

APNIC EC Meeting Minutes

Face-to-Face Meeting,

Monday, 24 February 2014

Meeting Start: 8:20am (UTC +10:00)

Present

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

Geoff Huston
Craig Ng
Richard Brown
Connie Chan
Sanjaya

Agenda

1. Appointment of Meeting Chair
 2. Agenda Bashing
 3. Matters Arising from Last Meeting
 4. Financial Reports
 5. DG Report
 6. Survey Update
 7. Risk Register
 8. ASN Transfers
 9. RPKI Access
 10. Meeting Schedule for 2014
 11. AOB
-

Minutes

1. Appointment of Meeting Chair

Che-Hoo Cheng was appointed as Chair of the Meeting.

2. Agenda Bashing

The matters of APNIC EC Officer Election and a report on the discussions with VNNIC and the NIR Agreement were added to AOB item of the agenda.

3. Matters arising from Last Meeting

The following votes were conducted electronically prior to this meeting, and are recorded in these minutes according to the EC's electronic voting procedures.

On the 27th January 2014, the EC unanimously resolved to adopt the statement on the Montevideo Statement and proposed followup activities(attached).

Electronic Vote proposed by Akinori Maemura

On the 6th February 2014, the EC unanimously resolved to adopt the minutes of the EC Meeting of the 6th December 2013.

Electronic Vote proposed by Kenny Huang

4. Financial Reports

The EC noted the final Financial Report for 2013 (attached). The final report includes a revision of the assessment of the taxation liability, and some changes to the method of recording the accumulated liabilities as they specifically relate to the provision for staff long service leave. The EC also noted the Audited Financial Statement (attached) and the Auditor's Report (attached).

This auditor's report marks the final year of the 5 year period of engagement of the current auditors, and a new auditor is to be appointed for the next 5 year period.

As at the end of 2013 APNIC membership was reported to be 4,051 members, representing a net gain of 517 new members for the year.

The EC unanimously resolved to adopt the Special Purpose Financial Report for 2013 as representing the financial position of APNIC as of the end of the 2013, and noted that APNIC is solvent and able to meet all current debts.

Motion to adopt the financial reports and auditors' report proposed by James Spenceley, seconded by Akinori Maemura

5. DG Report

The Director-General spoke to his report (attached), and briefed EC members on the Secretariat's report to the APNIC Members' Meeting.

The Director-General spoke to the draft secretariat report to the AMM (attached).

6. Survey Update

Richard Brown provided an update on the 2014 APNIC member and stakeholder survey process (attached). The facilitation meetings and focus group interviews will be undertaken as part of one contracted effort, and a separate contract will be used for the analysis of the survey data.

7. Risk Register

The EC reviewed the current status of the APNIC Risk Register.

8. ASN Transfers

The EC unanimously resolved to accept the interpretation of Policy Proposal 107 that ASN Transfers apply to current APNIC account holders. No fee shall be levied for transfers between such APNIC account holders. For inter-RIR transfers involving an APNIC account holder, the APNIC account holder will be charged a fee of 20% of the annual Associate Membership Fee to register the transfer.

Motion to set the scope of ASN transfers and set the ASN transfer fee proposed by Gaurab Raj Updhaya, seconded by Jabes Spenceley.

9. RPKI Access

The EC unanimously resolved to reiterate the previous undertaking APNIC made to holders of resources in legacy address registries that were transferred into the APNIC registry, that APNIC will maintain these historical registry records on an “as is” basis, but noted that access to RPKI services is a benefit to APNIC members, and encourages historic resource holders who wish to access these services to become members of APNIC

Motion on access to RPKI services proposed by Gaurab Raj Updhaya, seconded by James Spenceley.

10. Meeting Schedule for 2014

The EC considered the EC meeting and travel schedule for 2014.

The EC ratified a decision to hold APNIC-38 in Brisbane, Australia in September 2014.

Motion to ratify the decision on hosting for APNIC-38 proposed by Paul Wilson, seconded by Che-Hoo Cheng. Kenny Huang abstained from voting on this motion.

11. AOB

a. VNNIC and APNIC NIR Agreement Update

The APNIC EC unanimously agreed that, in principle, APNIC can provide an undertaking to Ministry of Communications of the Republic of Vietnam concerning the application of certain clauses in the APNIC NIR Agreement.

Motion to provide this undertaking proposed by Paul Wilson, seconded by Kenny Huang.

b. APNIC EC Officer Election

The EC noted that the number of nominated candidates for the 2014 EC elections equalled the number of vacant positions, and that there was no consequent requirement to hold a membership election to fill these positions. APNIC Legal Council will speak to the APNIC Membership at the forthcoming meeting on this matter of the 2014 EC elections.

The EC held officer elections, to take office immediately following the Annual Membership Meeting.

In accordance with EC Procedures, Paul Wilson assumed the role of Chair of the Meeting, and called for nominations for the position of Chair of the EC.

Akinori Maemura was nominated (by Kenny Huang), and as the sole nominee was declared elected as Chair of the EC.

Akinori Maemura assumed the role of Chair of the Meeting and called for nominations for the office of Treasurer

James Spenceley was nominated (by Kenny Huang), and as the sole nominee was declared elected as Treasurer.

Nominations were called for the position of Secretary.

Ma Yan was nominated (by Kenny Huang), and as the sole nominee was declared elected as Secretary.

Next EC Meeting

The next meeting will be held on the 12th May, at RIPE 68, Warsaw.

Meeting Adjourned: 12:40pm Monday, 24th February 2014

Attachments:

A. Followup to Montevideo Statement

APNIC is a signatory to the “Montevideo Statement on the Future of Internet Cooperation” (<http://www.apnic.net/publications/news/2013/montevideo-statement-on-future-of-internet-cooperation>), which was issued in October 2013 after a meeting among Internet technical organisations.

The Montevideo Statement was signed by the heads of the Internet Corporation for Assigned Names and Numbers (ICANN), the Internet Engineering Task Force (IETF), the Internet Architecture Board (IAB), the World Wide Web Consortium (W3C), the Internet Society, and the five regional Internet address registries (African Network Information Center (AFRINIC), American Registry for Internet Numbers (ARIN), Asia-Pacific Network Information Centre (APNIC), Latin America and Caribbean Internet Addresses Registry (LACNIC), and Réseaux IP Européens Network Coordination Centre (RIPE NCC).

At its meeting on the 6th December 2013, the Executive Council of APNIC unanimously resolved to ratify and support APNIC’s position, as stated in the Montevideo Statement.

The Montevideo Statement addresses issues which are important to APNIC and to the future of Internet operations. These include the future performance and configuration of the IANA, the broader environment of technical coordination and cooperation of which APNIC is a member, and the deployment of IPv6.

Regarding the first point, the primary interest of APNIC is in the ongoing stability and reliability of the global number registry functions which are provided by IANA. These registries must continue to be operated in a manner which complies with the global policy development processes of the Internet community, and which responds to the concerns of the Internet technical and broader communities.

APNIC supports the operation of IANA's global number registry functions by ICANN, as a proven arrangement which has met the needs of the IP addressing community very well for some 15 years. We would seek greater transparency in this arrangement, by establishing an improved agreement with ICANN under which specific IANA functions will be provided.

APNIC is also interested in ICANN's ongoing development as a robust and trusted organisation which enjoys the support of the broad multi-stakeholder Internet community. It should continue its evolution towards a globalised structure which places no Government or other party in a privileged position.

APNIC recognises and affirms the multi-stakeholder nature of Internet coordination, cooperation and governance, and supports the Internet Governance Forum as the agreed venue for these matters to be advanced. The IGF provides an important platform for outreach and engagement with our own stakeholders, and also for technical community expertise to be brought to bear on discussions wherever it is needed. The healthy functioning and evolution of the IGF is important to us, to ensure that the IGF does remain the recognised venue for such discussions.

Finally, on the important question of IPv6, the APNIC EC is happy to see ongoing progress in IPv6 deployment globally, and remains committed to actively supporting IPv6 until there is no doubt of success in the global deployment effort.

The APNIC EC hopes to hear from members of the community on these issues; through the forthcoming APNIC conferences where they will be discussed, and the next APNIC Member and Stakeholder survey, which will be launched during that event. We look forward to engaging with members of the APNIC community on these issues.

B. Final Financial Report Report for 2013

Annual Financial Report

(in AUD)

2013

APNIC



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1 Statement of Financial Position

	Year-End 2013	% of Total	Year-End 2012	% Change from 31/12/2012
CURRENT ASSETS				
Cash/ Term deposits	6,002,531	34%	14,496,780	-59%
Receivables	935,741	5%	933,777	0%
Others	538,735	3%	585,160	-8%
TOTAL CURRENT ASSETS	7,477,007	42%	16,015,716	-53%
NON-CURRENT ASSETS				
Available-for-sale financial assets	13,736,690	77%	1,150,123	1094%
Deferred tax assets	127,006	1%	128,071	-1%
Property, plant and equipment	8,000,431	45%	8,012,422	0%
TOTAL NON-CURRENT ASSETS	21,864,127	123%	9,290,616	135%
TOTAL ASSETS	29,341,134	165%	25,306,332	16%
CURRENT LIABILITIES				
Payables	2,084,629	12%	1,456,080	43%
Provisions	1,202,792	7%	1,157,245	4%
Unearned revenue	7,880,508	44%	7,652,440	3%
TOTAL CURRENT LIABILITIES	11,167,929	63%	10,265,765	9%
NON-CURRENT LIABILITIES				
Deferred tax liabilities	81,187	0%	49,579	64%
Provisions	265,723	1%	182,231	46%
TOTAL NON-CURRENT LIABILITIES	346,910	2%	231,810	50%
TOTAL LIABILITIES	11,514,839	65%	10,497,575	10%
NET ASSETS	17,826,296	100%	14,808,757	20%
EQUITY				
Share capital	1	0%	1	0%
Reserves other financial assets investment	141,571	1%	107,535	32%
Retained earnings	17,684,724	99%	14,701,221	20%
TOTAL EQUITY	17,826,296	100%	14,808,757	20%

Table 1 Statement of Financial Position

1.1 Notes to Financial Position

The Statement of Financial Position shows that APNIC's net position has increased by 20% compared to the end of 2012. A key points worth noting is:

- The new investment policy commenced implementation in September. As recommended by the new Investment Manager, existing managed funds were liquidated and proceeds from the

sale of these funds and term deposits that matured were transferred to the new investment portfolio. Details of the investment of APNIC's capital reserve are explained in more detail in section 3 below.

2 Statement of Income

This is the final audited annual financial statement for year 2013. The 12 months of 2013 actual figures are compared to the 2012 actuals, and to the 2013 budget.

2.1 Expenses

EXPENSES (AUD)	2013	2012	Variance %	Budget 2013	Budget Variation to Budget	Budget Variation
Bank charges	138,337	132,080	5%	136,000	2,337	2%
Communication expenses	490,600	440,762	11%	531,416	(40,816)	-8%
Computer expenses	548,748	551,362	0%	637,160	(88,412)	-14%
Depreciation expense	753,032	816,998	-8%	894,609	(141,577)	-16%
Doubtful debt expenses	30,990	27,099	14%	26,000	4,990	19%
ICANN contract fee	136,732	321,655	-57%	310,000	(173,268)	-56%
Income tax expense	(96,166)	(17,506)	449%	60,000	(156,166)	-260%
Insurance expense	126,751	126,673	0%	131,850	(5,099)	-4%
Meeting and training expenses	332,819	191,561	74%	352,550	(19,731)	-6%
Membership fees	48,294	68,392	-29%	54,641	(6,347)	-12%
Miscellaneous expenses	(376,729)	3	-100%	0	(376,729)	0%
Office operating expenses	300,757	249,930	20%	289,420	11,337	4%
Postage & delivery	45,269	28,493	59%	33,047	12,222	37%
Printing & photocopy	36,586	38,115	-4%	45,605	(9,019)	-20%
Professional fees	1,246,373	939,882	33%	1,154,775	91,598	8%
Recruitment expense	89,472	99,574	-10%	100,000	(10,528)	-11%
Rent & outgoings	0	(12,562)	-100%	0	0	0%
Salaries and personnel expenses	8,298,111	8,145,433	2%	8,671,800	(373,689)	-4%
Sponsorship and publicity expenses	319,623	270,696	18%	335,500	(15,877)	-5%
Staff training/conference expenses	163,053	151,386	8%	164,000	(947)	-1%
Translation expenses	15,255	11,928	28%	30,000	(14,745)	-49%
Travel expenses	1,937,230	1,822,239	6%	2,030,182	(92,952)	-5%
TOTAL EXPENSES	14,585,138	14,404,193	1%	15,988,555	(1,403,417)	-9%

Table 2 Expenses

Notes to Expenses:

The actual expenses incurred are less than the original budget approved for 2013, the major variances are explained below:

- **Computer Expenses** ended 2013 below budget. A number of planned activities were not completed in 2013 such as; the Document Management system, the CMS upgrade, and some projects such as the ERP have reduced in cost due to rationalising licenses.
- **Depreciation expenses** tracked consistently below budget as a result of the timing of capital expenditure during the year.
- **ICANN contract fees** were below budget due to the calculation of the APNIC portion of the NRO contribution being much lower than in 2012. The budget was based on APNIC's share of this fee being consistent with previous years. This represents a saving of \$173k against budget.
- **Income tax expenses** ended in a credit position due to APNIC receiving a tax refund from previous years in relation to foreign exchange losses.
- **Miscellaneous expenses** included the recognition of income of AUD \$376k related to the liquidation of managed funds in September, these were transacted as part of the new Investment policy implementation plan.
- **Professional fees** were greater than the budget primarily due to the use of consultants to undertake work that is offset by savings in Salary & Wages below.
- **Salary and personnel expenses** ended below the budget; this was a result of the delay in recruitment for approved roles and where replacing existing staff took longer than planned. Some planned appointments did not proceed as they were no longer considered strategic and were replaced with consultants. Graphic design works that used to be done by 2 full-time staff are now completely outsourced.
- **Travel Expenses** ended the year lower than budget reflecting the strong competitive market for fares and the strong Australian Dollar in the earlier part of the year.

2.2 Revenue

REVENUE (AUD)	2013	2012	Variance %	Budget 2013	Budget Variation to Budget	Budget Variation
IP Resource application fees	1,420,625	2,232,250	-36%	1,457,750	(37,125)	-3%
Investment income	585,522	595,635	-2%	607,000	(21,478)	-4%
Membership fees	15,074,781	14,361,213	5%	15,045,828	28,953	0%
Non-members fees	240,225	227,966	5%	230,000	10,225	4%
Reactivation fees	37,050	43,200	-14%	35,100	1,950	6%
Transfer fees	61,339	11,616	428%	75,000	(13,661)	-18%
Sundry income	115,132	186,481	-38%	244,500	(129,368)	-53%
Foreign exchange gain/(loss)	33,968	(3,929)	-964%	0	33,968	0%
TOTAL REVENUE	17,568,641	17,654,431	0%	17,695,178	(126,537)	-1%

Table 3 Revenue

Notes to Revenue:

- **IP Resource application fees** – Application fees finished below budget in 2013 and significantly below the previous year. Changes to the Fee schedule in March reduced this fee by 50%.
- **Investment Income** – Interest and investment income have been combined in this category to reflect the new investment policy. Interest Income finished below budget as a result of the fall in retail deposit rates during the year. The new Investment policy was implemented in September, and will see investment returns split between income and capital growth. Interest, Dividends and Coupons paid will appear in the statement of income as revenue, where any capital growth in investments will appear in the statement of financial position.
- **Membership fees** – Membership fees were as planned despite the high number of membership transfers to the Indian NIR, which was well compensated by the strong membership growth.
- **Sundry Income** – Budgeted cost recovery training and engineering assistance was well below budget, with very little income from engineering assistance being received during 2013. This initiative will be thoroughly reviewed in 2014.

