

APNIC EC Meeting Minutes

Meeting held at Howard Plaza Hotel, Taipei, Taiwan
Tuesday 26 February 2008

Meeting Start: 9:00 am (UTC +0800)

Present

Akinori Maemura (Chair) (By Teleconference)
Che-Hoo Cheng
Kuo-Wei Wu
Kusumba Sridhar
Ming-Cheng Liang
Mao Wei
Paul Wilson

Geoff Huston
Irene Chan
Connie Chan

Apologies

Vinh Ngo

Agenda

1. Roll Call and Agenda bashing
2. Minutes of Last Meeting and Matters Arising
3. Finance Report
4. Director-General's Report
5. EC Election Procedure
6. Review of APNIC Fees Activities
7. NIR Criteria
8. APNIC Branch Office
9. APNIC 28 Selection
10. AOB

Minutes

1. Roll Call and Agenda bashing

IPv6 Per-Address Fee and Conflict of Interest Procedures were added to the agenda under AOB.

2. Minutes of Last Meeting and Matters Arising

The minutes from the meeting of 21 January 2008 were approved.

Action ec-08-003: Secretariat to publish minutes of 21 January 2008 meeting

Review of action items:

- Action ec-07-032:** EC to consider Phase 2 of the KPMG study following completion of the 2008 budget process
completed
- Action ec-08-001:** Secretariat to publish minutes of 13 December 2007 meeting
completed
- Action ec-08-002:** Secretariat to provide details of NRO NC selection procedures used by the other RIRs
completed

3. Finance Report

The EC considered the Audited Financial Report for 2007 (attached).

The adjustments made to the financial report as part of the audit process were related to provision for leave liability and provision for taxation assessment, as per the auditor's advice.

The EC accepted the audited financial report as a true and accurate report of the financial status of APNIC as of 31 December 2007.

The EC considered the 2007 Financial Report and Treasurer's Report to be provided to the APNIC membership at the APNIC 25 Annual Member Meeting. The EC endorsed the Treasurer's report and the 2007 Financial Report.

The EC considered the monthly financial report for January 2008 (attached). It was noted that the net asset position had been affected by the decision to delay the raising of membership invoices until January 2008 to allow the use of the AUD fee schedule. The EC requested that future reports include a breakdown of membership by economy.

The EC accepted the monthly financial report for January 2008.

- Action ec-08-004:** Secretariat to provide details of membership by economy in monthly reports.

4. Director-General's Report

The EC discussed the secretariat staff situation, and requested the Director-General to provide a profile of staff turnover for 2007, and to highlight HR matters relating to significant staff movements in the Secretariat. It was noted that the overall staff movement profile for 2007 was not outside of acceptable standards for this industry sector.

- Action ec-08-005:** Director-General to provide a report to the EC on profile of staff movement for 2007.

The Director-General reported on the ICANN meeting in New Delhi in February 2008, noting that the NRO presented to the Governmental Advisory Committee, and received well informed interest from GAC members in the topics of IPv4 depletion and IPv6 adoption.

It was noted that the exchange of letters of recognition between ICANN and the NRO had been completed.

The 2008 NRO contribution to ICANN has been determined to be USD \$823,000. The APNIC component of this sum will be determined according to the NRO formula. The annual review of the contribution will take place at the first ICANN meeting of each year (normally in February).

The NRO has responded to the IANA JPA review, noting general support from the RIRs for ICANN and its processes.

The NRO presence at the IGF is intended to be similar to the approach used in 2007, with a small booth, discussion on the floor and presentation at sessions. It was noted that the NRO has prepared a report on enhanced cooperation, being the only party to date fulfilling the WSIS objective of regularly reporting on progress on this topic.

5. APNIC Voting Procedures

The DG noted that procedures relating to the identification of the appropriately authorized representative of corporate members at member meetings could be improved through the use of explicit authorization being generated as identification codes via the MyAPNIC portal.

It was noted that the procedures to be adopted would be consistent with the provisions in the APNIC ByLaws relating to Authorized Representatives of Members at Member Meetings.

6. Review of Fees

The EC reviewed the current status of the fees review activity, and determined to continue the investigation and evaluation activity commenced in 2007 by proceeding with the second phase of this consultation. The EC indicated a preference for the consultancy report to be presented to the EC in 3 – 4 months time. The co-chairs of the Fees WG would be advised of this development.

