

**APNIC PTY LTD**  
**ACN 081 528 010**

**Special Purpose Financial Report - 31 December 2001**

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**APNIC PTY LTD**  
**Director's report**  
31 December 2001

Your director presents the report on the company for the year ended 31 December 2001.

**Directors**

The following person was the director of the company during the whole of the year and up to the date of this report:

Paul Byron Wilson

**Principal activities**

The company's principal continuing 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.

**Dividends**

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

**Review of operations**

The operating profit after income tax amounted to \$3,983,227 (2000: \$2,100,298).

**Matters subsequent to the end of the year**

There have been no matters of significance subsequent to the end of the year.

**Likely developments and expected results of operations**

Information on likely developments in the company's operations and the expected results of operations have not been included in this report because the director believes it would be likely to result in unreasonable prejudice to the company.

**Environmental regulation**

The company is not subject to significant environmental regulation.

**Insurance of officers**

During the financial year, the company paid a premium of \$14,997 (2000: \$10,653) to insure the directors, officeholders (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.

**Auditor**

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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



Paul Byron Wilson  
Director

Brisbane  
Date:

**APNIC PTY LTD**  
**Statement of financial performance**  
**For the year ended 31 December 2001**

	Notes	2001 \$	2000 \$
Revenue from ordinary activities	2,3	8,294,050	4,756,073
Employee benefits expense		(2,202,222)	(1,214,670)
Depreciation and amortisation expenses	3	(128,082)	(115,189)
Other expenses from ordinary activities		<u>(1,815,006)</u>	<u>(1,217,509)</u>
<b>Profit from ordinary activities before income tax</b>	3	<b>4,148,740</b>	<b>2,208,705</b>
Income tax expense	4	<u>(165,513)</u>	<u>(108,407)</u>
<b>Profit from ordinary activities after income tax expense</b>		<b><u>3,983,227</u></b>	<b><u>2,100,298</u></b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b><u>3,983,227</u></b>	<b><u>2,100,298</u></b>

*The above statement of financial performance should be read in conjunction with the accompanying notes*

**APNIC PTY LTD**  
**Statement of financial position**  
As at 31 December 2001

	Notes	2001 \$	2000 \$
<b>Current assets</b>			
Cash assets	5	7,232,219	4,916,709
Receivables	6	639,077	576,964
Short term investment		1,000,000	-
Other	7	<u>29,377</u>	<u>25,919</u>
Total current assets		<u>8,900,673</u>	<u>5,519,592</u>
<b>Non-current assets</b>			
Other financial assets	8	764,988	759,911
Property, plant and equipment	9	923,140	472,851
Deferred tax assets		<u>16,192</u>	<u>13,630</u>
Total non-current assets		<u>1,704,320</u>	<u>1,246,392</u>
<b>Total assets</b>		<u>10,604,993</u>	<u>6,765,984</u>
<b>Current liabilities</b>			
Payables	10	572,959	289,538
Interest bearing liabilities	11	-	1,024,333
Provisions	12	206,067	110,670
Unearned income		<u>2,878,187</u>	<u>2,436,061</u>
Total current liabilities		<u>3,657,213</u>	<u>3,860,602</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>126,390</u>	<u>67,219</u>
Total non-current liabilities		<u>126,390</u>	<u>67,219</u>
<b>Total liabilities</b>		<u>3,783,603</u>	<u>3,927,821</u>
<b>Net assets</b>		<u>6,821,390</u>	<u>2,838,163</u>
<b>Equity</b>			
Contributed equity	13	1	1
Retained profits	14	<u>6,821,389</u>	<u>2,838,162</u>
<b>Total equity</b>		<u>6,821,390</u>	<u>2,838,163</u>

*The above statement of financial position should be read in conjunction with the accompanying notes.*

