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# 1. Treasurer's Report

The 2007 financial year presented APNIC with some significant financial challenges. For the first time in APNIC's history, the Executive Council of APNIC approved a budget that projected a significant operating loss of 491,791 USD. There were two key reasons for this projected shortfall:

1. The dual currency mode of operation of APNIC, with income in USD and the majority of expenses incurred in AUD.
2. The long-term movement of revenue and expenses for APNIC.

The fee schedule for APNIC, as expressed in USD, has been held constant for the past decade, while the unit costs of operating APNIC services, as expressed in AUD, have increased with inflation in AUD, which has totalled over 25% in this period.

In addition to this longer-term increase in APNIC's operating costs, there has been significant volatility in the international currency markets that has affected the USD currency exchange rate. This factor has had a major impact on the APNIC financial situation. Over the past decade the AUD/USD exchange rate has varied from 0.79 in 1998 to a low of 0.49 in 2001, rising again to over 0.94 towards the end of 2007. Recently, this exchange rate has been exceptionally volatile, and was projected to exceed 1.00 in the next year or so. A variation of up to 19% in the AUD value of APNIC's revenue during 2007 has been a major factor affecting APNIC's finances in the past year.

Given these challenging circumstances in currency movement, it has been difficult to manage the expenses to ensure that APNIC's financial performance for 2007 remained in line with budget projections. There has been a concerted effort to limit expenses to minimise the effect on APNIC's capital reserves.

This effort of fiscal restraint during 2007 was effective and, coupled with higher than expected revenues, produced a net operating loss of 199,467 USD for the year. This outcome is a considerable improvement over the original budget projection for 2007. The currency exchange component, which represented total losses of 276,945 USD for the year, was the largest contributor to this financial loss.

The outlook for USD currency markets continues to point to high levels of volatility in 2008 and beyond and, with this in mind, the Executive Council took the decision to stabilise APNIC's finances by shifting the APNIC fee schedule to the AUD currency from 1 January 2008. The Executive Council believes that it is in the interests of all APNIC members to ensure that APNIC has a stable and robust financial foundation from which to deliver its services. The most effective way to secure this stability has been to reduce the element of currency exchange fluctuations from APNIC's financial framework. The Executive Council believes that it has the support of APNIC members in making this decision, and looks forward to a more certain financial outlook for APNIC in 2008 and beyond.

Kuo Wei Wu  
Treasurer

## 2. Balance Sheet

<b>Statement of Financial Position (USD)</b>					
	<b>Year-End 2007</b>	<b>% of Total Asset or Liab+Equity</b>	<b>% change from Year-End 2006</b>	<b>Year-End 2006</b>	<b>Year-End 2005</b>
<i>Exchange rate(*)</i>	<i>0.8875(1)</i>		<i>12%</i>	<i>0.7938(2)</i>	<i>0.7835(2)</i>
<b>CURRENT ASSETS</b>					
Cash	5,880,878	45%	30%	4,521,723	3,809,068
Term deposit investment	2,041,250	16%	-22%	2,619,540	2,429,790
Receivables	841,777	7%	-37%	1,328,391	890,592
Advance payment	74,329	1%	-30%	105,838	86,413
Others	27,837	0%	135%	11,857	3,879
<b>TOTAL CURRENT ASSETS</b>	<b>8,866,071</b>	<b>69%</b>	<b>3%</b>	<b>8,587,349</b>	<b>7,219,742</b>
<b>NON-CURRENT ASSETS</b>					
Other financial assets	1,085,116	8%	19%	911,576	751,599
Property, plant and equipment	1,479,543	11%	25%	1,186,303	971,547
Long term deposit investment	1,508,750	12%	-5%	1,587,600	1,472,600
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4,073,410</b>	<b>31%</b>	<b>11%</b>	<b>3,685,478</b>	<b>3,195,746</b>
<b>TOTAL ASSETS</b>	<b>12,939,481</b>	<b>100%</b>	<b>5%</b>	<b>12,272,827</b>	<b>10,415,488</b>
<b>CURRENT LIABILITIES</b>					
Accrued expenses	1,011,004	8%	-13%	1,157,664	794,034
Provisions	788,258	6%	40%	561,878	391,183
Unearned revenue	3,388,385	26%	0%	3,390,538	2,706,572
<b>TOTAL LIABILITIES</b>	<b>5,187,647</b>	<b>40%</b>	<b>2%</b>	<b>5,110,080</b>	<b>3,891,789</b>
<b>EQUITY</b>					
Share capital	0.89	0%	12%	0.79	0.74
Reserves	80,609	1%	-29%	114,006	116,459
Retained earnings	7,671,224	59%	9%	7,048,741	6,407,240
<b>TOTAL EQUITY</b>	<b>7,751,834</b>	<b>60%</b>	<b>8%</b>	<b>7,162,748</b>	<b>6,523,700</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>12,939,481</b>	<b>100%</b>	<b>5%</b>	<b>12,272,827</b>	<b>10,415,488</b>

(\*) The exchange rates used in this report are official average rates provided by the Australia Taxation Office (ATO).

(1) ATO official nearest actual rate as at 31 December 2007.

