

APNIC PTY LTD
ACN 081 528 010

General Purpose Financial Report
Year Ended 31 December 1999

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APNIC PTY LTD
ACN 081 528 010

DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 1999

The Director presents the report together with the financial statements of APNIC Pty Ltd for the year ended 31 December 1999 and the independent audit report thereon.

Directors

The sole Director in office at the date of this report is:

Paul Byron Wilson

Principal Activities

The principal activity of the company during the course of the financial year was to act as a non-profit internet registry organisation for the Asia Pacific region.

There were no significant changes in the nature of the activities of the company during the year.

Result

The operating profit after income tax amounted to \$733,854 (1998: \$4,010).

Dividends

The company does not pay or declare dividends due to its non-profit status as determined by its constituent documents.

Director's Benefits

Director's remuneration is set out in Note 17.

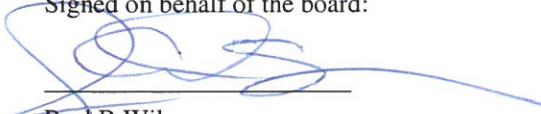
Indemnification and Insurance of Officers

During the year, the company paid a premium of \$5,607 to insure the director, office holders (including Executive Council) and staff of the company. The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company.

Environmental Regulation

The company is not subject to any significant environmental regulation.

Signed on behalf of the board:



Paul B Wilson

Director

21/2/2000

Dated

APNIC PTY LTD
ACN 081 528 010

PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	1999 \$	1998 \$
Operating revenue	2	<u>2,074,302</u>	<u>677,521</u>
Operating profit before income tax	3	744,231	6,265
Income tax attributable to operating profit	5	<u>10,377</u>	<u>2,255</u>
Operating profit after income tax		733,854	4,010
Retained profits at the beginning of the financial year		<u>4,010</u>	-
Retained profits at the end of the financial year		<u>737,864</u>	<u>4,010</u>

The above profit and loss statement should be read in conjunction with the accompanying notes.

APNIC PTY LTD
ACN 081 528 010

BALANCE SHEET
AS AT 31 DECEMBER 1999

	Notes	1999 \$	1998 \$
CURRENT ASSETS			
Cash	7	2,331,791	121,128
Receivables	8	253,202	657
Other	9	5,544	75
Total current assets		<u>2,590,537</u>	<u>121,860</u>
NON-CURRENT ASSETS			
Property, plant and equipment	10	255,942	182,730
Total non-current assets		<u>255,942</u>	<u>182,730</u>
Total assets		<u>2,846,479</u>	<u>304,590</u>
CURRENT LIABILITIES			
Accounts payable	11	55,705	52,021
Unearned income		1,131,061	
Borrowings	12	887,014	218,002
Provisions	13	28,409	30,556
Total current liabilities		<u>2,102,189</u>	<u>300,579</u>
NON-CURRENT LIABILITIES			
Provisions	13	6,425	-
Total non-current liabilities		<u>6,425</u>	<u>-</u>
Total liabilities		<u>2,108,614</u>	<u>300,579</u>
Net assets		<u>737,865</u>	<u>4,011</u>
EQUITY			
Share capital	14	1	1
Retained profits		737,864	4,010
Total equity		<u>737,865</u>	<u>4,011</u>

The above balance sheet should be read in conjunction with the accompanying notes.

APNIC PTY LTD
ACN 081 528 010

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	1999 \$	1998 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,867,801	673,897
Payments to suppliers and employees		(1,253,549)	(546,514)
Interest received		61,720	2,967
Interest paid		-	(2)
Net cash inflow from operating activities	16	<u>1,675,972</u>	<u>130,348</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		<u>(152,167)</u>	<u>(226,138)</u>
Net cash outflow from investing activities		<u>(152,167)</u>	<u>(226,138)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		<u>669,012</u>	<u>218,003</u>
Net cash inflow from financing activities		<u>669,012</u>	<u>218,003</u>
Net increase in cash held		2,192,817	122,213
Cash at beginning of the year		121,128	-
Effects of exchange rate changes on balances of cash held in foreign currencies during the year		<u>17,846</u>	<u>(1,085)</u>
Cash at the end of the financial year	16	<u><u>2,331,791</u></u>	<u><u>121,128</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999**

1. Summary of Significant Accounting Policies

The significant policies which have been adopted in the preparation of these financial statements are:

Basis of Preparation

This general purpose financial report has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and the Corporations Law.

It has been prepared on the basis of historical costs and except where stated, do not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied and, except where there is a change in accounting policy.

Revenue Recognition – Note 2

Interest Income

Interest income is recognised as it accrues unless collectability is in doubt.

