Apple Operations International Limited

Directors' Report and Consolidated Financial Statements

Year Ended 26 September 2020

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DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The directors present their report and audited consolidated financial statements of Apple Operations International Limited, (the "Company") and its wholly-owned subsidiaries (collectively the "Group") for the financial year ended 26 September 2020 ("2020"). The consolidated financial statements are presented in U.S. dollars ("$") and rounded to the nearest million (unless otherwise stated).

The directors have elected to prepare the consolidated financial statements of the Group in accordance with International Financial Reporting Standards and their interpretations approved by the International Accounting Standards Board as adopted by the European Union ("IFRS") and those parts of the Companies Act 2014 applicable to companies reporting under IFRS. The Company financial statements are prepared in accordance with the Financial Reporting Standard 102 ("FRS 102") as issued by the Financial Reporting Council and the Companies Act 2014.

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

The Company is incorporated in Ireland with a registration number of 76941. The registered office is Hollyhill Industrial Estate, Hollyhill, Co. Cork, Ireland.

Principal Activities, Business Review and Future Events

The Group develops, manufactures and markets smartphones, personal computers, tablets, wearables and accessories, and sells a variety of related services.

The Group recorded net sales in 2020 of $148.2 billion (2019: $141.0 billion), an increase of 5.1%. Gross margin in 2020 was 39.1% (2019: 38.4%). The Group incurred research and development ("R&D") costs in 2020 of $15.5 billion (2019: $7.6 billion). Net income in 2020 was $27.7 billion (2019: $35.5 billion). Average full time equivalent employees for 2020 were 51,255 (2019: 47,337). Net assets for 2020 were $26.4 billion (2019: $80.6 billion), a decrease of $54.2 billion.

The Company's principal activity is to serve as a holding company for the management of certain Apple subsidiary companies and other investments. The profit of the Company in 2020 was $70.3 billion (2019: $38.9 billion).

The directors do not anticipate any significant change in activities for the Group and Company in the foreseeable future.

Income Taxes

The corporate income taxes reported in the Consolidated Statements of Operations, Balance Sheets, and Statements of Cash Flows do not include significant U.S.-level corporate taxes borne by Apple Inc., the ultimate parent of the Group.

U.S.-level taxes are paid by Apple Inc. on investment income of the Group at the rate of 21.0% (2019: 21.0%) net of applicable foreign tax credits. In addition, under changes in U.S. tax legislation that took effect in December 2017, Apple Inc. is subject to tax on previously deferred foreign income (at a rate of 15.5% on cash and certain other net assets and 8.0% on the remaining income), net of applicable foreign tax credits. The new legislation also subjects certain current foreign earnings of the Group to a new minimum tax.

Risks and Uncertainties

The business, financial condition and operating results of the Group can be affected by a number of factors, whether currently known or unknown, including but not limited to those described below, any one or more of which could, directly or indirectly, cause the Group's actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect the Group's business, financial condition and operating results.

Because of the following factors, as well as other factors affecting the Group's financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance.

The Group's business, results of operations and financial condition have been adversely affected and could in the future be materially adversely affected by the COVID-19 pandemic.

COVID-19 has spread rapidly throughout the world, prompting governments and businesses to take unprecedented measures in response. Such measures have included restrictions on travel and business operations, temporary closures of businesses, and quarantines and shelter-in-place orders. The COVID-19 pandemic has significantly curtailed global economic activity and caused significant volatility and disruption in global financial markets.

Risk and Uncertainties *(continued)*

The COVID-19 pandemic and the measures taken by many countries in response have adversely affected and could in the future materially adversely impact the Group's business, results of operations and financial condition. Following the initial outbreak of the virus, the Group experienced disruptions to its manufacturing, supply chain and logistical services provided by outsourcing partners, resulting in temporary iPhone supply shortages that affected sales worldwide. During the course of the pandemic, the Group's retail stores, as well as channel partner points of sale, have been temporarily closed at various times. In many cases, where stores and points of sale have reopened they are subject to operating restrictions to protect public health and the health and safety of employees and customers. The Group has at times required substantially all of its employees to work remotely.

The Group is continuing to monitor the situation and take appropriate actions in accordance with the recommendations and requirements of relevant authorities. The full extent of the impact of the COVID-19 pandemic on the Group's operational and financial performance is currently uncertain and will depend on many factors outside the Group's control, including, without limitation, the timing, extent, trajectory and duration of the pandemic, the development and availability of effective treatments and vaccines, the imposition of and compliance with protective public safety measures, and the impact of the pandemic on the global economy and demand for consumer products. Additional future impacts on the Group may include, but are not limited to, material adverse effects on: demand for the Group's products and services; the Group's supply chain and sales and distribution channels; the Group's ability to execute its strategic plans; and the Group's profitability and cost structure.

To the extent the COVID-19 pandemic adversely affects the Group's business, results of operations and financial condition, it may also have the effect of heightening many of the other risks described in this Directors' Report.

Global and regional economic conditions could materially adversely affect the Group's business, results of operations, financial condition and growth.

The Group has international operations and as a result, the Group's operations and performance depend significantly on global and regional economic conditions.

Adverse macroeconomic conditions, including inflation, slower growth or recession, new or increased tariffs and other barriers to trade, changes to fiscal and monetary policy, tighter credit, higher interest rates, high unemployment and currency fluctuations could materially adversely affect demand for the Group's products and services. In addition, consumer confidence and spending could be adversely affected in response to financial market volatility, negative financial news, conditions in the real estate and mortgage markets, declines in income or asset values, changes to fuel and other energy costs, labour and healthcare costs and other economic factors.

In addition to an adverse impact on demand for the Group's products, uncertainty about, or a decline in, global or regional economic conditions could have a significant impact on the Group's suppliers, contract manufacturers, logistics providers, distributors, cellular network carriers and other channel partners. Potential effects include financial instability; inability to obtain credit to finance operations and purchases of the Group's products; and insolvency.

A downturn in the economic environment could also lead to increased credit and collectibility risk on the Group's trade receivables; the failure of derivative counterparties and other financial institutions; limitations on the Group's ability to issue debt; reduced liquidity; and declines in the fair value of the Group's financial instruments. These and other economic factors could materially adversely affect the Group's business, results of operations, financial condition and growth.

Global markets for the Group's products and services are highly competitive and subject to rapid technological change, and the Group may be unable to compete effectively in these markets.

The Group's products and services are offered in highly competitive global markets characterized by aggressive price competition and resulting downward pressure on gross margins, frequent introduction of new products and services, short product life cycles, evolving industry standards, continual improvement in product price and performance characteristics, rapid adoption of technological advancements by competitors, and price sensitivity on the part of consumers and businesses.

The Group's ability to compete successfully depends heavily on ensuring the continuing and timely introduction of innovative new products, services and technologies to the marketplace. The Group together with Apple Inc. believes it is unique in that it designs and develops nearly the entire solution for its products, including the hardware, operating system, numerous software applications and related services. As a result, the Group together with Apple Inc. must make significant investments in R&D. There can be no assurance that these investments will achieve expected returns, and Apple Inc. and the Group may not be able to develop and market new products and services successfully.

Risk and Uncertainties *(continued)*

The Group together with Apple Inc. currently holds a significant number of patents, trademarks and copyrights and has registered, and applied to register, numerous patents, trademarks and copyrights. In contrast, many of the Group's competitors seek to compete primarily through aggressive pricing and very low cost structures, and by emulating the Group's products and infringing on its intellectual property. Effective intellectual property protection may not be consistently available in every country in which the Group operates. If the Group and Apple Inc. is unable to continue to develop and sell innovative new products with attractive margins or if competitors infringe on the Group's or Apple Inc.'s intellectual property, the Group's ability to maintain a competitive advantage could be adversely affected.

The Group has a minority market share in the global smartphone, personal computer and tablet markets. The Group faces substantial competition in these markets from companies that have significant technical, marketing, distribution and other resources, as well as established hardware, software and digital content supplier relationships. In addition, some of the Group's competitors have broader product lines, lower-priced products and a larger installed base of active devices. Competition has been particularly intense as competitors have aggressively cut prices and lowered product margins. Certain competitors may have the resources, experience or cost structures to provide products at little or no profit or even at a loss. Some of the markets in which the Group competes have from time to time experienced little to no growth or contracted overall.

Additionally, the Group faces significant competition as competitors imitate the Group's product features and applications within their products or collaborate to offer solutions that are more competitive than those they currently offer. The Group also expects competition to intensify as competitors imitate the Group's approach to providing components seamlessly within their offerings or work collaboratively to offer integrated solutions.

The Group's services also face substantial competition, including from companies that have significant resources and experience and have established service offerings with large customer bases. The Group competes with business models that provide content to users for free. The Group also competes with illegitimate means to obtain third-party digital content and applications.

The Group's financial condition and operating results depend substantially on the Group's and Apple Inc.'s ability to continually improve its products and services to maintain their functional and design advantages. There can be no assurance the Group or Apple Inc. will be able to continue to provide products and services that compete effectively.

To remain competitive and stimulate customer demand, the Group must successfully manage frequent introductions and transitions of products and services.

Due to the highly volatile and competitive nature of the industries in which the Group competes, the Group with Apple Inc. must continually introduce new products, services and technologies, enhance existing products and services, effectively stimulate customer demand for new and upgraded products and services, and successfully manage the transition to these new and upgraded products and services. The success of new product and service introductions depends on a number of factors including, but not limited to, timely and successful development, market acceptance, the Group's ability to manage the risks associated with new product production ramp-up issues, the availability of application software for new products, the effective management of purchase commitments and inventory levels in line with anticipated product demand, the availability of products in appropriate quantities and at expected costs to meet anticipated demand, and the risk that new products and services may have quality or other defects or deficiencies. Accordingly, the Group cannot determine in advance the ultimate effect of new product and service introductions and transitions.

The Group depends on the performance of carriers, wholesalers, retailers and other resellers.

The Group distributes its products through cellular network carriers, wholesalers, retailers and resellers, many of whom distribute products from competing manufacturers. The Group also sells its products and resells third-party products in most of its major markets directly to consumers, small and mid-sized businesses, and education, enterprise and government customers through its retail and online stores and its direct sales force.

Some carriers providing cellular network service for iPhone offer financing, installment payment plans or subsidies for users' purchases of the device. There is no assurance that such offers will be continued at all or in the same amounts upon renewal of the Group's agreements with these carriers or in agreements the Group enters into with new carriers.

The Group has invested and will continue to invest in programs to enhance reseller sales, including staffing selected resellers' stores with Group employees and contractors, and improving product placement displays. These programs can require a substantial investment while not assuring return or incremental sales. The financial condition of these resellers

Risk and Uncertainties *(continued)*

could weaken, these resellers could stop distributing the Group's products, or uncertainty regarding demand for some or all of the Group's products could cause resellers to reduce their ordering and marketing of the Group's products.

The Group is exposed to the risk of write-downs on the value of its inventory and other assets, in addition to purchase commitment cancellation risk.

The Group records a write-down for product and component inventories that have become obsolete or exceed anticipated demand, or for which cost exceeds net realizable value. The Group also accrues necessary cancellation fee reserves for orders of excess products and components. The Group reviews long-lived assets, including capital assets held at its suppliers' facilities and inventory prepayments, for impairment whenever events or circumstances indicate the assets may not be recoverable. If the Group determines that an impairment has occurred, it records a write-down equal to the amount by which the carrying value of the asset exceeds its fair value. Although the Group believes its inventory, capital assets, inventory prepayments and other assets and purchase commitments are currently recoverable, no assurance can be given that the Group will not incur write-downs, fees, impairments and other charges given the rapid and unpredictable pace of product obsolescence in the industries in which the Group competes.

The Group orders components for its products and builds inventory in advance of product announcements and shipments. Manufacturing purchase obligations cover the Group's forecasted component and manufacturing requirements, typically for periods up to 150 days. Because the Group's markets are volatile, competitive and subject to rapid technology and price changes, there is a risk the Group will forecast incorrectly and order or produce excess or insufficient amounts of components or products, or not fully utilize firm purchase commitments.

Future operating results depend upon the Group's ability to obtain components in sufficient quantities on commercially reasonable terms.

Because the Group currently obtains certain components from single or limited sources, the Group is subject to significant supply and pricing risks. Many components, including those that are available from multiple sources, are at times subject to industry-wide shortages and significant commodity pricing fluctuations that could materially adversely affect the Group's financial condition and operating results. While the Group has entered into agreements for the supply of many components, there can be no assurance that the Group will be able to extend or renew these agreements on similar terms, or at all. Component suppliers may suffer from poor financial conditions, which can lead to business failure for the supplier or consolidation within a particular industry, further limiting the Group's ability to obtain sufficient quantities of components on commercially reasonable terms. The effects of global or regional economic conditions on the Group's suppliers, described in "Global and regional economic conditions could materially adversely affect the Group's business, results of operations, financial condition and growth," above, also could affect the Group's ability to obtain components. Therefore, the Group remains subject to significant risks of supply shortages and price increases that could materially adversely affect its financial condition and operating results.

The Group's new products often utilize custom components available from only one source. When a component or product uses new technologies, initial capacity constraints may exist until the suppliers' yields have matured or their manufacturing capacities have increased. The continued availability of these components at acceptable prices, or at all, can be affected for any number of reasons, including if suppliers decide to concentrate on the production of common components instead of components customized to meet the Group's requirements. If the Group's supply of components for a new or existing product were delayed or constrained, or if an outsourcing partner delayed shipments of completed products to the Group, the Group's financial condition and operating results could be materially adversely affected. The Group's business and financial performance could also be materially adversely affected depending on the time required to obtain sufficient quantities from the source, or to identify and obtain sufficient quantities from an alternative source.

The Group depends on component and product manufacturing and logistical services provided by outsourcing partners.

