APNIC Pty Ltd

ABN 42 081 528 010

Special purpose annual report
For the year ended 31 December 2020

I, Paul Byron Wilson, certify that this Annexure ('A') of 28 pages referred to in Form "Copy of financial statements and reports", are a true copy of the Annual Reports.

Paul Byron Wilson
Director
Dated this 19th day of February 2021

APNIC Pty Ltd

ABN 42 081 528 010

Special purpose annual report - 31 December 2020

Contents

Your director presents his report on APNIC Pty Ltd (hereafter referred to as the "Company") for the year ended 31 December 2020.

Director
Paul Byron Wilson was the director of APNIC Pty Ltd during the whole of the financial year and up to the date of this report.

Principal activities
The Company's principal continuing activity during the year was to act as a non-profit internet registry organisation for the Asia-Pacific region. There was no significant change in the nature of the activity 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 profit before tax amounted to $3,863,435 (2019: $2,460,672). Included in this result is a $650,379 (2019: $2,169,284) gain recognised from financial assets account for as fair value through profit or loss.

Significant changes in the state of affairs
There have been no significant changes in the state of affairs of the Company during the year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 31 December 2020 that has significantly affected the Company's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations
In the foreseeable future it is expected that the Company will continue its principal activity as described above.

Environmental regulation
The Company is not affected by any significant environmental regulation in respect of its operations.

Insurance of officers
During the financial year, APNIC Pty Ltd paid a premium of $22,460 (2019: $21,525) to insure the director, officeholders (including executive council) and staff of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Paul Byron Wilson
Director

Brisbane
19 February 2021

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Australia

Tel: +61 (0) 7 3308 7000

Executive Committee
APNIC Pty Ltd
6 Cordelia Street,
SOUTH BRISBANE, QLD, 4101

19 Febuary 2021

The Executive Committee

Auditor's Independence Declaration to APNIC Pty Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence.

As lead audit partner for the audit of financial report of APNIC Pty Ltd for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

i. the auditor independence requirements of the Corporations Act 2001 in relation to the audit

ii. any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Nathan Furness
Partner
Chartered Accountant

	Notes	2020 $	2019 $
Revenue from contracts with customers	3	23,608,877	21,853,300
Other income	4(a)	1,458,897	1,417,474
Other gains/(losses) – net	4(b)	(77,982)	(8,420)
Employee benefits expense		(14,289,286)	(13,171,228)
Professional fees		(1,932,613)	(1,820,443)
Travel expenses		(331,259)	(2,390,238)
Depreciation expense		(707,658)	(862,055)
Communications and meeting expenses		(741,735)	(786,889)
Contribution to APNIC Foundation		(760,890)	(762,179)
Computer expenses		(1,216,809)	(1,067,957)
Contributions to ICANN		(223,432)	(263,386)
Insurance		(229,242)	(206,523)
Donations and sponsorships		(325,889)	(526,745)
Occupancy costs		(334,244)	(399,470)
Other expenses		(683,679)	(713,853)
Profit before tax and fair value gain on financial assets		**3,213,056**	**291,388**
Fair value gain on financial assets through profit or loss		650,379	2,169,284
Profit before income tax		**3,863,435**	**2,460,672**
Income tax expense		(411,255)	(556,953)
Profit for the year		**3,452,180**	**1,903,719**
Other comprehensive income		-	-
Total comprehensive income for the year		**3,452,180**	**1,903,719**
Total comprehensive income for the year attributable to:			
Owners of APNIC Pty Ltd		**3,452,180**	**1,903,719**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	5	7,081,222	4,028,308
Trade and other receivables	6	5,356,419	5,643,607
Other current assets	7	780,654	836,559
Total current assets		**13,218,295**	**10,508,474**
Non-current asset			
Financial assets	8	31,036,408	27,702,841
Property, plant and equipment	9	6,948,694	7,149,423
Total non-current asset		**37,985,102**	**34,852,264**
Total assets		**51,203,397**	**45,360,738**
Current liabilities			
Trade and other payables	11	1,369,013	1,167,175
Provisions	12	2,233,396	1,801,421
Unearned income	13	11,885,376	10,570,081
Total current liabilities		**15,487,785**	**13,538,677**
Non-current liability			
Net deferred tax liabilities	10	1,131,984	720,729
Provisions	12	406,744	376,628
Total non-current liability		**1,538,728**	**1,097,357**
Total liabilities		**17,026,513**	**14,636,034**
Net assets		**34,176,884**	**30,724,704**
Equity			
Contributed equity	14	1	1
Retained earnings		34,176,883	30,724,703
Total equity		**34,176,884**	**30,724,704**