Member Fees

Member fees is recognised on an accrual basis.

Foreign Currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the profit and loss account in the financial period in which the exchange rates change.

Taxation – Note 5

Income Tax

The company adopts the liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

1. Summary of Significant Accounting Policies (continued)

Non-Current Assets

The carrying amounts of all non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

Property, Plant and Equipment – Note 10

Acquisition

Items of property, plant and equipment are recorded at cost.

Depreciation

Items of property, plant and equipment are depreciated over their estimated useful lives. The reducing balance method of depreciation is used except for computer software which is depreciated on straight line basis. The expected useful lives are as follows:

Plant and equipment	20-40%
Office furniture	20-25%
Office improvements	20-50%

Leased Property

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Employee Entitlements

Wages, Salaries and Annual Leave.

The provision for employees' entitlements to wages, salaries and annual leave represents the amount which the employer has a present obligation to pay resulting from employees' services provided up to balance date. The provision has been calculated at nominal amounts based on current wage and salary rates and includes related on-costs.

Superannuation Fund

Contributions to employee superannuation funds are charged against income as incurred.

Accounts Payable– Note 11

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the entity.

Comparatives

The comparatives in the financial statements cover the period from 5 February 1998 (date of incorporation) to 31 December 1998.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

	1999	1998
	\$	\$
2. Operating Revenue		
Revenue from operating activities		
Member and non-member fees	1,311,013	-
Start up fees	260,270	-
	<u>1,571,283</u>	<u>-</u>
Revenue from outside the operating activities		
Interest	61,720	2,967
Management fee	420,495	674,554
Foreign exchange gain	17,846	-
Other revenue	2,958	-
	<u>503,019</u>	<u>677,521</u>
Total Revenue	<u>2,074,302</u>	<u>677,521</u>

3. Operating Profit

Operating profit before income tax has been arrived at after charging/(crediting) the following items:

Interest:		
Other parties	-	2
Depreciation of property, plant and equipment	79,004	43,408
Net foreign exchange loss/(gain)	(17,846)	1,085
Rental expense relating to operating lease	33,118	30,145
Bad debts	5,450	-
Provision for employee entitlements	(6,099)	28,301
	<u>(6,099)</u>	<u>28,301</u>

4. Auditors' Remuneration

Amount received or due and receivable, by the auditors for:

Auditing the accounts	<u>13,800</u>	<u>8,800</u>
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5. Income Tax

Income Tax Expenses

Prima facie income tax expense calculated at 36% (1998 – 36%) on the operating profit.	267,923	2,255
Tax effect of permanent differences:		
Non deductible expenses related to members	448,007	238,704
Non assessable membership and start-up fees	(705,553)	(238,704)
	<u>10,377</u>	<u>2,255</u>

Income tax attributed to operating profit comprises:

Current taxation provision	3,952	2,255
Deferred income tax provision	6,425	-
	<u>10,377</u>	<u>2,255</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

1999 1998
\$ \$

6. Geographical Segments

The business operates as a non-profit internet registry organisation for the Asia Pacific region.

7. Cash

Cash at bank – NAB (AUD)	185,566	51,782
Cash at bank – NAB (USD)	1,593,625	45,711
Petty cash	400	200
Short term deposits – NAB	552,200	23,435
	<u>2,331,791</u>	<u>121,128</u>

8. Receivables

Current

Sundry debtors	<u>253,202</u>	<u>657</u>
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9. Other Assets

Current

Deposits	495	75
Prepayments	5,049	-
	<u>5,544</u>	<u>75</u>

10. Property, Plant and Equipment

Plant and equipment, at cost	212,036	104,211
Less: Accumulated depreciation	<u>(62,884)</u>	<u>(15,422)</u>
	<u>149,152</u>	<u>88,789</u>
Office furniture and equipment, at cost	34,302	27,955
Less: Accumulated depreciation	<u>(19,548)</u>	<u>(12,939)</u>
	<u>14,754</u>	<u>15,016</u>
Office improvements, at cost	131,965	93,972
Less: Accumulated depreciation	<u>(39,929)</u>	<u>(15,047)</u>
	<u>92,036</u>	<u>78,925</u>
Total property, plant and equipment	<u>255,942</u>	<u>182,730</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

11. Accounts Payable

	1999	1998
	\$	\$
Current		
Sundry creditors	41,905	29,176
Accrued charges	13,800	22,845
	<u>55,705</u>	<u>52,021</u>

