

AU DOMAIN ADMINISTRATION
[A Company Limited by Guarantee]

079 009 340

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2006

Meagher Howard & Wright
Certified Practising Accountants
Suite 506
55 Grafton Street
BONDI JUNCTION NSW 2022

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DIRECTORS' REPORT

Your directors submit the financial accounts of the company for the year ended 30 June 2006.

Directors

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

		Eligible	Attended	Apologies
Larry BLOCH	(Resigned 18/11/05)	2	2	-
Kim DAVIES	(Resigned 18/11/05)	3	2	1
Roger DEAN		3	3	-
Brett FENTON		3	3	-
David GOLDSTEIN		3	3	-
Kim HEITMAN		6	5	1
Cheryl LANGDON-ORR		6	6	-
Peter NISSEN	(Resigned 18/11/05)	3	3	-
Joshua ROWE		6	4	2
Peter SHILLING		5	4	1
Greg WATSON		6	1	5
Greg CREW		6	6	-
Bennett OPRYSA		5	5	-
Tony STALEY		6	6	-
Chris DISSPAIN		6	6	-

Principal Activities

The principal activities of the company in the course of the year were: development of name policy in the .au internet 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 \$365,238. (2005 - \$832,255).

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 2006, the company had 125 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 _____ 2006

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INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006	2005
		\$	\$
Revenue	2	3,076,514	2,786,737
Depreciation and amortisation expenses		(24,117)	(25,656)
Employee benefits expenses		(539,383)	(484,231)
Finance costs		(23,926)	-
Other expenses		<u>(2,123,850)</u>	<u>(3,444,596)</u>
Profit (Loss) for the year		365,238	(1,167,746)
Retained earnings at the beginning of the financial year		<u>3,487,196</u>	<u>4,654,942</u>
Profit attributable to members of the company		<u>3,852,434</u>	<u>3,487,196</u>

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BALANCE SHEET AS AT
30 JUNE 2006

	Note	2006	2005
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	5	4,550,702	3,666,124
Trade and other receivables	6	359,948	146,715
Other current assets	7	<u>3,515</u>	<u>15,250</u>
TOTAL CURRENT ASSETS		<u>4,914,165</u>	<u>3,828,089</u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	<u>65,521</u>	<u>71,674</u>
TOTAL NON-CURRENT ASSETS		<u>65,521</u>	<u>71,674</u>
TOTAL ASSETS		<u>4,979,686</u>	<u>3,899,763</u>
CURRENT LIABILITIES			
Trade and other payables	9	1,083,435	408,767
Provisions	10	<u>43,817</u>	<u>3,800</u>
TOTAL CURRENT LIABILITIES		<u>1,127,252</u>	<u>412,567</u>
TOTAL LIABILITIES		<u>1,127,252</u>	<u>412,567</u>
NET ASSETS		<u>3,852,434</u>	<u>3,487,196</u>
EQUITY			
Retained earnings	11	<u>3,852,434</u>	<u>3,487,196</u>
TOTAL EQUITY		<u>3,852,434</u>	<u>3,487,196</u>

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**CASH FLOW STATEMENT AS AT
30 JUNE 2006**

	NOTE	2006	2005
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from debtors		2,662,797	2,881,614
Payments to suppliers and employees		1,963,618	(1,749,346)
Interest received		221,404	183,847
Goods and Services Tax Paid		(17,716)	(11,318)
Loss on Fixed Assets		(325)	-
Net Cash Used in Operating Activities		902,867	1,304,797
CASH FLOWS FROM INVESTING ACTIVITIES			
Plant & Equipment at Cost		(18,289)	(28,923)
Net Cash used in Investing Activities		(18,289)	(28,923)
CASH FLOWS FROM FINANCING ACTIVITIES			
Gifts to The Auda Foundation		-	2,000,000
Net Increase (Decrease) in Cash Held		884,578	(724,126)
Cash at Beginning of Year		3,666,124	4,390,250
Cash at End of Year		4,550,702	3,666,124

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2006**

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 shares. 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

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

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").

These financial statements are the first to be prepared in accordance with AIFRS.

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The transition from Australian GAAP to AIFRS has not resulted in any adjustment.

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.

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.

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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.

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.

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(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.