(2) ATO official notes spot rate for 31 Dec 2006 and 31 Dec 2005 respectively.

### 3. Profit and Loss Statement

The following tables provide expenses, revenue and operating profit/ (loss) for the year 2007, comparing actual 2007 and 2006 figures, in addition to the comparison of actual figures with the 2007 budget figures.

#### 3.1 Expenses

<b>EXPENSES (USD)</b>	<b>Actual 2007</b>	<b>Actual 2006</b>	<b>Variation %</b>	<b>Budget 2007</b>	<b>Budget Variation</b>	<b>Variation %</b>
<i>Exchange rate(*)</i>	<b>0.8448(1)</b>	<b>0.7574 (2)</b>	12%	<b>0.7889(3)</b>	0.0559	7%
Communication expenses	175,902	94,863	85%	<b>124,093</b>	51,809	42%
Depreciation expense	477,376	394,959	21%	<b>437,024</b>	40,352	9%
Donation/ sponsorship	92,167	63,487	45%	<b>74,395</b>	17,772	24%
ICANN contract fees	205,682	185,869	11%	<b>216,038</b>	(10,355)	-5%
Meeting and training expenses	121,075	90,642	34%	<b>148,314</b>	(27,239)	-18%
Membership fees	44,526	58,640	-24%	<b>59,350</b>	(14,824)	-25%
Other operating expenses	1,400,163	1,028,173	36%	<b>1,242,550</b>	157,613	13%
Professional fees	330,705	319,974	3%	<b>385,095</b>	(54,390)	-14%
Rent	376,845	300,880	25%	<b>325,248</b>	51,598	16%
Salaries	3,279,809	2,679,805	22%	<b>3,219,890</b>	59,920	2%
Travel expenses	1,002,558	721,577	39%	<b>818,697</b>	183,861	22%
<b>TOTAL EXPENSES</b>	<b>7,506,808</b>	<b>5,938,870</b>	<b>26%</b>	<b>7,050,692</b>	<b>456,115</b>	<b>6%</b>

#### 3.2 Revenue

<b>REVENUE (USD)</b>	<b>Actual 2007</b>	<b>Actual 2006</b>	<b>Variation %</b>	<b>Budget 2007</b>	<b>Budget Variation</b>	<b>Variation %</b>
<i>Exchange Rate (*)</i>	<b>0.8448(1)</b>	<b>0.7574 (2)</b>	12%	<b>0.7889(3)</b>	0.0559	7%
Interest income	508,158	428,215	19%	<b>431,195</b>	76,963	18%
IP resource application fees	645,965	583,655	11%	<b>566,362</b>	79,603	14%
Membership fees	5,155,736	4,159,073	24%	<b>4,692,842</b>	462,894	10%
Non-members fees	120,607	90,971	33%	<b>77,768</b>	42,839	55%
Per allocation fees	1,056,931	795,127	33%	<b>723,532</b>	333,399	46%
Sundry income	189,294	192,268	-2%	<b>152,417</b>	36,877	24%
<b>SUB-TOTAL REVENUE</b>	<b>7,676,691</b>	<b>6,249,308</b>	<b>23%</b>	<b>6,644,115</b>	<b>1,032,576</b>	<b>16%</b>
Foreign Exchange gain/(loss)	(276,945)	(94,854)	192%	<b>0</b>	(276,945)	0.0%
<b>TOTAL REVENUE</b>	<b>7,399,746</b>	<b>6,154,454</b>	<b>20%</b>	<b>6,644,115</b>	<b>755,631</b>	<b>11%</b>

(\*) The exchange rates used in this report are official average rates provided by the Australia Taxation Office (ATO).

(1) The average exchange rate for ATO official monthly average rate from Jan to December 2007

(2) The average exchange rate for ATO official monthly average rate from Jan to December 2006

(3) Exchange rate being used in the budget 2007 by referring to the recent economical data provided by National Australia Bank.

