

APNIC EC Meeting Minutes

Teleconference

Thursday, 24 November 2011

Meeting Start: 11:40 (UTC +1000)

Present

Akinori Maemura
James Spenceley
Kenny Huang
Gaurab Raj Upadhaya
Ma Yan
Paul Wilson

Geoff Huston
Connie Chan
Richard Brown
Craig Ng

Apologies

Che-Hoo Cheng
Wendy Zhao

Agenda

1. Agenda Bashing
2. Review of Previous Minutes
3. Financial Report
4. DG Report
5. 2012 Budget Submission
6. ATO Ruling Status
7. Conflict of Interest between Policy SIG Chair and ASO AC Roles
8. EC Appointment to ASO AC/NRO NC member for 2012
9. EC Retreat Agenda
10. India NIR Update
11. Member Petition Process
12. AOB
Review of NIR Membership Agreement

Minutes

The Chair of the Executive Council called the meeting to order at 11:40 (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 3 November 2011 were unanimously approved.

Action ec-11-021: Secretariat to publish minutes of the 3 November 2011 meeting.

3. Financial Report

The EC considered the October 2011 Financial Report (attached). It was noted that expenses were running at 3.4% below the budget forecast and revenue was 4.6% higher than the budget. The EC noted current membership at 2,888 members as of the end of October.

The EC unanimously approved the October 2011 Financial Report.

4. DG Report

The DG informed the EC of the meeting to be held in the week of 28 November of the CEOs of the RIRs with the CEOs of ISOC and ICANN and the heads of the IAB, IESG and W3C.

The EC approved the open letter from the Boards of the RIPE NCC, AFRINIC, LACNIC and the EC of APNIC to the ARIN Board of Trustees.

The EC was briefed on the progress of the renegotiation of the ITRs and the WICT agenda for 2012.

The EC was briefed on a number of proposed changes to the staff structure of the APNIC Secretariat.

5. 2012 Budget Submission

The EC reviewed a preliminary draft of the 2012 budget papers. The 2012 budget papers will be updated following comments by EC members, and considered at the December EC meeting.

6. ATO Mutuality Ruling Status

The EC was advised that in the course of the APNIC application for a renewal of its special ruling relating to the status of mutuality with respect to the taxation on membership funds, APNIC has been advised of a broad review of the taxation treatment of membership associations by the Australian Taxation Office. It was noted that no changes will be made retrospectively to APNIC's taxation status, and the EC will be advised as and when outcomes of this ATO review are communicated to APNIC.

7. Conflict of Interest between Policy SIG Chair and ASO AC Roles

The EC discussed this issue, and noted that while there may be individual matters considered in either forum where explicit conflicts of interest may arise for individuals when simultaneously undertaking both roles, there was not considered to be a general a priori conflict of interest spanning these two roles.

8. EC Appointment to ASO AC/NRO NC for 2012

The EC was reminded to provide nominations for this role for the December meeting of the EC.

9. EC Retreat Agenda

The EC reviewed a draft of an agenda for this retreat.

10. India NIR Update

The EC was informed of the status of activity relating to the India NIR. APNIC Secretariat is assembling the documentation relating to the set of criteria relating to technical readiness for NIR operations, which will be circulated to the EC when ready.

11. Member Petition Process

Consideration of this agenda item is to be held over to the December EC meeting.

12. AOB

Review of NIR Membership Agreement

The EC reviewed a draft of the NIR Membership agreement. This agreement, and proposed revisions to the APNIC Membership Agreement and the APNIC Definitions document will be considered at the December EC meeting.

Next Scheduled Meeting

Monday 12 December, 2011 (EC Retreat)

Meeting closed: 4:10 pm (UTC+0200)

Summary of Action Items

Action ec-11-021: Secretariat to publish minutes of the 3 November 2011 meeting.



Monthly financial report

(in AUD)

October 2011

1. Statement of Financial Position

Statement of Financial Position (AUD)					
	31/10/2011	% 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)	6,394,757	33%	7.4%	5,953,850	6,686,084
Term deposit investment (12 months)	2,000,000	10%	0.0%	0	2,300,000
Receivables	1,147,229	6%	30.5%	878,766	496,734
Others	517,492	3%	-38.9%	847,108	869,780
TOTAL CURRENT ASSETS	10,059,478	51%	31.0%	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	8,584,844	44%	2.3%	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	9,583,374	49%	0.6%	9,528,170	4,435,615
TOTAL ASSETS	19,642,853	100%	14.2%	17,207,895	14,788,213
CURRENT LIABILITIES					
Payables	378,821	2%	-9.0%	416,262	797,989
Provisions	1,291,659	7%	-24.1%	1,701,920	1,055,625
Unearned revenue	6,789,846	35%	11.8%	6,074,215	4,130,987
TOTAL LIABILITIES	8,460,326	43%	3.3%	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	11,212,228	57%	26.2%	8,887,492	8,636,936
TOTAL EQUITY	11,182,527	57%	24.0%	9,015,497	8,803,612
TOTAL LIABILITIES & EQUITY	19,642,853	100%	14.2%	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.

