

APNIC EC Meeting Minutes

Teleconference

Thursday, 19 January 2011

Meeting Start: 12:08 (UTC +1000)

Present

Akinori Maemura
Kenny Huang
Gaurab Raj Upadhaya
Ma Yan
Che-Hoo Cheng
Paul Wilson

Geoff Huston
Connie Chan
Richard Brown
Irene Chan
Craig Ng

Apologies

James Spenceley
Wendy Zhao

Agenda

1. Agenda Bashing
2. Review of Previous Minutes
3. Financial Report
4. DG Report
5. OH&S Update
6. Strategic Planning
7. India NIR Update
8. AOB

Minutes

The Chair of the Executive Council called the meeting to order at 9:15 (UTC+1000).

1. Agenda Bashing

The OH&S Agenda item is to be deferred to the next EC Meeting.

2. Review of Minutes and Actions

The minutes of the meeting held on 12-13 December 2011 were unanimously approved.

Action ec-11-024: Secretariat to publish minutes of the December 2011 meeting.

3. 2011 Annual Financial Report

The EC considered the unaudited 2011 Financial Report (attached). It was noted that this is a draft report, and the final report will be presented to the APNIC EC following the completion of the audit of the 2011 financial records.

The EC noted this draft report as the financial position of APNIC as of the end of 2011, and the EC was satisfied that the company is solvent and able to meet all current debts.

4. DG Report

The DG reported that on finalizing the Secretariat's operational planning for 2012 involving the APNIC Leadership Team, complementing the EC's longer strategic planning.

The implementation of the APNIC Electronic Records Management System is currently underway. This system will include finance, payroll, purchasing, invoices and customer relationship management within the framework of a single system,

The D-G reported that he has been nominated to serve on the IGF's Multistakeholder Advisory Group for 2012, and noted that this role would involve a considerable commitment of time in 2012.

Preparations for the APNIC 33 meeting are underway. Mr. Hasanul Haq Inu, a member of the Bangladesh National Parliament, has accepted the EC's request to serve as the APNIC EC Election Chair for the 2012 EC Elections.

The APNIC Membership and Stakeholder survey will be launched in May 2012, and consultations and focus group meetings will be held in APNIC 33 as part of the preparations for this survey. It is anticipated that the survey results will be available in time for the planning of the 2013 APNIC operational plan.

The D-G reported that the global policy proposal relating to the IANA allocation of returned IPv4 address blocks has now been passed in all regions, and the ASO AC now has the carriage of this policy proposal to pass it to the Board of ICANN.

The D-G reported on HR matters.

5. OH&S Update

This item was held over to the next EC meeting.

6. Strategic Planning

The EC reviewed the draft report prepared as the outcome of the EC's Strategic Planning Workshop held in December 2011. The EC was in a position to sign off on the draft report as being reflective of the EC's understand of workshop's outcomes.

A full report will be prepared for the next APNIC Member Meeting.

7. India NIR Update

The EC was briefed with the current status of the India NIR activity.

8. AOB

NIR Membership Agreement

The EC noted a request for additional time to consider the draft APNIC NIR Membership Agreement. The EC recommended that the consideration time for this document be extended by one month.

Next Scheduled Meeting

Monday , 27 February, 2012 (Face-to-Face at APNIC 33)

Meeting closed: 1:25 pm (UTC+1000) Thursday 19 January 2012



Annual financial report

(in AUD)

December 2011

(Draft)