Substantially all of the Group's manufacturing is performed in whole or in part by outsourcing partners located primarily in Asia. A significant concentration of this manufacturing is currently performed by a small number of outsourcing partners, often in single locations. The Group has also outsourced much of its transportation and logistics management. While these arrangements can lower operating costs, they also reduce the Group's direct control over production and distribution. Such diminished control may have an adverse effect on the quality or quantity of products or services, or the Group's flexibility to respond to changing conditions. Although arrangements with these partners may contain provisions for product defect expense reimbursement, the Group generally remains responsible to the consumer for warranty and out-of-warranty service in the event of product defects and could experience an unanticipated product defect liability. While the Group relies on its partners to adhere to its supplier code of conduct, material violations of the supplier code of conduct could occur.

Risk and Uncertainties *(continued)*

The Group relies on single-source outsourcing partners in the U.S., Asia and Europe to supply and manufacture many components, and on outsourcing partners primarily located in Asia, for final assembly of substantially all of the Group's hardware products. Any failure of these partners to perform can have a negative impact on the Group's cost or supply of components or finished goods. In addition, manufacturing or logistics in these locations or transit to final destinations can be disrupted for a variety of reasons including, but not limited to, natural and man-made disasters, information technology system failures, commercial disputes, military actions, economic, business, labour, environmental, public health or political issues, or international trade disputes.

The Group has invested in manufacturing process equipment, much of which is held at certain of its outsourcing partners, and has made prepayments to certain of its suppliers associated with long-term supply agreements. While these arrangements help ensure the supply of components and finished goods, if these outsourcing partners or suppliers experience severe financial problems or other disruptions in their business, such continued supply can be reduced or terminated, and the recoverability of manufacturing process equipment or prepayments can be negatively impacted.

The Group's products and services may be affected from time to time by design and manufacturing defects that could materially adversely affect the Group's business and result in harm to the Group's reputation.

The Group offers complex hardware and software products and services that can be affected by design and manufacturing defects. Sophisticated operating system software and applications, such as those offered by the Group, often have issues that can unexpectedly interfere with the intended operation of hardware or software products. Defects can also exist in components and products the Group purchases from third parties. Component defects could make the Group's products unsafe and create a risk of environmental or property damage and personal injury. These risks may increase as the Group's products are introduced into specialized applications, including healthcare. In addition, the Group's service offerings may have quality issues and from time to time experience outages, service slowdowns or errors. As a result, the Group's services may not perform as anticipated and may not meet customer expectations. There can be no assurance the Group will be able to detect and fix all issues and defects in the hardware, software and services it offers. Failure to do so could result in widespread technical and performance issues affecting the Group's products and services. In addition, the Group can be exposed to product liability claims, recalls, product replacements or modifications, write-offs of inventory, property, plant and equipment, and/or intangible assets, and significant warranty and other expenses, including litigation costs and regulatory fines. Quality problems can also adversely affect the experience for users of the Group's products and services, and result in harm to the Group's reputation, loss of competitive advantage, poor market acceptance, reduced demand for products and services, delay in new product and service introductions and lost sales.

The Group relies on access to third-party digital content, which may not be available to the Group on commercially reasonable terms or at all.

The Group contracts with numerous third parties to offer their digital content to customers. This includes the right to sell currently available content. The licensing or other distribution arrangements with these third parties are for relatively short terms and do not guarantee the continuation or renewal of these arrangements on commercially reasonable terms, if at all. Some third-party content providers and distributors currently or in the future may offer competing products and services, and can take actions to make it more difficult or impossible for the Group to license or otherwise distribute their content in the future. Other content owners, providers or distributors may seek to limit the Group's access to, or increase the cost of, such content. The Group may be unable to continue to offer a wide variety of content at commercially reasonable prices with acceptable usage rules, or continue to expand its geographic reach. Failure to obtain the right to make third-party digital content available, or to make such content available on commercially reasonable terms, could have a material adverse impact on the Group's financial condition and operating results.

Some third-party digital content providers require the Group to provide digital rights management and other security solutions. If requirements change, the Group may have to develop or license new technology to provide these solutions. There is no assurance the Group will be able to develop or license such solutions at a reasonable cost and in a timely manner. In addition, certain countries have passed or may propose and adopt legislation that would force the Group to license its digital rights management, which could lessen the protection of content and subject it to piracy and also could negatively affect arrangements with the Group's content providers.

The Group's future performance depends in part on support from third-party software developers.

The Group believes decisions by customers to purchase its hardware products depend in part on the availability of third-party software applications and services. There is no assurance that third-party developers will continue to develop and maintain software applications and services for the Group's products. If third-party software applications and services cease to be developed and maintained for the Group's products, customers may choose not to buy the Group's products.

Risk and Uncertainties *(continued)*

The Group believes the availability of third-party software applications and services for its products depends in part on the developers' perception and analysis of the relative benefits of developing, maintaining and upgrading such software and services for the Group's products compared to competitors' platforms, such as Android for smartphones and tablets and Windows for personal computers. This analysis may be based on factors such as the market position of the Group and its products, the anticipated revenue that may be generated, expected future growth of product sales, and the costs of developing such applications and services.

The Group's minority market share in the global smartphone, personal computer and tablet markets could make developers less inclined to develop or upgrade software for the Group's products and more inclined to devote their resources to developing and upgrading software for competitors' products with larger market share. If developers focus their efforts on these competing platforms, the availability and quality of applications for the Group's devices may suffer.

The Group relies on the continued availability and development of compelling and innovative software applications for its products. The Group's products and operating systems are subject to rapid technological change, and if third-party developers are unable to or choose not to keep up with this pace of change, third-party applications might not take advantage of these changes to deliver improved customer experiences or might not operate correctly and may result in dissatisfied customers.

The Group sells and delivers third-party applications for its products through the App Store. For the vast majority of applications, developers keep all of the revenue they generate on the App Store. The Group only retains a commission from sales of applications through its platforms and in situations where a developer offers purchases for digital features, services, or goods within an application. If developers reduce their use of the Group's platforms, including in-app purchases, then the volume of sales, and the commission that the Group earns on those sales, would decrease. If the rate of the commission that the Group retains on such sales is reduced, or if it is otherwise narrowed in scope or eliminated, the Group's financial condition and operating results could be materially adversely affected.

The Group relies on access to third-party intellectual property, which may not be available to the Group on commercially reasonable terms or at all.

Many of the Group's products and services are designed to include intellectual property owned by third parties, which requires licenses from those third parties. In addition, because of technological changes in the industries in which the Group currently competes or in the future may compete, current extensive patent coverage and the rapid rate of issuance of new patents, the Group's products and services may unknowingly infringe existing patents or intellectual property rights of others. From time to time, the Group has been notified that it may be infringing certain patents or other intellectual property rights of third parties. Based on experience and industry practice, the Group believes licenses to such third-party intellectual property can generally be obtained on commercially reasonable terms. There is, however, no assurance that the necessary licenses can be obtained on commercially reasonable terms or at all. Failure to obtain the right to use third-party intellectual property, or to use such intellectual property on commercially reasonable terms, could preclude the Group from selling certain products or services, or otherwise have a material adverse impact on the Group's financial condition and operating results.

The Group's financial condition and operating results could be adversely impacted by unfavorable results of legal proceedings or government investigations.

The Group is subject to various claims, legal proceedings and government investigations that have arisen in the ordinary course of business and have not yet been fully resolved, and new matters may arise in the future. In addition, agreements entered into by the Group sometimes include indemnification provisions which can subject the Group to costs and damages in the event of a claim against an indemnified third party. The number of claims, legal proceedings and government investigations involving the Group, and the alleged magnitude of such claims, proceedings and government investigations, has generally increased over time and may continue to increase.

The Group together with Apple Inc. has faced and continues to face a significant number of patent claims relating to its cellular-enabled products, and new claims may arise in the future. For example, technology and other patent-holding companies frequently assert their patents and seek royalties and often enter into litigation based on allegations of patent infringement or other violations of intellectual property rights. The Group together with Apple Inc. is vigorously defending infringement actions in courts in several U.S. jurisdictions, as well as internationally in various countries. The plaintiffs in these actions frequently seek injunctions and substantial damages.

Regardless of the merit of particular claims, defending against litigation or responding to government investigations can be expensive, time-consuming, disruptive to the Group's operations and distracting to management. In recognition of these considerations, the Group may enter into agreements or other arrangements to settle litigation and resolve such challenges. No assurance can be given that such agreements can be obtained on acceptable terms or that litigation will not occur. These agreements may also significantly increase the Group's cost of sales and operating expenses.

Risk and Uncertainties *(continued)*

Except as described in the Notes to Consolidated Financial Statements in Note 13, "Commitments and Contingencies" under the heading "Contingencies," in the opinion of management, there was not at least a reasonable possibility the Group may have incurred a material loss, or a material loss greater than a recorded accrual, concerning loss contingencies for asserted legal and other claims, including matters related to infringement of intellectual property rights.

The outcome of litigation or government investigations is inherently uncertain. If one or more legal matters were resolved against the Group or an indemnified third party in a reporting period for amounts above management's expectations, the Group's financial condition and operating results for that reporting period could be materially adversely affected. Further, such an outcome could result in significant compensatory, punitive or trebled monetary damages, disgorgement of revenue or profits, remedial corporate measures or injunctive relief against the Group, and could require the Group to change its business practices or limit the Group's ability to offer certain products and services, all of which could materially adversely affect its financial condition and operating results.

While the Group maintains insurance coverage for certain types of claims, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise.

The Group is subject to complex and changing laws and regulations worldwide, which exposes the Group to potential liabilities, increased costs and other adverse effects on the Group's business.

The Group's global operations are subject to complex and changing laws and regulations on subjects including, but not limited to: antitrust; privacy, data security and data localization; consumer protection; advertising, sales, billing and e-commerce; product liability; intellectual property ownership and infringement; digital platforms; Internet, telecommunications, and mobile communications; media, television, film and digital content; availability of third-party software applications and services; labour and employment; anti-corruption; import, export and trade; foreign exchange controls and cash repatriation restrictions; anti–money laundering; foreign ownership and investment; tax; and environmental, health and safety.

Compliance with these laws and regulations may be onerous and expensive, increasing the cost of conducting the Group's global operations. Changes to laws and regulations can adversely affect the Group's business by increasing the Group's costs, limiting the Group's ability to offer a product or service to customers, requiring changes to the Group's supply chain and business practices or otherwise making the Group's products and services less attractive to customers. The Group has implemented policies and procedures designed to ensure compliance with applicable laws and regulations, but there can be no assurance that the Group's employees, contractors or agents will not violate such laws and regulations or the Group's policies and procedures. If the Group is found to have violated laws and regulations, it could materially adversely affect the Group's reputation, financial condition and operating results.

The technology industry, including, in some instances, the Group, is subject to intense media, political and regulatory scrutiny, which exposes the Group to government investigations, legal actions and penalties. For example, the Group is subject to antitrust investigations in various jurisdictions around the world, which can result in legal proceedings and claims against the Group that could, individually or in the aggregate, have a materially adverse impact on the Group's financial condition and operating results. In addition, if enacted, legislative and other proposals to further regulate technology companies could result in changes to the Group's business, including requiring the Group to modify its product and service offerings, limiting the Group's ability to invest in strategic acquisitions, or affecting the Group's business relationships with other technology companies, and could have a materially adverse impact on the Group's financial condition and operating results. Further, the Group's business partners are or may become subject to litigation that, if resolved against them, could affect the Group's relationships with these business partners and have a materially adverse impact on the Group's financial condition and operating results. There can be no assurance that the Group's business will not be materially adversely affected, individually or in the aggregate, by the outcomes of such investigations, litigation or changes to laws and regulations in the future.

The Group's retail stores have required and will continue to require a substantial investment and commitment of resources and are subject to numerous risks and uncertainties.

The Group's retail stores have required substantial investment in equipment and leasehold improvements, information systems, inventory and personnel. The Group also has entered into substantial lease commitments for retail space. Certain stores have been designed and built to serve as high-profile venues to promote brand awareness. Because of their unique design elements, locations and size, these stores require substantially more investment than the Group's more typical retail stores. Due to the high cost structure associated with the Group's retail stores, a decline in sales or the closure or poor performance of an individual store or multiple stores, including as a result of protective public safety measures in response to the COVID-19 pandemic, could result in significant lease termination costs, write-offs of equipment and leasehold improvements and severance costs.

Risk and Uncertainties *(continued)*

The Group's retail operations are subject to many factors that pose risks and uncertainties and could adversely impact the Group's financial condition and operating results, including macro-economic factors that could have an adverse effect on general retail activity. Other factors include, but are not limited to, the Group's ability to: manage costs associated with retail store construction and operation; manage relationships with existing retail partners; manage costs associated with fluctuations in the value of retail inventory; and obtain and renew leases in quality retail locations at a reasonable cost.

Investment in new business strategies and acquisitions could disrupt the Group's ongoing business, present risks not originally contemplated and adversely affect the Group's reputation, financial condition and operating results.

The Group has invested, and in the future may invest, in new business strategies or acquisitions. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, greater-than-expected liabilities and expenses, economic, political, legal and regulatory challenges associated with operating in new businesses, regions or countries, inadequate return on capital, potential impairment of tangible and intangible assets, and significant write-offs. These new ventures are inherently risky and may not be successful. The failure of any significant investment could adversely affect the Group's reputation, financial condition and operating results.

The Group's business and reputation may be impacted by information technology system failures or network disruptions.

The Group is exposed to information technology system failures or network disruptions caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, or other events or disruptions. System redundancy and other continuity measures may be ineffective or inadequate, and the Group's business continuity and disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions can adversely impact the Group's business by, among other things, preventing access to the Group's online services, interfering with customer transactions or impeding the manufacturing and shipping of the Group's products. These events could materially adversely affect the Group's reputation, financial condition and operating results.

There may be losses or unauthorized access to or releases of confidential information, including personally identifiable information, that could subject the Group to significant reputational, financial, legal and operational consequences.

