

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

**FINANCIAL STATEMENTS AND REPORTS**

**FOR THE PERIOD ENDED**

**31 DECEMBER 1998**

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

The Director presents the report together with the financial statements of APNIC Pty Ltd for the period 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 period was to act as a non-profit internet registry organisation for the Asia Pacific region.

There were no significant changes in the nature of the activities of the company during the period.

**Result**

The operating profit after income tax amounted to \$4,010.

**Dividends**

No dividend has been paid or declared since the commencement of the year and the Directors do not recommend the declaration of a dividend.

**Directors' Benefits**

Directors' remuneration is set out in Note 18.

**Indemnification and Insurance of Officers**

Since the incorporation of the company, APNIC Pty 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 PTY LTD  
ACN 081 528 010

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

	Note	1998 \$
Operating revenue	3	<u>677,521</u>
Operating profit/(loss)	4	6,265
Income tax attributable to operating profit or loss	6	<u>2,255</u>
Operating profit/(loss) after income tax		4,010
Retained profits/(accumulated losses) at the beginning of the financial year		-
Retained profits/(accumulated losses) at the end of the financial year		<u>4,010</u>

*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.*

BALANCE SHEET AS AT 31 DECEMBER 1998

	Note	1998 \$
<b>CURRENT ASSETS</b>		
Cash	8	121,128
Receivables	9	657
Other	10	75
<b>Total current assets</b>		<u>121,860</u>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	11	182,730
<b>Total non-current assets</b>		<u>182,730</u>
<b>Total assets</b>		<u>304,590</u>
<b>CURRENT LIABILITIES</b>		
Accrued expenses	12	52,021
Borrowings	13	218,002
Provisions	14	30,556
<b>Total current liabilities</b>		<u>300,579</u>
<b>Total liabilities</b>		<u>300,579</u>
<b>Net assets</b>		<u>4,011</u>
<b>EQUITY</b>		
Share capital	15	1
Retained profits/(accumulated losses)		4,010
<b>Total equity</b>		<u>4,011</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.*

STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 DECEMBER 1998

	Note	1998 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers		673,897
Cash payments to suppliers and employees		(546,514)
Interest received		2,967
Interest paid		(2)
Net cash provided by operating activities	17 (II)	<u>130,348</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid to acquire non-current assets		<u>(226,138)</u>
Net cash provided by investing activities		<u>(226,138)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from borrowings		<u>218,003</u>
Net cash used in financing activities		<u>218,003</u>
Net increase (decrease) in cash held		122,213
Cash at beginning of the period		-
Effects of exchange rate changes on balances of cash held in foreign currencies during the period		<u>(1,085)</u>
Cash at the end of the financial period	8	<u><u>121,128</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 PERIOD 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 Accounting Standards, Urgent Issues Group Consensus Views and the Corporations Law.

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, except where there is a change in accounting policy.

**Revenue Recognition - Note 3**

*Interest income*

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

**Foreign Currency**

*Transactions*

Foreign currency transactions are translated to Australian 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 foreign currencies are brought to account as exchange gains or losses in the profit and loss account in the financial period in which the exchange rates change.

**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.

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

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

*Depreciation*

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

*Leased Property*

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

**Employee Entitlements**

*Wages, Salaries, Annual Leave, Home Leave and Sick Leave*

The provision for employees' entitlements to wages, salaries, annual leave, home leave and sick leave represents the amount which the employer has a present obligation to pay resulting from employees' services provided up to balance date. The provision has been calculated at nominal amounts based on current wage and salary rates and includes related on-costs.

*Superannuation Fund*

Contributions to employee superannuation funds are charged against income as incurred.

**Accrued expenses - Note 12**

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

**2. ACCOUNTING PERIOD**

The company was incorporated on 5 February 1998 and the financial statements cover the period from that date to 31 December 1998. Therefore comparatives are not applicable.



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

1998  
\$

**3. OPERATING REVENUE**

Other revenue

Interest:

Other parties

Other operating revenue

2,967

674,554

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677,521

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**4. OPERATING PROFIT**

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

Interest:

Other parties

Depreciation of property, plant and equipment

Net foreign exchange loss

2

43,408

1,085

**5. AUDITORS' REMUNERATION**

Auditors of the company -  
PricewaterhouseCoopers

8,800

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**6. INCOME TAX**

**Income Tax Expense**

Prima facie income tax expense  
calculated at 36% (1998 - 36%)  
on the operating profit

2,255

Increase in income tax expense due to  
non-tax deductible items:

Non-deductible expenses in relation  
to membership and start-up fees

238,704

Decrease in income tax expense due to:

Non assessable membership and start-up fees

(238,704)

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2,255

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Income tax expense attributable to operating  
profit

2,255

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**Provision for Current Income Tax**

Movements during the period were as  
follows:

Current income tax expense on operating profit

2,255

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

1998  
\$

7. GEOGRAPHICAL SEGMENTS

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

8. CASH

Cash at bank - NAB (AUD)	51,782
Cash at bank - NAB (USD)	45,711
Petty cash	200
Short term deposits - NAB	23,435
	<hr/>
	121,128
	<hr/> <hr/>

