expenses as incurred.

Service fee income is recognised when the services are rendered.

2.15 Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognised for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities and for operating losses and tax credit carryforwards. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets and liabilities are expected to be realised or settled. These tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred income taxes are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction that is directly recognised in equity.

3. Significant accounting judgments and estimates

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in its financial statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates, and such differences may be material.

Management believes the Company's critical accounting policies and estimates are those related to revenue recognition, warranty costs and income taxes. Management considers these as critical because they are important to the portrayal of the Company's financial condition and operating results, and they require management to make judgments and estimates about inherently uncertain matters.

3.1 Significant accounting judgments and estimates

Revenue recognition

Net sales consist primarily of revenue from the sale of hardware, software, accessories and service and support contracts. The Company recognises revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection is probable.

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/or 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 selling price ("ESP"). The Company's process for determining ESPs involves management's judgment and considers multiple factors that may vary over time depending upon the unique facts and circumstances related to each deliverable. Should future facts and circumstances change, the Company's ESPs and the future rate of related amortisation for unspecified software upgrades and non-software services related to future sales of these devices could change. Factors subject to change include the unspecified software upgrade rights and non-software services offered, the estimated value of unspecified software upgrade rights and non-software services and the estimated period unspecified software upgrades and non-software services are expected to be provided.

3. Significant accounting judgments and estimates (cont'd)

Income taxes

Significant judgment is involved in determining the Company'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 Company 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.

The carrying amount of the Company's deferred tax assets respectively as at 30 September 2017 were \$14,131 (2016: \$16,789).

Warranty costs

Under the terms of the Company'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 New Zealand Consumer Law. The Company accrues for the estimated cost of warranties in the period the related revenue is recognised based on historical and projected warranty claim rates, historical and projected cost-per-claim and knowledge of specific product failures that are outside of the Company's typical experience. The Company regularly reviews these estimates and the current installed base of products subject to warranty protection to assess the appropriateness of its recorded warranty liabilities and adjusts the amounts as necessary. If actual product failure rates or repair costs differ from estimates, revisions to the estimated warranty liabilities would be required and could materially affect the Company's financial condition and operating results. The carrying amounts of the Company's provision for product warranties at the end of the reporting period are disclosed in Note 9 to the financial statements.

4. Trade and other receivables

	2017	2016
	\$'000	\$'000
Trade receivables	72,276	69,687
Amounts due from		
- ultimate holding company (trade)	1,835	900
Allowance for impairment – non-related parties	-	-
	<hr/>	<hr/>
Trade receivables, net	74,111	70,587
Other receivables	67	113
	<hr/>	<hr/>
	74,178	70,700
	<hr/> <hr/>	<hr/> <hr/>

Apple Sales New Zealand

Notes to Financial Statements for the financial year ended 30 September 2017

5. Derivative financial instruments

Forward currency contracts are used to hedge foreign currency risk arising from the purchases and sales denominated in currencies other than NZD.

The following table shows the notional amounts of the Company's outstanding derivative instruments amounts associated with outstanding or unsettled derivative instruments as of 30 September 2017 and 24 September 2016:

	2017			2016		
	Contract/ Notional Amount	Assets	Liabilities	Contract/ Notional Amount	Assets	Liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Forward currency contracts	447,600	421	-	525,592	-	4,288

6. Property, Plant and Equipment

	Leasehold improvement \$'000	Furniture and equipment \$'000	Construc- tion in progress \$'000	Total \$'000
Cost				
At 26 September 2015	577	168	-	745
Additions	-	38	-	38
Disposed	-	-	-	-
At 24 September 2016	577	206	-	783
Additions	-	-	182	182
Disposed	-	-	-	-
At 30 September 2017	577	206	182	965
Accumulated depreciation				
At 26 September 2015	120	36	-	156
Depreciation charge for the year	112	37	-	149
At 24 September 2016	232	73	-	305
Depreciation charge for the year	112	31	-	143
At 30 September 2017	344	104	-	448
Net carrying amount				
At 24 September 2016	345	133	-	478
At 30 September 2017	233	102	182	517

Apple Sales New Zealand

Notes to Financial Statements for the financial year ended 30 September 2017

7. Deferred tax asset

	Statement of financial position		Statement of comprehensive income	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Accruals	6,974	7,885	(911)	2,715
Deferred income	7,009	7,338	(329)	(662)
Unrealised exchange gain/(loss)	116	1,529	(1,413)	4,155
Property, plant and equipment	32	38	(6)	32
	<u>14,131</u>	<u>16,790</u>	<u>(2,659)</u>	<u>6,240</u>

8. Trade and other payables

	2017 \$'000	2016 \$'000
Trade payables	10,413	8,205
Amounts due to		
- related corporations (trade)	9,700	19,954
- immediate holding company (trade)	18,577	13,355
	<u>38,690</u>	<u>41,514</u>
Other payables and accruals	2,042	2,904
	<u>40,732</u>	<u>44,418</u>

9. Provisions

	Warranty costs \$'000	Others \$'000	Total \$'000
At 26 September 2015	16,119	854	16,973
Provision made during the year	15,467	24,899	40,366
Provision used during the year	(13,692)	(17,576)	(31,268)
	<u>17,894</u>	<u>8,177</u>	<u>26,071</u>
At 24 September 2016	17,894	8,177	26,071
Provision made during the year	15,878	27,380	43,258
Provision used during the year	(16,074)	(30,291)	(46,365)
	<u>17,698</u>	<u>5,266</u>	<u>22,964</u>

