APNIC Pty Ltd

ABN 42 081 528 010

Special purpose annual report
For the year ended 31 December 2019

I, Paul Byron Wilson, certify that this Annexure ('A') of 26 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 14 day of February 2020

APNIC Pty Ltd

ABN 42 081 528 010

Special purpose annual report - 31 December 2019

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Your director presents his report on APNIC Pty Ltd (hereafter referred to as the "Company") for the year ended 31 December 2019.

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 $2,460,672 (2018: $1,013,037). The fair value increment recognised from financial assts accounted for as fair value through profit or loss in 2019 was $2,169,284, compared to the fair value decrement of $73,475 in 2018.

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 2019 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 $21,525 (2018: $20,500) 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
Deloitte Touche Tohmatsu commences in office in accordance with section 327 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
14 February 2020

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

14 Febuary 2020

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 2019, 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 ; and

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	2019 $	2018 $
Revenue from contracts with customers	3	21,853,300	20,981,059
Other income	4(a)	1,417,474	1,306,052
Other gains/(losses) - net	4(b)	(8,420)	6,274
Employee benefits expense		(13,171,228)	(12,161,645)
Professional fees		(1,820,443)	(1,458,388)
Travel expenses		(2,390,238)	(2,165,459)
Depreciation expense		(862,055)	(856,029)
Communications and meeting expenses		(786,889)	(748,854)
Contribution to APNIC Foundation		(762,179)	(732,710)
Computer expenses		(1,067,957)	(817,599)
Contributions to ICANN		(263,386)	(278,866)
Insurance		(206,523)	(189,738)
Donations and sponsorships		(526,745)	(630,401)
Occupancy costs		(399,470)	(396,698)
Other expenses		(713,853)	(770,486)
Profit before tax and fair value loss on financial assets		**291,388**	**1,086,512**
Fair value profit / (loss) on financial assets through profit or loss		2,169,284	(73,475)
Profit before income tax		**2,460,672**	**1,013,037**
Income tax (expense)/benefit		(556,953)	99,935
Profit/(loss) for the year		**1,903,719**	**1,112,972**
Other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**1,903,719**	**1,112,972**
Total comprehensive income for the year is attributable to:			
Owners of APNIC Pty Ltd		**1,903,719**	**1,112,972**

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

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	5	4,028,308	4,298,431
Trade and other receivables	6	5,643,607	5,155,361
Other current assets	7	836,559	665,666
Total current assets		**10,508,474**	**10,119,458**
Non-current asset			
Financial assets	8	27,702,841	24,861,226
Property, plant and equipment	9	7,149,423	7,472,353
Total non-current asset		**34,852,264**	**32,333,579**
Total assets		**45,360,738**	**42,453,037**
Current liabilities			
Trade and other payables	11	1,167,175	1,241,761
Provisions	12	1,801,421	1,743,961
Unearned income	13	10,570,081	10,227,970
Total current liabilities		**13,538,677**	**13,213,692**
Non-current liability			
Net deferred tax liabilities	10	720,729	163,776
Provisions	12	376,628	254,584
Total non-current liability		**1,097,357**	**418,360**
Total liabilities		**14,636,034**	**13,632,052**
Net assets		**30,724,704**	**28,820,985**
Equity			
Contributed equity	14	1	1
Retained earnings		30,724,703	28,820,984
Total equity		**30,724,704**	**28,820,985**

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

	Share capital $	Other Reserves $	Retained Earnings $	Total equity $
Balance at 1 January 2018	1	1,156,552	26,551,460	27,708,013
Adjustment on adoption of AASB 9 (net of tax)	-	(1,156,552)	1,156,552	-
Restated total equity at the beginning of the financial year	**1**	**-**	**27,708,012**	**27,708,013**
Profit for the year	-	-	1,112,972	1,112,972
Total comprehensive income for the year	**-**	**-**	**1,112,972**	**1,112,972**
Balance at 31 December 2018	**1**	**-**	**28,820,984**	**28,820,985**

	Share capital $	Other Reserves $	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**

