APNIC Pty Ltd
ABN 42 081 528 010

Special purpose financial report for the year ended 31 December 2016

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Special purpose financial report - 31 December 2016

Contents

Your director presents his report on APNIC Pty Ltd (hereafter referred to as the "Company") for the year ended 31 December 2016.

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 - 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 profit from ordinary activities after income tax amounted to $2,266,362 (2015: $1,956,164).

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 2016 that has significantly affected the Company's operations, results or state of affairs, or may do so in future 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 $18,000 (2015: $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

PricewaterhouseCoopers continues in office in accordance with section 327 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.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the director's report. Amounts in the director's report have been rounded off in accordance with that instrument to the nearest dollar.

This report is made in accordance with a resolution of the director.

Paul Byron Wilson
Director

Brisbane
15 February 2017

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Auditor's Independence Declaration

As lead auditor for the audit of APNIC Pty Ltd for the year ended 31 December 2016, 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.

Andrew Weeden
Partner
PricewaterhouseCoopers

Brisbane
15 February 2017

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Special purpose financial report - 31 December 2016

Contents

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

APNIC Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

APNIC Pty Ltd
6 Cordelia Street,
South Brisbane, Queensland, 4101.

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 15 February 2017. The director has the power to amend and reissue the financial statements.

APNIC Pty Ltd
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2016

	Notes	2016 $	2015 $
Revenue from continuing operations	2	**20,694,027**	19,559,113
Other gains (losses) - net	3	**14,152**	26,223
Employee benefits expense		**(10,623,594)**	(9,755,698)
Professional fees		**(1,409,431)**	(1,195,494)
Travel expenses		**(2,085,745)**	(1,961,551)
Depreciation expense		**(785,218)**	(764,145)
Communications and meeting expenses		**(773,197)**	(816,913)
Computer expenses		**(533,628)**	(520,784)
Contributions to ICANN		**(243,026)**	(284,161)
Insurance		**(128,793)**	(131,550)
Donations and sponsorships		**(522,488)**	(501,711)
Occupancy costs		**(406,870)**	(393,080)
Other expenses		**(948,044)**	(1,291,308)
Profit before income tax		**2,248,145**	1,968,941
Income tax benefit (expense)		**18,217**	(12,777)
Profit for the year		**2,266,362**	1,956,164
Other comprehensive income			
Item that may be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets	16(a)	**61,685**	(25,203)
Other comprehensive income for the year, net of tax		**61,685**	(25,203)
Total comprehensive income for the year		**2,328,047**	1,930,961
Total comprehensive income for the year is attributable to:			
Owners of APNIC Pty Ltd		**2,328,047**	1,930,961

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	2016 $	2015 $
ASSETS			
Current assets			
Cash and cash equivalents	4	**5,518,359**	1,785,266
Trade and other receivables	5	**2,679,877**	5,486,288
Other current assets	6	**649,029**	553,685
Total current assets		**8,847,265**	7,825,239
Non-current assets			
Available-for-sale financial assets	7	**21,149,445**	18,951,801
Property, plant and equipment	8	**7,875,245**	7,842,424
Deferred tax assets	9	**149,602**	139,580
Total non-current assets		**29,174,292**	26,933,805
Total assets		**38,021,557**	34,759,044
LIABILITIES			
Current liabilities			
Trade and other payables	10	**1,121,453**	1,196,385
Provisions	11	**1,238,585**	1,138,287
Unearned income	12	**9,400,834**	8,546,573
Total current liabilities		**11,760,872**	10,881,245
Non-current liabilities			
Deferred tax liabilities	13	**298,186**	276,432
Provisions	11	**314,993**	281,908
Total non-current liabilities		**613,179**	558,340
Total liabilities		**12,374,051**	11,439,585
Net assets		**25,647,506**	23,319,459
EQUITY			
Contributed equity	15	**1**	1
Other reserves	16(a)	**651,145**	589,460
Retained earnings	16(b)	**24,996,360**	22,729,998
Total equity		**25,647,506**	23,319,459

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

	Contributed equity $	Other reserves $	Retained earnings $	Total equity $
Balance at 1 January 2015	1	614,663	20,773,834	21,388,498
Profit for the year	-	-	1,956,164	1,956,164
Other comprehensive income (loss)	-	(25,203)	-	(25,203)
Total comprehensive income for the year	**-**	**(25,203)**	**1,956,164**	**1,930,961**
Balance at 31 December 2015	**1**	**589,460**	**22,729,998**	**23,319,459**
Balance at 1 January 2016	1	589,460	22,729,998	23,319,459
Profit for the year	-	-	2,266,362	2,266,362
Other comprehensive income (loss)	-	61,685	-	61,685
Total comprehensive income for the year	**-**	**61,685**	**2,266,362**	**2,328,047**
Balance at 31 December 2016	**1**	**651,145**	**24,996,360**	**25,647,506**

