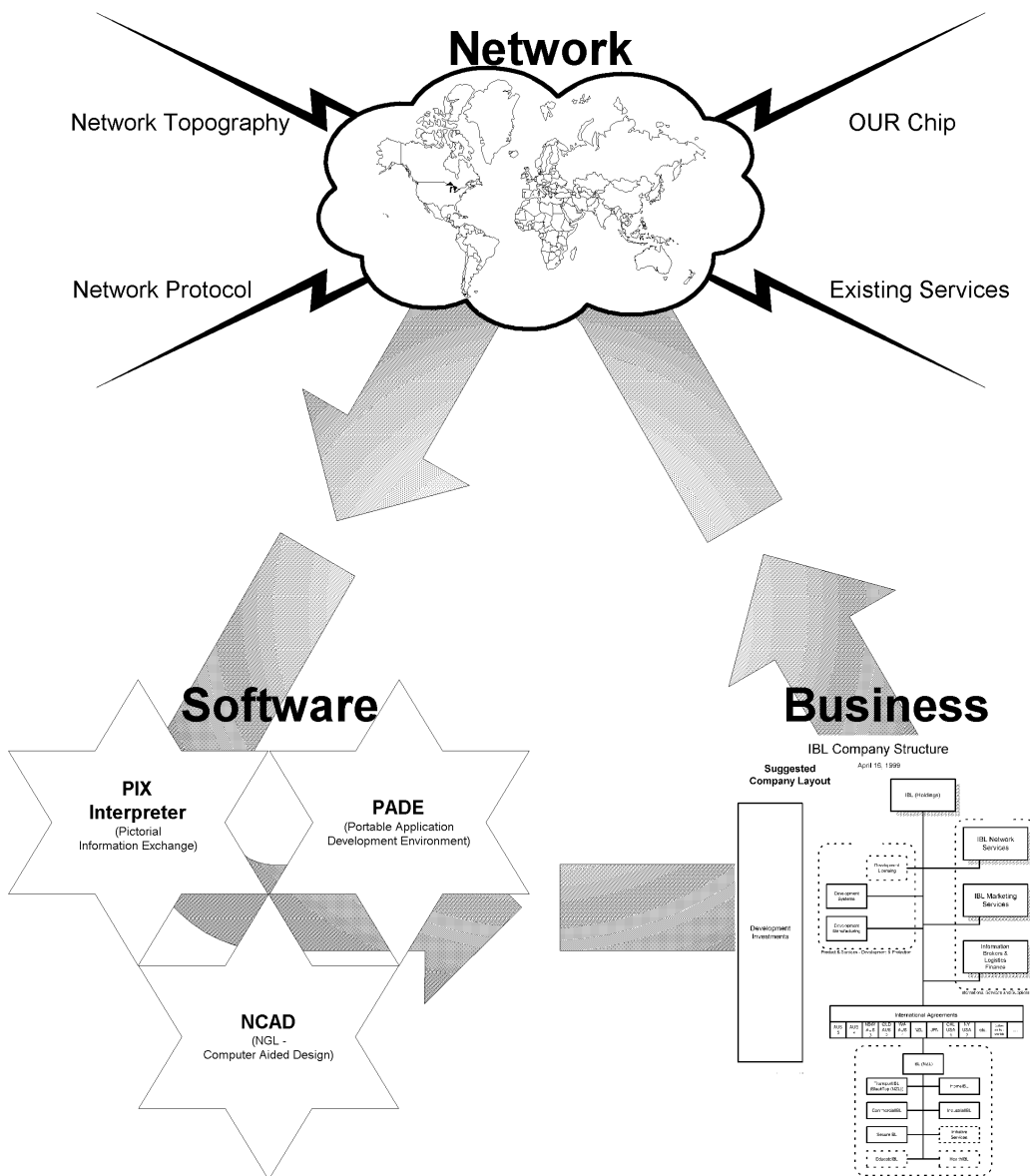


# Prospectus for an Investment Company

## Contents

# KILOware<sup>TM</sup>



Prospectus for an Investment Company .....	1
Summary of the Offer .....	4
InvestIBL's Principles .....	6
Mission Statement .....	7
Strategy Outline .....	8
<i>Shareholders' Value</i> .....	8
Directors, Management and Key Advisers .....	9
Directors .....	9
Consultants and Advisers .....	9
Directory (as at August 1999) .....	10
Shareholders .....	11
Risk Factors .....	12
Human Resource Risk: .....	12
Intellectual Property Risk: .....	13
Technology Implementation Risk: .....	13
Future Equity Funding: .....	13
Minimum Subscription Level: .....	14
Financial Information .....	15
Financial Information - Introduction .....	15
InvestIBL Ltd .....	16
Specific Assumptions: .....	18
General Assumptions .....	18
Further notes to the Accounts – .....	22
Auditor's Report .....	23
Additional Statutory Information .....	24
Jurisdiction and Currency .....	29
Jurisdiction .....	29
Currency .....	29

***This Prospectus is dated 1 June 1999***

A copy of this Prospectus, signed and having attached copies of the documents as required by Section 41 of the Securities Act 1978 (and Regulation 7 of the Securities Regulations 1983), the Auditors Report, and the material contracts referred to in paragraph 17 of the Statutory Information section of this Prospectus have been delivered for registration to the Registrar of Companies at Auckland on 5<sup>th</sup> August 1999 in accordance with Section 42 of the Securities Act 1978.