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

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		22,454,352	22,653,493
Payments to suppliers and employees		(21,658,256)	(20,141,716)
Grants received		-	32,312
Interest received		148,918	196,868
Net cash flows from operating activities	18	**945,014**	**2,740,957**
Cash flows from investing activities			
Transfers to short term deposits		-	-
Payments for property, plant and equipment		(548,369)	(601,930)
Proceeds from sale of property. Plant and equipment		5,563	7,075
Purchase of financial assets		(672,331)	(1,500,000)
Net cash (outflow) from investing activities		**(1,215,137)**	**(2,094,855)**
Net (decrease)/increase in cash and cash equivalents		(270,123)	646,102
Cash and cash equivalents at the beginning of the year		4,298,431	3,629,427
Effects of exchange rate changes on cash and cash equivalents		-	22,902
Cash and cash equivalents at the end of the year	5	**4,028,308**	**4,298,431**

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 18 February 2020. 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 the special purpose 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

The Company early adopted the following standards in January 2018 that were effective from 1 January 2019:

- AASB 15 Revenue from Contracts with customers
- AASB 1058 Income Not-for-Profit Entities

The Company disclosed the impact of the first time adoption of these accounting standards in the prior year financial statements.

2. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

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

From 1 January 2019 the Company adopted the new leasing standard AASB 16. The application of AASB 16 has resulted in the following key changes for almost all leases, with the only exceptions being short term and low-value leases:

- Leases are recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed.
- Lessees are required to recognise assets and liabilities for all leases on balance sheet with a term of more than 12 months, unless the underlying asset is of low value.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

On initial application of AASB 16, the Company has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and IFRIC 4 will continue to apply to those leases entered into or modified before 1 July 2019. The impact of first-time adoption of AASB 16 is set out below:

- On adoption and throughout the year the Company had no non-cancellable operating lease commitments.
- All the leases of the Company meet the definition of short term leases or leases of low value as outlined by AASB16 and are therefore exempt from the standard.
- For short term leases (lease term of 12 months or less) and leases of low value assets (such as personal computers and office furniture), the Company has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16 (where applicable).

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 Companies 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.

2. Summary of significant accounting policies (continued)

c) Revenue recognition

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

(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.

2. Summary of significant accounting policies (continued)

c) Revenue recognition (continued)

(iii) Volunteer Services

Volunteer services received by the Company are recognized 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 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 AASB 1058.

Under AASB 1058, if the volunteer services includes a donation element the same is treated as a '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.

d) 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.

e) 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.

2. Summary of significant accounting policies (continued)

e) Income tax (continued)

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 2019.

f) 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.

g) 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.

h) 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)

h) 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.

i) 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 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

<u>Debt instruments</u>

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)

i) Investments and other financial assets (continued)

(iii) Measurement (continued)

Debt instruments

- 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.
- 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.

(v) 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)

j) 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.

k) 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.

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) 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 $3,030,203 (2018: $3,094,234). Whilst negative working capital, in the current year there is financial assets of $27,702,841 (Note 8) which is classified as non-current, which should the Company require funds to pay current debts when they fall due, could be realised on a short term basis.

3. Revenue from contracts with customers

	2019 $	2018 $
Membership fees	21,061,318	20,213,860
Non-membership fees	255,751	251,054
Sign-up fees	345,500	330,000
Transfer fees	173,831	164,145
Member reactivation fees	14,500	22,000
Non-member reactivation fees	2,400	-
Total revenue from continuing operations	**21,853,300**	**20,981,059**

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:

	2019 $	2018 $
Revenue from transfer of services over time	21,679,469	20,816,914
Revenue from transfer of services at a point in time	173,831	164,145
	21,853,300	**20,981,059**

4. Other income and expense items

a) Other income

	2019 $	2018 $
Investment distribution income	832,953	683,763
Interest income	148,918	188,271
Grant income	-	4,737
Sundry income	435,603	429,281
	1,417,474	**1,306,052**

b) Other gains/(losses) – net

	2019 $	2018 $
Net (loss)/gain on disposal of property, plant and equipment	(3,681)	(12,384)
Net foreign exchange gains/(losses)	(4,739)	18,658
	(8,420)	**6,274**

5. Cash and cash equivalents

	2019 $	2018 $
Current assets		
Petty cash	400	400
Cash at bank	4,027,908	4,298,031
	4,028,308	**4,298,431**

6. Trade and other receivables

	2019 $	2018 $
Current assets		
Trade receivables	1,273,465	785,803
Provision for future expected credit loss	(68,082)	(43,780)
	1,205,383	**742,023**
Other receivables	281,231	250,436
Interest receivable	6,993	12,902
Short term deposits	4,150,000	4,150,000
	5,643,607	**5,155,361**

