APNIC Pty Ltd Special Purpose Financial Report for the year ended 31 December 2006

## APNIC Pty Ltd ACN 081 528 010

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#### **Director's Report**

Your director presents his report on the company for the year ended 31 December 2006.

#### Director

The following person was a director of APNIC Pty Ltd during the whole of the financial year and up to the date of this report:

Paul Byron Wilson

#### Principal activities

The Company's principal activity during the year 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 year.

#### Dividends - APNIC Pty Ltd

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

#### Review of operations

The operating profit after income tax amounted to \$177,802 (2005: \$410,050).

#### Matters subsequent to the end of the financial year

There have been no matters of significance subsequent to the end of the year.

#### Likely developments and expected results of operations

Information on likely developments in the company's operations and the expected results of operations have not been included in this report because the director believes it would be likely to result in unreasonable prejudice to the company.

#### **Environmental regulation**

The company is not subject to significant environmental regulation.

#### Insurance of officers

During the financial year, the company paid a premium of \$10,428 (2005: \$10,378) to insure the director, officeholders (including executive council) and staff of the Company.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company.

#### Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of the director.

Paul Byron Wilson

Director

7 February 2007



PricewaterhouseCoopers ABN 52 780 433 757

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#### **Auditor's Independence Declaration**

As lead auditor for the audit of APNIC Pty Ltd for the year ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
   and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of APNIC Pty Ltd during the period.

P J Clarke Partner

PricewaterhouseCoopers

7 February 200%

## APNIC Pty Ltd ACN 081 528 010

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This financial report covers APNIC Pty Ltd as an individual entity. The financial report is presented in the Australian currency.

APNIC Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

APNIC Pty Ltd Level 1, 33 Park Road MILTON QLD 4064

A description of the nature of the company's operations and its principal activities is included in the director's report on page 1, which is not part of this financial report.

#### APNIC Pty Ltd Income statement For the year ended 31 December 2006

Revenue from continuing operations  Other income	Notes 2	2006 \$ 7,537,254	2005 \$ 6,592,418
Depreciation Expense Communications & meeting expenses Occupancy Expenses Professional Fees Travel expenses Contributions to ICANN Membership fees Employee benefits expense Loss on disposal of fixed assets Insurance Computer Expenses Other expenses Profit before income tax	3	588,511 (521,466) (207,089) (418,843) (422,464) (952,703) (245,405) (77,423) (4,352,658) (284) (86,383) (151,993) (404,417) 284,637	1,005,659 (467,607) (234,181) (400,547) (506,585) (788,129) (298,515) (144,592) (3,798,753) 4,770 (84,970) (88,819) (320,889) 469,260
Income tax expense Profit from continuing operations	4 -	(106,835) 177,802	(59,210) 410,050
Profit attributable to members of APNIC Pty Ltd		177,802	410,050

The above income statement should be read in conjunction with the accompanying notes.

#### APNIC Pty Ltd Balance sheet As at 31 December 2006

		Notes	2006 \$	2005
ACCETO			*	Ψ
ASSETS				
Current assets				
Cash and cash equivalents Receivables		5	5,696,301	E 470 050
Investments		6	1,611,516	5,173,256
Other current assets			3,300,000	1,191,785 3,300,000
other current assets		7	207,803	138,172
			10,815,620	9,803,213
Total august				0,000,210
Total current assets			10,815,620	0.000.040
			10,010,020	9.803,213
Non-current assets				
Property, plant and equipment		0	4 444 444	
Investment properties		9	1,494,461	1,319,499
Deferred tax assets			2,000,000	2,000,000
Other financial assets		8	2,407	2,224
Total non-current assets		0	1,148,369	1,020,778
			4,645,237	4,342,501
Total assets				
			15,460,857	14,145,714
LIABILITIES				
Current liabilities				
Current tax liabilities				
Payables		11	100,044	36,474
Unearned income		10	1,764,225	1,346,915
			4,271,275	3,675,909
			6,135,544	5,059,298
Total current liabilities				
			6,135,544	5,059,298
Non-current liabilities				
Deferred tax liabilities				
Provisions			98,907	106,201
Total non-current liabilities			203,040	120,104
Tarvert industrial			301,947	226,305
Total liabilities				
i otal liabilities			6,437,491	5,285,603
NI		-		0,200,000
Net assets			9.022.200	0.000.444
			9,023,366	8,860,111
EQUITY				
Contributed equity		10		
Reserves		12	1	1
Retained profits		3(a) 3(b)	143,620	158,167
	1,	J(U)	8,879,745 9,023,366	8,701,943
			3,023,366	8,860,111
Total equity				
		min	9,023,366	8,860,111