**APNIC PTY LTD**  
**Statement of Cash Flows**  
**For the year ended 31 December 2001**

	Notes	2001 \$	2000 \$
<b>Cash flows from operating activities</b>			
Receipts from members and customers		6,869,060	5,787,848
Payments to suppliers and employees		<u>(3,314,466)</u>	<u>(2,259,752)</u>
		3,554,594	3,528,096
Interest received		<u>357,800</u>	<u>186,160</u>
<b>Net cash inflow from operating activities</b>	17	<u><b>3,912,394</b></u>	<u><b>3,714,256</b></u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(588,106)	(332,098)
Payments for investments		<u>(1,005,077)</u>	<u>(800,000)</u>
<b>Net cash outflow from investing activities</b>		<u><b>(1,593,183)</b></u>	<u><b>(1,132,098)</b></u>
<b>Cash flows from financing activities</b>			
Payment of borrowings		<u>-</u>	<u>(8,183)</u>
<b>Net increase in cash held</b>			
Cash at the beginning of the financial year		4,916,709	2,331,791
Effects of exchange rate changes on cash		<u>(3,701)</u>	<u>10,943</u>
<b>Cash at the end of the financial year</b>	5	<u><b>7,232,219</b></u>	<u><b>4,916,709</b></u>

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

**APNIC PTY LTD**  
**Notes to the financial statements**  
31 December 2001

**Note 1. Summary of significant accounting policies**

**(a) Basis of preparation of financial report**

In the director's opinion, the company is not a reporting entity because there are no users dependent on general purpose financial reports.

This is a special purpose financial report that has been prepared at the request of APNIC Executive Council for the interest of APNIC members. The director has determined that the accounting policies adopted are appropriate to meet the needs.

The company has applied Accounting Standard AASB 1025: Application of the Reporting Entity Concept and Other Amendments, which amends the application clauses of all existing standards so that they now apply only to companies that qualify as reporting entities. However, the financial report has been prepared in accordance with AASB 1018: Statement of Financial Performance, AASB 1034: Financial Report Presentation and Disclosures, AASB 1040: Statement of Financial Position and other applicable Accounting Standards and Urgent Issues Group Consensus Views with the exception of the disclosure requirements in the following:

AASB 1005:	Financial Reporting by Segments
AASB 1017:	Related Party Disclosures
AASB 1026:	Statement of Cash Flows - disclosures required under paras 11.1 & 12.2 only
AASB 1033:	Presentation and Disclosure of Financial Instruments
AASB 1041:	Revaluation of Non-Current Assets - disclosures required under para 9.4 only

The financial report 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.

**(b) Income tax**

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

**(c) 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.

**(d) 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.

**APNIC PTY LTD**  
**Notes to the financial statements**  
31 December 2001

**Note 1. Summary of significant accounting policies (continued)**

**(e) 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.

**(f) Investments**

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

**(g) Depreciation of property, plant and equipment**

*Acquisition*

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

*Depreciation*

Items of property, plant and equipment acquired prior to 1 January 2000 are depreciated over their estimated useful lives.

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

All assets acquired after 1 January 2000 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 to the statement of financial performance 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.

**(h) Trade and other creditors**

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

**(i) 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.

**APNIC PTY LTD**  
**Notes to the financial statements**  
31 December 2001  
(continued)

	2001 \$	2000 \$
<b>Note 2. Revenue</b>		
<b>Revenue from operating activities</b>		
Member and non-member income	<u>6,158,597</u>	<u>4,303,986</u>
<b>Revenue from outside the operating activities</b>		
Interest	293,696	221,746
Net foreign currency exchange gain	357,800	180,053
Donation from APNIC Ltd	204,826	-
Debt forgiveness	1,101,142	-
Other	<u>177,989</u>	<u>50,288</u>
	<u>2,135,453</u>	<u>452,087</u>
<b>Revenue from ordinary activities (excluding shares of equity accounted net profits of associates and joint venture partnership)</b>	<u>8,294,050</u>	<u>4,756,073</u>
<b>Note 3. Profit from ordinary activities</b>		
<b>(a) Net gains and expenses</b>		
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:		
<b>Net gains</b>		
Foreign exchange gains and losses		
Other net foreign exchange gains	<u>357,800</u>	<u>180,053</u>
Net foreign exchange gain	<u>357,800</u>	<u>180,053</u>
<b>Expenses</b>		
Depreciation		
Plant and equipment	<u>128,082</u>	<u>115,189</u>
Other charges against assets		
Write down of investments to net realisable value	8,541	40,089
Bad and doubtful debts - trade debtors	-	3,613
Net loss on disposal of property, plant and equipment	<u>7,790</u>	<u>-</u>
Other provisions		
Employee entitlements	<u>18,722</u>	<u>21,019</u>
Rental expense relating to operating leases		
Minimum lease payments	<u>199,687</u>	<u>83,032</u>
<b>(b) Individually significant items</b>		
<b>Gains</b>		
Debt forgiveness	<u>1,101,142</u>	<u>-</u>



