

# **APNIC Pty Ltd**

ACN 081 528 010

## **Special Purpose Financial Report for the year ended 31 December 2005**

## **Contents**

	Page
Director's Report	1
Financial report	3
Director's Declaration	18
Independent audit report to the members	19

Your director presents his report on the company for the year ended 31 December 2005.

**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**

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 \$410,050 (2004 profit: \$27,611).

**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 \$10,378 (2004: \$10,387) 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

Brisbane

7 February 2006

## Auditors' Independence Declaration

As lead auditor for the audit of APNIC Pty Ltd for the the year ended 31 December 2005, 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 year.



P J Clarke  
Partner  
PricewaterhouseCoopers

7 February 2006

## Contents

	Page
Financial report	
Income statements	4
Balance sheets	5
Statements of changes in equity	6
Cash flow statements	7
Notes to the financial statements	8
Director's Declaration	18
Independent audit report to the members	19

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 entity's operations and its principal activities is included in director's report on page 1 which is not part of this financial report.

APNIC Pty Ltd  
Income statements  
For the year ended 31 December 2005

	Notes	2005 \$	2004 \$
<b>Revenue from continuing operations</b>	2	6,494,869	6,134,514
Other income	3	1,103,208	745,452
Employee benefits expense		(3,758,543)	(3,495,935)
Depreciation Expense		(467,607)	(407,115)
Occupancy Expenses		(399,854)	(387,970)
Profit/(Loss) on disposal of investments		4,770	(47,842)
Professional Fees		(506,585)	(540,664)
Travel expenses		(788,129)	(708,882)
Communications & meeting expenses		(234,281)	(194,775)
Contributions to ICANN		(298,515)	(233,082)
Membership fees		(144,592)	(126,786)
Other Expenses		(535,481)	(594,521)
<b>Profit before income tax</b>		<u>469,260</u>	<u>142,394</u>
Income tax expense	4	<u>(59,210)</u>	<u>(114,783)</u>
Profit from continuing operations		<u>410,050</u>	<u>27,611</u>
<b>Profit attributable to members of APNIC Pty Ltd</b>		<u>410,050</u>	<u>27,611</u>

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

APNIC Pty Ltd  
Balance sheets  
As at 31 December 2005

	Notes	2005 \$	2004 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	5,173,255	4,711,629
Receivables	6	1,212,597	692,773
Investment		3,300,000	3,300,000
Other current assets	7	<u>117,361</u>	<u>163,504</u>
		<u>9,803,213</u>	<u>8,867,906</u>
 Total current assets		 <u>9,803,213</u>	 <u>8,867,906</u>
<b>Non-current assets</b>			
Other financial assets	8	1,020,778	846,551
Property, plant and equipment	9	1,319,499	1,370,998
Investment		2,000,000	1,000,000
Deferred tax assets		2,224	877
Total non-current assets		<u>4,342,501</u>	<u>3,218,426</u>
 Total assets		 <u>14,145,714</u>	 <u>12,086,332</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	1,346,915	907,375
Current tax liabilities		36,474	-
Unearned income		<u>3,675,909</u>	<u>2,630,564</u>
		<u>5,059,298</u>	<u>3,537,939</u>
 Total current liabilities		 <u>5,059,298</u>	 <u>3,537,939</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		106,201	83,534
Provisions		<u>120,104</u>	<u>76,723</u>
Total non-current liabilities		<u>226,305</u>	<u>160,257</u>
 Total liabilities		 <u>5,285,603</u>	 <u>3,698,196</u>
 Net assets		 <u>8,860,111</u>	 <u>8,388,136</u>
<b>EQUITY</b>			
Contributed equity	11	1	1
Reserves	12(a)	158,167	-
Retained profits	12(b)	<u>8,701,943</u>	<u>8,388,135</u>
		<u>8,860,111</u>	<u>8,388,136</u>
 Total equity		 <u>8,860,111</u>	 <u>8,388,136</u>

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

**APNIC Pty Ltd**  
**Statements of changes in equity**  
**For the year ended 31 December 2005**

	Notes	2005 \$	2004 \$
<b>Total equity at the beginning of the financial year</b>		<u>8,388,136</u>	<u>8,360,525</u>
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:			
Retained profits	12	(96,242)	-
Reserves	12	96,242	-
Net gain on revaluation of available for sale investment	12	<u>61,925</u>	-
<b>Net income recognised directly in equity</b>		<b>61,925</b>	-
<b>Profit for the year</b>		<u>410,050</u>	<u>27,611</u>
<b>Total recognised income and expense for the year</b>		<u>471,975</u>	<u>27,611</u>
<b>Total equity at the end of the financial year</b>		<u>8,860,111</u>	<u>8,388,136</u>