***Important Notice***

Prospective investors are advised to read this Prospectus in its entirety and to consult their professional advisers in assessing the potential merits of the venture. Investment in this venture is speculative.

Application has NOT been made to the New Zealand Stock Exchange for permission to quote the shares on the official list.

# Summary of the Offer

## ***The Offer***

This Prospectus invites you to subscribe for up to 7,000,000 ordinary shares in InvestIBL Ltd (hereafter called the Company) at an issue price of NZ\$2.00 per Share. The offer is referred to as "the public offer" and is made on the terms set out in this Prospectus. The 7,000,000 ordinary shares of NZ\$2.00 each offered by the Company are collectively referred to as "the shares".

## ***Opening and Closing Dates***

The offer will open on 16<sup>th</sup> August 1999 and close on or before 10 September 1999. The Company reserves the right to extend the closing date at its discretion, to withdraw this Prospectus and decline all or any applications, and to close the issue, in each case at any time prior to the closing date and without giving any reasons.

## ***How to Invest***

Investors should ensure that they have read the Investment Statement before subscribing.

The following payment options are open to prospective investors:

- Investors may conduct the whole investment transaction on the World Wide Web either by down-loading the form and mailing their payment, or interactively, through the Web site opened by InvestIBL specifically for this share issue, by using their credit card (<http://www.investibl.co.nz> )
- Alternatively, investors may sign and return the Application Form included with the Prospectus, specifying the number of shares subscribed for, and including a cheque crossed "*Not Transferable*" made out to InvestIBL Ltd for the full amount of the subscription issue requested.

An application lodged by a Company must be executed in accordance with its Constitution or under a Power of Attorney (which must be submitted with the application for notation and return). If executed under Power of Attorney the Attorney must state that at the time of execution, and that the Attorney had no notice of revocation of the Power of Attorney pursuant to which execution is made.

When subscribing by mail, please direct Application Forms and Payments to:

IBL Float,  
InvestIBL Ltd,  
P.O. Box 302-074,  
North Harbour Postal Centre,  
Auckland,  
New Zealand.

## ***Minimum Subscription***

The minimum subscription required from investors in this issue, in order for this issue to proceed, is \$1,250,000, this being the minimum amount of working capital required by the Company to pursue its current development work. These funds will cover costs for the present share issue and related costs of ongoing software development by the inventor, PCT patenting process, marketing of the technology, information to

shareholders, and seeking alternative sources of funds. KILOWare™ development of the type IBL is involved in is a low cost activity compared with the development of a substantial pilot network, which is the main cost of the development program under the present share issue. This pilot network would be then funded at a later stage when the software development has progressed to a more advanced stage, thus facilitating the securing of further funding.

***Share Underwriting / Under-subscription***

This issue is not underwritten. In the event that the issue of shares is under-subscribed, the Company will consider its available alternatives, including the reduction of the scale of operations, to reduce funding requirements.

***Share Capital***

The Company has currently 70,000,000 ordinary shares issued.

***Payment for the shares***

Subscribers are required to pay the full amount of the shares on subscription. An investor must subscribe for at least 500 shares. InvestIBL's prime aim is to benefit the final customers of networked and telecommunication information services. The low level of the minimum subscription was specifically chosen to make investment easily affordable to large categories of final customers, and give them an opportunity to become involved in a type of venture they normally would not have access to, while still partaking in what is effectively an Initial Public Offering (IPO) for a new type of technology.

***Allotment***

Allotment of the shares will proceed as soon as practicable following receipt of application. Allotment will be on a "*first come, first served*" basis. However, the Company reserves the right to reject or accept any application in full or in part only, without assigning any reason. Monies relating to the applications declined will be refunded (without interest) to the applicants. Receipts for application monies will not be issued, and the banking of a cheque will constitute an acknowledgement.

***Certificates of Company shares***

The Company does not issue share certificates. A copy of the Company's share register showing the entry for the shareholder will be issued within one month of allotment, and is expected to be available on-line within our web site

***Register of Shareholders***

The register of shareholders will be maintained internally.

***Audit***

The financial statements of the Company have NOT been audited. Auditors will be appointed to the company once business proceeds.

## **InvestIBL's Principles**

InvestIBL's business is to loan shareholders money (at an approved rate) to the IBL technology group. In return for the unsecured loan being made to FinanceIBL Ltd the company also agrees to the following:

- 1 FinanceIBL will repay the loan at a rate agreed to by the directors, but is to be within 3% of the rate approved by the New Zealand Inland Revenue Department (IRD) as a "normal" business loan rate.
- 2 And to put in place an agreement between InvestIBL Ltd and FinanceIBL Ltd to return to InvestIBL Ltd the result of a 5% charge against the cost of doing business within the meaning of FinanceIBL Ltd charges to end users using the IBL technology.

## Mission Statement

The Mission of InvestIBL Ltd is to play a key role in the funding of **Information Technology** and a **Network Revolution**, and to contribute towards the global **Transition to Sustainable Development** by:

- Completing the development of the generic IBL technology;
- Developing and achieving global commercialisation of specific IBL applications;
- Providing an alternative basis for the development and implementation of symbiotic networked intelligence as a key component of the global transition to sustainable development;
- Achieving high returns to shareholders and high levels of re-investment into allied sustainable-development technology and downstream ventures.