2.3 Operating Surplus/ Deficit

REVENUE and EXPENSES (AUD)	2013	2012	Variance %	Budget 2013	Budget Variation to Budget	Budget Variation
Total Revenue	17,568,641	17,654,431	0%	17,695,178	(126,537)	-1%
Total Expenses	14,585,138	14,404,193	1%	15,988,555	(1,403,417)	-9%
OPERATING SURPLUS	2,983,503	3,250,239	-8%	1,706,623	1,276,880	75%

Table 4 Operating Surplus/ Deficits

3 APNIC Reserve

3.1 Cash Flow Statement

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

Accounts	Amount
Operating Activities	
Net Income	2,983,503
Adjustments to Profit/(Loss)	
Accounts Receivable	155,107
Other Current Asset	(158,475)
Accounts Payable	193,114
Sales Tax Payable	(20,360)
Other Current Liabilities	809,910
Total Adjustments to Profit/(Loss)	979,296
Total Operating Activities	3,962,799
Investing Activities	
Fixed Asset	11,991
Other Asset	(12,586,567)
Total Investing Activities	(12,574,576)
Financing Activities	
Long Term Liabilities	83,492
Other Equity	34,036
Total Financing Activities	117,527
Net Change in Cash for Period	(8,494,249)
Cash at Beginning of Period	14,496,780
Cash at End of Period	6,002,531

Table 5 Cash Flow Statement

3.2 APNIC Capital Reserve

The APNIC Reserve is diversified between Cash Investments, the Investment Portfolio, and Property (APNIC Office). At the end of December 2013, APNIC maintained \$6.0M in cash reserves, \$13.7M has been invested in the Credit Suisse investment portfolio, and \$6.8M maintained in the APNIC Property. Figure 3.1 below tracks the value and the allocation of these reserves over time and also tracks the operating expenses for each year for comparison:

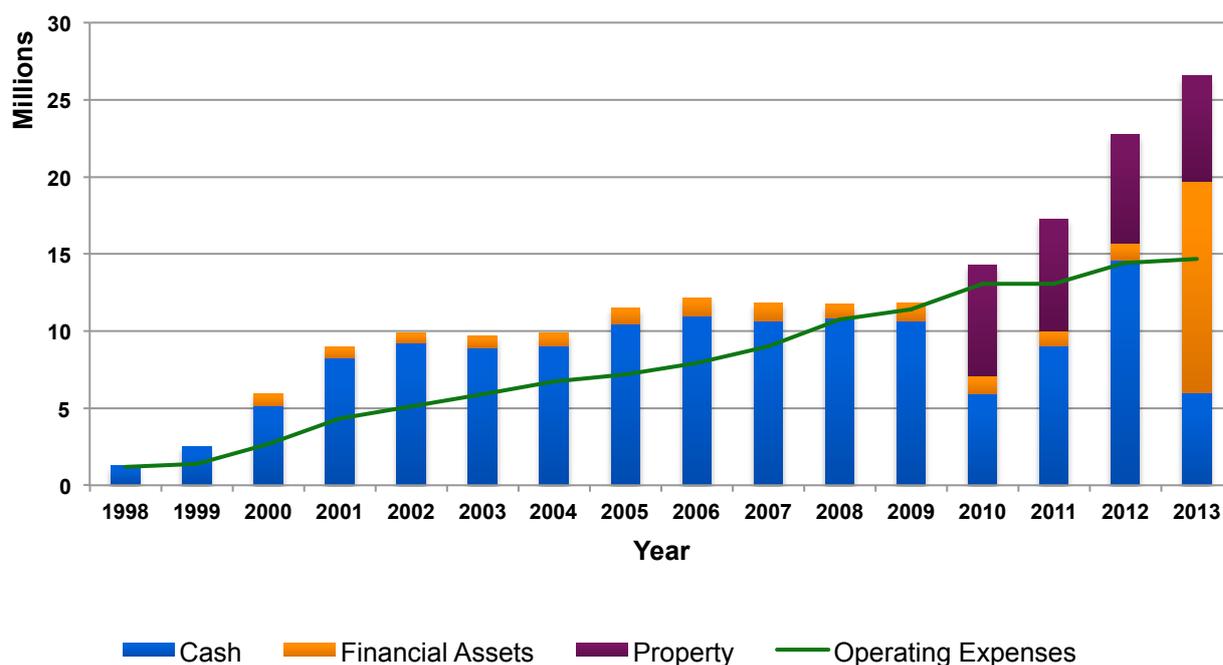


Figure 3.1 Reserve

3.3 APNIC Investment policy

The APNIC investment policy as approved by the EC at the August meeting was fully implemented by the end of November. A total amount of \$13.5M fund has been transferred to Credit Suisse investment management account. Please refer to the attached investment report for the status of \$13.5M fund's portfolio.

3.4 Basic Defence Interval Ratio

The Defence Interval Ratio is a high level indicator used to measure the number of days that APNIC could operate without requiring access to reserves invested in APNIC's property and other fixed assets.

Total Current and Financial Assets	\$21,213,697
Daily Operating Expenses	\$39,959
Basic Defence Interval Ratio	17.45 Months

4 Membership

4.1 Membership Statistics

As at the end of December 2013, APNIC had a total of 4,051 Members serving 53 economies.

4.2 Membership by Category

The table below provides progressive membership data for the past six years. Strong membership growth continued in 2013, with an average increase of 43 new members per month.

Membership	2008	2009	2010	2011	2012	2013
Extra Large	12	13	16	21	20	20
Very Large	30	31	33	41	45	43
Large	92	106	141	145	144	147
Medium	251	276	324	378	402	392
Small	813	823	867	970	1114	1198
Very Small	345	472	637	817	1021	1294
Associate	312	449	503	575	788	957
TOTAL	1855	2170	2521	2947	3534	4051
New	443	478	507	615	832	813
Close	172	163	156	189	245	296
Net Gain	271	315	351	426	587	517
Average Monthly Net Gain	23	26	29	36	49	43

Table 6 Membership by Category

4.3 Membership by Economy

Figure 4.1 illustrates the APNIC membership distribution by economy.

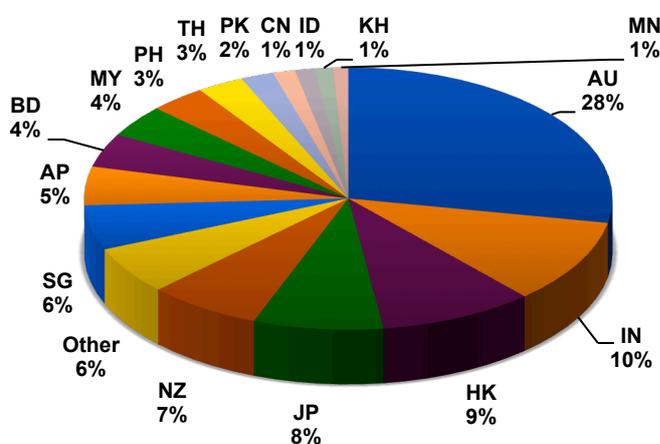


Figure 4.1 Membership by Economy

4.4 Membership Growth

APNIC membership monthly movements are illustrated at Figure 4.2 below. Membership growth budgeted for 2013 has been incorporated in this graph to track monthly growth against monthly budget growth.

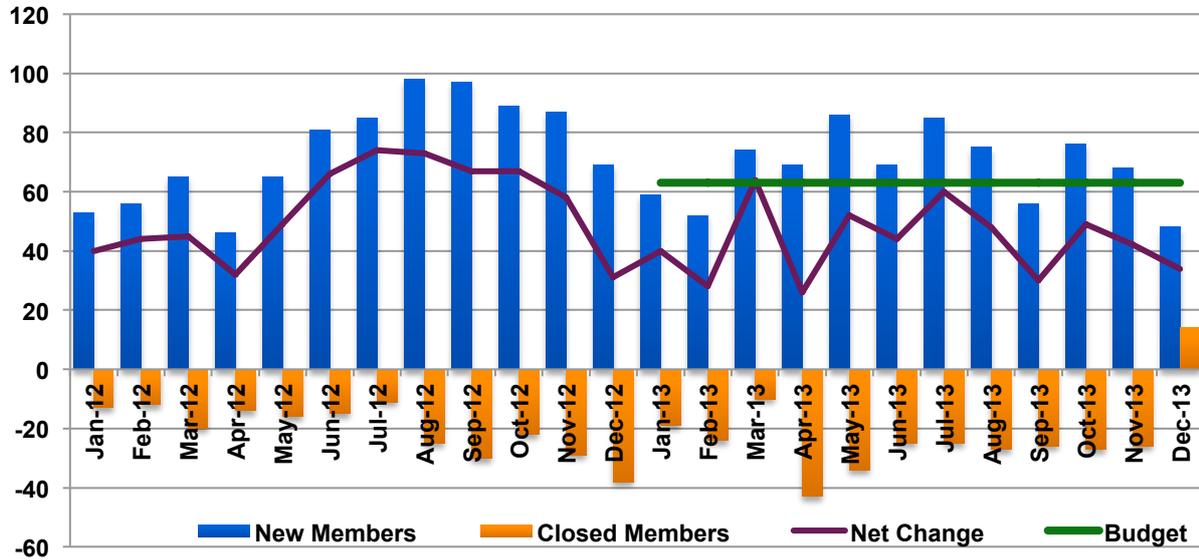


Figure 4.2 Monthly Growth Analysis

Figure 4.3 below illustrates APNIC membership growth by membership tier:

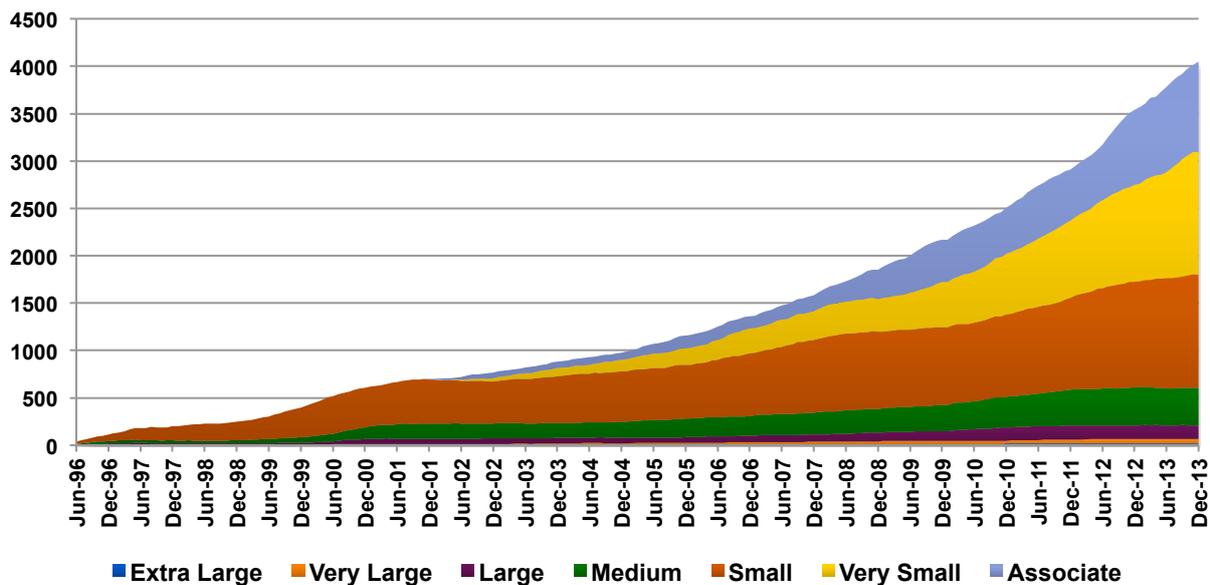


Figure 4.3 Total membership

4.5 Year-to-Date Membership Movement by Economy

Figure 4.4 below shows new and closed membership movement by economy during 2013.

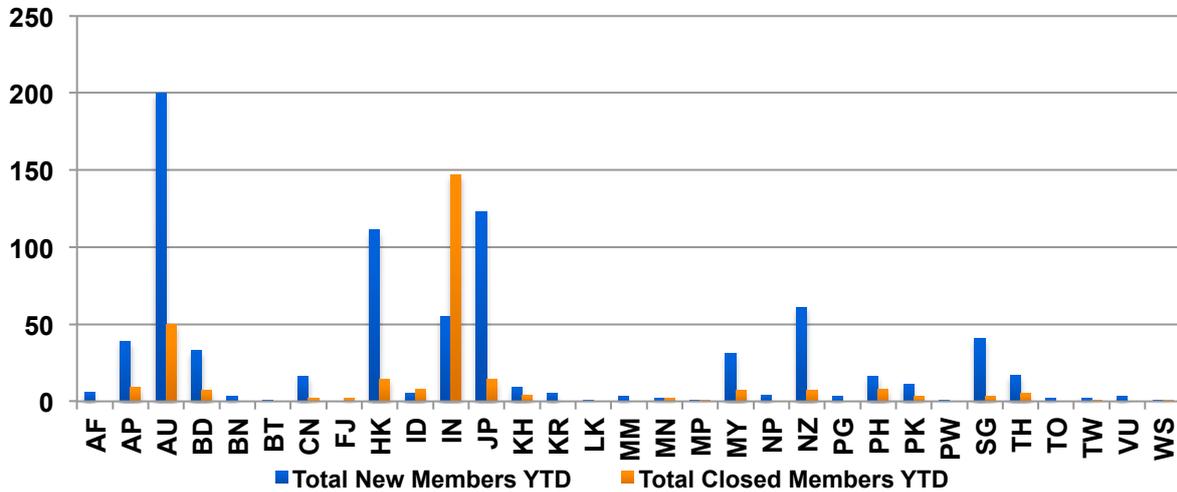


Figure 4.4 New and Closed Members Analysis

Figure 4.5 below provides an analysis of the Membership closures as at the end of December. 51% of the closures are due to account transfers to NIRs, whilst 34% of the account closures relate to accounts closed due to the failure to establish contact or where the business is no longer operating and resource holdings are returned to APNIC.

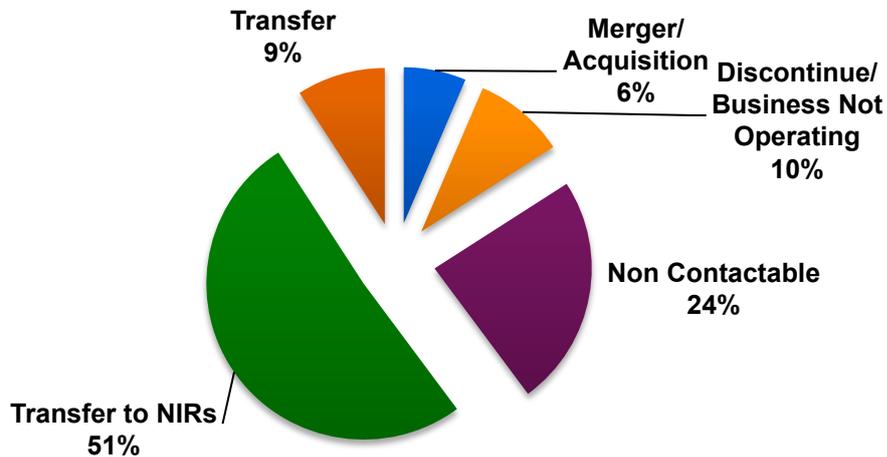


Figure 4.5 Closure Analysis

4.6 India Membership NIR Transfer Analysis

By the end of December 2013, the APNIC membership had 152 account closures from the Indian economy, 143 of these are due to transfers to IRINN. The remaining were closed due to non-payment or discontinued APNIC membership. There were 511 Indian members as at the end of 2012, and the 2013 budget assumed that around 25% of these members, i.e. 129 would transfer to IRINN during 2013.

The table below provides analysis of India Memberships transferred to the NIR, and the revenue impact in 2013.