Action ec-08-006: Secretariat to advise KPMG of the adoption of Phase II of the fees consultancy

Action ec-08-007: EC Chair to advise APNIC Fees WG on the current status of the fees study.

7. NIR Criteria

The EC reviewed the existing NIR recognition criteria, and discussed a proposal that the NIR recognition criteria should include consideration of demonstrable general support from industry in the national context, in addition to governmental support.

The EC noted that any such proposal should take the form of an individual policy proposal to be submitted to into the APNIC policy development process.

8. APNIC Branch Office

The DG reported to the EC that membership surveys had indicated some level of membership support for some form of distribution of APNIC service delivery, potentially through a structure of a branch office or offices located to serve particular sub-regions of the Asia Pacific Region.

The EC by a majority vote, with Paul Wilson abstaining, resolved to proceed with further investigation of this topic.

Action ec-08-008: DG to prepare an initial briefing note on APNIC service delivery options.

9. APNIC 28 Selection

The EC agreed to allow CNNIC a short period to prepare a proposal to host APNIC 28. An open call for proposals would be made in the event that CNNIC was not in a position to undertake to host this meeting.

Action ec-08-009: EC to evaluate CNNIC response at the April 2008 EC meeting.

10. AOB

IPv6 Per Address Fee

The EC considered the matter of the IPv6 Per-Address fee and the referral of the matter to the APNIC Policy SIG. The EC recognised the IPv6 policy outcomes concerning the HD ratio and address utilization level, and noted that the remaining matter concerned the fee schedule. The EC determined to consider the fee schedule at its next meeting

Action ec-08-010: Secretariat to prepare a briefing paper on the IPv6 Per-Address Fee schedule

Conflict of Interest

The EC noted that explicit provisions regarding conflict of interest for EC members was part of the adopted EC Procedures and that the responsibility to avoid conflict of interest was part of the obligations of EC members as a legal responsibility. The EC requested legal advice be provided concerning the definition of conflict of interest with respect to the Corporation Act, the nature of the liabilities if a breach of conflict of interest was established, and whether EC members should be obligated to maintain an up-to-date a declaration regarding potential conflict of interests while holding office, or similar measures to ensure EC members are appropriately covered by indemnification provisions.

Action ec-08-011: Secretariat to obtain legal advice concerning conflict of interest for EC members

11. Next meeting

20 March 2008 (Teleconference)

Meeting closed: 3:10 pm (UTC+0800)

Summary of Action Items

- Action ec-08-003:** Secretariat to publish minutes of 21 January 2008 meeting
- Action ec-08-004:** Secretariat to provide details of membership by economy in monthly reports.
- Action ec-08-005:** Director-General to provide a report to the EC on profile of staff movement for 2007.
- Action ec-08-006:** Secretariat to advise KPMG of the adoption of Phase II of the fees consultancy
- Action ec-08-007:** EC Chair to advise APNIC Fees WG on the current status of the fees study.
- Action ec-08-008:** DG to prepare an initial briefing note on APNIC service delivery options.
- Action ec-08-009:** EC to evaluate CNNIC response at the April 2008 EC meeting.
- Action ec-08-010:** Secretariat to prepare a briefing paper on the IPv6 Per-Address Fee schedule
- Action ec-08-011:** Secretariat to obtain legal advice concerning conflict of interest for EC members

**APNIC Pty Ltd
Special Purpose Financial Report
for the year ended 31 December 2007**

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Director's Report

Your director presents his report on the company for the year ended 31 December 2007.

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 loss after income tax amounted to \$236,111 (2006: profit \$177,802).

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 \$19,555 (2006: \$10,428) 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

8
Brisbane
February 2008



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Auditor's Independence Declaration

As lead auditor for the audit of APNIC Pty Ltd for the year ended 31 December 2007, 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.

A handwritten signature in black ink, appearing to read 'P J Clarke'.

