

# **Ireland Apple Escrow Fund**

## **Financial Statements**

### **Introduction / Overview**

#### **Background**

The Ireland Apple Escrow Fund (the Fund) is governed by the Escrow Framework Deed, which was signed by the Minister for Finance, Apple Sales International Limited and Apple Operations Europe Limited on 24 April 2018. The Escrow Framework Deed sets out the detailed legal agreement regarding the recovery of the alleged State aid, following the European Commission Decision of 30 August 2016 (Decision C(2016)5605) (the Decision), and the framework for oversight, safekeeping and management of the Fund.

The Minister for Finance delegated certain of his functions in relation to the Fund to the National Treasury Management Agency (NTMA) by way of orders issued pursuant to Section 28 of the National Treasury Management Agency (Amendment) Act 2000 (NTMA Act 2000). These functions include inter alia:

- conduct, in conjunction with Apple, of the procurement processes for escrow agent and custodian services, and for investment management services;
- the negotiation and execution of, and performance of obligations under the escrow agent and custodian agreement;
- the negotiation and execution of, and performance of obligations under investment management agreements;
- the approval of amendments to the investment policy from time to time;
- the appointment of the Ireland members of the investment committee and other rights and obligations in relation to that committee;
- the oversight of the investment and management of the Fund;
- the preparation and issuing of certain release instructions; and
- the approval of Fund operational procedures.

The financial statements of the Fund are prepared pursuant to Section 28(5) of the NTMA Act 2000. The Minister has directed that the NTMA prepares and keeps accounts for the Fund on the basis of the International Financial Reporting Standards (IFRS) accounting standard. The accompanying financial statements are the fulfilment of this direction.

#### **Performance of the Fund**

The investment policy for the Fund was agreed by the Minister for Finance and Apple. The Fund is managed by three investment managers, with the Investment Committee for the Fund responsible for monitoring performance and investment oversight. The Investment Committee for the Fund comprises an equal number of members from the NTMA and Apple.

The investment policy establishes the investment principles and parameters for investment of the Fund, which inform the mandates that the investment managers are required to adhere to. The investment objective is to preserve capital to the greatest extent possible in light of the prevailing market conditions. In addition, the Fund is managed in a manner designed to ensure adequate liquidity is maintained to meet liabilities in respect of the payment of fees and expenses, and in relation to all releases to be made from the Fund.

For these reasons, the risk appetite in respect of the Fund as specified in the investment policy is "low", with investment permitted only in highly rated euro-denominated fixed income securities. The Fund is predominately invested in short to medium-term sovereign and quasi-sovereign bonds. The Investment Committee monitors the performance of the investment managers and the ongoing appropriateness of the investment policy.

The financial statements for 2021 set out that the net assets of the Fund as at 31st December 2021 totalled €13,633m. All income, expenses, gains and losses accrue to the Fund, including the investment managers' and escrow agent/custodian fees and taxes. The €351m decline for the year is primarily due to a third country adjustment (see below) for an amount of approximately €246m which was transferred from the Fund. The remaining €105m decline for the year reflects the negative interest rate environment and negative yields on highly rated euro-sovereign and quasi-sovereign bonds and Fund operating expenses.

In its Decision, the European Commission noted that profits subjected to tax in Ireland, for the period covered by the Decision, could be reduced if Apple was required to pay taxes in another jurisdiction in respect of the same profits for this period. These are known as 'third country adjustments' and are not dependent on the outcome of the legal proceedings in the European courts. As noted above, €246m of the €351m decline in value was due to a third country adjustment.

#### **Timeline on the Fund**

On 15 July 2020, the General Court of the European Union (GCEU) issued its judgement annulling the Commission decision, finding in favour of Ireland and Apple. On 25 September 2020, the European Commission announced its decision to lodge an appeal with the Court of Justice of the European Union (CJEU) challenging the judgement of the GCEU.

The timeline for the Fund is aligned to the ongoing legal proceedings and the Fund will remain in place until a final determination is made by the European Courts, at which time the funds held in escrow will be released.