India Membership	2013	Budget 2013	Budget Variance	2013 Revenue Impact (AUD)
Extra Large	0	1	-1	\$0
Very Large	2	3	-1	-\$35,739
Large	8	6	2	-\$65,068
Medium	14	11	3	-\$51,828
Small	44	30	14	-\$74,140
Very Small	51	51	0	-\$39,117
Associate	24	27	-3	-\$8,100
TOTAL	143	129	14	-\$273,992
			Budget 2013	-\$225,000
			Variance	-\$48,992

Table 7 India Membership NIR Transfer Analysis

C. 2013 Audited Financial Statement

APNIC Pty Ltd

ABN: 42 081 528 010

**Special Purpose Financial Report
31 December 2013**

DIRECTOR'S REPORT

Your director presents his report on the Company for the year ended 31 December 2013.

Director

The following person was a director of APNIC Pty Ltd during the whole of the financial year and up to the date of this report:

Paul Byron Wilson

Principal activities

The Company's principal activity during the year was to act as a non-profit internet registry organisation for the Asia-Pacific region.

There were no significant changes in the nature of the activities of the Company during the year.

Dividends - APNIC Pty Ltd

The Company does not pay or declare dividends due to its non-profit status as determined by its constituent documents.

Review of operations

The operating profit after income tax amounted to \$2,983,503 (2012: \$3,250,240).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial year ended 31 December 2013.

Matters subsequent to the end of the financial year

There have been no matters of significance subsequent to the end of the year.

Likely developments and expected results of operations

Information on likely developments in the company's operations and the expected results of operations have not been included in this report because the director believes it would be likely to result in unreasonable prejudice to the company.

Environmental regulation

The Company is not subject to significant environmental regulation.

Shares under option

No shares of APNIC Pty Ltd were issued under option at the date of this report.

Insurance of officers

During the financial year, the Company paid a premium of \$23,800 (2012: \$23,800) to insure the director, officeholders (including executive council) and staff of the Company.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company.

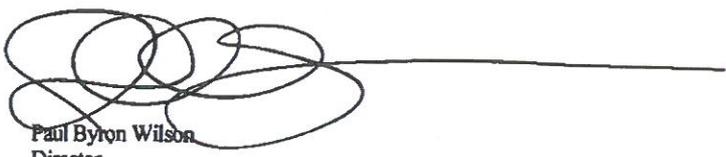
Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.



Paul Byron Wilson
Director

10 February 2014



Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

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Fax: +61 7 3011 3100
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Auditor's Independence Declaration to the Director of APNIC Pty Ltd

In relation to our audit of the financial report of APNIC Pty Ltd for the financial year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ric Roach
Partner

10 February 2014

APNIC Pty Ltd

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2013

	<i>Notes</i>	<i>2013</i> \$	<i>2012</i> \$
Revenue from continuing operations	2	17,689,071	17,134,213
Other income	3	965,062	595,635
Expenses			
Net foreign exchange gain/(loss)		33,968	(3,929)
Communications and meeting expenses		(754,507)	(591,889)
Computer expenses		(548,748)	(551,362)
Contributions to ICANN		(136,732)	(321,655)
Depreciation expense		(753,032)	(816,998)
Employee benefits expense		(8,461,166)	(8,296,820)
Insurance		(126,751)	(126,673)
Loss on disposal of fixed assets		(7,747)	(3,258)
Membership fees		(47,031)	(67,357)
Occupancy expenses		(369,070)	(303,197)
Professional fees		(1,246,372)	(939,882)
Travel expenses		(1,937,230)	(1,822,239)
Other expenses		(1,412,378)	(651,855)
Profit before income tax		<u>2,887,337</u>	<u>3,232,734</u>
Income tax benefit		96,166	17,506
Profit from continuing operations	16(b)	<u>2,983,503</u>	<u>3,250,240</u>
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net fair value gain on available-for-sale financial assets	16(a)	34,036	150,620
Other comprehensive income for the year, net of tax		<u>34,036</u>	<u>150,620</u>
Total comprehensive income for the year		<u>3,017,539</u>	<u>3,400,860</u>
Total comprehensive income attributed to APNIC Pty Ltd		<u>3,017,539</u>	<u>3,400,860</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

APNIC Pty Ltd

Statement of Financial Position

AS AT 31 DECEMBER 2013

	<i>Notes</i>	2013	2012
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	4(a)	943,980	614,385
Short-term deposits	4(b)	3,814,795	12,978,745
Restricted cash	5	1,243,756	903,650
Trade and other receivables	6	935,740	933,777
Current tax receivables		-	48,892
Other current assets	7	538,735	536,267
Total current assets		<u>7,477,006</u>	<u>16,015,716</u>
Non-current assets			
Property, plant and equipment	9	8,000,431	8,012,422
Deferred tax assets		127,006	128,071
Available-for-sale financial assets	8	13,736,690	1,150,123
Total non-current assets		<u>21,864,127</u>	<u>9,290,616</u>
Total assets		<u>29,341,133</u>	<u>25,306,332</u>
LIABILITIES			
Current liabilities			
Trade and other payables	10	2,084,628	1,456,080
Unearned income	12	7,880,508	7,652,440
Provisions	11	1,202,791	1,157,245
Total current liabilities		<u>11,167,927</u>	<u>10,265,765</u>
Non-current liabilities			
Provisions	13	265,723	182,231
Deferred tax liabilities		81,187	49,579
Total non-current liabilities		<u>346,910</u>	<u>231,810</u>
Total liabilities		<u>11,514,837</u>	<u>10,497,575</u>
Net assets		<u>17,826,296</u>	<u>14,808,757</u>
Equity			
Contributed equity	15	1	1
Reserves	16(a)	141,571	107,535
Retained profits	16(b)	17,684,724	14,701,221
Total equity		<u>17,826,296</u>	<u>14,808,757</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

APNIC Pty Ltd

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	\$	\$
Total equity at the beginning of the financial year	14,808,757	11,407,897
Changes in the fair value of available-for-sale financial assets, net of tax – Note 16(a)	34,036	150,620
Profit for the year	<u>2,983,503</u>	<u>3,250,240</u>
Total recognised income and expense for the year	<u>3,017,539</u>	<u>3,400,860</u>
Total equity at the end of the financial year	<u><u>17,826,296</u></u>	<u><u>14,808,757</u></u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

APNIC Pty Ltd

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2013

	<i>Notes</i>	<i>2013</i>	<i>2012</i>
		\$	\$
Cash flows from operating activities			
Receipts from customers		19,039,340	18,378,131
Grants received	14	1,031,673	988,683
Payments to suppliers, employees and grantees		(16,871,025)	(15,051,949)
Interest received		643,500	560,701
Income tax received		118,422	64,006
Net cash flows from operating activities	19	<u>3,961,910</u>	<u>4,939,572</u>
Cash flows from investing activities			
Redemption (placements) of short-term deposits		9,163,950	(4,607,522)
Payments for property, plant and equipment		(751,006)	(398,143)
Proceeds from disposal of property, plant and equipment		2,982	2,434
Redemption of available-for-sale financial assets		1,427,249	-
Purchase of available-for-sale financial assets		(13,500,000)	-
Net cash flows from investing activities		<u>(3,656,825)</u>	<u>(5,003,231)</u>
Net increase (decrease) in cash and cash equivalents		305,085	(63,659)
Cash and cash equivalents at beginning of year		614,385	677,044
Effects of exchange rate changes on cash and cash equivalents		24,510	1,000
Cash and cash equivalents at end of year	4(a)	<u><u>943,980</u></u>	<u><u>614,385</u></u>

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report was authorised for issue by a director's resolution dated 10 February 2014.

(a) Basis of preparation

In the director's opinion, the Company is not a reporting entity because there are no users dependent on general purpose financial reports.

This is a special purpose financial report that has been prepared at the request of the Executive Council for the interest of APNIC members and to comply with the *Corporations Act 2001* requirements to prepare and distribute a financial report to the members and must not be used for any other purpose. The director has determined that the accounting policies adopted are appropriate to meet the needs of the members.

The requirements of Accounting Standards and other financial reporting requirements in Australia do not have mandatory applicability to APNIC Pty Ltd because it is not a "reporting entity". However, the director has determined that in order for the financial report to give a true and fair view of the company's performance, cash flows and financial position, the requirements of Accounting Standards and other professional reporting requirements relating in Australia to the measurement and recognition of assets, liabilities, revenues, expenses and equity should be complied with.

Accordingly, the director has prepared the financial report in accordance with Accounting Standards and other professional reporting requirements in Australia with the following exceptions in relation to disclosures:

AASB 7	Financial Instruments: Disclosures;
AASB 112	Income Taxes;
AASB 116	Property, Plant and Equipment;
AASB 124	Related Party Disclosures;
AASB 132	Financial Instruments: Presentation;
AASB 136	Impairment of Assets; and
AASB 137	Provisions, Contingent Liabilities and Contingent Assets.

The financial report is prepared on a going concern basis in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability. New or amended accounting standards have not had an impact on the financial statements.

(b) Foreign currency translation

(i) *Functional and presentation currency*

The financial statements are presented in Australian dollars, which is APNIC Pty Ltd's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised for the major business activities as follows:

(i) Member fees

Member fees are recognised on an accrual basis over the period of membership. Member fees received in advance of the service being provided are classified as unearned income. Application and reactivation fees are recognised at the time the service is provided and the fee has been earned.

(ii) Interest Income

Interest income is recognised as control of a right to receive consideration for the provision of, or investment in, assets has been attained.

(d) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is recognised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to recognise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to recognise the asset and settle the liability simultaneously.

(e) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial distress recognised, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the statement of comprehensive income in other expenses.

(g) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investments and other financial assets

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

The units in the managed investment funds are classified as "available-for-sale" financial assets and are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as gains and losses from investment securities.

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by obtaining independent valuation statements or by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

(i) Property, plant and equipment

Acquisition

Items of property, plant and equipment are recorded at cost.

Property related assets include land, buildings, fixtures & fittings, furniture and office equipment.

Depreciation

Items of property, plant and equipment acquired prior to 1 January 2000 are depreciated over their estimated useful lives.

Plant and equipment	20 – 40%	reducing balance
Office furniture and fittings	20 – 50%	reducing balance
Computer equipment	20 – 40%	reducing balance

APNIC assets acquired after 1 January 2000 are depreciated on a straight line basis over their expected useful life, as follows:

Plant and equipment	5 – 40%
Office furniture and fittings	5 – 20%
Buildings	2.5%
Computer equipment	5 – 40%

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(j) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Notes to the Financial Statements

(k) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, bonus, annual leave, time of in lieu and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(l) Grants

Grant monies are recognised as a liability when the grant is received. It is recognised as income in the statement of comprehensive income over the periods necessary to match the grant on a systematic basis to the expenses or grantee payments that it is intended to compensate.

Notes to the Financial Statements

	2013 \$	2012 \$
2 REVENUE		
Membership fees	15,074,781	14,361,213
Non-membership fees	240,225	227,966
IP resource application fees	1,420,625	2,232,250
Member reactivation fees	31,050	43,200
Non-member reactivation fees	6,000	-
Grant revenue	742,731	71,487
Other revenue	173,659	198,097
	<u>17,689,071</u>	<u>17,134,213</u>
3 OTHER INCOME		
Interest	546,252	583,052
Investment distribution income	39,269	12,582
Realisation of available-for-sale financial assets (Note 16a)	334,821	-
Capital gains from redemption of available-for-sale financial assets	41,908	-
Others	2,812	-
	<u>965,062</u>	<u>595,634</u>
4 CURRENT ASSETS – CASH AND SHORT TERM DEPOSITS		
(a) Cash and cash equivalents		
Petty cash	400	400
Cash in bank	943,580	613,985
Total	<u>943,980</u>	<u>614,385</u>
(b) Short-term deposits	<u>3,814,795</u>	<u>12,978,745</u>
Cash and cash equivalents have a term of three months or less, while short-term deposits have maturities ranging from 6 months to a year.		
5 CURRENT ASSETS – RESTRICTED CASH		
Restricted cash in bank	<u>1,243,756</u>	<u>903,650</u>
Restricted cash in bank represents grant monies that the company is expected to award to grantees under the Seed Alliance program, and corresponds to the balance of grant payable per Notes 10 and 14.		
6 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES		
Trade receivables	804,510	959,617
Provision for doubtful receivables	<u>(56,831)</u>	<u>(25,840)</u>
	747,679	933,777
Sundry receivables	188,061	-
	<u>935,740</u>	<u>933,777</u>

Notes to the Financial Statements

	2013 \$	2012 \$	
7 CURRENT ASSETS – OTHER CURRENT ASSETS			
Prepayments	454,151	351,199	
Interest receivable	67,600	164,848	
Prepaid taxes	16,979	18,343	
Deposits	-	1,872	
Other assets	5	5	
	538,735	536,267	
8 NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS			
Units in managed investment funds – at fair value	13,736,690	1,150,123	
9 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT			
	<i>Computer equipment</i>	<i>Property Related Assets</i>	<i>Total</i>
	\$	\$	\$
Year ended 31 December 2012			
Opening net book amount	1,169,439	7,267,529	8,436,968
Additions	337,479	60,664	398,143
Disposals	(1,703)	(3,988)	(5,691)
Depreciation	(588,921)	(228,077)	(816,998)
Closing net book amount	916,294	7,096,128	8,012,422
At 31 December 2012			
Cost	4,396,771	7,715,511	12,112,282
Accumulated depreciation	(3,480,477)	(619,383)	(4,099,860)
Net book amount	916,294	7,096,128	8,012,422
Year Ended 31 December 2013			
Opening net book amount	916,294	7,096,128	8,012,422
Additions	661,096	89,911	751,007
Disposals	(3,067)	(6,899)	(9,966)
Depreciation	(536,050)	(216,982)	(753,032)
Closing net book amount	1,038,273	6,962,158	8,000,431
At 31 December 2013			
Cost	3,231,874	7,788,845	11,020,719
Accumulated depreciation	(2,193,601)	(826,687)	(3,020,288)
Net book amount	1,038,273	6,962,158	8,000,431

Notes to the Financial Statements

	2013	2012
	\$	\$
10 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES		
Grants payable (Note 14)	1,243,756	903,650
Trade payables	497,927	214,944
Accrued expenses	351,748	322,209
Goods and services tax payable/(receivable) – net	(8,803)	15,277
	<u>2,084,628</u>	<u>1,456,080</u>
11 CURRENT LIABILITIES – PROVISIONS		
Employee benefits – annual leave	562,262	540,989
Employee benefits – long service leave	453,829	430,862
Employee benefits – bonus provision	141,884	144,624
Employee benefits – time in lieu leave	44,816	40,770
	<u>1,202,791</u>	<u>1,157,245</u>
12 CURRENT LIABILITIES – UNEARNED INCOME		
Unearned membership fees	7,810,665	7,567,407
Deferred grant revenue (Note 14)	69,843	85,033
	<u>7,880,508</u>	<u>7,652,440</u>
13 NON-CURRENT LIABILITIES – PROVISIONS		
Employee benefits – long service leave	265,723	182,231
	<u>265,723</u>	<u>182,231</u>
14 GRANT AGREEMENTS		
<p>The company entered into various grant agreements with the Swedish International Cooperation Agency (SIDA) and the International Research Development Centre (IDRC) to undertake various activities and projects in connection with the Seed Alliance program, which aims to contribute to the development of the information societies in the Asia-Pacific, Africa and Latin America by funding research projects and by rewarding and recognising innovative approaches in the use of information technology for development. Under the agreements, the company is entitled to receive grant monies from SIDA and IDRC to be used in these projects.</p>		
<p>The balance of the unspent grant monies as at 31 December are as follows:</p>		
Grants payable (Note 10)	1,243,756	903,650
Deferred grant revenue (Note 12)	69,843	85,033
Total	<u>1,313,599</u>	<u>988,683</u>

Notes to the Financial Statements

14 GRANT AGREEMENTS (continued)

The movements in the unspent grant monies received under each grant agreement are as follows:

	<i>ISIF ICT Grant Fund</i>	<i>ISIF IDRC Project Admin Fund</i>	<i>ISIF IDRC IGF Project Admin Fund</i>	<i>ISIF SIDA Contribution Fund</i>	<i>Total</i>
Opening balance	218,032	185,033	-	585,618	988,683
Grant monies received	32,757	104,047	69,324	825,545	1,031,673
Grant monies paid/spent	(128,760)	(99,518)	(53,867)	(460,586)	(742,731)
Reimbursements	-	-	-	35,974	35,974
Closing balance	122,029	189,562	15,457	986,551	1,313,599

	<i>2013 No. of Shares</i>	<i>2012 No. of Shares</i>	<i>2013 \$</i>	<i>2012 \$</i>
15 CONTRIBUTED EQUITY				
Fully paid share capital	1	1	1	1
			<i>2013 \$</i>	<i>2012 \$</i>

16 RESERVES AND RETAINED PROFITS

(a) Reserves

Available-for-sale financial asset revaluation reserve	141,471	107,535
	141,571	107,535

Movements in available-for-sale financial asset revaluation reserve were as follows::

Balance, 1 January	107,535	(43,085)
Fair value gain, net of tax – previous investments	227,286	150,620
Realisation of previous investments upon redemption (realised in profit or loss)	(334,821)	-
Fair value gain, net of tax – new investments	141,571	-
Net changes in fair value	34,036	150,620
Balance, 31 December	141,571	107,535

(b) Retained profits

Movements in retained profits were as follows:

Balance at 1 January	14,701,221	11,450,981
Net profit for the year	2,983,503	3,250,240
Balance at 31 December	17,684,724	14,701,221

Notes to the Financial Statements

	2013	2012
	\$	\$
17 REMUNERATION OF AUDITORS		
Amounts received or due and receivable by Ernst & Young		
Audit of financial reports and other audit work under the <i>Corporations Act 2001</i>	33,500	32,500
Other services	-	-
Total remuneration for assurance services	<u>33,500</u>	<u>32,500</u>
18 COMMITMENTS AND CONTINGENCIES		
There were no commitments and contingencies existing as at 31 December 2013. The operating lease commitment covering the previous office space, which has been recognised as an onerous contract in prior years, was discharged in 2012.		
19 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOWS FROM OPERATING ACTIVITIES		
Profit after tax for the year	2,983,503	3,250,240
Non-cash adjustments:		
Depreciation	753,032	816,998
Loss on disposal of property, plant and equipment	7,747	3,258
Realisation of available-for-sale financial assets	(376,729)	-
Investment distribution income	(43,142)	(12,582)
Net exchange differences affecting cash and cash equivalents	(24,510)	(1,000)
(Increase)/Decrease in operating assets:		
Restricted cash	(340,106)	(903,650)
Trade and other debtors	186,098	143,553
Interest receivables	97,248	(22,352)
Deposits and prepayments	(289,142)	90,930
Deferred tax assets	1,065	(24,194)
Income tax receivable	48,892	63,919
Prepaid taxes	1,364	87
Increase/(Decrease) in operating liabilities:		
Trade and other creditors	625,808	1,266,896
Provision for onerous contract	-	(253,510)
Unearned income	228,068	481,359
Provision for employee entitlements	131,779	32,933
Deferred tax liabilities	(29,065)	6,687
Net cash flows from operating activities	<u>3,961,910</u>	<u>4,939,572</u>
20 SUBSEQUENT EVENTS		
There were no subsequent events that occurred after 31 December 2013 up to the date of this report.		

Director's Declaration

In accordance with a resolution of the director of APNIC Pty Ltd, I state that:

In the opinion of the director:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards to the extent set out in Note 1 and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Paul Byron Wilson
Director

Brisbane
10 February 2014

Independent auditor's report to the members of APNIC Pty Ltd

We have audited the accompanying financial report, being a special purpose financial report, of APNIC Pty Ltd, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the director's declaration.

Director's responsibility for the financial report

The director of the company is responsible for the preparation of the financial report and has determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members.

The director's responsibility also includes such internal controls as the director determines are necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the director of the company a written Auditor's Independence Declaration, a copy of which is included in the director's report.

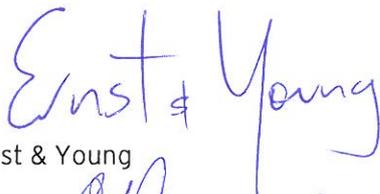
Opinion

In our opinion the financial report of APNIC Pty Ltd is in accordance with the *Corporations Act 2001*, including:

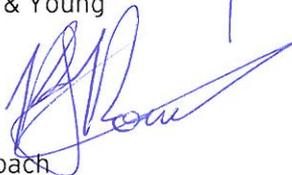
- a. giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Basis of accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the director's financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.



Ernst & Young



Ric Roach
Partner
Brisbane

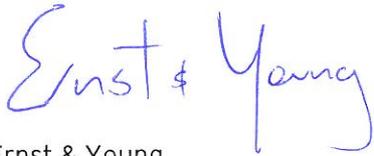
10 February 2014

Disclaimer on additional financial information

The additional financial information, being the attached Operating Statement, has been compiled by the management of APNIC Pty Ltd.

No audit or review has been performed by us and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than APNIC Pty Ltd may suffer arising from any negligence on our part. No person should rely on the additional financial information without having an audit or review conducted.



Ernst & Young
Brisbane
10 February 2014

APNIC Pty Ltd

Operating Statement

FOR THE YEAR ENDED 31 DECEMBER

	2013	2012
	\$	\$
INCOME		
Membership fees	15,074,781	14,361,213
Non-membership fees	240,225	227,966
IP resource application fees	1,420,625	2,232,250
Interest income	546,252	583,053
ISIF grant received	742,731	71,487
Reactivation fees	37,050	43,200
Realisation of available-for-sale financial assets	376,729	-
Net foreign exchange gains	33,968	-
Other revenue	215,740	210,679
	<hr/>	<hr/>
Total	18,688,101	17,729,848
	<hr/>	<hr/>
Less Expenses		
Administration expenses (refer schedule)	15,800,764	14,497,114
	<hr/>	<hr/>
Total expenses	15,800,764	14,497,114
	<hr/>	<hr/>
INCOME FROM ORDINARY ACTIVITIES BEFORE INCOME TAX	2,887,337	3,232,734
	<hr/> <hr/>	<hr/> <hr/>

This operating statement does not form part of the audited financial report.

APNIC Pty Ltd

Operating Statement

FOR THE YEAR ENDED 31 DECEMBER

	2013 \$	2012 \$
SCHEDULE OF ADMINISTRATION EXPENSES		
Salaries and wages	6,866,676	6,475,343
Travel	1,937,230	1,822,239
Professional fees – consulting	1,036,569	444,339
Depreciation	753,032	816,998
Superannuation contributions – employees	643,147	612,597
Computer costs – other	548,748	551,362
Communication expenses	490,600	440,762
ISIF grant expense	390,808	71,487
Payroll tax	369,253	356,367
Employees’ entitlements	320,183	591,674
Meeting expenses	263,907	151,127
Sponsorship fees	175,844	74,005
Staff training	163,053	151,386
FIRE grant expense	150,882	-
FRIDA grant expense	147,173	-
Bank charges – general	138,337	132,080
ICANN	136,732	321,655
Office expenses	135,967	110,572
Professional fees – legal	129,088	140,707
Insurance – other	126,751	126,673
Recruitment	89,472	99,574
Professional fees – accountancy/management	80,715	72,889
Donations	80,579	118,217
Gifts and promotions	63,200	78,475
Electricity	58,978	52,608
Printing and stationery	53,888	49,112
IDRC grant expense	53,867	-
Staff amenities	51,876	63,112
Membership fees	47,031	67,357
Postage	45,269	28,493
Cleaning	40,536	39,876
Equipment hire	34,492	4,909
Repairs and maintenance	34,432	22,536
Deductible entertainment	34,421	35,522
Fringe benefits tax	33,959	36,689
Doubtful debts	30,990	27,099
Translation expenses	15,255	11,928
Worker’s compensation	13,019	9,652
Loss on sale of fixed assets	7,747	3,258
Books and periodicals	5,796	10,083
Administration fees	1,262	1,035
Professional fees – R&D	-	249,447
Rent and make good	-	(12,562)
Net foreign exchange losses	-	3,929
Miscellaneous expenses	-	3
Total expenses	15,800,764	14,497,114

This operating statement does not form part of the audited financial report.

D. Auditor's Report



Closing Report to the Executive Council for the
Year ended 31 December 2013

APNIC Pty Ltd

EY

Building a better
working world



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20 February 2014

The Executive Council
APNIC Pty Ltd
6 Cordelia Street
South Brisbane QLD 4001

ATTN: Paul Wilson

Private and confidential

Dear Paul

We have completed our audit of APNIC Pty Ltd ("APNIC" or "the Company") for the year ended 31 December 2013.

Subject to the resolution of the outstanding matters outlined in Section 4, we confirm that we are in a position to issue an unqualified audit opinion on the financial statements in the form that appears in Appendix A.

This report is intended solely for the use of the Executive Council and senior management, and should not be used for any other purpose nor given to any other party without our prior written consent.

We would like to thank your staff for the assistance provided to us during the engagement.

I look forward to the opportunity of discussing with you any aspects of this report or any others issues arising from our work.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ric Roach', with a long, sweeping horizontal stroke extending to the right.

Ric Roach
Partner

Highlights

Status of the audit

We have completed the audit of the special purpose financial report of APNIC Pty Ltd ("APNIC" or "the Company") for the financial year ended 31 December 2013.

- ▶ Our audit was performed in accordance with Australian Auditing Standards in order to provide reasonable assurance that the financial report is free of material misstatement.
- ▶ Subject to the resolution of the outstanding matters outlined at Section 4 of this report, we anticipate issuing an unqualified audit opinion (refer Appendix A).
- ▶ Materiality was assessed at \$339,000, representing approximately 2% of APNIC's revenue for the 2013 financial year.
- ▶ Shown in Section 2 is the unadjusted audit difference noted during the course of the audit.
- ▶ Ernst & Young's independence has been confirmed by all team members and a draft Auditor's Independence Declaration has been included in this report (refer Appendix B).

Significant accounting and auditing matters

We have identified the following matters for your consideration prior to adopting the financial report:

- ▶ Accounting for the redemption of managed investment funds;
- ▶ Valuation of managed investment funds;
- ▶ Revenue recognition;
- ▶ Grants;
- ▶ Impairment of land and buildings; and
- ▶ Accounting for income taxes.

Please refer to the detailed discussion at Section 1 on each of these matters. We request you review these and other audit and accounting matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues;
- ▶ You concur with the resolution of the issues; and
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised.

Internal control environment

Our review of the company's system of internal controls is carried out to assist us in expressing an opinion on the accounts of APNIC as a whole. This work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities (other than those which would influence us in forming that opinion) and should not therefore be relied upon to show that no other weaknesses exist.

No issues in relation to the internal control environment have come to our attention to report to you.

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1. Significant areas of audit focus

Our role as auditor requires a thorough assessment of audit risk across APNIC's business. This includes discussion with management, an assessment of prior year issues, remaining abreast of your business and continuously looking forward at changes on the horizon and their impact on the business.

Accounting for the redemption of managed investment funds



Risk:

- ▶ Inappropriate accounting for the redemption of managed funds

Insight:

- ▶ APNIC's investment portfolio has been managed by MLC and Goldman Sachs in previous years. These equity instruments have been accounted for as available-for-sale financial assets, which means that changes in the fair value are recorded through equity as a reserve, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.
- ▶ In September FY2013, APNIC changed its fund manager to Credit Suisse. As part of this process, APNIC redeemed its previous investments for a total consideration of \$1.43m, which was based on the fair value of the instruments at the redemption date. The original cost of the investments was \$1.38m.
- ▶ Impairment write downs were previously expensed to the profit and loss in 2008 totalling \$335k. Since 2009 to the date of sale, the increase in investment fair value (i.e., unrealised gain) has been credited to a fair value reserve within equity in the balance sheet. Upon sale of the investments, this cumulative unrealised accounting gain of \$377k has been transferred and recognised in the 2013 profit.
- ▶ For income tax assessment purposes, the losses recognised in 2008 are offset against the 2013 gain. This results in an assessable gain for income tax of \$42k, summarised as follows:

Non-assessable fair value gains at time of redemption	\$335k
Assessable capital gains from redemption*	<u>\$42k</u>
Total accounting gain recognised in the P&L	<u>\$377k</u>

* Calculated as the difference between the proceeds from redemption (\$1.43m) and original cost of investments (\$1.38m).

EY's Perspective:

- ▶ We reviewed the journal entries posted by management and noted that they have appropriately flushed through the balance of the reserve from equity to profit and loss, in accordance with AASB 139.
 - ▶ We also noted in the tax calculation prepared by KPMG that only the \$42k capital gain was treated as assessable income, which appears reasonable. We note that \$335k, which was treated as non-assessable, corresponds to the fair value loss put through the P&L (instead of equity) in 2008 which was treated as non-deductible at the time.
-

Valuation of managed investment funds



Risk:

- ▶ Inappropriate valuation of investments in accordance with accounting standards.

Insight:

- ▶ As discussed in the previous paragraph, APNIC amended their investment strategy during the year by changing their fund manager to Credit Suisse. In September 2013, funds within the term deposit accounts and previously managed investment accounts were transferred into the Credit Suisse investment portfolio. These funds have been invested across a range of investments including shares, cash, cash equivalents and other alternative investments.
- ▶ As at 31 December 2013, the balance of investments managed by Credit Suisse amounted to \$13.7m. These equity instruments have been classified as available-for-sale financial assets in accordance with AASB 139.
- ▶ The fair value of these investments increased by \$202k as at 31 December 2013, which has been recorded within an equity reserve account.

EY's Perspective:

- ▶ As part of our audit procedures, we confirmed the balances directly with Credit Suisse who provide the fair value of the investments as at year-end. We relied on the valuation as determined by Credit Suisse.
- ▶ Management has recognised the increase in market value of the available for sale investments in equity. We concur with this treatment. We also note from the tax calculation prepared by KPMG that a deferred tax liability of \$61k (i.e., 30% of the \$202k gain) has been appropriately recognised within the reserve.

Revenue recognition



Risk:

- ▶ Inappropriate recognition of revenue given that fees are generally received from members in advance of the membership period or services being provided.

Insight:

- ▶ APNIC management tracks revenue by member and the period of membership and brings revenue to account over that membership period. We noted no errors with revenue recognition when we performed our testing procedures.

EY's Perspective:

- ▶ We have reviewed debtor receipts subsequent to year end and overdue debtors against which management has made provision of \$56,831 for non-recovery. We accept management's position that the level of provision is adequate.
-

Grants



Risk:

- ▶ Inappropriate recognition of/accounting for grants received from SIDA and ISIF.

Insight

- ▶ APNIC currently has the following grant agreements in place during the year:
 - (1) Swedish International Development Cooperation Agency (SIDA) for a total contribution value of up to SEK10,510,000;
 - (2) International Development Research Centre (IDRC) for research support grant of CAD 74.9k;
 - (3) IDRC for the "Alliance for Information Society Innovations" project for a maximum grant of CAD 418k;
 - (4) IDRC and others for Information Society Innovation Fund Asia (ISIF) for a total contribution of AU\$200k;
- ▶ In accordance with AASB 1004 **Contributions**, income arising from the contribution of an asset to the entity shall be recognised when all of the following conditions have been satisfied: (1) the entity obtains control of the contribution or the right to receive the contribution; (2) it is probable that the economic benefits comprising the contribution will flow to the entity; and (3) the amount of the contribution can be measured reliably.
- ▶ We reviewed the grant agreements which specifically disclosed the conditions under which the grant monies are to be used. We noted that the grant monies are intended either for redistribution to selected grantees, or used to recompense APNIC's expenditures that are allowable per the agreements.