Apple Sales New Zealand

Notes to Financial Statements for the financial year ended 30 September 2017

10. Revenue

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

	2017 \$'000	2016 \$'000
Sales of products	799,179	731,568
Services	12,224	12,363
	<u>811,403</u>	<u>743,931</u>

11. Other income/(expense) – net

	2017 \$'000	2016 \$'000
Service fee income – related parties	2,358	941
Foreign exchange (loss)/gain	(362)	2,100
Net unrealised gain/(loss) on derivatives	552	(3,052)
Others	(1)	-
	<u>2,547</u>	<u>(11)</u>

12. Income tax expense

Major components of income taxes for the financial years ended 30 September 2017 and 24 September 2016 are as follows:

	2017 \$'000	2016 \$'000
Income taxes		
Current income tax		
- current income taxation	7,100	9,268
- under provision in respect of previous years	444	22
Deferred income tax expense/(credit)	2,659	(6,240)
	<u>10,203</u>	<u>3,050</u>

Apple Sales New Zealand

Notes to Financial Statements for the financial year ended 30 September 2017

12. Income tax expense (cont'd)

The reconciliation between the income tax expense and the product of accounting profit multiplied by the applicable tax rates for the year ended 30 September 2017 and the year ended 24 September 2016 are as follows:

	2017	2016
	\$'000	\$'000
Profit before income tax	29,695	9,554
Income tax using the statutory tax rate	8,909	2,866
Under provision in respect of previous years	444	22
Others	850	162
Income tax expense	10,203	3,050

13. Employee benefits

	2017	2016
	\$'000	\$'000
Wages and salaries	2,794	1,674
Contribution to defined contribution plans	100	67
Share-based compensation	1,217	983
	4,111	2,724

As of 30 September 2017 and 24 September 2016, the Company did not have any equity-settled plans or transactions. However, Apple Inc. had three employee benefit plans relevant to the Company: the 2014 Employee Stock Plan (the "2014 Plan"), the 2003 Employee Stock Plan (the "2003 Plan"), and the Employee Stock Purchase Plan (the "Purchase Plan"). Under these plans, shares of Apple Inc. are issued upon vesting of restricted stock units (RSUs), exercise of stock options or purchase of shares under the plans by employees. The vesting of RSUs and exercisability of options granted under the 2014 and 2003 Plans are based on the continued employment of employees. The issuance of shares and cash received upon exercise or sale is undertaken solely by Apple Inc.

Apple Sales New Zealand

Notes to Financial Statements for the financial year ended 30 September 2017

13. Employee benefits (cont'd)

Restricted Stock Units

A summary of RSU activity and related information for the two years ended 30 September 2017 and 24 September 2016, is as follows:

	Number of RSUs
Balance at 26 September 2015	4,283
Vested	(2,568)
Granted	15,204
Forfeited/transferred, net	<u>-</u>
Balance at 24 September 2016	16,919
Vested	(7,571)
Granted	6,180
Forfeited/transferred, net	<u>5,207</u>
Balance at 30 September 2017	<u><u>20,735</u></u>

14. Dividends

	2017 \$'000	2016 \$'000
Final Dividend for 2017 (2016: Final dividend for 2016)	<u>6,504</u>	<u>28,395</u>

Dividend to the shareholder are recognised when the dividend are approved for payment.

15. Related parties

Transactions with key management personnel

Directors are remunerated by Apple Pty Limited, the parent company of Apple Sales New Zealand.

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 year-end.

From time to time, key management personnel of the Company or their related entities 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.

Immediate and ultimate parent entity

The immediate parent entity of Apple Sales New Zealand is Apple Pty Limited, a company incorporated in Australia.

The ultimate parent entity of Apple Sales New Zealand is Apple Inc., a company listed and incorporated in the United States of America.

Apple Sales New Zealand

Notes to Financial Statements for the financial year ended 30 September 2017

15. Related parties (cont'd)

Transactions with related parties

During the financial year the Company undertook the following transactions with its related parties:

	2017 \$'000	2016 \$'000
Purchase of inventory from related parties	762,809	675,696
Service fee income	(2,358)	(941)
Payment made on behalf by related parties:		
- Tax payments	10,116	10,013
- Audit fees	112	110
- Other expenses	127	79
	<u>762,809</u>	<u>675,696</u>

All dealings with the ultimate parent entity and its controlled entities are in the ordinary course of business and on commercial terms and conditions.

16. Operating lease - lessee

	2017 \$'000	2016 \$'000
Payment recognised as an expense during the year	426	264
	<u>426</u>	<u>264</u>

The Company has a lease agreement with a local company covering its offices rental and service charges. The term of the agreement is 5 years.

At the date of statement of financial position, the Company has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2017 \$'000	2016 \$'000
Payable:		
Within 1 year	261	244
Over 1 year to 5 years	133	266
	<u>394</u>	<u>510</u>

17. Fair value of financial instruments

Assets and liabilities measured at fair value

The following table shows the fair value of each class of assets and liabilities at the end of the reporting period:

2017	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Assets				
<u>Derivative financial instruments</u>	-	421	-	421
2016				
Liabilities				
<u>Derivative financial instruments</u>	-	4,288	-	4,288

Forward currency contracts are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various observable inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves.

Set out below is a comparison by category of carrying amounts of all the Company's financial instruments that are carried in the financial statements:

Financial instruments by category

	2017 \$'000	2016 \$'000
Loans and receivables	101,524	97,987
Liabilities at amortised cost	40,719	44,418

18. 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.

19. Authorisation of financial statements

The financial statements for the financial year ended 30 September 2017 were authorised for issue in accordance with a resolution of the directors on 16 January 2018.