

THE INTERNET SOCIETY OF AUSTRALIA
ACN: 076 406 801
(A Company Limited by Guarantee)

The Financial Reports

For the year ended June 30, 2011

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**INTERNET SOCIETY OF AUSTRALIA
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FOR THE YEAR ENDED 30 JUNE 2011**

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Civic Square ACT 2608**

**Principal Place of Business:
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GREENWICH NSW 2065**

**Registered Address:
Internet Society of Australia
C/ Maddocks Lawyers
Level 7 140 William St
Melbourne 3000**

**INTERNET SOCIETY OF AUSTRALIA
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DIRECTORS REPORT

The Directors present their report for the year ended 30 June 2011.

Directors:

The Directors of the company in office during the year are:

NAME	POSITION	QUALIFICATIONS
Tony Hill	President	BA. M Environmental Studies, Grad Cert. Public Sector Management (Director since 2001, Executive Director 1999-2001, Appointed President 2001)
Narelle Clark	Vice President	BAppSc M Eng PGDip Mgt, MIEEE M COMSOC (Director since 2002)
Cheryl Langdon-Orr	Hon Secretary from Nov/2010 Hon Treasurer until Nov/2010	(Director since 2007, Hon Treasurer 2007-2010, Appointed Company Secretary 10 November 2010)
Kevin Karp	Hon Secretary until Nov/2010	B.E. (Hons). B. Sc, GradDipSIA, Senior ACM, Fellow FINSIA (Director since 2004, Company Secretary since 2005, retired as a director on 20 October 2010)
Paul Brooks	Hon Treasurer from Nov/2010	BSc (Hons) PhD Astrophysics (UNSW) MACS (Director since 2007, Appointed Hon Treasurer 10 November 2010)
Gunela Astbrink	Director	BA (James Cook) GradDipLib (UNSW) AALIA (Director since 2000)
Roger Clarke	Director	BComm(Hons I) MComm UNSW PhD ANU FACS (Appointed as a director 20 October 2010)
George Fong	Director	BA (Hons) CNAALaw Barrister (UK) Advocate and Solicitor (SGP) (Director 1997-2005, Reappointed as a Director 5 March 2011)
Robert Forsyth	Director	FACS, MAHRI (Director since 2009)
Robert Gregory	Director	BInfoTech (QUT) LLB (QUT) GradDip Intellectual P Law (MelbU) (Director since 2008)
Ross Kelso	Director	BEng. MEngSC (Qld), Grad Dip Media, Communications & IT Law (Melb) PhD (QUT) (Retired as a director 20 October 2010)
Jerry Leeson	Director	BA.(Director since 2006)
Andrew McRae	Director	(Director since 2007)
Skeeve Stevens	Director	(Appointed as a director 20 October 2010)
Gerry White	Director	Dip. T., Adv. Dip. T (Dist), B.Ed. Cert. Ed. Admin., Cert Theol., M Ed. FACE (Director since 2001, retired as a director 24 January 2011)

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DIRECTORS REPORT

Directors' Meetings:

The number of Directors Meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the company during the financial year are:

DIRECTORS' ATTENDANCE AT BOARD MEETINGS 2010/2011

NAME	ELIGIBLE	ATTENDED	
G ASTBRINK	11	10	
P BROOKS	11	9	
N CLARK	11	10	
R CLARKE	7	6	Elected 20/10/10
G FONG	3	1	Elected 5/3/11
R FORSYTH	11	8	
R GREGORY	11	8	
T HILL	11	10	
K KARP	4	4	Retired 20/10/10
R KELSO	4	2	Retired 20/10/10
C LANGDON-ORR	11	8	
J LEESON	11	9	
A MCRAE	11	7	
G WHITE	6	4	Retired 24/1/11
S STEVENS	7	3	Elected 20/10/10

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DIRECTORS REPORT

Principal Activity

The principal activity of the company is to act as a representative body for its members on Internet issues.

Net Results

The net operating deficit for the year was \$28,713. (2010:Surplus \$18,423).The primary reason for the deficit was the reduction in income from the loss of a major sponsor and the closure of DBCDE S.593 Grant scheme and subsequent redirection of government support funding to ACCAN.

The Objects of the Internet Society of Australia

The objective of the Society is to give expression to the needs and wishes of individuals, groups, or organisations that have a common interest in the viability of the Internet in Australia, so that all Australian users of the Internet may continue to benefit from, and contribute to, its applications, technologies and evolution.