The above objectives will be reached through a development strategy that is directly inspired by the very nature of IBL's technology.

# Strategy Outline

## ***Shareholders' Value***

InvestIBL's ultimate aim is to maximise value for its shareholders. As for most software companies, it is expected that this objective will be best achieved by ensuring a steady and fast increase in share capitalisation, rather than by way of dividends. To fulfil this aim, and in the context of subsequent floats, InvestIBL intends to supply two options:

1. Supply trading pages for our shares on our own web site, as regulations and local laws allow.
2. Investigate the New York based NASDAQ exchange. This latter development is expected to take place after the first pilot demonstration of the technology is completed, and within the next two years. No permission has yet been applied for, or granted, for the shares to be listed on the exchange.

# Directors, Management and Key Advisers

## Directors

### **Mr Robert South.**

Robert is the General Manager and Company's Chairperson. Over the last 25 years he has acquired extensive experience in the electronics / computer industry. His background includes establishing other companies, while finding "unique" solutions.

## Consultants and Advisers

Robert has many "Consultants" and "Advisers", all of whom have helped him greatly, to get to this point and will continue to "help" as required.

Under the terms of this prospectus, they are not required to be listed, but for the sake of clarity and recognition their names are attached alphabetically as follows:

Kevin Brown  
Leonard Cousin  
Sharon Davies  
Peter DeVocht  
Rodney Knapp  
Mark Obren  
Maurice Shirley

## Directory (as at August 1999)

<b>Registered Office:</b>	InvestIBL Ltd, P.O. Box 302-074 North Harbour Postal Centre Auckland New Zealand.
<b>Office:</b>	P.O. Box 302-074, Auckland, New Zealand
<b>Telephone:</b>	+ 64 9 415 3182
<b>Fax:</b>	+ 64 9 415 3197
<b>Directors:</b>	Robert South, Business Manager, 33 Sunvalley Rd., Orewa, Auckland, New Zealand
<b>Accountants:</b>	Moreton & Associates, Albany, Auckland, New Zealand.
<b>Auditors:</b>	Not yet required – To be advised.
<b>Solicitors for the Company:</b>	To be appointed - Auckland, New Zealand.
<b>Bankers:</b>	HSBC, Takapuna, Auckland, New Zealand.
<b>Share Registrar:</b>	IBL Float InvestIBL Ltd, P.O. Box 302-074 North Harbour Postal Centre Auckland New Zealand.
	E-mail: <a href="mailto:share@investibl.co.nz">share@investibl.co.nz</a>

## **Shareholders**

<b>Shareholder Name</b>	<b>Shares Issued</b>	<b>% of share</b>
	<b>70,000,000</b>	<b>100.000%</b>
FinancelBL Ltd	41,300,000	59.000%
Family Trusts Ltd (ex RKL)	18,550,000	26.500%
IBL Trustees Ltd	7,000,000	10.000%
Robert South	3,113,500	4.448%
Mr. SAGE, Ian	3,000	0.004%
Mr. Obren, John	5,000	0.007%
Mrs Cousins,	8,000	0.011%
Ms. HOWELL, Bronwyn	12,000	0.017%
Lettershop Ltd	500	0.001%
Mr. SHIRLEY, Maurice	2,000	0.003%
Mr. KNAPP, George	2,000	0.003%
Mr. BRIANT, Philip	4,000	0.006%

## **Risk Factors**

Prospective investors should carefully review the information set forth below prior to making an investment.

The principal risks for investors are that of being unable to recoup their original investment, and not receiving the returns they reasonably expect. This could happen for a number of reasons, including:

- The business operations of the Company are not successful due to unforeseen obstacles, cost overruns or development delays, preventing the Company from achieving its aim of licensing the IBL technology as planned. In such an event the Company would seek other alternatives, including the sale of its technology to assist in the recovery of the present investment.
- The price at which investors are able to sell their shares being less than the price they have paid due to market volatility or for other reasons, or investors are unable to sell their shares. The company considers that shares in software and network technologies are holding better than many others in the current troubled economic climate. There is no way of fully ensuring against the risk that, at any one time, investors would be unable to sell their shares for more than the price they have paid.
- The Company being placed in receivership or liquidation and the value of its assets not being sufficient to repay to investors the issue price of the share they would have bought. At present the Company has no debt, and its planned budget for the 1999 development phase is well within the total amount the present share issue seeks to raise. This risk thus concerns essentially the ability of the Company to achieve its planned milestones, and source the funds it needs to complete its development work in the medium term.

An investor will not be required to pay more money in respect to the shares on offer other than the issue price, or in case the Company were to become insolvent.

At the date of this Investment Statement there are no other claims on the assets of the Company that rank ahead of, or may rank equally with, the claims of shareholders in the event of the Company being put into liquidation or wound up. In such a case, all shareholders would rank equally with each other. In the case of the Company being put into liquidation or wound up, the claims of any unsecured creditors will rank ahead of the claims of shareholders.

The main risk factors known to the Company are reviewed below:

Before the venture can reach a point where it can commence earning revenue a number of development stages must be successfully carried out. Any investment in the company should therefore be considered to be speculative.