P J Clarke
Partner
PricewaterhouseCoopers

8 February 2008

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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 2007

	Notes	2007 \$	2006 \$
Revenue from continuing operations	2	8,335,765	7,537,254
Other income	3	751,228	713,747
Communications & meeting expenses		(308,453)	(207,089)
Computer Expenses		(145,026)	(151,993)
Contributions to ICANN		(243,468)	(245,405)
Depreciation Expense		(565,075)	(521,466)
Employee benefits expense		(4,974,020)	(4,352,658)
Foreign exchange loss		(327,823)	(125,236)
Insurance		(115,894)	(86,383)
Loss on disposal of fixed assets		(4,343)	(284)
Membership fees		(52,706)	(77,423)
Occupancy Expenses		(450,096)	(418,843)
Other expenses		(448,619)	(404,417)
Professional Fees		(391,459)	(422,464)
Travel expenses		(1,186,740)	(952,703)
(Loss)/profit before income tax		(126,729)	284,637
Income tax expense	4	(109,382)	(106,835)
(Loss)/profit from continuing operations		(236,111)	177,802
(Loss)/profit attributable to members of APNIC Pty Ltd		(236,111)	177,802

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

APNIC Pty Ltd
Balance sheet
As at 31 December 2007

	Notes	2007 \$	2006 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	6,626,342	5,696,301
Receivables	6	737,860	1,474,467
Investments		2,300,000	3,300,000
Other current assets	7	322,355	344,852
Total current assets		<u>9,986,557</u>	<u>10,815,620</u>
Non-current assets			
Property, plant and equipment	9	1,667,091	1,494,461
Investments		1,700,000	2,000,000
Other financial assets	8	1,222,666	1,148,369
Total non-current assets		<u>4,589,757</u>	<u>4,642,830</u>
Total assets		<u>14,576,314</u>	<u>15,458,450</u>
LIABILITIES			
Current liabilities			
Provisions	11	105,846	-
Current tax liabilities	12	143,755	100,044
Payables	10	1,502,538	1,764,225
Unearned income		3,817,898	4,271,275
Total current liabilities		<u>5,570,037</u>	<u>6,135,544</u>
Non-current liabilities			
Deferred tax liabilities		82,439	96,500
Provisions	13	189,376	203,040
Total non-current liabilities		<u>271,815</u>	<u>299,540</u>
Total liabilities		<u>5,841,852</u>	<u>6,435,084</u>
Net assets		<u>8,734,462</u>	<u>9,023,366</u>
EQUITY			
Contributed equity	14	1	1
Reserves	15(a)	90,827	143,620
Retained profits	15(b)	8,643,634	8,879,745
		<u>8,734,462</u>	<u>9,023,366</u>
Total equity		<u>8,734,462</u>	<u>9,023,366</u>

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 2007

	2007	2006
Notes	\$	\$
Total equity at the beginning of the financial year	<u>9,023,366</u>	<u>8,860,111</u>
Changes in the fair value of available-for-sale financial assets, net of tax	15 (52,793)	(14,547)
(Loss)/profit for the year	<u>(236,111)</u>	<u>177,802</u>
Total recognised income and expense for the year	<u>(288,904)</u>	<u>163,255</u>
Total equity at the end of the financial year	<u>8,734,462</u>	<u>9,023,366</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

APNIC Pty Ltd
Cash flow statement
For the year ended 31 December 2007

	2007	2006
Notes	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	8,790,087	7,824,401
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(8,602,780)</u>	<u>(6,995,016)</u>
Interest received	187,307	829,385
Income taxes paid	569,711	560,117
Net cash inflow from operating activities	18 <u>685,851</u>	<u>1,344,994</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(747,640)	(698,912)
Proceeds from sale of property, plant and equipment	5,591	2,200
Proceeds from sale of available-for-sale financial assets	<u>1,314,062</u>	<u>-</u>
Net cash inflow (outflow) from investing activities	<u>572,013</u>	<u>(696,712)</u>
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the financial year	1,257,864	648,282
Effects of exchange rate changes on cash and cash equivalents	5,696,301	5,173,255
Cash and cash equivalents at end of year	5 <u>6,626,342</u>	<u>5,696,301</u>

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

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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:

AASB 7:	<i>Financial Instruments: Disclosures</i>
AASB 112:	<i>Income Taxes</i>
AASB 114:	<i>Segment Reporting</i>
AASB 124:	<i>Related Party Disclosures</i>

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 they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(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, rebates and amounts collected on behalf of third parties.

Revenue is recognised for the major business activities as follows:

(i) *Member fees*

Member fees are recognised on an accrual basis.

(ii) *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.

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 income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 written off. A provision for impairment of trade 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. 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 in other expenses.

(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.

1 Summary of significant accounting policies (continued)

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.