Department of Finance

7 July 2022



**Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta**  
**National Treasury Management Agency**

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**FINANCIAL STATEMENTS OF THE**  
**IRELAND APPLE ESCROW FUND**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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## **Ireland Apple Escrow Fund**

### **Financial Statements**

**For the year ended 31 December 2021**

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## **Ireland Apple Escrow Fund**

### **Fund and Other Information**

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Pursuant to Section 28 of the National Treasury Management Agency (Amendment) Act 2000 (the “2000 Act”), the Minister for Finance (the “Minister”) has delegated certain of his functions in relation to investment of the Ireland Apple Escrow Fund (the “Fund”) to the National Treasury Management Agency (“NTMA”), Treasury Dock, North Wall Quay, Dublin 1, D01 A9T8. These financial statements are prepared by the NTMA pursuant to Section 28(5) of the 2000 Act, using the International Financial Reporting Standards (IFRS) accounting standards as directed by the Minister.

#### **Escrow Agent/Custodian**

The Bank of New York Mellon London Branch (“BNYM”)  
One Canada Square,  
London E14 5AL  
England

#### **Investment Managers**

Amundi Asset Management  
90, Boulevard Pasteur  
75015 Paris  
France

BlackRock (Netherlands) B.V.  
Amstelplein 1 17 hoog,  
Amsterdam 1096HA,  
Netherlands

Goldman Sachs Asset Management International  
Plumtree Court  
25 Shoe Lane  
London EC4A 4AP  
United Kingdom

#### **Auditor**

Comptroller and Auditor General  
3A Mayor Street Upper  
Dublin 1  
D01 PF72

## **Ireland Apple Escrow Fund**

### **Statement on Internal Control**

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The Ireland Apple Escrow Fund is governed by the Escrow Framework Deed, which was signed by the Minister for Finance, Apple Sales International Limited (formerly Apple Sales International) (“ASI”), and Apple Operations Europe Limited (formerly Apple Operations Europe) (“AOE”) (among other parties) on 24th April 2018.

The Minister for Finance delegated certain of his functions in relation to the Fund to the National Treasury Management Agency by way of orders issued pursuant to Section 28 of the 2000 Act. Some of these functions include:

- performance of obligations under the escrow agent and custodian agreement;
- performance of obligations under investment management agreements;
- appointment of the Ireland members of the Fund’s investment committee (the “Investment Committee”) and performance of other rights and obligations in relation to that committee;
- oversight of the investment and management of the Fund through the Investment Committee, and
- preparation and issuing of certain release instructions.

The financial statements of the Fund are prepared pursuant to Section 28(5) of the 2000 Act. The Minister has directed that the NTMA prepares and keeps accounts for the Fund.

The investment policy for the Fund was agreed by the Minister for Finance and by ASI and AOE (together, “Apple”). The Fund is managed by three investment managers, with management and investment oversight jointly through the Investment Committee for the Fund, comprising an equal number of members from the NTMA and Apple.

Fund costs, charges, fees and expenses are met out of the Fund and are thus outside the NTMA budgetary process.

Elements of the NTMA’s Statement on Internal Control which are of relevance in relation to the performance by the NTMA of its functions regarding the Fund are set out below.

#### ***Scope of Responsibility***

On behalf of the National Treasury Management Agency (“the Agency”) we acknowledge the Agency’s responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

#### ***Purpose of the System of Internal Control***

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform, has been in place in the Agency for the year ended 31 December 2021 and up to the date of approval of the financial statements.

## Ireland Apple Escrow Fund

### Statement on Internal Control (continued)

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#### ***Capacity to Handle Risk***

The Agency has a formal risk management and governance framework in place, designed to support the proactive management of risk. The Agency's Risk Management Policy and Framework and Risk Appetite Framework, together set out its risk appetite, its risk management structures and processes and details the roles and responsibilities of staff in relation to risk. The Agency has ultimate oversight and accountability in relation to risk management and provides direction by approving the Risk Management Policy and Framework and the Risk Appetite Framework. Thereafter the Agency assures itself on an on-going basis that executive management is responding appropriately to risks and it is assisted in this regard by the Audit and Risk Committee (ARC), which monitors adherence to risk governance and risk appetite and ensures risks are properly identified, assessed, managed and reported.

