APNIC Pty Ltd
ABN: 42 081 528 010

Special Purpose Financial Report
31 December 2009

DIRECTOR REPORT

Your director presents his report on the Company for the year ended 31 December 2009.

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

Paul Byron Wilson

Principal activities
The Company's principal activity during the year was to act as a non-profit internet registry organisation for the Asia-Pacific region.

There were no significant changes in the nature of the activities of the Company during the year.

Dividends - APNIC Pty Ltd
The Company does not pay or declare dividends due to its non-profit status as determined by its constituent documents.

Review of operations
The operating profit after income tax amounted to $145,054 (2008: $151,751 loss). The prior year loss is mainly attributable to the impairment of available for sale assets of $334,821. No such impairment was recorded in the current year due to the increase in the investment's market value.

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 2009.

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 (2008: $23,800) 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'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

11 FEBRUARY 2010

ERNST & YOUNG

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Auditor's Independence Declaration to the Director of APNIC Pty Ltd

In relation to our audit of the financial report of APNIC Pty Ltd for the financial year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane
11 February 2010

APNIC Pty Ltd

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	*2009* *$*	*2008* *$*
Revenue from continuing operations	2	10,944,237	9,800,845
Other income	3	644,773	896,608
Expenses			
Foreign exchange gain/(loss)		(38,262)	71,832
Communications & meeting expenses		(275,013)	(321,259)
Computer expenses		(381,519)	(164,196)
Contributions to ICANN		(358,696)	(236,503)
Depreciation expense		(718,927)	(638,668)
Employee benefits expense		(6,215,063)	(5,738,805)
Impairment expense		-	(334,821)
Insurance		(133,822)	(122,462)
Loss on disposal of fixed assets		(2,137)	(9,873)
Membership fees		(69,496)	(58,282)
Occupancy expenses		(639,592)	(586,533)
Professional fees		(591,140)	(552,659)
Travel expenses		(1,404,359)	(1,359,756)
Other expenses		(567,100)	(649,797)
Profit / (Loss) before income tax		193,884	(4,329)
Income tax expense	4	(48,830)	(147,422)
Profit / (Loss) from continuing operations		145,054	(151,751)
Profit / (Loss) attributed to APNIC Pty Ltd		145,054	(151,751)

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

APNIC Pty Ltd

Balance Sheet

AS AT 31 DECEMBER 2009

	Notes	2009 $	2008 $
ASSETS			
Current assets			
Cash and cash equivalents	5	7,201,988	6,707,734
Restricted cash	6	145,215	136,680
Trade and other receivables	7	496,734	1,518,542
Investments		2,338,882	2,300,000
Other current assets	8	819,017	536,729
Total current assets		11,001,836	11,199,685
Non-current assets			
Property, plant and equipment	10	1,607,819	1,708,216
Investments		1,000,000	1,700,000
Other financial assets	9	1,127,795	883,201
Total non-current assets		3,735,614	4,291,417
Total assets		14,737,450	15,491,102
LIABILITIES			
Current liabilities			
Trade and other payables	11	797,990	629,651
Unearned income		4,130,987	5,383,679
Current tax liabilities	13	25,670	128,644
Provisions	12	789,472	572,228
Total current liabilities		5,744,119	6,714,202
Non-current liabilities			
Deferred tax liabilities		9,853	66,466
Provisions	14	179,866	218,550
Total non-current liabilities		189,719	285,016
Total liabilities		5,933,838	6,999,218
Net Assets		8,803,612	8,491,884
Equity			
Contributed equity	15	1	1
Reserves	16(a)	166,674	-
Retained profits	16(b)	8,636,937	8,491,883
Total equity		8,803,612	8,491,884

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 2009

	2009	*2008*
	$	*$*
Total equity at the beginning of the financial year	8,491,884	8,734,462
Changes in the fair value of available-for-sale financial assets, net of tax	166,674	(90,827)
Profit (Loss) for the year	145,054	(151,751)
Total recognized income and expense for the year	**311,728**	**(242,578)**
Total equity at the end of the financial year	**8,803,612**	**8,491,884**

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

	Notes	*2009* *$*	*2008* *$*
Cash flows from operating activities			
Receipts from customers		10,998,262	10,892,196
Payments to suppliers and employees		(11,079,607)	(10,746,456)
		(81,345)	145,740
Interest received		599,800	693,066
Income tax paid		(208,418)	(178,506)
Net cash inflow from operating activities	19	310,037	660,300
Cash flows from investing activities			
Payments for property, plant and equipment		(556,363)	(696,935)
Proceeds from sale of property, plant and equipment		5,696	7,269
Net cash (outflow) inflow from investing activities		(550,667)	(689,666)
Net decrease in cash and cash equivalents		(240,630)	(29,366)
Cash and cash equivalents at beginning of year		6,707,734	6,626,342
Decrease in term deposits maturing in the next three months		661,119	-
Effects of exchange rate changes on cash and cash equivalents		73,765	110,758
Cash and cash equivalents at end of year	5	7,201,988	6,707,734

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

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 was authorised for issue by a director's resolution dated 11 February 2010.

