

APNIC EC Meeting Minutes

Teleconference

Thursday, 20 October 2011

Meeting Start: 11:05 (UTC +1000)

Present

Akinori Maemura
James Spenceley
Che-Hoo Cheng
Kenny Huang
Gaurab Raj Upadhaya
Wendy Zhao
Paul Wilson

Geoff Huston
Connie Chan
Irene Chan
Richard Brown
Craig Ng

Apologies

Ma Yan

Agenda

1. Agenda Bashing
2. Review of Minutes
3. Financial Reports
4. D-G Report
5. Strategic Planning Followup
6. AOB

Minutes

The Chair of the Executive Council called the meeting to order at 11:05 (UTC+1000).

1. Agenda Bashing

There were no changes to the agenda.

2. Review of Minutes and Actions

The minutes of the meeting held on 28 August 2011 were approved.

Action ec-11-019: Secretariat to publish minutes of the 28 August 2011 meeting.

3. Financial Report

The Financial Report for September 2011 was reviewed (attached).

At the end of July, APNIC maintained \$8.3M in cash reserves, \$1M in managed fund investments. The APNIC Office Building is valued at \$7.3M.

Expenses are 3.4% lower than the pro-rata budget projection, due mainly to the Auditor's request to write down of the residual lease liability for the Park Road Office in the 2010 accounts. Revenue is up by 4.5% from the pro-rata budget projection, as the level of resource allocations made to new members has been greater than anticipated in the budget projections. The projected operating surplus for 2011 is currently projected to be some \$1.35M.

At the end of July 2011, APNIC had a total of 2,834 members serving 52 economies.

The EC approved the September Financial Report.

4. Director General's Report

The D-G reported on the IGF meeting held in Nairobi in September 2011. It was noted that the meeting was generally regarded as successful., and the IGF has entered into its second five year meeting cycle with this meeting, with a commitment to meet a further four times. In coming years, with uncertainties in funding and structure notwithstanding. There is a greater level of support for a multi-stakeholder model of participation and support.

The ISIF small grants award ceremony was well attended, and there are plans to join with LACNIC and AFRINIC for the next round of the ISIF program.

It was noted that the ITRs are being re-negotiated at the current round of WCIT meetings, which has some potential implications for address distribution mechanisms in the future.

Progress with the India NIR application was reviewed, and the topic of NIR agreements with APNIC was discussed.

The D-G reported on the implementation of the modified address transfer policy, noting a proposal from the Secretariat to implement a 12 month qualification of need under the terms of this proposed policy. The EC expressed their agreement with this interpretation of the policy proposal.

The D-G noted the current progress with the preparation of the 2012 activity plan and budget papers.

5. Strategic Planning Followup

The EC considered a discussion paper concerning potential changes to the NIR program. The EC expressed a number of views on the report and expressed an interest in continuing consideration of this topic by the EC.

6. AOB

The EC noted that the call for comments for the Voting and Government Working Groups was still current, and requested that the Secretariat send out a reminder to members of this call for comment.

Next Scheduled Meeting

Thursday, 3 November, 2011 (face-to-face at RIPE 63, Vienna)

Meeting closed: 12:50 pm (UTC+1000)

Summary of Action Items

Action ec-11-019: Secretariat to publish minutes of the 28 August 2011 meeting.



Quarterly financial report

(in AUD)

