APNIC Pty Ltd
Special Purpose Financial Report
for the year ended 31 December 2006

APNIC Pty Ltd ACN 081 528 010

Contents

Director's Report

Your director presents his report on the company for the year ended 31 December 2006.

Director

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

Paul Byron Wilson

Principal activities

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

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

Dividends - APNIC Pty Ltd

The company does not pay or declare dividends due to its non-profit status as determined by its constituent documents.

Review of operations

The operating profit after income tax amounted to $177,802 (2005: $410,050).

Matters subsequent to the end of the financial year

There have been no matters of significance subsequent to the end of the year.

Likely developments and expected results of operations

Information on likely developments in the company's operations and the expected results of operations have not been included in this report because the director believes it would be likely to result in unreasonable prejudice to the company.

Environmental regulation

The company is not subject to significant environmental regulation.

Insurance of officers

During the financial year, the company paid a premium of $10,428 (2005: $10,378) to insure the director, officeholders (including executive council) and staff of the Company.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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

Paul Byron Wilson
Director

Brisbane
7 February 2007

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001
DX 77 Brisbane
Australia
www.pwc.com/au
Telephone +61 7 3257 5000
Facsimile +61 7 3257 5999

Auditor's Independence Declaration

As lead auditor for the audit of APNIC Pty Ltd for the year ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of APNIC Pty Ltd during the period.

P J Clarke
Partner
PricewaterhouseCoopers

7 February 2007

APNIC Pty Ltd ACN 081 528 010

Contents

This financial report covers APNIC Pty Ltd as an individual entity. The financial report is presented in the Australian currency.

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

APNIC Pty Ltd
Level 1, 33 Park Road
MILTON QLD 4064

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

APNIC Pty Ltd
Income statement
For the year ended 31 December 2006

	Notes	2006 $	2005 $
Revenue from continuing operations	2	**7,537,254**	6,592,418
Other income	3	**588,511**	1,005,659
Depreciation Expense		**(521,466)**	(467,607)
Communications & meeting expenses		**(207,089)**	(234,181)
Occupancy Expenses		**(418,843)**	(400,547)
Professional Fees		**(422,464)**	(506,585)
Travel expenses		**(952,703)**	(788,129)
Contributions to ICANN		**(245,405)**	(298,515)
Membership fees		**(77,423)**	(144,592)
Employee benefits expense		**(4,352,658)**	(3,798,753)
Loss on disposal of fixed assets		**(284)**	4,770
Insurance		**(86,383)**	(84,970)
Computer Expenses		**(151,993)**	(88,819)
Other expenses		**(404,417)**	(320,889)
Profit before income tax		**284,637**	469,260
Income tax expense	4	**(106,835)**	(59,210)
Profit from continuing operations		**177,802**	410,050
Profit attributable to members of APNIC Pty Ltd		**177,802**	410,050

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

APNIC Pty Ltd
Balance sheet
As at 31 December 2006

	Notes	2006 $	2005 $
ASSETS			
Current assets			
Cash and cash equivalents	5	**5,696,301**	5,173,256
Receivables	6	**1,611,516**	1,191,785
Investments		**3,300,000**	3,300,000
Other current assets	7	**207,803**	138,172
		10,815,620	9,803,213
Total current assets		**10,815,620**	9,803,213
Non-current assets			
Property, plant and equipment	9	**1,494,461**	1,319,499
Investment properties		**2,000,000**	2,000,000
Deferred tax assets		**2,407**	2,224
Other financial assets	8	**1,148,369**	1,020,778
Total non-current assets		**4,645,237**	4,342,501
Total assets		**15,460,857**	14,145,714
LIABILITIES			
Current liabilities			
Current tax liabilities	11	**100,044**	36,474
Payables	10	**1,764,225**	1,346,915
Unearned income		**4,271,275**	3,675,909
		6,135,544	5,059,298
Total current liabilities		**6,135,544**	5,059,298
Non-current liabilities			
Deferred tax liabilities		**98,907**	106,201
Provisions		**203,040**	120,104
Total non-current liabilities		**301,947**	226,305
Total liabilities		**6,437,491**	5,285,603
Net assets		**9,023,366**	8,860,111
EQUITY			
Contributed equity	12	**1**	1
Reserves	13(a)	**143,620**	158,167
Retained profits	13(b)	**8,879,745**	8,701,943
		9,023,366	8,860,111
Total equity		**9,023,366**	8,860,111

