

## **INDEPENDENT AUDITORS' REPORT**

To  
**Directors and Members of the General Meeting of  
Registro Regional de Direcciones IP para América  
Latina y el Caribe (LACNIC)  
Montevideo - Uruguay**

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### *Report on the Financial Statements*

1. We have audited the enclosed Statements of Assets and Liabilities of **Registro Regional de Direcciones IP para América Latina y el Caribe (LACNIC)** as of 31<sup>st</sup> December 2007, and the related Statement of Profit and Loss, Changes in Shareholders' Equity and Cash Flows, stated in United States Dollars for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements.*

2. Management of **Regional de Direcciones IP para América Latina y el Caribe (LACNIC)** is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining an internal control relevant to the preparation and fair presentation of the financial statements that should be free from material misstatement, either due to fraud or to error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, either due to fraud or to error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

6. The financial statements as of 31<sup>st</sup> December 2006, presented for the sole purpose of being compared with the ones of the present financial year, have been audited by another auditing professional firm which issued a clean opinion dated 5<sup>th</sup> March 2007. In their opinion, those auditors highlighted a paragraph regarding the following issues:

- a) as at the date of issue of said opinion it was not possible to establish with a reasonable degree of accuracy the time and the way how the effectiveness of the tax exemptions provided for in article 69 of the Constitution of the Republic would be elucidated. As is stated in note 5 to these financial statements, this situation was already elucidated, as it had favourable judgments of the “Tribunal de lo Contencioso Administrativo” (Supreme Administrative Court) dated 11<sup>th</sup> June 2007 and 12<sup>th</sup> November 2007.
- b) as from the financial year ended 31<sup>st</sup> December 2006, the Institution considered that its functional currency is the American Dollar.

## Opinion

7. In our opinion, the financial statements present fairly, in all material respects, the financial position of **Registro Regional de Direcciones IP para América Latina y el Caribe (LACNIC)** as of December 31<sup>st</sup>, 2007 and the results of its operations, the changes in its shareholders’ equity and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

### *Limitation of Use*

8. This report is only for information and use of the Management of **Registro Regional de Direcciones IP para América Latina y el Caribe (LACNIC)** and it must not be used for any other purpose.

Montevideo, 4<sup>th</sup> March 2008.

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**Cr. Jorge Gutfraind**

Professional stamp

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**C.P. 32.922**

in original copy

**Registro Regional de Direcciones IP para America Latina y Caribe (LACNIC)**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AS OF DECEMBER 31, 2007**  
**(In U.S. Dollars)**

	December 31, 2007	December 31, 2006
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
CASH AND BANKS (Note 2.6)		
Cash	305	340
Banks	117.568	102.384
	117.873	102.724
SHORT TERM INVESTMENTS (Note 2.9 y 4)		
Investments	2.685	3.617
	2.685	3.617
ACCOUNTS RECEIVABLE (Note 2.7)		
Trade Debtors	633.728	466.107
Less:		
Deferred Income	(242.395)	(232.501)
Allowance for Doubtful Accounts (Note 2.8)	(26.554)	(54.462)
	364.779	179.144
OTHER RECEIVABLES		
Guaranty Deposits (Note 6)	432.626	26.216
Payments in Advance	5.779	-
Insurance to Fall Due	2.293	1.746
Other receivables	30.806	419.772
	471.504	447.734
<b>TOTAL CURRENT ASSETS</b>	<b>956.841</b>	<b>733.219</b>
<b>NON CURRENT ASSETS</b>		
ACCOUNTS RECEIVABLE (Note 2.7)		
Trade Debtors	3.400	5.000
Deferred Income	(3.400)	(5.000)
	-	-
LONG TERM INVESTMENT		
Investments	-	1.700
	-	1.700
FIXED ASSETS (Note 2.10 and Appendix I)		
Property, Plant and Equipment	1.073.797	926.354
Less: Accumulated Depreciation	(82.086)	(82.459)
	991.711	843.895
INTANGIBLES (Note 2.10 and Appendix I)		
Intangibles	18.357	21.702
Less: Accumulated Depreciation	(15.684)	(15.961)
	2.673	5.741
<b>TOTAL NON CURRENT ASSETS</b>	<b>994.384</b>	<b>851.336</b>
<b>TOTAL ASSETS</b>	<b>1.951.225</b>	<b>1.584.555</b>

The accompanying notes and appendixes are an integral part of the financial statements

**Registro Regional de Direcciones IP para America Latina y Caribe (LACNIC)**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AS OF DECEMBER 31, 2007**  
**(In U.S. Dollars)**

	December 31, 2007	December 31, 2006
<b>LIABILITIES</b>		
CURRENT LIABILITIES (Note 2.11)		
COMMERCIAL DEBTS		
Accounts Payable	28.817	43.030
	28.817	43.030
FINANCIAL DEBTS		
Bank Loans (Note 7)	118.527	116.667
	118.527	116.667
OTHER DEBTS		
Provisions for Employee Benefits	46.274	32.792
Benefits for Staff Retirement	30.572	10.632
Advanced Collections	21.941	14.496
Payroll	8.675	-
Other Debts (Note 8)	118.396	50.393
	225.858	108.313
<b>TOTAL CURRENT LIABILITIES</b>	<b>373.202</b>	<b>268.010</b>
NON-CURRENT LIABILITIES		
FINANCIAL DEBTS		
Bank Loans (Note 7)	188.888	305.555
	188.888	305.555
OTHER DEBTS		
Advanced Collections	8.300	7.960
	8.300	7.960
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>197.188</b>	<b>313.515</b>
<b>TOTAL LIABILITIES</b>	<b>570.390</b>	<b>581.525</b>
<b>EQUITY ( Appendix II)</b>		
RETAINED EARNINGS		
Accumulated Surplus (Note 10)	965.032	732.414
Net Income of the Year	415.803	270.616
	1.380.835	1.003.030
<b>TOTAL EQUITY</b>	<b>1.380.835</b>	<b>1.003.030</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1.951.225</b>	<b>1.584.555</b>