For the month ending September 2011

1. Statement of Financial Position

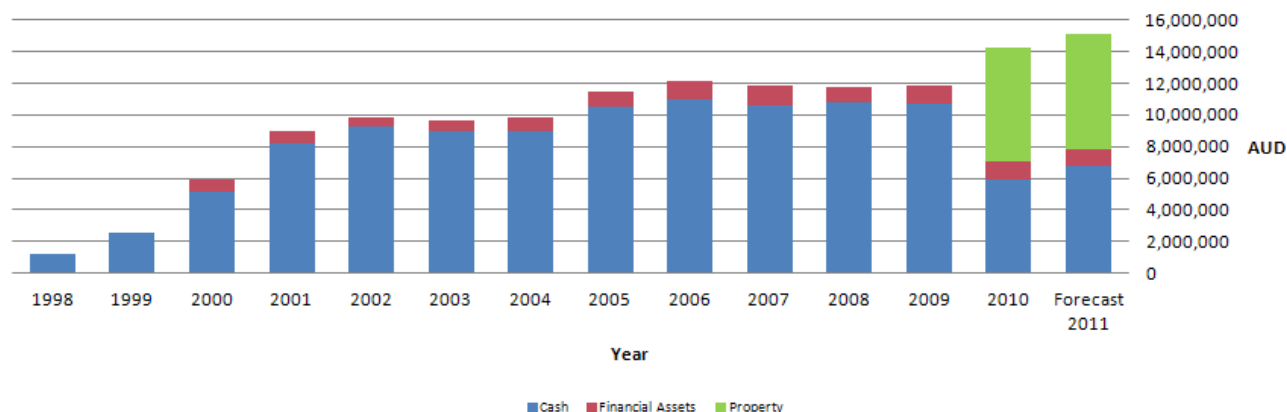
Statement of Financial Position (AUD)					
	30/09/2011	% of Total Asset or Liab+Equity	% change 31/12/2010	Year-End 2010	Year-End 2009
CURRENT ASSETS					
Cash/ Short term deposits (less than 12 Months)	6,291,514	32%	5.7%	5,953,850	6,686,084
Term deposit investment (12 months)	2,000,000	10%	0.0%	0	2,300,000
Receivables	1,496,286	8%	70.3%	878,766	496,734
Others	445,318	2%	-47.4%	847,108	869,780
TOTAL CURRENT ASSETS	10,233,118	52%	33.2%	7,679,724	10,352,598
NON-CURRENT ASSETS					
Other financial assets	998,530	5%	-12.2%	1,137,515	1,127,796
Property, plant and equipment	8,631,939	43%	2.9%	8,390,655	1,607,819
Long term deposit investment (more than 12 months)	0	0%	0.0%	0	1,700,000
TOTAL NON-CURRENT ASSETS	9,630,469	48%	1.1%	9,528,170	4,435,615
TOTAL ASSETS	19,863,587	100%	15.4%	17,207,895	14,788,213
CURRENT LIABILITIES					
Payables	560,980	3%	34.8%	416,262	797,989
Provisions	1,302,329	7%	-23.5%	1,701,920	1,055,625
Unearned revenue	7,016,450	35%	15.5%	6,074,215	4,130,987
TOTAL LIABILITIES	8,879,759	45%	8.4%	8,192,397	5,984,601
EQUITY					
Share capital	1.00	0%	0.0%	1.00	1.00
Reserves other financial assets investment *	(29,703)	0%	0.0%	128,004	166,675
Retained earnings	11,013,530	55%	23.9%	8,887,492	8,636,936
TOTAL EQUITY	10,983,828	55%	21.8%	9,015,497	8,803,612
TOTAL LIABILITIES & EQUITY	19,863,587	100%	15.4%	17,207,895	14,788,213

Note:

* Reserves on other financial assets investment – This balance is due to the revaluation of our investment in unit trusts and was based on the market valuation as at the end of September 2011. These investments are revalued on a quarterly basis.

1.1 APNIC Reserve

The APNIC Reserve is diversified between Cash Investments, Managed Funds, and Property (APNIC Office). At the end of September, APNIC maintained \$8.3m in cash reserves, \$1m in managed fund investments and \$7.3m was invested in the APNIC Property. The following chart tracks the value and the allocation of these reserves over time:



2. Income Statement

2.1 Expenses

This report incorporates the year to date actual, budget and forecast estimates. The Year to Date (YTD) actual figures are compared to the figures for the same period last year. The Forecast figures are based on forecast estimates of expenditure. In addition to the Year to Date (YTD) report, a report comparing quarterly figures is also included below.