Some of the current risks facing an investor are:

### **Human Resource Risk:**

At present, the IBL technology is defined by way of patents pending, and through a detailed set of specifications. Methods of technology development, market analyses, market development and technology commercialisation have been carefully documented by Robert South and Development Systems Ltd. However, a significant factor in the successful development of the technology and the InvestIBL Ltd venture rests in the continued involvement of the inventor. The

Company has secured a package of health and life insurance to protect itself against the risks attached to its present reliance upon this key person. As the venture progresses and new senior personnel are inducted in the development process through the funding sought under the present Prospectus, this human resource risk is expected to decrease. However, until full commercialisation is achieved this risk cannot be completely eliminated.

**Intellectual Property Risk:**

In the course of the initial patenting process, extensive patent searches were conducted involving over 3,000 patents in the fields of computing, information access, database, networks and telecommunications technology. While there are many new technologies currently being developed, no other technology was found embodying the same key principles. Further, great care was taken to avoid infringement or overlapping with prior art, and to draft patent specifications in such a way as to clearly delineate the originality of the IBL technology. The patenting process, however, will extend over a number of years. There is a risk that some aspects of the technology might be challenged or imitated by competitors. The Company will endeavour to reduce this risk through an ongoing process of intellectual property protection by way of copyrights, trademarks, contractual agreements with partners and allies, and patenting specific applications of the core technology. Further, the very nature of the technology is such that, in terms of both hardware and software, the design makes reverse engineering to imitate the technology virtually impossible. However, the intellectual property risk also includes a financial component regarding the extra legal costs that might be entailed in defending the intellectual property rights. A related risk is that the technology might become superseded by new developments. Despite the radical nature of the new paradigm underpinning the technology, and ongoing research and development and monitoring of competing technology, such risks cannot be entirely eliminated.

**Technology Implementation Risk:**

While the technology is directly implementable with current commercially available components, a significant amount of research and development remains to be carried out, in particular with respect to hardware development to translate the head patent specifications into a specific Integrated Circuit "OUR Chip". There are always some unknowns in such a process. While the Company's implementation strategy is based on extensive technological and market research, there remains a level of implementation risk, including the time that will be required to reach full commercialisation. We have implemented limited versions of the software, hardware, and Wireless Network (RF) designs, we have not yet had a full application spread over thousands of machines running on a full speed (>64Mbps) network.

**Future Equity Funding:**

To complete the commercialisation process significant additional capital will be required beyond that provided from this present share issue. It is planned that the required funding will be raised through further issues of shares corresponding to the achievement of significant milestones in the development process, and the

development of partnerships, and joint ventures for specific applications. As soon as the board of InvestIBL Ltd. desires, it may be appropriate for the Company to seek a listing on the NASDAQ exchange to facilitate the raising of capital for the final development stage before full commercialisation, and make its stock more readily tradeable. Equity funding always entails a measure of risk, including the time that may be required to secure the necessary funding.

**Minimum Subscription Level:**

In the event that the present share issue is not fully subscribed, the minimum subscription level has been set at \$1,250,000. This amount is considered sufficient by the Company to cover costs related to costs for the present share issue, ongoing software development by the inventor, the PCT patenting process, marketing of the technology, information to shareholders, and seeking alternative sources of funds. While the Company has singled out promising alternatives, securing alternative funding, however, cannot be guaranteed. In this event, the Company would extend the timetable for the development of the technology to full commercialisation. If the Company is unable to secure alternative funding, there is a risk that the project will be unable to be completed.

# Financial Information

## Financial Information - Introduction

The Financial Forecasts must be read in conjunction with the balance of material in the Prospectus.

The Financial Forecasts for the Eighteen months period ending 31 March 2001 reflect an assessment based on present circumstances of the most likely operating conditions for the IBL technology development and commercialisation venture and the Company's most likely course of action. The Financial Forecasts are based on a number of assumptions and are subject to uncertainties, many of which are outside the control of the Company.

In the development of a new business, it is usually the case that some circumstances or events do not occur as expected or is not anticipated. Therefore, actual results during the Forecast period may differ from that forecasted and the differences may be material. Accordingly no guarantee is given that the Financial Forecasts will be achieved. They are only indicative of results that may be achieved.

It should also be noted that a forecast is prospective information prepared on the basis of assumptions as to future events which the Board of Directors expects to take place, in association with their expected course of action, as at the date the information was prepared. A forecast is not a projection. The latter is prospective financial information prepared using assumptions that are possible outcomes but that are not necessarily the most probable ones. Projections thus reflect a range of possible outcomes.

Reviews of the Company's future prospects are outlined in the Sections devoted to Summary of Events and Projected Development, Overview of the IBL Business, and Outline of IBL's Technology, while risks are analysed in the Risk Factors Section.

### Determinations yet to be made

- Our financial year – March, December or as set February. We need to determine the “best practice” for the IBL groups’ financial year.
- The IBL Group, being an international trading organisation needs to adopt an accounting methodology that is acceptable to most Governments yet still gives us the ability to see our financial status regularly, we believe that the international GAAP accounting procedures will provide the required results. We have to place a proposal in front of the Commissioner of Inland Revenue, to obtain his approval.
- We need to perform Internal auditing weekly! We can see benefits from obtaining ISO 9000 series registration for business & accounting procedures.
- We have approached an individual with extensive experience in the types of financial management that we perceive we need, but the proposed Financial Director has not yet accepted the position!