The objects for which the Society is established are;

- 1) to provided broad-based representation of the Australian Internet community both nationally and internationally;
- 2) to provide a service for the benefit of the community generally by enabling individuals, groups, and organisations to use the Internet effectively for communication, collaboration, education, and innovation;
- 3) to promote the availability of access to the Internet for all Australians, and to provided information, assistance, archives, and other relevant resources for Australian Internet users;
- 4) to give expression to the viewpoint of Australian Internet users to business, industry, the government, the media, and society in general, by providing information and promoting education;
- 5) to affiliate with other Australian Internet-focused organisations for co-ordination, collaboration and education in order to further the objectives of the Society;
- 6) to examine, develop, and disseminate the community's understanding of ethical and co-operative standards of usage of the Internet;
- 7) to support, co-ordinate, develop and evolve effective standards of administration of systems and resources fundamental to the functioning and integrity of the Internet, such as addressing, naming, security and connectivity;
- 8) to promote, facilitate, and conduct research relating to the Internet and internetworking; and
- 9) to develop and maintain formal and informal relationships with the international Internet community.

Strategy for Achieving these Objectives

- 1) Advocacy to Government and industry on issues that will impact on access of all to the Internet, including advocacy for access by people with disabilities to the Internet;
- 2) Submissions to Government and regulators on issues that affect access by all to the Internet;

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DIRECTORS REPORT

3) Membership of and participation in other user groups both national and international, particularly peak groups for Internet consumers and business users, to develop common understandings and projects to promote the furtherance of ISOC-AU objectives;

4) Participation in international Internet for a, including global Internet Society, membership of ICANN and participation in the Internet Governance Forum.

Indemnification and Insurance of Officers & Auditors

Clause 99 of the company's Articles of Association requires that any officer of the company be indemnified for any liabilities to another person that may arise from their position as such officer. The company does pay for a policy to cover the officers as such.

Auditor's Independence Declaration

Refer attached Auditor's Independence Declaration.

Dated atthisday of 2011.

Signed in accordance with a resolution of the directors:

..... Director Secretary

..... Hon. Treasurer

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AUDITOR'S INDEPENDENCE DECLARATION

This declaration is made in connection with our audit of the financial report of the company for the year ended 30 June 2011 and in accordance with the provisions of the Corporations Act 2001.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

.....
Ken Wright
MEAGHER HOWARD & WRIGHT

Dated:

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011 \$	2010 \$
Revenues from Ordinary Activities	4	86,001	168,672
Expense of Ordinary Activities (excluding borrowing costs)	5	(114,714)	150,249
		<hr/>	<hr/>
Operating Surplus/(deficit) before Tax		(28,713)	18,423
Income Tax Applicable to Operating Surplus		-	-
		<hr/>	<hr/>
Operating Surplus/Deficit after Income Tax		(28,713)	18,423

STATEMENT OF CHANGES IN EQUITY

	NOTE	Retained Earnings	Total
Balance as at 30 th June 2009		52,099	52,099
Surplus/(Deficit)		<hr/> 18,423	<hr/> 18,423
Balance as at the 30 th June 2010		<hr/> 70,522	<hr/> 70,522
Surplus/(Deficit)		(28,713)	(28,713)
Balance as at the end of the Year		<hr/> 41,809	<hr/> 41,809

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**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2011**

	NOTE	2011 \$	2010 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2	36,887	58,753
Trade and other receivable	3	<u>37,879</u>	<u>68,447</u>
TOTAL CURRENT ASSETS		<u>74,766</u>	<u>127,230</u>
TOTAL ASSETS		<u>74,766</u>	<u>127,230</u>
LIABILITIES			
CURRENT LIABILITIES			
Other creditors		1,798	1,794
PAYG payable		11,497	23,897
GST on supplies		17,874	26,833
Employee benefits		<u>1,788</u>	<u>4,155</u>
TOTAL CURRENT LIABILITIES		<u>32,957</u>	<u>56,678</u>
TOTAL LIABILITIES		<u>32,957</u>	<u>56,678</u>
NET ASSETS		<u>41,809</u>	<u>70,522</u>
EQUITY			
Retained earnings	7	<u>41,809</u>	<u>70,522</u>
TOTAL EQUITY		<u>41,809</u>	<u>70,522</u>

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

	NOTE	2011 \$	2010 \$
CASHFLOWS FROM OPERATING ACTIVITIES			
Cash receipts from debtors		110,240	167,492
Cash payments to suppliers		133,864	(148,690)
Interest received		1,758	1,274
Net cash provided/(used) in operating activities		<u>(21,866)</u>	<u>20,076</u>
Net increase/(decrease) in cash held		(21,866)	20,076
Cash held at beginning of year		<u>58,753</u>	<u>38,677</u>
Cash at end of year		<u>36,887</u>	<u>58,753</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

(a) Revenue

Grant revenue is recognised in the income statement when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the balance sheet as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Internet Society of Australia receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the balance sheet, with a corresponding amount of income recognised in the income statement.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service.

Revenue is stated net of the amount of goods and services tax (GST).