The above balance sheet should be read in conjunction with the accompanying notes.

#### APNIC Pty Ltd Statement of changes in equity For the year ended 31 December 2006

	Notes	2006	2005 \$
Total equity at the beginning of the financial year Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:		8,860,111	8,388,136
Retained profits Reserves	1		(96,242) 96,242
Net gain on revaluation of available for sale investment Restated total equity at the beginning of the financial year	13	8,860,111	61,925 8,450,061
Changes in the fair value of available-for-sale financial assets, net of tax	13	(14,547)	
Profit for the year Total recognised income and expense for the year		177,802 163,255	410,050 410,050
Total equity at the end of the financial year		9,023,366	8,860,111

#### APNIC Pty Ltd Cash flow statement For the year ended 31 December 2006

	Notes	2006	2005
Cash flows from operating activities Receipts from customers (inclusive of goods and services tax) Payments to suppliers and employees (inclusive of goods and services tax) Interest received Income taxes paid		7,699,165 (6,995,016) 704,149 560,117	7,206,512 (5,760,547) 1,445,965 448,171
Net cash inflow from operating activities	16	(44,508) 1,219,758	(3,527) 1,890,609
Cash flows from investing activities Payments for property, plant and equipment Payments for investments Proceeds from sale of property, plant and equipment Proceeds from sale of available-for-sale financial assets Net cash (outflow) from investing activities		(698,912) - - - 2,200 (696,712)	(420,031) (1,142,739) 2,255 131,532 (1,428,983)
Net increase in cash and cash equivalents  Cash and cash equivalents at the beginning of the financial year  Cash and cash equivalents at end of year	5	523,046 5,173,255 5,696,301	461,626 4.711,629 5,173,255

The above cash flow statements should be read in conjunction with the accompanying notes.

#### APNIC Pty Ltd Notes to the financial statements 31 December 2006

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### 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statement of APNIC Pty Ltd as an individual entity.

#### (a) Basis of preparation

In the director's opinion, the company is not a reporting entity because there are no users dependent on general purpose financial reports.

This is a special purpose financial report that has been prepared at the request of the Executive Council for the interest of APNIC members and to comply with the *Corporations Act 2001* requirements to prepare and distribute a financial report to the members and must not be used for any other purpose. The director has determined that the accounting policies adopted are appropriate to meet the needs of the members.

The financial report has been prepared in accordance with AASB 101 *Presentation of Financial Statements*, AASB 107 *Cash Flow Statements*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1031 *Materiality* and AASB 1048 *Interpretation and Application of Standards* which apply to all entities required to prepare financial reports under the *Corporations Act 2001*, and other applicable Accounting Standards and Urgent Issues Group Interpretations with the exception of the disclosure requirements in the following:

#### Statement of Compliance

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRSs). Compliance with AIFRSs ensures that the financial statements and notes of APNIC comply with International Financial Reporting Standards.

The financial report is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

#### (b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is APNIC Pty Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

#### (c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

- Interest income
  Interest income is recognised as control of a right to receive consideration for the provision of , or investment in, assets has been attained.
- (ii) Member fees
  Member fees are recognised on an accrual basis.

