

AU DOMAIN ADMINISTRATION

[A Company Limited by Guarantee]

079 009 340

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2007**

**Meagher Howard & Wright
Certified Practising Accountants**

**Suite 506
55 Grafton Street
BONDI JUNCTION NSW 2022**

AU DOMAIN ADMINISTRATION
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DIRECTORS' REPORT

Your directors submit the financial accounts of the company for the year ended 30 June 2007.

Directors

The names of the directors who held office during the year, and attendance at meetings are:

	Eligible	Attended	Apologies
Tony STALEY (Chairman)	6	6	-
Kim HEITMAN (Deputy Chair)	6	5	-
Brett FENTON	6	6	-
David GOLDSTEIN	6	6	-
Roger DEAN (Resigned 12/2/07)	4	3	1
Cheryl LANGDON-ORR	6	6	-
Joshua ROWE	6	4	2
Peter SHILLING	6	4	2
Greg WATSON (Resigned 23/11/06)	2	-	2
Greg CREW (Resigned 12/2/07)	4	4	-
Marty DRILL	4	4	-
Chris DISSPAIN	6	6	-
Bennett OPRYSA	6	6	-
Julie HAMMER	2	2	-

Principal Activities

The principal activities of the company in the course of the year were:

Management of .au Domain name space.

No significant change in the nature of these activities occurred during the year.

Net Profit

The Profit of the company for the financial year amounted to \$505,447. (2006 - \$365,238).

Dividends paid or recommended

By virtue of its Constitution no dividends are payable by the company.

Members' Guarantee

In accordance with clause 7 of the Constitution of the company, each member has undertaken to contribute towards the assets of the company an amount of one hundred dollars (\$100) in the event the company is wound up whilst they are still a member or within one year after they cease to be a member. As at 30 June 2007, the company had 115 members.

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Significant Changes in State of Affairs

No significant changes in the company's state of affairs occurred during the financial year.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, in subsequent financial years.

Likely Developments

Likely developments in the operations of the company and the expected results of those operations have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the company.

Share Options

No options to have issued shares in the company or related bodies corporate were granted during or since the financial year and there were no options outstanding at the end of the financial year.

Benefits under contracts with Directors

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company or a related body corporate with the director, a firm of which the director is a member or an entity in which the director has a substantial interest.

This statement excludes a benefit included in the aggregate amount of emoluments received, or due and receivable, by directors as shown in the company's financial accounts for the financial year or the fixed salary of a full-time employee of the company or a related body corporate.

Indemnifying Officer or Auditor

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or of a related body corporate:

* indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer or auditor, including costs and expenses in successfully defending legal proceedings.

Signed in accordance with a resolution of the Board of Directors:

Director _____
Chris DISSPAIN

Director _____
Tony STALEY

Dated this _____ day of _____ 2007

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INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007	2006
		\$	\$
Revenue	2	2,919,251	3,076,514
Depreciation and amortisation expenses		(31,187)	(24,117)
Employee benefits expenses		(697,073)	(539,383)
Finance costs		-	(23,926)
Other expenses		<u>(1,685,544)</u>	<u>(2,123,850)</u>
Profit (Loss) for the year		505,447	365,238
Retained earnings at the beginning of the financial year		<u>3,852,434</u>	<u>3,487,196</u>
Profit attributable to members of the company		<u>4,357,881</u>	<u>3,852,434</u>

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BALANCE SHEET AS AT 30 JUNE 2007

	Note	2007	2006
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	5	4,778,001	4,550,702
Trade and other receivables	6	108,298	359,948
Other current assets	7	3,616	3,515
TOTAL CURRENT ASSETS		<u>4,889,915</u>	<u>4,914,165</u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	206,631	65,521
TOTAL NON-CURRENT ASSETS		<u>206,631</u>	<u>65,521</u>
TOTAL ASSETS		<u>5,096,546</u>	<u>4,979,686</u>
CURRENT LIABILITIES			
Trade and other payables	9	659,940	1,083,435
Provisions	10	78,725	43,817
TOTAL CURRENT LIABILITIES		<u>738,665</u>	<u>1,127,252</u>
TOTAL LIABILITIES		<u>738,665</u>	<u>1,127,252</u>
NET ASSETS		<u>4,357,881</u>	<u>3,852,434</u>
EQUITY			
Retained earnings	11	4,357,881	3,852,434
TOTAL EQUITY		<u>4,357,881</u>	<u>3,852,434</u>

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CASH FLOW STATEMENT AS AT 30 JUNE 2007

	NOTE	2007	2006
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from debtors		2,916,554	2,662,797
Payments to suppliers and employees		(2,804,486)	(1,963,618)
Interest received		254,347	221,404
Goods and Services Tax Paid		39,557	(17,716)
Net Cash Used in Operating Activities		<u>405,972</u>	<u>902,867</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Plant & Equipment at Cost		(178,673)	(18,289)
Net Cash used in Investing Activities		<u>(178,673)</u>	<u>(18,289)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Increase (Decrease) in Cash Held		227,299	884,578
Cash at Beginning of Year		4,550,702	3,666,124
Cash at End of Year		<u>4,778,001</u>	<u>4,550,702</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1 Statement of Significant Accounting Policies

The financial report is a general purpose financial report and it has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the Corporations Act 2001.

