

APNIC Pty Ltd

ABN 42 081 528 010

**Special purpose financial report
for the year ended 31 December 2014**

APNIC Pty Ltd ABN 42 081 528 010
Special purpose financial report - 31 December 2014

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Director's report

Your director presents his report on APNIC Pty Ltd (hereafter referred to as the "Company") for the year ended 31 December 2014.

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 continuing activity during the year was to act as a non-profit internet registry organisation for the Asia-Pacific region.

There was no significant change in the nature of the activity 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 profit from ordinary activities after income tax amounted to \$3,089,110 (2013: \$2,983,503).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect:

- (a) the Company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Company's state of affairs in future financial years.

Likely developments and expected results of operations

In the foreseeable future it is expected that the Company will continue its principal activity as described above.

Environmental regulation

The Company is not affected by any significant environmental regulation in respect of its operations.

Insurance of officers

During the financial year, APNIC Pty Ltd paid a premium of \$23,800 (2013: \$23,800) to insure the director, officeholders (including executive council) and staff of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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.

Auditor

PricewaterhouseCoopers was appointed on 23 September 2014 and continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

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

Paul Byron Wilson
Director

Brisbane
6 February 2015



Auditor's Independence Declaration

As lead auditor for the audit of APNIC Pty Ltd for the year ended 31 December 2014, 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.

A handwritten signature in black ink, appearing to read 'AW', with a horizontal line extending to the right.

Andrew Weeden
Partner
PricewaterhouseCoopers

Brisbane
6 February 2015

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These financial statements are the financial statements of APNIC Pty Ltd as an individual entity. The financial statements are presented in the Australian currency.

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

The financial statements were authorised for issue by the director on 6 February 2015. The director has the power to amend and reissue the financial statements.

APNIC Pty Ltd
Statement of comprehensive income
For the year ended 31 December 2014

	Notes	2014 \$	2013 \$
Revenue from continuing operations	2	19,529,654	18,277,404
Other income	3	26,629	410,697
Employee benefits expense		(8,867,160)	(8,461,167)
Professional fees		(1,052,757)	(1,246,371)
Travel expenses		(1,955,471)	(1,937,230)
Depreciation expense		(765,548)	(753,033)
Communications and meeting expenses		(676,015)	(754,508)
Computer expenses		(572,528)	(548,748)
Contributions to ICANN		(260,333)	(136,732)
Insurance		(129,971)	(126,751)
Membership fees		(55,375)	(47,031)
Occupancy costs		(367,664)	(369,071)
Loss on disposal of property, plant and equipment		(11,937)	(7,747)
Other expenses		(1,787,023)	(1,412,375)
Profit before income tax		3,054,501	2,887,337
Income tax benefit		34,609	96,166
Profit for the year		3,089,110	2,983,503
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Changes in the fair value of available-for-sale financial assets	17(a)	473,092	34,036
Other comprehensive income for the year, net of tax		473,092	34,036
Total comprehensive income for the year		3,562,202	3,017,539
Total comprehensive income for the year is attributable to:			
Owners of APNIC Pty Ltd		3,562,202	3,017,539

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

APNIC Pty Ltd
Statement of financial position
As at 31 December 2014

	Notes	2014 \$	2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	1,062,097	943,980
Trade and other receivables	5	5,335,670	6,070,694
Other current assets	6	486,032	471,135
Total current assets		<u>6,883,799</u>	<u>7,485,809</u>
Non-current assets			
Available-for-sale financial assets	7	17,924,950	13,736,690
Property, plant and equipment	8	7,905,733	8,000,431
Deferred tax assets	9	157,749	127,006
Total non-current assets		<u>25,988,432</u>	<u>21,864,127</u>
Total assets		<u>32,872,231</u>	29,349,936
LIABILITIES			
Current liabilities			
Trade and other payables	10	1,215,729	2,093,431
Provisions	11	1,374,701	1,202,791
Unearned income	12	8,366,881	7,880,508
Total current liabilities		<u>10,957,311</u>	<u>11,176,730</u>
Non-current liabilities			
Deferred tax liabilities	13	284,963	81,187
Provisions	14	241,459	265,723
Total non-current liabilities		<u>526,422</u>	<u>346,910</u>
Total liabilities		<u>11,483,733</u>	11,523,640
Net assets		<u>21,388,498</u>	17,826,296
EQUITY			
Contributed equity	16	1	1
Other reserves	17(a)	614,663	141,571
Retained earnings	17(b)	20,773,834	17,684,724
Total equity		<u>21,388,498</u>	17,826,296

The above statement of financial position should be read in conjunction with the accompanying notes.