1. Statement of Financial Position

Statement of Financial Position (AUD)					
	31/12/2011	% 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)	7,048,272	35%	18.4%	5,953,850	6,686,084
Term deposit investment (12 months)	2,000,000	10%	0.0%	0	2,300,000
Receivables	1,077,330	5%	22.6%	878,766	496,734
Others	632,132	3%	-25.4%	847,108	869,780
TOTAL CURRENT ASSETS	10,757,734	53%	40.1%	7,679,724	10,352,598
NON-CURRENT ASSETS					
Other financial assets	986,920	5%	-13.2%	1,137,515	1,127,796
Property, plant and equipment	8,479,856	42%	1.1%	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	9,466,776	47%	-0.6%	9,528,170	4,435,615
TOTAL ASSETS	20,224,511	100%	17.5%	17,207,895	14,788,213
CURRENT LIABILITIES					
Payables	420,587	2%	1.0%	416,262	797,989
Provisions	1,256,131	6%	-26.2%	1,701,920	1,055,625
Unearned revenue	7,171,080	35%	18.1%	6,074,215	4,130,987
TOTAL LIABILITIES	8,847,799	44%	8.0%	8,192,397	5,984,601
EQUITY					
Share capital	1.00	0%	0.0%	1.00	1.00
Reserves other financial assets investment *	(43,085)	0%	0.0%	128,004	166,675
Retained earnings	11,419,796	56%	28.5%	8,887,492	8,636,936
TOTAL EQUITY	11,376,711	56%	26.2%	9,015,497	8,803,612
TOTAL LIABILITIES & EQUITY	20,224,511	100%	17.5%	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 December 2011. These investments are revalued on a quarterly basis.

1.1 Notes to the 2011 Balance Sheet

The total asset position for APNIC as of 31 December 2011 has increased by 17.5% when compared to the position at the end of 2010. The major factors causing the change are:

- Increase in the “Cash” position of 18% is mainly due to the full impact of the new fee schedule. Cash includes amounts held in the current account and short term deposits up to 12 months.
- Increase in the “Receivables” and “Unearned Revenue” is due to new fee schedule being fully implemented for all accounts.
- The majority of the decrease in “Provision” liabilities is caused by the reduction in lease commitments resulting from the surrender of part of the leased space.

2. Income Statement

2.1 Expenses

This is an unaudited draft annual financial statement. The audited outcome for 2011 may vary from this statement as the final tax calculation and audit is expected to be completed in early February.

EXPENSES (AUD)	Dec-11 (DRAFT)	Dec-10	Variance %	Budget 2011	Budget Variation	Budget Variation %
Bank charges *	102,974	81,607	26.2%	88,000	14,974	17.0%
Communication expenses	385,819	339,964	13.5%	427,368	(41,549)	-9.7%
Computer expenses *	397,535	328,583	21.0%	593,415	(195,880)	-33.0%
Depreciation expense *	832,386	703,869	18.3%	1,015,613	(183,227)	-18.0%
Sponsorship and Publicity expenses	293,035	252,182	16.2%	306,500	(13,466)	-4.4%
Doubtful debt expenses *	12,808	2,106	508.1%	5,677	7,131	125.6%
ICANN contract fee *	284,889	321,172	-11.3%	322,000	(37,111)	-11.5%
Insurance expense	120,236	116,824	2.9%	130,700	(10,464)	-8.0%
Meeting and training expenses	398,014	249,401	59.6%	381,100	16,914	4.4%
Membership fees	54,261	53,663	1.1%	68,300	(14,039)	-20.6%
Miscellaneous expenses	1,221	1,032	18.3%	1,050	171	16.3%
Office operating expenses *	276,127	454,026	-39.2%	217,195	58,932	27.1%
Postage & delivery	32,842	27,394	19.9%	34,000	(1,158)	-3.4%
Printing & photocopy	37,515	21,618	73.5%	43,100	(5,585)	-13.0%
Professional fees *	605,124	554,295	9.2%	885,350	(280,226)	-31.7%
Recruitment expense	123,485	140,220	-11.9%	101,000	22,485	22.3%
Rent and outgoings *	28,133	1,418,314	-98.0%	418,923	(390,790)	-93.3%
Salaries and personnel expenses *	7,203,720	6,507,584	10.7%	7,406,255	(202,535)	-2.7%
Staff training/conference expenses	107,752	146,287	-26.3%	151,727	(43,975)	-29.0%
Tax expense	94,942	(64,301)	-247.7%	120,000	(25,058)	-20.9%
Translation expenses	10,297	14,498	-29.0%	15,000	(4,703)	-31.4%
Travel expenses *	1,576,246	1,404,527	12.2%	1,502,850	73,396	4.9%
TOTAL EXPENSES	12,979,360	13,074,865	-0.7%	14,235,123	(1,255,764)	-8.8%