(g) Employee Benefits

Provision is made for the entity's liability for employee benefits arising from services rendered by employees to Balance Sheet date. Employee benefits expected to be settled within one year together with benefits arising from wages, salaries and annual leave which may be settled after one year, have been measured at the amounts expected to be paid when the liability is settled. Other employee benefits payable later than one year have been measured at the net present value.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are presented in the Cash Flow Statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(j) Income Tax

No provision for income tax has been raised as the entity is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

(m) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 2 CASH	2011	2010
Bendigo operating accounts	31,580	42,891
Term deposit	<u>5,307</u>	<u>15,862</u>
	<u>36,887</u>	<u>58,753</u>

NOTE 3 RECEIVABLES

Trade debtors	33,490	62,187
GST receivables	<u>4,389</u>	<u>6,260</u>
	<u>37,879</u>	<u>68,447</u>

NOTE 4 OPERATING REVENUE

Individual Membership fees	11,537	9,387
Donations/sponsorship	20,000	60,727
Events income	19,114	5,356
Grants	19,868	44,265
Miscellaneous income	(1,526)	1,163
Interest received - bank	1,758	1,274
Organisational Membership fees	<u>15,250</u>	<u>46,500</u>
	<u>86,001</u>	<u>168,672</u>

Operating revenue in FY2011 was significantly impacted by number of organisational members and sponsors including a major Platinum level sponsor (30,000), choosing not to renew their support for the Society, In addition, the DCITA S.593 Consumer Representation Grants Scheme, for which the Society received \$25,100 (ex GST) in the last annual round completed in September 2010, was not renewed.

The combined result was a halving of the Society's revenue compared to 2009-2010.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 5 OPERATING EXPENSES

	2011	2010
Operating profit before income tax is arrived at after charging the following items:		
Auditor's remuneration	2,400	2,250
Accounting expenses	3,180	-
Bad debts	-	57,590
Bank fees & charges	553	521
Computer expenses	703	1,090
Filing and licence fees	56	275
Fines	3,369	-
Insurance/workers comp. insurance	1,941	1,883
Consultant expenses	27,943	7,338
Meeting expenses	-	2,502
Consumer projects	602	-
Provision for doubtful debts	9,292	-
Provision for employee benefits	(2,354)	-
Salaries & wages	16,048	16,000
Superannuation	46,385	49,400
Training	-	-
Secretariat expenses	1,242	97
Travel & accommodation	3,334	11,246
Office expenses	20	57
	114,714	150,249

NOTE 6 RELATED PARTIES

Consultant Expenses in FY2011 includes the following amounts paid to related parties:

- \$18,605 to businesses controlled by N Clark and P Brooks to write (with H.Raiche) the ACCAN/ISOC-AU National Broadband Network Guide for Consumers. This project was supported by \$20,000 from ACCAN and US\$9400 from an ISOC Community Grant, of which AU\$19,024 in total was recognised within Grants Income in the previous year.
- \$6,107 to a business controlled by G Astbrink to prepare and deliver a Disability Training project, supported by a ISOC Community Grant of AU\$12,869 which is included as Grants income in the current year.

No other director has entered into a material contract with the company or received any other benefit or remuneration.

NOTE 7 TRADE DEBTORS

Trade debtors	43,220	106,903
Less: Provision for doubtful debts	(9,730)	(44,716)
	33,490	62,187

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 8 MEMBERS EQUITY

The company is a company limited by guarantee. In the event of the company winding up its operations, the members have guaranteed to contribute a maximum amount of \$1 per member.

NOTE 9 RELATED PARTIES

No director has entered into a material contract with the company or received any other benefit or remuneration.:

NOTE 10 STATEMENT OF CASH FLOWS

2011

2010

Reconciliation of the operating profit/
(loss) after tax to the net cash flows
from operations

Operating profit/(loss) after tax	(28,713)	18,423
Depreciation	-	-
Changes in assets and liabilities		
(Increase)/decrease in debtors	28,697	(6,835)
Increase/(decrease) in other assets	1,871	(2,457)
Increase/(Decrease) in provisions	(2,367)	-
Increase/(decrease) in sundry creditors	(21,354)	10,945
Net Cash Flows from operating activities	<u>(21,866)</u>	<u>20,076</u>

**INTERNET SOCIETY OF AUSTRALIA
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DIRECTOR'S DECLARATION

- 1(a) The financial statements and notes to the accounts have been made out in accordance with applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).
- 1 (b) The financial statements and notes to the accounts are drawn up so as to give a true and fair view of the results and cash flows and financial position of the company for the financial year ended 30 June 2011.
- 2 In the opinion of the directors of the Internet Society of Australia:
 - (a) at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
 - (b) the financial statements are drawn up in accordance with The Corporations Law including sections 296 and 297.

Dated at this..... day of 2011

Signed in accordance with a resolution of the directors:

.....
Director - Secretary

.....
Director – Hon. Treasurer