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

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**20,677,423**	18,570,973
Payments to suppliers and employees (inclusive of goods and services tax)		**(17,770,585)**	(17,227,843)
Grants received		**383,136**	799,587
		3,289,974	2,142,717
Interest received		**181,707**	142,420
Net cash inflow from operating activities	20	**3,471,681**	2,285,137
Cash flows from investing activities			
Redemption of short term deposits		**3,100,000**	-
Transfers to short term deposits		**(500,000)**	(400,000)
Payments for property, plant and equipment		**(822,871)**	(709,029)
Proceeds from sale of property, plant and equipment		**13,435**	7,230
Purchase of available-for-sale financial assets		**(1,500,000)**	(500,000)
Net cash inflow (outflow) from investing activities		**290,564**	(1,601,799)
Net increase in cash and cash equivalents		**3,762,245**	683,338
Cash and cash equivalents at the beginning of the financial year		**1,785,266**	1,062,097
Effects of exchange rate changes on cash and cash equivalents		**(29,152)**	39,831
Cash and cash equivalents at end of year	4	**5,518,359**	1,785,266

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

1 Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the 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) 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.

(iii) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time in their annual reporting period commencing 1 January 2016:

- AASB 2014-4 *Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation*
- AASB 2015-1 *Amendments to Australian Accounting Standards - Annual improvements to Australian Accounting Standards 2012 - 2014 cycle,* and
- AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure initiative: Amendments to AASB 101.*

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

The Company also elected to adopt the following amendments early:

- AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.*

As these amendments merely clarify the existing requirements, they do not affect the Company's accounting policies or any of the disclosures.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by Company
AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.	At this stage, the Company is not able to estimate the impact of the new rules on the Company's financial statements. The Company will make more detailed assessments of the impact over the next twelve months.	Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by Company
AASB 15 *Revenue from Contracts with Customers*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.	At this stage, the Company is not able to estimate the impact of the new rules on the Company's financial statements. The Company will make more detailed assessments of the impact over the next twelve months.	Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the Company: 1 January 2018.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by Company
AASB16 Leases	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.	The standard will affect primarily the accounting for the Company's operating leases. However, the Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Company does not intend to adopt the standard before its effective date.

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

(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.

(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 using the methods outlined below.

(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.

1 Summary of significant accounting policies (continued)

(d) Grants

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.

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.

(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 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 2016.

(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.

1 Summary of significant accounting policies (continued)

(h) Trade receivables (continued)

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

(i) Classification

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.

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.

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 period.

(ii) Recognition and derecognition

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(iii) 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 profit or loss and other 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.

1 Summary of significant accounting policies (continued)

(i) Investments and other financial assets (continued)

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Company's right to receive payments is established.

(iv) 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%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

(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.

(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.

1 Summary of significant accounting policies (continued)

(l) Employee benefits (continued)

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore 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 of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(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) Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that instrument to the nearest dollar.

2 Revenue

	2016	2015
	$	$
From continuing operations		
Membership fees	**18,354,898**	16,933,413
Non-membership fees	**243,923**	243,049
Sign-up fees	**465,000**	437,625
Member reactivation fees	**36,500**	34,000
Non-member reactivation fees	**1,200**	3,600
Grant income	**383,136**	811,862
	19,484,657	18,463,549
Other revenue		
Interest income	**165,211**	124,455
Investment distribution income	**725,740**	667,586
Sundry income	**318,419**	303,523
	1,209,370	1,095,564
	20,694,027	19,559,113

3 Other gains (losses) - net

	2016	2015
	$	$
Net gain (loss) on disposal of property, plant and equipment	**8,603**	(962)
Net foreign exchange gains	**5,549**	27,185
	14,152	26,223

4 Cash and cash equivalents

	2016	2015
	$	$
Current assets		
Petty cash	**400**	400
Cash at bank	**5,517,959**	1,784,866
	5,518,359	1,785,266

5 Trade and other receivables

	2016 $	2015 $
Current assets		
Trade receivables	**702,606**	834,443
Provision for impairment of receivables	**(30,572)**	(36,797)
	672,034	797,646
Other receivables	**347,085**	171,328
Interest receivable	**19,816**	36,312
	366,901	207,640
Cash restricted or pledged	**240,942**	481,002
Short term deposits	**1,400,000**	4,000,000
	1,640,942	4,481,002
	2,679,877	5,486,288

6 Other assets

	2016 $	2015 $
Current assets		
Prepayments	**619,576**	524,437
Prepaid taxes	**29,453**	29,248
	649,029	553,685

7 Available-for-sale financial assets

	2016 $	2015 $
Non-current assets		
Unlisted securities		
Units in managed investment funds - at fair value	**21,149,445**	18,951,801