(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	20 - 40%	reducing balance
Office furniture	20 - 25%	reducing balance
Office improvements	20 - 50%	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

	2007 \$	2006 \$
Membership Income	6,102,907	5,491,250
Non-membership income	142,765	120,110
Per allocation fees	1,251,102	1,049,812
IP resource allocation fees	764,637	770,603
Reactivation fees	11,854	11,394
Other revenue	<u>62,500</u>	<u>94,085</u>
	<u>8,335,765</u>	<u>7,537,254</u>

3 Other income

	2007 \$	2006 \$
Interest	601,512	565,374
Investment distribution income	<u>149,716</u>	<u>148,373</u>
	<u>751,228</u>	<u>713,747</u>

4 Income tax expense

	2007 \$	2006 \$
(a) Income tax expense		
(Loss)/profit from continuing operations before income tax expense	<u>(126,729)</u>	284,637
Tax at the Australian tax rate of 30% (2006 - 30%)	<u>(38,019)</u>	85,391
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses related to members	3,065,722	2,252,451
Non-assessable fees related to members	<u>(2,918,321)</u>	<u>(2,231,741)</u>
	109,382	106,101
Under provision in prior years	-	734
Total income tax expense	<u>109,382</u>	<u>106,835</u>

5 Current assets - Cash Assets

	2007 \$	2006 \$
Petty Cash	400	401
Cash at bank - NAB \$USD APNIC infodev	25,212	27,258
Cash at bank - NAB (USD)	140,684	655,404
Short Term Deposits	5,853,882	4,815,006
Cash at bank - NAB (AUD)	<u>606,164</u>	<u>198,232</u>
	<u>6,626,342</u>	<u>5,696,301</u>

6 Current assets - Receivables

	2007	2006
	\$	\$
Net trade receivables		
Trade receivables	740,158	1,478,294
Provision for doubtful receivables	<u>(2,298)</u>	<u>(3,827)</u>
	<u>737,860</u>	<u>1,474,467</u>

7 Current assets - Other current assets

	2007	2006
	\$	\$
Goods and services tax (GST) receivable	27,983	12,530
Prepayments	83,701	131,831
Deposits	50	1,500
Sundry Receivables	54,301	74,472
Interest receivable	<u>156,320</u>	<u>124,519</u>
	<u>322,355</u>	<u>344,852</u>

8 Non-current assets - Other financial assets

	2007	2006
	\$	\$
Units in managed investment funds - at fair value	<u>1,222,666</u>	<u>1,148,369</u>

9 Non-current assets - Property, plant and equipment

	Plant and equipment \$	Office furniture and equipment \$	Office improvement \$	Total \$
At 1 January 2006				
Cost	2,382,644	79,885	457,439	2,919,968
Accumulated depreciation	<u>(1,348,609)</u>	<u>(45,505)</u>	<u>(206,355)</u>	<u>(1,600,469)</u>
Net book amount	<u>1,034,035</u>	<u>34,380</u>	<u>251,084</u>	<u>1,319,499</u>
Year ended 31 December 2006				
Opening net book amount	1,034,035	34,380	251,084	1,319,499
Additions	639,878	14,059	44,975	698,912
Disposals	(2,484)	-	-	(2,484)
Depreciation	<u>(489,622)</u>	<u>(5,393)</u>	<u>(26,451)</u>	<u>(521,466)</u>
Closing net book amount	<u>1,181,807</u>	<u>43,046</u>	<u>269,608</u>	<u>1,494,461</u>
At 31 December 2006				
Cost	3,018,771	93,944	502,414	3,615,129
Accumulated depreciation	<u>(1,836,964)</u>	<u>(50,898)</u>	<u>(232,806)</u>	<u>(2,120,668)</u>
Net book amount	<u>1,181,807</u>	<u>43,046</u>	<u>269,608</u>	<u>1,494,461</u>
	Plant and equipment \$	Office furniture and equipment \$	Office improvement \$	Total \$
Year ended 31 December 2007				
Opening net book amount	1,181,807	43,046	269,608	1,494,461
Additions	721,151	17,614	8,875	747,640
Disposals	(9,935)	-	-	(9,935)
Depreciation	<u>(532,203)</u>	<u>(5,843)</u>	<u>(27,029)</u>	<u>(565,075)</u>
Closing net book amount	<u>1,360,820</u>	<u>54,817</u>	<u>251,454</u>	<u>1,667,091</u>
At 31 December 2007				
Cost	3,714,140	111,558	511,289	4,336,987
Accumulated depreciation	<u>(2,353,320)</u>	<u>(56,741)</u>	<u>(259,835)</u>	<u>(2,669,896)</u>
Net book amount	<u>1,360,820</u>	<u>54,817</u>	<u>251,454</u>	<u>1,667,091</u>