12. Borrowings

Current		
Loans, unsecured		
APNIC Ltd	<u>887,014</u>	<u>218,002</u>

13. Provisions

Current		
Provision for income tax	6,207	2,255
Provision for employee entitlements	22,202	28,301
	<u>28,409</u>	<u>30,556</u>
Non-current		
Provision for deferred income tax	<u>6,425</u>	<u>-</u>

14. Share Capital

Issued and Paid-up Capital		
1 Ordinary share, fully paid	<u>1</u>	<u>1</u>

15. Commitments

The estimated maximum amount of commitments not provided for in the financial statements as at 31 December 1999 are:

Operating Lease Commitments

Future operating lease rentals of plant and equipment, not provided for in the financial statements and payable:

not later than one year	74,402	46,870
later than one year but not later than five years	167,404	152,328
	<u>241,806</u>	<u>199,198</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

16. Notes to the Statement of Cash Flows

(I) Reconciliation of cash

	1999	1998
	\$	\$

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

Cash	1,779,591	97,693
Short term deposits	552,200	23,435
	2,331,791	121,128

(II) Reconciliation of operating profit after income tax to net cash inflow from operating activities

Operating profit after income tax	733,854	4,010
Depreciation expense	79,004	43,408
Foreign currency loss/(gain)	(17,846)	1,085
Change in operating assets and liabilities:		
(Increase) in sundry debtors	(252,594)	(732)
Increase in unearned income	1,131,061	-
(Increase) in deposits and prepayments	(5,469)	52,021
Increase in provisions	4,278	30,556
Increase in trade creditors	3,684	-
	1,675,972	130,348

17. Directors' Remuneration

Directors' income

The number of Directors of the company whose income from the company or any related party falls within the following bands:

\$ 0 and \$ 9,999	1	1
\$60,000 and \$69,999	-	1
\$170,000 and \$179,999	1	-
Total income paid or payable, or otherwise made available to all Directors of the company from the company or any related party.	170,457	63,844

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

18. Related Party Disclosures

Directors

The names of each person who held the position of Director of the company during the financial year are:

Paul Byron Wilson Robert Hugh Irvine

Robert Hugh Irvine (retired as a director on 5 March 1999).

Translation with directors

Aggregate number of shares of APNIC Pty Limited acquired by the directors from the company:

	1999 Number	1998 Number
Ordinary shares	<u>1</u>	<u>1</u>

Transactions with Related Parties

During the year APNIC Pty Ltd received a loan from APNIC Ltd for \$669,012 (1998: \$218,002.)

This is a non-interest loan, repayable at call, which APNIC Pty Ltd received to assist in setting up its operations in Australia.

Management fees of \$420,495 (1998: \$674,554) were received from APNIC Ltd for services provided during the year.

Note 19. Financial Instruments

(a) Off-balance sheet derivative instruments

The company is not party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates.

(b) Credit risk exposures

The credit risk on financial assets which have been recognised on the balance sheet, is generally the carrying amount, net of any provisions for doubtful debts.

(c) Interest rate risk exposures

The company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the company intends to hold fixed rate assets and liabilities to maturity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

Note 17. Financial Instruments (continued)

1999	Notes	Fixed interest maturing in:				Non- interest bearing	Total
		Floating interest rate	1 year or less	over 1 to 5 years	more than 5 years		
		\$	\$	\$	\$	\$	\$
Financial assets							
Cash and deposits	7	1,779,591	552,200	-	-	-	2,331,791
Receivables	8	-	-	-	-	253,202	253,202
		<u>1,779,591</u>	<u>552,200</u>	<u>-</u>	<u>-</u>	<u>253,202</u>	<u>2,584,993</u>
Weighted average interest rate		4.2%	5%				
Financial liabilities							
Trade and other creditors	11	-	-	-	-	55,705	55,705
Other loans	12	-	-	-	-	887,014	887,014
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>942,719</u>	<u>942,719</u>
Weighted average interest rate							
Net financial assets (liabilities)		<u>1,779,591</u>	<u>552,200</u>	<u>-</u>	<u>-</u>	<u>(689,517)</u>	<u>1,642,274</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

Note 17. Financial Instruments (continued)

		Fixed interest maturing in:					
1998		Floating interest rate	1 year or less	over 1 to 5 years	more than 5 years	Non- interest bearing	Total
	Notes	\$	\$	\$	\$	\$	\$
Financial assets							
Cash and deposits	7	121,128	-	-	-	-	121,128
Receivables	8	-	-	-	-	657	657
		<u>121,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>657</u>	<u>121,785</u>
Weighted average interest rate							
Financial liabilities							
Trade and other creditors	11	-	-	-	-	52,021	52,021
Other loans	12	-	-	-	-	218,002	218,002
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,023</u>	<u>270,023</u>
Weighted average interest rate							
Net financial assets (liabilities)		<u>121,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(269,366)</u>	<u>(148,238)</u>