In 2021, the ARC comprised four Agency members, with financial and audit expertise, one of whom is the Chair. The Committee met formally nine times in 2021

An executive-level Enterprise Risk Management Committee ("ERMC") oversees the effective management of risk and compliance by reviewing and / or approving key risk frameworks and policies, monitoring the organisation's risks and controls and monitoring the overall risk profile and strategic risks.

The Risk Management Policy and Framework and Risk Appetite Framework, which were updated in 2021, were published and communicated to all staff who are expected to comply with the requirements therein. The embedding of risk management was supported by a programme of risk training and awareness in the reporting period.

#### ***Risk and Control Framework***

The Agency's Risk Management Policy and Framework, supported by the Risk Appetite Framework, provides the methodology and processes, by which key risks are identified, assessed, managed, monitored and reported and are supported by a suite of risk management policies.

Individual business units and corporate functions maintain risk registers in which their key risks and controls are recorded and responsibility for operation of the controls assigned. These registers are reviewed twice yearly by the respective business units and corporate functions and the controls therein are attested by the control owners. Risk registers were reviewed by the appropriate risk committees during the reporting period.

The ARC also conducted a review of the Agency's principal risks in the reporting period, based on a top-down risk assessments exercise conducted by the ERMC. The Agency has an established control environment, as part of which:

- Authority and financial responsibilities are delegated by the Agency Chief Executive to Agency management and staff through the use of delegated authorities which define their authority and financial responsibilities to act on behalf of the Agency.
- It has developed policies and procedures in respect of the management of the key aspects of its activities. These policies and procedures are reviewed by their business owners and updated to align with business processes.
- It has an appropriate financial and budget management system, incorporating accounts payable controls as well as regular reporting of the Agency's costs and monitoring of costs against budget to the Executive Management Team.
- It has an established financial reporting framework to support its external and statutory reporting obligations in respect of its businesses.
- It has established systems, procedures and controls in place to manage and safeguard its business assets including property, equipment and vehicle assets.
- It takes all reasonable measures considered necessary to protect information and systems including the confidentiality, integrity and authenticity of the information stored on Agency systems and to minimise so far as practicable the risk of unauthorised access to information from both internal and external sources. This protection is achieved through the application of recognised standards, policies and controls.
- It has an established Cyber Security Framework to facilitate identification, assessment and management of the cyber risks that the Agency may be exposed to. Regular Staff Awareness Training on cyber risks is also in place for all Agency staff.
- It has a business continuity framework with a view to ensuring the Agency is able to manage disruptive scenarios, provide contingency premises, recover key systems and maintain as far as possible the continuity of critical operations, and resume normal business operations in a timely manner.

## **Ireland Apple Escrow Fund**

### **Statement on Internal Control (continued)**

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#### **Covid-19**

As a result of the Covid-19 pandemic the NTMA moved to a predominantly remote-working environment during 2021 (in line with similar organisations and government guidelines), with related changes to processes and controls implemented and documented as required to facilitate this change. NTMA Business Units and Corporate Functions considered any material changes to the risk and control environment and to key business processes arising from the impact of Covid-19 as part of the semi-annual risk and control self-assessment process. The impact of Covid-19 and the remote working environment was also considered in the most recent NTMA Strategic Risk Assessment. Certain key processes which changed and / or were introduced as a result of the remote operating environment were reviewed by Internal Audit. The key internal controls, both existing and those introduced in response to the Covid-19 pandemic, continue to be effective.

