APNIC Pty Ltd
Special Purpose Financial Report
for the year ended 31 December 2008

APNIC Pty Ltd ACN 081 528 010

Contents

Director's Report

Your director presents his report on the Company for the year ended 31 December 2008.

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 $151,751 (2007: $236,111). The current year loss is mainly attributable to the impairment of available for sale assets of $334,821. Last year's loss mainly resulted due to exchange loss of $327,823.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Company during the financial year ended 31 December 2008.

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.

Shares under option
No shares of APNIC Pty Ltd were issued under option at the date of this report.

Insurance of officers
During the financial year, the Company paid a premium of $23,800 (2007: $19,555) 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.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001.*

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.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Paul Byron Wilson
Director

Brisbane
6 February 2009

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of APNIC Pty Ltd for the year ended Wednesday, 31 December 2008, 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

6 February 2009

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 guarantee, 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 2008

	Notes	2008 $	2007 $
Revenue from continuing operations	2	**9,800,845**	8,335,765
Other income	3	**896,608**	751,228
Foreign exchange gain/(loss)		**71,832**	(327,823)
Communications & meeting expenses		**(321,259)**	(308,453)
Computer Expenses		**(164,196)**	(145,026)
Contributions to ICANN		**(236,503)**	(243,468)
Depreciation Expense		**(638,668)**	(565,075)
Employee benefits expense		**(5,738,805)**	(4,974,020)
Impairment expense		**(334,821)**	-
Insurance		**(122,462)**	(115,894)
Loss on disposal of fixed assets		**(9,873)**	(4,343)
Membership fees		**(58,282)**	(52,706)
Occupancy Expenses		**(586,533)**	(450,096)
Professional Fees		**(552,659)**	(391,459)
Travel expenses		**(1,359,756)**	(1,186,740)
Other expenses		**(649,797)**	(448,619)
Loss before income tax		**(4,329)**	(126,729)
Income tax expense	4	**(147,422)**	(109,382)
Loss from continuing operations		**(151,751)**	(236,111)
Loss attributable to APNIC Pty Ltd		**(151,751)**	(236,111)

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

APNIC Pty Ltd
Balance sheet
As at 31 December 2008

	Notes	2008 $	2007 $
ASSETS			
Current assets			
Cash and cash equivalents	5	**6,844,414**	6,626,342
Trade and other receivables	6	**1,518,542**	737,860
Investments		**2,300,000**	2,300,000
Other current assets	7	**536,729**	322,355
Total current assets		**11,199,685**	9,986,557
Non-current assets			
Property, plant and equipment	9	**1,708,216**	1,667,091
Investments		**1,700,000**	1,700,000
Other financial assets	8	**883,201**	1,222,666
Total non-current assets		**4,291,417**	4,589,757
Total assets		**15,491,102**	14,576,314
LIABILITIES			
Current liabilities			
Provisions	11	**121,107**	105,846
Current tax liabilities	12	**128,644**	143,755
Trade and other payables	10	**1,080,772**	1,502,538
Unearned income		**5,383,679**	3,817,898
Total current liabilities		**6,714,202**	5,570,037
Non-current liabilities			
Deferred tax liabilities		**66,466**	82,439
Provisions	13	**218,550**	189,376
Total non-current liabilities		**285,016**	271,815
Total liabilities		**6,999,218**	5,841,852
Net assets		**8,491,884**	8,734,462
EQUITY			
Contributed equity	14	**1**	1
Reserves	15(a)	**-**	90,827
Retained profits	15(b)	**8,491,883**	8,643,634
Total equity		**8,491,884**	8,734,462

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

	Notes	**2008** **$**	2007 $
Total equity at the beginning of the financial year		**8,734,462**	9,023,366
Changes in the fair value of available-for-sale financial assets, net of tax	15	**(90,827)**	(52,793)
Loss for the year		**(151,751)**	(236,111)
Total recognised income and expense for the year		**(242,578)**	(288,904)
Total equity at the end of the financial year		**8,491,884**	8,734,462

