

**APNIC Pty Ltd**

ABN 42 081 528 010

**Special purpose annual report  
for the year ended 31 December 2018**

# APNIC Pty Ltd

ABN 42 081 528 010

## Special purpose annual report - 31 December 2018

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Your director presents his report on APNIC Pty Ltd (hereafter referred to as the "Company") for the year ended 31 December 2018.

#### Director

Paul Byron Wilson was the director of APNIC Pty Ltd during the whole of the financial year and up to the date of this report.

#### 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 before tax and fair value loss on financial assets amounted to \$1,086,512 (2017: \$1,472,816).

The fair value decrement in profit or loss in 2018 was \$73,475. This was nil in 2017 as financial assets were designated through other comprehensive income for which there was a 2017 fair value increment of \$505,407. The profit from ordinary activities after income tax amounted to \$1,112,972 (2017: \$1,555,100).

#### 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 2018 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 \$20,500 (2017: \$19,134) 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.



Paul Byron Wilson  
Director

Brisbane  
13 February 2019



## *Auditor's Independence Declaration*

As lead auditor for the audit of APNIC Pty Ltd for the year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of APNIC Pty Ltd.

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

Andrew Weeden  
Partner  
PricewaterhouseCoopers

Brisbane  
13 February 2019

# APNIC Pty Ltd

ABN 42 081 528 010

## Special purpose annual report - 31 December 2018

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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 dollar (\$).

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

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 13 February 2019. 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 2018

	Notes	2018 \$	2017 \$
Revenue from contracts with customers	2	20,981,059	20,098,862
Other income	3(a)	1,306,052	1,338,304
Other gains (losses) - net	3(b)	6,274	(23,014)
Employee benefits expense		(12,161,645)	(11,245,073)
Professional fees		(1,458,388)	(1,304,343)
Travel expenses		(2,165,459)	(2,161,034)
Depreciation expense		(856,029)	(807,596)
Communications and meeting expenses		(748,854)	(787,555)
Contribution to APNIC Foundation		(732,710)	(665,058)
Computer expenses		(817,599)	(647,453)
Contributions to ICANN		(278,866)	(244,657)
Insurance		(189,738)	(173,610)
Donations and sponsorships		(630,401)	(578,080)
Occupancy costs		(396,698)	(395,477)
Other expenses		(770,486)	(931,400)
<b>Profit before tax and fair value loss on financial assets</b>		<u>1,086,512</u>	<u>1,472,816</u>
Fair value loss on financial assets at fair value through profit or loss		(73,475)	-
<b>Profit before income tax</b>		<u>1,013,037</u>	<u>1,472,816</u>
Income tax benefit		99,935	82,284
<b>Profit for the year</b>		<u>1,112,972</u>	<u>1,555,100</u>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified to profit or loss</i>			
Changes in the fair value of available-for-sale financial assets	16(a)	-	505,407
<b>Other comprehensive income for the year, net of tax</b>		-	<u>505,407</u>
<b>Total comprehensive income for the year</b>		<u>1,112,972</u>	<u>2,060,507</u>
Total comprehensive income for the year is attributable to:			
Owners of APNIC Pty Ltd		<u>1,112,972</u>	<u>2,060,507</u>