#### ***On-going Monitoring and Review***

The Agency has established processes for the on-going monitoring and review of the effectiveness of controls which are carried out through its three lines of defence model which includes:

- The first line, comprising the Agency's business units and corporate functions, own the risks associated with business activities and are primarily responsible for managing those risks on a day-to-day basis. This includes implementing and monitoring adherence to the Agency's risk management policies and risk appetite, conducting risk and control self-assessments, managing operational events and implementing appropriate responses. They provide reports for the Agency's risk governance committees on their risks and controls and operational events.
- The second line comprises the Agency's Risk and Compliance functions and is independent of the first line management and operations. The Risk function oversees compliance with risk management policies across the Agency, provides independent review and challenge to the first line, and provides risk reports and information to the various risk governance committees. The Compliance function and Data Protection Officer promote compliance and personal data protection awareness through training, codes of conduct and relevant policies. They provide compliance and personal data protection support, advice and independent challenge to first line management and submit regular reports to the ERM and ARC.
- Internal Audit is a third line of defence, providing independent risk-based assurance to key stakeholders on the robustness of the Agency's governance, risk management system and the design and operating effectiveness of the internal control environment under a planned programme of work approved by the ARC. The internal auditor provides regular reporting to the ARC on the status of the internal control environment in the context of reviews undertaken and the status of internal audit issues raised previously.

#### ***Procurement***

The Agency has an established Procurement Policy (published on its website) and a Procurement Procedure. The Agency's procurement practices are in accordance with the aforementioned documents. A corporate procurement plan, based on the template published in the Office of Government Procurement Policy framework document, is in place and is being implemented. The corporate procurement plan is updated annually.

The Agency's Procurement Policy and Procurement Procedure are reviewed on an on-going basis and are updated as required.



**Ireland Apple Escrow Fund**

**Statement on Internal Control (continued)**

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***Annual Review of Effectiveness***

We confirm that the National Treasury Management Agency has procedures to monitor the effectiveness of its risk management and control procedures. The National Treasury Management Agency's monitoring and review of the effectiveness of the system of internal control is informed by the work of the internal and external auditors, the Audit and Risk Committee which oversees their work, and the senior management within the National Treasury Management Agency responsible for the development and maintenance of the internal financial control framework.

We confirm that the Agency conducted an annual review of the effectiveness of the internal controls for 2021.

No weaknesses in internal control in respect of the Fund were identified in relation to 2021 that require disclosure in the financial statements.



**Maeve Carton**  
Chairperson  
National Treasury Management Agency



**Gerardine Jones**  
Chairperson, Audit & Risk Committee  
National Treasury Management Agency

3 May 2022



# Ard Reachtaire Cuntas agus Ciste Comptroller and Auditor General

## Report for presentation to the Houses of the Oireachtas

### Ireland Apple Escrow Fund

#### Opinion on the financial statements

I have audited the financial statements of the Ireland Apple Escrow Fund (the Fund) prepared by the National Treasury Management Agency (the Agency) for the year ended 31 December 2021 as required under the provisions of section 12 of the National Treasury Management Agency Act 1990 (as amended). The financial statements comprise

- the statement of financial position
- the statement of comprehensive income
- the statement of changes in net assets
- the statement of cash flows, and
- the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the Fund at 31 December 2021 and of its income and expenditure for 2021 in accordance with the International Financial Reporting Standard (IFRS) as adopted by the European Union.

#### *Basis of opinion*

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Agency and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Report on information other than the financial statements, and on other matters

The Agency has presented the financial statements together with a statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

**Seamus McCarthy**  
Comptroller and Auditor General

**16 May 2022**

### Responsibilities of the National Treasury Management Agency

The Agency's responsibilities in relation to the account are

- the preparation of annual financial statements in the form prescribed under section 12 of the National Treasury Management Agency Act 1990 (as amended)
- ensuring that the financial statements give a true and fair view in accordance with the International Financial Reporting Standard (IFRS)
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- 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.

### Responsibilities of the Comptroller and Auditor General

I am required under section 12(2) of the National Treasury Management Agency Act 1990 (as amended) to audit the financial statements of the Fund and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs 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.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.

- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

### Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

### Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

## Ireland Apple Escrow Fund

### Statement of Financial Position as at 31 December 2021

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		2021	2020
	Note	€m	€m
<b>Assets</b>			
Financial assets at fair value through profit or loss	5	13,060	13,699
Cash and cash equivalents	6	575	287
<b>Total assets</b>		<b>13,635</b>	<b>13,986</b>
<b>Liabilities</b>			
Other liabilities	7	(2)	(2)
<b>Total liabilities</b>		<b>(2)</b>	<b>(2)</b>
<b>Net assets</b>		<b>13,633</b>	<b>13,984</b>

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency:



**Conor O'Kelly**  
Chief Executive  
National Treasury Management Agency



**Maeve Carton**  
Chairperson  
National Treasury Management Agency

3 May 2022

## Ireland Apple Escrow Fund

### Statement of Comprehensive Income For the year ended 31 December 2021

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	Note	2021 €m	2020 €m
<b>Income</b>			
Net changes in fair value of financial assets at fair value through profit or loss		(99)	(30)
<b>Total net income</b>		<b>(99)</b>	<b>(30)</b>
<b>Expenses</b>			
Operating expenses	8	(6)	(7)
<b>Total operating expenses</b>		<b>(6)</b>	<b>(7)</b>
<b>Operating loss</b>		<b>(105)</b>	<b>(37)</b>
Tax expense	9	-	1
<b>Loss for the year</b>		<b>(105)</b>	<b>(36)</b>

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency:

  
**Conor O'Kelly**  
Chief Executive  
National Treasury Management Agency

  
**Maeve Carton**  
Chairperson  
National Treasury Management Agency

3 May 2022

**Ireland Apple Escrow Fund**

**Statement of Changes in Net Assets  
For the year ended 31 December 2021**

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		<b>2021</b>	<b>2020</b>
	<b>Note</b>	<b>€m</b>	<b>€m</b>
<b>Net assets at 1 January</b>		13,984	14,020
Funds transferred to Apple entities	10	(246)	-
Loss for the year		(105)	(36)
<b>Net assets at 31 December</b>		<b>13,633</b>	<b>13,984</b>

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency:



**Conor O'Kelly**  
Chief Executive  
National Treasury Management Agency



**Maeve Carton**  
Chairperson  
National Treasury Management Agency

3 May 2022

## Ireland Apple Escrow Fund

### Statements of Cash Flows For the year ended 31 December 2021

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		<b>2021</b>	<b>2020</b>
	Note	€m	€m
<b>Cash flows from operating activities</b>			
Purchase of financial assets		(7,707)	(9,377)
Proceeds from sales and maturities of financial assets		8,132	9,405
Interest receipts		115	131
Operating expenses paid		(6)	(9)
<b>Net cash from operating activities</b>		<b>534</b>	<b>150</b>
<b>Cash flows from financing activities</b>			
Funds transferred to Apple entities	10	(246)	-
<b>Net cash used in financing activities</b>		<b>(246)</b>	<b>-</b>
Net increase in cash and cash equivalents		288	150
Cash and cash equivalents at 1 January		287	137
<b>Cash and cash equivalents at 31 December</b>		<b>575</b>	<b>287</b>

#### 1. Background

On 24th April 2018 the Minister for Finance (“Minister”) and certain Apple companies (among other parties) entered into an Escrow Framework Deed pursuant and subject to which alleged State aid was recovered from ASI and AOE and paid into a fund to be held in escrow pending a final determination in the European Courts on the validity of the European Commission State aid decision regarding Apple (Decision C(2016)5605) (“the Fund”). The Fund is held by BNYM as escrow agent/custodian for the Minister and ASI and AOE, and investment and management of the Fund is jointly overseen by the Minister and Apple through an investment committee. The Minister delegated certain functions in relation to the Fund to the National Treasury Management Agency by way of orders issued pursuant to Section 28 of the 2000 Act (S.I. No. 331 of 2017 and S.I. No. 157 of 2018).

The investment policy established in accordance with the Escrow Framework Deed sets out the investment principles and parameters for investment of the Fund, with the objective to preserve capital to the greatest extent possible in light of the prevailing market conditions. The risk appetite in respect of the Fund is "low", with investment permitted only in highly rated euro-denominated fixed income securities with short to medium term duration.