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.

EXPENSES (AUD)	YTD Oct-11	YTD Oct-10	Variance %	**Forecast	Forecast Variation %	Budget 2011
Bank charges *	86,003	67,453	27.5%	105,720	20.1%	88,000
Communication expenses *	349,897	209,498	67.0%	449,279	5.1%	427,368
Computer expenses *	309,757	276,176	12.2%	440,000	-25.9%	593,415
Depreciation expense	698,390	584,216	19.5%	851,235	-16.2%	1,015,613
Sponsorship and Publicity expenses	160,131	141,752	13.0%	306,500	0.0%	306,500
Doubtful debt expenses *	137	0	100.0%	21,855	285.0%	5,677
ICANN contract fee *	237,408	267,643	-11.3%	284,889	-11.5%	322,000
Insurance expense	99,680	96,748	3.0%	120,061	-8.1%	130,700
Meeting and training expenses	377,523	236,215	59.8%	407,667	7.0%	381,100
Membership fees	44,354	44,614	-0.6%	68,300	0.0%	68,300
Miscellaneous expenses	997	849	17.4%	1,050	0.0%	1,050
Office operating expenses *	233,272	143,250	62.8%	276,861	27.5%	217,195
Postage & delivery	29,959	20,762	44.3%	34,000	0.0%	34,000
Printing & photocopy	31,632	18,442	71.5%	43,100	0.0%	43,100
Professional fees *	454,699	511,432	-11.1%	783,344	-11.5%	885,350
Recruitment expense	94,880	106,263	-10.7%	151,000	49.5%	101,000
Rent and outgoings *	0	528,356	-100.0%	0	-100.0%	418,923
Salaries and personnel expenses *	5,732,154	5,283,408	8.5%	7,350,000	-0.8%	7,406,255
Staff training/conference expenses	98,847	128,170	-22.9%	151,727	0.0%	151,727
Tax expense	0	0	0.0%	150,000	25.0%	120,000
Translation expenses	10,297	14,498	-29.0%	15,000	0.0%	15,000
Travel expenses *	1,394,475	1,234,405	13.0%	1,732,484	15.3%	1,502,850
TOTAL EXPENSES	10,444,493	9,914,150	5.3%	13,744,072	-3.4%	14,235,123

2.2 Revenue

Revenue (AUD)	YTD Oct-11	YTD Oct-10	Variance %	**Forecast	Forecast Variation %	Budget 2011
Interest income	310,653	342,308	-9.2%	349,484	5.9%	330,000
IP Resource application fees *	1,317,000	1,118,486	17.7%	1,363,934	20.9%	1,128,316
Membership fees *	10,686,755	8,203,796	30.3%	12,904,746	3.1%	12,511,220
Non-members fees *	161,047	121,520	32.5%	194,000	22.4%	158,506
Per Allocation fees	0	994,277	-100.0%	0	0.0%	0
Reactivation fees	22,200	19,200	15.6%	24,900	55.0%	16,063
Sundry income *	276,840	194,669	42.2%	279,840	-5.1%	295,000
Foreign exchange gain/(loss)	(5,265)	(7,795)	-32.5%	(9,302)	0.0%	0
TOTAL REVENUE	12,769,229	10,986,461	16.2%	15,107,602	4.6%	14,439,105

2.3 Operating Surplus/ Deficit

REVENUE and EXPENSES (AUD)	YTD Oct-11	YTD Oct-10	Variance %	**Forecast	Forecast Variation %	Budget 2011
Total Revenue	12,769,229	10,986,461	16.2%	15,107,602	4.6%	14,439,105
Total Expenses	10,444,493	9,914,150	5.3%	13,744,072	-3.4%	14,235,123
OPERATING SURPLUS/(DEFICIT)	2,324,736	1,072,311		1,363,530		203,982

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, the budget submission for 2011 was conservative and discounted projected revenue for new allocations to account for the uncertainty related to the exhaustion of the IPv4 address pool.
- **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 that forecast growth of new members in a conservative fashion.
- **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 in this area is much more predictable.
- **Computer expenses** – A number of computer maintenance expenses have been revised and savings have been identified. The ERM project has commenced and the forecast includes costs related to the implementation will be incurred in the last quarter.
- **Depreciation Expenses** – Final Capital Allowance and Depreciation figures for the new building provided by the Quantity surveyor is 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 favorable 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. APNIC Reserve

3.1 Cash Flow Statement

This report shows the cash flow status as at the end of October.