10 Current liabilities - Payables

	2007 \$	2006 \$
Trade payables	1,086,774	1,053,579
Provision for annual leave	363,379	305,842
Accruals	<u>52,385</u>	<u>404,804</u>
	<u>1,502,538</u>	<u>1,764,225</u>

11 Current liabilities - Provisions

	2007 \$	2006 \$
Employee benefits - long service leave	<u>105,846</u>	<u>-</u>
	<u>105,846</u>	<u>-</u>

12 Current liabilities - Current tax liabilities

	2007 \$	2006 \$
Income tax	<u>143,755</u>	<u>100,044</u>
	<u>143,755</u>	<u>100,044</u>

13 Non-current liabilities - Provisions

	2007 \$	2006 \$
Employee benefits - long service leave	<u>189,376</u>	<u>203,040</u>
	<u>189,376</u>	<u>203,040</u>

14 Contributed equity

	2007 Shares	2006 Shares	2007 \$	2006 \$
(a) Share capital				
Fully paid	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

15 Reserves and retained profits

	2007 \$	2006 \$
(a) Reserves		
Reserves - Available for Sale Investment Revaluation Reserve	<u>90,827</u>	<u>143,620</u>
	<u>90,827</u>	<u>143,620</u>
	2007 \$	2006 \$

Movements:

<i>Reserves - Available for Sale Investment Revaluation Reserve</i>			
Balance 1 January		143,620	158,167
Revaluation - net of tax		<u>(52,793)</u>	<u>(14,547)</u>
Balance 31 December		<u>90,827</u>	<u>143,620</u>

15 Reserves and retained profits (continued)

(b) Retained profits

Movements in retained profits were as follows:

	2007 \$	2006 \$
Balance 1 January	8,879,745	8,701,943
(Loss)/profit for the year	<u>(236,111)</u>	<u>177,802</u>
Balance 31 December	<u>8,643,634</u>	<u>8,879,745</u>

16 Remuneration of auditors

(a) Assurance services

Audit services

PricewaterhouseCoopers Australian firm

Audit and review of financial reports and other audit work under the Corporations Act 2001

	19,900	18,800
--	--------	--------

Other assurance services

PricewaterhouseCoopers Australian firm

Other services

	<u>6,200</u>	<u>5,520</u>
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Total remuneration for assurance services

	<u>26,100</u>	<u>24,320</u>
--	---------------	---------------

17 Commitments

(i) Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year

	2007 \$	2006 \$
--	------------	------------

Later than one year but not later than five years

	85,655	338,971
--	--------	---------

	<u>-</u>	<u>85,655</u>
--	----------	---------------

	<u>85,655</u>	<u>424,626</u>
--	---------------	----------------

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

	2007	2006
	\$	\$
(Loss)/profit for the year	(236,111)	177,802
Depreciation and amortisation	565,075	521,466
Net loss on sale of property, plant and equipment	4,343	284
Bad Debts	4,237	4,727
Investment distribution income	(149,716)	(148,373)
Net exchange differences	327,823	125,236
Change in operating assets and liabilities		
Increase in income tax payable	43,711	63,570
(Increase) in interest receivables	(31,801)	(5,257)
Decrease (Increase) in deposits and prepayments	49,580	(15,970)
Decrease (Increase) in trade and other debtors	754,071	(464,692)
(Increase) Decrease in provision for doubtful debts	(1,529)	1,316
(Decrease) Increase in trade and other creditors	(319,225)	379,975
(Decrease) in GST payable	(15,453)	(9,485)
(Decrease) Increase in provision for unearned income	(453,377)	595,366
(Decrease) deferred tax provisions	(5,496)	(1,244)
Increase in provision for employee entitlements	149,719	120,273
Net cash inflow from operating activities	<u>685,851</u>	<u>1,344,994</u>

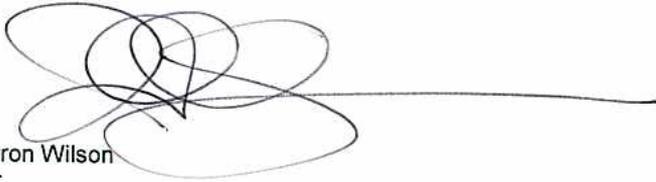
As stated in Note 1(a) to the financial statements, in the director's opinion, the company is not a reporting entity because there are no users dependent on general purpose financial reports. This is a special purpose financial report that has been prepared to meet *Corporations Act 2001* requirements.