The Group's business requires it to use and store confidential information including, among other things, personally identifiable information ("PII") with respect to the Group's customers and employees. The Group devotes significant resources to network and data security, including through the use of encryption and other security measures intended to protect its systems and data. But these measures cannot provide absolute security, and losses or unauthorized access to or releases of confidential information occur and could materially adversely affect the Group's reputation, financial condition and operating results.

The Group's business also requires it to share confidential information with suppliers and other third parties. Although the Group takes steps to secure confidential information that is provided to third parties, such measures are not always effective and losses or unauthorized access to or releases of confidential information occur and could materially adversely affect the Group's reputation, financial condition and operating results.

For example, the Group may experience a security breach impacting the Group's information technology systems that compromises the confidentiality, integrity or availability of confidential information. Such an incident could, among other things, impair the Group's ability to attract and retain customers for its products and services, materially damage supplier relationships, and expose the Group to litigation or government investigations, which could result in penalties, fines or judgments against the Group.

Although malicious attacks perpetrated to gain access to confidential information, including PII, affect many companies across various industries, the Group is at a relatively greater risk of being targeted because of its high profile and the value of the confidential information it creates, owns, manages, stores and processes.

The Group has implemented systems and processes intended to secure its information technology systems and prevent unauthorized access to or loss of sensitive data, including through the use of encryption and authentication technologies. As with all companies, these security measures may not be sufficient for all eventualities and may be vulnerable to hacking, employee error, malfeasance, system error, faulty password management or other irregularities. For example, third parties fraudulently induce employees or customers into disclosing user names, passwords or other sensitive information, which may, in turn, be used to access the Group's information technology systems. To help protect customers and the Group, the Group monitors its services and systems for unusual activity and may freeze accounts under suspicious circumstances, which, among other things, may result in the delay or loss of customer orders or impede customer access to the Group's products and services.

Risk and Uncertainties *(continued)*

In addition to the risks relating to general confidential information described above, the Group is also subject to specific obligations relating to health data and payment card data. Health data is subject to additional privacy, security and breach notification requirements, and the Group can be subject to audit by governmental authorities regarding the Group's compliance with these obligations. If the Group fails to adequately comply with these rules and requirements, or if health data is handled in a manner not permitted by law or under the Group's agreements with healthcare institutions, the Group could be subject to litigation or government investigations, may be liable for associated investigatory expenses, and could also incur significant fees or fines.

Under payment card rules and obligations, if cardholder information is potentially compromised, the Group could be liable for associated investigatory expenses and could also incur significant fees or fines if the Group fails to follow payment card industry data security standards. The Group could also experience a significant increase in payment card transaction costs or lose the ability to process payment cards if it fails to follow payment card industry data security standards, which would materially adversely affect the Group's reputation, financial condition and operating results.

While the Group maintains insurance coverage that is intended to address certain aspects of data security risks, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise.

The Group's business is subject to a variety of laws, rules, policies and other obligations regarding data protection.

The Group is subject to laws relating to the collection, use, retention, security and transfer of PII. In many cases, these laws apply not only to third-party transactions, but also may restrict transfers of PII among the Group. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. These laws continue to develop and may be inconsistent from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause the Group to incur substantial costs or require the Group to change its business practices. Noncompliance could result in significant penalties or legal liability.

The Group makes statements about its use and disclosure of PII through its privacy policy, information provided on its website and press statements. Any failure by the Group to comply with these public statements or with international privacy-related or data protection laws and regulations could result in proceedings against the Group by governmental entities or others. In addition to reputational impacts, penalties could include ongoing audit requirements and significant legal liability.

The Group's business can be impacted by political events, international trade disputes, war, terrorism, natural disasters, public health issues, industrial accidents and other business interruptions.

Political events, international trade disputes, war, terrorism, natural disasters, public health issues, industrial accidents and other business interruptions could harm or disrupt international commerce and the global economy, and could have a material adverse effect on the Group and its customers, suppliers, contract manufacturers, logistics providers, distributors, cellular network carriers and other channel partners.

International trade disputes can result in tariffs, sanctions, and other measures that restrict international trade and can adversely affect the Group's business. Tariffs may increase the cost of the Group's products and the components and raw materials that go into making them. These increased costs adversely impact the gross margin that the Group earns on its products. Tariffs can also make the Group's products more expensive for customers, which could make the Group's products less competitive and reduce consumer demand. Countries may also adopt other measures, such as controls on imports or exports of goods, technology or data, that could adversely impact the Group's operations and supply chain and limit the Group's ability to offer its products and services as designed. These measures can require the Group to take various actions, including change suppliers, restructure business relationships, and stop offering third-party applications on its platforms. Changing the Group's operations in accordance with new or changed trade restrictions may be expensive, time-consuming, disruptive to the Group's operations and distracting to management. Trade restrictions may be announced with little or no advance notice and the Group may not be able to effectively mitigate all adverse impacts from such measures. Political uncertainty surrounding international trade disputes could also have a negative effect on consumer confidence and spending, which could adversely affect the Group's business.

Many of the Group's operations and facilities, as well as critical business operations of the Group's suppliers and contract manufacturers, are in locations that are prone to earthquakes and other natural disasters. In addition, such operations and facilities are subject to the risk of interruption by fire, power shortages, nuclear power plant accidents and other industrial accidents, terrorist attacks and other hostile acts, labour disputes, public health issues, including pandemics such as the COVID-19 pandemic, and other events beyond the Group's control. Global climate change could result in certain types of natural disasters occurring more frequently or with more intense effects. Such events could make it difficult or impossible for the Group to manufacture and deliver products to its customers, create delays and inefficiencies in the Group's supply and manufacturing chain, and result in slowdowns and outages to the Group's service offerings. Following an interruption to its

Risk and Uncertainties *(continued)*

business, the Group could require substantial recovery time, experience significant expenditures to resume operations, and lose significant sales. Because the Group relies on single or limited sources for the supply and manufacture of many critical components, a business interruption affecting such sources would exacerbate any negative consequences to the Group.

The Group's operations are also subject to the risks of industrial accidents at its suppliers and contract manufacturers. While the Group's suppliers are required to maintain safe working environments and operations, an industrial accident could occur and could result in disruption to the Group's business and harm to the Group's reputation. Major public health issues, including pandemics such as the COVID-19 pandemic, have adversely affected, and could in the future adversely affect, the Group due to their impact on the global economy and demand for consumer products; the imposition of protective public safety measures, such as stringent employee travel restrictions and limitations on freight services and the movement of products between regions; and disruptions in the Group's supply chain and sales and distribution channels, resulting in interruptions of the supply of current products and delays in production ramps of new products.

While the Group maintains insurance coverage for certain types of losses, such insurance coverage may be insufficient to cover all losses that may arise.

The Group expects its net sales and operating results to fluctuate.

The Group's profit margins vary across its products, services, geographic segments and distribution channels. For example, the gross margins on the Group's products and services vary significantly and can change over time. The Group's gross margins are subject to volatility and downward pressure due to a variety of factors, including: continued industry-wide global product pricing pressures and product pricing actions that the Group may take in response to such pressures; increased competition; the Group's ability to effectively stimulate demand for certain of its products and services; compressed product life cycles; potential increases in the cost of components, outside manufacturing services, and developing, acquiring and delivering content for the Group's services; the Group's ability to manage product quality and warranty costs effectively; shifts in the mix of products and services, or in the geographic, currency or channel mix; fluctuations in foreign exchange rates; and the introduction of new products or services, including new products or services with higher cost structures. These and other factors could have a materially adverse impact on the Group's financial condition and operating results.

The Group has historically experienced higher net sales in its first quarter compared to other quarters in its fiscal year due in part to seasonal holiday demand. Additionally, new product and service introductions can significantly impact net sales, cost of sales and operating expenses. Further, the Group generates a significant portion of its net sales from a single product and a decline in demand for that product could significantly impact net sales. The Group could also be subject to unexpected developments, such as lower-than-anticipated demand for the Group's products or services, issues with new product or service introductions, information technology system failures or network disruptions, or failure of one of the Group's logistics, components supply, or manufacturing partners.

The Group's financial performance is subject to risks associated with changes in the value of the U.S. dollar relative to local currencies.

The Group's primary exposure to movements in foreign currency exchange rates relates to non–U.S. dollar–denominated sales, cost of sales and operating expenses worldwide. Gross margins on the Group's products in foreign countries and on products that include components obtained from foreign suppliers could be materially adversely affected by foreign currency exchange rate fluctuations.

The weakening of foreign currencies relative to the U.S. dollar adversely affects the U.S. dollar value of the Group's foreign currency–denominated sales and earnings, and generally leads the Group to raise international pricing, potentially reducing demand for the Group's products. In some circumstances, for competitive or other reasons, the Group may decide not to raise international pricing to offset the U.S. dollar's strengthening, which would adversely affect the U.S. dollar value of the gross margins the Group earns on foreign currency–denominated sales.

Conversely, a strengthening of foreign currencies relative to the U.S. dollar, while generally beneficial to the Group's foreign currency–denominated sales and earnings, could cause the Group to reduce international pricing and incur losses on its foreign currency derivative instruments, thereby limiting the benefit. Additionally, strengthening of foreign currencies may increase the Group's cost of product components denominated in those currencies, thus adversely affecting gross margins.

The Group uses derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not be effective to offset any, or more than a portion, of the adverse financial effects of unfavourable movements in foreign exchange rates over the limited time the hedges are in place.

Risk and Uncertainties *(continued)*

The Group is exposed to credit risk and fluctuations in the values of its investment portfolio.

The Group's investments can be negatively affected by liquidity, credit deterioration, financial results, market and economic conditions, political risk, sovereign risk, interest rate fluctuations or other factors. As a result, the value and liquidity of the Group's cash, cash equivalents, and marketable and non-marketable securities may fluctuate substantially. Therefore, although the Group has not realized any significant losses on its cash, cash equivalents, and marketable and non-marketable securities, future fluctuations in their value could result in significant losses and could have a material adverse impact on the Group's financial condition and operating results.

The Group is exposed to credit risk on its trade accounts receivable, vendor non-trade receivables and prepayments related to long-term supply agreements, and this risk is heightened during periods when economic conditions worsen.

The Group distributes its products through third-party cellular network carriers, wholesalers, retailers and resellers. The Group also sells its products directly to small and mid-sized businesses and education, enterprise and government customers. A substantial majority of the Group's outstanding trade receivables are not covered by collateral, third-party bank support or financing arrangements, or credit insurance, and a significant portion of the Group's trade receivables can be concentrated within cellular network carriers or other resellers. The Group's exposure to credit and collectibility risk on its trade receivables is higher in certain international markets and its ability to mitigate such risks may be limited. The Group also has unsecured vendor non-trade receivables resulting from purchases of components by outsourcing partners and other vendors that manufacture sub-assemblies or assemble final products for the Group. In addition, the Group has made prepayments associated with long-term supply agreements to secure supply of inventory components. As of 26 September 2020, the Group's vendor non-trade receivables and prepayments related to long-term supply agreements were concentrated among a few individual vendors located primarily in Asia. While the Group has procedures to monitor and limit exposure to credit risk on its trade and vendor non-trade receivables, as well as long-term prepayments, there can be no assurance such procedures will effectively limit its credit risk and avoid losses.

The Group could be subject to changes in its tax rates, the adoption of new local or international tax legislation or exposure to additional tax liabilities.

The Group is subject to taxes in numerous foreign jurisdictions, including Ireland, where a number of the Group's subsidiaries are organized. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. The Group's effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, the introduction of new taxes, or changes in tax laws or their interpretation, including in Ireland.

The Group is also subject to the examination of its tax returns and other tax matters by tax authorities and governmental bodies. The Group regularly assesses the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of its provision for taxes. There can be no assurance as to the outcome of these examinations. If the Group's effective tax rates were to increase, particularly in Ireland, or if the ultimate determination of the Group's taxes owed is for an amount in excess of amounts previously accrued, the Group's financial condition and operating results could be materially adversely affected.

The Group manages all its risk and uncertainties together with its ultimate parent Apple Inc..

Refer to Note 7, "Financial Risk Management and Financial Instruments" of the consolidated financial statements for details of the Group's financial risk management policies.

Dividends

Dividends of $81.5 billion (2019: $196.5 billion) were paid by the Group with $81.8 billion (2019: $196.7 billion) paid by the Company to its ultimate parent Apple Inc. during the year. The dividends were fully subject to U.S. tax.

Books and Accounting Records

The directors believe that they have complied with the requirements of Section 281 to 285 of the Companies Act 2014 with regard to accounting records by appointing accounting personnel with appropriate expertise and by providing adequate resources to the finance function. These books and accounting records are maintained at the Company's registered office, Hollyhill Industrial Estate, Hollyhill, Co. Cork, Ireland.

Apple Operations International Limited

DIRECTORS' REPORT

Directors, Secretary and Their Interests

The directors of the Company who served during the year were, Michael Joseph Boyd Jnr., Peter Denwood, Jeffrey Myers and Damon Nakamura as an alternate director to Michael Joseph Boyd Jnr. The secretary of the Company during the year was Peter Denwood.

The directors and secretary who held office at 26 September 2020 had no interests in shares in or debentures of the Company or any related undertaking of the Company at the end of the financial year, or at the beginning of the financial year (or date of appointment, if later) requiring disclosure in the Directors' Report under Section 329 of the Companies Act 2014.

Directors' Compliance Statement

As required by Section 225 of the Companies Act 2014, the directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in that legislation). The directors further confirm that a compliance policy statement has been drawn up, and that appropriate arrangements and structures have been put in place that are, in the directors opinion, designed to secure material compliance with the relevant obligations. A review of these arrangements and structures has been conducted during the financial year to which the report relates.

Post Balance Sheet Events

The Group and Company declared and paid a dividend of $17.9 billion subsequent to the financial year end.

Research and Development

The Group carries out research and development activities.

Relevant Audit Information

The directors believe that they have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information, as defined under Section 330 of the Companies Act 2014, and to establish that the Group's statutory auditors are aware of that information. In so far as they are aware, there is no relevant audit information of which the Group's statutory auditors are unaware.