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 2008

	Notes	2008 $	2007 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**10,892,196**	8,790,087
Payments to suppliers and employees (inclusive of goods and services tax)		**(10,609,776)**	(8,602,780)
		282,420	187,307
Interest received		**693,066**	569,711
Income taxes paid		**(178,506)**	(71,167)
Net cash inflow from operating activities	18	**796,980**	685,851
Cash flows from investing activities			
Payments for property, plant and equipment		**(696,935)**	(747,640)
Proceeds from sale of property, plant and equipment		**7,269**	5,591
Proceeds from sale of available-for-sale financial assets		**-**	1,314,062
Net cash (outflow) inflow from investing activities		**(689,666)**	572,013
Net increase in cash and cash equivalents		**107,314**	1,257,864
Cash and cash equivalents at the beginning of the financial year		**6,626,342**	5,696,301
Effects of exchange rate changes on cash and cash equivalents		**110,758**	(327,823)
Cash and cash equivalents at end of year	5	**6,844,414**	6,626,342

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

Contents of the notes to the financial statements

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:	*Financial Instruments: Disclosures*
AASB 101:	*Presentation of Financial Statements: paragraphs 124A - 124C*
AASB 112:	*Income Taxes*
AASB 114:	*Segment Reporting*
AASB 121:	*The Effects of Changes in Foreign Exchange Rates*
AASB 124:	*Related Party Disclosures*
AASB 132:	*Financial Instruments: Presentation*
AASB 136:	*Impairment of Assets*
AASB 139:	*Financial Instruments: Recognition and Measurement*

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 reporting 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.

Fair value
The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment
The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(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.

1 Summary of significant accounting policies (continued)

(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.

(l) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2008 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) Revised AASB 101 *Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101*
A revised AASB 101 was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Company intends to apply the revised standard from 1 January 2009.

2 Revenue

	2008 $	2007 $
Membership Income	**6,678,051**	6,102,907
Non-membership income	**127,336**	142,765
Per allocation fees	**1,633,389**	1,251,102
IP resource allocation fees	**1,053,679**	764,637
Reactivation fees	**10,144**	11,854
Other revenue	**298,246**	62,500
	9,800,845	8,335,765

3 Other income

	2008 $	2007 $
Interest	**771,499**	601,512
Investment distribution income	**125,109**	149,716
	896,608	751,228

4 Income tax expense

Income tax expense

	2008 $	2007 $
Loss from continuing operations before income tax expense	**(4,329)**	(126,729)
Tax at the Australian tax rate of 30% (2007 - 30%)	**(1,299)**	(38,019)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses related to members	**3,069,451**	3,039,460
Non-assessable fees related to members	**(2,920,730)**	(2,892,059)
Total income tax expense	**147,422**	109,382

5 Current assets - Cash Assets

	2008 $	2007 $
Petty Cash	**400**	400
Cash at bank - NAB $USD APNIC infodev	**32,432**	25,212
Cash at bank - NAB (USD)	**211,334**	140,684
Short Term Deposits	**6,168,882**	5,853,882
Cash at bank - NAB (AUD)	**431,366**	606,164
	6,844,414	6,626,342

6 Current assets - Trade and other receivables

	2008 **$**	2007 $
Net trade receivables		
Trade receivables	**1,520,808**	740,158
Provision for doubtful receivables	**(2,266)**	(2,298)
	1,518,542	737,860

7 Current assets - Other current assets

	2008 **$**	2007 $
Goods and services tax (GST) receivable	**16,979**	27,983
Prepayments	**273,954**	83,701
Deposits	**10,395**	50
Sundry Receivables	**648**	54,301
Interest receivable	**234,753**	156,320
	536,729	322,355

8 Non-current assets - Other financial assets

	2008 **$**	2007 $
Units in managed investment funds - at fair value	**883,201**	1,222,666

9 Non-current assets - Property, plant and equipment

	Plant and equipment $	Office furniture and equipment $	Office improvement $	Total $
At 1 January 2007				
Cost	3,018,771	93,944	502,414	3,615,129
Accumulated depreciation	(1,836,964)	(50,898)	(232,806)	(2,120,668)
Net book amount	1,181,807	43,046	269,608	1,494,461
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	(532,203)	(5,843)	(27,029)	(565,075)
Closing net book amount	1,360,820	54,817	251,454	1,667,091
At 31 December 2007				
Cost	3,714,140	111,558	511,289	4,336,987
Accumulated depreciation	(2,353,320)	(56,741)	(259,835)	(2,669,896)
Net book amount	1,360,820	54,817	251,454	1,667,091

