

APNIC PTY LTD
ACN 081 528 010

Annual Report - 31 December 2000

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APNIC PTY LTD
Director's report
31 December 2000

Your director presents its report on the company for the year ended 31 December 2000.

Directors

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

Paul Byron Wilson

Principal activities

The company's principal activity during the course of the 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 \$2,100,298 (1999: \$733,854).

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 14.

Environmental regulation

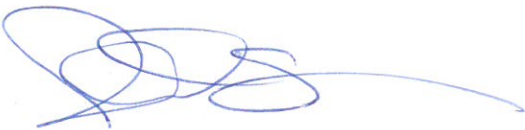
The company is not subject to significant environmental regulation.

Insurance of officers

During the financial year, the company paid a premium of \$10,653 (1999: \$5,607) to insure the directors, 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.

This report is made in accordance with a resolution of the director.



Paul Byron Wilson
Director

Brisbane
Date: 16/2/2001

APNIC PTY LTD**Profit and loss statement**

For the year ended 31 December 2000

	Note	2000 \$	1999 \$
Revenue from operating activities	2	4,303,986	1,571,283
Revenue from outside the operating activities	2	<u>452,087</u>	<u>503,019</u>
Total revenue	2	<u>4,756,073</u>	<u>2,074,302</u>
Operating profit before income tax	3	2,208,705	744,231
Income tax attributable to operating profit	4	<u>108,407</u>	<u>10,377</u>
Operating profit after income tax		2,100,298	733,854
Retained profits at the beginning of the financial year		<u>737,864</u>	<u>4,010</u>
Retained profits at the end of the financial year		<u>2,838,162</u>	<u>737,864</u>

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

APNIC PTY LTD
Balance sheet
As at 31 December 2000

	Note	2000 \$	1999 \$
Current assets			
Cash	5	4,916,709	2,331,791
Receivables	6	576,964	253,202
Other	7	<u>25,919</u>	<u>5,544</u>
Total current assets		<u>5,519,592</u>	<u>2,590,537</u>
Non-current assets			
Investments	19	759,911	-
Property, plant and equipment	8	472,851	255,942
Future income tax benefit		<u>13,630</u>	<u>-</u>
Total non-current assets		<u>1,246,392</u>	<u>255,942</u>
Total assets		<u>6,765,984</u>	<u>2,846,479</u>
Current liabilities			
Accounts payable	9	289,538	55,705
Borrowings	10	1,024,333	887,014
Provisions	11	110,670	28,409
Unearned income		<u>2,436,061</u>	<u>1,131,061</u>
Total current liabilities		<u>3,860,602</u>	<u>2,102,189</u>
Non-current liabilities			
Provision for deferred income tax		<u>67,219</u>	<u>6,425</u>
Total non-current liabilities		<u>67,219</u>	<u>6,425</u>
Total liabilities		<u>3,927,821</u>	<u>2,108,614</u>
Net assets		<u>2,838,163</u>	<u>737,865</u>
Equity			
Share capital	12	1	1
Retained profits		<u>2,838,162</u>	<u>737,864</u>
Total equity		<u>2,838,163</u>	<u>737,865</u>

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

APNIC PTY LTD
Statement of Cash Flows
For the year ended 31 December 2000

	Note	2000 \$	1999 \$
Cash flows from operating activities			
Receipts from members and customers		5,787,848	2,867,801
Payments to suppliers and employees		<u>(2,259,752)</u>	<u>(1,253,549)</u>
		3,528,096	1,614,252
Interest received		<u>186,160</u>	<u>61,720</u>
Net cash inflow from operating activities	18	<u>3,714,256</u>	<u>1,675,972</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(332,098)	(152,167)
Payments for investments		<u>(800,000)</u>	<u>-</u>
Net cash outflow from investing activities		<u>(1,132,098)</u>	<u>(152,167)</u>
Cash flows from financing activities			
Payment of borrowings		<u>(8,183)</u>	<u>669,012</u>
Net cash inflow/(outflow) from financing activities		<u>(8,183)</u>	<u>669,012</u>
Net increase in cash held		2,573,975	2,192,817
Cash at the beginning of the financial year		2,331,791	121,128
Effects of exchange rate changes on cash		<u>10,943</u>	<u>17,846</u>
Cash at the end of the financial year	5	<u>4,916,709</u>	<u>2,331,791</u>

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

Note 1. Summary of significant accounting policies

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

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

(a) Income tax

The company adopts the liability method of tax effect accounting.

Income tax expense is calculated on operation 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.

(b) Foreign currency translation

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit or loss for the year, except as stated for differences arising on foreign currency borrowings included in borrowing costs.

(c) Revenue recognition

Interest income

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

Member fees

Member fees are recognised on an accrual basis.