2.1.1 Year to Date Expenses – Forecast Budget Comparison

EXPENSES (AUD)	YTD Sep-11	YTD Sep-10	Variance %	**Forecast	Forecast Variation %	Budget 2011
Bank charges *	77,216	61,551	25.4%	105,720	20.1%	88,000
Communication expenses *	323,564	184,714	75.2%	449,279	5.1%	427,368
Computer expenses *	285,006	253,518	12.4%	440,000	-25.9%	593,415
Depreciation expense	629,314	526,338	19.6%	851,235	-16.2%	1,015,613
Sponsorship and Publicity expenses	155,499	141,989	9.5%	306,500	0.0%	306,500
Doubtful debt expenses *	137	0	100.0%	21,855	285.0%	5,677
ICANN contract fee *	213,667	240,879	-11.3%	284,889	-11.5%	322,000
Insurance expense	90,258	87,612	3.0%	120,061	-8.1%	130,700
Meeting and training expenses	354,234	233,266	51.9%	407,667	7.0%	381,100
Membership fees	40,163	40,090	0.2%	68,300	0.0%	68,300
Miscellaneous expenses	933	785	18.8%	1,050	0.0%	1,050
Office operating expenses *	199,719	132,335	50.9%	276,861	27.5%	217,195
Postage & delivery	26,133	19,761	32.2%	34,000	0.0%	34,000
Printing & photocopy	28,286	17,070	65.7%	43,100	0.0%	43,100
Professional fees *	373,573	413,682	-9.7%	783,344	-11.5%	885,350
Recruitment expense	92,606	91,287	1.4%	151,000	49.5%	101,000
Rent and outgoings *	0	476,162	-100.0%	0	-100.0%	418,923
Salaries and personnel expenses *	5,174,325	4,523,538	14.4%	7,350,000	-0.8%	7,406,255
Staff training/conference expenses	89,559	116,511	-23.1%	151,727	0.0%	151,727
Tax expense	0	0	0.0%	150,000	25.0%	120,000
Translation expenses	0	0	0.0%	15,000	0.0%	15,000
Travel expenses *	1,227,898	1,050,691	16.9%	1,732,484	15.3%	1,502,850
TOTAL EXPENSES	9,382,089	8,611,779	8.9%	13,744,072	-3.4%	14,235,123

2.1.2 Quarterly Expenses – Progressive

EXPENSES (AUD)	Quarter 1 (Jan – Mar 11)	Quarter 2 (Apr - Jun 11)	Quarter 3 (Jul – Sep 11)	Quarter 4 Forecast (Oct - Dec 11)
Bank charges	24,174	25,675	27,366	28,504
Communication expenses	122,082	80,131	121,350	125,716
Computer expenses	120,138	84,024	80,844	154,994
Depreciation expense	200,038	218,117	211,160	221,921
Sponsorship and Publicity expenses	44,231	53,754	57,514	151,001
Doubtful debt expenses	137	0	0	21,718
ICANN contract fee	80,500	61,945	71,222	71,222
Insurance expense	32,212	28,265	29,780	29,803
Meeting and training expenses	111,685	30,554	211,994	53,433
Membership fees	13,706	12,862	13,595	28,137
Miscellaneous expenses	313	292	328	117
Office operating expenses	79,220	77,136	43,363	77,141
Postage & delivery	14,920	1,171	10,043	7,867
Printing & photocopy	4,839	8,616	14,831	14,814
Professional fees	143,261	141,551	88,761	409,771
Recruitment expense	17,787	26,840	47,979	58,394
Rent and outgoings	0	0	0	0
Salaries and personnel expenses	1,494,962	1,803,257	1,876,105	2,175,675
Staff training/conference expenses	12,967	49,633	26,959	62,168
Tax expense	0	0	0	150,000
Translation expenses	0	0	0	15,000
Travel expenses	391,683	415,797	420,418	504,586
TOTAL EXPENSES	2,908,856	3,119,618	3,353,614	4,361,982

2.2 Revenue

In addition to the "Year to Date" (YTD) revenue report, a comparison of the quarterly revenue is also included below.