## InvestIBL Ltd

### *Forecast Statement of Financial Performance for the Eighteen Months ending 31 March 2001*

	<b>6 Months to 31-Mar-00</b>	<b>12 Months to 31-Mar-01</b>	<b>18 Months to 31-Mar-01</b>
	\$	\$	\$
<b>Operating Revenue</b>	\$424,750	\$46,064,419	\$46,489,169
Surplus (Deficit) before Taxation	\$376,950	\$46,064,419	\$46,489,169
Taxation	\$140,168	\$15,201,258	\$15,341,426
Net Surplus (Deficit) after Taxation	\$284,583	\$30,863,161	\$31,147,743

### *InvestIBL Ltd - Forecast Statement of Movements in Equity for the Eighteen Months ending 31 March 2001*

	<b>6 Months to 31-Mar-00</b>	<b>12 Months to 31-Mar-01</b>	<b>18 Months to 31-Mar-01</b>
	\$	\$	\$
<b>Equity at Start of Period</b>	\$0	\$14,290,883	\$0
<b>Surplus and Revaluation's</b>			
Net Surplus (Deficit) after Taxation for the Period	\$284,583	\$30,863,161	\$31,147,743
Total Recognised Revenue and Expenses for the Period	\$284,583	\$30,863,161	\$31,147,743
Other Movements	\$0		
Contributions by Owners			
Share issue to existing shareholders	\$6,300		\$6,300
Share Issue in terms of this Prospectus	\$14,000,000	\$0	\$14,000,000
Equity at End of Period	\$14,290,883	\$45,154,043	\$45,154,043

The accompanying *Notes and Assumptions* on pages 24 to 25 form an integral part of these Financial Forecasts.

**InvestIBL Ltd - Forecast Statement of Financial Position  
as at 31 March 2001**

	<b>31-Mar-00</b>	<b>31-Mar-01</b>
	<b>\$</b>	<b>\$</b>
Total Equity	\$14,290,883	\$45,154,043
Total Non-Current Assets	\$14,054,100	\$14,054,100
Total Current Assets	\$376,950	\$31,099,943
Total Current Liabilities	\$140,168	\$0
Net Current Assets	\$236,783	\$31,099,943
Net Assets	\$14,290,883	\$45,154,043

**InvestIBL Ltd - Forecast Statement of Cash Flows for the  
Twenty Four Months ending 31 March 2001**

	<b>6 Months to 31-Mar-00</b>	<b>12 Months to 31-Mar-01</b>	<b>18 Months to 31-Mar-01</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net Cash Flows from Operating Activities			
Issue Expenses	-\$100,000		-\$100,000
Other Operating Activities	-\$175,250	\$44,664,419	\$44,489,169
	-\$275,250	\$44,664,419	\$44,389,169
Net Cash Flows from Investing Activities	\$700,000	\$1,400,000	\$2,100,000
Purchase of Fixed Assets	-\$54,100		-\$54,100
Net Cash Flows from Financing Activities	-\$14,000,000		-\$14,000,000
Share Issue to Existing Shareholders	\$6,300		\$6,300
Shareholders' Advances			
Share Issue in terms of this Prospectus	\$14,000,000		\$14,000,000
	\$652,200	\$1,400,000	\$2,052,200
Net Increase (Decrease) in Cash	\$376,950	\$46,064,419	\$46,441,369
Allowance for Tax		-\$15,341,426	-\$15,341,426
Cash at Bank at Beginning of Period	\$0	\$376,950	\$0
Cash at Bank at End of Period	\$376,950	\$31,115,717	\$31,115,717

The accompanying *Notes and Assumptions* on pages 24 to 25 form an integral part of these Financial Forecasts.

**InvestIBL Ltd - Notes and Assumptions made for the Purpose of the Financial Forecast.**

The Directors have received the summarised forecasts as shown. Due care and attention has been taken by the Directors in reviewing these projections but the Directors cannot give any guarantee or assurance that the forecasts will be achieved.

The principal assumptions underlying these forecasts are summarised below:

**Specific Assumptions:****Personnel**

The personnel required are there to maintain the services of the Investment Company and supply stakeholders with whatever services they may need. This requires a minimal but dedicated staff. Until the development phase is completed it has been decided to second staff from the IBL group as required for supplying these services, where requirements exceed the supplied staff's capabilities or resources, outside services will be sought in the form of contract employees.

Once the development phase is completed a search will commence for the correct staff, least of all because by that stage we will be able to determine the calibre and capabilities required of the staff for these positions, based on our stakeholders having settled down, and whether we are contemplating NASDAQ registration.

**Plant and Equipment**

The plant and equipment required can (for the most part) be sub leased from other IBL group services and functions.

**Land and Buildings.**

An office area will be sub-leased from the IBL group for the purposes of maintaining the required outputs of InvestIBL Ltd.

**Leases.**

As stated above most of the required functions required by the temporary staff, are able to be sub-leased from the remainder of the IBL group. The only exception will be their own computer terminals.

**Operating and Administrative Costs**

These costs are for items and services that are peculiar to InvestIBL Ltd.