(d) Receivables

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists and in any event when the debt is more than 60 days overdue.

(e) Trade and other creditors

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 1. Summary of significant accounting policies (continued)

(f) Employee entitlements

(i) Wages and salaries and annual leave

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(ii) Superannuation

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

(g) Cash

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(h) Investments

Investments in managed funds are brought to accounts at net market value based upon redemption price at reporting date.

(i) Recoverable amount of 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 amounts 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.

Note 1. Summary of significant accounting policies (continued)

(j) Property, Plant and Equipment

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 a straight line basis. The expected useful lives are as follows:

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

Commencing from 1 January 2000, all plant and equipment are depreciated on a straight line basis over their expected useful life, as follows:

Plant and equipment	10-40%
Office furniture	7-25%
Office improvements	7-50%

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.

APNIC PTY LTD
Notes to the financial statements
31 December 2000
(continued)

	Note	2000 \$	1999 \$
Note 2. Revenue			
Revenue from operating activities		4,303,986	1,571,283
Revenue from outside the operating activities			
Interest		221,746	61,720
Management fee		-	420,495
Net foreign exchange gain		180,053	17,846
Other revenue		50,288	2,958
		<u>4,756,073</u>	<u>2,074,302</u>
Note 3. Operating profit			
Net gains and expenses			
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:			
Net gains			
Foreign exchange gains and losses			
Other net foreign exchange gains		180,053	17,846
Net foreign exchange gain		<u>180,053</u>	<u>17,846</u>
Expenses			
Rental expense relating to operating lease		83,032	33,118
Depreciation			
Plant and equipment		115,189	79,004
Total depreciation		<u>115,189</u>	<u>79,004</u>
Other charges against assets			
Bad and doubtful debts - trade debtors		3,613	5,450
Other provisions			
Employee entitlements		21,019	(6,099)
Total other provisions		<u>21,019</u>	<u>(6,099)</u>

APNIC PTY LTD
Notes to the financial statements
31 December 2000
(continued)

	Note	2000 \$	1999 \$
Note 4. Income tax			
The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the operating profit. The differences are reconciled as follows:			
Operating profit before income tax		<u>2,208,705</u>	<u>744,231</u>
Income tax calculated @ 34%		750,959	267,923
Tax effect of permanent differences:			
Non-deductible expenses related to members		806,564	448,007
Non-assessable membership and start-up fees		<u>(1,449,116)</u>	<u>(705,553)</u>
Income tax adjusted for permanent differences		108,407	10,377
Income tax attributable to operating profit		<u>108,407</u>	<u>10,377</u>
Income tax attributable to operating profit comprises:			
Current taxation provision		61,243	3,952
Deferred income tax provision		60,794	6,425
Future income tax benefit		<u>(13,630)</u>	<u>-</u>
		<u>108,407</u>	<u>10,377</u>

Adjustment to deferred income tax balances

Legislation reducing the company tax rate from 36% to 34% in respect of the 2000-2001 income tax year and then to 30% from the 2001-2002 income tax year was announced on 21 September 1999 and received Royal Assent on 10 December 1999. As a consequence, deferred tax balances which are expected to reverse in the 2000-2001 or a later income tax year have been remeasured using the appropriate new rates, depending on the timing of their reversal.

Note 5. Current assets - Cash

Petty cash	400	400
Cash at bank - NAB (AUD)	130,058	185,566
Cash at bank - NAB (USD)	936,864	1,593,625
Short term deposits - NAB	<u>3,849,387</u>	<u>552,200</u>
	<u>4,916,709</u>	<u>2,331,791</u>

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	4,916,709	2,331,791
Balances as per statement of cash flows	<u>4,916,709</u>	<u>2,331,791</u>

Note 6. Current assets - Receivables

Trade debtors	509,207	250,346
Sundry debtors	<u>67,757</u>	<u>2,856</u>
	<u>576,964</u>	<u>253,202</u>

APNIC PTY LTD
Notes to the financial statements
31 December 2000
(continued)