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:
 - (i) 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 2007 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.

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal line extending to the right.

Paul Byron Wilson
Director

Brisbane
8 February 2008

PricewaterhouseCoopers
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Independent auditor's report to the members of APNIC Pty Ltd

Scope

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of APNIC Pty Ltd (the company), which comprises the balance sheet as at 31 December 2007, the income statement, statement of changes in equity and cash flow statement for the year ended, a summary of significant accounting policies and other explanatory notes.

The responsibility of the directors for the financial report

The director has determined that the accounting policies used and described in The responsibility of the directors also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, and described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to members for the purpose of fulfilling the financial reporting obligations of the directors. 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 procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies

**Independent auditor's report to the members of
APNIC Pty Ltd (continued)**

Auditor's opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of APNIC Pty Ltd as of 31 December 2007 and its financial performance for the period then ended in accordance with the accounting policies described in Note 1 to the financial statements.



PricewaterhouseCoopers



P J Clarke
Partner

Brisbane
8 February 2007

APNIC Pty Ltd
Operating statement
For the year ended 31 December 2007

	2007 \$	2006 \$
Income		
Membership fees	6,102,906	5,491,250
Per allocation fees	1,251,102	1,049,812
IP resource allocation fee	764,637	770,603
Interest	601,512	565,374
Other revenue	212,215	242,458
Non-membership income	142,765	120,110
Reactivation fees	<u>11,854</u>	<u>11,394</u>
Total	<u>9,086,991</u>	<u>8,251,001</u>
Net income	<u>9,086,991</u>	<u>8,251,001</u>
Less Expenses		
Administration expenses (refer schedule)	<u>(9,213,720)</u>	<u>(7,966,368)</u>
Total expenses	<u>(9,213,720)</u>	<u>(7,966,368)</u>
Net trading loss	<u>(126,729)</u>	<u>284,633</u>
Loss from ordinary activities before income tax	<u>(126,729)</u>	<u>284,633</u>
Schedule of expenses		
Administration expenses		
Administration fees	1,053	1,310
Auditor's remuneration - audit fees	26,100	24,320
Bank charges - general	67,428	56,336
Books and periodicals	7,930	6,243
Cleaning	10,910	10,296
Communication expenses	208,217	125,248
Computer costs - other	145,026	151,993
Depreciation - other	565,075	521,466
Donations	47,335	35,829
Doubtful debts	4,237	4,727
Electricity	22,214	27,283
Employees' entitlements	320,067	120,274
Equipment hire	41,239	32,186
Deductible entertainment	1,844	5,649
Foreign exchange losses	327,823	125,236
Fringe benefits tax	4,435	7,839
Gifts and promotions	31,475	26,885
ICANN	243,468	245,405
Insurance - other	115,894	86,383
Loss on sale of fixed assets	4,343	284
Meeting expenses	100,235	81,841
Membership fees	52,706	77,423
Miscellaneous expenses	2,923	6,314
Office expenses	39,812	37,362
Parking expenses	89,114	62,140
Payroll tax	202,828	170,965
Postage	35,714	44,829
Printing and stationery	36,249	38,696
Professional fees - Accountancy/Management	34,294	23,729
Professional fees - Consulting	69,478	127,006
Professional fees - Legal	90,262	53,494
Professional fees - Project management	45,102	44,000
Professional fees - R&D	126,224	149,915
Recruitment	91,504	87,699
Rent	356,963	335,114
Repairs and maintenance	<u>20,197</u>	<u>8,788</u>

This operating statement does not form part of the audited financial report

APNIC Pty Ltd
Operating statement
For the year ended 31 December 2007

	2007	2006
	\$	\$
Salaries and wages	3,877,753	3,533,997
Sponsorship fees	61,764	47,994
Staff benefits	4,597	4,167
Staff amenities	17,055	9,900
Staff training	83,355	61,014
Superannuation contributions - employees	367,787	349,190
Translation expenses	20,313	35,281
Travel	1,186,740	952,703
Worker's compensation	4,638	7,615
Total expenses	<u>9,213,720</u>	<u>7,966,368</u>

This operating statement does not form part of the audited financial report



APNIC

Monthly financial report (in AUD)