On 15 July 2020, the General Court of the European Union (“GCEU”) issued its judgement annulling the Commission decision, finding in favour of Ireland and Apple. On 25 September 2020 the European Commission announced its decision to lodge an appeal with the Court of Justice of the European Union (“CJEU”) challenging the judgement of the GCEU. When a final determination is made by the European Courts, the funds held in escrow at that time will be released.

#### 2. Application of new and revised International Financial Reporting Standards (IFRSs)

##### New and revised IFRSs in issue but not yet effective

No material financial statement impact is expected on the initial application of the following new and revised IFRSs which have been issued but are not yet effective:

- IFRS 17 Insurance Contracts (issued on 18 May 2017) including amendments to IFRS 17 (issued on 25 June 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)
- Amendment to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (issued 14 May 2020)
- Amendments to IFRS 16 Leases: Covid-19 Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)

No material financial statement impact is expected on the initial application of the following new and revised IFRSs which were issued and effective for 2021:

- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Amendments to IFRS 4 Insurance Contracts
- Amendment to IFRS 16 Leases Covid-19 - Related Rent Concessions (issued on 28 May 2020)



**3. Significant accounting policies**

**3.1 Basis of preparation**

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS) under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

All amounts in the financial statements have been rounded to the nearest €m unless otherwise indicated. The financial statements have been prepared on a going concern basis.

**3.2 Functional and presentation currency**

The performance of the Fund is measured and reported to the stakeholders in euro. The financial statements are presented in euro, which is the Fund's functional and presentation currency.

**3.3 Financial assets at fair value through profit or loss (FVTPL)**

The Fund is invested in fixed interest securities including sovereigns; quasi sovereigns; corporate bonds or held as cash and cash equivalents.

**3.3.1. Classification**

The Fund investments are managed and performance is evaluated on a fair value basis, that is, fair value information is used to assess the assets' performance and to make decisions. The collection of contractual cash flows is incidental to achieving the Fund's investment policy objectives. Consequently, all investments are measured at fair value through profit or loss.

**3.3.2. Recognition and derecognition**

Regular purchases and sales of investments are recognised on the trade date being the date on which the Investment Manager commits the Fund to purchase or sell the investment. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or substantially all risks and rewards of ownership have been transferred.

**3.3.3. Measurement**

Financial assets at fair value through profit or loss are initially recognised at fair value – see note 4.2.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within net changes in fair value of financial assets at fair value through profit or loss in the period in which they arise.

Interest on debt securities at fair value through profit or loss is recognised in the statement of comprehensive income as part of the net changes in fair value on financial assets at fair value through profit or loss.

Transaction costs are costs incurred to acquire financial assets at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

**3.4 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, bank overdrafts and other short-term investments that are readily convertible to a known cash amount with original maturities of three months or less.

## Notes to the Financial Statements (continued)

**4. Financial risks****4.1 Financial risk factors**

The Fund's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Fund is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that mitigates the risk of loss of value of the securities held by the custodian, in the event of the Escrow Agent /Custodian's failure, the ability of the Fund to transfer securities might be temporarily impaired.

The Fund's overall risk management programme seeks to optimise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

All securities investments present a risk of loss of capital. The maximum loss of capital on purchased securities is limited to the fair value of those positions. The management of these risks is carried out by the Investment Managers under investment management agreements (IMAs) which are consistent with the investment policy for the Fund provided for in the Escrow Framework Deed.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

**4.1.1. Market risk**

The Fund is exposed to securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain.

The Investment Committee (the "Investment Committee") established in accordance with the Escrow Framework Deed, reviews the ongoing appropriateness of the investment policy. Market price risk is managed through diversification and selection of permitted securities and other financial instruments within specified limits. The overall market position is monitored by the Fund's Investment Managers and, the Escrow Agent/Custodian. Compliance with the Fund's investment policy is reported to the Investment Committee on a quarterly basis.

A geographic analysis of the Fund's financial assets exposed to market price risk is shown below. Fund investments are shown based on their relevant country of incorporation. The market price risk inherent in the investment's portfolio is monitored by ensuring the timely access to relevant information from the Fund's Investment Managers. Regular meetings with Investment Managers are held and at each meeting portfolios are reviewed.