2.2 Revenue

Revenue (AUD)	Dec-11 (DRAFT)	Dec-10	Variance %	Budget 2011	Budget Variation	Forecast Variation %
Interest income	395,591	397,689	-0.5%	330,000	65,591	19.9%
IP Resource application fees *	1,530,500	1,373,986	11.4%	1,128,316	402,184	35.6%
Membership fees *	12,968,291	10,199,249	27.1%	12,511,220	457,071	3.7%
Non-members fees *	198,425	149,382	32.8%	158,506	39,919	25.2%
Per Allocation fees	0	994,277	-100.0%	0	0	0.0%
Reactivation fees	25,200	23,550	7.0%	16,063	9,137	56.9%
Sundry income *	298,657	205,760	45.1%	295,000	3,657	1.2%
Foreign exchange gain/(loss)	57	(18,471)	-100.3%	0	57	0.0%
TOTAL REVENUE	15,416,721	13,325,422	15.7%	14,439,105	977,616	6.8%

2.3 Operating Surplus/ Deficit

REVENUE and EXPENSES (AUD)	Dec-11 (DRAFT)	Dec-10	Variance %	Budget 2011	Budget Variation	Forecast Variation %
Total Revenue	15,416,721	13,325,422	15.7%	14,439,105	977,616	6.8%
Total Expenses	12,979,360	13,074,865	-0.7%	14,235,123	(1,255,764)	-8.8%
OPERATING SURPLUS/(DEFICIT)	2,437,361	250,556		203,982	2,233,380	

2.4 Notes on the Profit and Loss Statement

The major factors causing this variance between the budgeted and draft actual operating position were:

1. Expenses

- **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** – The final costs for communication expenses was significantly less than forecast as a result of a finalization of a large credit (\$72k) relating to internet services, this dispute relates to services back to August 2010.
- **Computer expenses** – Computer expenses are well below forecast estimates. Ongoing maintenance costs for a number of platforms have been reduced, and there have been savings in the ERM project resulting from the use of internal resources. Some projects were deferred until 2012.
- **Depreciation Expenses** – The final Capital Allowance and Depreciation schedules for the new building provided by the Quantity surveyor are less than our budget estimates. Capital expenditure for 2011 has been below forecasts.
- **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, these costs have been addressed under a new contract that is effective from the beginning of August.
- **Professional fees** – The final total for professional fees was well below forecast, Legal and Accounting fees were \$50k below expectations, BCP audit fees of \$39k were not incurred, ERM costs were \$35k below estimate as much of the integration work was done in-house. Expenditure for EC strategy workshop was reduced using in-house facilitation and the APNIC office. Commitments for the ISIF program will not be expensed until 2012.
- **Rent and outgoings** – The lease commitment for the Milton office rent was fully expensed in 2010. Rent and make good provision expenses related to the remaining lease commitment have been reassessed.
- **Salaries and personnel expenses** – Lower than budgeted, primarily because a number of budgeted roles have remained vacant and time taken to appoint new resources and replacement roles during 2011. The final costs were significantly below budget reflecting significant amounts of annual leave taken during the Christmas, New Year break, which is difficult to predict.
- **Travel expenses** – Travel has been above budgeted levels due to increase in outreach and global coordination activities. The final travel costs for 2011 were much less than forecast as a result of a significant reduction in travel in November and December.

2. 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. New allocations have continued to grow strongly right through until the end of December.

- **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 manner.
- **Non-members fees** – Non-member fee revenue increases reflect the integration of the 2011 fee schedule implemented at the beginning of the year.
- **Sundry income** – The majority of this income comes from the APNIC standalone meeting and from income on investments.
- **Interest Income** – The increased cash flow from the growth of member income and strong returns for cash investments has resulted in higher than anticipated Interest Income.