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

APNIC Pty Ltd  
Statement of financial position  
As at 31 December 2018

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	4,298,431	3,629,427
Trade and other receivables	5	5,155,361	5,526,829
Other current assets	6	665,666	748,981
<b>Total current assets</b>		<u>10,119,458</u>	<u>9,905,237</u>
<b>Non-current assets</b>			
Available-for-sale financial assets	7	24,861,226	22,893,372
Property, plant and equipment	8	7,472,353	7,745,911
Deferred tax assets	9	286,537	202,401
<b>Total non-current assets</b>		<u>32,620,116</u>	<u>30,841,684</u>
<b>Total assets</b>		<u>42,739,574</u>	<u>40,746,921</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	1,241,761	1,086,670
Provisions	11	1,743,961	1,424,271
Unearned income	13	10,227,970	9,742,793
<b>Total current liabilities</b>		<u>13,213,692</u>	<u>12,253,734</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	450,313	466,112
Provisions	11	254,584	319,062
<b>Total non-current liabilities</b>		<u>704,897</u>	<u>785,174</u>
<b>Total liabilities</b>		<u>13,918,589</u>	<u>13,038,908</u>
<b>Net assets</b>		<u>28,820,985</u>	<u>27,708,013</u>
<b>EQUITY</b>			
Contributed equity	15	1	1
Other reserves	16(a)	-	1,156,552
Retained earnings	16(b)	28,820,984	26,551,460
<b>Total equity</b>		<u>28,820,985</u>	<u>27,708,013</u>

*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 2018

	Share capital \$	Other reserves \$	Retained earnings \$	Total equity \$
<b>Balance at 1 January 2017</b>	1	651,145	24,996,360	25,647,506
Profit for the year	-	-	1,555,100	1,555,100
Other comprehensive income	-	505,407	-	505,407
<b>Total comprehensive income for the year</b>	-	505,407	1,555,100	2,060,507
<b>Balance at 31 December 2017</b>	1	1,156,552	26,551,460	27,708,013
	Share capital \$	Other reserves \$	Retained earnings \$	Total equity \$
<b>Balance at 1 January 2018</b>	1	1,156,552	26,551,460	27,708,013
Adjustment on adoption of AASB 9 (net of tax)	-	(1,156,552)	1,156,552	-
<b>Restated total equity at the beginning of the financial year</b>	1	-	27,708,012	27,708,013
Profit for the year	-	-	1,112,972	1,112,972
<b>Total comprehensive income for the year</b>	-	-	1,112,972	1,112,972
<b>Balance at 31 December 2018</b>	1	-	28,820,984	28,820,985

*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 2018

	2018	2017
Notes	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	22,653,493	20,790,523
Payments to suppliers and employees (inclusive of GST)	(20,141,716)	(19,234,261)
Grants received	32,312	338,550
Interest received	196,868	167,515
<b>Net cash inflow from operating activities</b>	<u>2,740,957</u>	<u>2,062,327</u>
<b>Cash flows from investing activities</b>		
Transfers to short term deposits	-	(2,750,000)
Payments for property, plant and equipment	(601,930)	(682,417)
Proceeds from sale of property, plant and equipment	7,075	3,096
Purchase of available-for-sale financial assets	(1,500,000)	(500,014)
<b>Net cash (outflow) from investing activities</b>	<u>(2,094,855)</u>	<u>(3,929,335)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	646,102	(1,867,008)
Cash and cash equivalents at the beginning of the financial year	3,629,427	5,518,359
Effects of exchange rate changes on cash and cash equivalents	22,902	(21,924)
<b>Cash and cash equivalents at end of year</b>	<u>4,298,431</u>	<u>3,629,427</u>

*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 APNIC Pty Ltd.

### (a) Basis of preparation

#### (i) *Special purpose annual 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 annual 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 2018:

- *AASB 9 Financial Instruments*
- *AASB 15 Revenue from Contracts with Customers*

The Company had to change its accounting policies following the adoption of AASB 9 and AASB 15 and has adopted these in accordance with the respective transitional provisions.

AASB15 adoption did not result in any significant impacts to amounts recognised in prior years or in the current year.

AASB 9 adoption has resulted in a reclassification of the Company's financial assets and applies to the entire portfolio of units held in management investment funds. The reclassification is adjusting the financial assets from fair value through other comprehensive income to fair value through profit or loss in the year ended 31 December 2018.

This Company has adopted AASB 9 retrospectively, but has elected not to restate comparative information. As a result, there is no impact to the prior year profit and the reserve balance of \$1,156,552 at 1 January 2018 has been transferred to retained earnings.