EY's Perspective:

- ▶ We note that when grant monies are received, a liability is recognised as APNIC has not met the first condition stated in AASB 1004 to recognise grant income. As noted above, APNIC effectively does not gain control over the grant monies received as these have to be spent under conditions specified by the grant agreements. We concur with this accounting treatment.
- ▶ We agreed grant monies received and paid to bank statements and did not note any material exceptions.
- ▶ We also note that grant income is recognised only when the allowable expense are carried out by APNIC. We concur with this accounting treatment.

Impairment of land and buildings



Risk:

- ▶ A decline in property market conditions could result in the carrying value of land and buildings being in excess of the market value.

Insight:

- ▶ Though APNIC management has not obtained any formal valuation of the South Brisbane property, management does not consider there to be any indicators of impairment based on: (1) recent sales activity in the surrounding area not
-

***Impairment of
land and
buildings
(con't)***

indicating any decline in value; (2) the land valuation remaining at \$3.0m in the latest Brisbane City Council rates notice; and (3) appropriate depreciation charges having been levied on the building carrying value.

- ▶ Management advises there are no plans to indicate APNIC will not remain in and continue to operate from the premises.

EY's Perspective:

- ▶ We accept management's position that there are no indicators of impairment.

***Accounting for
income taxes***



Risk:

- ▶ APNIC applies the mutuality principle in calculating income taxes which effectively results in the majority of APNIC's income and expenditure not being assessable/deductible for income tax. This is a self-assessment process. There is a risk this mutuality principle does not continue to apply to APNIC beyond 30 June 2012 and hence the company should account for increased levels of income tax payable.

Insight:

- ▶ In the prior year, APNIC consulted with KPMG, its tax advisers regarding the continued application of the mutuality principle for periods beyond 30 June 2012, as the most recent private binding ruling (PBR) obtained by APNIC only covered up to 30 June 2012. KPMG concluded that it is still appropriate to be applied on the basis that "until a new interpretation is issued by ATO on the application of the mutuality principle, APNIC will have a reasonably arguable position to continue to apply the mutuality principle provided that the current factual basis is not materially different to the factual basis on which earlier private binding rulings were issued."
- ▶ No public announcement has been made by the ATO to date. APNIC reconfirmed their position regarding the continued application of the mutuality principle with KPMG, who confirmed in a letter dated 6 January 2014 that it is appropriate for APNIC to continue to apply the mutuality principle for the period ended 31 December 2013. KPMG also states that this can continue up until the time any announcement is made by the ATO on the future application of the mutuality principle, and that at the time of any future announcement, APNIC will need to review the application of the mutuality principle.

EY's Perspective:

- ▶ We accept management's position to apply the mutuality principle for the period to 31 December 2013 as being a reasonable position based on known facts at this time.
-

2. Audit Adjustments

2.1 Summary of unadjusted differences

The following differences have been identified during the course of our audit and have not been considered material by management or by us for adjustment:

Account	(Under)/Over Statement Of net assets	(Under) / Over Statement of Profit
	AU\$	AU\$
Dr Provision for long service leave (current)	988	
Dr Provision for long service leave (non-current)	19,485	
Cr Employee benefits expense		(20,473)

The adjustment arose from the difference in the discount rates used per management's calculation and per EY's recalculation. We also note that management used a consistent discount rate to calculate the present value of the long service leave provision without taking into consideration the length of the employees' service. We recommend that management take this into account as the discount rates vary accordingly of the number of years of service.

2.2 Summary of adjusted differences

There were no adjusted differences during the year.

3. Independence

We confirm that we have complied with the *Corporations Act 2001*, and in our professional judgment, the engagement team and the Firm are independent.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Executive Council consider the facts of which you are aware and come to a view. Should you have any specific matters that you wish to discuss, please contact us.

4. Outstanding Items

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Subsequent events	<ul style="list-style-type: none">▶ Update of subsequent events to the date of signing the audit opinion	<ul style="list-style-type: none">▶ EY/Management
Financial statements	<ul style="list-style-type: none">▶ Final review by audit partner and by management▶ Director to adopt and sign the financial statements	<ul style="list-style-type: none">▶ EY/Management▶ Director
Management representation letter	<ul style="list-style-type: none">▶ Receipt of signed management representation letter (due at the time of signing the financial statements)	<ul style="list-style-type: none">▶ Management

Appendices

Appendix A: Draft Audit Report

Appendix B: Draft Auditor's Independence Declaration

Appendix A Draft Audit Report

Independent auditor's report to the members of APNIC Pty Ltd

We have audited the accompanying financial report, being a special purpose financial report, of APNIC Pty Ltd, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the director's declaration.

Director's responsibility for the financial report

The director of the company is responsible for the preparation of the financial report and has determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members.

The director's responsibility also includes such internal controls as the director determines are necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the director of the company a written Auditor's Independence Declaration, a copy of which is included in the director's report.

Opinion

In our opinion the financial report of APNIC Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Basis of accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the director's financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

Ernst & Young

Ric Roach
Partner
Brisbane
10 February 2014

Appendix B Draft Auditor's Independence Declaration

Auditor's Independence Declaration to the Director of APNIC Pty Ltd

In relation to our audit of the financial report of APNIC Pty Ltd for the financial year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ric Roach
Partner
10 February 2014

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Ernst & Young is a registered trademark. Our report may be relied upon by APNIC Pty Ltd for the purpose of only pursuant to the terms of our engagement letter dated 22 January 2014. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party.

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E. Director General's Report

APNIC DG Annual report 2013 February 2014

This report covers the performance and achievements of the APNIC Director General, Paul Wilson, for the review period to 31 December 2013.

The report addresses the Key Performance Indicators provided in Attachment 2 of the Employment Contract.

Appendices provide supporting documentation including copies of reports provided by the DG at regular EC meetings (extracted from meeting minutes), and current APNIC staff structure.

1. Key Performance Indicators

KPI 1: "To operate the APNIC Secretariat within the approved annual budget, while striving to improve the result wherever possible"

According to the audited annual financial report for 2013:

	Budget AUD	Actual AUD
Revenue	17,695,178	17,568,641
Expenses	15,988,555	14,585,138
Surplus	1,706,623	2,983,503

These results demonstrate that in 2013 the APNIC Secretariat operated within the agreed budget.

Improved methods for accrual of Member fee income and predictable expenses ensured that budget forecasts were more accurate throughout 2013, and there was no need for a budget revision during the year. Other improvements to APNIC financial management processes and systems are documented elsewhere in this report.

KPI 2: "To develop and operate an appropriate and approved risk management strategy"

During 2013, APNIC Secretariat proposed the development of a Strategic Risk Register, after consultation with external advisors; and this was presented during the May meeting of the Executive Council. Internal ELT workshops produced a draft Risk Register which was further developed and endorsed by the APNIC EC during the December meeting. This document will be updated periodically, and reviewed by the EC so that it represents an up to date record of APNIC's agreed strategic risks.

The current APNIC Risk Register (redrafted as at Feb 2014) is attached to this report, providing analysis of each of the major recognized risk areas:

1. Nationalisation of resource management
2. Reduction in perceived value of membership
3. Emergence of a "thinner" registry model
4. Geographic fragmentation
5. Obsolescence of current resource management mode
6. Cyber threats including DOS, security breach, data theft etc.
7. Loss of key expertise
8. Internal fraud and/or corruption

In addition to this, the Secretariat continues to manage a variety of operational risks, in consultation with the EC as needed. These include:

a) Insurance cover

- The services of International SOS were employed during 2013, providing a greater level of safety and security to travelling staff and EC members. Two emergency situations during travel in 2013, and these were handled very effectively by iSOS.
- A new travel insurance policy was established in 2013, with a substantially reduced premium due to our iSOS coverage.

b) APNIC EC procedures

- An EC workshop was provided by Craig Ng during May, on Directors responsibilities as they apply to the EC.
- A review of the APNIC EC handbook was conducted in 2014, resulting in some recommended changes and improvements.

c) Work Health and Safety

- APNIC underwent a WHS audit during 2013, which confirmed our compliance with all major legal requirements.
- The audit report included recommendations, most of which were fully implemented by the end of 2013.

d) Human Resources

- **Key staff:** Sanjaya was appointed to the position of Deputy Director General, after a full year of positive performance as Operational Director;
- **Hiring:** We continue the use of limited 2-year employment contracts by default for all new staff;
- **Termination:** 2 staff terminations were undertaken in 2013 due to performance issues, without threat of legal challenge;
- **Appraisal:** The existing performance appraisal system (Appraisal Smart) was replaced during 2013, and annual reviews were performed under the new system (Halogen).

e) Financial risks

- **Audit:** APNIC's annual audit for 2013 is underway but not yet complete at the time of writing this report. Ernst and Young has again been engaged

for this audit, however current policy dictates that a new auditor will be selected for 2014.

- **Controls:** During 2013, Irene Chan was appointed to the position of Finance Controller of APNIC, bringing improved separation between accounting and control activities.
- **Investments:** see KPI 4 below.

KPI 3: "To lead the Executive Team in the development of collaborative Area action plans"

Internal planning processes are undertaken Quarterly, in 1-day meetings of the Executive Leadership Team (ELT). This provides quarterly project and priority guidance to staff of each Area, which is disseminated through Area-level meetings.

A 5-year strategic plan was presented to the EC during the August meeting in Xi'an, and is attached (Appendix 4). This plan forms the basis for annual and quarterly plans at the Secretariat level.

KPI 4: "To ensure an agreed return on funds employed within the business"

As mentioned above, the APNIC EC endorsed a new investment policy during 2013, along with Credit Suisse as investment advisors and managers.

The first draft investment policy was presented in May (with a proposal initially from Commonwealth Bank), then approved in September (with subsequent proposal from Credit Suisse). APNIC Treasurer James Spencely participated in review meetings and assisted in identifying Credit Suisse as the preferred fund manager. The new policy and management framework provides more structure and transparency to APNIC's investment processes, and a likelihood of better returns on invested funds.

KPI 5: "To ensure that APNIC has, and maintains, effective systems covering the entire business"

The implementation of Netsuite during 2011 has produced ongoing savings and benefits to APNIC in terms of efficiencies and reliability. During late 2013, a Netsuite-compatible CRM (Customer Relationship Management) system has been deployed.

In addition, the Halogen HR system has been deployed for performance appraisal, and is able to be extended to support other HR management functions.

The achievement of ISO9001 Quality Systems certification required an in-depth review of many internal management systems, and the final report provided a very positive appraisal of existing systems. The certification process gave extra

emphasis to the importance and effective use of these systems, and resulted in a range of improvements.

During 2013 a new approach to APNIC Conference selection was proposed and approved by the APNIC EC. Rather than relying on a “call for proposals”, APNIC Secretariat will propose locations based on a scheduled geographic rotation, and suitable host organisations which can be identified. This will provide a more systematic approach to our events.

KPI 6: “To maintain and enhance the perception of APNIC in the Internet environment - especially in the Asia Pacific”

In the absence of an APNIC Stakeholder Survey during 2013, a single independent indicator of APNIC perceptions is not available to cover the period of this report. At the same time there have been no indicators of declining perceptions of APNIC, or damage to our public perception from any source during the period. At the same time, APNIC outreach and service activities have been maintained at at least the same level as previously; and numerous improvements to services have been implemented.

APNIC’s 20th Anniversary Celebrations, held during APNIC 36 in Xi’an, were regarded as highly successful, and served to reinforce the perception of APNIC in various ways. In particular, communications efforts during this event were directed effectively to reinforcing awareness of APNIC as a very well-established, stable, efficient and successful organization. The successful attainment of ISO9001 certification was well publicized during APNIC 36 and other events.

Online publishing via Social Media channels has been increased during 2013, including conventional channels such as Facebook, Twitter and Youtube, and custom channels including APNIC website, Labs and Blabs websites. Across most or all of these channels, communications activities continued and includes in volume.

During 2013 the APNIC structure did not incorporate a Communications Area, and communications functions were undertaken by units located in the Services and Learning and Development Areas. To provide uniformity of external communications activities, APNIC employed the services of a senior communications consultant (Anya Chambers) ensured the continuation of regular PR activities, as well as development of new activities such as video production during APNIC conferences.

At the end of 2013 the Communications Area was reinstated, with the appointment of Tony Smith as Communications Director.

As Director General I continued to be active in external relations and engagement activities; as documented in the next section. In particular as Chair of the NRO I played a key role in the initiation and production of the Montevideo Statement during October 2013, a document which has been described as pivotal

and critical in building momentum for needed reform of ICANN and IANA arrangements.

KPI 7: "To perform successfully as a credible and authoritative spokesman for APNIC, and support the EC by providing reasonable explanations of Secretariat's business operation"

During 2013, the following notable roles were undertaken, demonstrating trust and credibility in my position:

- Served as chair of the NRO in 2013, played significant role in the NRO and I* communities; attending meetings in February in Singapore (hosted by APNIC), October meeting in Montevideo, and December meeting in Santa Monica. Played a pivotal role in proposing a "Montevideo Statement", initially within the NRO EC and then the I* group.
- Played a visible leadership role in the establishment of the ICANN's "1net" initiative; with publication of CircleID article.
- Served as chair of the Asia Pacific Regional IGF, and reelected in 2013. Presided over a successful APrIGF meeting in Seoul.
- Member of the IGF MAG (reappointed in 2014), and active in the preparations and conduct of the Bali IGF.
- Established good relationship with incoming ICANN CEO, Fadi Chahade, including joint mission to Indonesia to secure the event with funding and logistical support.
- Ongoing use of APNIC Social media (eg @apnicdg) for communications on APNIC-specific issues.

I feel I continue to enjoy a high level of support and respect from within the APNIC and broader global Internet communities, and as the following section shows I continue to keep the EC well apprised of relevant activities and developments.

KPI 8: To maintain the APNIC Secretariat for the employees to work productively in a favorable environment.

In response to the EC's suggestion, an independent staff survey was conducted in 2013, to gauge the levels of "enablement" and "engagement" of APNC staff. The survey result was positive, and presented to the EC during their meeting in December 2013.

The first APNIC staff conference was held in 2013 (coinciding with our 20th anniversary celebrations), designed and facilitated by APNIC HR Director and external advisors. This was followed by the establishment of an ongoing "One Vision" staff team.

While increasing APNIC activities in almost all respects, the APNIC staff grew by 1 member during 2013. There were 9 staff members who departed for a variety of reasons, while a total of 10 staff members were recruited.

Appendix 1 – DG Reports to EC Meetings

The following are reports provided by the DG to the EC during regular meetings (extracted from APNIC EC meeting minutes).

Ref: <http://www.apnic.net/about-APNIC/organization/structure/apnic-executive-council/ec-minutes>

25 February 2013 (Singapore)

- The D-G noted the main activities since the last EC meeting in December.
- Prior to the APNIC 35 Meeting the CEOs of the RIRs, the chairs of the IETF and the IAB, the CEO of ICANN and the CEO of ISOC held a two day retreat.
- The NRO EC also held a retreat prior to APNIC 35. The NRO EC decided to add two more inter-RIR coordination groups, the Registration Service Managers and coordination of the RIRs' efforts relating to IPv6 support and promotion.
- With respect to public affairs the DG noted a number of ITU-related meetings in 2013, including the WTPF, the WTDC, WSIS+10 and the preparatory process leading to the ITU Plenipotentiary meeting to be held in 2014. There is also the prospect of a further UN Working group that is to examine the means of enhanced cooperation in the general area of Internet Governance. The DG also noted some looming issues related to the funding of the 2013 IGF, to be held in Bali later this year.
- The DG noted that the APNIC Secretariat is pursuing ISO 9000 Quality Certification.
- The DG briefed the EC on the preparation for APNIC 36 and the 20th anniversary of APNIC to be celebrated at that meeting.

11 May 2013 (Dublin)

Director General's report to APNIC Executive Council

8 May 2013 This report is provided to the EC for the quarterly meeting on 11/12 May 2013.

Additional information is available in the current APNIC update presentation (PPT), dated 17 May 2013, which will be presented at the same meeting.