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

	Notes	2006 $	2005 $
Total equity at the beginning of the financial year		**8,860,111**	8,388,136
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:			
Retained profits	1	-	(96,242)
Reserves			96,242
Net gain on revaluation of available for sale investment	13	-	61,925
Restated total equity at the beginning of the financial year		**8,860,111**	8,450,061
Changes in the fair value of available-for-sale financial assets, net of tax	13	**(14,547)**	-
Profit for the year		**177,802**	410,050
Total recognised income and expense for the year		**163,255**	410,050
Total equity at the end of the financial year		**9,023,366**	8,860,111

	Notes	2006 $	2005 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**7,699,165**	7,206,512
Payments to suppliers and employees (inclusive of goods and services tax)		**(6,995,016)**	(5,760,547)
		704,149	1,445,965
Interest received		**560,117**	448,171
Income taxes paid		**(44,508)**	(3,527)
Net cash inflow from operating activities	16	**1,219,758**	1,890,609
Cash flows from investing activities			
Payments for property, plant and equipment		**(698,912)**	(420,031)
Payments for investments		**-**	(1,142,739)
Proceeds from sale of property, plant and equipment		**-**	2,255
Proceeds from sale of available-for-sale financial assets		**2,200**	131,532
Net cash (outflow) from investing activities		**(696,712)**	(1,428,983)
Net increase in cash and cash equivalents		**523,046**	461,626
Cash and cash equivalents at the beginning of the financial year		**5,173,255**	4,711,629
Cash and cash equivalents at end of year	5	**5,696,301**	5,173,255

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

Contents of the notes to the financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statement of APNIC Pty Ltd as an individual entity.

(a) Basis of preparation

In the director's opinion, the company is not a reporting entity because there are no users dependent on general purpose financial reports.

This is a special purpose financial report that has been prepared at the request of the Executive Council for the interest of APNIC members and to comply with the *Corporations Act 2001* requirements to prepare and distribute a financial report to the members and must not be used for any other purpose. The director has determined that the accounting policies adopted are appropriate to meet the needs of the members.

The financial report has been prepared in accordance with AASB 101 *Presentation of Financial Statements*, AASB 107 *Cash Flow Statements*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1031 *Materiality* and AASB 1048 *Interpretation and Application of Standards* which apply to all entities required to prepare financial reports under the *Corporations Act 2001*, and other applicable Accounting Standards and Urgent Issues Group Interpretations with the exception of the disclosure requirements in the following:

Statement of Compliance

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRSs). Compliance with AIFRSs ensures that the financial statements and notes of APNIC comply with International Financial Reporting Standards.

The financial report is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

(b) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is APNIC Pty Ltd's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(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 and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

(i) Interest Income
Interest income is recognised as control of a right to receive consideration for the provision of , or investment in, assets has been attained.

(ii) Member fees
Member fees are recognised on an accrual basis.

1 Summary of significant accounting policies (continued)

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(e) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

(g) Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(h) Investments and other financial assets

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

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

1 Summary of significant accounting policies (continued)

(i) Property, plant and equipment

Acquisition

Items of property, plant and equipment are recorded at cost.

Depreciation

Items of property, plant and equipment acquired prior to 1 January 2000 are depreciated over their estimated useful lives.