	Note	2000 \$	1999 \$
Note 7. Current assets - Other			
Prepayments		18,520	5,049
Deposits		<u>7,399</u>	<u>495</u>
		<u>25,919</u>	<u>5,544</u>
Note 8. Non-current assets - Property, plant & equipment			
Plant and equipment			
Plant and equipment at cost		401,017	212,036
Less accumulated depreciation		<u>(147,462)</u>	<u>(62,884)</u>
		<u>253,555</u>	<u>149,152</u>
Office furniture and equipment at cost		39,027	34,302
Less accumulated depreciation		<u>(24,236)</u>	<u>(19,548)</u>
		<u>14,791</u>	<u>14,754</u>
Office improvements at cost		270,357	131,965
Less accumulated depreciation		<u>(65,852)</u>	<u>(39,929)</u>
		<u>204,505</u>	<u>92,036</u>
Total property, plant and equipment		<u>472,851</u>	<u>255,942</u>
Note 9. Current liabilities - Accounts payable			
Sundry creditors		271,147	41,905
Accrued charges		<u>18,391</u>	<u>13,800</u>
		<u>289,538</u>	<u>55,705</u>
Note 10. Current liabilities - Borrowings			
Loans, unsecured APNIC Ltd		<u>1,024,333</u>	<u>887,014</u>
		<u>1,024,333</u>	<u>887,014</u>
Note 11. Current liabilities - Provisions			
Provision for income tax		67,449	6,207
Provision for employee entitlements		<u>43,221</u>	<u>22,202</u>
		<u>110,670</u>	<u>28,409</u>
Note 12. Issued Capital			
1 Ordinary share, fully paid		<u>1</u>	<u>1</u>
		<u>1</u>	<u>1</u>
Note 13. 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, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.			

APNIC PTY LTD
Notes to the financial statements
31 December 2000
(continued)

Note
2000
\$ 1999
\$

Note 13: Financial Instruments (continued)

(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.

2000	Floating interest rate \$	Fixed interest maturing in:			Non-interest bearing \$	Total \$
		1 year or less \$	Over 1 to 5 years \$	More than 5 years \$		
Financial assets						
Cash and deposits	1,066,922	3,849,387			400	4,916,709
Receivables					576,964	576,964
Investments			759,911			759,911
	<u>1,066,922</u>	<u>3,849,387</u>	<u>759,911</u>		<u>577,364</u>	<u>6,253,584</u>
Weighted average interest rate	5.64%	6.20%				
Financial liabilities						
Trade and other creditors					289,538	289,538
Other loans					1,024,333	1,024,333
					<u>1,313,871</u>	<u>1,313,871</u>
Weighted average interest rate						
Net financial assets (liabilities)	<u>1,066,922</u>	<u>3,849,387</u>	<u>759,911</u>		<u>(736,507)</u>	<u>4,939,713</u>

APNIC PTY LTD
Notes to the financial statements
31 December 2000

Note 13: Financial Instruments (continued)

Interest rate risk exposures (continued)

1999	Floating interest rate \$	Fixed interest maturing in:			Non- interest bearing \$	Total \$
		1 year or less \$	Over 1 to 5 years \$	More than 5 years \$		
Financial assets						
Cash and deposits	1,779,591	552,200				2,331,791
Receivables					253,202	253,202
	<u>1,779,591</u>	<u>552,200</u>			<u>253,202</u>	<u>2,584,993</u>
Weighted average interest rate	4.2%	5%				
Financial liabilities						
Trade and other creditors					55,705	55,705
Bills payable					887,014	887,014
					<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>(689,517)</u>	<u>1,642,274</u>

(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
Notes to the financial statements
31 December 2000
(continued)

	Note	2000 \$	1999 \$
Note 14. Remuneration of directors			
Income paid or payable, or otherwise made available, to directors of the company by the company and related parties in connection with the management of affairs of the company		<u>185,073</u>	<u>170,457</u>
The number of directors whose total income from the company or related parties was within the specified bands are as follows:			
\$	\$	No.	No.
0 -	9,999	-	1
170,000 -	179,999	-	1
180,000 -	189,999	1	-
Note 15. Remuneration of auditors			
Remuneration of the auditors of the company for:			
Audit of the financial report		11,200	9,800
Other services		<u>3,600</u>	<u>4,000</u>
		<u>14,800</u>	<u>13,800</u>
Note 16. Commitments for expenditure			
<i>Operating leases</i>			
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Not later than one year		163,507	74,402
Later than one year but not later than 5 years		<u>212,560</u>	<u>167,404</u>
Commitments not recognised in the financial statements		<u>376,067</u>	<u>241,806</u>

APNIC PTY LTD
Notes to the financial statements
31 December 2000
(continued)

Note	2000 \$	1999 \$
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Note 17. Related parties

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 (retired as a director on 5 March 1999)

Remuneration and retirement benefits

Information on remuneration of directors is disclosed in note 14.

Transactions with Related Parties

Aggregate amounts brought to account in relation to transactions with related parties:

	2000 \$	1999 \$
Loans advanced from APNIC Ltd		
Loan repayments to APNIC Ltd	-	669,012
Management fees charged to APNIC Ltd	8,183	-
	-	420,495

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

Transaction with Directors

Aggregate number of shares of APNIC Pty Ltd held by the directors from the company for the current year is 1 (1999: 1).