**General Assumptions**

1. **Forecast Period:** The attached forecasts cover the period commencing 1 September 1999 to 31 March 2001, as the Company has a balance date of 31 March.
2. No allowance has been made for the effects of inflation over the period of projections.
3. All amounts are exclusive of GST (Goods and Services Tax - New Zealand 12.5% consumption tax).
4. Unexpended funds will be invested on term deposit.
5. Tax rate is based on 33% (Corporate tax rate).
6. The financial forecasts have been prepared in accordance with the Accounting Policies set out on pages 29 to 30 of this Prospectus. The accounting policies are expected to change once approval for International GAAP has been obtained from the Commissioner of Inland Revenue.
7. The financial forecasts have been prepared on the basis of assumptions as to future events, that the Directors reasonably expect to occur and on decisions which the Directors reasonably expect to take, however, as these are forecasts that rely on events that are beyond the Directors' control, the actual results achieved are likely to vary from the information provided, and the variations may be material. The Directors of the Company adopted the financial forecasts on 30 July 1999. These will not be updated during the period ending 30 August 1999. The financial forecasts do not incorporate any actual results.

8. **Dividends:** Dividends will probably be paid during the projected period.
9. **Issuing expenses:** Issuing and associated expenses have been included in the forecasts as operating expenses. The estimated total of these expenses is \$100,000. This is a set charge from the organisers.
10. **Special Trade Risks:** Special trade risks are set out in the Section on *Risk Factors* of this prospectus.
11. **Operating Expenses:** Significant items of operating expenses included in the Forecast Statement of Financial Performance are (based on an annual appropriation):

Salaries	\$187,200
Premises Lease	\$15,000
Power	\$4,200
Telephone	\$14,400
Insurance	\$1,000
Vehicles	
Lease	\$31,200
Fuel	\$10,400
Maint	\$4,800
Consumables	\$18,000
Legal	
Accounting	\$5,000

12. **Income Projections:** Income for InvestIBL Ltd is derived from two sources:
- An interest charge against the loans made to FinancelBL Ltd. Using a standard loan contract of 5 years with interest charged at 10%PA (Per Annum).
  - A modification to the constitution of FinancelBL Ltd (the company that is charged with controlling and maintaining all the billing processors of the IBL Group) that allows a 5% charge against the cost of supplying a service to all members of the IBL group. For example, if a customer is charged 50c for a transaction and we know that supplying this service actually costs 5c, a 5% return to InvestIBL Ltd would be 0.25c.
    - An example of this charge would be renting the use of a movie – we would supply the download, using 5c of airtime, meanwhile the movie Distribution Company would receive 45c as their fee for allowing the customer to watch it.
    - Further note - we could also allow the customer (because the Distribution Company may want it as part of their contract with us) to only watch 125% of the movie. This means that they could see the whole movie once per 50c of use and they could also 'rewind' or 'replay' certain scenes up to a maximum of 125% of the total movie time.(A 72 minute movie would be 90 minutes of viewing time – not including pauses of any duration) If, in this example the customer exceeded their allotted time but wanted to watch the movie until the end, they would have to approve a further 50c payment, this would involve another payment of 5% of 5c for InvestIBL Ltd.

***InvestIBL Ltd - Statement of Accounting Policies for the  
Eighteen Months Ended 31 March 2001***

The financial statements of InvestIBL Ltds' have been prepared in accordance with the New Zealand Companies Act 1993 and the Financial Reporting Act 1993.

1. **Basis for Preparation:** The financial statements have been prepared on the historical cost basis. The reporting currency is New Zealand dollars.

2. **Specific Accounting Policies:** The specific accounting policies used in the preparation of the financial statements are as follows:

2.1. **Identifiable Intangible Assets:** The trademark purchased is shown at cost. Provision is made for any permanent impairment in the value of the identifiable intangible asset.

2.2. **Fixed Assets:** Office furniture, plant and equipment are recorded on the historical cost basis.

All items are depreciated on the diminishing value basis, in accordance with rates set out in the Income Tax Act 1994.

2.3. **Statement of Cash Flows:**

Definitions of the terms used in the statement of cash flows:

"**Cash**" includes demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by the company and the group as part of their day-to-day cash management.

"**Investing activities**" are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets. Includes the loan to FinanceIBL Ltd.

"**financing activities**" are those activities relating to changes in equity and debt capital structure of the Company and those activities relating to the cost of servicing the Company's equity capital.

"**operating activities**" include all transactions and other events that are not investing or financing activities.

2.4. **Taxation:**

Taxation expense is accounted for on the comprehensive basis, using the liability method.

A debit balance in the deferred taxation account is only carried forward to the extent that there is virtual certainty of it's recovery.

Taxation benefits accruing from taxation losses are recognised only to the extent of accumulated net credits from timing differences in the deferred taxation account unless there is virtual certainty of their realisation.

2.5. **Research and Development:**

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use.

Development costs are recognised as an asset when all of the following criteria are met:

- (a) the product or process is clearly defined and the costs attributable to the product or process can be identified separately and measured reliably;
- (b) the technical feasibility of the product or process can be demonstrated;
- (c) the company intends to produce and market, or use, the product or process;
- (d) the existence of a market for the product or process or its usefulness to the company, if it is to be used internally, can be demonstrated; and
- (e) adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

Capitalisation is limited to that amount which, taken together with further related costs, is probable of recovery from related future economic benefits.

Development costs recognised as an asset are amortised on a straight line basis over the period of expected benefits.

All other development costs and all research costs are recognised as expenses in the period in which they are incurred.