**APNIC PTY LTD**  
**Notes to the financial statements**  
31 December 2001  
(continued)

2001                      2000  
\$                                      \$

**Note 4. Income tax**

(a) The income tax expense for the year differs from the amount calculated on the profit. The differences are reconciled as follows:

Profit from ordinary activities before income tax expense	<u>4,148,740</u>	<u>2,208,705</u>
Income tax calculated @ 30% (2000 - 34%)	1,244,622	750,959
Tax effect of permanent differences		
Non-deductible expenses related to members	1,178,578	806,564
Non-assessable membership and start-up fees	<u>(2,257,687)</u>	<u>(1,449,116)</u>
Income tax adjusted for permanent differences	165,513	108,407
<b>Income tax expense</b>	<u><u>165,513</u></u>	<u><u>108,407</u></u>
Aggregate income tax expense comprises:		
Current taxation provision	27,222	61,243
Deferred income tax provision	126,390	60,794
Future income tax benefit	(2,562)	(13,630)
Prepaid tax	<u>14,463</u>	<u>-</u>
	<u><u>165,513</u></u>	<u><u>108,407</u></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 passed during the year ended 30 June 2000. As a consequence, deferred tax balances were remeasured during the year ended 30 June 2000 using the appropriate new rates, depending on the timing of their reversal.

**Note 5. Current assets - Cash assets**

Petty cash	400	400
Cash at bank - NAB (AUD)	390,353	130,058
Cash at bank - NAB (USD)	734,047	936,864
Short term deposits - NAB	<u>6,107,419</u>	<u>3,849,387</u>
	<u><u>7,232,219</u></u>	<u><u>4,916,709</u></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	<u>7,232,219</u>	<u>4,916,709</u>
Balances as per statement of cash flows	<u><u>7,232,219</u></u>	<u><u>4,916,709</u></u>

**Note 6. Current assets - Receivables**

Trade debtors	557,744	509,207
Sundry debtors	<u>81,333</u>	<u>67,757</u>
	<u><u>639,077</u></u>	<u><u>576,964</u></u>

**APNIC PTY LTD**  
**Notes to the financial statements**  
31 December 2001  
(continued)

	2001 \$	2000 \$
<b>Note 7. Current assets - Other</b>		
Prepayments	28,692	18,520
Deposits	<u>685</u>	<u>7,399</u>
	<u>29,377</u>	<u>25,919</u>
<b>Note 8. Non-current assets - Other financial assets</b>		
<b>Investments at cost</b>		
Units in managed investments funds - cost	813,617	800,000
Less: Provision for writedown to recoverable amount	<u>(48,629)</u>	<u>(40,089)</u>
	<u>764,988</u>	<u>759,911</u>
<b>Note 9. Non-current assets - Property, plant &amp; equipment</b>		
<b>Plant and equipment</b>		
Plant and equipment at cost	926,674	401,017
Less: Accumulated depreciation	<u>238,408</u>	<u>147,462</u>
	<u>688,266</u>	<u>253,555</u>
Office furniture and equipment at cost	42,616	39,027
Less: Accumulated depreciation	<u>27,833</u>	<u>24,236</u>
	<u>14,783</u>	<u>14,791</u>
Office improvements at cost	314,361	270,357
Less: Accumulated depreciation	<u>94,270</u>	<u>65,852</u>
	<u>220,091</u>	<u>204,505</u>
Total plant and equipment	<u>923,140</u>	<u>472,851</u>
Total property, plant and equipment	<u>923,140</u>	<u>472,851</u>
<b>Note 10. Current liabilities - Payables</b>		
Trade creditors	547,631	271,147
Accrued charges	<u>25,328</u>	<u>18,391</u>
	<u>572,959</u>	<u>289,538</u>
<b>Note 11. Current liabilities - Interest bearing liabilities</b>		
Loans, unsecured APNIC Ltd	<u>-</u>	<u>1,024,333</u>
	<u>-</u>	<u>1,024,333</u>

