

APNIC Pty Ltd

ACN 081 528 010

Special Purpose Financial Report

31 December 2002

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Your director present their report on the Company for the year ended 31 December 2002.

Director

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

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.

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 \$1,444,717 (2001: \$3,983,227).

Matters subsequent to the end of the financial 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 \$8,034 (2001: \$14,997) to insure the director, 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: 19 February 2003

APNIC Pty Ltd
Statement of financial performance
For the year ended 31 December 2002

	Notes	2002 \$	2001 \$
Revenue from ordinary activities	2,3	6,975,489	8,294,050
Employee benefits expense		(2,675,092)	(2,256,136)
Depreciation expense	3	(209,368)	(128,082)
Write down in investments		(149,460)	(8,541)
Foreign exchange losses		(399,952)	-
Professional fees		(349,196)	(269,667)
Travel expenses		(623,812)	(365,512)
Communications & meeting expenses		(277,164)	(181,012)
Contributions to ICANN		(225,376)	(179,473)
Occupancy expenses	3	(291,340)	(253,660)
Other expenses from ordinary activities		<u>(505,661)</u>	<u>(503,227)</u>
Profit from ordinary activities before income tax expense	3	1,269,068	4,148,740
Income tax expense	4	<u>175,649</u>	<u>(165,513)</u>
Profit from ordinary activities after income tax expense		<u>1,444,717</u>	<u>3,983,227</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>1,444,717</u>	<u>3,983,227</u>

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 2002

	Notes	2002 \$	2001 \$
Current assets			
Cash assets	5	7,236,691	7,232,219
Receivables	6	541,509	639,077
Investment		2,000,000	1,000,000
Other	7	<u>39,533</u>	<u>29,377</u>
Total current assets		<u>9,817,733</u>	<u>8,900,673</u>
Non-current assets			
Other financial assets	8	632,972	764,988
Property, plant and equipment	9	1,239,606	923,140
Deferred tax assets		<u>157,905</u>	<u>16,192</u>
Total non-current assets		<u>2,030,483</u>	<u>1,704,320</u>
Total assets		<u>11,848,216</u>	<u>10,604,993</u>
Current liabilities			
Payables	10	481,719	572,959
Provisions	11	166,962	206,067
Unearned income		<u>2,912,600</u>	<u>2,878,187</u>
Total current liabilities		<u>3,561,281</u>	<u>3,657,213</u>
Non-current liabilities			
Deferred tax liabilities		<u>20,828</u>	<u>126,390</u>
Total non-current liabilities		<u>20,828</u>	<u>126,390</u>
Total liabilities		<u>3,582,109</u>	<u>3,783,603</u>
Net assets		<u>8,266,107</u>	<u>6,821,390</u>
Equity			
Contributed equity	12	1	1
Retained profits	13	<u>8,266,106</u>	<u>6,821,389</u>
Total equity		<u>8,266,107</u>	<u>6,821,390</u>

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

APNIC Pty Ltd
Statements of cash flows
For the year ended 31 December 2002

	Notes	2002 \$	2001 \$
Cash flows from operating activities			
Receipts from members and customers		6,875,693	6,869,060
Payments to suppliers and employees		<u>(5,377,960)</u>	<u>(3,314,466)</u>
		1,497,733	3,554,594
Interest received		227,189	357,800
Income taxes paid		<u>(171,818)</u>	<u>-</u>
Net cash inflow (outflow) from operating activities		<u>1,553,104</u>	<u>3,912,394</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(530,173)	(588,106)
Payments for investments		(1,017,444)	(1,005,077)
Proceeds from sale of property, plant and equipment		<u>1,527</u>	<u>-</u>
Net cash inflow (outflow) from investing activities		<u>(1,546,090)</u>	<u>(1,593,183)</u>
Net increase (decrease) in cash held		7,014	2,319,211
Cash at the beginning of the financial year		7,232,219	4,916,709
Effects of exchange rate changes on cash		<u>(2,542)</u>	<u>(3,701)</u>
Cash at the end of the financial year	5	<u>7,236,691</u>	<u>7,232,219</u>

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

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 the general purpose reports.

This is a special purpose financial report has been prepared at the request of the Executive Council for the interest of APNIC members and to comply with the Corporations Act 2001 requirements to prepare and distribute a financial report to the members and must not be used for any other purpose. The director has determined that the accounting policies adopted are appropriate to meet the needs of the members.

The company has applied Accounting Standard AASB 1025: *Application of the Reporting Entity Concept and Other Amendments*, which amended the application clauses of all standards existing at the date of its issue 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:	Segment Reporting
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

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

Revenue is recognised for the major business activities as follows:

(i) Interest income

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

(ii) Member fees

Member fees are recognised on an accruals basis.

