

APNIC LTD (A Company Incorporated in the Republic of Seychelles)

FINANCIAL STATEMENTS AND REPORTS

FOR THE YEAR ENDED

31 DECEMBER 1998

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APNIC LTD

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 1998**

The Director presents the report together with the financial statements of APNIC Ltd for the year ended 31 December 1998 and the independent auditors' report thereon.

Directors

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

Paul Byron Wilson

Principal Activities

The principal activity of the company during the course of the financial year was to act as a non-profit internet registry organisation for the Asia Pacific region.

From 1 July 1998 onwards, the company contracted with another company, APNIC Pty Ltd (incorporated in Australia) to provide internet registry services on its behalf.

Apart from this change, there were no other significant changes in the nature of the activities of the company during the year.

Result

The operating loss after income tax amounted to \$51,974 (1997: profit \$129,306).

Dividends

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

Director's Benefits

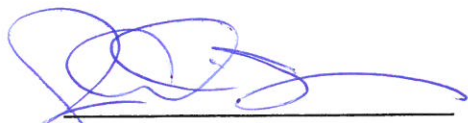
The only benefits paid to the Director were salary and associated employment benefits paid on a normal commercial basis.

Further information relating to the Director is disclosed at Note 17.

Indemnification and Insurance of Officers

Since the end of the previous financial year, APNIC Ltd has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the company.

Signed on behalf of the board:



Paul B Wilson
Director

27 SEP 99

Dated

APNIC LTD

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998**

	Note	1998 \$US	1997 \$US
Operating revenue	3	675,276	850,884
Operating profit/(loss)	4	(51,974)	129,306
Income tax attributable to operating profit or loss	6	-	-
Operating profit/(loss) after income tax		(51,974)	129,306
Retained profits/(accumulated losses) at the beginning of the financial year		522,813	393,507
Retained profits/(accumulated losses) at the end of the financial year		470,839	522,813

The profit and loss account is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 11.

APNIC LTD

BALANCE SHEET AS AT 31 DECEMBER 1998

	Note	1998 \$US	1997 \$US
CURRENT ASSETS			
Cash	8	698,053	418,856
Receivables	9	263,171	104,396
Other	10	-	6,068
Total current assets		<u>961,224</u>	<u>529,320</u>
NON-CURRENT ASSETS			
Property, plant and equipment	11	14,049	33,917
Intangibles	12	2,040	2,040
Total non-current assets		<u>16,089</u>	<u>35,957</u>
Total assets		<u>977,313</u>	<u>565,277</u>
CURRENT LIABILITIES			
Accrued expenses	13	12,280	42,463
Unearned income		494,193	-
Total current liabilities		<u>506,473</u>	<u>42,463</u>
Total liabilities		<u>506,473</u>	<u>42,463</u>
Net assets		<u>470,840</u>	<u>522,814</u>
EQUITY			
Share capital	15	1	1
Retained profits		470,839	522,813
Total equity		<u>470,840</u>	<u>522,814</u>

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 11.

APNIC LTD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998 \$US
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations		1,095,357
Cash payments in the course of operations		(698,249)
Interest received		14,416
Net cash provided by operating activities	16 (II)	<u>411,524</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan to related party		(135,020)
Net cash used in investing activities		<u>(135,020)</u>
Net increase (decrease) in cash held		276,504
Cash at beginning of the financial year		418,856
Effects of exchange rate changes on balances of cash held in foreign currencies during the year		2,693
Cash at the end of the financial year	8	<u><u>698,053</u></u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 11.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of these financial statements are:

Basis of Preparation

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and the Australian Corporations Law. This format has been adopted to ensure consistency with the financial statements of APNIC Pty Ltd. The Australian Accounting Standards are generally consistent with International Accounting Standards.

They have been prepared on the basis of historical costs and except where stated, do not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

All amounts are denominated in United States dollars unless otherwise specifically stated.

Revenue Recognition - Note 3

Interest income

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

Other revenue

Member fees are recognised on an accrual basis.

Foreign Currency

Transactions

Foreign currency transactions are translated to United States currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in non United States currencies are brought to account as exchange gains or losses in the profit and loss account in the financial year in which the exchange rates change.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation - Note 6

Income tax

The company adopts the liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

Non-Current Assets

The carrying amounts of all non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

Property, Plant and Equipment - Note 11

Acquisition

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

Depreciation

Items of property, plant and equipment are depreciated over their estimated useful lives. The reducing balance method of depreciation is used

Intangibles - Note 12

The carrying amounts of intangibles are reviewed annually.