Note 18. Reconciliation of operating profit after income tax to net cash inflow from operating activities

Operating profit after income tax	2,100,298	733,854
Bad debts	3,613	-
Writedown of investments	40,089	-
Depreciation expense	115,189	79,004
Foreign currency loss/(gain)	134,559	(17,846)
Change in operating assets and liabilities:		
(Increase) in trade debtors and other debtors	(327,375)	(252,594)
Increase in unearned income	1,305,000	1,131,061
(Increase) in prepayments and other assets	(34,005)	(5,469)
Increase in provisions	143,055	4,278
Increase in trade and other creditors	233,833	3,684
Net cash inflow from operating activities	<u>3,714,256</u>	<u>1,675,972</u>

APNIC PTY LTD
Notes to the financial statements
 31 December 2000
 (continued)

	Note	2000 \$	1999 \$
Note 19. Non-current assets - Investments			
Units in managed investment funds - at cost		800,000	-
Less: Provision for write-down to recoverable amount		<u>(40,089)</u>	<u>-</u>
Units in managed investment funds - at recoverable amount		<u><u>759,911</u></u>	<u><u>-</u></u>
Note 20. Payables denominated in foreign currencies			
Amounts not effectively hedged			
United States dollars		1,024,333	887,014
Note 21. Geographical Segments			

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

APNIC PTY LTD
Director's declaration
31 December 2000

The directors declare that the financial statements and notes set out on pages 2 to 15:

- (a) comply with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's financial position as at 31 December 2000 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the director's opinion:

- (a) the financial statements and notes are in accordance with the Corporations Law; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Paul Byron Wilson
Director

Brisbane

Date:

16/2/2001

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 2000 as set out on pages 2 to 16. The company's director's are 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.

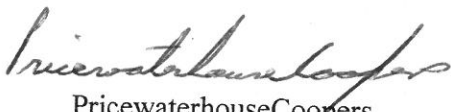
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial 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, and other mandatory professional reporting requirements in Australia 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 2000 and of its performance for the financial 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

Brisbane

Date: 20th February 2001

APNIC PTY LTD (a Company Incorporated in the Republic of Seychelles)
Private information for the Directors
on the 2000 financial report
Operating Statement
For the year ended 31 December 2000

	2000	1999
	\$	\$
Income		
Management Fee – membership services	-	420,495
Membership fees	3,807,851	1,279,105
Non-member fees	82,942	31,908
Start-up fees	413,193	260,270
Sundry Income – members (External Training Receipt, others)	41,061	2,958
Sundry Income – non-members (External Training Receipt, others)	9,227	-
Realised Foreign Currency Exchange gain	1,247	-
Unrealised Foreign Currency Exchange gain	178,806	17,846
Interest received	221,746	61,720
	<hr/>	<hr/>
Total income	4,756,073	2,074,302
Expenses		
AC Expense	7,681	-
APIA membership fee	19,059	15,571
APNG donation	19,059	15,571
APRICOT	56,579	30,508
Auditor's remuneration	14,800	13,800
Bad debt expenses	3,613	5,450
Bank charges	21,077	6,006
Books and periodicals	5,455	1,509
Cleaning	3,561	1,299
Communication expenses	80,669	34,980
Computer expenses	23,482	7,805
Depreciation	115,189	79,004
Domain name registration fee	3,479	2,452
Donations and gifts	2,077	550
Electricity	6,709	3,660
Employee entitlements	21,019	(6,099)
External training	33,507	17,514
Fringe benefits tax	2,851	-
ICANN	117,175	-
Insurance	13,614	7,321
ISOC Membership	89,413	39,942
Meeting expenses	128,750	17,359
Merchant fees	245	6
Miscellaneous expenses	8,418	3,359
Office expenses	16,352	11,525
Parking expenses	9,000	4,719

APNIC PTY LTD (a Company Incorporated in the Republic of Seychelles)
Private information for the Directors
on the 2000 financial report
Operating Statement
For the year ended 31 December 2000

	2000	1999
	\$	\$
Payroll tax expenses	14,003	-
Postage and delivery	23,691	11,584
Printing and stationery	13,372	1,682
Professional fees - accountancy/management	44,976	69,006
Professional fees - legal	22,002	17,760
Professional fees - technical	59,070	7,364
Recruitment	60,584	35,873
Refund to members	(218)	3,806
Rent	83,032	33,118
Repairs and maintenance	3,203	405
Staff amenities	5,035	4,677
Staff training and welfare	23,661	11,796
Superannuation contributions	78,629	47,310
Transportation	556	64
Travelling expenses	153,422	95,233
Wages / salaries	1,095,984	673,813
Workers compensation	3,444	2,769
Write Down Investment Value	40,089	-
Total expenses	<u>2,547,368</u>	<u>1,330,071</u>
Operating profit before income tax	<u><u>2,208,705</u></u>	<u><u>744,231</u></u>

Pages 18 and 19 do not form part of the audited accounts.