(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 is based on historical information.

(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	5-40%
Office furniture	5-7.5%
Office improvements	5-15%

(h) 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.

(i) 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.

(j) 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.

Note 2. Revenue

	2002	2001
	\$	\$
Revenue from operating activities		
Membership income	5,251,472	4,774,150
Non-membership income	120,885	71,515
Start-up fees	-	260,868
Per allocation fees	772,680	1,018,665
IP resource allocation fees	<u>536,643</u>	<u>33,399</u>
	<u>6,681,680</u>	<u>6,158,597</u>
Revenue from outside the operating activities		
Donation from APNIC Ltd	-	204,826
Interest	256,002	293,696
Foreign currency gains	-	357,800
Debt defeasance	-	1,101,142
Other	<u>37,807</u>	<u>177,989</u>
	<u>293,809</u>	<u>2,135,453</u>
 Revenue from ordinary activities	 <u><u>6,975,489</u></u>	 <u><u>8,294,050</u></u>

Note 3. Profit from ordinary activities

(a) Net gains and expenses

Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:

	2002	2001
	\$	\$
Net gains		
Net gain on debt defeasance	-	1,101,142
Foreign exchange gains and losses		
Exchange losses on foreign currency borrowings	(399,952)	-
Other net foreign exchange gains	-	357,800
Net foreign exchange gain	<u>(399,952)</u>	<u>357,800</u>
Expenses		
Depreciation		
Plant and equipment	<u>209,368</u>	<u>128,082</u>
Other charges against assets		
Write down of inventories to net realisable value	149,460	8,541
Bad and doubtful debts - trade debtors	<u>21,346</u>	<u>-</u>
Other provisions		
Employee entitlements	<u>61,088</u>	<u>18,722</u>
Net loss on disposal of property, plant and equipment	7,474	7,790
Rental expense relating to operating leases		
Minimum lease payments	<u>225,594</u>	<u>199,687</u>

Note 4. Income tax

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

	2002	2001
	\$	\$
Profit from ordinary activities before income tax expense	<u>1,269,068</u>	<u>4,148,740</u>
Income tax calculated @ 30%	380,720	1,244,622
Tax effect of permanent differences		
Non-deductible expenses related to members	1,480,031	1,178,578
Non-assessable membership and start-up fees	<u>(1,970,692)</u>	<u>(2,257,687)</u>
Income tax adjusted for permanent differences	(109,941)	165,513
Under (over) provision in previous year	<u>(65,709)</u>	<u>-</u>
Income tax expense	<u>(175,650)</u>	<u>165,513</u>
Aggregate income tax expense comprises:		
Current taxation provision	71,625	27,222
Deferred income tax provision	(105,562)	126,390
Future income tax benefit	(141,713)	(2,562)
Prepaid tax	<u>-</u>	<u>14,463</u>
	<u>(175,650)</u>	<u>165,513</u>

Note 5. Current assets - Cash assets

	2002	2001
	\$	\$
Petty cash	400	400
Cash at bank - NAB (AUD)	302,564	390,353
Cash at bank - NAB (USD)	756,237	734,047
Short term deposits - NAB	<u>6,177,490</u>	<u>6,107,419</u>
	<u>7,236,691</u>	<u>7,232,219</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>7,236,691</u>	<u>7,232,219</u>
Balances as per statement of cash flows	<u>7,236,691</u>	<u>7,232,219</u>

Note 6. Current assets - Receivables

	2002	2001
	\$	\$
Trade debtors	458,477	557,744
Less: Provision for doubtful debts	<u>(21,346)</u>	<u>-</u>
	<u>437,131</u>	<u>557,744</u>
Sundry debtors	<u>104,378</u>	<u>81,333</u>
	<u>541,509</u>	<u>639,077</u>

Note 7. Current assets - Other

	2002	2001
	\$	\$
Prepayments	38,641	28,692
Deposits	<u>892</u>	<u>685</u>
	<u><u>39,533</u></u>	<u><u>29,377</u></u>

Note 8. Non-current assets - Other financial assets

	2002	2001
	\$	\$
Investments at cost		
Units in managed investments funds - cost	831,062	813,617
Less: Provision for writedown to recoverable amount	<u>(198,090)</u>	<u>(48,629)</u>
	<u><u>632,972</u></u>	<u><u>764,988</u></u>