Audit Committee

The directors of the Company decided not to establish an audit committee. The directors consider that the responsibilities and functions of the audit committee under the requirements of the Companies Act 2014 are directly or indirectly performed by the Apple Inc. Audit and Finance Committee.

Independent Auditor

Ernst & Young, Chartered Accountants, will continue in office in accordance with Section 383(2) of the Companies Act 2014.

On behalf of the board

P. R. Denwood

Peter Denwood
Director

Date: 12 February 2021

M. J. Boyd

Michael Joseph Boyd Jnr.
Director

Date: 12 February 2021

Apple Operations International Limited

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and financial statements of the Company and the Group in accordance with applicable law and regulations.

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. The directors have prepared the consolidated financial statements of the Group in accordance with IFRS and those parts of the Companies Act 2014 applicable to companies reporting under IFRS. The directors have elected to prepare the Company financial statements in accordance with FRS 102 and the Companies Act 2014.

Under Irish company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities, and financial position of the Company and of the Group as of the end of the financial year, and the profit or loss of the Group taken as a whole for the financial year, and otherwise comply with the Companies Act 2014.

In preparing these Group and Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and reasons for any material departure from those standards; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for ensuring that the Company keeps adequate accounting records which correctly explain and record the transactions of the Company, enabling at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, and ensuring that the Group and the Company financial statements and directors' report comply with the Companies Act 2014 and enable them to be audited. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

On behalf of the board

Peter Denwood
Director

Date: 12 February 2021

Michael Joseph Boyd Jnr.
Director

Date: 12 February 2021

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APPLE OPERATIONS INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of Apple Operations International Limited ('the Company') and its subsidiaries ('the Group') for the year ended 26 September 2020, which comprise the Consolidated Statements of Operations, Consolidated Statements of Comprehensive Income, Consolidated Balance Sheets, Consolidated Statements of Shareholders' Equity, Consolidated Statements of Cash Flows, Company Statements of Financial Position, Company Statements of Changes in Equity and notes to the financial statements, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, Accounting Standards including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (Irish Generally Accepted Accounting Practice).

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 26 September 2020 and of its profit for the year then ended;
- the Company financial statements give a true and fair view of the assets, liabilities and financial position of the Company as at 26 September 2020;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with Irish Generally Accepted Accounting Practice; and
- the Group financial statements and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

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

Respective responsibilities

Responsibilities of directors for the financial statements
As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the parent Company or to cease operations, or has no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our Auditor's Report.

The purpose of our audit work and to whom we owe our responsibilities
Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

George Deegan
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm

Dublin

17 February 2021

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the Directors' Report is consistent with the financial statements; and
- in our opinion, the Directors' Report has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company statement of financial position is in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Apple Operations International Limited

CONSOLIDATED STATEMENTS OF OPERATIONS

	Note	Years ended 26 September 2020	28 September 2019
		$'m	$'m
Net sales	3	148,168	140,992
Cost of sales		(90,227)	(86,851)
Gross margin		57,941	54,141
Operating expenses:			
Research and development		(15,489)	(7,590)
Selling, general and administrative		(9,133)	(8,501)
Total operating expenses		(24,622)	(16,091)
Operating income		33,319	38,050
Other income/(expense),net	4	489	3,636
Income before provision for income taxes		33,808	41,686
Provision for income taxes	6	(6,149)	(6,191)
Net income		27,659	35,495

See accompanying notes to consolidated financial statements.

Apple Operations International Limited

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended	
	26 September 2020	**28 September 2019**
	$'m	**$'m**
Net income	27,659	35,495
Other comprehensive income/(loss) which will be reclassified to the Statements of Operations in subsequent periods:		
Change in foreign currency translation, net of tax	42	(204)
Change in unrealised gains/losses on derivative instruments, net of tax:		
Change in fair value of derivatives	52	722
Adjustment for net (gains)/losses realised and included in net income	(817)	(647)
Total change in unrealised gains/losses on derivative instruments	(765)	75
Change in unrealised gains/losses on marketable securities, net of tax:		
Change in fair value of marketable securities	115	3,714
Adjustment for net (gains)/losses realised and included in net income	—	61
Total change in unrealised gains/losses on marketable securities	115	3,775
Total other comprehensive income/(loss)	(608)	3,646
Total comprehensive income	27,051	39,141

See accompanying notes to consolidated financial statements.

Apple Operations International Limited

CONSOLIDATED BALANCE SHEETS

	Note	As of 26 September 2020 $'m	As of 28 September 2019 $'m
Current assets:			
Cash and cash equivalents	7	8,613	17,530
Marketable securities	7	4,267	19,395
Accounts receivable, net	4/7	20,166	25,345
Inventories		2,536	2,278
Other current assets		6,159	7,812
Total current assets		41,741	72,360
Non-current assets:			
Marketable securities	7	14,352	27,974
Property, plant and equipment, net	8	13,853	12,248
Deferred tax asset	6	10,931	14,216
Other non-current assets		5,547	6,314
Total non-current assets		44,683	60,752
Total assets		86,424	133,112
Current liabilities:			
Accounts payable	4/7	30,067	27,899
Other current liabilities		16,288	14,770
Deferred revenue		2,642	2,261
Total current liabilities		48,997	44,930
Non-current liabilities:			
Other non-current liabilities		11,064	7,568
Total non-current liabilities		11,064	7,568
Total liabilities		60,061	52,498
Shareholders' equity:			
Called up share capital presented as equity	10	—	—
Retained earnings		26,625	80,459
Other reserves		(262)	155
Total shareholders' equity		26,363	80,614
Total liabilities and shareholders' equity		86,424	133,112

See accompanying notes to consolidated financial statements.

On behalf of the board

P. R. Denwood

Peter Denwood
Director

Date: 12 February 2021

M J Boyd

Michael Joseph Boyd Jnr.
Director

Date: 12 February 2021

Apple Operations International Limited

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Called up share capital presented as equity	Retained earnings	Other reserves	Total shareholders' equity
	$'m	$'m	$'m	$'m
Balances as of 29 September 2018	1	241,469	(3,487)	237,983
Net income	—	35,495	—	35,495
Other comprehensive income/(loss)	—	—	3,646	3,646
Dividends*	—	(196,526)	—	(196,526)
Tax benefit from equity awards	—	—	16	16
Transfer between reserves	(1)	21	(20)	—
Balances as of 28 September 2019	—	80,459	155	80,614
Net income	—	27,659	—	27,659
Other comprehensive income/(loss)	—	—	(608)	(608)
Dividends*	—	(81,493)	—	(81,493)
Tax benefit from equity awards	—	—	124	124
Capital contribution	—	—	67	67
Balances as of 26 September 2020	—	26,625	(262)	26,363

* Dividend per share for 2020 was $8,149,256 (2019: $19,652,604)

See accompanying notes to consolidated financial statements.

Apple Operations International Limited

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended	
	26 September 2020	28 September 2019
	$'m	$'m
Cash and cash equivalents, beginning balances	17,530	15,978
Operating activities:		
Net income	27,659	35,495
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortisation	6,888	8,340
Deferred income tax expense	3,556	2,543
Other	(131)	(434)
Changes in operating assets and liabilities:		
Accounts receivable, net	5,331	1,648
Other current and non-current assets	2,683	144
Accounts payable	2,057	(2,531)
Deferred revenue	923	(482)
Other current and non-current liabilities	(444)	(169)
Cash generated by operating activities	48,522	44,554
Investing activities:		
Purchases of marketable securities	(11,810)	(23,330)
Proceeds from maturities of marketable securities	10,455	27,799
Proceeds from sales of marketable securities	11,839	47,362
Payments for acquisition of property, plant and equipment	(3,032)	(5,493)
Purchases of non-marketable securities	(210)	(1,001)
Proceeds from sales of non-marketable securities	92	1,634
Other	(1,738)	1,061
Cash generated by investing activities	5,596	48,032
Financing activities:		
Payments for dividends	(62,470)	(91,034)
Payments for lease liabilities	(565)	—
Cash used in financing activities	(63,035)	(91,034)
Increase/(Decrease) in cash and cash equivalents	(8,917)	1,552
Cash and cash equivalents, ending balances	8,613	17,530
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	2,385	2,229

See accompanying notes to consolidated financial statements.

Apple Operations International Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS and those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

Basis of Presentation and Preparation

The consolidated financial statements are presented in U.S. dollars ("$") which is the Company's functional and presentational currency. The consolidated financial statements, which are rounded to the nearest million (unless otherwise stated) have been prepared under the historical cost convention, except where assets and liabilities are stated at fair value in accordance with relevant accounting policies.

The consolidated financial statements are comprised of Apple Operations International Limited and its subsidiaries. Subsidiaries are included in the Group financial statements from the date on which control over the operating and financing policies is obtained, and cease to be consolidated from the date on which control is transferred out of the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All intercompany transactions, balances and unrealised gains on transactions between Group subsidiaries are eliminated on consolidation.

The Group's financial year is the 52 or 53 week period that ends on the last Saturday of September. The Group's fiscal years 2020 and 2019 spanned 52 weeks.

Refer to Note 1, "Summary of Significant Accounting Policies" in the Company's financial statements for details relating to the basis of preparation for the Company.

All of the entities incorporated in Ireland, as set out in Note 2, have availed of the exemption under the respective Irish company law requirements of Section 357 of the Companies Act 2014 from the requirement to annex their statutory financial statements to their annual return. All of the entities incorporated in Germany (except Shazam Media Services GmbH), as set out in Note 2, have availed of the exemptions regarding (i) the disclosure of individual financial statements pursuant to Section 264 (3) German Commercial Code (for entities in the legal form of a GmbH) or Section 264b German Commercial Code (for entities in the legal form of a KG) and (ii) if and to the extent required, the preparation, audit and disclosure of consolidated accounts pursuant to Section 291 German Commercial Code.

Judgements and Key Sources of Estimation Uncertainty

Management makes estimates and assumptions concerning the future in the preparation of the consolidated financial statements which can significantly impact the reported amounts of assets and liabilities. The significant estimates and assumptions used in the preparation of the Group's financial statements are outlined in the relevant notes. Actual results could differ materially from those estimated.

Management believes the Group's critical accounting policies and estimates are those related to revenue recognition, valuation of manufacturing-related assets and estimation of inventory purchase commitment cancellation fees, warranty costs, income taxes and legal and other contingencies. Management considers these policies critical because they are both important to the portrayal of the Group's financial condition and operating results, and they require management to make judgments and estimates about inherently uncertain matters.

Recently Adopted Accounting Pronouncements

Leases

In 2020, the Group adopted IFRS 16 *Leases*, which modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities and disclosing key information about leasing arrangements. The Group adopted IFRS 16 utilizing the modified retrospective transition method through a cumulative-effect adjustment at the beginning of 2020. Adoption of IFRS 16 resulted in the recognition of $3.1 billion of right-of-use ("ROU") assets and $3.3 billion of lease liabilities.

Note 1 – Summary of Significant Accounting Policies *(continued)*

Recently Adopted Accounting Pronouncements *(continued)*

Upon transition, the Group elected not to apply IFRS 16 to arrangements that were not previously identified as leases under IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. At transition, lease liabilities were measured using the Group's incremental borrowing rate as of 29 September 2019, the weighted-average of which was 1.4%. The lease liability recognized on 29 September 2019 differs from lease commitments previously reported as of the end of 2019, due to the impact of the following in applying IFRS 16:

	$'m
Lease commitment as of 28 September 2019	4,360
Discounted using the incremental borrowing rate at 29 September 2019	(348)
Leases not commenced at 28 September 2019	(745)
Lease liability as of 29 September 2019	3,267

Accounting Pronouncements Effective After 26 September 2020

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 26 September 2020 and have not been applied in preparing the consolidated financial statements of the Group. None of the standards are expected to have a material effect on the consolidated financial statements of the Group.

Revenue Recognition

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

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

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

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

Note 1 – Summary of Significant Accounting Policies *(continued)*

For the sale of third-party products where the Group obtains control of the product before transferring it to the customer, the Group recognises revenue based on the gross amount billed to customers. The Group considers multiple factors when determining whether it obtains control of third-party products including, but not limited to, evaluating if it has the ability to establish the price of the product, retains inventory risk for tangible products or has the responsibility for ensuring acceptability of the product. For third-party applications sold through the App Store and certain digital content sold through the Group's other digital content stores, the Group does not obtain control of the product before transferring it to the customer. Therefore, the Group accounts for such sales on a net basis by recognising in services net sales only the commission it retains.

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

Share-Based Compensation

The Group generally measures share-based compensation based on the closing price of Apple Inc.'s common stock on the date of grant, and recognises expense on a straight-line basis for its estimate of equity awards that will ultimately vest. Further information regarding share-based compensation can be found in Note 5, "Share-Based Compensation".

Income Taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements of the Group except where the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Uncertain tax positions are evaluated in a two-step process. The Group first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more likely than not recognition threshold it is then measured to determine the amount of benefit to recognise in the financial statements. The tax position is measured as the single best estimate.

Current and deferred tax is recognised in the Consolidated Statements of Operations, except to the extent that it relates to items recognised in the Consolidated Statements of Comprehensive Income or directly in the Consolidated Statements of Shareholders' Equity. In this case, the tax is also recognised in the Consolidated Statements of Comprehensive Income or directly in the Consolidated Statements of Shareholders' Equity, respectively.

Note 1 – Summary of Significant Accounting Policies *(continued)*

Financial Instruments

(a) Recognition

The Group classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortised cost. The Group determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Group's business model for managing the financial assets and their contractual cash flow characteristics. For other equity instruments, on the day of acquisition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Group has opted to measure them at FVTPL.

(b) Measurement

Financial assets at FVTOCI

Financial assets at FVTOCI are initially recognised at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognised in the Consolidated Statements of Comprehensive Income.

Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value and subsequently carried at amortised cost less any impairment.