APNIC Pty Ltd  
Cash flow statements  
For the year ended 31 December 2005

Notes	2005 \$	2004 \$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	7,206,512	5,890,906
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(5,760,547)</u>	<u>(5,699,684)</u>
Interest received	1,445,965	191,222
Income taxes paid	448,171	351,294
	<u>(3,527)</u>	<u>(33,361)</u>
<b>Net cash inflow from operating activities</b>	15 <u>1,890,609</u>	<u>509,155</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(420,031)	(438,594)
Payments for investments	(1,142,739)	(300,000)
Proceeds from sale of property, plant and equipment	2,255	-
Proceeds from sale of available-for-sale financial assets	<u>131,532</u>	<u>-</u>
<b>Net cash (outflow) from investing activities</b>	<u>(1,428,983)</u>	<u>(738,594)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		
	461,626	(229,439)
Cash and cash equivalents at the beginning of the financial year	<u>4,711,629</u>	<u>4,941,068</u>
<b>Cash and cash equivalents at end of year</b>	5 <u>5,173,255</u>	<u>4,711,629</u>

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

## Contents of the notes to the financial statements

		<b>Page</b>
1	Summary of significant accounting policies	9
2	Revenue	13
3	Other income	13
4	Income tax expense	13
5	Current assets - Cash Assets	14
6	Current assets - Receivables	14
7	Current assets - Other current assets	14
8	Non-current assets - Other financial assets	14
9	Non-current assets - Property, plant and equipment	15
10	Current liabilities - Payables	15
11	Contributed equity	16
12	Reserves and retained profits	16
13	Remuneration of auditors	17
14	Commitments	17
15	Reconciliation of profit after income tax to net cash inflow from operating activities	17

## 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 114	Segment Reporting
AASB 124	Related Party Disclosures
AASB 107	Cash Flow Statements
AASB 112	Income Taxes
AASB 132	Financial Instruments: Disclosure and Presentation

#### *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.

#### *Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards*

The financial statements are the first APNIC Pty Ltd financial statements to be prepared in accordance with AIFRSs. AASB 1 First-time Adoption of Australian Equivalents of International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of APNIC Pty Ltd until 31 December 2004 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRSs. When preparing APNIC Pty Ltd 2005 financial statements, management has amended certain accounting and valuation methods applied in the AGAAP financial statements to comply with AIFRSs. With the exception of financial instruments, the comparative figures in respect of 2004 were restated to reflect these adjustments. The Company has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 January 2005.

The only adjustment made to the previous AGAAP financial statements to AIFRSs is the transfer of \$96,242 from Retained earning to Available-for-sale investment revaluation reserves (Refer to Note 12 for further information).

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.

## 1 Summary of significant accounting policies (continued)

### (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 duties and taxes paid. Revenue is recognised for the major business activities as follows:

#### (i) 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.

### (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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### (e) Cash and cash equivalents

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 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 effective interest rate. The amount of the provision is recognised in the income statement.

## 1 Summary of significant accounting policies (continued)

### (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

#### From 1 January 2004 to 31 December 2004

The company has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 January 2005. The company has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

#### Adjustments on transition date: 1 January 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition 1 January 2005 changes to carrying amounts are taken to retained earnings or reserves.

#### From 1 January 2005

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 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.

### (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.

## 1 Summary of significant accounting policies (continued)

### (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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

#### (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

	2005 \$	2004 \$
<i>Sales revenue</i>		
Membership Income	4,871,360	4,756,575
Non-membership income	96,286	37,514
Per allocation fees	830,713	860,668
IP resource allocation fees	695,262	475,860
Reactivation fees	1,248	3,897
	<u>6,494,869</u>	<u>6,134,514</u>

## 3 Other income

	2005 \$	2004 \$
Interest	427,696	383,367
Foreign exchange gains	498,637	113,607
Revaluation of investments	-	142,779
Other revenue	176,875	105,699
	<u>1,103,208</u>	<u>745,452</u>

## 4 Income tax expense

	2005 \$	2004 \$
<b>(a) Income tax expense</b>		
Profit from continuing operations before income tax expense	<u>469,260</u>	142,394
Tax at the Australian tax rate of 30% (2005 - 30%)	469,260	142,394
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	140,778	42,718
Non-deductible expenses related to members	2,015,719	1,949,751
Non-assessable fees related to members	<u>(2,097,462)</u>	<u>(1,908,798)</u>
	59,035	83,671
Under (over) provision in prior years	175	31,112
Total income tax expense	<u>59,210</u>	<u>114,783</u>

**5 Current assets - Cash Assets**

	2005 \$	2004 \$
Petty Cash	399	400
Cash at bank - NAB \$USD APNIC infodev	28,297	32,224
Cash at bank - NAB (USD)	327,875	1,507,240
Short Term Deposits - NAB	4,806,567	3,192,044
Cash at bank/(overdraft) - NAB (AUD)	<u>10,117</u>	<u>(20,279)</u>
	<u>5,173,255</u>	<u>4,711,629</u>