Note 9. Non-current assets - Property, plant & equipment

	2002	2001
	\$	\$
Plant and equipment		
Plant and equipment at cost	1,257,298	926,674
Less: Accumulated amortisation	<u>364,393</u>	<u>238,408</u>
	<u><u>892,905</u></u>	<u><u>688,266</u></u>
Office furniture and equipment at cost	53,690	42,616
Less: Accumulated depreciation	<u>32,113</u>	<u>27,833</u>
	<u><u>21,577</u></u>	<u><u>14,783</u></u>
Office improvements at cost	447,243	314,361
Less: Accumulated depreciation	<u>122,119</u>	<u>94,270</u>
	<u><u>325,124</u></u>	<u><u>220,091</u></u>
Total plant and equipment	<u><u>1,239,606</u></u>	<u><u>923,140</u></u>
Total property, plant and equipment	<u><u>1,239,606</u></u>	<u><u>923,140</u></u>

Note 10. Current liabilities - Payables

	2002	2001
	\$	\$
Trade creditors	454,936	547,631
Accrued charges	<u>26,783</u>	<u>25,328</u>
	<u><u>481,719</u></u>	<u><u>572,959</u></u>

Note 11. Current liabilities - Provisions

	2002	2001
Employee entitlements	\$ 123,031	\$ 61,944
Provision for income tax	<u>43,931</u>	<u>144,123</u>
	<u><u>166,962</u></u>	<u><u>206,067</u></u>

Note 12. Contributed equity

	2002 Shares	2001 Shares	2002 \$	2001 \$
Issued and paid up capital	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

Note 13. Reserves and retained profits

	2002	2001
	\$	\$
(a) Retained profits		
Retained profits at the beginning of the year	6,821,389	2,838,162
Net profit	<u>1,444,717</u>	<u>3,983,227</u>
Total available for appropriation	<u>8,266,106</u>	<u>6,821,389</u>
Retained profits at the end of the year	<u><u>8,266,106</u></u>	<u><u>6,821,389</u></u>

Note 14. Equity

	2002	2001
	\$	\$
Total equity at the beginning of the financial year	6,821,390	2,838,163
Total changes in equity recognised in the statement of financial performance	<u>1,444,717</u>	<u>3,983,227</u>
Total equity at the end of the financial year	<u><u>8,266,107</u></u>	<u><u>6,821,390</u></u>

Note 15. Remuneration of auditors

	2002	2001
	\$	\$
Remuneration for audit or review of the financial reports of the company:		
Auditor of the company - PricewaterhouseCoopers Australian firm	<u>10,250</u>	<u>9,000</u>
Remuneration for other services:		
Auditor of the company - PricewaterhouseCoopers Australian firm	<u><u>3,600</u></u>	<u><u>3,300</u></u>

Note 16. Commitments for expenditure

	2002	2001
	\$	\$
<i>Operating leases</i>		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	271,532	286,756
Later than one year but not later than 5 years	<u>1,221,359</u>	<u>1,112,547</u>
Commitments not recognised in the financial statements	<u>1,492,891</u>	<u>1,399,303</u>

Note 17. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	2002	2001
	\$	\$
Profit from ordinary activities after income tax	1,444,717	3,983,227
Depreciation and amortisation	209,638	128,082
Write down of investments to recoverable amount	149,460	8,541
Net loss on sale of non-current assets	7,474	-
Bad debts	1,872	-
Write-off of plant and equipment	-	9,735
Net gain on debt defeasance	-	(1,101,142)
Net exchange differences	(4,267)	71,969
Change in operating assets and liabilities		
Decrease (increase) in trade and other debtors	97,570	(62,113)
Decrease (increase) in prepayments and other assets	(151,869)	(6,020)
Decrease (increase) in unearned income	34,413	442,126
Increase (decrease) in trade and other creditors	(91,237)	283,421
Increase (decrease) in provisions	<u>(144,667)</u>	<u>154,568</u>
Net cash inflow from operating activities	<u>1,553,104</u>	<u>3,912,394</u>

APNIC Pty Ltd
Private information for the Directors
on the 2002 financial report
Operating statement
 For the year ended 31 December 2002

	2002	2001
	\$	\$
Professional income		
Debt defeasance	-	1,101,142
Donation from APNIC Ltd	-	204,826
Foreign currency translation gains	-	357,800
Interest	256,002	293,696
Member income	5,251,472	4,774,150
Non-member income	120,885	71,515
Other	37,807	177,989
Per allocation fees	772,680	1,018,665
IP resource application fees	536,643	33,399
Start-up fees	-	260,868
	6,975,489	8,294,050
Total Professional income		
Less Expenses		
Administration expenses (refer schedule)	5,706,421	4,145,310
Profit from ordinary activities before income tax	1,269,068	4,148,740

APNIC Pty Ltd
Private information for the Directors
on the 2002 financial report
Operating statement schedule
For the year ended 31 December 2002