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

	Share capital $	Retained Earnings $	Total equity $
Balance at 1 January 2019	1	28,820,984	28,820,985
Profit for the year	-	1,903,719	1,903,719
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year	**-**	**1,903,719**	**1,903,719**
Balance at 31 December 2019	**1**	**30,724,703**	**30,724,704**
Profit for the year	-	3,452,180	3,452,180
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year	**-**	**3,452,180**	**3,452,180**
Balance at 31 December 2020	**1**	**34,176,883**	**34,176,884**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		24,574,280	21,621,399
Payments to suppliers and employees		(19,250,306)	(21,658,256)
Interest received		70,754	148,918
Net cash from operating activities	18	**5,394,728**	**112,061**
Cash flows from investing activities			
Investment distribution income		853,836	832,953
Payments for property, plant and equipment		(517,273)	(548,369)
Proceeds from sale of property. Plant and equipment		4,811	5,563
Purchase of financial assets		(2,683,188)	(672,331)
Net cash used in investing activities		**(2,341,814)**	**(382,184)**
Net increase/(decrease) in cash and cash equivalents		3,052,914	(270,123)
Cash and cash equivalents at the beginning of the year		4,028,308	4,298,431
Cash and cash equivalents at the end of the year	5	**7,081,222**	**4,028,308**

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

1. General Information

A description of the nature of the entity's operations and its principal activities is included in the director's report on page 1, which is not part of these financial statements.

APNIC Pty Ltd is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

6 Cordelia Street,
South Brisbane, Queensland, 4101.

The financial statements were authorised for issue by the director on 19 February 2021. The director has the power to amend and reissue the financial statements.

2. Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for APNIC Pty Ltd.

a) Basis of preparation

(i) Special purpose annual 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 annual report that has been prepared at the request of the Executive Committee for the interest of the APNIC members and for the purpose of complying 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 financial report has been prepared in accordance with *Corporations Act 2001* and with the recognition and measurement principles of all applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board. It contains the disclosures that are mandatory under the following Accounting Standards:

AASB 101: Presentation of Financial statements
AASB 107: Cash Flow Statements
ASSB 108: Accounting Policies, Changes in Accounting Estimates and Errors
AASB 1054: Australian Additional Disclosures

Accounting Standard AASB 10 'Consolidated Financial Statements' has not been adopted in the preparation of this special purpose financial report.

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for financial assets and liabilities measured at fair value.

(iii) New and amended standards effective in the current year

There are no new or amended standards that became effective in the current year, which would have a significant or material impact on the recognition, measurement or disclosures of the various account balances and classes of transactions pertaining to the Company. Consequently, there is no significant or material effect on the disclosures within these financial statements.

2. Summary of significant accounting policies (continued)

b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars ($), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

c) Revenue recognition

The Company has applied Income Recognition methodology provided both under AASB 1058 as well as AASB 15 for the purpose of recognising Income.

Income Recognition under AASB 15

Under AASB 15, the Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Income Recognition and Application of AASB 1058

AASB 1058 provides that an entity receiving certain 'volunteer services' or entering to 'certain transactions' and where the consideration to acquire an asset is significantly less than the fair value of the asset. In the latter case, the entity will recognise and measure the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 Property, Plant and Equipment).

AASB 1058 does not apply when a transaction completely falls under the scope of AASB 15 as a contract with a customer. This is when the transaction has the all the following characteristics:

- The Transaction is enforceable and has sufficiently specific obligations;
- The goods or services are not retained by the entity for its own use; and
- The Transaction is neither a donation transaction nor a volunteer service.