(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 requirements of Accounting Standards and other financial reporting requirements in Australia do not have mandatory applicability to APNIC Pty Ltd because it is not a "reporting entity". However, the director has determined that in order for the financial report to give a true and fair view of the company's performance, cash flows and financial position, the requirements of Accounting Standards and other professional reporting requirements relating in Australia to the measurement and recognition of assets, liabilities, revenues, expenses and equity should be complied with.

Accordingly, the director has prepared the financial report in accordance with Accounting Standards and other professional reporting requirements in Australia with the following exceptions in relation to disclosures:

AASB 7	Financial Instruments: Disclosures;
AABS 101	Presentation of Financial Statements
AASB 112	Income Taxes;
AASB 116	Property, Plant and Equipment;
AASB 124	Related Party Disclosures;
AASB 132	Financial Instruments: Disclosures and Presentation;
AASB 136	Impairment of Assets; and
AASB 137	Provisions, Contingent Liabilities and Contingent Assets.

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
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.

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 over the period of membership.

(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.

(d) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate 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.

Collectability 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investments and other financial assets

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

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

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

APNIC 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.

Notes to the Financial Statements

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) Statement of compliance
The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board, except for the disclosure requirements of the pronouncements listed in Note 1(a) above. Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual financial reporting year ended 31 December 2009. The director does not expect these new or amended accounting standards or interpretations to have any material effect on the measurement or recognition of the company.

Notes to the Financial Statements

		2009 $	2008 $
2	**REVENUE**		
	Membership income	7,863,971	6,678,051
	Non-membership income	125,598	127,336
	Per allocation fees	1,542,369	1,633,389
	IP resource application fees	1,194,713	1,053,679
	Reactivation fees	8,876	10,144
	Other revenue	208,710	298,246
		10,944,237	9,800,845
3	**OTHER INCOME**		
	Interest	566,854	771,499
	Investment distribution income	77,919	125,109
		644,773	896,608
4	**INCOME TAX EXPENSE**		
	Profit (Loss) from continuing operations before income tax expense	193,884	(4,329)
	Tax at the Australian tax rate of 30% (2008 - 30%)	58,165	(1,299)
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Non-deductible expenses related to members	3,204,939	3,069,451
	Non-assessable fees related to members	(3,214,724)	(2,920,730)
	Total income tax expense	48,830	147,422
5	**CURRENT ASSETS – CASH ASSETS**		
	Petty cash	400	400
	Cash at bank	351,596	538,452
	Short Term Deposits	6,849,992	6,168,882
		7,201,988	6,707,734
6	**CURRENT ASSETS – RESTRICTED CASH**		
	Cash at bank	145,215	136,680

Restricted cash at bank represents the remaining funds for the ISIF Grant program.

Notes to the Financial Statements

		2009 $	2008 $
7	**CURRENT ASSETS - TRADE AND OTHER RECEIVABLES**		
	Trade receivables	499,857	1,520,808
	Provision for doubtful receivables	(3,123)	(2,266)
		496,734	1,518,542
8	**CURRENT ASSETS – OTHER CURRENT ASSETS**		
	Goods and services tax (GST) receivables	47,086	16,979
	Receivable from Australian Taxation Office	226,193	-
	Other prepayments	235,979	273,954
	Deposits	107,950	10,395
	Sundry receivables	-	648
	Interest receivable	201,809	234,753
		819,017	536,729
9	**NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS**		
	Units in managed investment funds - at fair value	1,127,795	883,201

Notes to the Financial Statements

10 NON-CURRENT ASSETS-PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment $	*Office furniture and equipment* $	*Office improvements* $	*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
Year Ended 31 December 2009				
Opening net book amount	1,401,016	64,451	242,749	1,708,216
Additions	555,313	1,050	-	556,363
Make good provision	-	-	70,000	70,000
Disposals	(7,833)	-	-	(7,833)
Depreciation	(686,676)	(7,401)	(24,850)	(718,927)
Closing net book amount	1,261,820	58,100	287,899	1,607,819
At 31 December 2009				
Cost	4,574,918	129,102	598,540	5,302,560
Accumulated depreciation	(3,313,098)	(71,002)	(310,641)	(3,694,741)
Net book amount	1,261,820	58,100	287,899	1,607,819