### 1 Summary of significant accounting policies (continued)

#### (d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### (e) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### (f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are writter off. A provision for doubtful receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

#### (g) Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

#### (h) Investments and other financial assets

The company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

The units in the managed investment funds are classified as "available-for-sale" financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

## 1 Summary of significant accounting policies (continued)

#### (i) Property, plant and equipment

Acquisition

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

Depreciation

Items of property, plant and equipment acquired prior to 1 January 2000 are depreciated over their estimated useful lives.

Plant and equipment Office furniture Office improvements	20 - 40% 20 - 25% 20 - 50%	reducing balance
	20 - 30%	reducing balance

All assets acquired after 1 January 2000 are depreciated on a straight line basis over their expected useful life, as follows:

Plant and equipment	5 - 40%
Office furniture	5 - 7.5%
Office improvement	5 - 15%

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

#### (j) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### (k) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### 2 Revenue

	2006 \$	2005 \$
0-1-		
Sales revenue		
Membership Income Non-membership income	5,491,250	4,871,360
Per allocation fees	120,110	96,286
IP resource allocation fees	1,049,812	830,713
Reactivation fees	770,603 11,394	695,262
Other revenue	94,085	1,248 97,549
	7,537,254	6,592,418
		0,002,410
3 Other income		
	2006	2005
	\$	\$
Interest	565,374	427,696
Foreign exchange (loss)/gains Investment distribution income	(125,236)	498,637
investment distribution income	148,373	79,326
	588,511	1,005,659
4 Income tax expense		
	2006	0005
	2006 \$	2005 \$
	Ψ	Ψ
(a) Income tax expense		
Profit from continuing operations before income tax expense	284,637	469,260
Tax at the Australian tax rate of 30% (2005 - 30%)  Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	85,391	140,778
Non-deductible expenses related to members	2,252,451	2,015,719
Non-assessable fees related to members	(2,231,741)	(2,097,462)
	106,101	59,035
Under (over) provision in prior years	734	175
Total income tax expense	106,835	59,210

## 5 Current assets - Cash Assets

	2006 \$	2005 \$
Petty Cash Cash at bank - NAB \$USD APNIC infodev Cash at bank - NAB (USD) Short Term Deposits - NAB Cash at bank/(overdraft) - NAB (AUD)	401 27,258 655,404 4,815,006 198,232 5,696,301	400 28,297 327,875 4,806,567 10,117 5,173,256
6 Current assets - Receivables		
	2006	2005 \$
Net trade receivables Trade receivables Provision for doubtful receivables	1,478,294 (3,827) 1,474,467	1,071,989 (2,511) 1,069,478
Goods and services tax (GST) receivable Interest receivable	12,530 124,519 1,611,516	3,045 119,262 1,191,785
7 Current assets - Other current assets		
	2006	2005 \$
Prepayments Deposits Sundry Receivables	131,831 1,500 74,472 207,803	117,311 50 20,811 138,172

## 8 Non-current assets - Other financial assets

			2006	2005 \$
Units in managed investment funds - at fair value			1,148,369	1,020,778
9 Non-current assets - Property, plant and	equipment			
	Plant and equipment	Office furniture and equipment \$	Office improvement \$	Total \$
At 1 January 2005 - Cost Accumulated depreciation Year ended 31 December 2005 Opening net book amount Additions Disposals Depreciation charge Closing net book amount	2,086,295 (1,023,929) 1,062,366 412,305 (3,923) (436,713) 1,034,035	72,158 (41,509) 30,649 7,726 (3,995) 34,380	457,439 (179,456) 277,983 (26,899) 251,084	2,615,892 (1,244,894) 1,370,998 420,031 (3,923) (467,607) 1,319,499
At 31 December 2005 - Cost Accumulated depreciation Net book amount	2,382,644 (1,348,609) 1,034,035	79,885 (45,505) 34,380	457,439 (206,355) 251,084	2,919,968 (1,600,469) 1,319,499
	Plant and equipment \$	furniture and equipment	Office improvement \$	Total \$
Year ended 31 December 2006 Opening net book amount Additions Disposals Depreciation charge Closing net book amount	1,034,035 639,878 (2,484) (489,622) 1,181,807	34,380 14,059 (5,393) 43,046	251,084 44,975 (26,451) 269,608	1,319,499 698,912 (2,484) (521,466) 1,494,461
At 31 December 2006 - Cost Accumulated depreciation Net book amount	3,018,771 (1,836,964) 1,181,807	93,944 (50,898) 43,046	502,414 (232,806) 269,608	3,615,129 (2,120,668) 1,494,461