APNIC Pty Ltd
Statement of changes in equity
For the year ended 31 December 2014

	Contributed equity \$	Reserves \$	Retained earnings \$	Total equity \$
Balance at 1 January 2013	1	107,535	14,701,221	14,808,757
Profit for the year	-	-	2,983,503	2,983,503
Other comprehensive income	-	34,036	-	34,036
Total comprehensive income for the year	-	34,036	2,983,503	3,017,539
Balance at 31 December 2013	1	141,571	17,684,724	17,826,296
Balance at 1 January 2014	1	141,571	17,684,724	17,826,296
Profit for the year	-	-	3,089,110	3,089,110
Other comprehensive income	-	473,092	-	473,092
Total comprehensive income for the year	-	473,092	3,089,110	3,562,202
Balance at 31 December 2014	1	614,663	20,773,834	21,388,498

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

APNIC Pty Ltd
Statement of cash flows
For the year ended 31 December 2014

	2014	2013
Notes	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	18,712,686	19,039,340
Payments to suppliers and employees (inclusive of goods and services tax)	(16,195,699)	(16,871,025)
Grants received	875,783	1,031,673
Interest received	3,392,770	3,199,988
Income taxes received	179,033	643,500
	-	118,422
Net cash inflow from operating activities	3,571,803	3,961,910
Cash flows from investing activities		
Redemption of short term deposits	214,795	9,163,950
Payments for property, plant and equipment	(707,464)	(751,006)
Proceeds from sale of property, plant and equipment	24,678	2,982
Redemption of available-for-sale financial assets	-	1,427,249
Purchase of available-for-sale financial assets	(3,008,343)	(13,500,000)
Net cash (outflow) from investing activities	(3,476,334)	(3,656,825)
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the financial year	95,469	305,085
Effects of exchange rate changes on cash and cash equivalents	943,980	614,385
	22,648	24,510
Cash and cash equivalents at end of year	1,062,097	943,980

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

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the entity APNIC Pty Ltd.

(a) Basis of preparation

(i) *Special purpose financial report*

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 the APNIC members and for the purpose of complying 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 financial report has been prepared in accordance with the recognition and measurement principles of all applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. It contains the disclosures that are mandatory under the Accounting Standards and those considered necessary by the director to meet the needs of the members. The Company is a not-for-profit entity for the purpose of preparing the financial report.

(ii) *New and amended standards adopted by the Company*

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2014 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 January 2014 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

(iii) *Early adoption of standards*

The Company has not elected to apply any pronouncements before their operative date in the financial year beginning 1 January 2014.

(iv) *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

(b) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements 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 profit or loss.

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 accruals basis over the period of membership. Member fees received in advance of the service being provided are classified as unearned income. Application and reactivation fees are recognised at the time the service is provided and the fee has been earned.

(ii) Interest income

Interest income is recognised when control of a right to receive consideration for the provision of, or investment in, assets has been attained.

(d) Grants

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(e) 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 applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 financial statements. Deferred income tax is also 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 end of the reporting period 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.

APNIC has self-assessed that the "principle of mutuality" applies to its affairs and has calculated its income tax using this principle for the year ended 31 December 2014.

1 Summary of significant accounting policies (continued)

(f) Impairment of assets

Assets are tested 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.

(g) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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 in the statement of financial position.

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used 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 impairment allowance 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 impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(i) Investments and other financial assets

Classification

Classification AASB139(45),(60) The Company classifies its financial assets 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 the end of each reporting date.

Available-for-sale financial assets, comprising principally units in managed investment funds, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

1 Summary of significant accounting policies (continued)

(i) Investments and other financial assets (continued)

Measurement

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 investment revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as gains and losses from investment securities.