Reconciliation of net financial assets to net assets

	Notes	1999 \$	1998 \$
Net financial assets as above		1,642,274	(148,238)
Non-financial assets and liabilities			-
Property, plant and equipment	10	255,942	182,730
Other assets	9	5,544	75
Provisions	13	(34,834)	(30,556)
Other liabilities		<u>(1,131,061)</u>	<u>-</u>
		<u>737,865</u>	<u>4,011</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

Note 17. Financial instruments (continued)

(d) Net fair value of financial assets and liabilities

(i) On-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

(ii) Off-balance sheet

There are no off balance sheet assets or liabilities.

**APNIC PTY LTD
DIRECTOR'S DECLARATION**

In the opinion of the Director of APNIC Pty Ltd:

1. (a) the financial statements and notes set out on pages 2 to 14, are drawn up so as to give a true and fair view of the results and cash flows for the financial year ended 31 December 1999, and the state of affairs of the company at 31 December 1999;
- (b) at the date of this declaration, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.
2. The financial statements have been made out in accordance with applicable Australian Accounting Standards, the Corporations Law and Urgent Issues Group Consensus Views.

Signed on behalf of the board:



Paul B Wilson
Director

21/2/2000
Dated

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF APNIC PTY LTD

Scope

We have audited the financial report of APNIC Pty Ltd (the Company) for the financial year ended 31 December 1999 as set out on pages 2 to 15. The Company's director is responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

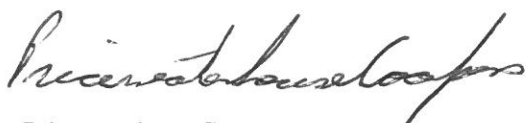
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Law in Australia so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

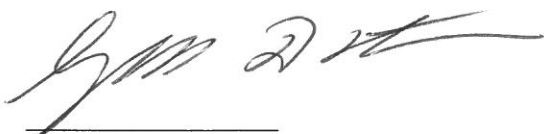
Audit Opinion

In our opinion, the financial report of the Company is in accordance with:

- (a) the Corporations Law, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 1999 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



PricewaterhouseCoopers
Chartered Accountants



M D Bruton
Partner

21st February 2000
Brisbane

APNIC PTY LTD
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 1999

	1999	1998
	\$	\$
Income		
Management Fee – membership services	420,495	-
Membership fees	1,279,105	593,514
Non-member fees	31,908	11,490
Start-up fees	260,270	69,550
Sundry Income	2,958	-
Foreign Currency exchange	17,846	-
Interest received	61,720	2,967
	<hr/>	<hr/>
Total income	2,074,302	677,521
Expenses		
APIA	15,571	-
APRICOT	30,508	-
Auditor's remuneration	13,800	8,800
Bad debt expenses	5,450	-
Bank charges	6,006	1,365
Books and periodicals	1,509	156
Cleaning	1,299	358
Consultancy fees	7,364	8,026
Communication expenses	34,980	42,288
Computer expenses	7,805	2,212
Depreciation	79,004	43,408
Domain name registration fee	2,452	-
Donations and gifts	16,121	793
Electricity	3,660	1,307
Employee entitlements	(6,099)	28,301
External training	17,514	-
Foreign currency exchange loss	-	1,085
Insurance	7,321	1,733
Interest paid	-	2
ISOC Membership	39,942	-
Legal costs	17,760	21,864
Meeting expenses	17,359	-
Merchant fees	6	-
Miscellaneous expenses	3,359	-
Office expenses	11,525	6,570
Parking expenses	4,719	1,925
Postage	11,584	5,548
Printing and stationery	1,682	5,747
Professional fees	69,006	37,843

Pages 17 and 18 do not form part of the audited accounts

APNIC PTY LTD
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 1999

	1999	1998
	\$	\$
Rates and taxes	-	7
Recruitment	35,873	69,368
Refund to members	3,806	-
Registration fees	-	144
Rent	33,118	30,145
Repairs and maintenance	405	116
Relocation expenses	-	20,725
Staff training and welfare	16,473	1,079
Superannuation contributions	47,310	14,123
Sundry expenses	-	1,694
Transportation	64	-
Travelling expenses	95,233	54,127
Wages / salaries	673,813	258,939
Workers compensation	2,769	-
Workcare	-	1,458
	<hr/>	<hr/>
Total expenses	1,330,071	671,256
	<hr/>	<hr/>
Operating profit before income tax	744,231	6,265

Pages 17 and 18 do not form part of the audited accounts.