	Plant and equipment $	Office furniture and equipment $	Office improvement $	Total $
Year ended 31 December 2008				
Opening net book amount	1,360,820	54,817	251,454	1,667,091
Additions	663,190	16,494	17,251	696,935
Disposals	(17,142)	-	-	(17,142)
Depreciation	(605,852)	(6,860)	(25,956)	(638,668)
Closing net book amount	1,401,016	64,451	242,749	1,708,216
At 31 December 2008				
Cost	4,178,112	128,052	528,540	4,834,704
Accumulated depreciation	(2,777,096)	(63,601)	(285,791)	(3,126,488)
Net book amount	1,401,016	64,451	242,749	1,708,216

10 Current liabilities - Trade and other payables

	2008 $	2007 $
Trade payables	**476,922**	1,086,774
Provision for annual leave	**451,121**	363,379
Accrued expenses	**81,501**	52,385
ISIF grants	**71,228**	-
	1,080,772	1,502,538

11 Current liabilities - Provisions

	2008 $	2007 $
Employee benefits - long service leave	121,107	105,846
	121,107	105,846

12 Current liabilities - Current tax liabilities

	2008 $	2007 $
Income tax	128,644	143,755
	128,644	143,755

13 Non-current liabilities - Provisions

	2008 $	2007 $
Employee benefits - long service leave	218,550	189,376
	218,550	189,376

14 Contributed equity

	2008 Shares	2007 Shares	2008 $	2007 $
(a) Share capital				
Fully paid	1	1	1	1

15 Reserves and retained profits

	2008 $	2007 $
(a) Reserves		
Reserves - Available for Sale Investment Revaluation Reserve	-	90,827
	-	90,827

	2008 $	2007 $
Movements:		
Reserves - Available for sale investment revaluation Reserves		
Balance 1 January	90,827	143,620
Revaluation - net of tax	(90,827)	(52,793)
Balance 31 December	-	90,827

15 Reserves and retained profits (continued)

(b) Retained profits

Movements in retained profits were as follows:

	2008	2007
	$	$
Balance 1 January	**8,643,634**	8,879,745
Loss for the year	**(151,751)**	(236,111)
Balance 31 December	**8,491,883**	8,643,634

16 Remuneration of auditors

	2008	2007
	$	$
(a) Assurance services		
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**20,580**	19,900
Other assurance services		
PricewaterhouseCoopers Australian firm		
Other services	**6,150**	6,200
Total remuneration for assurance services	**26,730**	26,100

17 Commitments

(i) Operating leases

	2008	2007
	$	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**510,975**	85,655
Later than one year but not later than five years	**1,803,952**	-
Later than five years	**-**	-
	2,314,927	85,655

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

	2008 **$**	2007 $
Loss for the year	**(151,751)**	(236,111)
Depreciation and amortisation	**638,668**	565,075
Net loss on sale of property, plant and equipment	**9,873**	4,343
Bad Debts	**1,540**	4,237
Investment distribution income	**(125,109)**	(149,716)
Impairment	**334,821**	-
Net exchange differences	**(71,832)**	327,823
Change in operating assets and liabilities:		
(Decrease) Increase in income tax payable	**(15,111)**	43,711
(Increase) in interest receivables	**(78,433)**	(31,801)
(Increase) Decrease in deposits and prepayments	**(200,598)**	49,580
(Increase) Decrease in trade and other debtors	**(728,536)**	754,071
(Decrease) in provision for doubtful debts	**(32)**	(1,529)
(Decrease) in trade and other creditors	**(421,766)**	(319,225)
Increase (Decrease) in GST payable	**11,004**	(15,453)
Increase (Decrease) in provision for unearned income	**1,565,781**	(453,377)
(Decrease) deferred tax provisions	**(15,973)**	(5,496)
Increase in provision for employee entitlements	**44,435**	149,719
Net cash inflow from operating activities	**796,981**	685,851

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 19 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 2008 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
6 February 2009

PRICEWATERHOUSECOOPERS

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

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 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the director's declaration.