Accordingly, AASB 1058 applies to entity's transactions that are not ordinarily contracts at Fair Value with customers. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

The Company has confirmed that there are no transactions significantly below the fair Value, therefore AASB 1058 has no application on the entity, and therefore Revenue is recognised for the major business activities using the methods outlined under AASB 15 as provided below:

(i) Member fees

Member fees, reactivation fees and application fees are recognised over time where the performance obligation is satisfied over the period of membership. Member fees received in advance of the service being provided are classified as unearned income. Transfer fees are recognised at a point in time where the performance obligation is satisfied when the service is performed.

2. Summary of significant accounting policies (continued)

c) Revenue recognition (continued)

(i) Member fees (continued)
Under AASB 1058, if the above fees include a donation element, the same is treated as 'donation' transactions and the value of the same is required to be recognised in the financial statements. A donation component, and thereby a donation transaction, exists if:

- The consideration to acquire an asset is significantly less than its fair value; and
- The intent is to primarily to enable the NFP entity to further its objectives

At present, there are no significant 'donation' components included within member fees. Therefore, there are no donation transactions to be recognised in the financial statements.

(ii) Interest Income
Interest income is recognised when control of a right to receive consideration for the provision of, or investment in, assets has been attained.

(iii) Volunteer Services
Volunteer services received by the Company are recognised by principles enunciated under AASB 1058 to ascertain donation element contained in them and recognise the equivalent fair market value in the books of accounts.

Under AASB 1058 a not-for-profit entity may, as an accounting policy choice to recognise volunteer services, or a class of volunteer services, if the fair value of those services can be measured reliably, whether the services would have been purchased if they had not been donated. The value of such volunteer services shall be measured at fair value. On the initial recognition of volunteer services as an asset or an expense, an entity shall recognise any related amounts as well. The entity shall recognise the excess of the fair value of the volunteer services over the recognised related amounts as income immediately in profit or loss account.

The Company has represented to us that it cannot reliably measure the value of Volunteer services received by it given the nature of its business, sparsity of volunteering received apart from inability to obtain comparative market estimates. Therefore, the company has not recognized the value of volunteering services in its financial statements in accordance with the exemption provided by the AASB 1058.

Under AASB 1058, if the volunteer services include a donation element, the same is treated as 'donation' transactions and the value of the same is required to be recognised in the financial statements. A donation component, and thereby a donation transaction, exists if:

- The consideration to acquire an asset is significantly less than its fair value; and
- The intent is to primarily to enable the NFP entity to further its objectives

At present, there are no significant 'donation' components included in the volunteer services. Therefore, there are no donation transactions to be recognised in the financial statements.

(iv) Grants
Grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

(v) Dividends
Dividends received from investments in equity instruments are recognised in profit or loss, as other income, when the Company's right to receive payment is established.

2. Summary of significant accounting policies (continued)

d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company has self-assessed that the "principle of mutuality" applies to its affairs and has calculated its income tax using this principle for the year ended 31 December 2020.

e) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

g) Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

2. Summary of significant accounting policies (continued)

g) Trade receivables (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (future expected credit losses) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

h) Investments and other financial assets

(i) Classification
The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. It has been elected that changes in fair value be designated through profit and loss.

(ii) Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement
Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the operating statement.

2. Summary of significant accounting policies (continued)

h) Investments and other financial assets (continued)

(iii) Measurement (continued)
Debt instruments (continued)

- Fair Value through Other Comprehensive Income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the operating statement.
- Fair Value through Profit or Loss ("FVPL"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment
From 1 January 2019, the Company assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent year.

Subsequent measurement

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by obtaining independent valuation statements or by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

2. Summary of significant accounting policies (continued)

i) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

Depreciation on assets acquired are calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Property related assets	*2.5 – 50%*
Computer equipment	*5 – 50%*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

j) Trade and other payables

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

k) Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)

k) Leases (continued)

The Company as lessee (continued)

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Company applies AASB 136 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

l) Employee benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, bonus, time-in-lieu, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations
The Company also has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the year in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting year using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and years of service.

Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

2. Summary of significant accounting policies (continued)

l) Employee benefits (continued)

(ii) Other long-term employee benefit obligations (continued)

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

n) Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that instrument to the nearest dollar.

o) Comparative amounts

Where necessary, comparatives have been reclassified and repositioned for consistency with current period disclosures.

p) Working capital deficit and going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlements of liabilities in the ordinary course of business. The financial report shows the Company has negative working capital of $2,269,490 (2019: $3,030,203). Whilst the Company is in a negative working capital position, there are non-current financial assets of $31,036,408 which can be realised on a short-term basis should the Company require funds to meet their current obligations.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had a small impact on APNIC Pty Ltd up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is continuing to develop and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The cash flow forecast prepared for the assessment of going concern, factors in certain estimates and assumptions which would be impacted by developments related to COVID-19 and the impact on the performance of financial assets and customer demand. The financial forecasts in response to COVID-19 have been adjusted, to account for the current and possible future impacts to revenue, expenses and cash flows.

For the year ended 31 December 2020, there was a cash inflow from operating activities amounting to $5,394,728. As at this date, the Company had cash and cash equivalents amounting to $7,081,222 and total net assets of $34,176,884. With the strong cash and financial position, the directors believe it remains appropriate to prepare the financial statements on a going concern basis.

3. Revenue from contracts with customers

	2020 $	2019 $
Membership fees	22,766,728	21,061,318
Non-membership fees	260,483	255,751
Sign-up fees	347,250	345,500
Transfer fees	216,016	173,831
Member reactivation fees	16,000	14,500
Non-member reactivation fees	2,400	2,400
Total revenue from continuing operations	**23,608,877**	**21,853,300**

Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of services over time and at a point in time as follows:

	2020 $	2019 $
Revenue from transfer of services over time	23,392,861	21,679,469
Revenue from transfer of services at a point in time	216,016	173,831
	23,608,877	**21,853,300**

4. Other income and expense items

a) Other income

	2020 $	2019 $
Investment distribution income	853,836	832,953
Interest income	70,754	148,918
Sundry income	534,307	435,603
	1,458,897	**1,417,474**

b) Other gains/(losses)

	2020 $	2019 $
Net loss on disposal of property, plant and equipment	(5,533)	(3,681)
Net foreign exchange losses	(72,449)	(4,739)
	(77,982)	**(8,420)**

5. Cash and cash equivalents

	2020 $	2019 $
Current assets		
Petty cash	400	400
Cash at bank	7,080,822	4,027,908
	7,081,222	**4,028,308**

6. Trade and other receivables

	2020 $	2019 $
Current assets		
Trade receivables	841,633	1,273,465
Provision for future expected credit loss	(67,349)	(68,082)
	774,284	**1,205,383**
Other receivables	405,847	281,231
GST receivable	13,334	-
Interest receivable	12,954	6,993
Short term deposits	4,150,000	4,150,000
	5,356,419	**5,643,607**

7. Other current assets

	2020 $	2019 $
Current assets		
Prepayments	779,380	834,010
Prepaid taxes	1,274	2,549
	780,654	**836,559**

8. Financial assets

	2020 $	2019 $
Non-current assets		
Unlisted securities		
Units in managed investment funds – at fair value	31,036,408	27,702,841
	31,036,408	**27,702,841**