Business Area

The latest APNIC monthly financial report is available for discussion at the Dublin meeting, produced by Finance staff within 5 days of the start of May. Also, an APNIC investment policy has been drafted for EC discussion. <https://apnic->

ec.apnic.net/bin/view/Main/ECmeetings

The ISO9001 QA project is underway and on schedule. Internal and external QA Audits to be completed by the end of July, aiming for certification to be achieved before APNIC 36.

The ATO (Australian Tax Office) has advised of our successful appeal in assessment of Forex gains and losses in 2007 and 2008, which has resulted in a tax refund of AUD \$68,165

On the ATO review of our mutual status, we have no further news. Advice from KPMG has been not to pursue an answer from them, as it is likely to be negative. We are still reporting according to mutual status, but there will be no prejudice or penalty in the event of a final decision against our status.

Staff has developed a set of organisational (operational) KPIs for regular monitoring and progress reporting, on a monthly basis. This is a work in progress and can be shared with the EC as time- series results are gathered.

The budget process for 2014 has not commenced yet. The APNIC Secretariat will rely on advice from the EC on the framework and approach for the next budget cycle, before starting work.

APNIC has obtained services from International SOS for emergency travel support, which have been used twice this year (in Singapore and Beijing). Travel insurance costs were reduced due to the use of this service, but may be subject to review after claims made. A new travel agent has been appointed as of April 2013.

<http://www.internationalsos.com> <http://www.travelctm.com>

Services

Staff have implemented the agreed 50% reduction in APNIC's initial allocation fee, as of April 2013.

<http://www.apnic.net/fees>

As reported in monthly financial report, the rate of new member growth has slowed during 2013, below budget estimates. It is not clear if this is a seasonal or longer-term trend. Also the effect of the India NIR is being seen, with 48 APNIC members moving to IRINN so far.

A "National Internet Resource Report" product for Government agencies is being developed. We already provided monthly national reports to Government agencies who request it, including extracts of public data (and only public data) for their economies. This is being requested more often, and will be developed as a more formal "product" in future. We will work with NIRs to produce joint reports where desired.

We are receiving more requests for individual membership, so have conducted a legal review of our documents. APNIC bylaws confirm the original intention for APNIC to offer membership to individuals, and no other documents prevent it.

Also Internet resource requests can be handled in the same way, regardless of the legal entity involved (person or organisation). Therefore individual membership are being granted where requested.

The revised NIR membership agreement has been adopted, and all NIRs are expected to sign. In case of JPNIC a side-letter has been provided to confirm certain specific implications of the new agreement and the NIR recognition criteria.

Technical

A new VOIP system has been budgeted and specified, for implementation in 2013. It will provide better call control, detailed monitoring of service call activities (Helpdesk), better audio conferencing, and security.

Work is underway to deploy the new RIPE database (whois) system, which has been entirely reimplemented by NCC (in Java). This will provide historical ("whowas"), and RDAP/WEIRDS functionality, which are needed features. Some functionality needed by APNIC is missing (eg NRTM, and schema configuration) and needs to be reimplemented by APNIC – this is a substantial project.

Further work on service virtualisation has been underway, and "Puppet" configuration management to be completed in June.

Work has been underway with the NRO ECG to define processes for publication of joint IP resource stats on the NRO website, for deployment in May.

Learning and Development

A new events registration system has been selected for training and conference events, to replace APNIC's in-house systems. It will be deployed for APNIC 36. <http://ungerboeck.com/software-solutions/event-management-software>

A cost-recovery training consultant (ex-Cisco) has been identified for hire in India, and agreement established with an Indian company who will host him.

First LEA training course conducted with InternetNZ in Wellington, early May.

APNIC's Training website has been reimplemented this year and now provides much more information on course content and schedules. Full information about current training activities is available at: <http://training.apnic.net>

Human Resources (confidential)

[This section removed from the published material]

Public Affairs

WTPF: Since WCIT, ITU is still working to promote the ITRs to members states which have not signed, but without much success it seems. Attention has now shifted to WTPF as the next forum in which Internet issues will be discussed. APNIC and ARIN joined the Informal Expert Group, however contributions were

largely ignored. General expectation is of more conflict and uncertainty arising from Geneva WTDC meetings this month. <http://www.itu.int/en/wtpf-13>

ITU Regional Development Forum and ITU/APT WTDC preparatory meetings were held in Cambodia with strong APNIC presence. IPv6 capacity building featured strongly, along with new emphasis on multistakeholder participation in ITU activities. www.itu.int/en/ITU-D/Conferences/WTDC/WTDC14/RPM-ASP

PITA AGM and APT regional forum in Samoa, with APNIC participation and tradeshow booth (providing good access to APNIC members from the Pacific). <http://www.pita.org.fj>

APNIC proceeds with IPv6 capacity building project with ITU-D ASP (Asia Pacific) CoE, which is receiving AU Government funding. A longer term (5-year) project may be developed, providing suitable funding partners can be found.

Plenipotentiary meeting of ITU will be held in 2014, to start new 4-year ITU cycle, including reappointment of senior positions. APT preparatory meetings have started and will continue during this year. <http://www.itu.int/en/plenipotentiary>

<http://www.apnic.int/2013-PP14-1>

IGF

I have taken the Chair position of the Asia Pacific regional IGF (APrIGF), helping to establish appropriate procedures, interfaces with Bali IGF, and preparations for Korea meeting. <http://rigf.asia>

Have held series of meetings and discussions in preparation for Bali meeting, hoping to increase AP- region awareness and involvement. Focus is on the value of the Internet economy in Asia,

As MAG member I am participating in overall programme design, as well as content selection and development processes. <http://intgovforum.org>

APNIC and the NRO has been involved in several workshop proposals, by lodging proposals or offering speakers. <http://www.intgovforum.org/cms/wks2013/listing.php>

NRO and related

In response to a proposal from ARIN, the NRO EC has agreed that NRO incorporation is not required at present, and the issues should be shelved for another 2 years (until 2015)

The NRO EC has resolved to explore ITU Sector membership (T & D sectors) for the NRO, as a means for the NRO to participate in its own right, and to aggregate RIR participation in ITU activities.

German Valdez started work as the NRO's Executive Secretary in April 2013. This is a shared expense for the nro, funded according to the usual cost sharing formula.

The NRO IPv6 Coordination Group has now been established.

ICANN

The new ICANN CEO Fadi Chehade attended APRICOT and was available for several meetings with APNIC and other RIR representatives. Again during the ICANN 46 meeting in Beijing, meetings were held on a number of topics.

The NRO has provided advice to ICANN on its handling of proposals for an Arab RIR to be established. A new RIR can be established and will be supported, however the principles of ICP-2 (ICANN's policy for new RIRs) must be observed.

IANA is embarking on a consultation process, as required by the USG, to document the sources of policy which govern its actions. There has been a discussion with the NRO about which sources of policy should be included, as the ASO MoU is already quite specific about this.

ICANN has launched regional strategy development processes for Africa and Latin America, in close consultation with AfriNIC and LACNIC (among other stakeholders). Such a process is yet to start in the APNIC region, however an Asia process is expected to start with the appointment of ICANN's VP for Asia, and a Pacific process is also expected to start within the next 2 months. ICANN has invited APNIC's participation in both.

An exchange of letters between the NRO and ICANN is currently being discussed as a means to make clear our public agreements on these matters. (Draft copy provided to the APNIC EC)

RIPE Cooperation Agreement

The following projects fall under the cooperation agreement signed with RIPE NCC:

Weirds Development Collaboration: APNIC working with RIPE NCC and also CNNIC on deployment of the RDAP (WEIRDS WG) protocols. Functionality will be included in next release of RIPE database code, which APNIC will release in Q3.

RPKI UI development: Uniform implementation of APNIC and RIPE NCC interfaces to RPKI services, providing consistent look and feel to both services, completed.

BCP Collaboration: Work progressing during Dublin meeting to coordinate cross-audits of NCC and APNIC BCPs, to be completed during 2013.

Survey Cooperation: Also progressing during Dublin meeting, towards increased consistency between surveys, to share experiences and allow comparisons. This will be discussed with APNIC EC during future workshop on APNIC Survey processes.

IPv6 Training: Collaboration on jointly updated training materials for IPv6.

Ongoing. StatService: Project on hold pending future funding.

LEA coordination: It is hoped to established a formal collaboration on engagement with Law Enforcement Agencies. This project is still to be defined and launched.

Other

APNIC 36 and 20th birthday celebration is being prepared for Xi'an. Invitation list is being assembled (for special invitation and free registration), and APNIC EC members are invited to add names. There will be suitable formalities to celebrate contributions to APNIC from the past 20 years.

John Earls has interviewed all EC members about expectations for the AP Pulse project, and will communicate separately.

The next APNIC Survey is due to be launched in March 2014. The proposed workshop EC on the survey process is now scheduled to take place in Xi'an, with assistance from John Earls. Any changes to the survey process can then be reviewed (or approved) by the EC during the December 2013 meeting, before the survey process is finalized.

26 August 2013 (Xi'an)

Director General's report to APNIC Executive Council August 2013

This report is provided to the EC for the quarterly meeting on Monday 26 August 2013, in Xi'an, China.

Business Area

Since the last meeting, APNIC monthly financial reports have been issued for May, June and July. The June report includes a half-yearly budget analysis and updated budget forecast.

The latest report indicates the following:

1. Revenues are very predictable at present due to slow member growth, and accurate predictions of new member numbers. Revenue variation in new member fees are due to timing issues, not due to extra new members (and likely to be close to budget on current trends).
2. Expenses are lower than budget primarily due to: reduced NRO expenses share (explained below), hiring delays (dependence on senior hires) and outsourcing of some staff functions (primarily design and communications consultancy), income tax rebate, and lower depreciation (due to capital purchase delays).
3. The overall result shows a substantial surplus by end of July 2013, but this will be reduced by EOY due to timing issues.
4. Currently, capital reserves are in excess of 14 months' expenses.
5. New memberships have increased since the last EC meeting, and now match

budget projections, with the result that “resource application fees” are sustained. If seasonal patterns continue, new member rates should increase through the rest of 2013, and may exceed budget expectations. The majority of member cancellation has occurred due to movement to NIRs (58% as of July report), mostly to NIXI. With figures covering 1 full year of NIXI operations, we should be able to forecast attrition rates more accurately for 2014.

APNIC Investment policy: After a review with the APNIC Treasurer, the investment proposal from Commonwealth Bank was abandoned in favour of a superior proposal from Credit Suisse. This also resulted in changes to the Investment Policy which will require EC approval; when this is obtained, the new policy and investments can be put into effect (with a stages transition process from old to new investment instruments).

The ISO9001 QA project is complete, and APNIC received formal certification during August 2013. The auditor provides very positive feedback about APNIC’s systems, and staff knowledge of and dedication to quality practices. It is understood by all staff that this certification represents just one step in ongoing continuous improvement activities at APNIC.

Work has progressed on APNIC’s Risk Registry, to be reported to the EC this month. A workshop will be held during the December EC meeting, in Brisbane, if the EC wishes to go ahead.

The budget process for 2014 is beginning, with a high-level financial outlook to be presented to the EC during August. With EC guidance, this will form the basis of a budget to be developed in the coming months, and formal approval in December.

Services and Technical Areas

Final /8 allocations continue at a rate of 120+ per month. Services staff are monitoring allocations for subsequent transfers and aggregation of multiple requests, and will report during APNIC 36.

Transfers of IPv4 space continue at 8-10 per month, with a small number of inter- regional transfers. These figures will also be reported in more detail in APNIC 36.

The revised NIR membership agreement has been adopted, and all NIRs are expected to sign. In case of JPNIC a side-letter has been provided to confirm certain specific implications of the new agreement and the NIR recognition criteria. Technical

The new VOIP system has been implemented and will provide better call control and tracking.

The new and reimplemented RIPE database has been deployed by APNIC, and provides new features including geolocation and language attributes, RDAP (pilot/beta service), and historical (“whowas”) functionality. NRTM support, which was initially missing, has now been restored, with assistance from APNIC. APNIC’s historical data will be made available in the near future.

RPKI user interface developments have been completed (under cooperation

agreement with RIPE NCC). Testbed system has been established and used in interoperability testing with other RIRs (during NRO ECG activity in Berlin) and with JPNIC. RPKI technical workshop will be happening in APNIC 36.

APNIC has been instrumental in establishing the uniform joint RIR statistics, which required work on format standards and data consistency; and this is now published on the APNIC and NRO websites.

We have begun the deployment of a new “business intelligence” software platform which will allow aggregation of data from multiple sources, for better reporting. A public interface to this system will eventually replace the current APSTATS service.

John Earls has reported on interviews with EC and senior staff members on the AP Pulse proposal, and further discussion will take place in Xi’an, along with other discussions on the Survey process.

Learning and Development

A new events registration system has been deployed for training and conference events, to replace APNIC’s in-house systems. This will save technical resources previously allocated to the in-house system.

The preparations for APNIC 36 have been more intensive than usual, due to the 20th anniversary activities. As discussed at the last EC meeting, registration fees are now waived for APNIC members, from this meeting forth.

Srinath Beldona is now working for APNIC in training and engineering assistance, based in India. He is being paid by APNIC via an intermediary company in India and a suitable contractual arrangement.

External Relations and Public Affairs

There have not been any major ITU events in the past period, but preparations are underway for the WTDC (World Telecommunications Development Conference) and ITU Plenipotentiary conferences in 2014, and WSIS+10 in 2015. APNIC has attended forums held by ITU ASP, APT and DBCDE (Australian government) on these topics. Issues of concern to us include ITU’s roles in Internet Governance and in IPv6 development, and the scope of ITU’s mandate, likely to be reviewed in PP-14.

APNIC has joined APT (Asia Pacific Telecommunity) as an Associate Member, after encouragement from APT and several member countries. The formal request was submitted by Australia (as required by APT rules).

A training course on IPv6 Security was provided with ITU-D support in Bangkok, and was considered a great success. Planning is underway for IPv6 Transition workshops, with \$100,000 additional funding contributed by ITU-D (Australian Government funding).

I have been active as interim Chair position of the Asia Pacific regional IGF (APrIGF), which will be held in Seoul, 4-6 September.

I joined a mission with Fadi Chehade of ICANN to Jakarta to ensure that the IGF

will continue in Indonesia, with appropriate funding. I have continued to be involved in fund-raising activities, promoting the need for funding to companies and organisations in the AP region. The funding target is 80% met, in terms of commitments which have been made so far.

NRO and ICANN

APNIC's share of responsibility for NRO expenses was greatly reduced in 2013 due to the reduction in our IPv4 allocations, resulting in a budget saving of \$170,000. I have previously supported the revision of the funding formula to maintain our previous contribution levels, and this is likely to be agreed for future years.

German Valdez started work as the NRO's Executive Secretary in April 2013, and has worked productively in support of the NRO EC and coordination groups.

Yu-Chuang Kuek has been recently appointed as ICANN's VP for Asia, from 1 August 2013. There have been several meetings, and he will visit the APNIC offices in September. Save Vocea continues as ICANN VP for Oceania (Pacific, Australia and NZ).

Both are involved with ICANN Regional Strategy processes for their regions and have asked for APNIC's involvement. We will engage in these discussions, and explore way to work more closely with ICANN in our region, and for ICANN to be more closely involved in supporting common activities.

An exchange of letters between the NRO and ICANN was recently published to clarify our agreed positions on the new RIRs (in particular the proposed Arab RIR) and the bottom up process. There have been no further issues related to this matter.

The NRO recently confirmed with ICANN that we wish to begin technical testing of RPKI services with IANA, but without committed timelines for deployment.

RIPE Cooperation Agreement

The following projects fall under the cooperation agreement signed with RIPE NCC:

Weirds Development Collaboration: This is closed with the successful deployment of the new RIPE server. Ongoing development work will fall under "business as usual".

RPKI UI development: Uniform implementation of APNIC and RIPE NCC interfaces to RPKI services has been deployed, providing consistent look and feel to both services, completed. The project is closed.

BCP Collaboration: Work progressed during Dublin RIPE meeting to coordinate cross-audits of NCC and APNIC BCPs, to be completed during 2013.