Plant and equipment	20 - 40%	reducing balance
Office furniture	20 - 25%	reducing balance
Office improvements	20 - 50%	reducing balance

All assets acquired after 1 January 2000 are depreciated on a straight line basis over their expected useful life, as follows:

Plant and equipment	5 - 40%
Office furniture	5 - 7.5%
Office improvement	5 - 15%

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(j) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

2 Revenue

	2006 $	2005 $
Sales revenue		
Membership Income	**5,491,250**	4,871,360
Non-membership income	**120,110**	96,286
Per allocation fees	**1,049,812**	830,713
IP resource allocation fees	**770,603**	695,262
Reactivation fees	**11,394**	1,248
Other revenue	**94,085**	97,549
	7,537,254	6,592,418

3 Other income

	2006 $	2005 $
Interest	**565,374**	427,696
Foreign exchange (loss)/gains	**(125,236)**	498,637
Investment distribution income	**148,373**	79,326
	588,511	1,005,659

4 Income tax expense

	2006 $	2005 $
(a) Income tax expense		
Profit from continuing operations before income tax expense	**284,637**	469,260
Tax at the Australian tax rate of 30% (2005 - 30%)	**85,391**	140,778
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses related to members	**2,252,451**	2,015,719
Non-assessable fees related to members	**(2,231,741)**	(2,097,462)
	106,101	59,035
Under (over) provision in prior years	**734**	175
Total income tax expense	**106,835**	59,210

5 Current assets - Cash Assets

	2006 $	2005 $
Petty Cash	**401**	400
Cash at bank - NAB $USD APNIC infodev	**27,258**	28,297
Cash at bank - NAB (USD)	**655,404**	327,875
Short Term Deposits - NAB	**4,815,006**	4,806,567
Cash at bank/(overdraft) - NAB (AUD)	**198,232**	10,117
	5,696,301	5,173,256

6 Current assets - Receivables

	2006 $	2005 $
Net trade receivables		
Trade receivables	**1,478,294**	1,071,989
Provision for doubtful receivables	**(3,827)**	(2,511)
	1,474,467	1,069,478
Goods and services tax (GST) receivable	**12,530**	3,045
Interest receivable	**124,519**	119,262
	1,611,516	1,191,785

7 Current assets - Other current assets

	2006 $	2005 $
Prepayments	**131,831**	117,311
Deposits	**1,500**	50
Sundry Receivables	**74,472**	20,811
	207,803	138,172

8 Non-current assets - Other financial assets

	2006 $	2005 $
Units in managed investment funds - at fair value	**1,148,369**	1,020,778

9 Non-current assets - Property, plant and equipment

	Plant and equipment $	Office furniture and equipment $	Office improvement $	Total $
At 1 January 2005				
- Cost	2,086,295	72,158	457,439	2,615,892
Accumulated depreciation	(1,023,929)	(41,509)	(179,456)	(1,244,894)
Year ended 31 December 2005				
Opening net book amount	1,062,366	30,649	277,983	1,370,998
Additions	412,305	7,726	-	420,031
Disposals	(3,923)	-	-	(3,923)
Depreciation charge	(436,713)	(3,995)	(26,899)	(467,607)
Closing net book amount	1,034,035	34,380	251,084	1,319,499
At 31 December 2005				
- Cost	2,382,644	79,885	457,439	2,919,968
Accumulated depreciation	(1,348,609)	(45,505)	(206,355)	(1,600,469)
Net book amount	1,034,035	34,380	251,084	1,319,499

	Plant and equipment $	Office furniture and equipment $	Office improvement $	Total $
Year ended 31 December 2006				
Opening net book amount	1,034,035	34,380	251,084	1,319,499
Additions	639,878	14,059	44,975	698,912
Disposals	(2,484)	-	-	(2,484)
Depreciation charge	(489,622)	(5,393)	(26,451)	(521,466)
Closing net book amount	1,181,807	43,046	269,608	1,494,461
At 31 December 2006				
- Cost	3,018,771	93,944	502,414	3,615,129
Accumulated depreciation	(1,836,964)	(50,898)	(232,806)	(2,120,668)
Net book amount	1,181,807	43,046	269,608	1,494,461