Cash and cash equivalents comprise of cash balances, call deposits and deposits with original maturity of three months or less.

Financial assets and liabilities at FVTPL

Financial assets and liabilities at FVTPL are initially recorded at fair value and transaction costs are expensed in the Consolidated Statements of Operations. Realised and unrealised gains and losses arising from changes in the fair value of financial assets and liabilities held at FVTPL are included in the Consolidated Statements of Operations in the period in which they arise.

(c) Impairment of financial assets at amortised cost and FVTOCI

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost and FVTOCI.

At each reporting date, the Group measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised.

(d) De-recognition

Financial assets

The Group de-recognises financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on de-recognition are recognised in the Consolidated Statements of Operations.

Financial liabilities

The Group de-recognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability de-recognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the Consolidated Statements of Operations.

Note 1 – Summary of Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Derivative Financial Instruments

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

For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income ("OCI") in the Consolidated Statements of Shareholder's Equity and reclassified into the Consolidated Statements of Operations in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognised in the Consolidated Statements of Operations in the current period. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions. For options designated as cash flow hedges, changes in the time value are excluded from the assessment of hedge effectiveness.

For derivative instruments that hedge the exposure to changes in foreign currency exchange rates used for translation of the net investment in a foreign operation and that are designated as a net investment hedge, the net gain or loss on the effective portion of the derivative instrument is reported in the same manner as a foreign currency translation adjustment. For forward exchange contracts designated as net investment hedges, the Group excludes changes in fair value relating to changes in the forward carry component from its definition of effectiveness. Accordingly, any gains or losses related to this forward carry component are recognised in earnings in the current period. Derivatives that do not qualify as hedges are adjusted to fair value through earnings in the current period.

Fair Value Measurements

The Group's valuation techniques used to measure the fair value of money market funds are derived from quoted prices in active markets for identical assets or liabilities. The valuation techniques used to measure the fair value of the Group's debt instruments and other financial instruments, which generally have counterparties with high credit ratings, are based on quoted market prices or model-driven valuations using significant inputs derived from or corroborated by observable market data.

Inventories

Inventories are measured using the first-in, first-out method.

Property, Plant and Equipment

Depreciation on property, plant and equipment is recognised on a straight-line basis over the estimated useful lives of the assets, which for buildings is the lesser of 40 years or the remaining life of the underlying building; between one and five years for machinery and equipment, including product tooling and manufacturing process equipment; and the shorter of lease term or useful life for leasehold improvements. Capitalised costs related to internal-use software are amortised on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years.

Warranty Costs

The Group 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 Group's typical experience. The Group regularly reviews these estimates and adjusts the warranty liabilities if actual product failure rates or repair costs differ from estimates.

Apple Operations International Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies *(continued)*

Leases

Accounting policy applicable from 29 September 2019

The Group recognizes ROU assets and lease liabilities at the lease commencement date, except for certain leases with a lease term of 12 months or less. For these leases, the Group recognizes the lease payments as an expense on a straight-line basis over the lease term.

ROU assets are initially measured at cost and subsequently measured applying the cost model. Depreciation is charged to the Consolidated Statements of Operations on a straight-line basis over the term of the lease.

Lease liabilities are initially measured equal to the present value of future lease payments. Lease liabilities are subsequently adjusted to reflect the accretion of interest, lease payments and remeasurement due to certain reassessment events.

Accounting policy applicable before 29 September 2019

Payments made under operating leases are charged to the Consolidated Statements of Operations on a straight-line basis over the term of the leases.

Note 2 – Other Statutory Information

Auditors' Remuneration

The following table shows the fees* paid to the independent auditor in 2020 and 2019:

	Years ended	
	26 September 2020	28 September 2019
	$'000	$'000
Audit of Financial Statements	846	831
Other Assurance Services	144	146
Tax Advisory Services	440	625
	1,430	1,602

*This excludes auditors' remuneration borne by Apple Inc. on behalf of the Group.

Staff Numbers and Costs

The following table shows the payroll costs incurred in 2020 and 2019:

	Years ended	
	26 September 2020	28 September 2019
	$'m	$'m
Wages and Salaries	3,308	2,822
Social Welfare costs	418	378
Share based payments (Note 5, "Share-Based Compensation")	941	848
Pension costs	175	150
	4,842	4,198

The average number of persons employed by the Group in 2020 was 51,255 (2019: 47,337).

Note 2 – Other Statutory Information *(continued)*

Group Undertakings

The following table shows the Group's undertakings as of 26 September 2020:

Name of company	Registered office	Nature of business
Akane LLC	Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States	Holding company
Apple Asia Limited	Suites 2401-2412, Tower One, Times Square, Causeway Bay, Hong Kong	Sales, distribution and related services
Apple Asia LLC	Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States	Sales, distribution and related services
Apple Computer Trading (Shanghai) Co., Ltd. *	Building 6, 88 Maji Road (District C), China (Shanghai), Pilot Free Trade Zone, China	Sales, distribution and related services
Apple South Asia Pte. Ltd.	7 Ang Mo Kio Street 64, 569086, Singapore	Sales, distribution and related services
Apple Electronics Products Commerce (Beijing) Company Limited *	Units 2, 4, 5, 6 on Level 20, Office Tower E1, The Towers, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, China	Sales, distribution and related services
Apple India Private Limited *	19th Floor, Concorde Tower C, UB City No. 24, Vittal Mallya Road, Bangaluru, Karnataka 560001, India	Sales, distribution, manufacturing and related services
Apple Japan, Inc.	Roppongi Hills, 6-10-1 Roppongi, Minato-ku, Tokyo 106-6140, Japan	Sales, distribution and related services
Apple Korea Limited	3901 ASEM Tower, 517 Yeongdong-daero, Gangnam-gu Seoul, 06164, Republic of Korea	Sales, distribution and related services
Apple M E FZCO	Business Centres World FZE N. 125, JAFZA View 18 & 19, 1st Floor, P.O. Box 262746 Jebel Ali Free Zone, Dubai, United Arab Emirates	Sales, distribution and related services
Apple Malaysia Sdn. Bhd.	B&M Consultancy Services Sdn. Bhd., Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia	Sales, distribution and related services
Apple Operations Limited	Hollyhill Industrial Estate, Hollyhill, Cork, Ireland	Procurement, sales and manufacturing support services
Apple Operations Europe Limited*	Hollyhill Industrial Estate, Hollyhill, Cork, Ireland	Procurement, manufacturing and distribution
Apple GmbH	Katharina-von-Bora-Strasse 3, 80333, Munich, Germany	Sales support, marketing and related services

Note 2 – Other Statutory Information *(continued)*

Name of company	Registered office	Nature of business
Apple Retail Sweden AB	c/o TMF Sweden AB, Sergels Torg 12, 11157 Stockholm, Sweden	Retail company
Limited Liability Company Apple Rus *	bld. 2,4 Romanov Lane, 6th floor premises II, room 54 125009, Moscow, Russian Federation	Sales, distribution and related services
Apple Israel Limited	12 Maskit Street, POB 12147, Herzliya Pituach, 4673312, Israel	Sales support, marketing, related services, research and development
PT Apple Indonesia	Gd. World Trade Center 2, Lt. 19, Jl. Jend. Sudirman, Kav. 29-31, Kel. Karet, Kec. Setiabudi, Jakarta, Selatan, 12920, Indonesia	Sales, distribution and related services
Apple Technical Services (Shanghai) Company Limited *	Unit 1702 (nominal level, actual level Unit 1502), No. 1249 Century Avenue, China (Shanghai) Pilot Free Trade Zone China	Technical services and other support services
Beats Holding One LLC *	Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States	Holding company
Beats Electronics International *	Hollyhill Industrial Estate, Hollyhill, Cork, Ireland	Inactive
Beats Electronics Hong Kong Limited *	14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong	Inactive
Apple Data Services Ireland Limited	Hollyhill Industrial Estate, Hollyhill, Cork, Ireland	Holding company
Apple ApS	Silkegade 8, 1st Floor, DK-1113, Copenhagen, Denmark	Operation of data centre
Apple Macau Limitada *	Avenida da Praia Grande, No. 759, 5th Floor, Macau, China	Sales, distribution and related services
Apple Teknoloji ve Satıs Limited Sirketi	Büyükdere Caddesi, No:199, Levent 199, Kat: 22 ve 23, Şişli, Mecidiyeköy, İstanbul, 34394, Turkey	Sales, distribution and related services
Sju Sekel AB	c/o TMF Sweden AB, Sergels Torg 12, 11157 Stockholm, Sweden	Holding company

Note 2 – Other Statutory Information *(continued)*

Name of company	Registered office	Nature of business
Apple Pty Limited	Levels 2-8, 20 Martin Place, Sydney NSW 2000, Australia	Sales, distribution and related services
Apple Retail Europe Limited	Hollyhill Industrial Estate, Hollyhill, Cork, Ireland	Holding company and retail business
Apple Sales International Limited	Hollyhill Industrial Estate, Hollyhill, Cork, Ireland	Holding company
Apple Sales Ireland Limited	Hollyhill Industrial Estate, Hollyhill, Cork, Ireland	Sales support, marketing, related services and holding company
Apple Trading (Shanghai) Company Limited*	Level 15, 16 (actual Level 13, 14), 1249 Century Avenue China (Shanghai) Pilot Free Trade Zone	Sales, distribution and related services
Apple Benelux B.V.	Leidseplein 29 Third Floor, 1017 PS, Amsterdam, The Netherlands	Sales support, marketing and related services
Apple Distribution International Limited	Hollyhill Industrial Estate, Hollyhill, Cork, Ireland	Sales, distribution and related services
Apple Holding B.V.	Leidseplein 29 Third Floor 1017 PS, Amsterdam, The Netherlands	Holding company
Apple Retail UK Limited	c/o TMF Group, 8th Floor, 20 Farringdon Street, London, EC4A 4AB, United Kingdom	Retail company
Apple Retail France E.U.R.L	3-5 rue Saint, Georges, 75009, Paris, France	Retail company
Apple Retail Italia S.R.L.	Corso Vercelli 40, 20145, Milan, Italy	Retail company
Apple Retail Germany B.V. & Co. KG	Thurn-und-Taxis Platz 6, 60313 Frankfurt Am Main, Germany	Retail business
Apple Retail Spain, S.L.U.	Calle Principe de Vergara 112, 4a planta, 28002, Madrid Spain	Retail company
Apple Retail Switzerland GmbH	c/o TMF Services SA, Zürich Branch Talstrasse 83, 8001, Zürich Switzerland	Retail company
Apple Retail Belgium BVBA	Havenlaan 86C, Box 204 Avenue du Port, B-1000 Brussels, Belgium	Retail company
Apple Retail Netherlands B.V.	Luna ArenA Herikerbergweg 238, 1101 CM, Amsterdam, The Netherlands	Retail company

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 – Other Statutory Information *(continued)*

Name of company	Registered office	Nature of business
Apple Sales New Zealand	c/o Simpson Grierson, Level 27, 88 Shortland Street, Auckland Central, Auckland, 1010, New Zealand	Sales, distribution and related services
Apple Europe Limited	100 New Bridge Street, London, EC4V 6JA, United Kingdom	Sales support, marketing and related services
Apple Vietnam Limited Liability Company	Unit 901, Deutsches Haus Ho Chi Minh City, No.33, Le Duan Blv., Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	Sales, distribution and related services
Apple Technology Services (Guizhou) Ltd *	Room 1, Level 2, Block B10, Complex B, Gui'an Cloud Valley Qianzhong Avenue, Electronics Information Industrial Park, Gui'an New Area, Guizhou, China	Technical services and other support services
Apple (UK) Limited	100 New Bridge Street, London EC4V 6JA, United Kingdom	Research and development, technical and other services
Apple Lithuania UAB	Jogailos g. 9 Vilnius, 01116, Lithuania	Sales support, marketing and related services
Apple Sales & Marketing Nigeria Ltd	St. Nicholas House (10th Floor) Catholic Mission Street, Lagos, Nigeria	Inactive
Apple Sales Romania S.R.L.	6L Iuliu Maniu Boulevard, Campus 6, Building 6.1, 1st floor, office 119, Sector 6, Bucharest Romania	Sales support, marketing and related services
Apple Technology Services (Ulanqab) Ltd.*	Room 402, South Side of Level 4 North Tower, Zhongchuang Building, Shuguang Road, Jining District, Ulanqab City, Inner Mongolia Autonomous Reg., China	Technical services and other support services
Apple Technology Services B.V. & Co. KG	Hackerbrücke 6, 80335, Munich, Bavaria-Bayern, Germany	Research and development services
Apple Saudi Arabia (a Single Shareholder Limited Liability Company)	Level 30, Faisaliah Tower, King Fahed Highway, Olayah District, P.O Box 54995, Riyadh, Saudi Arabia	Sales, distribution and related services
Shazam Media Services (Australia) Pty Ltd. *	c/o Baker McKenzie, Tower One - International Towers Sydney, Level 46, 100 Barangaroo Avenue, Sydney NSW 2000, Australia	Inactive
Shazam Media Services GmbH *	c/o Baker McKenzie, Friedrichstraße 88, 10117, Berlin, Germany	Inactive
Shazam Entertainment Limited *	The Shard, 32 London Bridge Street, London, SE1 9SG, United Kingdom	Holding company

Apple Operations International Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 – Other Statutory Information *(continued)*