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 obtaining independent valuation statements or 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

If there is objective evidence of impairment 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 profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

(j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on assets acquired are calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

- Buildings	2.5%
- Plant and equipment	5 - 40%
- Office furniture and fittings	5 - 20%
- Computer equipment	5 - 40%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Company policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(k) 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)

(l) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, bonus, time-in-lieu, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service 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 end of the reporting period 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 end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(n) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 reporting periods and have not yet been applied in the financial statements. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB9

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 but is available for early adoption. The Company is yet to assess its full impact and has not yet decided when to adopt AASB 9.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Revenue

	2014 \$	2013 \$
From continuing operations		
Membership fees		
Non-membership fees	15,903,111	15,074,781
IP resource application fees	254,706	240,225
Member reactivation fees	1,323,250	1,420,625
Non-member reactivation fees	64,800	31,050
Grant income	3,000	6,000
	<u>933,351</u>	<u>742,731</u>
	<u>18,482,218</u>	<u>17,515,412</u>
 <i>Other revenue</i>		
Interest income		
Investment distribution income	165,710	546,252
Sundry income	588,853	39,269
	<u>292,873</u>	<u>176,471</u>
	<u>1,047,436</u>	<u>761,992</u>
	<u>19,529,654</u>	<u>18,277,404</u>

3 Other income

	2014 \$	2013 \$
Net gain on sale of available-for-sale financial assets		
Foreign exchange gains (net)	-	376,729
	<u>26,629</u>	<u>33,968</u>
	<u>26,629</u>	<u>410,697</u>

4 Current assets - Cash and cash equivalents

	2014 \$	2013 \$
Petty cash		
Cash at bank	400	400
	<u>1,061,697</u>	<u>943,580</u>
	<u>1,062,097</u>	<u>943,980</u>

5 Current assets - Trade and other receivables

	2014 \$	2013 \$
Trade receivables	907,354	804,510
Provision for impairment of receivables	(91,090)	(56,831)
	816,264	747,679
Other receivables		
Interest receivable	107,067	188,061
Goods and services tax (GST) receivable	54,278	67,600
	-	8,803
	161,345	264,464
Cash restricted or pledged	758,061	1,243,756
Short term deposits	3,600,000	3,814,795
	4,358,061	5,058,551
	5,335,670	6,070,694

6 Current assets - Other current assets

	2014 \$	2013 \$
Prepayments		
Prepaid taxes	466,133	454,151
Other assets	19,899	16,979
	-	5
	486,032	471,135

7 Non-current assets - Available-for-sale financial assets

	2014 \$	2013 \$
Unlisted securities		
Units in managed investment funds - at fair value	17,924,950	13,736,690
	17,924,950	13,736,690

8 Non-current assets - Property, plant and equipment

	Property related assets \$	Computer equipment \$	Total \$
At 1 January 2013			
Cost			
Accumulated depreciation	7,715,511	4,396,771	12,112,282
Net book amount	(619,383)	(3,480,477)	(4,099,860)
	<u>7,096,128</u>	<u>916,294</u>	<u>8,012,422</u>
Year ended 31 December 2013			
Opening net book amount	7,096,128	916,294	8,012,422
Additions	89,911	661,096	751,007
Disposals	(6,899)	(3,067)	(9,966)
Depreciation charge	(216,982)	(536,050)	(753,032)
Closing net book amount	<u>6,962,158</u>	<u>1,038,273</u>	<u>8,000,431</u>
At 31 December 2013			
Cost			
Accumulated depreciation	7,788,845	3,231,874	11,020,719
Net book amount	(826,687)	(2,193,601)	(3,020,288)
	<u>6,962,158</u>	<u>1,038,273</u>	<u>8,000,431</u>
Year ended 31 December 2014			
Opening net book amount	6,962,158	1,038,273	8,000,431
Additions	31,728	675,736	707,464
Disposals	(91)	(36,523)	(36,614)
Depreciation charge	(212,225)	(553,323)	(765,548)
Closing net book amount	<u>6,781,570</u>	<u>1,124,163</u>	<u>7,905,733</u>
At 31 December 2014			
Cost			
Accumulated depreciation	7,820,391	3,666,489	11,486,880
Net book amount	(1,038,821)	(2,542,326)	(3,581,147)
	<u>6,781,570</u>	<u>1,124,163</u>	<u>7,905,733</u>

9 Non-current assets - Deferred tax assets

	2014 \$	2013 \$
Deferred tax assets expected to be recovered within 12 months	12,129	13,629
Deferred tax assets expected to be recovered after more than 12 months	145,620	113,377
	<u>157,749</u>	<u>127,006</u>

10 Current liabilities - Trade and other payables

	2014 \$	2013 \$
Trade payables		
Goods and services tax (GST) payable	426,977	497,927
Accrued expenses	13,091	-
Grants payable (note 15)	70,466	351,748
	<u>705,195</u>	<u>1,243,756</u>
	<u>1,215,729</u>	<u>2,093,431</u>