10 Current liabilities - Payables

	2006 $	2005 $
Trade payables	**1,053,579**	671,446
Provision for annual leave	**305,842**	268,505
Accruals	**404,804**	406,964
	1,764,225	1,346,915

11 Current liabilities - Current tax liabilities

	Entity	
	2006 $	2005 $
Income tax	**100,044**	36,474

12 Contributed equity

	2006 Shares	2005 Shares	2006 $	2005 $
(a) Share capital				
Fully paid	1	1	1	1

13 Reserves and retained profits

	2006 $	2005 $
(a) Reserves		
Reserves - Available for sale investment revaluation Reserves	**143,620**	158,167

	2006 $	2005 $
Movements:		
Reserves - Available for sale investment revaluation Reserves		
Balance 1 January	**158,167**	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax	-	96,242
Revaluation - net of tax	**(14,547)**	66,431
Transfer to net profit - net of tax	-	(4,506)
Balance 31 December	**143,620**	158,167

13 Reserves and retained profits (continued)

(b) Retained profits

Movements in retained profits were as follows:

	2006 $	2005 $
Retained earnings	8,701,943	8,388,135
Profit for the year	177,802	410,050
Adjustment on adoption of AASB 132 and AASB 139	-	(96,242)
Balance 31 December	8,879,745	8,701,943

14 Remuneration of auditors

	2006 $	2005 $
(a) Assurance services		
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	18,800	16,800
Other assurance services		
PricewaterhouseCoopers Australian firm		
Other services	5,520	4,300
Total remuneration for assurance services	24,320	21,100

15 Commitments

(i) Operating leases

	2006 $	2005 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	338,971	326,312
Later than one year but not later than five years	85,566	425,029
	424,537	751,341

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

	2006 $	2005 $
Profit for the year	**177,802**	410,050
Depreciation and amortisation	**521,466**	467,607
Net loss on sale of units in managed funds	**-**	4,770
Net loss on sale of property, plant and equipment	**284**	1,668
Bad Debts	**4,727**	(3,884)
Investment distribution income	**(148,373)**	(79,326)
Change in operating assets and liabilities	**-**	-
Increase (Decrease) in income tax payable	**63,570**	60,902
Decrease (Increase) in interest receivables	**(5,257)**	20,475
Decrease in deposits and prepayments	**(15,970)**	46,143
Decrease (Increase) in trade and other debtors	**(464,692)**	(567,896)
Decrease (Increase) in provision for doubtful debts	**1,316**	(6,281)
Increase (Decrease) in trade and other creditors	**379,975**	418,336
Increase (decrease) in GST payable	**(9,485)**	13,334
Increase (decrease) in provision for unearned income	**595,366**	1,045,345
Increase (decrease) deferred tax provisions	**(1,244)**	(5,219)
(Decrease) increase in trade creditors	**120,273**	64,585
Net cash (outflow) inflow from operating activities	**1,219,758**	1,890,609

As stated in Note 1(a) to the financial statements, in the director's opinion, the company is not a reporting entity because there are no users dependent on general purpose financial reports. This is a special purpose financial report that has been prepared to meet *Corporations Act 2001* requirements.

The financial report has been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in Note 1(a).