The financial report is for an entity known as au Domain Administration as an individual entity, limited by guarantee. The company was incorporated and has its domicile in Australia.

The financial report complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. Unless otherwise stated, the accounting policies have been consistently applied.

Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the full-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

Unless otherwise stated, the accounting policies set out below have been consistently applied to all years presented. The company has elected to adopt the exemptions available under AASB 1 relating to AASB 132:

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of financial assets, financial liabilities and selected non-current assets for which the fair value basis of accounting has been applied.

Accounting Policies

Property Plant & Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

a) Impairment of Assets

At each reporting date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

If the recoverable amount of a cash generating unit is estimated to be less than its carrying amount, the carrying amount of the cash generating unit is reduced to its recoverable amount.

An impairment loss is recognised immediately in the income statement. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. The reversal of an impairment loss is recognised immediately in income.

b) Property, Plant & Equipment

Property, plant and equipment are included at cost or at independent or directors' valuation. The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated over their useful lives commencing from the time the asset is held ready for use.

Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

c) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	
Office Equipment	20%
Computers	40%

d) Employee Benefits

Provision is made for the liability due to employee benefits arising from services rendered by employees to the reporting date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, sick leave and annual leave which will be settled after one year, have been measured at their nominal amount. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

e) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

f) Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less plus bank overdrafts. Bank overdrafts are shown on the balance sheet as current liabilities under borrowings.

g) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and service tax, except:

- (i) where the amount of GST incurred is not recoverable from the Australian Tax Office. It is recognised as part of the cost of acquisition of an asset or as part of an item of the expense.
- (ii) receivables and payables are shown inclusive of GST.

i) Cash Flows

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

j) Comparative Figures

Where appropriate comparative figures have been adjusted to conform to changes in presentation for the current financial year as required by Australian Accounting Standards or as a result of changes in accounting policy.

Australian Accounting Standards not yet effective.

Au Domain Administration has not yet applied any Australian Accounting Standards or UIG interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2007 ("the inoperative standards"). The impact of the inoperative standards has been assessed and the impact has been identified as not being material. Au Domain Administration only intends to adopt inoperative standards at the date which their adoption becomes mandatory.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2007**

2	Revenue	2007	2006
	Operating activities	2,660,288	2,849,338
	Interest	254,357	221,404
	Subscriptions	4,606	5,772
		<u>2,919,251</u>	<u>3,076,514</u>
3	Auditor's Remuneration		
	Auditor's Remuneration - Fees	4,250	4,000
4	Income Tax		
	The company has been deemed a non profit organisation and is not subject to tax.		
5	Cash and Cash Equivalents		
	Reconciliation of cash		
	Cash 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 as follows:		
	Cash in Hand	589	590
	Nat Australia Bank	354,399	88,779
	Cash on Deposit	3,415,323	3,453,643
	Tradeable Securities	<u>1,007,690</u>	<u>1,007,690</u>
		<u>4,778,001</u>	<u>4,550,702</u>
6	Trade and Other Receivables		
	Current		
	Other Debtors	69,033	300,674
	Deposits	3,470	3,470
	GST on acquisitions	<u>35,795</u>	<u>55,804</u>
		<u>108,298</u>	<u>359,948</u>
7	Other Current Assets		
	Current		
	Prepayments	<u>3,616</u>	<u>3,515</u>
8	Property, Plant and Equipment		
	PLANT AND EQUIPMENT		
	Plant and equipment:		
	At cost	293,408	151,689
	Accumulated depreciation	<u>(86,328)</u>	<u>(86,168)</u>
	Total plant and equipment	<u>206,631</u>	<u>65,521</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
Movements in Carrying Amounts		
Plant & Equipment		
Balance at beginning of year	65,521	71,674
Additions (at cost)	178,673	28,923
Disposals	(6,376)	(10,959)
Depreciation	(31,187)	(24,117)
Balance at End of Year	<u>206,631</u>	<u>65,521</u>
9 Trade and Other Payables		
Current		
Trade Creditors	211,001	97,274
Future Development commitment	315,250	870,000
Prepaid Income	24,000	24,000
Payroll Clearing	20,334	22,354
GST on supplies	89,355	69,807
	<u>659,940</u>	<u>1,083,435</u>
10 Provisions		
Provision for Holiday Pay	24,043	5,480
Prov'n for Long Service Leave	50,432	34,337
	<u>74,475</u>	<u>39,817</u>
Provision for Audit Fees	4,250	4,000
Total provisions	<u>78,725</u>	<u>43,817</u>
11 Retained Earnings		
Retained earnings at the beginning of the financial year	3,852,434	3,487,196
Net profit (net loss) attributable to members of the Company	505,447	365,238
Retained earnings at the end of the financial year	<u>4,357,881</u>	<u>3,852,434</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
12 Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities		
Profit from Ordinary Activities After Gifts	505,447	365,238
Non-cash flows in profit from ordinary activities		
Depreciation	31,187	24,117
Net (gain)/loss on disposal of assets	6,376	325
Change in assets and liabilities,		
(Increase)/Decrease in receivables	251,650	(213,233)
(Increase)/decrease in other assets	(101)	11,735
Increase/(decrease) in payables	(423,495)	674,668
(Increase)/decrease in provisions	<u>34,908</u>	<u>40,017</u>
Cash Flows from Operations	<u>405,972</u>	<u>902,867</u>