2.2.1 Year to Date Revenue – Forecast Budget Comparison

Revenue (AUD)	YTD Sep-11	YTD Sep-10	Variance %	**Forecast	Forecast Variation %	Budget 2011
Interest income	270,294	312,419	-13.5%	349,484	5.9%	330,000
IP Resource application fees *	1,238,250	971,486	27.5%	1,363,934	20.9%	1,128,316
Membership fees *	9,563,428	7,244,246	32.0%	12,904,746	3.1%	12,511,220
Non-members fees *	143,301	108,109	32.6%	194,000	22.4%	158,506
Per Allocation fees	0	994,277	-100.0%	0	0.0%	0
Reactivation fees	22,200	16,500	34.5%	24,900	55.0%	16,063
Sundry income *	263,972	191,267	38.0%	266,972	-9.5%	295,000
Foreign exchange gain/(loss)	6,682	(5,603)	-219.3%	(9,302)	0.0%	0
TOTAL REVENUE	11,508,127	9,832,702	17.0%	15,094,734	4.5%	14,439,105

2.2.2 Quarterly Revenue – Progressive

Revenue (AUD)	Quarter 1 (Jan – Mar 11)	Quarter 2 (Apr - Jun 11)	Quarter 3 (Jul – Sep 11)	Quarter 4 Forecast (Oct - Dec 11)
Interest income	88,092	54,905	127,297	79,190
IP Resource application fees	357,500	458,500	422,250	125,684
Membership fees	3,072,608	3,197,507	3,293,314	3,341,317
Non-members fees	43,824	48,839	50,638	50,699
Per Allocation fees	0	0	0	0
Reactivation fees	5,400	8,400	8,400	2,700
Sundry income	34,926	38,360	190,685	3,000
Foreign exchange gain/(loss)	2,305	(6,355)	10,732	(15,984)
TOTAL REVENUE	3,604,655	3,800,156	4,103,315	3,586,607

2.3 Operating Surplus/ Deficit

2.3.1 Year to Date Operating Position – Forecast Budget Comparison

REVENUE and EXPENSES (AUD)	YTD Sep-11	YTD Sep-10	Variance %	**Forecast	Forecast Variation %	Budget 2011
Total Revenue	11,508,127	9,832,702	17.0%	15,094,734	4.5%	14,439,105
Total Expenses	9,382,089	8,611,779	8.9%	13,744,072	-3.4%	14,235,123
OPERATING SURPLUS/(DEFICIT)	2,126,037	1,220,923	74.1%	1,350,662		203,982

2.3.2 Quarterly Operating Position – Progressive

REVENUE and EXPENSES (AUD)	Quarter 1 (Jan – Mar 11)	Quarter 2 (Apr - Jun 11)	Quarter 3 (Jul – Sep 11)	Quarter 4 Forecast (Oct - Dec 11)
Total Revenue	3,604,655	3,800,156	4,103,315	3,586,607
Total Expenses	2,908,856	3,119,618	3,353,614	4,361,982
OPERATING SURPLUS/(DEFICIT)	695,799	680,538	749,701	(775,375)

Notes:**2011 **Forecast**

Similar to the previous month financial report, the forecast values in the Income statement are the projected estimates based on a review of year to date actual expenditure combined with estimated future projections and known commitments.

The major factors causing the variance between the forecast and budget were similar to last as followed:

1. Revenue

- **IP Resource application fees** – The increase in allocations made to new members has been much greater than anticipated, contradicting our conservative approach in the budget submission.
- **Membership fees** – Membership fee revenue continues to increase to reflect the full integration of the 2010 fee schedule, increase in allocations to new and existing members has also been higher than anticipated in the budget development.
- **Non-members fees** – Non-member fee revenue increases reflect the integration of the 2011 fee schedule from the beginning of the year.
- **Sundry income** – The majority of this income comes from the APNIC standalone meeting and from income on investments.

2. Expenses

The timing of expenses is not evenly distributed over the calendar year, but our expectations of the full year expenses remain in line with the current forecast.