8 Property, plant and equipment

	Property related assets $	Computer equipment $	Total $
At 1 January 2015			
Cost	7,820,391	3,666,489	11,486,880
Accumulated depreciation	(1,038,821)	(2,542,326)	(3,581,147)
Net book amount	6,781,570	1,124,163	7,905,733
Year ended 31 December 2015			
Opening net book amount	6,781,570	1,124,163	7,905,733
Additions	36,731	672,298	709,029
Disposals	(3,615)	(4,578)	(8,193)
Depreciation charge	(205,611)	(558,534)	(764,145)
Closing net book amount	6,609,075	1,233,349	7,842,424
At 31 December 2015			
Cost	7,851,227	3,516,840	11,368,067
Accumulated depreciation	(1,242,152)	(2,283,491)	(3,525,643)
Net book amount	6,609,075	1,233,349	7,842,424
Year ended 31 December 2016			
Opening net book amount	6,609,075	1,233,349	7,842,424
Additions	12,137	810,734	822,871
Disposals	(150)	(4,682)	(4,832)
Depreciation charge	(202,191)	(583,027)	(785,218)
Closing net book amount	6,418,871	1,456,374	7,875,245
At 31 December 2016			
Cost	7,861,039	3,873,726	11,734,765
Accumulated depreciation	(1,442,168)	(2,417,352)	(3,859,520)
Net book amount	6,418,871	1,456,374	7,875,245

9 Deferred tax assets

	2016 **$**	2015 $
Deferred tax assets expected to be recovered within 12 months	**12,021**	11,527
Deferred tax assets expected to be recovered after more than 12 months	**137,581**	128,053
	149,602	139,580

10 Trade and other payables

	2016 $	2015 $
Current liabilities		
Trade payables	**371,356**	310,770
Goods and services tax (GST) payable	**17,048**	17,729
Accrued expenses	**492,107**	386,884
Grants payable (note 14)	**214,307**	361,314
Research funds	**26,635**	119,688
	1,121,453	1,196,385

11 Provisions

	2016 Current $	**2016** Non-current $	**2016** Total $	2015 Current $	2015 Non-current $	2015 Total $
Employee benefits	**1,238,585**	**314,993**	**1,553,578**	1,138,287	281,908	1,420,195

12 Unearned income

	2016 $	2015 $
Current liabilities		
Unearned member and non-member fees	**9,341,793**	8,525,073
Unearned sponsorship income	**59,041**	21,500
	9,400,834	8,546,573

13 Deferred tax liabilities

	2016 $	2015 $
Deferred tax liabilities expected to be settled within 12 months	**6,483**	11,256
Deferred tax liabilities expected to be settled after more than 12 months	**291,703**	265,176
	298,186	276,432

14 Grant agreements

The Company entered into various grant agreements with the Swedish International Cooperation Agency (SIDA), Internet Society (ISOC) 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, ISOC and IDRC to be used in these projects.

14 Grant agreements (continued)

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

	2016 $	2015 $
Grants payable (note 10)	**214,307**	361,314

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

	ISIF ICT Grant Fund	**ISIF Project Fund**	**ISIF IDRC Grant Fund Project 108044**	**ISIF ISOC Project Fund**	**ISIF SIDA Contribution Fund**	**Total**
Opening balance	$35,528	$92,134	$130,708	$96,114	$6,830	$361,314
Grant monies received	-	$100,000	$134,936	$13	$23,967	$258,916
Grant monies paid/spent	($16,251)	($85,148)	($233,794)	($40,041)	($7,901)	($383,135)
Reimbursements	-	-	$108	-	($22,896)	($22,788)
Closing balance	**$19,277**	**$106,986**	**$31,958**	**$56,086**	**-**	**$214,307**

15 Contributed equity

(a) Share capital

	2016 Shares	2015 Shares	**2016 $**	2015 $
Ordinary shares - fully paid	**1**	1	**1**	1

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

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.

16 Other reserves and retained earnings

(a) Other reserves

	2016 **$**	2015 $
Available-for-sale financial assets	**651,145**	589,460

Movements:

	2016 **$**	2015 $
Available-for-sale financial assets		
Opening balance	**589,460**	614,663
Revaluation - net of tax	**61,685**	(25,203)
Balance 31 December	**651,145**	589,460

(i) Nature and purpose of other reserves

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

(b) Retained earnings

Movements in retained earnings were as follows:

	2016 **$**	2015 $
Balance 1 January	**22,729,998**	20,773,834
Net profit for the year	**2,266,362**	1,956,164
Balance 31 December	**24,996,360**	22,729,998

17 Remuneration of auditors

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

PricewaterhouseCoopers

	2016 **$**	2015 $
Audit and other assurance services		
Audit of financial statements	**34,500**	33,660
Grant audits	**-**	6,120
Total remuneration of PricewaterhouseCoopers	**34,500**	39,780

18 Commitments and contingencies

The Company had no commitments nor contingent liabilities at 31 December 2016 (2015: nil).