Doubtful Debts - Note 9

The collectibility of debts is assessed at year end and specific provision is made for any doubtful accounts.

Comparatives

The comparative information is not audited.

In accordance with AASB 1026, no comparative figures have been shown in the cash flow statement or the note to the cash flow statement as the Director considers it impracticable to provide such information.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Trade debtors

Trade debtors are generally settled within 60 days and are carried at amounts due. The collectibility of debts is assessed at year end and specific provision is made for any doubtful accounts.

Accrued expenses - Note 13

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the entity.

2. CHANGE IN ACCOUNTING POLICY

The Director has applied accrual accounting in recognising membership fee revenue to comply with the Australian Accounting Standards. The financial effect of applying the prior accounting policy would be a reduction of the 31 December 1998 liability, unearned income by \$494,193 to nil, and an increase in the 31 December 1998 operating profit by \$494,193 to \$442,219.

	1998 \$US	1997 \$US
3. OPERATING REVENUE		
Member and non-member fees	541,212	737,753
Start-up fees	101,000	105,000
Other revenue		
Interest:		
Other parties	14,416	7,433
Other operating revenue	18,648	698
	<u>675,276</u>	<u>850,884</u>

4. OPERATING LOSS

Operating loss before abnormal items and income tax has been arrived at after charging/(crediting) the following items:

Bad and doubtful debts written off to the profit and loss account	3,248	3,290
Depreciation of property, plant and equipment	12,320	8,268
Net foreign exchange (gain)/loss	(2,693)	-
Net loss/(gain) on sales of property, plant and equipment	7,548	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998**

1998
\$US

1997
\$US

5. AUDITORS' REMUNERATION

Auditor's remuneration for the year ended 31 December 1998 of \$8,800 for both APNIC Limited and APNIC Pty Limited has been accrued and disclosed in APNIC Pty Limited's financial statements. Remuneration's for each entity cannot be reliably estimated for allocation purposes therefore no disclosure has been made.

6. INCOME TAX

Income Tax Expense

Prima facie income tax expense

-

-

The company is registered in the Republic of the Seychelles and the Director is of the opinion that it is not subject to the Australian Taxation jurisdiction.

7. GEOGRAPHICAL SEGMENTS

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

8. CASH

Cash at bank - Citibank Singapore	675,090	397,006
Cash at bank - Sumitomo Tokyo	22,934	19,915
Petty cash	29	1,935
	<hr/>	<hr/>
	698,053	418,856
	<hr/>	<hr/>

9. RECEIVABLES

Current

Trade debtors	128,151	108,211
Less: Provision for doubtful debts	-	(3,815)
	<hr/>	<hr/>
	128,151	104,396
Loans, unsecured		
APNIC Pty Ltd	135,020	-
	<hr/>	<hr/>
	263,171	104,396
	<hr/>	<hr/>

10. OTHER ASSETS

Current

Prepayments	-	68
Cash advance	-	6,000
	<hr/>	<hr/>
	-	6,068
	<hr/>	<hr/>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

	1998 \$US	1997 \$US
11. PROPERTY, PLANT AND EQUIPMENT		
Computer equipment	26,762	44,003
Less: Accumulated depreciation	(12,713)	(10,086)
	<u>14,049</u>	<u>33,917</u>
Total property, plant and equipment, at net book value	<u>14,049</u>	<u>33,917</u>
12. INTANGIBLES		
Telephone rights	<u>2,040</u>	<u>2,040</u>
13. ACCRUED EXPENSES		
Current		
Sundry creditors	411	17,060
Advance receipt	-	30,000
APRICOT Advance	9,369	(4,597)
APRICOT Fellowship fund	2,500	-
	<u>12,280</u>	<u>42,463</u>
14. FOREIGN CURRENCIES		
Amounts receivable/payable in foreign currencies		
The Australian dollar equivalents of unhedged amounts payable or receivable in foreign currencies, calculated at year end exchange rates, are as follows:		
Australian Dollars		
Amounts receivable		
Current	<u>218,002</u>	<u>-</u>
15. SHARE CAPITAL		
Issued and Paid-up Capital		
1 Ordinary share, fully paid	<u>1</u>	<u>1</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

16. NOTES TO THE STATEMENT OF CASH FLOWS

(I) RECONCILIATION OF CASH

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet.