**APNIC PTY LTD**  
**Notes to the financial statements**  
31 December 2001  
(continued)

	2001 \$	2000 \$
<b>Note 12. Current liabilities - Provisions</b>		
Employee entitlements	61,944	43,221
Provision for income tax	<u>144,123</u>	<u>67,449</u>
	<u><u>206,067</u></u>	<u><u>110,670</u></u>

**Note 13. Contributed equity**

	2001 \$	2000 \$
Share capital	<u><u>1</u></u>	<u><u>1</u></u>

**Note 14. Retained profits**

**Retained profits**

Retained profits at the beginning of the financial year	2,838,162	737,864
Net profit	<u>3,983,227</u>	<u>2,100,298</u>
Total available for appropriation	<u>6,821,389</u>	<u>2,838,162</u>
Retained profits at the end of the financial year	<u><u>6,821,389</u></u>	<u><u>2,838,162</u></u>

**Note 15. Remuneration of auditors**

Remuneration for audit or review of the financial reports of the company:

Auditor of the company - PricewaterhouseCoopers Australian firm	<u>9,000</u>	<u>11,200</u>
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Remuneration for other services:

Auditor of the company - PricewaterhouseCoopers Australian firm	<u>3,300</u>	<u>3,600</u>
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**Note 16. Commitments for expenditure**

**Operating leases**

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	286,756	163,507
Later than one year but not later than 5 years	<u>1,112,547</u>	<u>212,560</u>
	<u>1,399,303</u>	<u>376,067</u>
Commitments not recognised in the financial statements	<u><u>1,399,303</u></u>	<u><u>376,067</u></u>

**APNIC PTY LTD**  
**Notes to the financial statements**  
31 December 2001  
(continued)

	2001 \$	2000 \$
<b>Note 17. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities</b>		
	<b>2001</b>	<b>2000</b>
	<b>\$</b>	<b>\$</b>
Profit from ordinary activities after income tax	3,983,227	2,100,298
Depreciation	128,082	115,189
Write down of investments	8,541	40,089
Bad debts	-	3,613
Write-off of plant and equipment	9,735	-
Foreign currency loss/(gain)	71,969	134,559
Net gain on debt forgiveness	(1,101,142)	-
Change in operating assets and liabilities:		
Decrease (increase) in trade debtors and other debtors	(62,113)	(327,375)
Decrease (increase) in prepayments and other assets	(6,020)	(34,005)
Decrease (increase) in unearned income	442,126	1,305,000
Increase (decrease) in trade and other creditors	283,421	233,833
Increase (decrease) in provisions	154,568	143,055
Net cash inflow from operating activities	<u>3,912,394</u>	<u>3,714,256</u>

**APNIC PTY LTD**  
**Director's declaration**  
31 December 2001

As stated in Note 1(a) to the financial statements, in the director's opinion the Company is not a reporting entity because there are no users dependent on general purpose financial reports.

The Company Accounting Standard AASB 1025: Application of the Reporting Entity Concept and Other Amendments, and other applicable Accounting Standards and other mandatory professional reporting requirements to the extent described in Note 1(a).

The director declares that the financial statements and notes set out on pages 2 to 11:

- (a) comply with Accounting Standards, as detailed above, and the Corporations Regulations 2001; and
- (b) give a true and fair view of the Company's financial position as at 31 December 2001 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

In the director's opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; 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 director.



Paul Byron Wilson  
Director

Brisbane  
Date:

## Independent audit report to the members of APNIC PTY LTD

### *Scope*

We have audited the financial report, being a special purpose financial report, of APNIC PTY LTD (the Company) for the financial year ended 31 December 2001 as set out on pages 2 to 11. The Company's director is responsible for the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements, including the basis of accounting, which form part of the financial report are appropriate to meet the requirements of the Executive Council and the needs of the members. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. No opinion is expressed as to whether the accounting policies used, and described in Note 1, are appropriate to the needs of the members.