9. RECEIVABLES

Current

Sundry debtors	657
	<hr/> <hr/>

10. OTHER ASSETS

Current

Deposits	75
	<hr/> <hr/>

11. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment, at cost	104,211
Less: Accumulated depreciation	(15,422)
	<hr/>
	88,789
	<hr/>
Office furniture and equipment, at cost	27,955
Less: Accumulated depreciation	(12,939)
	<hr/>
	15,016
	<hr/>
Office improvements, at cost	93,972
Less: Accumulated depreciation	(15,047)
	<hr/>
	78,925
	<hr/>
Total property, plant and equipment, at net book value	182,730
	<hr/> <hr/>

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

	1998 \$
<b>12. ACCRUED EXPENSES</b>	
<b>Current</b>	
Sundry creditors	29,176
Accrued charges	22,845
	<hr/> 52,021 <hr/> <hr/>
<b>13. BORROWINGS</b>	
<b>Current</b>	
Loans, unsecured APNIC Ltd	<hr/> 218,002 <hr/> <hr/>
<b>14. PROVISIONS</b>	
<b>Current</b>	
Provision for income tax	2,255
Provision for employee entitlements	28,301
	<hr/> 30,556 <hr/> <hr/>
<b>15. SHARE CAPITAL</b>	
<b>Issued and Paid-up Capital</b>	
1 Ordinary share, fully paid	<hr/> 1 <hr/> <hr/>
<b>16. COMMITMENTS</b>	
The estimated maximum amount of commitments not provided for in the financial statements as at 31 December 1998 are:	
<b>Operating Lease Commitments</b>	
Future operating lease rentals of plant and equipment, not provided for in the financial statements and payable:	
not later than one year	46,870
later than one year but not later than two years	46,870
later than two years but not later than five years	105,458
	<hr/> 199,198 <hr/> <hr/>

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

1998  
\$

17. 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 period as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

Cash	97,693
Short term deposits	23,435
	<hr/>
	121,128
	<hr/> <hr/>

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

Operating profit after income tax	4,010
Add:	
Increase in accrued charges	52,021
Increase in provisions	30,556
Depreciation expense	43,408
Foreign currency loss	1,085
	<hr/>
	127,070
Less:	
Increase in sundry debtors	(657)
Increase in deposits	(75)
	<hr/>
	(732)
	<hr/>
Net cash inflow from operating activities	130,348
	<hr/> <hr/>

18. DIRECTORS' REMUNERATION

Directors' income

The number of Directors of the company whose income from the company or any related party falls within the following bands:

\$ 0 and \$ 9,999	1
\$60,000 and \$69,999	1

Total income paid or payable, or otherwise made available to all Directors of the company from the company or any related party.

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63,844

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

**19. RELATED PARTY DISCLOSURES**

**Directors**

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

Paul Byron Wilson

Robert Hugh Irvine

David Randolph Conrad (retired as a director on 10 September 1998).

Robert Hugh Irvine (retired as a director on 5 March 1999).

**Transactions with related parties**

During the period APNIC Pty Ltd received a loan from APNIC Ltd for \$218,002.

This is a non-interest loan, repayable at call, which APNIC Pty Ltd received to assist in setting up its operations in Australia.

Management fees of \$674,554 were received from APNIC Ltd for services provided for the period.

**DIRECTOR'S DECLARATION**

In the opinion of the Director of APNIC Pty 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 period 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 Accounting Standards, the Corporations Law 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 PTY LTD

**Scope**

We have audited the financial report of APNIC Pty Ltd (the Company) for the financial period 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 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.

**Audit Opinion**

In our opinion, the financial report of the Company is in accordance with:

- (a) the 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 period 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 Pty Ltd which have been subjected to the auditing procedures applied in our statutory audit of the company for the period 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.



KPMG  
Chartered Accountants

8/9/99



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

	<b>1998</b>
	<b>\$</b>
<b>Income</b>	
Membership fees	593,514
Non-member fees	11,490
Start-up fees	69,550
Interest received	2,967
Total income	<u>677,521</u>
<b>Expenses</b>	
Auditor's remuneration	8,800
Bank charges	1,365
Books and periodicals	156
Cleaning	358
Consultancy fees	8,026
Computer expenses	2,212
Depreciation	43,408
Donations and gifts	793
Electricity	1,307
Employee entitlements	28,301
Foreign currency exchange loss	1,085
Insurance	1,733
Interest paid	2
Internet connection fee	6,014
Legal costs	21,864
Office expenses	6,570
Parking expenses	1,925
Postage	5,548
Printing and stationery	5,747
Professional fees	37,843
Rates and taxes	7
Registration fees	144
Rent	30,145
Repairs and maintenance	116
Relocation expenses	20,725
Staff training and welfare	1,079
Superannuation contributions	14,123
Sundry expenses	1,694
Telephone	36,274
Training levy	69,368
Travelling expenses	54,127
Wages	258,939
Workcare	1,458
Total expenses	<u>671,256</u>
<b>Operating profit/(loss)</b>	<u><u>6,265</u></u>

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