1998
\$US

(II) RECONCILIATION OF OPERATING PROFIT
AFTER INCOME TAX TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

Operating profit after income tax	(51,974)
Add (less) items classified as investing/ financing activities:	
(Profit)/Loss on sale of non-current assets	7,548
Add (less) non-cash items:	
Foreign exchange gain	(2,693)
Depreciation	12,320
Net cash provided by operating activities before change in assets and liabilities	(34,799)
Change in assets and liabilities during the financial year:	
(Increase)/decrease in net receivables	(23,755)
(Increase)/decrease in cash advance	6,000
Increase/(decrease) in prepayments	68
Increase/(decrease) in accruals	464,010
Net cash provided by operating activities	411,524

APNIC LTD

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998**

1998
\$US

1997
\$US

17. RELATED PARTY DISCLOSURES

Directors

The names of each person who held the position of Director of the company during the financial year are:

Paul Byron Wilson
David Randolph Conrad (retired as a director on 28 August 1998)

Director's Shareholdings

Director's holding shares and share options

The interests of Directors of the reporting entity in shares are outlined below:

APNIC Ltd
\$1 Ordinary shares

1

1

Transactions with related parties

During the year APNIC Ltd loaned funds to APNIC Pty Ltd of \$135,020 (1997:Nil).

Fees of \$400,002 were paid to APNIC Pty Ltd for services provided for the year.

DIRECTOR'S DECLARATION

In the opinion of the Director of APNIC Ltd:

1. (a) the financial statements, set out on pages 2 to 11, are drawn up so as to give a true and fair view of the results and cash flows for the financial year ended 31 December 1998, and the state of affairs of the company at 31 December 1998;
- (b) at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.
2. The financial statements have been made out in accordance with applicable Australian Accounting Standards and Urgent Issues Group Consensus Views.

Signed on behalf of the board:



Paul B Wilson
Director

27 SEP 99

Dated

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
APNIC LTD**

Scope

We have audited the financial report of APNIC Ltd (the Company) for the financial year ended 31 December 1998 as set out on pages 2 to 12. The Company's director is responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Australian Corporations Law so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Qualification

The financial report for the year ended 31 December 1997 has not been audited. Accordingly, we are not in a position to and do not express an opinion on the comparatives for 1997.

Qualified Audit Opinion

In our opinion, except for the effects on the comparatives for 1997 of such adjustments, if any, as might have been determined to be necessary had the limitation on the scope of our work as discussed in the qualification paragraph not existed, the financial report of the Company is in accordance with:

- (a) the Australian Corporations Law, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 1998 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



PricewaterhouseCoopers
Chartered Accountants



M D Bruton
Partner

Brisbane 29th September 1999

DISCLAIMER

The additional financial information presented on page 15 is in accordance with the books and records of APNIC Ltd which have been subjected to the auditing procedures applied in our statutory audit of the company for the year ended 31 December 1998. It will be appreciated that our statutory audit did not cover all details of the additional financial information. Accordingly, we do not express an opinion on such financial information and no warranty of accuracy or reliability is given.

In accordance with our Firm policy, we advise that neither the Firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to any person (other than the company) in respect of such information, including any errors or omissions therein, arising through negligence or otherwise however caused.



Chartered Accountants

8/9/99

APNIC LTD

**STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 1998**

	1998 \$US	1997 \$US
Income		
Membership fees	536,393	721,561
Non-member fees	4,819	16,192
Start-up fees	101,000	105,000
Sundry income	15,955	698
Interest received	14,416	7,433
Foreign currency exchange gain	2,693	
Total income	675,276	850,884
Expenses		
Auditor's remuneration	6,614	7,000
Bad and doubtful debts	3,248	3,290
Bank charges	7,284	6,580
Books and periodicals	-	362
Communication expenses	9,084	1,082
Consultancy fees	33,958	66,258
Computer expenses	426	20,377
Depreciation	12,320	8,268
Entertainment expenses	74	567
Legal costs	13,496	20,546
Licencing fees	-	163
Loss on disposal of fixed assets	7,548	-
Management fees	400,002	-
Office expenses	676	9,111
Payroll tax	17,180	13,176
Postage	2,383	5,239
Printing and stationery	191	1,793
Professional fees	5,996	38,701
Registration fees	4,343	302
Repairs and maintenance	736	157
Relocation expenses	8,117	18,914
Service charges	-	50,000
Telephone	5,563	18,878
Training levy	570	4,436
Travelling expenses	12,575	110,413
Underwriting fee - APRICOT	-	86,296
Wages	174,866	229,669
Total expenses	727,250	721,578
Operating profit/(loss)	(51,974)	129,306

The statement of operations is to be read in conjunction with the disclaimer set out on page 14.