**6 Current assets - Receivables**

	2005 \$	2004 \$
<b>Net trade receivables</b>		
Trade receivables	1,092,801	521,021
Provision for doubtful receivables	<u>(2,511)</u>	<u>(8,792)</u>
	<u>1,090,290</u>	<u>512,229</u>
Goods and services tax (GST) receivable	3,045	16,379
Income tax receivable	-	24,428
Interest receivable	<u>119,262</u>	<u>139,737</u>
	<u>122,307</u>	<u>180,544</u>
	<u>1,212,597</u>	<u>692,773</u>

**7 Current assets - Other current assets**

	2005 \$	2004 \$
Prepayments	117,311	163,454
Deposits	<u>50</u>	<u>50</u>
	<u>117,361</u>	<u>163,504</u>

**8 Non-current assets - Other financial assets**

	2005 \$	2004 \$
Units in managed investment funds - at fair value	<u>1,020,778</u>	<u>846,551</u>



## 9 Non-current assets - Property, plant and equipment

	Plant and equipment \$	Office furniture and equipment \$	Office improvement \$	Total \$
<b>At 1 January 2004</b>				
- Cost	1,670,426	59,630	447,243	2,177,299
Accumulated depreciation	(648,342)	(37,946)	(151,492)	(837,780)
<b>Year ended 31 December 2004</b>				
Opening net book amount	1,022,084	21,684	295,751	1,339,519
Additions	415,869	12,528	10,196	438,593
Depreciation charge	(375,587)	(3,563)	(27,964)	(407,114)
Closing net book amount	<u>1,062,366</u>	<u>30,649</u>	<u>277,983</u>	<u>1,370,998</u>
<b>At 31 December 2004</b>				
- Cost	2,086,295	72,158	457,439	2,615,892
Accumulated depreciation	(1,023,929)	(41,509)	(179,456)	(1,244,894)
Net book amount	<u>1,062,366</u>	<u>30,649</u>	<u>277,983</u>	<u>1,370,998</u>
	Plant and equipment \$	Office furniture and equipment \$	Office improvement \$	Total \$
<b>Year ended 31 December 2005</b>				
Opening net book amount	1,062,366	30,649	277,983	1,370,998
Additions	412,305	7,726	-	420,031
Disposals	(3,923)	-	-	(3,923)
Depreciation charge	(436,713)	(3,995)	(26,899)	(467,607)
Closing net book amount	<u>1,034,035</u>	<u>34,380</u>	<u>251,084</u>	<u>1,319,499</u>
<b>At 31 December 2005</b>				
- Cost	2,382,644	79,885	457,439	2,919,968
Accumulated depreciation	(1,348,609)	(45,505)	(206,355)	(1,600,469)
Net book amount	<u>1,034,035</u>	<u>34,380</u>	<u>251,084</u>	<u>1,319,499</u>

## 10 Current liabilities - Payables

	2005 \$	2004 \$
Trade payables	671,446	575,692
Provision for annual leave	268,505	247,301
Accrued charges	406,964	84,382
	<u>1,346,915</u>	<u>907,375</u>

**11 Contributed equity**

	2005 Shares	2004 Shares	2005 \$	2004 \$
<b>(a) Share capital</b>				
Fully paid	1	1	1	1

**12 Reserves and retained profits**

	2005 \$	2004 \$
<b>(a) Reserves</b>		
Reserves - Available for sale investment revaluation Reserves	158,167	-
	2005 \$	2004 \$

**Movements:**

<i>Available-for-sale investments revaluation reserve</i>		
Balance 1 January	-	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax	96,242	-
Revaluation - net of tax	66,431	-
Transfer to net profit - net of tax	(4,506)	-
Balance 31 December	158,167	-

**(b) Retained profits**

Movements in retained profits were as follows:

	2005 \$	2004 \$
Retained earnings		
Adjustment on adoption of AASB 132 and AASB 139	8,388,135	8,360,524
Net profit for the year	(96,242)	-
Balance 31 December	410,050	27,611
	8,701,943	8,388,135

### 13 Remuneration of auditors

	2005 \$	2004 \$
<b>(a) Assurance services</b>		
<i>Audit services</i>		
PricewaterhouseCoopers Australian firm Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	16,800	15,020
<i>Other assurance services</i>		
PricewaterhouseCoopers Australian firm Other services	4,300	4,080
Total remuneration for assurance services	<u>21,100</u>	<u>19,100</u>

### 14 Commitments

#### (i) Operating leases

	2005 \$	2004 \$
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	326,312	309,142
	<u>425,029</u>	<u>740,279</u>
	<u>751,341</u>	<u>1,049,421</u>