Notes for some significant variance are as followed:-

- **Bank charges** – There is a continuing trend towards payment of APNIC fees via credit card, resulting in increasing Merchant fee charges. Transaction charges continue to increase in line with membership growth.
- **Communication expenses** – There were a number of one-off costs in relation to the new facilities that were underestimated in the budget. Future expenditure is much more predictable.
- **Computer expenses** – A number of computer maintenance expenses have been revised and savings have been identified.
- **Depreciation Expenses** – Final Capital Allowance and Depreciation figures for the new building provided by the Quantity surveyor or less than our budget estimates.
- **Doubtful debt expenses** – Audit advice has required a different treatment of these expenses.
- **ICANN contract fee** – APNIC's contribution to NRO expenses is lower than budgeted due to favourable exchange rates.
- **Office operating expenses** – Changes to land tax rates have had a significant effect here; and electricity costs have risen unexpectedly, but have been addressed under a new contract that is effective from the beginning of August.
- **Professional fees** – Various expenses budgeted for consulting projects have not been incurred, and savings are expected in the final result for 2011.
- **Rent and outgoings** – The lease commitment for the Milton office rent was fully expensed in 2010, no expenses will be incurred in 2011.
- **Salaries and personnel expenses** – Forecast estimates for Salary and Wages are lower than budgeted, primarily because a number of budgeted roles have remained vacant at times during 2011.
- **Travel expenses** – Travel for the year to date has been well above budgeted levels, and this trend will continue for the rest of the year.

3. Membership

3.1 Membership Statistics

At the end of September 2011, APNIC had a total of 2,866 members serving 52 economies. In September, there is net growth of 32 members. The original budget submission had forecast 2773 members by the end of 2011, which has already been exceeded.

3.1.1 Membership by Category

The following table shows the monthly changes in membership and provides an analysis of APNIC's membership tiers. The majority of APNIC members remain in the Small membership tier.

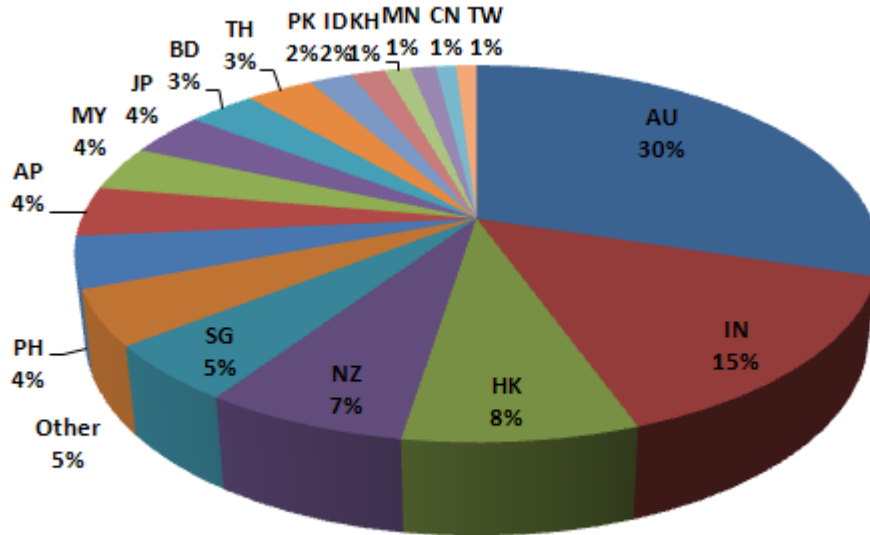
Membership	Total Aug11	New Sep-11	(Closed) Sep-11	Size Change Sep-11	Total YTD Sep-11	Total YTD (%) Sep-11
Extra Large	20	0	0	0	20	1%
Very Large	37	0	0	1	38	1%
Large	143	0	(1)	1	143	5%
Medium	355	0	0	6	361	13%
Small	928	1	(4)	11	936	33%
Very Small	758	1	(3)	13	769	27%
Associate	593	49	(11)	(32)	599	21%
TOTAL	2834	51	(19)	0	2866	100%

The table below shows membership data as at the end of each quarter. Membership growth remains steady, with the highest member growth during the second quarter of 2011.