## 1 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### (iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 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.

Title of standard	AASB 16 Leases
Nature of change	AASB 16 will result in almost all leases being recognised on the statement of financial position by lessees, 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.
Impact	The Company has reviewed all of the Company's leasing arrangements over the last year in light of the new lease accounting rules in AASB 16.  As at the reporting date, the Company has no non-cancellable operating lease commitments.
Mandatory application date/ Date of adoption by Company	The Company will apply the standard from its mandatory adoption date of 1 January 2019.

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 years 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

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities using the methods outlined below.

#### (i) Member fees

Member fees, reactivation fees and application fees are recognised over time where the performance obligation is satisfied over the period of membership. Member fees received in advance of the service being provided are classified as unearned income. Transfer fees are recognised at a point in time where the performance obligation is satisfied when the service is performed

## 1 Summary of significant accounting policies (continued)

### (c) Revenue recognition (continued)

#### (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 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 2018.

### (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.

## 1 Summary of significant accounting policies (continued)

### (h) Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

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 30 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

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

#### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### (iii) Measurement

##### Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

## 1 Summary of significant accounting policies (continued)

### (i) Investments and other financial assets (continued)

#### (iii) Measurement (continued)

##### Debt instruments (continued)

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the operating statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the operating statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

##### Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### (iv) Impairment

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

#### (v) Accounting policies applied until 31 December 2017

The Company has applied AASB 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

## 1 Summary of significant accounting policies (continued)

### (i) Investments and other financial assets (continued)

#### (v) Accounting policies applied until 31 December 2017 (continued)

##### *Classification*

Until 31 December 2017, the Company classified 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 depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting year.

##### *Reclassification*

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

##### *Subsequent measurement*

The measurement at initial recognition did not change on adoption of AASB 9, see description above.

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.

### (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 year 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:

- |                           |            |
|---------------------------|------------|
| - Property related assets | 2.5 - 50%% |
| - Computer equipment      | 5 - 50%    |



## 1 Summary of significant accounting policies (continued)

### (j) Property, plant and equipment (continued)

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

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.

#### (ii) Other long-term employee benefit obligations

The Company also has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the year in which the employees render the related service. These obligations 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 year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the end of the reporting year of high-quality 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.

## 1 Summary of significant accounting policies (continued)

### (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 from contracts with customers

	2018	2017
	\$	\$
Membership fees	20,213,860	19,310,962
Non-membership fees	251,054	260,010
Sign-up fees	330,000	373,250
Transfer fees	164,145	127,440
Member reactivation fees	22,000	26,000
Non-member reactivation fees	-	1,200
<b>Total revenue from continuing operations</b>	<b>20,981,059</b>	<b>20,098,862</b>

### (a) Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of services over time and at a point in time as follows:

	2018	2017
	\$	\$
Revenue from transfer of services over time	20,816,914	19,971,422
Revenue from transfer of services at a point in time	164,145	127,440
	<b>20,981,059</b>	<b>20,098,862</b>

## 3 Other income and expense items

### (a) Other income

	2018	2017
	\$	\$
Investment distribution income	683,763	671,883
Interest income	188,271	169,197
Grant income	4,737	265,469
Sundry income	429,281	231,755
	<b>1,306,052</b>	<b>1,338,304</b>

### (b) Other gains (losses) - net

	2018	2017
	\$	\$
Net gain (loss) on disposal of property, plant and equipment	(12,384)	(1,059)
Net foreign exchange gains (losses)	18,658	(21,955)
	<b>6,274</b>	<b>(23,014)</b>

#### 4 Cash and cash equivalents

	2018	2017
	\$	\$
<b>Current assets</b>		
Petty cash	400	400
Cash at bank	4,298,031	3,629,027
	4,298,431	3,629,427