Survey Cooperation: A joint RIPE NCC and APNIC meeting will happen in Xi'an to discuss survey coordination.

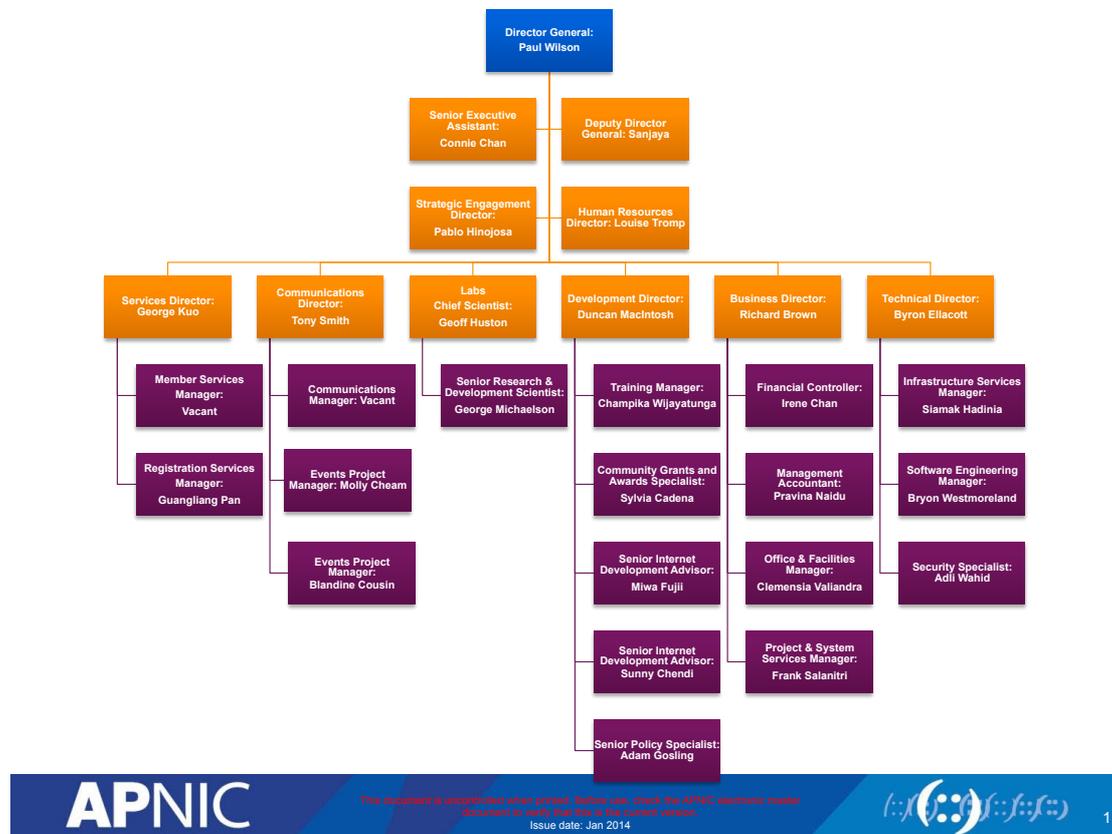
IPv6 Training: Collaboration on jointly maintained training materials for IPv6. This is ongoing, without notable progress recently, however will continue in

future.

LEA coordination: Discussions are pending about a formal collaboration project on engagement with Law Enforcement Agencies. It will advance with the appointment of the Security Specialist.

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Appendix 2 – APNIC Staff Structure (EOY 2013)



Appendix 3 – APNIC Risk Register (Feb 2014)

See attached Excel spreadsheet file

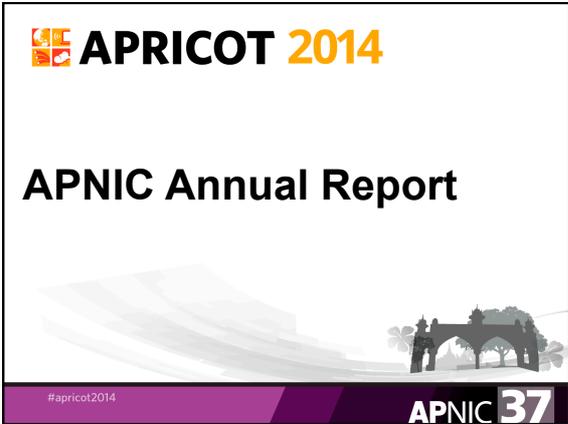
Risk Management Update EC APNIC 37.xlsx

Appendix 4 – APNIC Strategic Plan Presentation (Aug 2013)

See attached PDF file

Strategic Plan - 5 Year - August 2013.pdf

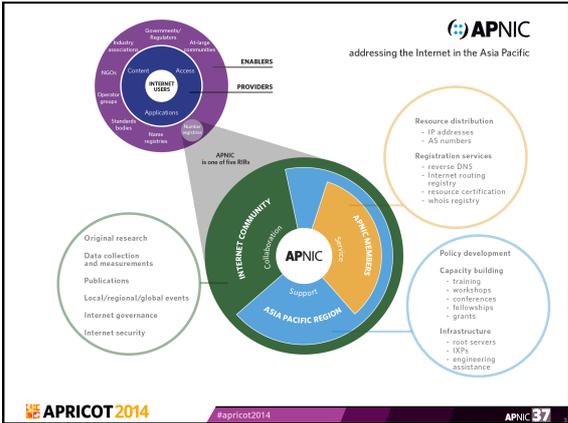
F. Draft Secretariat Report to APNIC Members' Meeting



APNIC's Mission

- **Function as the RIR** for the Asia Pacific, in the **service** of the community of Members and others
- Provide Internet registry services to the highest possible standards of **trust, neutrality, and accuracy**
- Provide **information, training, and supporting services** to assist the community in building and managing the Internet
- Support **critical Internet infrastructure** to assist in creating and maintaining a robust Internet environment
- Facilitate **regional Internet development** as needed throughout the APNIC community
- Provide **leadership and advocacy** in support of APNIC's vision and the community

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Overview

- Serving APNIC Members
- Supporting Internet development in the Asia Pacific region
- Collaborating with the Internet community
- Corporate governance

"A global, open, stable, and secure Internet that serves the entire Asia Pacific community"

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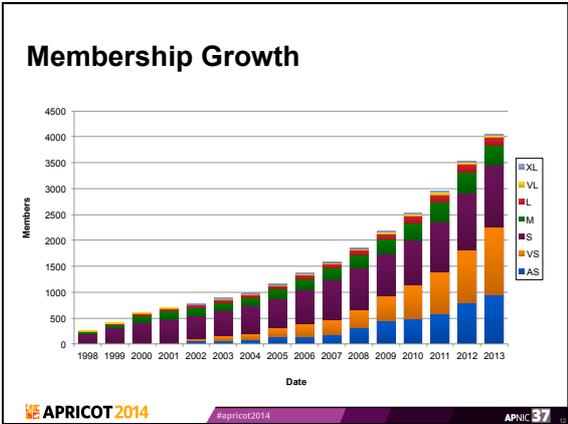
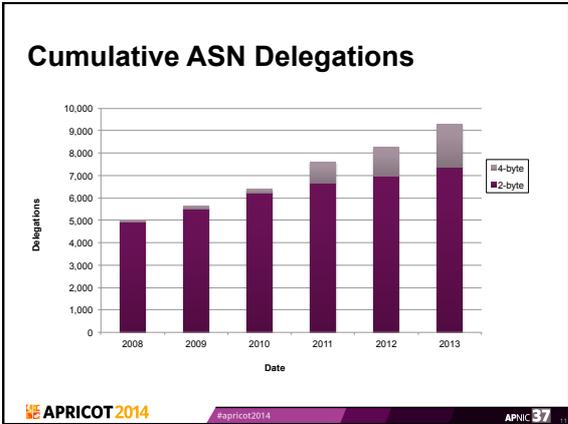
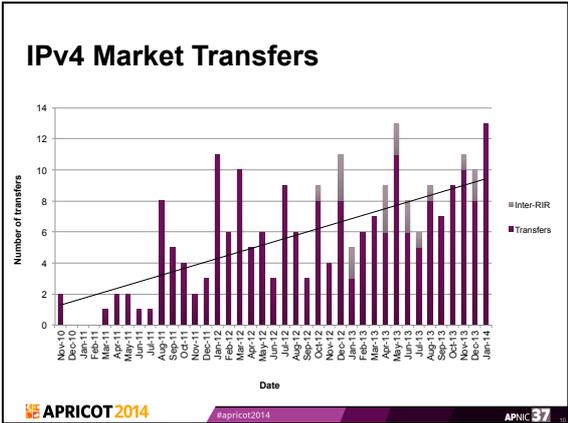
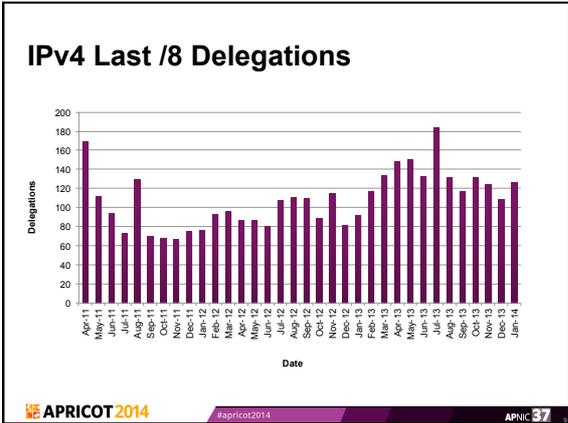
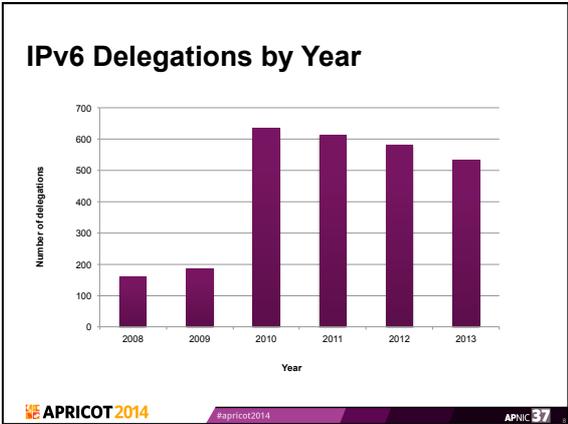
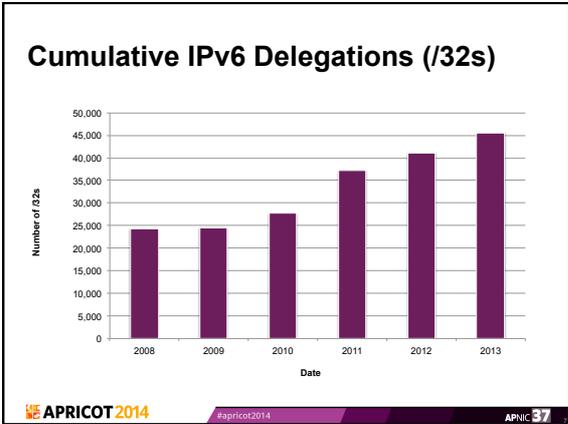
Serving APNIC Members

- IPv6 statistics
- IPv4
 - Last /8 statistics
 - Market transfers statistics
- ASN statistics
- Membership growth
- Services update
 - Whois
 - MyAPNIC updates

"Function as the RIR for the Asia Pacific, in the service of the community of Members and others"

"Provide Internet registry services to the highest possible standards of trust, neutrality, and accuracy"

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Whois Updates

- New features to provide a more stable and reliable service
 - “geoloc” and “language” attributes added to inetnum and inet6num objects
 - New feature to view previous versions of resources and how a specific object was changed over time – “whowas”
- Registration Data Access Protocol (RDAP)
 - Suite of specifications currently under development under the IETF’s Web Extensible Internet Registration Data Service (WEIRDS)
 - Pilot service available to test the RDAP protocol
 - Collaboration with the RIPE NCC

APRICOT 2014

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APNIC 37

Improvements to MyAPNIC

- New ‘Referral Application’ allows a Member to refer their customers to become an APNIC Member
 - Members can help their customers to get the resources they need directly
- Bulk update feature for IRT added
 - Enables easier updates to multiple objects within a specified range of addresses to include an IRT object reference
- Interface improvements:
 - User-friendly certificate management page
 - Improved profile page layout, now structured into four tabs for easier navigation
 - Addition of all whois object templates to the whois updates section for ease of use

APRICOT 2014

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APNIC 37

APRICOT 2014

Supporting Internet Development in the Asia Pacific Region

Sanjaya, Deputy Director General

#apricot2014

APNIC 37

Supporting Internet Development in Asia Pacific Region

- Policy development
 - IPv6 deployment support
 - Training
 - Infrastructure capacity building
 - Information Society Innovation Fund (ISIF)
- “Provide information, training, and supporting services to assist the community in building and managing the Internet”*
- “Support critical Internet infrastructure to assist in creating and maintaining a robust Internet environment”*
- “Facilitate regional Internet development as needed throughout the APNIC community”*

APRICOT 2014

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APNIC 37

Policy Implementation Progress

Implemented

- prop-108: Suggested changes to the APNIC Policy Development Process

www.apnic.net/policy/proposals/prop-108

Pending Implementation

- prop-107: AS Number transfer policy proposal
www.apnic.net/policy/proposals/prop-107
- prop-105: Distribution of returned IPv4 address (Modification of prop-088)
www.apnic.net/policy/proposals/prop-105

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APNIC 37

Proposals for APNIC 37

- prop-111: Request-based expansion of IPv6 default allocation size
www.apnic.net/policy/proposals/prop-111
 - This proposal modifies the eligibility for an organization to receive an initial IPv6 allocation up to a /29 by request basis
- prop-110: Designate 1.2.3.0/24 as Anycast to support DNS Infrastructure
www.apnic.net/policy/proposals/prop-110
 - The objective of this proposal is to permit the use 1.2.3.0/24 as anycast addresses to be used in context of scoped routing to support the deployment of DNS resolvers

APRICOT 2014

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APNIC 37

Proposals for APNIC 37

- prop-109: Allocate 1.0.0.0/24 and 1.1.1.0/24 to APNIC Labs as Research Prefixes

www.apnic.net/policy/proposals/prop-109

- The objective of this proposal is to allocate 1.0.0.0/24 and 1.1.1.0/24 to APNIC Labs, to be used as research prefixes

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APNIC 37

IPv6 in the Community

- Outreach
 - IPv6 Symposium, Geneva
 - Brunei National IPv6 Day Conference, Bandar Seri Begawan
 - Taiwan IPv6 Summit 2013, Taipei
- Asia Pacific IPv6 Task Force (APIV6TF)
 - Established to encourage IPv6 deployment and serve as a platform for knowledge exchange
 - APNIC continues to provide Secretariat services
 - Met at APNIC 36 and APRICOT 2014/APNIC 37

www.apnic.net/ipv6

- Whitepaper on IPv6 for decision makers published

www.apnic.net/ipv6-decision-makers

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APNIC 37

Training Update

- Continuing focus on IPv6 deployment
 - Comprehensive face-to-face and eLearning sessions with 3,591 participants trained
 - IPv6 eLearning day (first Wednesday of every month)
- eLearning
 - Every Wednesday in three time zones
 - New courses, 179 hours of training provided
 - Enhanced schedule for 2014
- Face-to-Face
 - Extensive hand-on exercises
 - Physical and Virtual Training Labs to enable participants to build and configure networks
- LEA Training
 - Sessions held in Philippines, New Zealand, Sri Lanka
 - New Security Specialist appointed
- Engineering Assistance offered on a cost-recovery basis

training.apnic.net

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APNIC 37

Training Delivered in 2013

- Face-to-face training
 - 89 courses in 37 locations
 - 2,622 participants
- eLearning
 - 135 courses
 - 969 participants