	<b>2021</b>	<b>2020</b>
	<b>€m</b>	<b>€m</b>
Europe	12,457	13,276
North America	308	129
Asia Pacific	295	294
	<u>13,060</u>	<u>13,699</u>

The table below sets out the effect on the net assets of the Fund of a weakening in market prices of 5% at 31 December. A strengthening of the same amount would have resulted in an equal but opposite effect to the amounts shown.

<b>Effect on net assets of the Fund</b>	<b>2021</b>	<b>2020</b>
€m (decrease)	(653)	(685)

**4. Financial risks (continued)****4.1 Financial risk factors (continued)****4.1.2. Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Fund's investment policy is designed to ensure adequate liquidity is maintained to meet liabilities in respect of the payment of fees and expenses, and in relation to all releases to be made from the Fund. The Investment Managers monitor the liquidity position on a daily basis. Cash account balances and a cashflow projection are reported daily from the Escrow Agent/Custodian. The Investment Committee reviews liquidity on a quarterly basis.

**4.1.3. Credit risk**

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The main concentration risk to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also exposed to counterparty credit risk on cash and cash equivalents. The Investment Committee reviews the ongoing appropriateness of the investment policy to manage this risk, by setting minimum high quality credit ratings for counterparties and investments, along with sector concentration limits.

The Investment Managers and the Escrow Agent/Custodian monitor the Fund's credit exposure. The Investment Committee reviews it on a quarterly basis.

**4.2 Fair value estimation**

The fair value of financial assets traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the period end date. The last traded market price for financial assets is used.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

All holdings in the portfolio are priced at available market values and are Level 1 in the fair value hierarchy.

**5. Financial assets at fair value through profit or loss**

	<b>2021</b>	<b>2020</b>
	<b>€m</b>	<b>€m</b>
Financial assets at fair value through profit or loss	13,008	13,638
Interest receivable on financial assets at FVTPL	52	61
	<u>13,060</u>	<u>13,699</u>

**6. Cash and cash equivalents**

	<b>2021</b>	<b>2020</b>
	<b>€m</b>	<b>€m</b>
Cash	16	4
Cash equivalents	559	283
	<u>575</u>	<u>287</u>

## Ireland Apple Escrow Fund

### Notes to the Financial Statements (continued)

#### 7. Other liabilities

	2021 €m	2020 €m
Investment managers' fees	(2)	(2)

#### 8. Operating expenses

	2021 €m	2020 €m
Investment managers' fees	(5)	(5)
Escrow Agent/Custodian's fees	(1)	(1)
Other fees	-	(1)
	(6)	(7)

#### 9. Tax expense

	2021 €m	2020 €m
Withholding tax	-	1

#### 10. Transfers

	2021 €m	2020 €m
Funds transferred to Apple	246	-

In 2021, €246m was transferred from the Fund to Apple in accordance with the Escrow Framework Deed in recognition of taxes paid by Apple in other jurisdictions in respect of profits subject to tax in Ireland under the European Commission State aid decision.

#### 11. Related parties disclosures

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

##### *Minister for Finance*

The Minister of Finance is the sole beneficial owner of the Fund for the duration of the escrow period provided for in the Escrow Framework Deed.

##### *NTMA*

The Minister for Finance has delegated to the NTMA certain of his functions in relation to the investment of the Fund as set out in the Escrow Framework Deed.

Pursuant to Section 28(5) of the 2000 Act, the NTMA prepares and keeps accounts for the Fund, which accounts the Minister has directed be prepared using IFRS.

##### *Apple Sales International Limited and Apple Operations Europe Limited*

The Fund comprises the alleged State aid recovered from Apple Sales International Limited and Apple Operations Europe Limited, each of which is party to the Escrow Framework Deed with the Minister (among other parties).

#### 12. Events after the end of the reporting period

The outbreak of the war in Ukraine on 24 February 2022 has impacted global financial markets which in turn has adversely affected the net assets of the fund. As neither the duration nor the scope of the impact can be predicted, the overall financial impact cannot be estimated at this time.

#### 13. Approval of financial statements

The financial statements were approved by the NTMA on 3 May 2022.