### 3.3 Operating Profit/ (Loss)

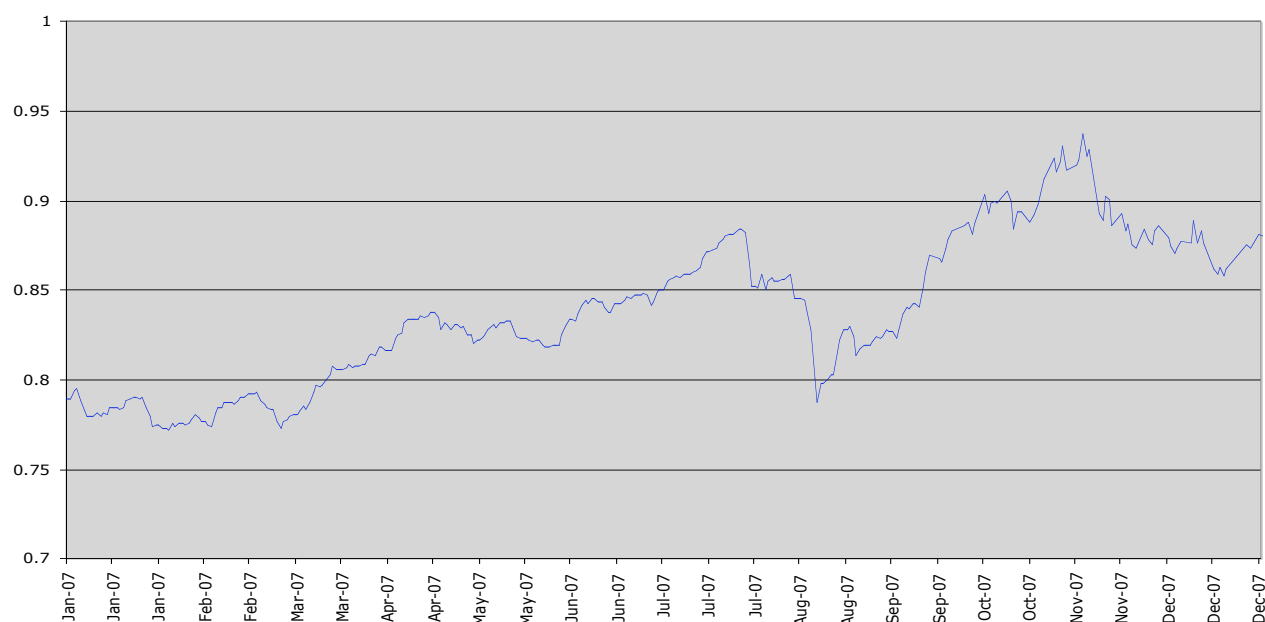
Revenue and Expenses (USD)	Actual	Actual	Variation	Budget	Budget	Variation
	2007	2006	%	2007	Variation	%
	<b>0.8448(1)</b>	<b>0.7574 (2)</b>	12%	<b>0.7889(3)</b>	0.0559	7%
Total Revenue	7,399,746	6,154,454	20%	<b>6,644,115</b>	755,631	11%
Total Expenses	7,506,808	5,938,870	26%	<b>7,050,692</b>	456,115	6%
<b>OPERATING PROFIT/ (LOSS) BEFORE INCOME TAX EXPENSE</b>	<b>(107,061)</b>	<b>215,584</b>	<b>-150%</b>	<b>(406,577)</b>	<b>299,516</b>	
Income tax expense	92,406	80,917	14%	<b>85,214</b>	7,192	<b>8%</b>
<b>OPERATING PROFIT/ (LOSS) AFTER INCOME TAX EXPENSE</b>	<b>(199,467)</b>	<b>134,667</b>	<b>-248%</b>	<b>(491,791)</b>	<b>292,324</b>	

### 4. Foreign Exchange

The US dollar has been fluctuated a lot during year 2007. The exchange rate from beginning of the year until end of the year has been increased by 11%, from 0.7938 to 0.8875, as shown on the following chart.

The AUD / USD currency exchange rate figures for December 2007 are:

ATO official year end spot rate as at 31 December 2007	0.8875
ATO official monthly average rate for December 2007	0.8825
ATO average exchange rate for Jan to Dec 2007	0.8448
Budget average exchange rate for 2007	0.7889



## 5. Membership

By the end of December 2007, APNIC had a total of 1,584 members serving 51 economies. There is a net gain of 222 members, with 349 new members whilst 127 members have been closed during the year. Economies in which APNIC have the highest members are Australia (421 members), India (190 members), followed by Hong Kong (142 members).

The following table shows the monthly membership changes, and the analysis of membership tier of APNIC, which shows 48% of APNIC members are at Small membership tier.

Membership	Total	New	(Closed)	Size	Total	Total (%)
	Dec-06	2007	2007	Change	Dec-07	Dec-07
Extra Large	9	0	0	0	9	1%
Very Large	21	1	(1)	6	27	2%
Large Member	70	1	0	6	77	5%
Medium	210	9	(15)	27	231	15%
Small	658	76	(59)	90	765	48%
Very Small	261	123	(31)	(49)	304	19%
Associate	133	139	(21)	(80)	171	11%
<b>TOTAL</b>	<b>1362</b>	<b>349</b>	<b>(127)</b>	<b>0</b>	<b>1584</b>	<b>100%</b>

Table below compares actual growth of membership till the end of December 2007 with the budgeted growth.

Membership	Total	Total	Actual	Budgeted	Budgeted	Variation
	EOY	EOY	Growth	Total EOY	Growth	Actual vs.
	2006	2007	2007	2007	2007	Budget
Extra Large	9	9	0	10	1	-1
Very Large	21	27	6	22	1	5
Large Member	70	77	7	84	14	-7
Medium	210	231	21	224	14	7
Small	658	765	107	748	90	17
Very Small	261	304	43	348	87	-44
Associate	133	171	38	131	-2	40
<b>TOTAL</b>	<b>1362</b>	<b>1584</b>	<b>222</b>	<b>1567</b>	<b>205</b>	<b>17</b>

The graph below illustrates the historical figures for total memberships since the establishment of APNIC's membership system in 1996; the membership is growing steadily with an underlying trend model of the total membership number that is stronger than a linear growth. The monthly net change in membership is shown in the following graph.