3. APNIC Reserve

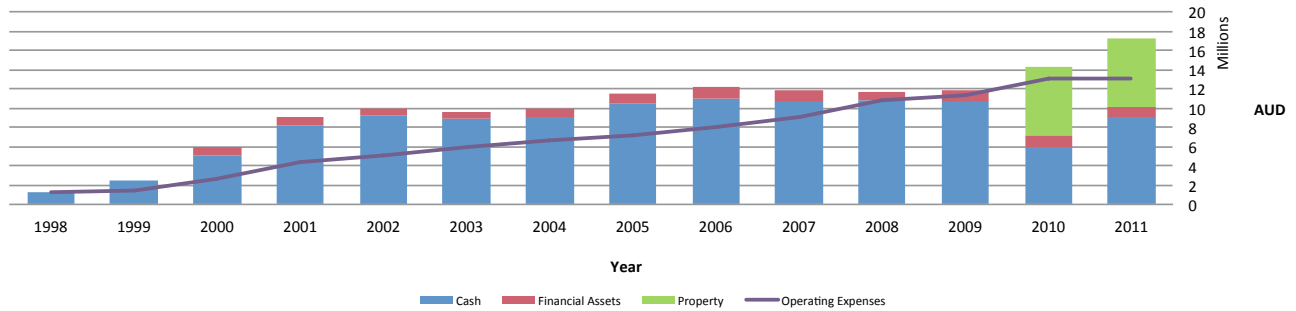
3.1 Cash Flow Statement

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

	<i>Dec -11</i>
	\$
<hr/>	
Cash flows from operating activities	
Receipts from customers	16,148,070
Payments to suppliers and employees	(12,487,682)
	<u>3,660,388</u>
Interest received	324,019
Income tax paid	33,205
Net cash inflow from operating activities	<u>4,017,612</u>
Cash flows from investing activities	
Payments for property, plant and equipment	(924,259)
Proceeds from sale of property, plant and equipment	931
Net cash (outflow) inflow from investing activities	<u>(923,328)</u>
Net increase/ (decrease) in cash and cash equivalents	3,094,284
Cash and cash equivalents at beginning of year	5,953,850
Effects of exchange rate changes on cash and cash equivalents	138
Cash and cash equivalents at end of December	<u><u>9,048,272</u></u>

3.2 APNIC Capital Reserve

The APNIC Reserve is diversified between Cash Investments, Managed Funds, and Property (APNIC Office). At the end of December, APNIC maintained \$9m in cash reserves, \$1m in managed fund investments and \$7.2m was invested in the APNIC Property. The following chart tracks the value and the allocation of these reserves over time and also tracks the operating expenses for each year for comparison:



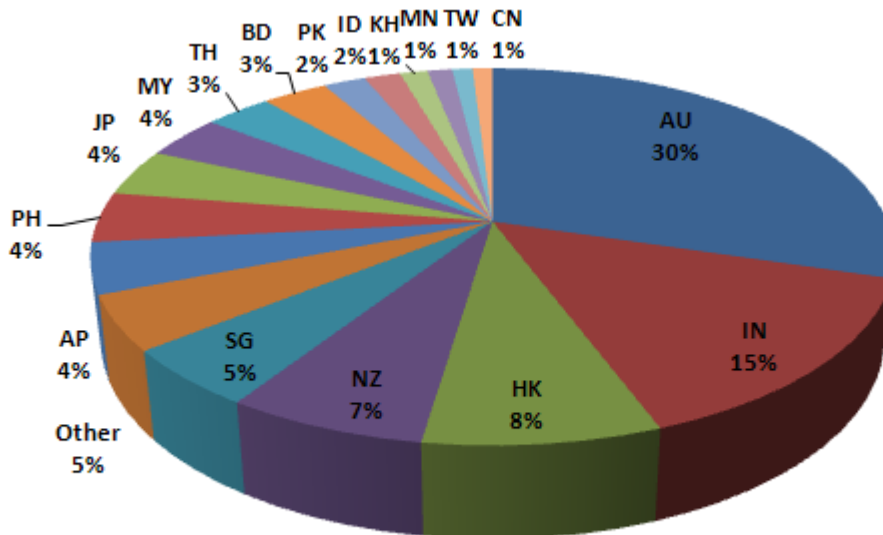
4. Membership

4.1 Membership Statistics

At the end of December 2011, APNIC had a total of 2,947 members serving 52 economies. There was strong membership growth in 2011 with net growth of 426 members. The original budget submission had forecast 2773 members by the end of 2011, which has been exceeded by 174. There is one Extra Large member in December.

4.1.1 Membership by Economy

The following chart illustrates the APNIC membership distribution by economy.



4.1.2 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.