In the director's opinion:

(a) the financial statements and notes set out on pages 3 to 17 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, and the *Corporations Regulations 2001*; and
- (ii) giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Paul Byron Wilson
Director

Brisbane
7 February 200~~6~~7

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001
DX 77 Brisbane
Australia
www.pwc.com/au
Telephone +61 7 3257 5000
Facsimile +61 7 3257 5999

Independent audit report to the members of APNIC Pty Ltd

Audit opinion

In our opinion the financial report of APNIC Pty Ltd:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of APNIC Pty Ltd as at 31 December 2006 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements,
- is presented in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia to the extent described in Note 1 to the financial statements, the *Corporations Act 2001* and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report, being a special purpose financial report, comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the director's declaration for APNIC Pty Ltd (the company), for the year ended 31 December 2006. It has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting requirements under the *Corporations Act 2001*.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

The director has determined that the accounting policies used and described in Note 1 to the financial statements, including the basis of accounting, which forms part of the financial report, are appropriate to meet the requirements of the *Corporations Act 2001*. The members have agreed that these policies are appropriate to meet their needs.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company on its preparation and presentation in accordance with the accounting policies described in Note 1. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which they were prepared.

Our audit was conducted in accordance with Australian Auditing Standards. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatmentaudit.

PRICEWATERHOUSECOOPERS

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001,* and the accounting policies described in Note 1 to the financial statements, a view which is consistent with our understanding of the company's financial position, and its performance as represented by the results of its operations, changes in equity and cash flows. These policies do not require the application of all Accounting Standards and other mandatory financial reporting requirements in Australia.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

P J Clarke
Partner

Brisbane
7 February 2007

APNIC Pty Ltd
Operating statement
For the year ended 31 December 2006

	2006 $	2005 $
Income		
Foreign currency gains	(125,236)	498,637
IP resource allocation fee	770,603	695,262
Interest	565,374	427,696
Membership fees	5,491,250	4,871,360
Non-membership income	120,110	96,286
Other revenue	242,458	176,875
Per allocation fees	1,049,812	830,713
Reactivation fees	11,394	1,248
Total	(8,125,765)	(7,598,077)
Net income	8,125,765	7,598,077
Less Expenses		
Administration expenses (refer schedule)	7,841,128	7,128,820
Total expenses	7,841,128	7,128,820
Net trading profit	284,637	469,257
Profit from ordinary activities before income tax	284,637	469,257

Schedule of expenses

	2006 $	2005 $
Administration expenses		
Administration fees	1,310	1,167
Auditor's remuneration - audit fees	24,320	21,100
Bank charges - general	56,336	41,666
Books and periodicals	6,243	5,178
Cleaning	10,296	10,296
Communication expenses	125,248	164,567
Computer costs - other	151,993	88,819
Depreciation - other	521,466	467,607
Donations	35,829	18,042
Doubtful debts	4,727	(3,884)
Electricity	27,283	23,639
Employees' entitlements	120,274	64,584
Equipment hire	32,186	41,402
Deductible entertainment	5,649	2,186
Fringe benefits tax	7,839	24,772
Gifts/promotions	26,885	14,321
ICANN	245,405	298,515
Insurance - other	86,383	84,970
(Gain)/Loss on sale of investments	-	(4,770)
(Gain)/Loss on sale of fixed assets	284	-
Meeting expenses	81,841	69,614
Membership fees	77,423	144,592
Miscellaneous expenses	6,314	19,304
Office expenses	37,362	36,629
Parking expenses	62,140	48,309
Payroll tax	170,965	154,407
Postage	44,829	58,902
Printing and stationery	38,696	38,337
Professional fees - Accountancy/Management	23,729	18,922
Professional fees - Consulting	127,006	99,424
Professional fees - Legal	53,494	68,863
Professional fees - Project management	44,000	-
Professional fees - R&D	149,915	298,276
Recruitment	87,699	66,240
Rent	335,114	322,012

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

	2006	2005
	$	$
Repairs and maintenance	**8,788**	7,972
Salaries and wages	**3,533,997**	3,110,795
Sponsorship fees	**47,994**	21,978
Staff benefits	**4,167**	-
Staff amenities	**9,900**	12,581
Staff training	**61,014**	47,655
Superannuation contributions - employees	**349,190**	309,771
Translation expenses	**35,281**	13,982
Travel	**952,700**	788,129
Worker's compensation	**7,615**	7,949
Total expenses	**7,841,128**	7,128,820

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