Director's responsibility for the financial report

The director of the Company is responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the *Corporations Act 2001* and are appropriate to meet the needs of the members. The director's responsibility 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, as 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 Company'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 Company'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 director's financial reporting obligations under the *Corporations Act 2001*. 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.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of APNIC Pty Ltd (the Company) for the year ended 31 December 2008 included on the Company's web site. The Company's director is responsible for the integrity of the company's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's opinion

In our opinion, the financial report of APNIC Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the year ended on that date in accordance with the accounting policies described in note 1, and

(b) complying with Australian Accounting Standards to the extent described in note 1 and complying with the *Corporations Regulations 2001.*

PricewaterhouseCoopers

P J Clarke
Partner

Brisbane
6 February 2009

	2008 $	2007 $
Income		
Membership fees	**(6,678,051)**	6,102,906
Per allocation fees	**(1,633,389)**	1,251,102
IP resource allocation fee	**(1,053,679)**	764,637
Interest	**(771,499)**	601,512
Other revenue	**(268,443)**	212,215
Non-membership income	**(127,336)**	142,765
Reactivation fees	**(10,144)**	11,854
ISIF grant received		
	(154,911)	-
Total	**(10,697,452)**	9,086,991
Net income	**10,697,452**	9,086,991
Less Expenses		
Administration expenses (refer schedule)	**10,701,781**	(9,213,720)
Total expenses	**10,701,781**	(9,213,720)
Net trading loss	**(4,329)**	(126,729)
Loss from ordinary activities before income tax	**(4,329)**	(126,729)

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

	2008 $	2007 $
Schedule of expenses		
Administration expenses		
Administration fees	**1,174**	1,053
Auditor's remuneration - audit fees	**20,580**	19,900
Bank charges - general	**62,945**	67,428
Books and periodicals	**13,542**	7,930
Cleaning	**11,086**	10,910
Communication expenses	**171,713**	208,217
Computer costs - other	**164,196**	145,026
Deductible entertainment	**3,060**	1,844
Depreciation - other	**638,668**	565,075
Donations	**80,758**	47,335
Doubtful debts	**1,540**	4,237
Electricity	**19,303**	22,214
Employees' entitlements	**473,913**	320,067
Equipment hire	**16,687**	41,239
Foreign exchange (gain)/loss	**(71,832)**	327,823
Fringe benefits tax	**4,131**	4,435
Gifts and promotions	**51,301**	31,475
ICANN	**236,503**	243,468
ISIF grant expense	**154,911**	-
Impairment expense	**334,821**	-
Insurance - other	**122,462**	115,894
Loss on sale of fixed assets	**9,873**	4,343
Meeting expenses	**149,546**	100,235
Membership fees	**58,282**	52,706
Miscellaneous expenses	**168**	2,923
Office expenses	**50,146**	39,812
Parking expenses	**126,619**	89,114
Payroll tax	**294,696**	202,828
Postage	**30,270**	35,714
Printing and stationery	**41,863**	36,249
Professional fees - Accountancy/Management	**28,118**	40,494
Professional fees - Consulting	**284,842**	69,478
Professional fees - Legal	**46,597**	90,262
Professional fees - Project management	**59,500**	45,102
Professional fees - R&D	**113,022**	126,224
Recruitment	**152,845**	91,504
Rent	**487,435**	356,963
Repairs and maintenance	**18,562**	20,197
Salaries and wages	**4,260,725**	3,877,753
Sponsorship fees	**48,128**	61,764
Staff amenities	**18,742**	17,055
Staff benefits	**5,942**	4,597
Staff training	**122,058**	83,355
Superannuation contributions - employees	**397,645**	367,787
Translation expenses	**16,832**	20,313
Travel	**1,359,756**	1,186,740
Worker's compensation	**8,107**	4,638
Total expenses	**10,701,781**	9,213,720

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