## 10 Current liabilities - Payables

			2006 \$	2005 \$
Trade payables Provision for annual leave Accruals			1,053,579 305,842 404,804 1,764,225	671,446 268,505 406,964 1,346,915
11 Current liabilities - Current tax liabilities				
			2006 \$	2005 \$
Income tax			100,044	36,474
12 Contributed equity				
	2006 Shares	2005 Shares	2006	2005 \$
(a) Share capital				
Fully paid	1	1	1	1
13 Reserves and retained profits				
			2006	2005 \$
(a) Reserves				
Reserves - Available for sale investment revaluation Reserves	/es		143,620	158,167
			2006	2005
Movements:				
Reserves - Available for sale investment revaluation Reserves Balance 1 January Adjustment on adoption of AASB 132 and AASB 139, no Revaluation - net of tax Transfer to net profit - net of tax Balance 31 December			158,167 (14,547) 	96,242 66,431 (4,506) 158,167

## 13 Reserves and retained profits (continued)

#### (b) Retained profits

Movements in retained profits were as follows:

	2006	2005
Retained earnings Profit for the year Adjustment on adoption of AASB 132 and AASB 139 Balance 31 December	8,701,943 177,802 	8,388,135 410,050 (96,242) 8,701,943
14 Remuneration of auditors		
	2006	2005 \$
(a) Assurance services		
Audit services PricewaterhouseCoopers Australian firm Audit and review of financial reports and other audit work under the Corporations Act 2001 Other assurance services PricewaterhouseCoopers Australian firm	18,800	16,800
Other services Total remuneration for assurance services	5,520 24,320	4.300 21,100
15 Commitments		
(i) Operating leases		
	2006	2005 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year Later than one year but not later than five years	338,971 85,566 424,537	326,312 425,029 751,341

## 16 Reconciliation of profit after income tax to net cash inflow from operating activities

	2006 \$	2005 \$
Profit for the year Depreciation and amortisation Net loss on sale of units in managed funds Net loss on sale of property, plant and equipment Bad Debts Investment distribution income Change in operating assets and liabilities Increase (Decrease) in income tax payable Decrease (Increase) in interest receivables Decrease in deposits and prepayments Decrease (Increase) in trade and other debtors Decrease (Increase) in provision for doubtful debts Increase (Decrease) in trade and other creditors Increase (decrease) in GST payable Increase (decrease) in provision for unearned income Increase (decrease) deferred tax provisions (Decrease) increase in trade creditors	177,802 521,466 - 284 4,727 (148,373) - 63,570 (5,257) (15,970) (464,692) 1,316 379,975 (9,485) 595,366 (1,244) 120,273	410,050 467,607 4,770 1,668 (3,884) (79,326) 60,902 20,475 46,143 (567,896) (6,281) 418,336 13,334 1,045,345 (5,219) 64,585
Net cash (outflow) inflow from operating activities	1,219,758	1,890,609

As stated in Note 1(a) to the financial statements, in the director's opinion, the company is not a reporting entity because there are no users dependent on general purpose financial reports. This is a special purpose financial report that has been prepared to meet *Corporations Act 2001* requirements.

The financial report has been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in Note 1(a).

In the director's opinion:

- (a) the financial statements and notes set out on pages 3 to 17 are in accordance with the *Corporations Act 2001*, including:
  - complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, and the Corporations Regulations 2001; and
  - (ii) giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
- (b) 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 director.