For the month ending January 2008

Asia Pacific Network Information Centre

1. Balance Sheet

Statement of Financial Position (AUD)					
	31/01/2008	% of Total Asset or Liab+Equity	% change from 31/12/2007	Year-End 2007	Year-End 2006
CURRENT ASSETS					
Cash	6,609,228	43%	-0.3%	6,626,341	5,696,300
Term deposit investment	2,300,000	15%	0.0%	2,300,000	3,300,000
Receivables *	1,783,193	12%	88.0%	948,481	1,673,458
Advance payment (Prepayment, Deposit, etc)	145,783	1%	74.1%	83,751	133,331
Others	9,796	0%	-68.8%	31,366	14,937
TOTAL CURRENT ASSETS	10,848,000	70%	8.6%	9,989,939	10,818,026
NON-CURRENT ASSETS					
Other financial assets	1,222,666	8%	0.0%	1,222,666	1,148,369
Property, plant and equipment	1,645,344	11%	-1.3%	1,667,091	1,494,461
Long term deposit investment	1,700,000	11%	0.0%	1,700,000	2,000,000
TOTAL NON-CURRENT ASSETS	4,568,010	30%	-0.5%	4,589,758	4,642,830
TOTAL ASSETS	15,416,011	100%	5.7%	14,579,696	15,460,856
CURRENT LIABILITIES					
Accrued expenses	1,084,594	7%	-4.8%	1,139,160	1,458,382
Provisions	881,279	6%	-0.8%	888,178	707,834
Unearned revenue	4,565,079	30%	19.6%	3,817,898	4,271,275
TOTAL LIABILITIES	6,530,953	42%	11.7%	5,845,236	6,437,490
EQUITY					
Share capital	1.00	0%	0.0%	1.00	1.00
Reserves	90,827	1%	0.0%	90,827	143,620
Retained earnings	8,794,230	57%	1.7%	8,643,633	8,879,745
TOTAL EQUITY	8,885,058	58%	1.7%	8,734,461	9,023,366
TOTAL LIABILITIES & EQUITY	15,416,011	100%	5.7%	14,579,696	15,460,856

Notes:

For comparison purposes the following exchange rates apply:

- (1) ATO official monthly average rate for Jan 2008 is 0.89265
- (2) ATO official notes spot rate for 31 Dec 2007 was 0.8875 and for 31 Dec 2006 respectively 0.7938

* The significant increase in Receivables from the amounts reported in the December statements is a result of the delayed renewal invoicing from December. This was done in order to invoice using AUD as per the 2008 AUD fee schedule.

2. Profit and Loss Statement

2.1 Expenses

The approved Budget for 2008 has been incorporated into this report and compared with the actual year to date account balances at the end of January 2008.

EXPENSES (AUD)	Jan-08 Actual	YTD %	Budget 2008	YTD Budget		
				YTD (**) Budget 2008	YTD Budget Variation	Budget Variation %
Bank charges	7,236	1.3%	83,573	6,964	271	3.9%
Communication expenses	14,811	2.6%	231,783	19,315	(4,504)	-23.3%
Computer expenses	7,520	1.3%	162,390	13,533	(6,012)	-44.4%
Depreciation expense	52,033	9.3%	641,480	53,457	(1,424)	-2.7%
Sponsorship and Publicity expenses	26,772	4.8%	190,883	15,907	10,865	68.3%
Doubtful debt expenses	57	0.0%	20,126	1,677	(1,620)	-96.6%
ICANN contract fee	0	0.0%	285,000	23,750	(23,750)	-100.0%
Insurance expense	9,623	1.7%	121,526	10,127	(504)	-5.0%
Meeting and training expense	105	0.0%	183,841	15,320	(15,215)	-99.3%
Membership fees	4,981	0.9%	69,496	5,791	(810)	-14.0%
Miscellaneous expenses	300	0.1%	5,534	461	(161)	-34.9%
Office operating expenses	7,192	1.3%	88,616	7,385	(193)	-2.6%
Postage & delivery	2,753	0.5%	36,586	3,049	(296)	-9.7%
Printing & photocopy	374	0.1%	31,526	2,627	(2,253)	-85.8%
Professional fees	13,759	2.5%	544,172	45,348	(31,589)	-69.7%
Recruitment expense	82	0.0%	90,503	7,542	(7,460)	-98.9%
Rent and outgoings	38,915	6.9%	666,245	55,520	(16,606)	-29.9%
Salaries and personnel expenses	338,866	60.4%	5,402,753	450,229	(111,363)	-24.7%
Staff Training/conference expenses	4,425	0.8%	84,305	7,025	(2,600)	-37.0%
Tax expense	0	0.0%	44,928	3,744	(3,744)	-100.0%
Translation expenses	0	0.0%	73,871	6,156	(6,156)	-100.0%
Travel expenses	31,201	5.6%	1,439,033	119,919	(88,718)	-74.0%
TOTAL EXPENSES	561,006	100.0%	10,498,170	874,848	(313,842)	-35.9%