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## **Further notes to the Accounts –**

### **Set up Company - InvestIBL**

All Shares sold in InvestIBL	70,000,000	\$0.00010
Total Sale of Shares=	\$7,000.00	
Prospectus fixed cost from supplier	\$100,000.00	
InvestIBL acquires shares from Set-up Trust at sale price	7,000,000	\$0.00010
Total cost to InvestIBL	\$700.00	
InvestIBL gets prospectus approved and issues Shares for 1 month	at NZ\$2.00 each	
Income to InvestIBL	\$14,000,000.00	
Assets purchased office equipment etc	\$54,100.00	
Outgoings until 31/3/2000 (incl all asset purchases)	\$175,250.00	
12 months until 31/3/2001	\$323,450.00	
Agreement between InvestIBL and FinanceIBL for two types of repayment		
1    Loan to FinanceIBL - of	\$14,000,000.00	
at 10% PA for 5 years		
income to InvestIBL PA of	\$1,400,000.00	
2    A separate agreement with FinanceIBL for 5% of cost of transaction this equates to a value from the (GDP pages) 10yr forecast		
until 31/3/2000	- (nil)	
12 months until 31/3/2001	\$ 44,987,868.71	

#### *Assumptions*

*End of first financial year = 31/3/2000 - note: company (InvestIBL) formed 29/7/99*

# Auditor's Report

The Accounts have not been audited to date, as there have been no transactions to audit.

We would like the accounts to be to International GAAP standards, we have to obtain approval from the Commissioner of Inland Revenue. Once funding has been obtained, we will pursue this prior to setting up internal accounting procedures.

The only financials that could be audited are those that relate to forecasting. It was decided that investors would obtain an audit for their own reasons.

The result was we have not approved the funding requested (\$30,000) for the prospectus audit. We have kept all spending over the previous 12 years within other companies, personal, or spread the risk to other parties, so that the present accounts can start with a clean slate.

If a prospective investor wishes to have the accounts audited, their own auditors can contact us.

## ***Notes for Auditing in New Zealand***

### ***Directors' Responsibilities***

The Directors are responsible for the preparation of financial statements, which give a true and fair view of the financial position of InvestIBL Ltd and the Group. And of the results of their operations and cash flows for the period, in accordance with the reporting requirements of the Securities Act 1978 and the Securities Regulations 1983.

### ***Auditors' Responsibilities***

It is the auditors responsibility to express an independent opinion on the financial statements presented by the Directors, and report their opinion as required under Clause 42 of the First Schedule to the Securities Regulations 1983.

### ***Basis of Opinion***

An audit includes examining on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed.

In performing the audit of the financial statements

- the audit has to be conducted in accordance with generally accepted auditing standards in New Zealand
- planned and perform the audit so as to obtain all the information and explanations which are considered necessary
- obtain sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error.

## Additional Statutory Information

The following matters are required by the First Schedule to the Securities Regulations 1983 ("the Regulations"). Each of the following matters is numbered to correspond with the clause numbers of the Regulations.

### 1. Main Terms of Offer

- 1.1. The issuer of the shares is InvestIBL Ltd. Registered Office: c/o 33 Sunvalley Rd., Hatfield Beach, Orewa, Auckland, New Zealand.
- 1.2. The shares offered are ordinary shares that will be issued fully paid at NZ\$0.0001 per share.
- 1.3. The maximum number of shares being issued is 7,000,000.

2. **Names and Addresses of Offerers:** the Offerer of the issue of shares is the Company (see *Directory*).

3. **Details of Incorporation of Issuer:** the Company was incorporated under the Companies Act 1993 on 30 July 1999. Its registration number is AK971822. The public file relating to its incorporation is kept at the office of the District Registrar of Companies, Auckland, New Zealand.

3.1. Principal Subsidiaries of Issuer: None, all other companies are separate to InvestIBL Ltd..

### 4. Directorate and Advisers

4.1. The names, residential addresses and technical or professional qualifications of every director of the Company are set out in the *Directory* and in the of this Prospectus;

4.2. The names of the Company's auditors, solicitors, bankers, and share registrar involved in the preparation of this Prospectus are set out in the *Directory* of this Prospectus;

5. A. Restrictions on Directors' Powers: the modifications, exceptions or limitations imposed on the powers of the Company's Board are only those imposed by the Companies Act 1993.

6. **Substantial Equity Security Holders of the Issuer:** the shareholders of the Company at the date of this Prospectus are set out in the *Shareholders* Section of this Prospectus. None of the persons listed as shareholders have undertaken any liability in respect of the shares.

7. **Description of Activities:** the Company's activities since it was incorporated are set out in this Prospectus under the headings "Summary of Events" and "Overview" and subsequent reports.

### 8. Financial Statements

8.1. The Company's historic financial statements; There are none. Since the company was formed there are no costs associated with the historical aspects that are not already listed in the forecasts.

8.2. Summary of Financial Statements: The figures for the period from incorporation to 30 August 1999 have been extracted from the unaudited financial statements of InvestIBL Ltd. since no events were undertaken the changes anticipated have been included in the forecasts

**9. Prospects and Forecasts**

- 9.1. The financial forecasts for the period ended 31 March 2001 have been set out in the *Financial Forecasts* Section of this Prospectus. No further forecasts have been made.
- 9.2. Statements as to the Company's trading prospects and special risks are set out under the headings "Economics, Competitive Advantage, and Markets" and "Risk Factors" in this Prospectus.