7. Other current assets

	2019 $	2018 $
Current assets		
Prepayments	834,010	660,863
Prepaid taxes	2,549	4,803
	836,559	**665,666**

8. Financial assets

	2019 $	2018 $
Non-current assets		
Unlisted securities		
Units in managed investment funds – at fair value	27,702,841	24,861,226
	27,702,841	**24,861,226**

9. Property, plant and equipment

	Property related assets	Computer equipment	Total
	$	$	$
At 1 January 2018			
Cost	7,967,550	4,241,288	12,208,838
Accumulated depreciation	(1,638,755)	(2,824,172)	(4,462,927)
Net book amount	**6,328,795**	**1,417,116**	**7,745,911**
Year ended 31 December 2018			
Opening net book amount	6,328,795	1,417,116	7,745,911
Additions	91,272	510,658	601,930
Disposals	-	(19,459)	(19,459)
Depreciation charge	(196,709)	(659,320)	(856,029)
Closing net book amount	**6,223,358**	**1,248,995**	**7,472,353**
At 31 December 2018			
Cost	8,053,187	4,541,639	12,594,826
Accumulated depreciation	(1,829,829)	(3,292,644)	(5,122,473)
Net book amount	**6,223,358**	**1,248,995**	**7,472,353**
Year ended 31 December 2019			
Opening net book 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 net book amount	**6,132,130**	**1,017,294**	**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 book amount	**6,132,130**	**1,017,294**	**7,149,423**

10. Deferred tax

	2019 $	2018 $
Deferred tax assets expected to be recovered within 12 months	14,028	15,158
Deferred tax assets expected to be recovered after more than 12 months	319,734	271,379
Deferred tax liabilities expected to be recovered within 12 months	(2,223)	(4,144)
Deferred tax liabilities expected to be recovered after more than 12 months	(1,052,267)	(446,169)
Total net deferred tax liability	**(720,729)**	**(163,776)**

11. Trade and other payables

	2019 $	2018 $
Current liabilities		
Trade payables	(466,381)	(615,571)
Goods and services tax (GST) payable	(22,073)	(18,847)
Accrued expenses	(656,721)	(602,863)
Research funds	-	(4,480)
	(1,167,175)	**(1,241,761)**

12. Provisions

	2019 $	2018 $
Employee benefits		
Current	(1,801,421)	(1,743,961)
Non- Current	(376,628)	(254,584)
Total	**(2,178,049)**	**(1,998,545)**

13. Unearned income

	2019 $	2018 $
Current liabilities		
Unearned member and non-member fees	(10,551,581)	(10,197,272)
Unearned sponsorship income	(18,500)	(30,698)
	(10,570,081)	**(10,227,970)**

14. Contributed equity

a) Share capital

	2019 Shares	2018 Shares	2019 $	2018 $
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:

	2019 $	2018 $
Audit and other assurance services		
Audit of financial statements	37,100	48,000
Total remuneration of Audit Services	**37,100**	**48,000**

16. Commitments and contingencies

The Company had no commitments nor contingent liabilities at 31 December 2019 (2018: nil).

17. Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end 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 after income tax to net cash inflow from operating activities

	2019 $	2018 $
Profit for the year	1,903,719	1,112,972
Adjustments for:		
Depreciation	862,055	856,029
Net loss on sale of non-current assets	3,678	12,384
Investment management fees	-	142,434
Fair value (gain)/loss on non-current financial assets at fair value through profit or loss	(2,169,284)	73,475
Investment distribution income	-	(683,763)
Net exchange differences	-	(22,902)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(488,246)	324,011
Decrease in restricted cash	-	47,458
Increase in deferred tax assets	(47,224)	(84,136)
(Increase)/decrease in other operating assets	(170,891)	83,315
(Decrease)/Increase in trade and other creditors	(74,586)	155,089
Increase in unearned income	342,111	485,177
Increase/(Decrease) in deferred tax liabilities	604,178	(15,799)
Increase in other provisions	179,504	255,213
Net cash inflow/(outflow) from operating activities	945,014	2,740,957

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 2019 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

14 February 2020

Deloitte.

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Independent Auditor's Report to the Members 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 2019, 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 2019 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.

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 members. The directors' responsibility also includes such

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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.

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

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Nathan Furness
Partner
Chartered Accountants
Brisbane, 14 February 2020