2.2 Revenue

REVENUE (AUD)	Jan-08 Actual	YTD %	Budget 2008	YTD Budget		
				YTD (**) Budget 2008	YTD Budget Variation	Budget Variation %
Interest income	11,621	1.6%	721,997	60,166	(48,546)	-80.7%
IP Resource application fees	88,732	12.5%	963,960	80,330	8,402	10.5%
Membership fees	509,876	71.7%	6,962,908	580,242	(70,366)	-12.1%
Non-members fees	11,193	1.6%	198,316	16,526	(5,333)	-32.3%
Per Allocation fees	82,602	11.6%	1,912,246	159,354	(76,752)	-48.2%
Reactivation fees	0	0.0%	17,936	1,495	(1,495)	-100.0%
Sundry income	6,567	0.9%	214,885	17,907	(11,340)	-63.3%
Foreign Ex. gain/(loss)	1,013	0.1%	0	0	1,013	0.0%
TOTAL REVENUE	711,603	100.0%	10,992,248	916,021	(204,418)	-22.3%

2.3 Operating Profit/ Loss

Revenue and Expenses (AUD)	Jan-08 Actual	YTD %	Budget 2008	YTD Budget		
				YTD (**) Budget 2008	YTD Budget Variation	Variation %
Total Revenue	711,603	100.0%	10,992,248	916,021	(204,418)	-22.3%
Total Expenses	561,006	100.0%	10,498,170	874,848	(313,842)	-35.9%
OPERATING PROFIT/ (LOSS)	150,597		494,077	41,173		

Notes:

The significant variance of (\$111,363) reported for Salaries and Personnel Expenses is due to the following:

- There was large amounts of Annual Leave taken at the beginning of January
- The annual budget includes allowances for 4.5 existing positions that were not yet filled in January
- There is a timing difference between the actual fortnightly payroll and the monthly pro-rata budget
- The annual budget includes an allowance for average annual salary movement of 5%

(**) YTD Budget and Variation values are based on a linear prorated calculation of the annual budget.

3. Membership

At the end of January 2008, APNIC had a total of 1,617 members serving 51 economies. APNIC achieved strong membership growth in January with a net growth of 33 members. There were 38 new members and 5 member accounts were closed during the month. The Economies in which APNIC has the highest members are Australia (430 members), India (194 members), and Hong Kong (145 members).

The following table shows the monthly membership changes and provides an analysis of the membership tiers of APNIC, this table shows that 48% of APNIC members are included in the Small membership tier.

Membership	Total	New	(Closed)	Size	Total YTD	Total YTD (%)
	Dec-07	Jan-08	Jan-08	Change Jan-08	Jan-08	Jan-08
Extra Large	9	0	0	0	9	1%
Very Large	27	0	0	0	27	2%
Large Member	77	1	0	0	78	5%
Medium	231	2	0	5	238	15%
Small	765	9	(4)	1	771	48%
Very Small	304	14	0	1	319	20%
Associate	171	12	(1)	(7)	175	11%
TOTAL	1584	38	(5)	0	1617	100%

The table below compares the actual growth of membership at the end of January 2008 with the budgeted growth on a pro-rata basis. Overall there is a close correlation between the actual and budgeted growth for January.

Membership	Actual Total EOY 2007	Actual Total YTD Jan-08	Actual Growth YTD 2008	Budgeted Total EOY 2008	Budgeted Growth EOY 2008	Budgeted Growth YTD (*)	Variation Actual vs. Budget (*)
Extra Large	9	9	0	9	0	0	0
Very Large	27	27	0	34	7	1	-1
Large Member	77	78	1	83	6	1	1
Medium	231	238	7	259	28	2	5
Small	765	771	6	894	129	11	-5
Very Small	304	319	15	405	101	8	7
Associate	171	175	4	219	48	4	0
TOTAL	1584	1617	33	1903	319	27	6

The graph below is based on historical figures of the total memberships since the establishment of APNIC's membership system in 1996, and illustrates a steady growth in membership.