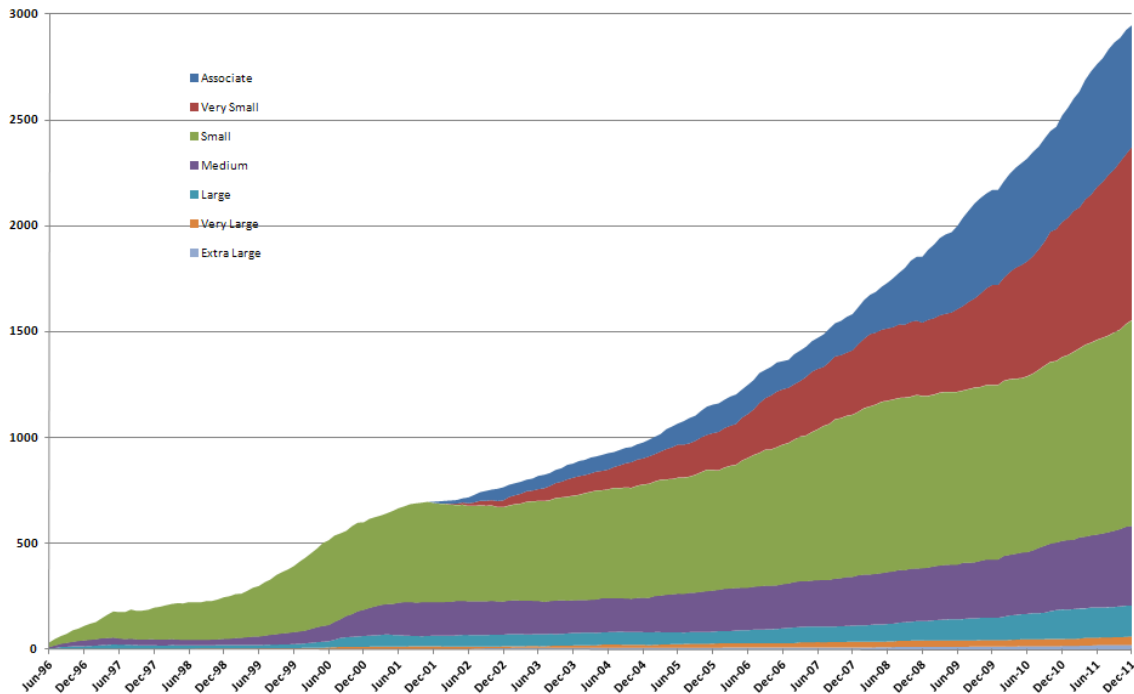
Membership	Total Nov-11	New Dec-11	(Closed) Dec-11	Size Change Dec-11	Total YTD Dec-11	Total YTD (%) Dec-11
Extra Large	20	0	0	1	21	1%
Very Large	40	0	0	1	41	1%
Large	147	0	0	(2)	145	5%
Medium	374	0	0	4	378	13%
Small	956	1	(1)	14	970	33%
Very Small	801	0	(7)	23	817	28%
Associate	587	41	(12)	(41)	575	20%
TOTAL	2925	42	(20)	0	2947	100%

The table below provides progressive membership data and the percentage in each membership category for the total membership from the year 2001 to 2011. This table shows that strong membership growth has continued in 2011.

Membership	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Extra Large	0	7	8	8	8	9	9	12	13	16	21
Very Large	15	8	11	14	20	21	27	30	31	33	41
Large	51	55	60	60	56	70	77	92	106	141	145
Medium	160	158	155	164	196	210	231	251	276	324	378
Small	468	445	493	534	568	658	765	813	823	867	970
Very Small	0	32	85	123	174	261	304	345	472	637	817
Associate	5	62	67	75	135	133	171	312	449	503	575
TOTAL	699	767	879	978	1157	1362	1584	1855	2170	2521	2947
New	157	153	178	189	253	298	349	443	478	507	615
Close	60	85	66	90	74	93	127	172	163	156	189
Net Gain	97	68	112	99	179	205	222	271	315	351	426
Average Monthly Net Gain	8	6	9	8	15	17	19	23	26	29	36

4.1.3 Membership Growth

The following graph illustrates APNIC total membership growth.



4.1.4 Year to Date Membership Movement by Economy

The graph below illustrates new and closed membership movement by economy in 2011. During 2011, 615 new members joined and 189 closed their accounts with APNIC, resulting in net growth of 426 members. Australia has the highest growth with 182 new members (i.e. 30% of total new members) and 48 closed members (i.e. 25% of total closed members).