The financial report has been prepared at the request of APNIC Executive Council for the interest of APNIC members. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates for any purpose other than that for which they were prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is prepared in accordance with the Australian Corporations Act 2001 and presented fairly in accordance with the accounting policies described in Note 1 to the financial statements, 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. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements in Australia.

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 Act 2001, including:
  - (i) giving a true and fair view, in accordance with the accounting policies described in Note 1 to the financial statements, of the Company's financial position as at 31 December 2001 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards, comprising AASB 1025: Application of the Reporting Entity Concept and Other Amendments and other Accounting Standards to the extent described in Note 1 to the financial statements, and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements to the extent described in Note 1 to the financial statements.



PricewaterhouseCoopers  
Chartered Accountants



M D Bruton  
Partner

Brisbane  
Date: 14<sup>th</sup> February 2002

**APNIC PTY LTD**  
**Private information for the Directors**  
**on the 2001 financial report**  
**Operating statement**  
For the year ended 31 December 2001

	2001 \$	2000 \$
<b>Income</b>		
Donation from APNIC Ltd	204,826	-
Debt defeasance	1,101,142	-
IP resource application fee	33,399	-
Interest	293,696	221,746
Membership fees	4,774,150	3,807,851
Net foreign currency exchange gain	357,800	180,053
Non-member fees	71,515	82,942
Per allocation fees	1,018,665	-
Start-up fees	260,868	413,193
Sundry income	177,989	50,288
<b>Total income</b>	<u>8,294,050</u>	<u>4,756,073</u>
Expenses (refer schedule)	<u>4,145,310</u>	<u>2,547,368</u>
<b>Profit from ordinary activities before income tax</b>	<u>4,148,740</u>	<u>2,208,705</u>

**APNIC PTY LTD**  
**Private information for the Directors**  
**on the 2001 financial report**  
**Operating statement**  
For the year ended 31 December 2001

	2001 \$	2000 \$
<b>Schedule of expenses</b>		
<b>Administration and financial expenses</b>		
AC Expenses	2,796	7,681
APIA membership fee	20,206	19,059
APNG Donation	20,206	19,059
APRICOT	39,941	56,579
Bad debts	-	3,613
Bank charges	20,077	21,322
Books and periodicals	5,731	5,455
Cleaning	6,720	3,561
Communication expenses	82,244	80,669
Computer expenses	51,095	23,482
Depreciation	128,082	115,189
Domain name registration fee	3,090	3,479
Donations	1,384	2,077
EC Expenses	37,156	-
Electricity	14,299	6,709
Employees' entitlements	18,722	21,019
Entertainment expenses	739	-
External training	57,263	33,507
Fringe benefits tax	1,156	2,851
ICAAAN	179,473	117,175
ISOC Membership	101,941	89,413
Insurance	18,263	13,614
Loss on sale of property, plant and equipment	7,790	-
Meeting expenses	198,896	128,750
Miscellaneous expenses	2,648	8,418
Office expenses	28,372	16,352
Parking expenses	15,471	9,000
Payroll tax	72,381	14,003
Postage and delivery	27,118	23,691
Printing and stationery	4,557	13,372
Professional fees - CA	3,886	-
Professional fees - R&D	192,495	-
Professional fees - accountancy/management	55,113	59,776
Professional fees - legal	1,684	22,002
Professional fees - technical	16,489	59,070
Public expenses	27,364	-
Recruitment	47,462	60,584
Refund to members	-	(218)
Rent	199,687	83,032
Repairs and maintenance	4,582	3,203
Salaries and wages	1,955,465	1,095,984
Staff amenities	4,623	5,035
Staff training and welfare	49,224	23,661
Superannuation	151,030	78,629
Transportation	495	556
Travelling expenses	255,818	153,422
Workers compensation	3,535	3,444
Writedown of investment	8,541	40,089
<b>Total expenses</b>	<b>4,145,310</b>	<b>2,547,368</b>