11 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2009 $	*2008* $
Trade payables	504,008	476,922
Accrued expenses	124,410	81,501
ISIF Grant	169,572	71,228
	797,990	629,651

Notes to the Financial Statements

		2009 $	2008 $
12	**CURRENT LIABILITIES – PROVISIONS**		
	Make good provision	100,000	-
	Employee benefits – annual leave	458,421	451,121
	Employee benefits – long service leave	231,051	121,107
		789,472	572,228
13	**CURRENT LIABILITIES – CURRENT TAX LIABILITIES**		
	Income tax	25,670	128,644
		25,670	128,644
14	**NON-CURRENT LIABILITIES – PROVISIONS**		
	Employee benefits – long service leave	179,866	218,550
		179,866	218,550

15 CONTRIBUTED EQUITY

		2009 Shares	*2008 Shares*	*2009 $*	*2008 $*
(a)	**Share Capital**				
	Fully paid	1	1	1	1

16 RESERVES AND RETAINED PROFITS

		2009 $	2008 $
(a)	**Reserves**		
	Reserves – Available for Sale Investment Revaluation Reserve	166,674	-
		166,674	-
	Movements:		
	Reserves – Availability for Sale Investment Revaluation Reserves		
	Balance 1 January	-	90,827
	Revaluation	166,674	(90,827)
	Balance 31 December	166,674	-
(b)	**Retained profits**		
	Movements in retained profits were as follow:		
	Balance 1 January	8,491,883	8,643,634
	Net profit (loss) for the year	145,054	(151,751)
	Balance 31 December	8,636,937	8,491,883

Notes to the Financial Statements

	2009 $	2008 $

17 REMUNERATION OF AUDITORS

	2009 $	2008 $
(a) Amounts received or due and receivable by Ernst & Young		
Audit of financial reports and other audit work under the Corporations Act 2001	26,500	-
Other services	2,500	-
Total remuneration for assurance services	29,000	-
(b) Amounts received or due and receivable by non Ernst & Young audit firms		
Audit and review of financial reports and other audit work under the Corporations Act 2001	-	20,580
Other services	-	6,150
Total remuneration for assurance services	-	26,730

18 COMMITMENTS AND CONTINGENCIES

(i) Operating leases

	2009 $	2008 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	516,717	510,975
Later than one year but not later than five years	1,237,346	1,803,952
	1,754,063	2,314,927

(ii) Contingencies

The Company received an amended assessment of $424,248 from the Australian Taxation Office ("ATO") for the financial years 30 June 2005 to 2007 for income the Company derived from its members. This assessment is inconsistent with the previous private rulings obtained from the ATO. Accordingly, the Company has engaged a professional services firm to file an objection to the ATO on their behalf. The director and management of the Company strongly believe that they will be successful in their objection. Accordingly, no provision for any liability has been recognised in these financial statements. Furthermore, if the Company is unsuccessful, the income tax returns for the 2008 and 2009 financial years will need to be amended.

In order to reduce the Company's exposure to penalty interest, the Company paid $212,124 in the current year and has recorded it as a receivable from the ATO in the financial statements.

Notes to the Financial Statements

19 RECONCILLIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Profit (Loss) for the year	145,054	(151,751)
Depreciation and amortization	718,927	638,668
Net loss on sale of property, plant and equipment	2,137	9,873
Bad debts	4,930	1,540
Investment distribution income	(77,919)	(125,109)
Impairment	-	334,821
Net exchange differences	(73,765)	(71,832)
Provision for make good	30,000	-
Change in operating assets and liabilities:		
(Increase) Decrease in restricted cash	(8,535)	(136,680)
(Increase) Decrease in trade and other debtors	1,016,668	(728,536)
(Decrease) in provision for doubtful debts	857	(32)
(Increase) in interest receivables	32,946	(78,433)
(Increase) Decrease in deposits and prepayments	(285,773)	(200,598)
(Decrease) in trade and other creditors	175,639	(421,766)
Increase (Decrease) in GST payable	(30,107)	11,004
Increase (Decrease) in provision for unearned income	(1,252,692)	1,565,781
(Decrease) Increase in income tax payable	(102,974)	(15,111)
(Decrease) in deferred tax provisions	(56,613)	(15,973)
Increase in provision for employee entitlements	71,257	44,434
Net cash inflow from operating activities	310,037	660,300

20 SUBSEQUENT EVENTS

In December 2009, APNIC signed a contract to purchase a property in South Brisbane, which was subject to certain conditions. The resolutions of the conditions are yet to be finalised as at the date of this report.