	<i>YTD Oct -11</i>
	\$
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Cash flows from operating activities	
Receipts from customers	13,088,311
Payments to suppliers and employees	(10,073,520)
	<u>3,014,791</u>
Interest received	288,520
Income tax paid	33,205
Net cash inflow from operating activities	<u>3,336,516</u>
Cash flows from investing activities	
Payments for property, plant and equipment	(891,821)
Proceeds from sale of property, plant and equipment	840
Net cash (outflow) inflow from investing activities	<u>(890,981)</u>
Net increase/ (decrease) in cash and cash equivalents	2,445,535
Cash and cash equivalents at beginning of year	5,953,850
Effects of exchange rate changes on cash and cash equivalents	(4,627)
Cash and cash equivalents at end of October	<u>8,394,757</u>

3.2 APNIC Capital Reserve

The APNIC Reserve is diversified between Cash Investments, Managed Funds, and Property (APNIC Office). At the end of October, 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 with forecast 2011 status:



4. Membership

4.1 Membership Statistics

At the end of October 2011, APNIC had a total of 2,888 members serving 52 economies. There is net growth of 22 members in October. The original budget submission had forecast 2773 members by the end of 2011, which has already been exceeded.

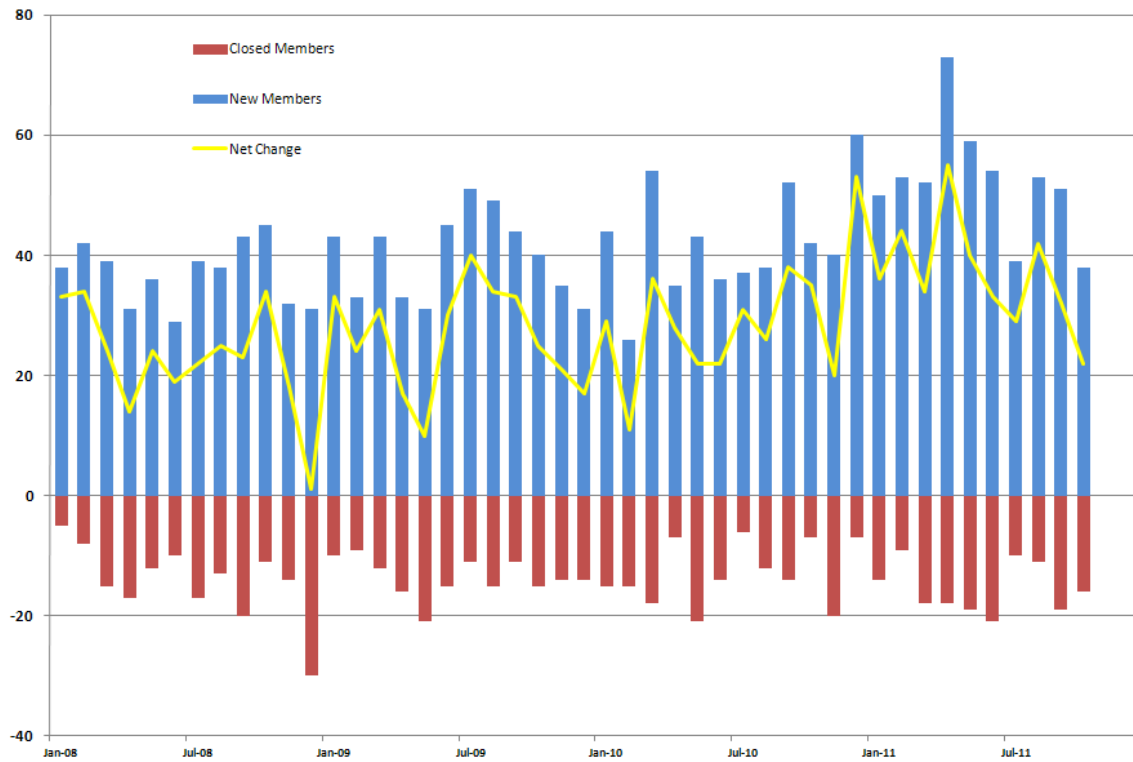
4.1.1 Membership by Category

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 Sep-11	New Oct-11	(Closed) Oct-11	Size Change Oct-11	Total YTD Oct-11	Total YTD (%) Oct-11
Extra Large	20	0	0	0	20	1%
Very Large	38	0	0	0	38	1%
Large	143	0	0	3	146	5%
Medium	361	0	0	5	366	13%
Small	936	1	(5)	9	941	33%
Very Small	769	3	(1)	21	792	27%
Associate	599	34	(10)	(38)	585	20%
TOTAL	2866	38	(16)	0	2888	100%

4.1.2 Membership Movement

The following graph illustrates APNIC membership monthly movements since Jan 2008.



4.1.3 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 161 new and 41 closed members; followed by India.