**10. Provisions Relating to Flotation and Sale of shares**

- 10.1. The purpose of the Company's offer to issue shares is to raise funds for the further development and marketing of the IBL technology.
- 10.2. The proceeds of the offer may be applied towards any undertaking that the Company may lawfully engage in, including capital distributions to shareholders.
- 10.3. In the opinion of the Directors the minimum subscription required is \$1,125,000 to fund the Company's working capital requirements. These funds will cover costs for the present share issue and related costs of ongoing software development, PCT patenting process, marketing of the technology, information to shareholders, and seeking alternative sources of funds.
- 11. **Securities Paid up Otherwise than in Cash:** the Company in consideration for anything other than cash has issued no shares.
- 12. **Options to Subscribe for Securities:** there are no options to subscribe for securities.

**14. Appointment and Retirement of Directors:**

- 14.1. The Constitution of the Company provides for the appointment of Directors in the manner specified in Sections 153 and 155 of the Companies Act 1993.
- 14.2. The shareholders of the Company have the right to appoint and remove Directors of the Company by ordinary resolution at a meeting of the shareholders.

**15. Directors' Interests**

- 15.1. Robert South is a Director and shareholder of the following companies:

- InvestIBL Ltd
- FinancelBL Ltd
- BlackTop Services Ltd
- Family Trustees Ltd (formerly R & K Licensing Ltd)
- IBL Trustees Ltd.
- Development Systems Ltd.
- Development Manufacturing Ltd.
- R & K (NZ) Holdings Ltd

- 15.3. The Board may authorise the:

- 15.3.1. Payment of remuneration or the provisions of other benefits by the Company to a Director for services as a Director or in any other capacity;
- 15.3.2. Payment to a Director, or to a former Director, for compensation for loss of office;
- 15.3.3. Making of loans by the Company to a Director;
- 15.3.4. Giving of guarantees by the Company for debts incurred by Directors;
- 15.3.5. Entering into a contract to do any of the things set out in paragraphs (a) to (d) of this Regulation 12.1;
- 15.4. if the Board is satisfied that to do so is fair to the Company.

- 15.4.1. If a payment, benefit, loan, guarantee or contract is authorised under Regulation 12.1:
- 15.4.2. The Board must ensure that particulars thereof are forthwith entered into the Interests Register; and
- 15.4.3. Directors who vote in favour thereof must sign a Certificate stating that, in their opinion, it is fair to the Company, and the grounds for that opinion.
16. **Promoters' Interests:** the Company is the promoter of the issue of shares. The Directors have been issued the shares in the Company as set out in the Table of Principal Shareholders for the consideration and on the terms set out in the Shareholders Agreement
- 17.4. Key Personnel Insurance: National Mutual, Policy Number P900541139, person insured: Robert South
- 17.5. Provisional Patent Numbers: New Zealand, \*\*\*\*\*, \*\*\*\*\*
18. **Pending Proceedings:** there are no legal proceedings pending at the date of this Prospectus.
19. **Issue Expenses:** issue expenses are estimated to amount to \$100,000 comprising:
  - (i) A set fee from the issuer.
  - (ii) Brokerage: no broker has been recruited to promote this issue
20. **Restrictions on the Issuer:** there are no restrictions on the ability of the Company to distribute profits or to borrow, being restrictions that result from any undertaking given or contract or deed entered into by the Company.
21. **Other Terms of Offer of Securities:** other than those implied by law or set out in a document that is registered with a public official, is available for public inspection and is referred to in this Prospectus, all terms of the offer and the terms of the securities being offered are set out in this Prospectus.
- 22-38. **Financial Statements**

The information required by clauses 22-38 of the First Schedule to the Securities Regulation is set out under the heading *Financial Information Pages* of this prospectus.
39. **Places of Inspection of Documents:** any material contract disclosed pursuant to paragraph 15 above and not included in this Prospectus may be inspected by any person who requests during the currency of this Prospectus at the office of the Registrar of Companies, Auckland, New Zealand, upon payment of the prescribed fee and/or from the offices of the Company 33 Sunvalley Rd., Hatfield Beach, Orewa, Auckland, New Zealand. Inspection to be made during normal business hours between the hours of 10.00 am and 4.00 p.m.
40. **Other Material Matters:** there are no other material matters relating to the offer of shares pursuant to this Prospectus other than the matters set out elsewhere in this document.
41. **Directors' Statement:** the directors of InvestIBL Ltd after due enquiry by them in relation to the period between 30 June 1999 and the date of this Prospectus, are of the opinion that there has not arisen any circumstances that materially adversely affect:
  - (i) its trading or profitability,
  - (ii) the value of its assets, or
  - (iii) its ability to pay its liabilities due within the next 12 months,
  - (iv) except under circumstances which are set out under the heading "Risk Factors" in this Prospectus.

42. **Auditor's Report:** the auditors' report, provided in accordance with Regulation 42, is included in this Prospectus. (The auditors would take no responsibility for, nor would it authorise nor cause the issue of any part of this Prospectus except for the Auditors' Report).



# Jurisdiction and Currency

## Jurisdiction

This prospectus is governed by, and construed in accordance with, the laws of New Zealand for the time being in force, and subscribers agree to submit to the non-exclusive jurisdiction of the courts of New Zealand.

## Currency

All references to currency in this prospectus are New Zealand currency. Subscribers who pay in currencies in any other currency agree to accept the exchange rate allocated to that currency at the date upon which their subscription is banked in New Zealand. The Company shall be entitled to determine the appropriate exchange rate applicable on the date the monies are received.

In the event of a subscription being refunded the subscriber agrees to accept the exchange rate applicable on the date of the refund.