Director's Declaration

In accordance with a resolution of the director of APNIC Pty Ltd, I state that:

In the opinion of the director:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards to the extent set out in Note 1 and Corporations Regulations 2001; 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.

Director

Brisbane
11 February 2010

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Independent audit report to members of APNIC Pty Ltd

We have audited the accompanying special purpose financial report of APNIC Pty Ltd, which comprises the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, 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 financial reporting requirements of the *Corporations Act 2001* and are appropriate to meet the needs of the members. This responsibility includes establishing and maintaining internal controls 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 are appropriate to 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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to the members for the purpose of fulfilling the director's financial reporting requirements under the *Corporations Act 2001*. We disclaim any assumption of responsibility for any reliance on this 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 it was prepared.

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

ERNST & YOUNG

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the director of the company a written Auditor's Independence Declaration, a copy of which is included in the director's report.

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 financial position of APNIC Pty Ltd as at 31 December 2009 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and

b. complying with Australian Accounting Standards to the extent described in Note 1 to the financial statements and complying with the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane
11 February 2010

ERNST & YOUNG

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Disclaimer on additional financial information

The additional financial information, being the attached Operating Statement, has been compiled by the management of APNIC Pty Ltd.

No audit or review has been performed by us and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than APNIC Pty Ltd may suffer arising from any negligence on our part. No person should rely on the additional financial information without having an audit or review conducted.

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane
11 February 2010

APNIC Pty Ltd

Operating Statement

FOR THE YEAR ENDED 31 DECEMBER

	2009 $	*2008* $
INCOME		
Membership fees	7,863,971	6,678,051
Per allocation fees	1,542,369	1,633,389
IP resource application fee	1,194,713	1,053,679
Interest	566,854	771,499
Non-membership income	125,598	127,336
ISIF grant received	124,777	154,911
Reactivation fees	8,876	10,144
Other revenue	161,852	268,444
Total	11,589,010	10,697,453
Less Expenses		
Administration expenses (refer schedule)	11,395,126	10,701,782
Total expenses	11,395,126	10,701,782
Net Trading Income (Loss)	193,884	(4,329)
INCOME (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX	193,884	(4,329)

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

APNIC Pty Ltd

Operating Statement

FOR THE YEAR ENDED 31 DECEMBER

	2009 $	*2008* $
SCHEDULE OF ADMINISTRATION EXPENSES		
Salaries and wages	4,702,173	4,260,725
Travel	1,404,359	1,359,756
Depreciation – other	718,927	638,668
Employees' entitlements	544,690	473,913
Rent	525,951	487,435
Superannuation contributions – employees	456,174	397,645
ICANN	358,696	236,503
Computer costs – other	381,519	164,196
Professional fees – R&D	293,416	113,022
Payroll tax	274,135	294,696
Communication expenses	156,901	171,713
Insurance – other	133,822	122,462
ISIF grant expense	124,777	154,911
Meeting expenses	118,112	149,546
Staff training	107,973	122,058
Professional fees – consulting	103,742	284,842
Parking expenses	85,854	126,619
Donations	79,433	80,758
Recruitment	73,836	152,845
Membership fees	69,496	58,282
Professional fees – legal	68,487	46,597
Bank charges – general	65,148	62,945
Professional fess – project management	61,211	59,500
Office expenses	55,953	50,146
Gifts and promotions	55,091	51,301
Sponsorship fees	42,945	48,128
Foreign exchange (gain)/loss	38,262	(71,832)
Professional fees – accountancy/management	37,785	28,118
Postage	27,170	30,270
Electricity	26,743	19,303
Auditor's remuneration fees	26,500	20,580
Fringe benefits tax	25,663	4,131
Printing and stationery	24,309	41,863
Staff amenities	20,661	18,742
Repairs and maintenance	18,820	18,562
Deductable entertainment	17,955	3,060
Books and periodicals	16,230	13,542
Translation expenses	15,637	16,832
Cleaning	12,126	11,086
Worker's compensation	9,759	8,107
Doubtful debts	4,928	1,540
Administration fees	4,790	1,174
Equipment hire	2,391	16,687
Loss of sale of fixed assets	2,137	9,873
Impairment expense	-	334,821
Staff benefits	-	5,942
Miscellaneous expenses	439	169
Total expenses	11,395,126	10,701,782

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