19 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.

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

	2016 **$**	2015 $
Profit for the year	**2,266,362**	1,956,164
Depreciation	**785,218**	764,145
Net (gain) loss on sale of non-current assets	**(8,603)**	962
Investment management fees	**119,730**	112,393
Investment distribution income	**(725,740)**	(667,586)
Net exchange differences	**29,152**	(39,830)
Change in operating assets and liabilities:		
(Increase) decrease in trade and other receivables	**(33,650)**	(27,677)
(Increase) decrease in restricted cash	**240,060**	277,059
(Increase) decrease in deferred tax assets	**(10,022)**	18,168
(Increase) decrease in other operating assets	**(95,344)**	(67,653)
(Decrease) increase in trade and other creditors	**(74,931)**	(84,485)
(Decrease) increase in unearned income	**854,261**	244,834
(Decrease) increase in deferred tax liabilities	**(8,195)**	(5,392)
(Decrease) increase in other provisions	**133,383**	(195,965)
Net cash inflow (outflow) from operating activities	**3,471,681**	2,285,137

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 22 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 2016 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
15 February 2017

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 2016, the statement of profit and loss and 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:

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(a) giving a true and fair view of the company's financial position as at 31 December 2016 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 statements, 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 and should not be distributed to or used by parties other than APNIC Pty Ltd and the members.

PricewaterhouseCoopers

PricewaterhouseCoopers

Andrew Weeden
Partner

Brisbane
15 February 2017

	2016	2015
	$	$
Revenue		
Membership fees	**18,354,898**	16,933,413
Non-membership fees	**243,923**	243,049
Sign-up fees	**465,000**	437,625
Member reactivation fees	**36,500**	34,000
Non-member reactivation fees	**1,200**	3,600
Grant income	**383,136**	811,862
Interest income	**165,211**	124,455
Investment distribution income	**725,740**	667,586
Sundry income	**318,419**	303,523
Net gain (loss) on disposal of property, plant and equipment	**8,603**	(962)
Net foreign exchange gains	**5,549**	27,185
	20,708,179	19,585,336
Less expenses		
Administration expenses (refer schedule)	**(18,460,034)**	(17,616,395)
Profit before income tax	**2,248,145**	1,968,941

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

	2016	2015
	$	$
Schedule of administration expenses		
Salaries and wages	**(8,434,374)**	(7,800,119)
Travel	**(2,085,745)**	(1,961,551)
Professional fees - consulting	**(1,052,362)**	(848,337)
Superannuation contributions - employees	**(815,444)**	(753,244)
Depreciation	**(785,218)**	(764,145)
Employee entitlements	**(596,636)**	(471,479)
Computer costs - other	**(533,628)**	(520,784)
Communication expenses	**(532,212)**	(591,885)
Payroll tax	**(468,460)**	(430,301)
Donations	**(345,057)**	(337,818)
ICANN	**(243,026)**	(284,161)
Meeting expenses	**(240,985)**	(225,028)
Office expenses	**(187,314)**	(159,887)
IDRC grant expense	**(181,149)**	-
Sponsorship fees	**(177,431)**	(163,893)
Bank charges - general	**(167,917)**	(156,496)
ISIF grant expense	**(166,176)**	(401,384)
Staff training	**(164,441)**	(169,122)
Professional fees - legal	**(142,303)**	(212,593)
Training workshop fees	**(139,704)**	(57,145)
Insurance	**(128,793)**	(131,550)
Recruitment	**(94,307)**	(119,077)
Deductible entertainment	**(84,324)**	(92,494)
Advertising expense	**(77,677)**	(32,172)
Professional fees - accountancy/management	**(75,062)**	(77,419)
Staff amenities	**(73,014)**	(64,503)
Fringe benefits tax	**(58,909)**	(56,111)
Electricity	**(55,834)**	(50,564)
Printing and stationery	**(46,237)**	(46,350)
Membership fees	**(44,691)**	(47,755)
Cleaning	**(42,974)**	(42,356)
Gifts and promotions	**(42,017)**	(41,892)
Postage	**(41,893)**	(51,029)
Equipment hire	**(38,034)**	(32,792)
ISOC grant expenses	**(36,712)**	-
Repairs and maintenance	**(32,617)**	(42,894)
Worker's compensation	**(12,316)**	(10,819)
Translation expenses	**(11,147)**	(2,883)
Books and periodicals	**(6,740)**	(6,401)
Administration fees	**(4,280)**	(1,777)
FRIDA grant expense	**(99)**	(189,328)
FIRE grant expense	**1,000**	(221,150)
Doubtful debts	**6,225**	54,293
Total expenses	**(18,460,034)**	(17,616,395)

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