Name of company	Registered office	Nature of business
Shazam Investments Limited *	The Shard, 32 London Bridge Street, London, SE1 9SG, United Kingdom	Inactive
Shazam Media Services Inc. *	Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States	Inactive
Stamplay Limited *	100 New Bridge Street, London, EC4V 6JA, United Kingdom	Inactive
IKinema Limited *	100 New Bridge Street, London, EC4V 6JA, United Kingdom	Inactive
Apple Mobile B.V. & Co. KG	Am Campeon 1-12, 85579, Neubiberg, Germany	Research and development services
Apple B.V. & Co KG	Freistädter Straße 400, 4040, Linz Austria	Research and development services
Apple France	7 Place d'Iéna, 75116, Paris, France	Sales support, marketing and related services
Spectral Edge Limited	100 New Bridge Street , London, EC4V 6JA, United Kingdom	Inactive
Voysis UK Limited*	15 Atholl Crescent, Edinburgh, EH3 8HA, Scotland	Inactive
Voysis Limited*	Rear Third Floor, 80 Harcourt Street, Dublin 2, Ireland	Inactive
Voysis Corporation*	Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States	Inactive
Apple Ukraine Limited Liability Company *	13-15 Bolsunovska St., IQ Business Centre, Kyiv, 01014, Ukraine	Inactive
Apple Investments Egypt LLC	Nile City Building, North Tower, 2005C, 22 Floor, Cornish El Nil, Cairo, 11624, Egypt	Holding company

Note 2 – Other Statutory Information *(continued)*

Name of company	Registered office	Nature of business
Apple Electronics Egypt LLC	Nile City Building, North Tower, 2005C, 22 Floor, Unit No. 2224, Cornish El Nil, Cairo, 11624, Egypt	Inactive
Apple Trading Egypt LLC*	Nile City Building, North Tower, 22 Floor 2005C, Unit No. 2224W3, Cornish El Nil, Ramlet Beaulac Cairo, 11624, Egypt	Sales support, marketing and related services
Aba Prefecture Hongyuan Huanju Ecological Energy Co., Ltd.(*)(****)	No. 15 Yang Ga Zhong Jie, Qiongxi Town, Hongyuan County, Sichuan Province, China	Operation of photovoltaic station
Aba Prefecture Zioge Huanju Ecological Energy Co., Ltd.(*)(****)	No. 4 Commerce Street, Zioge County, Sichuan Province, China	Operation of photovoltaic station
Hohhot Huanju New Energy Development Co., Ltd.(*)(***)	Qingshan Road, Wuchuan County, Inner Mongolia Autonomous Region, China	Operation of photovoltaic station
Nanyang Runtang New Energy Co., Ltd.(*)(**)	Industries Centralization Zone, Tanghe County, Nanyang City, Henan Province, China	Operation of wind farm power stations
Qiaojia Tianqiao Wind Power Co., Ltd.(*)(**)	Yibo San Village, Baihetan Town, Qiaojia County, Zhaotong City, Yunnan Province, China	Operation of a wind farm power station
Zibo Runchuan New Energy Co., Ltd. (*)(**)	No. 717 Chuangye Building, Zichuan Economic Development Zone, Zibo City, Shandong Province, China	Operation wind farm power station
Shuozhou Pinglu Sineng Wind Power Co., Ltd.(*)(**)	Second floor of Baixinyao Xincun, North side of Pingyang East Road, Pinglu District, Shuozhou City, Shanxi Province, China	Operation of wind farm power station

* Certain entities have a different financial year-end where required or permitted by local laws and/or regulations.

All Group entities listed above are, directly or indirectly, wholly owned subsidiaries of the Company or partnerships within the Group, except where the Group held 30%**, 34%*** and 44%**** respectively of the entity at year end. The shares held by the Company, directly or indirectly, are ordinary voting shares or an equivalent type of voting equity interest provided for under the laws of their jurisdiction of formation/incorporation.

Note 3 – Net Sales

Net sales disaggregated by products and services for 2020 and 2019 were as follows:

	Years ended	
	26 September 2020	28 September 2019
	$'m	$'m
Products (1)	122,771	119,606
Services (2)	25,397	21,386
Total net sales (3)	148,168	140,992

(1) Products net sales include amortisation of the deferred value of unspecified software upgrade rights, which are bundled in the sales price of the respective product.

(2) Services net sales include sales from the Group's advertising, AppleCare, digital content and other services. Services net sales also include amortisation of the deferred value of Maps, Siri and free iCloud services, which are bundled in the sales price of certain products.

(3) Includes $2.3 billion and $2.6 billion of revenue recognised in 2020 and 2019, respectively, that was included in deferred revenue at the beginning of each respective year.

Deferred Revenue

As of 2020 and 2019, the Company had total deferred revenue of $4.2 billion and $3.3 billion, respectively. As of 2020, the Company expects $2.6 billion of total deferred revenue to be realised in less than a year, and $1.6 billion in greater than one year.

Note 4 – Consolidated Financial Statement Details

The following tables show the consolidated financial statement details of the Group as of 26 September 2020 and 28 September 2019:

Accounts receivable, net

	As of 26 September 2020	As of 28 September 2019
	$'m	$'m
Trade receivables	8,227	12,478
Vendor non-trade receivables	10,256	10,443
Amounts owed from Ultimate Parent (Note 11, "Related Party Transactions")	912	1,843
Amounts owed from other Apple related parties (Note 11, "Related Party Transactions")	771	581
	20,166	25,345

Note 4 – Consolidated Financial Statement Details *(continued)*

Accounts payable

	As of 26 September 2020	As of 28 September 2019
	$'m	$'m
Trade payables	20,082	22,656
Amounts owed to Ultimate Parent (Note 11, "Related Party Transactions")	7,911	4,352
Amounts owed to other Apple related parties (Note 11, "Related Party Transactions")	2,074	891
	30,067	27,899

Other income/(expense),net

	Years ended	
	26 September 2020	28 September 2019
	$'m	$'m
Interest income	271	3,029
Other income/(expense)	218	607
	489	3,636

Note 5 – Share-Based Compensation

As of 26 September 2020, the Group's Ultimate Parent had employee benefit plans relevant to the Group: the 2014 Employee Stock Plan, and the Employee Stock Purchase Plan. Under these plans, the Group's Ultimate Parent issues shares of Apple Inc. upon vesting of restricted stock units ("RSUs"), or the employees' purchase of shares under the plans. The issuance of shares is undertaken solely by Apple Inc.. The relevant employee benefit plans are summarised as follows:

2014 Employee Stock Plan

In the second quarter of 2014, Apple shareholders approved the 2014 Employee Stock Plan (the "2014 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 common stock on a one-for-one basis. RSUs granted under the 2014 Plan reduces the number of shares available for grant under the plan by a factor of two times the number of RSUs granted. RSUs cancelled and shares withheld to satisfy tax withholding obligations increase the number of shares available for grant under the 2014 Plan utilising 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.

Employee Stock Purchase Plan

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

Note 5 – Share-Based Compensation *(continued)*

Restricted Stock Units

A summary of the Group's RSUs granted and related information for 2020 and 2019 is as follows:

	Years ended			
	26 September 2020		28 September 2019	
	Number of RSUs (in thousands)	Weighted-Average Grant Date Fair Value Per RSU	Number of RSUs (in thousands)	Weighted-Average Grant Date Fair Value Per RSU
Restricted Stock Units granted [(1)]	20,006	$ 58.97	17,648	$ 54.21

(1) On 28 August 2020, Apple Inc. effected a four-for-one stock split to shareholders of record as of 24 August 2020. All RSU information has been retroactively adjusted to reflect the stock split.

Share-Based Compensation Expense

The share-based compensation expense included in the Consolidated Statements of Operations for 2020 is $941 million (2019: $848 million).

Note 6 – Provision for Income Taxes

The major components of income tax for the years ended 26 September 2020 and 28 September 2019 are:

	Years ended	
	26 September 2020	28 September 2019
	$'m	$'m
Current income tax:		
Corporation tax charge	2,286	3,348
Change in estimates related to prior years	307	300
Total current income tax	2,593	3,648
Deferred income tax:		
Origination and reversal of temporary differences	3,746	2,715
Employee share-based payments	(60)	11
Change in estimates related to prior years	(130)	(183)
Total deferred income tax	3,556	2,543
Provision for income taxes	6,149	6,191

Note 6 – Provision for Income Taxes *(continued)*

The following table shows the reconciliation of income tax to accounting profit multiplied by the applicable tax rate for 2020 and 2019:

	Years ended	
	26 September 2020	**28 September 2019**
	$'m	**$'m**
Income before provision for income taxes	33,808	41,686
Tax charge at the applicable tax rate of 12.5%	4,226	5,211
Expenses not deductible for tax purposes	729	89
Differences in effective tax rates on overseas earnings	725	352
Change in estimates related to prior years	177	117
Other	292	422
Provision for income taxes	6,149	6,191

The corporate income taxes reported in the Consolidated Statements of Operations, Balance Sheets, and Statements of Cash Flows do not include U.S.-level corporate taxes borne by Apple Inc.

The Group's deferred tax assets are analysed as follows:

	Intra Group transactions	**Other**	**Total**
	$'m	**$'m**	**$'m**
As of 29 September 2018	13,844	2,795	16,639
Tax charged to the Consolidated Statements of Operations	(3,236)	693	(2,543)
Tax charged to the Consolidated Statements of Comprehensive Income	—	120	120
As of 28 September 2019	10,608	3,608	14,216
Tax charged to the Consolidated Statements of Operations	(3,263)	(293)	(3,556)
Tax charged to the Consolidated Statements of Comprehensive Income	—	180	180
Tax charged to the Consolidated Statements of Shareholders' Equity	—	91	91
As of 26 September 2020	7,345	3,586	10,931

Note 6 – Provision for Income Taxes *(continued)*

Uncertain tax position:

The Group classifies tax benefits that are not expected to result in payment or receipt of cash within one year as non-current liabilities in the Consolidated Balance Sheets.

The changes in the balance of gross tax benefits, for 2020 are as follows:

	As of 26 September 2020
	$'m
Carrying amount at beginning of year	4,441
Increases during the year	737
Decreases during the year	(400)
Carrying amount at end of year	4,778

The Group is subject to taxation and files income tax returns in many jurisdictions. The Group is subject to audits by local and foreign tax authorities.

The Group believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Group's tax audits are resolved in a manner not consistent with its expectations, the Group could be required to adjust its provision for income taxes in the period such resolution occurs.

On 30 August 2016, the European Commission announced its decision that Ireland granted state aid to the Group by providing tax opinions in 1991 and 2007 concerning the tax allocation of profits of the Irish branches of two subsidiaries of the Group (the "State Aid Decision"). The State Aid Decision ordered Ireland to calculate and recover additional taxes from the Group for the period June 2003 through December 2014. Irish legislative changes, effective as of January 2015, eliminated the application of the tax opinions from that date forward. The recovery amount was calculated to be €13.1 billion, plus interest of €1.2 billion. The Group and Ireland appealed the State Aid Decision to the General Court of the Court of Justice of the European Union (the "General Court"). On 15 July 2020, the General Court annulled the State Aid Decision. On 25 September 2020, the European Commission appealed the General Court's decision to the European Court of Justice.

On an annual basis, the Group may request approval from the Irish Minister for Finance to reduce the recovery amount for certain taxes paid to other countries. As of 26 September 2020, the adjusted recovery amount was €12.9 billion, excluding interest. The adjusted recovery amount plus interest is funded into escrow, where it will remain restricted from general use pending the conclusion of all legal proceedings. Refer to Note 7, "Financial Risk Management and Financial Instruments" for more information.

Note 7 - Financial Risk Management and Financial Instruments

The Group's activities expose it to a variety of financial risks that include interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk. These financial risks are actively managed by Apple Inc.'s Treasury Department on behalf of the Group under strict policies and guidelines. The Treasury Department monitors market conditions with a view to minimising the exposure of the Group to changing market factors while at the same time minimising the volatility of the funding costs of the Group. The Group uses derivative financial instruments such as foreign currency contracts to manage the financial risks associated with the underlying business activities of the Group.

Cash, Cash Equivalents, Marketable and Non-Marketable Securities

The Group classifies its marketable debt securities as either short-term or long-term based on each instrument's underlying contractual maturity date. Cash and cash equivalents comprise of cash balances, call deposits and deposits with original maturity of three months or less.

The following tables show the Group's cash, cash equivalents, marketable securities and non-marketable securities by significant investment category for 2020 and 2019:

	As of 26 September 2020					
	Adjusted Cost	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities	Other non-current assets
	$'m	$'m	$'m	$'m	$'m	$'m
Financial assets at amortised cost:						
Cash	4,237	4,237	4,237	—	—	—
Financial assets at fair value through profit or loss:						
Money market funds (1)	583	583	583	—	—	—
Non-marketable securities (2)(3)	2,712	2,633	—	—	—	2,633
Subtotal	3,295	3,216	583	—	—	2,633
Financial assets at fair value through other comprehensive income:						
U.S. Treasury securities (2)	2,665	2,682	—	1,605	1,077	—
Non-U.S. government securities (2)	13,003	13,026	—	2,182	10,844	—
Certificates of deposit and time deposits (2)	3,793	3,793	3,793	—	—	—
Corporate securities (2)	2,901	2,911	—	480	2,431	—
Subtotal	22,362	22,412	3,793	4,267	14,352	—
Total (4)	29,894	29,865	8,613	4,267	14,352	2,633

Note 7 - Financial Risk Management and Financial Instruments *(continued)*

Cash, Cash Equivalents, Marketable and Non-Marketable Securities *(continued)*

	As of 28 September 2019					
	Adjusted Cost	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities	Other non-current assets
	$'m	$'m	$'m	$'m	$'m	$'m
Financial assets at amortised cost:						
Cash	9,811	9,811	9,811	—	—	—
Financial assets at fair value through profit or loss:						
Money market funds (1)	5,739	5,739	5,739	—	—	—
Non-marketable securities (2)	2,588	2,856	—	—	—	2,856
Subtotal	8,327	8,595	5,739	—	—	2,856
Financial assets at fair value through other comprehensive income:						
U.S. Treasury securities (2)	14,072	14,028	—	6,562	7,466	—
U.S. agency securities (2)	1,480	1,478	295	722	461	—
Non-U.S. government securities (2)	13,345	13,393	—	2,329	11,064	—
Certificates of deposit and time deposits (2)	1,768	1,768	1,685	83	—	—
Commercial paper (2)	39	39	—	39	—	—
Corporate securities (2)	13,269	13,257	—	8,849	4,408	—
Mortgage- and asset-backed securities (2)	5,448	5,386	—	811	4,575	—
Subtotal	49,421	49,349	1,980	19,395	27,974	—
Total (4)	67,559	67,755	17,530	19,395	27,974	2,856

(1) Level 1 fair value estimates are based on quoted prices in active markets for identical assets or liabilities.