The accompanying notes and appendixes are an integral part of the financial statements



**Registro Regional de Direcciones IP para America Latina y Caribe (LACNIC)**  
**STATEMENT OF CHANGES IN CASH FLOW**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
(In U.S. Dollars)

	<u>Year ended December 31, 2007</u>	<u>Year ended December 31, 2006</u>
<b>1 - Cash Flow for Operating Activities</b>		
Net Income of the Year	415.803	270.616
Adjustments:		
Fixed Assets Depreciation	34.646	37.933
Fixed Assets Adjustment	(5.514)	
Retained Earnings Adjustments	(37.998)	
Movements of Non Funds Changes in Assets and Liabilities	(9.064)	5.126
Increase of Commercial Debts and Other Debts	194.433	(89.851)
Increase of Accounts Receivable and Other Current Assets	103.672	20.065
Net Cash Provided by Operating Activities	695.978	243.889
<b>2 - Cash Flow from Investment Activities</b>		
Decrease of Investments	2.632	3.313
Decrease of Guaranty Deposits	(394.774)	(75.159)
Increase in Fixed Assets	(173.880)	(351.676)
Net Cash In Investment Activities	(566.022)	(423.522)
<b>3 - Cash Flow from Financial Activities</b>		
Bank Loans Obtained		100.000
Bank Loans Paid	(114.807)	(66.667)
Net Cash Used in Financial Activities	(114.807)	33.333
<b>4 - Cash Increase</b>	<b>15.149</b>	<b>(146.300)</b>
<b>5 - Cash and Cash Equivalents at the Beginning of the Year</b>	<b>102.724</b>	<b>249.024</b>
<b>6 - Cash and Cash Equivalents at the End of the Year</b>	<b>117.873</b>	<b>102.724</b>

The accompanying notes and appendixes are an integral part of the financial statements

**Registro Regional de Direcciones IP para America Latina y Caribe (LACNIC)**  
**STATEMENT OF PROPERTY, PLANT AND EQUIPMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
(In U.S. Dollars)

	HISTORICAL AND REVALUED VALUES				DEPRECIATIONS					NET	NET
	Values at the	Increases	Decreases	Values at the end	Values at the	Decreases	Rate	Depreciation	Accumulated at the	VALUES	VALUES
	begining of the year			of the year	begining of the year		(%)	of the year	end of the year	31.12.2007	31.12.06
<b>FIXED ASSETS</b>											
Office Equipment	31.298	10.157	-	41.455	12.961	(5.434)	10,00	3.130	10.657	30.798	18.337
Communication Equipment	11.496	2.171	(2.362)	11.305	6.942	(1.471)	20,00	1.827	7.298	4.007	4.554
Computers	87.964	21.901	(21.671)	88.194	60.613	(22.796)	33,33	22.198	60.015	28.179	27.351
Other Equipment	-	9.957	-	9.957	-	-	33,33	-	-	9.957	-
Real Estate (Plot of Land)	368.679	-	-	368.679	-	-	-	-	-	368.679	368.679
Real Estate (Building)	108.674	439.569	-	548.243	1.943	-	2,00	2.173	4.116	544.127	106.731
Works in Progress	318.243	127.290	(439.569)	5.964					-	5.964	318.243
<b>Total Fixed Assets</b>	<b>926.354</b>	<b>611.045</b>	<b>(463.602)</b>	<b>1.073.797</b>	<b>82.459</b>	<b>(29.701)</b>		<b>29.328</b>	<b>82.086</b>	<b>991.711</b>	<b>843.895</b>
<b>INTANGIBLES</b>											
Software	21.702	2.404	(5.749)	18.357	15.961	(5.595)	3	5.318	15.684	2.673	5.741
<b>Total</b>	<b>948.056</b>	<b>613.449</b>	<b>(469.351)</b>	<b>1.092.154</b>	<b>98.420</b>	<b>(35.296)</b>		<b>34.646</b>	<b>97.770</b>	<b>994.384</b>	<b>849.636</b>

## Registro Regional de Direcciones IP para America Latina y Caribe (LACNIC)

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2007

(In U.S. Dollars)

	Capital	Reserves	Retained Earnings	Total Equity
1 - OPENING BALANCES - 01.01.2007				
Retained Earnings			1.003.030	1.003.030
SUBTOTAL	-	-	1.003.030	1.003.030
2 - MOVEMENTS OF OPENING BALANCE (Note 10)				
			(37.998)	(37.998)
3 - BALANCE OF ADJUSTED BEGINNING (1+2)	-	-	965.032	965.032
4 - MOVEMENTS DURING THE YEAR				
5 - NET PROFIT OF THE YEAR			415.803	415.803
SUBTOTAL ( 4+5 )	-	-	415.803	415.803
6 - FINAL BALANCES				
Retained Earnings	-	-	1.380.835	1.380.835
<b>Final Balances at 31.12.2007</b>	-	-	<b>1.380.835</b>	<b>1.380.835</b>
<b>Final Balances at 31.12.2006</b>			<b>1.003.030</b>	<b>1.003.030</b>