Paul Byron Wilson Director

Brisbane 7 February 2006



#### PricewaterhouseCoopers ABN 52 780 433 757

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## Independent audit report to the members of APNIC Pty Ltd

#### Audit opinion

In our opinion the financial report of APNIC Pty Ltd:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of APNIC Pty Ltd as at 31 December 2006 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements,
- is presented in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia to the extent described in Note 1 to the financial statements, the Corporations Act 2001 and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

#### Scope

#### The financial report and directors' responsibility

The financial report, being a special purpose financial report, comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the director's declaration for APNIC Pty Ltd (the company), for the year ended 31 December 2006. It has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting requirements under the *Corporations Act 2001*.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

The director has determined that the accounting policies used and described in Note 1 to the financial statements, including the basis of accounting, which forms part of the financial report, are appropriate to meet the requirements of the *Corporations Act 2001*. The members have agreed that these policies are appropriate to meet their needs.

#### Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company on its preparation and presentation in accordance with the accounting policies described in Note 1. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which they were prepared.

Our audit was conducted in accordance with Australian Auditing Standards. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatmentaudit.

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We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, and the accounting policies described in Note 1 to the financial statements, a view which is consistent with our understanding of the company's financial position, and its performance as represented by the results of its operations, changes in equity and cash flows. These policies do not require the application of all Accounting Standards and other mandatory financial reporting requirements in Australia.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by the director or management.

Independence

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

PricewaterhouseCoopers

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P J Clarke Partner Brisbane 7 February 2007

	2006 \$	2005
	\$	•
Income Foreign currency gains IP resource allocation fee Interest Membership fees Non-membership income Other revenue Per allocation fees Reactivation fees	(125,236) 770,603 565,374 5,491,250 120,110 242,458 1,049,812 11,394	498,637 695,262 427,696 4,871,360 96,286 176,875 830,713 1,248
Total	<u>(8,125,765)</u> _	(7,598,077)
Net income	<u>8,125,765</u>	7,598,077
Less Expenses		7 400 900
Administration expenses (refer schedule)	7,841,128	7,128,820
Total expenses	7,841,128	7,128,820 469,257
Net trading profit	284,637	469,257
Profit from ordinary activities before income tax	284,637	409,237
Schedule of expenses		
Administration expenses Administration fees Auditor's remuneration - audit fees Bank charges - general Books and periodicals Cleaning Communication expenses Computer costs - other Depreciation - other Donations Doubtful debts Electricity Employees' entitlements Equipment hire Deductible entertainment Fringe benefits tax Gifts/promotions ICANN Insurance - other (Gain)/Loss on sale of investments	1,310 24,320 56,336 6,243 10,296 125,248 151,993 521,466 35,829 4,727 27,283 120,274 32,186 5,649 7,839 26,885 245,405 86,383	1,167 21,100 41,666 5,178 10,296 164,567 88,819 467,607 18,042 (3,884) 23,639 64,584 41,402 2,186 24,772 14,321 298,515 84,970 (4,770)
(Gain)/Loss on sale of fixed assets Meeting expenses Membership fees Miscellaneous expenses Office expenses Parking expenses Parking expenses Payroll tax Postage Printing and stationery Professional fees - Accountancy/Management Professional fees - Consulting Professional fees - Legal Professional fees - Project management Professional fees - R&D Recruitment Rent	81,841 77,423 6,314 37,362 62,140 170,965 44,829 38,696 23,729 127,006 53,494 44,000 149,915 87,699 335,114	69,614 144,592 19,304 36,629 48,309 154,407 58,902 38,337 18,922 99,424 68,863 - 298,276 66,240 322,012

### APNIC Pty Ltd Operating statement For the year ended 31 December 2006

	2006	2005 \$ 7.972
Denoise and maintenance	8,788	3,110,795
Repairs and maintenance Salaries and wages	3,533,997 47.994	21,978
Sponsorship fees	4,167	
Staff benefits	9,900	12,581 47,655
Staff amenities	61,014	309,771
Staff training Superannuation contributions - employees	349,190 35,281	13,982
Translation expenses	952.700	788,129
Travel	7,615	7,949
Worker's compensation	7,841,128	7,128,820
Total expenses		