9. Property, plant and equipment

	Property related assets	Computer equipment	Total
	$	$	$
At 1 January 2019			
Cost	8,053,187	4,541,639	12,594,826
Accumulated depreciation	(1,829,829)	(3,292,644)	(5,122,473)
Carrying amount	**6,223,358**	**1,248,995**	**7,472,353**
Year ended 31 December 2019			
Opening net carrying amount	6,223,358	1,248,995	7,472,353
Additions	112,881	435,488	548,369
Disposals	-	(9,244)	(9,244)
Depreciation charge	(204,109)	(657,946)	(862,055)
Closing carrying amount	**6,132,130**	**1,017,293**	**7,149,423**
At 31 December 2019			
Cost	8,166,066	4,083,595	12,249,661
Accumulated depreciation	(2,033,936)	(3,066,302)	(5,100,238)
Net carrying amount	**6,132,130**	**1,017,293**	**7,149,423**
Year ended 31 December 2020			
Opening carrying amount	6,132,130	1,017,293	7,149,423
Additions	14,408	502,865	517,273
Disposals	-	(10,344)	(10,344)
Depreciation charge	(204,383)	(503,275)	(707,658)
Closing carrying amount	**5,942,155**	**1,006,539**	**6,948,694**
At 31 December 2020			
Cost	8,180,474	3,705,386	11,885,860
Accumulated depreciation	(2,238,319)	(2,698,847)	(4,937,166)
Carrying amount	**5,942,155**	**1,006,539**	**6,948,694**

10. Deferred tax

	2020 $	2019 $
Total deferred tax assets	106,877	333,762
Total deferred tax liabilities	(1,238,861)	(1,054,491)
Total net deferred tax liability	**(1,131,984)**	**(720,729)**

11. Trade and other payables

	2020 $	2019 $
Current liabilities		
Trade payables	530,395	466,381
GST payable	-	22,073
Accrued expenses	838,618	656,721
	1,369,013	**1,167,175**

12. Provisions

	2020 $	2019 $
Employee benefits		
Current	2,233,396	1,801,421
Non-current	406,744	376,628
	2,640,140	**2,178,049**

13. Unearned income

	2020 $	2019 $
Current liabilities		
Unearned member and non-member fees	11,879,564	10,551,581
Unearned sponsorship income	5,812	18,500
	11,885,376	**10,570,081**

14. Contributed equity

a) Share capital

	2020 Shares	2019 Shares	2020 $	2019 $
Ordinary shares – fully paid	**1**	**1**	**1**	**1**

b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

15. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the entity and its related practices:

	2020 $	2019 $
Audit and other assurance services		
Audit of financial statements	31,000	33,100
Other services	4,000	4,000
Total audit and other assurance services	**35,000**	**37,100**

16. Commitments and contingencies

The Company had no commitments nor any contingent liabilities as at 31 December 2020 (2019: nil).

17. Events occurring after the reporting period

No matter or circumstance has occurred after the reporting date that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

18. Reconciliation of profit for the year to net cash inflows from operating activities

	2020 $	2019 $
Profit for the year	3,452,180	1,903,719
Adjustments for:		
Depreciation	707,658	862,055
Investment distribution income	(853,836)	(832,953)
Net loss on sale of non-current assets	5,533	3,678
Fair value gain on non-current financial assets at fair value through profit or loss	(650,379)	(2,169,284)
Movements in working capital:		
Decrease/(increase) in trade and other receivables	287,188	(488,246)
Decrease/(increase) in other current assets	55,905	(170,891)
Decrease/(increase) in deferred tax assets	226,885	(47,224)
Increase/(decrease) in trade and other payables	201,838	(74,586)
Increase in unearned income	1,315,295	342,111
Increase in deferred tax liabilities	184,370	604,178
Increase in provisions	462,091	179,504
Cash generated from operations	5,394,728	112,061

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 Standards and mandatory professional reporting requirements to the extent described in note 1.

In the director's opinion:

a. the financial statements and notes set out on pages 4 to 22 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements, and

   (ii) giving a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the financial year ended on that date, 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.

Paul Byron Wilson
Director

Brisbane

19 February 2021

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Independent Auditor's Report to the Executive Committee of APNIC Pty Ltd.

Report on the Audit of the Financial Report

Opinion

We have audited the financial report, being a special purpose financial report, of APNIC Pty Ltd (the "Company") which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 31 December 2020 and of their financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards to the extent described in Note 2 and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the Director's report for the year ended 31 December 2020 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the Executive Committee. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Deloitte.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Nathan Furness
Partner
Chartered Accountants
Brisbane, 19 February 2021