11 Current liabilities - Provisions

	2014 \$	2013 \$
Employee benefits		
	<u>1,374,701</u>	<u>1,202,791</u>

12 Current liabilities - Unearned income

	2014 \$	2013 \$
Deferred grant revenue (note 15)		
Unearned member and non-member fees	65,142	69,843
Unearned sponsorship income	8,261,839	7,810,665
	<u>39,900</u>	<u>-</u>
	<u>8,366,881</u>	<u>7,880,508</u>

13 Non-current liabilities - Deferred tax liabilities

	2014 \$	2013 \$
Deferred tax liabilities expected to be settled within 12 months	16,647	20,514
Deferred tax liabilities expected to be settled after more than 12 months	268,316	60,673
	<u>284,963</u>	<u>81,187</u>

14 Non-current liabilities - Provisions

	2014 \$	2013 \$
Employee benefits - long service leave		
	<u>241,459</u>	<u>265,723</u>

15 Grant agreements

The Company entered into various grant agreements with the Swedish International Cooperation Agency (SIDA) and the International Development Research Centre (IDRC) to undertake various activities and projects in connection with the Seed Alliance program, which aims to contribute to the development of the information societies in Asia-Pacific, Africa and Latin America by funding research projects and by rewarding and recognising innovative approaches in the use of information technology for development. Under the agreements, the Company is entitled to receive grant monies for SIDA and IDRC to be used in these projects.

The balance of the unspent grant monies as at 31 December are as follows:

	2014	2013
	\$	\$
Grants payable (note 10)	705,195	1,243,756
Deferred grant revenue (note 12)	65,142	69,843
	770,337	1,313,599

The movement in the unspent grant monies received under each agreement are as follows:

	ISIF ICT Grant Fund	ISIF IDRC Project Admin Fund	ISIF IDRC IGF Project Admin Fund	ISIF SIDA Contribution Fund	Total
Opening balance	122,029	189,562	15,457	986,551	1,313,599
Grant monies received	73,458	96,896	7,506	228,073	405,933
Grant monies paid/spent	(112,229)	(218,385)	(22,963)	(579,774)	(933,351)
Reimbursements	-	7,353	-	(23,197)	(15,844)
Closing balance	83,258	75,426	-	611,653	770,337

16 Contributed equity

(a) Share capital

	2014 Shares	2013 Shares	2014 \$	2013 \$
Ordinary shares - fully paid	1	1	1	1

(b) Ordinary shares

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

17 Other reserves and retained earnings

(a) Other reserves

	2014 \$	2013 \$
Available-for-sale financial assets	614,663	141,571
	2014 \$	2013 \$

Movements:

	2014	2013
<i>Available-for-sale financial assets</i>		
Opening balance	141,571	107,535
Revaluation - net of tax	473,092	368,857
Reclassification adjustments - Transfer to profit or loss (gross)	-	(334,821)
Balance 31 December	614,663	141,571

(b) Retained earnings

Movements in retained earnings were as follows:

	2014 \$	2013 \$
Balance 1 January		
Net profit for the year	17,684,724	14,701,221
Balance 31 December	3,089,110	2,983,503
	20,773,834	17,684,724

(c) Nature and purpose of other reserves

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are recognised in other comprehensive income as described in note 1(i) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

18 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the entity, its related practices and non-related audit firms:

(a) PricewaterhouseCoopers

	2014 \$	2013 \$
<i>Audit and other assurance services</i>		
Audit of financial statements	34,500	-
Total remuneration of PricewaterhouseCoopers	34,500	-

18 Remuneration of auditors (continued)

(b) Non-PricewaterhouseCoopers related audit firms

	2014	2013
	\$	\$
<i>Audit and other assurance services</i>		
Audit of financial statements	-	33,500
	-	33,500

19 Commitments and contingencies

The Company had no commitments nor contingent liabilities at 31 December 2014 (2013: nil).