	Salary & Fees \$	Superannuation Contribution \$	Total \$
13 Directors and Key Management Personnel Compensation			
2007			
Total Compensation	430,346	36,945	456,498
2006			
Total Compensation	397,581	34,372	431,953

Additional Information

Registered Office

114 Cardigan Street
Carlton Victoria 3053

Principal Place of Business

114 Cardigan Street
Carlton Victoria 3053

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PROFIT & LOSS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	\$	\$
INCOME		
Subscriptions received	4,606	5,772
Interest Received	254,347	221,404
Registry licence Fees	310,723	509,012
Domain Name Fees	2,268,575	2,259,326
Registrar Fees	81,000	81,000
	<u>2,919,251</u>	<u>3,076,514</u>
EXPENSES		
Accountancy	87,300	75,300
Auditors Remuneration - Fees	4,250	4,000
Bank Charges	1,943	2,151
AGM & Committee Meetings	72,584	12,559
Computer Expenses	83,028	41,966
Conference Expenses	6,418	10,709
Depreciation	31,187	24,117
Directors Fees	63,714	60,000
Directors Expenses	51,666	50,828
Donations	770	1,450
Entertainment	21,541	16,581
Education & Media	295,869	732,308
Filing Fees	-	270
Fringe Benefits Tax	49,036	31,620
General Expenses	1,957	913
Geographics	2,760	117,101
Holiday Pay Provision	18,563	5,480
Insurance	13,964	7,201
Interest on Leases	23,667	23,926
Legal Costs	207,094	228,202
License Fee-ICAA/CCTLD	223,718	244,030
Long Service Leave	16,095	34,337
Office Expenses	15,271	13,137

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PROFIT & LOSS FOR THE YEAR ENDED 30 JUNE 2007

Payroll Tax	12,547	9,171
Postage, Printing & Stationery	8,971	8,271
Relocation Expenses	26,693	-
Rent	56,106	41,892
Salaries	613,379	452,055
Staff Amenities	19,543	14,786
Staff Training	11,008	23,554
Sponsorship	-	25,000
Subscriptions	2,316	2,369
Technical Support	94,328	121,044
Telephone	31,831	28,921
Travelling Expenses	<u>238,311</u>	<u>245,702</u>
TOTAL EXPENSES	<u>2,407,428</u>	<u>2,710,951</u>
OPERATING PROFIT	<u>511,823</u>	<u>365,563</u>
NON-OPERATING INCOME AND EXPENSES		
Non Operating Expenses		
Loss on Sale of Fixed Assets	6,376	325
OPERATING PROFIT FOR THE YEAR	<u>505,447</u>	<u>365,238</u>
Transfer to retained earnings	505,447	365,238
Retained Profits at July 1	<u>3,852,434</u>	<u>3,487,196</u>
RETAINED PROFITS	<u>4,357,881</u>	<u>3,852,434</u>

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The directors of the company declare that:

1. The financial statements and notes, as set out on pages 1 to 20 present fairly the company's financial position as at 30 June 2007 and its performance for the year ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director: _____
Tony Staley

Director: _____
Chris Disspain

Dated this day of

AU DOMAIN ADMINISTRATION

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF au DOMAIN ADMINISTRATION

We have audited the financial report, of au DOMAIN ADMINISTRATION [A Company Limited by Guarantee] for the year ended 30 June 2007, comprising the Director's Declaration, Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Financial Statements. The company's directors are responsible for the financial report and have determined that the accounting policies used are consistent with the financial reporting requirements of au DOMAIN ADMINISTRATION [A Company Limited by Guarantee] and are appropriate to meet the needs of the members. We have conducted an independent audit of this financial report in order to express an opinion on them to the members of the company. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members.

The financial report has been prepared for distribution to members. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any other person other than the members, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the accounting policies described in Note 1 to the financial statements. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements.

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

Independence

In conducting our audit we followed applicable independence requirements of Australian professional pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's Independence declaration has not changed as at the date of providing our audit opinion.

Audit Opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of au Domain Administration as at 30 June 2007 and the results of its operations and its cash flows for the year then ended.

Name of Firm: Meagher Howard & Wright
Certified Practising Accountants

Name of Partner: _____
Ken Wright

Address: Suite 506, 55 Grafton Street BONDI JUNCTION NSW 2022

Dated this day of 2007