(2) Level 2 fair value estimates are based on 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.

(3) Level 3 fair value estimates are based on inputs that are unobservable.

(4) As of 26 September 2020, total cash, cash equivalents and marketable securities included $19.1bn (2019: $18.9bn) that was restricted from general use, related to the State Aid Decision (see Note 6, "Provision for Income Taxes") and other agreements.

The Group's valuation techniques used to measure the fair value of money market funds are derived from quoted prices in active markets for identical assets or liabilities. The valuation techniques used to measure the fair value of the Group's debt instruments and other financial instruments which generally have counter parties with high credit ratings, are valued based on quoted market prices or model-driven valuations using significant inputs derived from or corroborated by observable market data. The Group may sell certain of its marketable debt securities prior to their stated maturities for reasons including, but not limited to, managing liquidity, credit risk, duration and asset allocation. The maturities of the Group's long-term marketable debt securities generally range from one to five years. The non-marketable securities held at FVTPL consist of investments in privately held companies. The fair value of the non-marketable securities were derived from observable transactions for identical or similar assets or model-driven valuations.

Note 7 - Financial Risk Management and Financial Instruments *(continued)*

Interest Rate and Foreign Currency Risk Management

The Group regularly reviews its foreign exchange forward and option positions and interest rate swaps, both on a stand-alone basis and in conjunction with its underlying foreign currency and interest rate exposures. Given the effective horizons of the Group's risk management activities and the anticipatory nature of the exposures, there can be no assurance these positions will offset more than a portion of the financial impact resulting from movements in either foreign exchange or interest rates. Further, the recognition of the gains and losses related to these instruments may not coincide with the timing of gains and losses related to the underlying economic exposures and, therefore, may adversely affect the Group's financial condition and operating results.

Interest Rate Risk

The Group's exposure to changes in interest rates relates primarily to the Group's investment portfolio. While the Group is exposed to global interest rate fluctuations, the Group's interest income is most sensitive to fluctuations in Euro interest rates. Changes in Euro interest rates affect the interest earned on the Group's cash, cash equivalents and marketable securities and the fair value of those securities, as well as costs associated with hedging.

The Group's investment policy and strategy are focused on preservation of capital and supporting the Group's liquidity requirements. The Group uses a combination of internal and external management to execute its investment strategy and achieve its investment objectives. The Group typically invests in highly-rated securities, with the primary objective of minimising the potential risk of principal loss. The Group's investment policy generally requires investments to be investment grade and limits the amount of credit exposure to any one issuer. To provide a meaningful assessment of the interest rate risk associated with the Group's investment portfolio, the Group performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of the investment portfolio assuming a 100 basis point parallel shift in the yield curve. Based on investment positions as of 26 September 2020 and 28 September 2019, a hypothetical 100 basis point increase in interest rates across all maturities would result in a $326 million and $305 million incremental decline in the fair market value of the portfolio, respectively. Such losses would only be realised if the Group sold the investments prior to maturity.

Foreign Currency Risk

In general, the Group is a net receiver of currencies other than U.S. dollar. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar will negatively affect the Group's net sales and gross margins as expressed in U.S. dollars. There is a risk that the Group will have to adjust local currency product pricing due to competitive pressures when there has been significant volatility in foreign currency exchange rates.

The Group may enter into foreign currency forward and option contracts with financial institutions to protect against foreign exchange risks associated with certain existing assets and liabilities, certain firmly committed transactions, forecasted future cash flows and net investments in foreign subsidiaries. The Group generally hedges portions of its forecasted foreign currency exposure associated with revenue and inventory purchases, typically for up to 12 months. However, the Group may choose not to hedge certain foreign exchange exposures for a variety of reasons, including but not limited to, accounting considerations or the prohibitive economic cost of hedging particular exposures.

To provide a meaningful assessment of the foreign currency risk associated with certain of the Group's foreign currency derivative positions, the Group performed a sensitivity analysis using a value-at-risk ("VAR") model to assess the potential impact of fluctuations in exchange rates. The VAR model consisted of using a Monte Carlo simulation to generate thousands of random market price paths assuming normal market conditions. The VAR is the maximum expected loss in fair value, for a given confidence interval, to the Group's foreign currency derivative positions due to adverse movements in rates. The VAR model is not intended to represent actual losses but is used as a risk estimation and management tool. Forecasted transactions, firm commitments and assets and liabilities denominated in foreign currencies were excluded from the model. Based on the results of the model, the Group estimates with 95% confidence, a maximum one-day loss in fair value of $462 million as of 26 September 2020 compared to a maximum one-day loss in fair value of $411 million as of 28 September 2019. Because the Group uses foreign currency instruments for hedging purposes, the losses in fair value incurred on those instruments are generally offset by increases in the fair value of the underlying exposures.

Actual future gains and losses associated with the Group's investment portfolio and derivative positions may differ materially from the sensitivity analyses performed as of 26 September 2020 due to the inherent limitations associated with predicting the timing and amount of changes in interest rates, foreign currency exchange rates and the Group's actual exposures and positions.

Note 7 - Financial Risk Management and Financial Instruments *(continued)*

Price Risk

Future operating results depend upon the Group's ability to obtain components in sufficient quantities on commercially reasonable terms.

Because the Group currently obtains certain components from single or limited sources, the Group is subject to significant supply and pricing risks. Many components, including those that are available from multiple sources, are at times subject to industry-wide shortages and significant commodity pricing fluctuations that could materially adversely affect the Group's financial condition and operating results. While the Group has entered into agreements for the supply of many components, there can be no assurance that the Group will be able to extend or renew these agreements on similar terms, or at all. Component suppliers may suffer from poor financial conditions, which can lead to business failure for the supplier or consolidation within a particular industry, further limiting the Group's ability to obtain sufficient quantities of components on commercially reasonable terms.

The effects of global or regional economic conditions on the Group's suppliers could affect the Group's ability to obtain components. Therefore, the Group remains subject to significant risks of supply shortages and price increases that could materially adversely affect its financial condition and operating results. The Group's new products often utilise custom components available from only one source. When a component of product uses new technologies, initial capacity constraints may exist until the suppliers yields have matured or their manufacturing capacities have increased. The continued availability of these components at acceptable prices, or at all, can be affected for any number of reasons, including if those suppliers decide to concentrate on the production of common components instead of components customised to meet the Group's requirements. If the Group's supply of components for a new or existing product were delayed or constrained, or if an outsourcing partner delayed shipments of completed products to the Group, the Group's financial condition and operating results could be materially adversely affected. The Group's business and financial performance could also be materially adversely affected depending on the time required to obtain sufficient quantities from the original source, or to identify and obtain sufficient quantities from an alternative source.

Liquidity Risk

The Group believes its existing balances of cash and cash equivalents will be sufficient to satisfy its working capital needs. In connection with the State Aid Decision, as of 26 September 2020, the adjusted recovery amount of €12.9 billion plus interest was funded into escrow, where it will remain restricted from general use pending the conclusion of all legal proceedings.

As of 26 September 2020 and 28 September 2019, the Group's cash, cash equivalents and marketable securities were $27.2 billion and $64.9 billion, respectively, and are primarily invested in highly-rated securities with the primary objective of minimising the potential risk of principal loss. The Group's investment policy generally requires securities to be investment grade and limits the amount of credit exposure to any one issuer.

Note 7 - Financial Risk Management and Financial Instruments *(continued)*

Liquidity Risk *(continued)*

Maturity of financial liabilities

The following tables summarise the maturity profile of the Group's financial liabilities for 2020 and 2019 based on contractual payments:

	As of 26 September 2020			
	Carrying Amount	Contractual Amount	Period <1 year	Period 1-5 years
	$'m	$'m	$'m	$'m
Non-Derivative Financial Instruments:				
Accounts payable	30,067	30,067	30,067	—
Other current liabilities	13,184	13,184	13,184	—
Other non-current liabilities	3,511	3,511	—	3,511
Subtotal	46,762	46,762	43,251	3,511
Derivative Financial Instruments:				
Forward foreign exchange contracts	965	121,911	112,535	9,376

	As of 28 September 2019			
	Carrying Amount	Contractual Amount	Period <1 year	Period 1-5 years
	$'m	$'m	$'m	$'m
Non-Derivative Financial Instruments:				
Accounts payable	27,899	27,899	27,899	—
Other current liabilities	12,018	12,018	12,018	—
Other non-current liabilities	1,050	1,050	—	1,050
Subtotal	40,967	40,967	39,917	1,050
Derivative Financial Instruments:				
Foreign exchange contracts	214	117,008	107,701	9,307

Note 7 - Financial Risk Management and Financial Instruments *(continued)*

Credit Risk

Credit risk refers to the risk of financial loss to the Group if a counterparty defaults on its contractual obligations on financial assets held in the Consolidated Balance Sheets of the Group. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Consolidated Balance Sheets of the Group.

Accounts Receivable

The Group is exposed to credit risk on its trade accounts receivable, vendor non-trade receivables and amounts owed by related parties and this risk is heightened during periods when economic conditions worsen.

The Group has considerable trade receivables outstanding with its third-party cellular network carriers, wholesalers, retailers, resellers, small and mid-sized businesses and education, enterprise and government customers. The Group generally does not require collateral from its customers; however, the Group will require collateral or third-party credit support in certain instances to limit credit risk. In addition, when possible, the Group attempts to limit credit risk on trade receivables with credit insurance for certain customers or by requiring third-party financing, loans or leases to support credit exposure. These credit-financing arrangements are directly between the third-party financing company and the end customer. As such, the Group generally does not assume any recourse or credit risk sharing related to any of these arrangements.

The Group has non-trade receivables from certain of its manufacturing vendors resulting from the sale of components to these vendors who manufacture sub-assemblies or assemble final products for the Group. The Group purchases these components directly from suppliers.

As of 26 September 2020, a significant portion of the Group's trade receivables was concentrated within cellular network carriers and its vendor non-trade receivables were concentrated among a few individual vendors located primarily in Asia. While the Group has procedures to monitor and limit exposure to credit risk on its trade and vendor non-trade receivables, as well as amounts owed by related parties (see Note 11, "Related Party Transactions"), there can be no assurance such procedures will effectively limit its credit risk and avoid losses.

Accounts receivables are generally receivable within 30 days of the Consolidated Balance Sheet dates and are unsecured and non-interest bearing. The ageing analysis of accounts receivables, stated net of provisions for expected credit losses are as follows:

	Carrying Amount	
	As of 26 September 2020	**As of 28 September 2019**
	$'m	**$'m**
Neither past due nor impaired	20,114	25,240
Past due but not impaired	52	105
	20,166	25,345

Cash, Cash Equivalents, Marketable and Non-Marketable Securities

The Group is exposed to credit risk and fluctuations in the values of its investment portfolio. The Group's investments can be negatively affected by liquidity, credit deterioration, financial results, market and economic conditions, political risk, sovereign risk, interest rate fluctuations or other factors. As a result, the value and liquidity of the Group's cash, marketable and non-marketable securities may fluctuate substantially. Therefore, although the Group has not realised any significant losses on its cash, marketable and non-marketable securities, future fluctuations in their value could result in significant losses and could have a material adverse impact on the Group's financial condition and operating results.

Note 7 - Financial Risk Management and Financial Instruments *(continued)*

The following table shows the credit ratings of the Group's cash, marketable and non-marketable securities:

	Carrying Amount	
	As of 26 September 2020	As of 28 September 2019
	$'m	$'m
Investment Grade	27,231	63,719
Non-Investment Grade	2,634	4,036
	29,865	67,755

Capital Risk Management

Capital includes ordinary shares and equity attributable to the equity shareholders of the Group. The primary objective of the Group's capital management is to ensure that entities in the Group will be able to trade on a going concern basis. The Group's investment policy and strategy are focused on preservation of capital and supporting the Group's liquidity requirements. The Group uses a combination of internal and external management to execute its investment strategy and achieve its investment objectives.

No changes were made to the objectives, policies or processes for managing capital during the financial years ended 26 September 2020 and 28 September 2019.

	As of 26 September 2020	As of 28 September 2019
	$'m	$'m
Cash and cash equivalents (1)	8,613	17,530
Marketable securities (1)	18,619	47,369
Property, plant and equipment	13,853	12,248
Cash generated by operating activities	48,522	44,554
Cash generated by investing activities	5,596	48,032
Cash used in financing activities	(63,035)	(91,034)

(1) As of 26 September 2020, total cash and cash equivalents and marketable securities included $19.1bn (2019: $18.9bn) that was restricted from general use, related to the State Aid Decision (see Note 6, "Provision for Income Taxes") and other agreements.

During 2020, cash generated by operating activities of $48.5 billion (2019: $44.6 billion) was a result of $27.7 billion (2019: $35.5 billion) of net income, non-cash adjustments to net income of $10.3 billion (2019: $10.4 billion) and an increase in the net change in operating assets and liabilities of $10.6 billion (2019: a decrease of $1.4 billion). Cash generated by investing activities of $5.6 billion during 2020 (2019: cash generated $48.0 billion) consisted primarily of cash generated from the maturity and sale of marketable securities, net of purchases of marketable securities, of $10.5 billion (2019: cash generated $51.8 billion) and cash used to acquire property, plant and equipment of $3.0 billion (2019: $5.5 billion). Cash used in financing activities in 2020 consisted primarily of cash used to pay dividends of $62.5 billion (2019: $91.0 billion).

The Group believes its existing balances of cash and cash equivalents will be sufficient to satisfy its working capital needs over the next 12 months.