Membership	Actual Total EOY 2010	Mar-11	Jun-11	Sep-11
Extra Large	16	17	20	20
Very Large	33	34	36	38
Large	141	143	143	143
Medium	324	337	345	361
Small	867	891	918	936
Very Small	637	665	721	769
Associate	503	548	580	599
TOTAL	2521	2635	2763	2866
Quarterly Net Gain		114	128	103

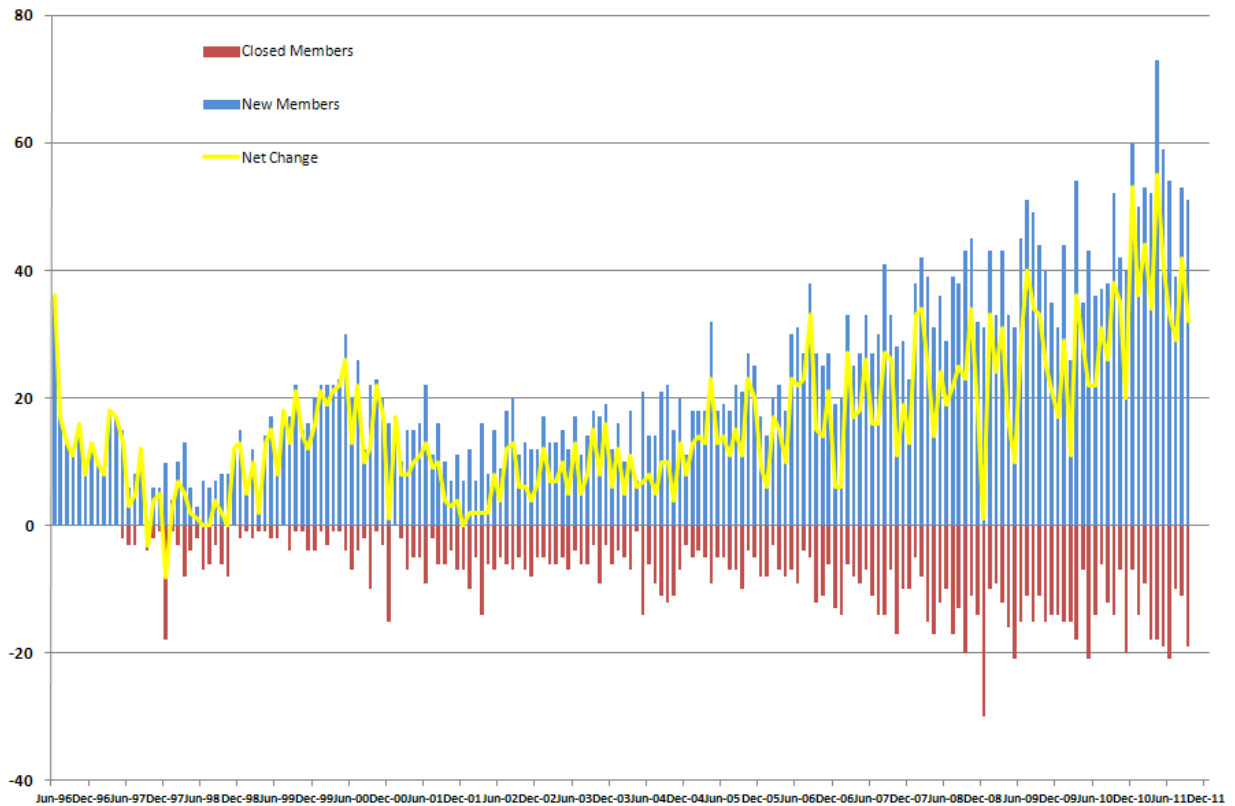
3.1.2 Membership by Economy

The following chart illustrates the APNIC membership distribution by economy.



3.1.3 Membership Movement

The following graph illustrates APNIC membership monthly movements.



3.1.4 Year to Date Membership Movement by Economy

The graph below illustrates the year to date new and closed membership movement by economy. Australia has the highest number of both new and closed members, with 152 new and 39 closed members; followed by India.