2	Revenue	2006	2005
	Operating activities	2,849,338	2,596,870
	Interest	221,404	183,847
	Subscriptions	5,772	6,020
		<u>3,076,514</u>	<u>2,786,737</u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2006**

	2006	2005
3 Auditor's Remuneration		
Auditors Remuneration - Fees	4,000	3,800
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	590	273
Nat Australia Bank	88,779	419,856
Cash on Deposit	3,453,643	2,238,305
Tradeable Securities	1,007,690	1,007,690
	4,550,702	3,666,124
6 Trade and Other Receivables		
Current		
Other Debtors	300,674	96,626
Deposits	3,470	3,470
GST on acquisitions	55,804	46,619
	359,948	146,715
7 Other Current Assets		
Current		
Prepayments	3,515	15,250
8 Property, Plant and Equipment		
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	151,689	137,086
Accumulated depreciation	(86,168)	(65,412)
Total plant and equipment	65,521	71,674

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2006**

		2006	2005
		\$	\$
9	Trade and Other Payables		
	Current		
	Trade Creditors	97,274	105,273
	Future Development commitment	870,000	-
	Prepaid Income	24,000	202,818
	Payroll Clearing	22,354	22,338
	GST on supplies	69,807	78,338
		1,083,435	408,767
10	Provisions		
	Provision for Holiday Pay	5,480	-
	Prov'n for Long Service Leave	34,337	-
		39,817	-
	Provision for Audit Fees	4,000	3,800
	Total provisions	43,817	3,800
11	Retained Earnings		
	Retained earnings at the beginning of the financial year	3487196	4,654,942
	Net profit (net loss) attributable to members of the Company	365,238	1,167,746
	Retained earnings at the end of the financial year	3,852,434	3,487,196
12	Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities		
	Profit from Ordinary Activities After Gifts	365,238	1,218,390
	Non-cash flows in profit from ordinary activities		
	Depreciation	24,117	18,926
	Net (gain)/loss on disposal of assets	325	
	Change in assets and liabilities, net of the effects of Purchase and disposals of subsidiaries		
	(Increase)/decrease in other assets	(192,313)	266,808

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(Increase)/decrease in provisions	40,017	300
Cash Flows from Operations	902,867	1,3204,797

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2006**

		Salary & Fees \$	Superannuation Contribution \$	Total \$
13	Directors and Key Management Personnel Compensation			
	2006			
	Total Compensation	390,981	34,372	425,353
	2005			
	Total Compensation	359,241	30,906	390,147

Additional Information

Registered Office

107 Faraday Street
Carlton Victoria 3053

Principal Place of Business

107 Faraday Street
Carlton Victoria 3053

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PROFIT & LOSS FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	\$	\$
INCOME		
Subscriptions received	5,772	6,020
Interest Received	221,404	183,847
Licence Fees	509,012	219,822
Generic Names	2,259,326	2,300,048
Registrar Fees	81,000	77,000
TOTAL INCOME	<u>3,076,514</u>	<u>2,786,737</u>
EXPENSES		
Accountancy	75,300	71,300
Auditors Remuneration - Fees	4,000	3,800
Bank Charges	2,151	2,041
Committees	12,559	12,374
Computer Expenses	41,966	18,256
Conference Expenses	10,709	31,594
Depreciation	24,117	25,656
Directors Fees	60,000	56,250
Directors Expenses	50,828	25,484
Donations	1,450	1,200
Entertainment	16,581	10,928
Education & Media	732,308	158,713
Filing Fees	270	-
Foundation Costs	-	13
Fringe Benefits Tax	31,620	23,376
General Expenses	913	2,077
Geographics	117,101	116,488
Holiday Pay Provision	5,480	-
Insurance	7,201	8,647
Interest on Leases	23,926	-
Legal Costs	228,202	413,296
License Fee-ICAAAN/CCTLD	244,030	138,498

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	2006	2005
	\$	\$
Long Service Leave	34,337	-
Motor Vehicle Expenses	-	15,054
Office Expenses	13,137	20,124
Panel Expenses	-	29,652
Payroll Tax	9,171	-
Postage, Printing & Stationery	8,271	4,283
Rent	41,892	40,758
Salaries	452,055	484,231
Staff Amenities	14,786	-
Staff Training	23,554	-
Sponsorship	25,000	-
Subscriptions	2,369	2,244
Technical Support	121,044	57,450
Telephone	28,921	28,746
Travelling Expenses	245,702	151,949
TOTAL EXPENSES	2,710,951	1,954,482
OPERATING PROFIT	365,563	832,255
 NON-OPERATING INCOME AND EXPENSES		
Non Operating Expenses		
Loss on Sale of Fixed Assets	325	-
OPERATING LOSS BEFORE INCOME TAX	365,238	832,255
Income Tax Expense	-	-
OPERATING PROFIT FOR THE YEAR	365,238	832,255
 Gift to The Auda Foundation	 -	 2,000,000
Transfer to retained earnings	365,238	(1,167,745)
Retained Profits at July 1	3,487,196	4,654,941
RETAINED PROFITS	3,852,434	3,487,196

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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 2006 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

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
au DOMAIN ADMINISTRATION

We have audited the financial report, being a special purpose financial report of au DOMAIN ADMINISTRATION [A Company Limited by Guarantee] for the year ended 30 June 2006, as set out on pages 1 to 13. 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 set out on page 8 of the financial report has not changed as at the date of providing our audit opinion.

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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 2006 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 2006