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

	2005 \$	2004 \$
Profit for the year	410,050	27,611
Depreciation and amortisation	467,607	407,115
Write up of investments to recoverable amount	-	(142,779)
Net loss on sale of units in managed funds	4,770	47,842
Net loss on sale of property, plant and equipment	1,668	-
Bad Debts	(3,884)	13,779
Investment distribution income	(79,326)	(27,839)
Change in operating assets and liabilities		
Increase (Decrease) in income tax payable	60,902	29,042
Decrease (Increase) in interest receivables	20,475	(32,072)
Decrease in deposits and prepayments	46,143	(387)
Decrease (Increase) in trade and other debtors	(574,177)	(149,171)
Increase (Decrease) in trade and other creditors	418,336	132,016
Increase (decrease) in GST payable	13,334	(3,817)
Increase (decrease) in provision for unearned income	1,045,345	22,162
Increase (decrease) deferred tax provisions	(5,219)	52,380
Increase (decrease) in other provisions	64,585	133,273
Net cash inflow from operating activities	<u>1,890,609</u>	<u>509,155</u>

APNIC Pty Ltd  
Director's Declaration  
31 December 2005

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 2005 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.



Brisbane  
7 February 2006

PAUL BYRON WILSON

## Independent Audit Report to the members of APNIC Pty Ltd

### Audit opinion

In our opinion, the financial report of APNIC Pty Ltd presents fairly, in accordance with the accounting policies described in Note 1 to the financial statements, the financial position of APNIC Pty Ltd as at 31 December 2005, and the results of its operations and its cash flows for the year ended on that date.

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

### Scope

#### The financial report and director's 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, for the year ended 31 December 2005. It has been prepared for distribution to members for the purpose of fulfilling the director financial reporting requirements under the *Corporations Act 2001*.

The director of the company is responsible for the preparation and 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 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/financialstatementaudit>.

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 and its 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 director.

Our procedures include reading the other information included with the financial 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.



PricewaterhouseCoopers



P J Clarke  
Partner

Brisbane  
7 February 2006

**APNIC Pty Ltd**  
**Operating statement**  
For the year ended 31 December 2005

	2005	2004
	\$	\$
<b>Income</b>		
<b>Professional income</b>		
Foreign currency gains	498,637	113,607
IP resource allocation fees	695,262	475,860
Interest	427,696	383,367
Membership fees	4,871,360	4,756,575
Non-membership income	96,286	37,514
Other revenue	176,875	105,699
Per allocation fees	830,713	860,668
Reactivation fees	1,248	3,897
Revaluation of investments	-	142,779
<b>Total Professional income</b>	<b>7,598,077</b>	<b>6,879,966</b>
Less Expenses		
Administration expenses (refer schedule)	7,128,817	6,737,574
<b><u>Profit from ordinary activities before income tax</u></b>	<b>469,260</b>	<b>142,392</b>

**APNIC Pty Ltd**  
**Operating statement schedule**  
For the year ended 31 December 2005

	2005	2004
	\$	\$
<b>Schedule of expenses</b>		
<b>Administration expenses</b>		
Administration fees		1,031
Audit fees	1,167	
Bank charges	21,100	18,976
Books and periodicals	41,665	28,454
Cleaning	5,178	2,406
Communication expenses	10,296	11,116
Computer expenses	164,567	143,539
Depreciation	88,819	74,713
Donation/contribution	467,607	407,115
Doubtful debts	18,042	66,781
Electricity	(3,884)	13,778
Employees' entitlements	23,639	23,432
Entertainment	64,584	133,272
Equipment hire	2,186	2,090
Fringe benefits tax	41,402	39,595
Gifts/promotions	24,771	6,430
ICANN	14,321	17,201
Insurance	298,515	233,082
(Gain)/Loss on sale of investments	84,970	77,119
Meeting expenses	(4,770)	47,842
Membership fees	69,614	51,235
Miscellaneous expenses	144,592	126,786
Office expenses	19,304	13,141
Parking expenses	36,629	44,077
Payroll tax	48,309	33,780
Postage	154,407	143,948
Printing and stationery	58,902	55,063
Professional fees - Accountancy/management	38,337	47,581
Professional fees - Consulting	18,922	28,506
Professional fees - Legal	99,424	164,140
Professional fees - Project management	68,863	34,433
Professional fees - R&D	-	24,830
Recruitment	298,276	288,757
Rent	66,240	61,922
Repairs and maintenance	322,011	297,760
Salaries and wages	7,972	11,587
Sponsorship fees	3,110,795	2,857,459
Staff amenities	21,978	22,055
Staff training	12,581	14,207
Superannuation	47,655	65,915
Translation expenses	309,771	266,118
Travel	13,982	18,835
Workers compensation	788,129	708,882
	7,949	8,585
<b>Total Administration expenses</b>	<b>7,128,817</b>	<b>6,737,574</b>