#### 5 Trade and other receivables

	2018	2017
	\$	\$
<b>Current assets</b>		
Trade receivables	785,803	1,126,943
Provision for impairment	(43,780)	(45,225)
	742,023	1,081,718
Other receivables	250,436	226,154
Interest receivable	12,902	21,499
Cash restricted or pledged	-	47,458
Short term deposits	4,150,000	4,150,000
	5,155,361	5,526,829

#### 6 Other assets

	2018	2017
	\$	\$
<b>Current assets</b>		
Prepayments	660,863	734,855
Prepaid taxes	4,803	14,126
	665,666	748,981

#### 7 Available-for-sale financial assets

	2018	2017
	\$	\$
<b>Non-current assets</b>		
Unlisted securities		
Units in managed investment funds - at fair value	24,861,226	22,893,372
	24,861,226	22,893,372

## 8 Property, plant and equipment

Non-current	Property related assets \$	Computer equipment \$	Total \$
<b>At 1 January 2017</b>			
Cost	7,861,039	3,873,726	11,734,765
Accumulated depreciation	(1,442,168)	(2,417,352)	(3,859,520)
Net book amount	<u>6,418,871</u>	<u>1,456,374</u>	<u>7,875,245</u>
<b>Year ended 31 December 2017</b>			
Opening net book amount	6,418,871	1,456,374	7,875,245
Additions	110,211	572,206	682,417
Disposals	(516)	(3,639)	(4,155)
Depreciation charge	(199,771)	(607,825)	(807,596)
Closing net book amount	<u>6,328,795</u>	<u>1,417,116</u>	<u>7,745,911</u>
<b>At 31 December 2017</b>			
Cost	7,967,550	4,241,288	12,208,838
Accumulated depreciation	(1,638,755)	(2,824,172)	(4,462,927)
Net book amount	<u>6,328,795</u>	<u>1,417,116</u>	<u>7,745,911</u>
<b>Year ended 31 December 2018</b>			
Opening net book amount	6,328,795	1,417,116	7,745,911
Additions	91,272	510,658	601,930
Disposals	-	(19,459)	(19,459)
Depreciation charge	(196,709)	(659,320)	(856,029)
Closing net book amount	<u>6,223,358</u>	<u>1,248,995</u>	<u>7,472,353</u>
<b>At 31 December 2018</b>			
Cost	8,053,187	4,541,639	12,594,826
Accumulated depreciation	(1,829,829)	(3,292,644)	(5,122,473)
Net book amount	<u>6,223,358</u>	<u>1,248,995</u>	<u>7,472,353</u>

## 9 Deferred tax assets

	2018 \$	2017 \$
Deferred tax assets expected to be recovered within 12 months	15,158	12,202
Deferred tax assets expected to be recovered after more than 12 months	271,379	190,199
	<u>286,537</u>	<u>202,401</u>

## 10 Trade and other payables

	2018	2017
	\$	\$
<b>Current liabilities</b>		
Trade payables	615,571	465,565
Goods and services tax (GST) payable	18,847	23,823
Accrued expenses	602,863	476,744
Grants payable (note 14)	-	47,458
Research funds	4,480	73,080
	1,241,761	1,086,670

## 11 Provisions

	2018			2017		
	Current	Non-current	Total	Current	Non-current	Total
	\$	\$	\$	\$	\$	\$
Employee benefits	1,743,961	254,584	1,998,545	1,424,271	319,062	1,743,333

## 12 Deferred tax liabilities

	2018	2017
	\$	\$
Deferred tax liabilities expected to be settled within 12 months	4,144	6,222
Deferred tax liabilities expected to be settled after more than 12 months	446,169	459,890
	450,313	466,112

## 13 Unearned income

	2018	2017
	\$	\$
<b>Current liabilities</b>		
Unearned member and non-member fees	10,197,272	9,721,164
Unearned sponsorship income	30,698	21,629
	10,227,970	9,742,793

## 14 Grant agreements

The Company entered into various grant agreements with the 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 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 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:

	2018	2017
	\$	\$
Grants payable (note 10)	-	47,458

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	Total
Opening balance	\$15,409	\$62,205	(\$31,705)	\$1,549	\$47,458
Grant monies received	-		\$32,312		\$32,312
Grant monies paid/spent	(\$2,102)	(\$2,635)			(\$4,737)
Reimbursements	(\$13,307)	(\$59,570)	(\$607)	(\$1,549)	(\$75,033)
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 15 Contributed equity

##### (a) Share capital

	2018 Shares	2017 Shares	2018 \$	2017 \$
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

	2018 \$	2017 \$
Available-for-sale financial assets	-	<u>1,156,552</u>

#### Movements:

##### *Available-for-sale financial assets*

Opening balance	1,156,552	651,145
Revaluation - net of tax	-	505,407
Adjustment on adoption of AASB 9	<u>(1,156,552)</u>	-
Balance 31 December	-	<u>1,156,552</u>

#### (i) *Nature and purpose of other reserves*

In 2017, changes in the fair value and exchange differences arising on translation of investments that were classified as available-for-sale financial assets (eg equities), were recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts were reclassified to profit or loss when the associated assets are sold or impaired, see accounting policy note 1(i) for details.

In 2018, the entity adopted AASB 9 *Financial Instruments* through a modified retrospective approach, where subsequent reclassification of those financial assets has resulted in changes in the fair value and exchange differences being recognised in profit or loss immediately.

The modified retrospective practical expedient allows for no comparative adjustments, with adjustment only required to opening balances. The accumulated reserve balance has then been reclassified into retained earnings.

### (b) Retained earnings

Movements in retained earnings were as follows:

	2018 \$	2017 \$
Balance 1 January	26,551,460	24,996,360
Net profit for the year	1,112,972	1,555,100
Adjustment on adoption of AASB 9	<u>1,156,552</u>	-
Balance 31 December	<u>28,820,984</u>	<u>26,551,460</u>

## 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

	2018	2017
	\$	\$
<i>Audit and other assurance services</i>		
Audit of financial statements	48,000	36,500
Total remuneration of PricewaterhouseCoopers	<u>48,000</u>	<u>36,500</u>

## 18 Commitments and contingencies

The Company had no commitments nor contingent liabilities at 31 December 2018 (2017: 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

	2018	2017
	\$	\$
<b>Profit for the year</b>	<b>1,112,972</b>	<b>1,555,100</b>
Adjustments for		
Depreciation	856,029	807,596
Net loss on sale of non-current assets	12,384	1,059
Investment management fees	142,434	130,788
Fair value losses on non-current financial assets at fair value through profit or loss	73,475	-
Investment distribution income	(683,763)	(671,883)
Net exchange differences	(22,902)	21,924
Change in operating assets and liabilities:		
Decrease (increase) in trade and other receivables	324,011	(290,436)
Decrease in restricted cash	47,458	193,484
Increase in deferred tax assets	(84,136)	(52,799)
Decrease (increase) in other operating assets	83,315	(99,952)
Increase (decrease) in trade and other creditors	155,089	(34,782)
Increase in unearned income	485,177	341,959
Decrease in deferred tax liabilities	(15,799)	(29,485)
Increase in other provisions	255,213	189,754
Net cash inflow (outflow) from operating activities	<u>2,740,957</u>	<u>2,062,327</u>



APNIC Pty Ltd  
Director's declaration  
31 December 2018

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 2018 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Paul Byron Wilson  
Director

Brisbane  
13 February 2019



## *Independent auditor's report*

To the members of APNIC Pty Ltd

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### *Our opinion*

In our opinion:

The accompanying financial report of APNIC Pty Ltd (the Company) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.

### *What we have audited*

The financial report comprises:

- the statement of financial position as at 31 December 2018
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

### *Independence*

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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### *Emphasis of matter - basis of accounting and restriction on use*

We draw attention to Note 1 in 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 APNIC Pty Ltd and its members and should not

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be distributed to or used by parties other than APNIC Pty Ltd and its members. Our opinion is not modified in respect of this matter.