	2002	2001
	\$	\$
Schedule of expenses		
Administration expenses		
Administration fees	3,540	3,090
Bank charges	24,920	20,076
Books and periodicals	2,117	5,731
Cleaning	7,800	6,720
Communication expenses	162,819	86,811
Computer expenses	48,209	51,095
Depreciation	209,368	128,082
Donation/Contribution	39,072	20,206
Doubtful debts	21,346	-
Electricity	15,435	14,299
Employees' entitlements	61,088	18,723
Entertainment	5,430	39,093
Equipment hire	1,408	6,375
Foreign currency translation losses	399,952	-
Fringe benefits tax	644	1,156
Gifts/Promotions	19,484	22,034
ICAAN	225,376	179,473
Insurance	13,364	18,263
Loss on sale of property, plant and equipment	7,474	7,790
Meeting expenses	114,345	94,200
Membership fees	116,846	122,147
Miscellaneous expenses	19,661	34,078
Office expenses	34,328	28,372
Parking expenses	23,705	15,471
Payroll tax	99,263	72,381
Postage and delivery	35,174	27,118
Printing and stationery	44,048	21,678
Professional fees - Accountancy/management	66,751	55,113
Professional fees - Consulting	29,118	-
Professional fees - Legal	5,358	1,684
Professional fees - Project management	29,978	151,973
Professional fees - R&D	217,991	60,896
Recruitment	40,308	47,462
Rent	225,594	199,687
Repairs and maintenance	8,183	4,582
Salaries and wages	2,209,781	1,955,465
Sponsorship fees	36,350	39,941
Staff Training	87,910	49,224
Staff amenities	7,738	4,623
Superannuation	200,346	151,030
Translation expenses	3,205	1,580
Travel	623,812	365,512
Workers compensation	8,322	3,535
Writedown of investment	149,460	8,541
Total Administration expenses	<u>5,706,421</u>	<u>4,145,310</u>

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. This is a special purpose financial report that has been prepared to meet *Corporations Act 2001* requirements.

The financial report has been prepared in accordance with Accounting Standard AASB 1025: *Application of the Reporting Entity Concept and Other Amendments*, and other applicable Accounting Standards and 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 3 to 12:

- (a) comply with Accounting Standards and other mandatory professional reporting requirements, as detailed above, and the *Corporations Regulations 2001*
- (b) give a true and fair view of the Company's financial position as at 31 December 2002 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 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:

19 February 2003

Independent audit report to the members of APNIC Pty Ltd

Audit opinion

In our opinion, the financial report, set out on pages 3 to 12 and 15:

- presents a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of APNIC Pty Ltd (the company) as at 31 December 2002 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements
- is presented in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia to the extent described in Note 1 to the financial statements, the Corporations Act 2001 and the Corporations Regulations 2001.

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report - responsibility and content

The preparation of the financial report, being a special purpose financial report, for the year ended 31 December 2002 is the responsibility of the director of the company. It includes the financial statements for APNIC Pty Ltd (the Company) and has been prepared for distribution to members for the purpose of fulfilling the director's financial reporting requirements under the Corporations Act 2001.

The director has determined that the accounting policies used and described in Note 1 to the financial statements, including the basis of accounting, which forms part of the financial report, are appropriate to meet the requirements of the Corporations Act 2001. The members have agreed that these policies are appropriate to meet their needs.

The auditor's role and work

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company on its preparation and presentation in accordance with the accounting policies described in Note 1. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which they were prepared.

Our role was to conduct the audit in accordance with Australian Auditing Standards. Our audit did not involve an analysis of the prudence of business decisions made by the director or management.

In conducting the audit, we carried out a number of procedures to assess whether in all material respects the financial report presents fairly a view in accordance with the Corporations Act 2001, the accounting policies described in Note 1 to the financial statements, and the Corporations Regulations 2001, which is consistent with our understanding of the Company's financial position, and its performance as represented by the results of its operations and cash flows. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements in Australia.

The procedures included:

- selecting and examining evidence, on a test basis, to support amounts and disclosures in the financial report. This included testing, as required by auditing standards, certain internal controls, transactions and individual items. We did not examine every item of available evidence
- evaluating the accounting policies applied and significant accounting estimates made by the director in his preparation of the financial report
- obtaining written confirmation regarding material representations made to us in connection with the audit

Our audit opinion was formed on the basis of these procedures.

Independence

As auditor, we are required to be independent of the Company and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board.

In addition to our statutory audit work, we were engaged to undertake other services for the Company. In our opinion the provision of these services has not impaired our independence.



PricewaterhouseCoopers
Chartered Accountants



M D Bruton
Partner

Brisbane

Date: *20th February 2003*