20 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

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

	2014	2013
	\$	\$
Profit for the year	3,089,110	2,983,503
Depreciation	765,548	753,032
Net (gain) loss on sale of non-current assets	11,937	7,747
Investment management fees	89,671	-
Net (gain)/loss on sale of available-for-sale financial assets	-	(376,729)
Investment distribution income	(588,853)	(43,142)
Net exchange differences	(22,648)	(24,510)
Change in operating assets and liabilities:		
(Increase) decrease in trade and other receivables	25,732	283,346
(Increase) decrease in restricted cash	485,695	(340,106)
(Increase) decrease in income tax receivable	-	48,892
(Increase) decrease in deferred tax assets	(30,742)	1,065
(Increase) decrease in other operating assets	(14,897)	(287,778)
(Decrease) increase in trade and other creditors	(873,603)	625,808
(Decrease) increase in unearned income	491,074	228,068
(Decrease) increase in deferred tax liabilities	(3,867)	(29,065)
(Decrease) increase in other provisions	147,646	131,779
Net cash inflow (outflow) from operating activities	3,571,803	3,961,910

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.

In the director's opinion:

- (a) the financial statements and notes set out on pages 4 to 20 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the entity's financial position as at 31 December 2014 and of its performance for the 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.



Paul Byron Wilson
Director

Brisbane
6 February 2015



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 statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

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:

PricewaterhouseCoopers, ABN 52 780 433 757
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Liability limited by a scheme approved under Professional Standards Legislation.



- (a) giving a true and fair view of the company's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the *Corporations Regulations 2001*.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 1, to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members of APNIC Pty Ltd.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Andrew Weeden', with a long horizontal line extending to the right.

Andrew Weeden
Partner

Brisbane
6 February 2015

APNIC Pty Ltd
Operating statement
For the year ended 31 December 2014

	2014	2013
	\$	\$
Revenue		
Membership fees	15,903,111	15,074,781
Non-membership fees	254,706	240,225
IP resource application fees	1,323,250	1,420,625
Member reactivation fees	64,800	31,050
Non-member reactivation fees	3,000	6,000
Grant income	933,351	742,731
Interest income	165,710	546,252
Investment distribution income	588,853	39,269
Sundry income	292,873	176,471
Net gain on sale of available-for-sale financial assets	-	376,729
Foreign exchange gains (net)	26,629	33,968
	19,556,283	18,688,101
 Less expenses		
Administration expenses (refer schedule)	(16,501,782)	(15,800,764)
 Profit before income tax	3,054,501	2,887,337

The above operating statement does not form part of the audited financial report.

APNIC Pty Ltd
Operating statement
For the year ended 31 December 2014
(continued)

	2014	2013
	\$	\$
Schedule of administration expenses		
Salaries and wages	(7,129,664)	(6,866,676)
Travel	(1,955,471)	(1,937,230)
Professional fees - consulting	(809,547)	(1,036,568)
Depreciation	(765,548)	(753,033)
Superannuation contributions - employes	(705,397)	(643,147)
Computer costs - other	(572,528)	(548,748)
ISIF grant expense	(485,708)	(390,808)
Communication expenses	(483,803)	(490,601)
Employee entitlements	(395,217)	(320,184)
Payroll tax	(394,612)	(369,253)
ICANN	(260,333)	(136,732)
Donations	(219,251)	(80,579)
FIRE grant expense	(218,446)	(150,882)
FRIDA grant expense	(206,136)	(147,173)
Meeting expenses	(192,212)	(263,907)
Office expenses	(151,855)	(135,964)
Bank charges - general	(145,823)	(138,337)
Recruitment	(144,423)	(89,472)
Staff training	(135,996)	(163,053)
Deductible entertainment	(135,266)	(34,421)
Professional fees - legal	(133,330)	(129,088)
Insurance	(129,971)	(126,751)
Sponsorship fees	(63,988)	(175,844)
Professional fees - accountancy/management	(63,130)	(80,715)
Printing and stationery	(59,638)	(53,888)
Electricity	(57,429)	(58,979)
Staff amenities	(55,971)	(51,876)
Membership fees	(55,375)	(47,031)
Gifts and promotions	(48,681)	(63,200)
Equipment hire	(47,373)	(34,492)
Training workshop fees	(46,750)	-
Cleaning	(39,820)	(40,536)
Fringe benefits tax	(39,376)	(33,959)
Repairs and maintenance	(36,850)	(34,432)
Doubtful debts	(34,259)	(30,990)
IDRC grant expense	(23,061)	(53,867)
Postage	(22,071)	(45,269)
Loss on sale of fixed assets	(11,937)	(7,747)
Worker's compensation	(10,927)	(13,019)
Advertising expense	(9,027)	-
Books and periodicals	(3,723)	(5,796)
Translation expenses	(1,623)	(15,255)
Administration fees	(236)	(1,262)
Total expenses	(16,501,782)	(15,800,764)

The above operating statement does not form part of the audited financial report.