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### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the directors 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 the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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### *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:



[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

*Matters relating to the electronic presentation of the audited financial report*

This auditor's report relates to the financial report of APNIC Pty Ltd for the year ended 31 December 2018 included on APNIC Pty Ltd 's web site. The directors of the Company are responsible for the integrity of APNIC Pty Ltd 's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Andrew Weeden', with a stylized flourish at the end.

Andrew Weeden  
Partner

Brisbane  
13 February 2019



APNIC Pty Ltd  
Operating statement  
31 December 2018

	2018	2017
	\$	\$
<b>Revenue</b>		
Membership fees	20,213,860	19,310,962
Non-membership fees	251,054	260,010
Sign-up fees	330,000	373,250
Member reactivation fees	22,000	26,000
Non-member reactivation fees	-	1,200
Transfer fees	164,145	127,440
Interest income	188,271	169,197
Investment distribution income	683,763	671,883
Sundry income	429,281	231,755
Grant income	4,737	265,469
Net gain (loss) on disposal of property, plant and equipment	(12,384)	(1,059)
Net foreign exchange gains (losses)	18,658	(21,955)
Fair value loss on financial assets at fair value through profit or loss	(73,475)	-
	22,219,910	21,414,152
Less expenses		
Administration expenses (refer schedule)	(21,206,873)	(19,941,336)
<b>Profit before income tax</b>	1,013,037	1,472,816

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

APNIC Pty Ltd  
Operating statement  
31 December 2018  
(continued)

	2018	2017
	\$	\$
<b>Schedule of administration expenses</b>		
Salaries and wages	(9,595,786)	(9,018,646)
Travel	(2,165,459)	(2,161,034)
Professional fees - consulting	(1,133,552)	(965,989)
Superannuation contributions - employees	(938,257)	(878,494)
Depreciation	(856,029)	(807,596)
Computer costs - other	(817,599)	(647,453)
Employee entitlements	(795,026)	(599,066)
Foundation expenses	(732,710)	(665,058)
Communication expenses	(542,895)	(561,270)
Payroll tax	(527,464)	(496,315)
Donations	(460,773)	(409,491)
ICANN	(278,866)	(244,657)
Meeting expenses	(205,959)	(226,285)
Staff training	(199,349)	(148,603)
Bank charges - general	(193,762)	(177,670)
Insurance	(189,738)	(173,610)
Recruitment	(185,554)	(134,793)
Office expenses	(185,507)	(194,134)
Sponsorship fees	(169,628)	(168,589)
Professional fees - legal	(146,471)	(147,726)
Deductible entertainment	(121,341)	(86,023)
Training workshop fees	(101,963)	(108,532)
Staff amenities	(87,908)	(74,691)
Advertising expense	(80,877)	(62,538)
Professional fees - accountancy/management	(76,402)	(82,096)
Equipment hire	(69,245)	(77,614)
Electricity	(49,914)	(54,264)
ISOC grant expenses	-	(49,701)
Gifts and promotions	(48,464)	(40,724)
Membership fees	(44,134)	(48,138)
Postage	(42,808)	(40,610)
Printing and stationery	(41,823)	(38,380)
Cleaning	(39,171)	(36,558)
Repairs and maintenance	(37,472)	(31,532)
Books and periodicals	(11,790)	(10,592)
Fringe benefits tax	(9,609)	(16,925)
Worker's compensation	(8,246)	(12,333)
Translation expenses	(7,855)	(9,027)
ISIF grant expense	(4,737)	(113,175)
Administration fees	(4,175)	(4,158)
Doubtful debts	1,445	(14,653)
IDRC grant expense	-	(102,593)
<b>Total expenses</b>	<b>(21,206,873)</b>	<b>(19,941,336)</b>

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