Note 7 - Financial Risk Management and Financial Instruments *(continued)*

Derivative Financial Instruments

The following tables show the Group's derivative instruments at gross fair value as of 26 September 2020 and 28 September 2019:

	As of 26 September 2020		
	Fair Value of Derivatives Designated as Hedge Instruments	Fair Value of Derivatives Not Designated as Hedge Instruments	Total Fair Value
	$'m	$'m	$'m
Derivative assets [1]:			
Foreign exchange contracts	701	259	960
Derivative liabilities [2]:			
Foreign exchange contracts	500	465	965

	As of 28 September 2019		
	Fair Value of Derivatives Designated as Hedge Instruments	Fair Value of Derivatives Not Designated as Hedge Instruments	Total Fair Value
	$'m	$'m	$'m
Derivative assets [1]:			
Foreign exchange contracts	1,786	312	2,098
Derivative liabilities [2]:			
Foreign exchange contracts	63	151	214

(1) The fair value of derivative assets is measured using Level 2 fair value inputs and is recorded as other current assets in the Consolidated Balance Sheets.

(2) The fair value of derivative liabilities is measured using Level 2 fair value inputs and is recorded as other current liabilities in the Consolidated Balance Sheets.

The Group may use derivatives to partially offset its business exposure to foreign currency and interest rate risk on expected future cash flows, net investments in certain foreign subsidiaries and certain existing assets and liabilities. However, the Group may choose not to hedge certain exposures for a variety of reasons including, but not limited to, accounting considerations and the prohibitive economic cost of hedging particular exposures. There can be no assurance the hedges will offset more than a portion of the financial impact resulting from movements in foreign currency exchange or interest rates.

Note 7 - Financial Risk Management and Financial Instruments *(continued)*

Derivative Financial Instruments (continued)

To protect gross margins from fluctuations in foreign currency exchange rates, certain of the Group's subsidiaries whose functional currency is the U.S. dollar may hedge a portion of forecasted foreign currency revenue, and subsidiaries whose functional currency is not the U.S. dollar may hedge a portion of forecasted inventory purchases not denominated in the subsidiaries' functional currencies. The Group may enter into forward contracts, option contracts or other instruments to manage this risk and may designate these instruments as cash flow hedges. The Group generally hedges portions of its forecasted foreign currency exposure associated with revenue and inventory purchases, typically for up to 12 months.

To protect the net investment in a foreign operation from fluctuations in foreign currency exchange rates, the Group may enter into foreign currency forward and option contracts to offset a portion of the changes in the carrying amounts of these investments due to fluctuations in foreign currency exchange rates. The Group designates these instruments as net investment hedges.

To protect the Group's foreign currency marketable securities from fluctuations in foreign currency exchange rates, the Group may enter into forward contracts or other instruments. These instruments may offset a portion of the foreign currency remeasurement gains or losses, or changes in fair value. The Group may designate these instruments as cash flow hedges.

The Group may also enter into non-designated foreign currency contracts to offset a portion of the foreign currency exchange gains and losses generated by the remeasurement of certain assets and liabilities denominated in non-functional currencies.

To protect the Group's foreign currency-denominated marketable securities from fluctuations in interest rates, the Group may enter into interest rate swaps, options or other instruments. These instruments may offset a portion of the changes in interest income or changes in fair value.

Cash Flow Hedges

The effective portions of cash flow hedges are recorded in OCI until the hedged item is recognised in earnings. Deferred gains and losses associated with cash flow hedges of foreign currency revenue are recognised as a component of net sales in the same period as the related revenue is recognised, and deferred gains and losses related to cash flow hedges of inventory purchases are recognised as a component of cost of sales in the same period as the related costs are recognised. Deferred gains and losses associated with cash flow hedges of interest income or expense are recognised in other income/(expense), net in the same period as the related income or expense is recognised. For options designated as cash flow hedges, the time value is excluded from the assessment of hedge effectiveness and recognized in the financial statement line item to which the hedge relates on a straight-line basis over the life of the hedge. The ineffective portions and amounts excluded from the effectiveness testing of cash flow hedges are recognised in other income/(expense), net.

Derivative instruments designated as cash flow hedges must be de-designated as hedges when it is probable the forecasted hedged transaction will not occur. Deferred gains and losses in OCI associated with such derivative instruments are reclassified into other income/(expense), net in the period of de-designation. Any subsequent changes in fair value of such derivative instruments are reflected in other income/(expense), net unless they are re-designated as hedges of other transactions.

Non-Designated Derivatives

Derivatives that are not designated as hedging instruments are adjusted to fair value through earnings in the financial statement line item to which the derivative relates. As a result, during 2020, the Group recognised a loss of $263 million (2019: gain of $412 million) in net sales, a loss of $84 million (2019: gain of $171 million) in cost of sales and a loss of $55 million (2019: $19 million) in other income/(expense).

Note 7 - Financial Risk Management and Financial Instruments *(continued)*

Derivative Financial Instruments *(continued)*

The following table shows the pre-tax gains and losses of the Group's derivative and non-derivative instruments designated as cash flow hedges in the Consolidated Statements of Comprehensive Income and the Consolidated Statements of Operations for 2020 and 2019:

	Years ended	
	26 September 2020	28 September 2019
	$'m	$'m
Gains/(Losses) recognised in OCI – effective portion:		
Cash flow hedges:		
Foreign exchange contracts	(181)	585
Gains/(Losses) reclassified from OCI into net income – effective portion:		
Cash flow hedges:		
Foreign exchange contracts	784	531

The following table shows the notional amounts of the Group's outstanding derivative instruments and credit risk amounts associated with outstanding or unsettled derivative instruments as of 26 September 2020 and 28 September 2019:

	As of 26 September 2020		As of 28 September 2019	
	Notional Amount	Credit Risk Amount	Notional Amount	Credit Risk Amount
	$'m	$'m	$'m	$'m
Instruments designated as accounting hedges:				
Foreign exchange contracts	41,550	701	45,293	1,786
Instruments not designated as accounting hedges:				
Foreign exchange contracts	80,361	259	71,715	312

The notional amounts for outstanding derivative instruments provide one measure of the transaction volume outstanding and do not represent the amount of the Group's exposure to credit or market loss. The credit risk amounts represent the Group's gross exposure to potential accounting loss on derivative instruments that are outstanding or unsettled if all counterparties failed to perform according to the terms of the contract, based on then-current currency or interest rates at each respective date. The Group's exposure to credit loss and market risk will vary over time as currency and interest rates change. Although the table above reflects the notional and credit risk amounts of the Group's derivative instruments, it does not reflect the gains or losses associated with the exposures and transactions that the instruments are intended to hedge. The amounts ultimately realised upon settlement of these financial instruments, together with the gains and losses on the underlying exposures, will depend on actual market conditions during the remaining life of the instruments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Property, Plant and Equipment, net

	Buildings	Leasehold Improvements	Machinery & Equipment	Total
	$'m	$'m	$'m	$'m
Cost:				
As of 29 September 2018	1,201	3,201	43,382	47,784
Additions	233	332	2,068	2,633
Disposals	(7)	(174)	(972)	(1,153)
As of 28 September 2019	1,427	3,359	44,478	49,264
Additions	242	528	3,258	4,028
Disposals	—	(13)	(682)	(695)
As of 26 September 2020	1,669	3,874	47,054	52,597
Depreciation:				
As of 29 September 2018	108	1,464	29,191	30,763
Charge for the year	19	302	6,931	7,252
Disposals	—	(117)	(882)	(999)
As of 28 September 2019	127	1,649	35,240	37,016
Charge for the year	47	396	5,377	5,820
Disposals	—	(33)	(572)	(605)
As of 26 September 2020	174	2,012	40,045	42,231
Net book value:				
As of 26 September 2020	1,495	1,862	7,009	10,366
As of 28 September 2019	1,300	1,710	9,238	12,248

	Buildings	Machinery & Equipment	Total
Leased ROU assets	$'m	$'m	$'m
As of 26 September 2020, net carrying amount	3,325	162	3,487
Total property, plant and equipment			13,853

Additions to ROU assets during 2020 were $995 million.

Note 9 – Provisions

The following table shows changes in the Group's accrued warranties and related costs for 2020:

	As of 26 September 2020
	$'m
Beginning accrued warranty and related costs	3,289
Costs of warranty claims	(2,591)
Accruals for warranty	2,399
Ending accrued warranty and related costs	3,097

The Group offers limited warranties on its hardware products. The warranty period is typically one year from the date of purchase by the original end user. The Group also offers a limited warranty on the service parts used to repair the Group's hardware products. In certain jurisdictions, local law requires that manufacturers guarantee their products for a period prescribed by statute, typically at least two years.

Note 10 – Called up share capital presented as equity

	As of 26 September 2020	As of 28 September 2019
	$	$
Allotted, called up and fully paid:		
10,000 (2019: 10,000) ordinary shares of $1 each	10,000	10,000

There is no authorised share capital under the Company's constitution as of 26 September 2020.

Rights attaching to the ordinary shares

The ordinary shares carry the right to;

(a) receive notice of, attend, speak or vote at any general meeting of the Company, or participate in written resolutions in lieu of a general meeting. Where a matter is being decided on a show of hands at a meeting, every member present in person and every proxy shall have one vote and on a poll, every member shall have one vote for every share held or for each €15 of stock held;
(b) participate in the dividends (if any) declared on that class of share; and
(c) in the winding up of the Company, repayment of capital paid upon such shares and the right to participate in the division of any surplus assets or profits of the Company.

Note 11 – Related Party Transactions

The principal related party relationships requiring disclosure in the consolidated financial statements of the Group under IAS 24, *Related Party Disclosures* pertain to the existence of subsidiaries and transactions with related parties entered into by the Group.

Subsidiaries and transactions with related parties

Sales to and purchases from, together with outstanding payables and receivables to and from subsidiaries, are eliminated in the preparation of the consolidated financial statements of the Group in accordance with IFRS 10, *Consolidated Financial Statements*. The Group enters into transactions with Apple related parties that are not eliminated in the preparation of the consolidated financial statements of the Group.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are on terms equivalent to those that prevail in arm's length transactions. The outstanding balances included in accounts receivables, net and accounts payable at the Consolidated Balance Sheet dates are interest or non-interest bearing, unsecured and repayable on demand or within 40-90 day terms.

The following tables summarise the transactions and outstanding balances with related parties:

	As of 26 September 2020					
	Sales to Related Parties	Purchases from Related Parties	Amounts owed from Related Parties	Amounts owed to Related Parties	Loans owed from Related Parties	Loans owed to Related Parties
	$'m	$'m	$'m	$'m	$'m	$'m
Ultimate Parent	246	(18,902)	912	(7,911)	—	—
Other Apple related parties	4,756	(598)	771	(2,074)	126	(957)
	5,002	(19,500)	1,683	(9,985)	126	(957)

	As of 28 September 2019					
	Sales to Related Parties	Purchases from Related Parties	Amounts owed from Related Parties	Amounts owed to Related Parties	Loans owed from Related Parties	Loans owed to Related Parties
	$'m	$'m	$'m	$'m	$'m	$'m
Ultimate Parent	311	(8,865)	1,843	(4,352)	—	—
Other Apple related parties	3,629	(2,583)	581	(891)	132	(850)
	3,940	(11,448)	2,424	(5,243)	132	(850)

Note 12 – Leases

The Group has lease arrangements for certain equipment and facilities, including retail, corporate, manufacturing, and data center space. These leases typically have original terms not exceeding 10 years and generally contain multi-year renewal options, some of which are reasonably certain of exercise.

Payments under the Group's lease arrangements may be fixed or variable, and variable lease payments are primarily based on purchases of output of the underlying leased assets. As of 26 September 2020, lease costs associated with fixed payments and variable payments on the Group's leases were $646 million and $5.7 billion respectively. Included within these costs is depreciation expense of $593 million of which $522 million relates to buildings and $71 million to machinery and equipment. Total cash payments for leases during 2020 were $6.5 billion.

The Group's ROU assets are classified as property, plant and equipment on the Consolidated Balance Sheets and presented in Note 8, "Property, Plant and Equipment, net" and lease liabilities are classified as follows:

Lease-Related Liabilities	Financial Statement Line Items	As of 26 September 2020
		$'m
Lease liabilities:		
	Other current liabilities	625
	Other non-current liabilities	3,004
Total lease liabilities		3,629

Lease liability maturities, on an undiscounted basis, are as follows:

	As of 26 September 2020	As of 28 September 2019
	$'m	$'m
Within one year	673	622
Later than one year but not later than five years	1,937	1,773
Later than five years	1,232	1,965
	3,842	4,360

As of 26 September 2020, the Group had $1.1 billion of future payments under additional leases, primarily for corporate facilities and retail space, that had not yet commenced. These leases will commence between 2021 and 2022, with lease terms ranging from 1 year to 20 years.

Note 13 – Commitments and Contingencies

The following table show the expenditure contracted for but not recognised as liabilities as of 26 September 2020 and 28 September 2019:

	As of 26 September 2020	As of 28 September 2019
	$'m	$'m
Unconditional purchase obligations	230	243

Contingencies

The Group is subject to various legal proceedings and claims that have arisen in the ordinary course of business and that have not been fully resolved. The outcome of litigation is inherently uncertain. If one or more legal matters were resolved against the Group in a reporting period for amounts above management's expectations, the Group's financial condition and operating results for that reporting period could be materially adversely affected. In the opinion of management, there was not at least a reasonable possibility the Group may have incurred a material loss, or a material loss greater than a recorded accrual, concerning loss contingencies for asserted legal and other claims, except for the following matters:

French Competition Authority

On 16 March 2020, the French Competition Authority ("FCA") announced its decision that aspects of the Apple Inc. group's sales and distribution practices in France violate French competition law, and issued a fine of €1.1 billion. The Group strongly disagrees with the FCA's decision, and has appealed.

Note 14 - Approval of Financial Statements

The Group financial statements were approved and authorised for issue by the board of directors on 12 February 2021.