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APNIC 37

Infrastructure Capacity Building

- Provided training and equipment to help establish the Vanuatu IXP
- Helped establish an I-Root server instance in Port Vila, Vanuatu
- IXP Workshop held in Bangkok, Thailand - working towards establishing the country's first IXP
- APNIC supported the establishment of bdNOG, a new network operators group in Bangladesh

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APNIC 37

ISIF Asia

- 2013 ISIF Asia award winners recognized. AUD \$3,000 plus the opportunity to attend the IGF Bali. Categories:
 - Innovation on access provision
 - Innovation on learning and localization
 - Code for the common good
 - Rights

www.isif.asia/Awards2013

- Call for 2014 Grants launched in June 2013; 139 applications received, 11 projects selected to be implemented in 2014
- To date, ISIF Asia has allocated AUD \$1.2m to 38 projects in 17 economies across the Asia Pacific region

www.isif.asia

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APNIC 37

ISIF Asia – Seed Alliance

Member of the Seed Alliance for Internet development and digital innovation

- Joint effort with LACNIC (Frida) and AFRINIC (FIRE), with generous support from IDRC and Sida
- Evaluation and research communications activities are underway with support from the "Developing Evaluation & Communication Capacity in Information Society Research Project"

www.isif.asia/seed_alliance

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APRICOT 2014

Collaborating with the Internet Community

Paul Wilson, Director General



#apricot2014 APNIC 37

Collaborating with the Internet Community

- Labs
- External Relations
- Strategic Engagement
- Internet cooperation

"Provide leadership and advocacy in support of APNIC's vision and the community"

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APNIC Labs

Goal: publicly accessible statistics and summaries to inform policy and technical development

- Tracking the progress of **IPv6 Deployment**
 - Unique end-user-based measurement
 - Reporting on IPv6 uptake by economy and by ISP across the Internet
 - Reporting on IPv6 performance
- **Securing the DNS**
 - Tracking the progress of users performing DNSSEC validation by economy and by ISP across the Internet
 - Investigations of Protocol performance of DNS with DNSSEC
- **BGP and Routing**
 - Tracking the growth of the routing table in IPv4 and IPv6
 - Investigations into the profile of routing instability
 - Remote detection of route filters

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APNIC Labs

Goal: publicly accessible statistics and summaries to inform policy and technical development

- **RPKI**
 - Standards activity to improve the robustness of RPKI
 - Measurement of RPKI use across the Internet
- **Dark Traffic Data Collection**
 - Long term exercise to investigate the evolving nature of dark traffic across the Internet in both IPv4 and IPv6
- **Resource reporting**
 - IPv4, IPv6, and ASN reporting
 - Analysis of resource consumption and exhaustion predictions
 - Global RIR statistics

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Measuring IPv6



We continue to conduct a large-scale IPv6 measurement across the Internet to provide baseline data about the rate of deployment of IPv6 across countries and individual networks.

Over 350,000 measurements are made per day.

Data is continuously updated and is incorporated into statistics used by ISOC, OECD and other bodies to inform IPv6 policy development.

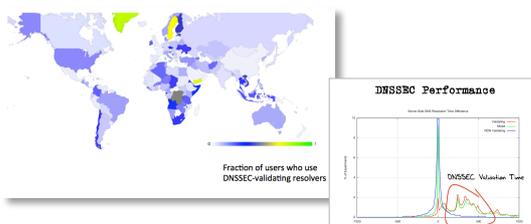
Country	IPv6	IPv4	IPv6/IPv4
AD	100%	100%	100%
AE	100%	100%	100%
AF	0%	0%	0%
AG	100%	100%	100%
AI	100%	100%	100%
AL	0%	0%	0%
AM	0%	0%	0%
AN	100%	100%	100%
AO	0%	0%	0%
AQ	0%	0%	0%
AR	0%	0%	0%
AS	0%	0%	0%
AT	100%	100%	100%
AU	100%	100%	100%
AX	100%	100%	100%
BZ	100%	100%	100%
BB	100%	100%	100%
BD	0%	0%	0%
BE	100%	100%	100%
BF	0%	0%	0%
BG	0%	0%	0%
BH	100%	100%	100%
BI	0%	0%	0%
BJ	0%	0%	0%
BM	100%	100%	100%
BN	100%	100%	100%
BO	0%	0%	0%
BQ	100%	100%	100%
BR	0%	0%	0%
BS	100%	100%	100%
BT	0%	0%	0%
BV	0%	0%	0%
BW	0%	0%	0%
BY	0%	0%	0%
BZ	100%	100%	100%
CA	100%	100%	100%
CC	0%	0%	0%
CD	0%	0%	0%
CF	0%	0%	0%
CG	0%	0%	0%
CH	100%	100%	100%
CI	0%	0%	0%
CK	100%	100%	100%
CL	0%	0%	0%
CM	0%	0%	0%
CN	0%	0%	0%
CO	0%	0%	0%
CR	100%	100%	100%
CU	0%	0%	0%
CV	100%	100%	100%
CX	0%	0%	0%
CY	100%	100%	100%
CZ	100%	100%	100%
DE	100%	100%	100%
DG	0%	0%	0%
DJ	0%	0%	0%
DK	100%	100%	100%
DM	100%	100%	100%
DO	0%	0%	0%
DZ	0%	0%	0%
EC	0%	0%	0%
EE	100%	100%	100%
EG	0%	0%	0%
EH	0%	0%	0%
ER	0%	0%	0%
ES	100%	100%	100%
ET	0%	0%	0%
FI	100%	100%	100%
FJ	0%	0%	0%
FK	0%	0%	0%
FM	0%	0%	0%
FO	100%	100%	100%
FR	100%	100%	100%
GA	0%	0%	0%
GB	100%	100%	100%
GD	100%	100%	100%
GE	0%	0%	0%
GF	0%	0%	0%
GG	100%	100%	100%
GH	0%	0%	0%
GI	100%	100%	100%
GL	100%	100%	100%
GM	0%	0%	0%
GN	0%	0%	0%
GP	100%	100%	100%
GQ	0%	0%	0%
GR	100%	100%	100%
GS	0%	0%	0%
GT	0%	0%	0%
GU	100%	100%	100%
GW	0%	0%	0%
GY	0%	0%	0%
HA	0%	0%	0%
HC	0%	0%	0%
HD	0%	0%	0%
HE	0%	0%	0%
HF	0%	0%	0%
HG	0%	0%	0%
HH	0%	0%	0%
HI	0%	0%	0%
HK	100%	100%	100%
HM	0%	0%	0%
HN	0%	0%	0%
HO	0%	0%	0%
HR	100%	100%	100%
HT	0%	0%	0%
HU	100%	100%	100%
IC	0%	0%	0%
ID	0%	0%	0%
IE	100%	100%	100%
IL	0%	0%	0%
IM	0%	0%	0%
IN	0%	0%	0%
IO	0%	0%	0%
IQ	0%	0%	0%
IR	0%	0%	0%
IS	100%	100%	100%
IT	100%	100%	100%
JE	100%	100%	100%
JM	0%	0%	0%
JO	0%	0%	0%
JP	0%	0%	0%
KE	0%	0%	0%
KG	0%	0%	0%
KH	0%	0%	0%
KI	100%	100%	100%
KM	0%	0%	0%
KN	100%	100%	100%
KO	0%	0%	0%
KR	0%	0%	0%
KW	0%	0%	0%
KY	100%	100%	100%
KZ	0%	0%	0%
LA	0%	0%	0%
LB	0%	0%	0%
LC	100%	100%	100%
LI	100%	100%	100%
LK	0%	0%	0%
LR	0%	0%	0%
LS	0%	0%	0%
LT	100%	100%	100%
LU	100%	100%	100%
LV	100%	100%	100%
LY	0%	0%	0%
MA	0%	0%	0%
MC	100%	100%	100%
MD	0%	0%	0%
ME	0%	0%	0%
MF	0%	0%	0%
MG	0%	0%	0%
MH	100%	100%	100%
MI	0%	0%	0%
MK	0%	0%	0%
ML	0%	0%	0%
MM	0%	0%	0%
MN	0%	0%	0%
MO	100%	100%	100%
MP	0%	0%	0%
MQ	0%	0%	0%
MR	0%	0%	0%
MS	100%	100%	100%
MU	100%	100%	100%
MV	0%	0%	0%
MW	0%	0%	0%
MX	0%	0%	0%
MY	0%	0%	0%
MZ	0%	0%	0%
NA	0%	0%	0%
NC	0%	0%	0%
NE	0%	0%	0%
NG	0%	0%	0%
NL	100%	100%	100%
NO	100%	100%	100%
NP	0%	0%	0%
NR	100%	100%	100%
NU	0%	0%	0%
NZ	100%	100%	100%
OM	0%	0%	0%
PA	0%	0%	0%
PE	0%	0%	0%
PF	0%	0%	0%
PG	0%	0%	0%
PH	0%	0%	0%
PK	0%	0%	0%
PL	100%	100%	100%
PM	0%	0%	0%
PN	0%	0%	0%
PR	0%	0%	0%
PS	0%	0%	0%
PY	0%	0%	0%
QA	100%	100%	100%
RE	0%	0%	0%
RO	100%	100%	100%
RS	0%	0%	0%
RU	0%	0%	0%
SA	0%	0%	0%
SB	0%	0%	0%
SC	100%	100%	100%
SD	0%	0%	0%
SE	100%	100%	100%
SG	100%	100%	100%
SI	100%	100%	100%
SJ	0%	0%	0%
SK	0%	0%	0%
SL	0%	0%	0%
SM	100%	100%	100%
SN	0%	0%	0%
SO	0%	0%	0%
SR	0%	0%	0%
SS	0%	0%	0%
ST	0%	0%	0%
SU	0%	0%	0%
SV	0%	0%	0%
SW	0%	0%	0%
SY	0%	0%	0%
SZ	0%	0%	0%
TC	100%	100%	100%
TD	0%	0%	0%
TF	0%	0%	0%
TG	0%	0%	0%
TH	0%	0%	0%
TJ	0%	0%	0%
TK	0%	0%	0%
TL	0%	0%	0%
TM	0%	0%	0%
TN	0%	0%	0%
TO	0%	0%	0%
TR	0%	0%	0%
TT	0%	0%	0%
TU	0%	0%	0%
TW	0%	0%	0%
TZ	0%	0%	0%
UA	0%	0%	0%
UG	0%	0%	0%
UK	100%	100%	100%
US	100%	100%	100%
UY	0%	0%	0%
UZ	0%	0%	0%
VA	100%	100%	100%
VC	100%	100%	100%
VE	0%	0%	0%
VG	100%	100%	100%
VI	100%	100%	100%
VN	0%	0%	0%
VU	0%	0%	0%
WF	0%	0%	0%
WS	100%	100%	100%
YE	0%	0%	0%
YT	0%	0%	0%
ZA	0%	0%	0%
ZM	0%	0%	0%
ZW	0%	0%	0%

Percentage of users on IPv6
labs.apnic.net/ipv6/

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DNS and DNSSEC

We are measuring the extent of DNSSEC use, and looking at the level of use of DNSSEC validation across resolvers and end clients in the Internet.



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APNIC 37

Strategic Engagement

- Network Operator Groups (NOG)
 - JANOG, AUSNOG, SANOG, MyNOG, PACNOG, NZNOG
- NIR Open Policy Meetings (OPM)
 - TWNIC, IRINN, VNNIC
- APEC – TEL 47 & 48
- Pacific outreach
 - PACINET
 - PICISOC
 - PTC

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APNIC 37

Strategic Engagement

- Outreach on security
 - Europol Interpol Cybercrime Conference 2013, The Hague
 - National Online Security Council Forum, Sydney
 - APT Cybersecurity Forum
 - LEA training – Philippines, New Zealand, Sri Lanka
- Collaboration with Internet (I*) organizations
 - ICANN, ISOC, IETF, NRO

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APNIC 37

Strategic Engagement

- IGF initiatives
 - NetHui
 - auIGF
 - APriGF Multistakeholder Steering Group
 - Paul Wilson interim chair of the APriGF
 - IGF, Bali
 - 2013 IGF in Bali faced initial challenges but APNIC worked closely with the organizers to help stage a successful event
 - Paul Wilson on the IGF's MAG
 - Held two workshops with NRO and contributed to various sessions

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APNIC 37

Strategic Engagement

- ITU World Telecommunications Policy Forum (WTPF)
 - ITU-D sector member
 - Member of the Informal Experts Group
 - Shared information at the 5th WTPF on IPv4 exhaustion and IPv6 deployment
 - Produced two of six opinions: one on IPv4 exhaustion, other about IPv6 deployment
- Asia Pacific Telecommunity (APT)
 - APNIC became an Affiliate Member in September 2013
 - Provided expert advice to governments on key Internet topics relevant to APNIC
 - Emphasized the need to encourage IPv6 adoption
 - 2nd APT Preparatory Meeting for ITU PP-14
 - 3rd and 4th APT Preparatory meeting for WTDC
- Additional ITU Outreach
 - WSIS+10 Multistakeholder Preparatory Meeting
 - ITU Connect Asia Pacific Summit
 - ITU Telecom World 2013

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APNIC 37

Montevideo Statement

- Signed in October 2013 by the organizations responsible for coordination of the Internet technical infrastructure globally – ICANN, IETF, IAB, W3C, ISOC, and the 5 RIRs
- Agreed to catalyze community-wide efforts towards the evolution of global multistakeholder Internet cooperation
- Called for the acceleration of the globalization of ICANN and the IANA functions
- APNIC EC endorsed the statement in January 2014
- Creation of '1net', a coalition of Internet community interests to advance discussions on Internet cooperation

www.1net.org

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APNIC 37

 **APRICOT 2014**

Corporate Governance

Louise Tromp, Human Resources Director
Richard Brown, Business Director



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Corporate Governance

- ISO 9001 Certification
- Risk Management Framework
- APNIC Investment Policy
- Human resources

"Function as the Regional Internet Registry, in the service of the community of Members and others"

#APRICOT2014 #apricot2014 **APNIC 37**

ISO 9001

- The ISO 9000 series is a set of international standards which specify requirements for quality systems: [ISO 9001:2008](#)

APNIC is certified for:
"The provision of services relating to the distribution and management of Internet number resources across the Asia Pacific region"

- This ensures that APNIC is operating a well organized, well-managed environment, within a "Quality Management System"



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APNIC Risk Management Framework

- Formal process to consider strategic Risks
- The Risk register:
 - Identifies the Major Risks facing APNIC
 - Sets out the clear definition of these risks
 - Identifies the contributing factors
 - Determines what controls that are in place to manage these risks
 - Rates the effectiveness of these controls
 - Considers the measures for success or failure
 - Identifies appropriate actions to mitigate risks
 - Rate the risks in terms of Likelihood and Consequence
 - Identifies changes to risks over time
- Reviewed and considered by the EC on a quarterly basis

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APNIC Investment Policy

- Approved by the EC in August 2013
- Documents APNIC's approach to investing its financial reserves
 - Sets out risk appetite
 - Defines investment philosophy and objectives
- Formalizes and improves existing procedures for management of APNIC's capital reserves
 - Sets clear rules for authorising and actioning investment transactions
- Appointment of Investment manager
 - Credit Suisse appointed to manage the Investment portfolio
 - Provide regular reports and advice
 - Actively managing APNIC's Investment portfolio

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Human Resources

- Formal organizational structural review in 2013
 - To better align our structure to our strategy, better clustering of existing positions, and new positions created:
 - Communications Director (Tony Smith)
 - Security Specialist (Adli Wahid)
- Staff engagement survey
 - APNIC above standard benchmarks
- New performance management system
- One Vision Action Group
 - To provide focus on improvement initiatives



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G. Update on APNIC Survey



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APNIC Survey

Project Update



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APNIC 37

Survey Update – Feb 2014

- Project Status
- Locations
- Focus Groups and Interviews
- Issue List

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APNIC 37

Project Status

- RFP process completed
- Logistics 90% finalised for Focus Group Meetings and Interviews
 - Locations have been finalised
 - Commence after APNIC37 with a workshop in Singapore
 - Scheduled for Mar/April
- Survey to be announced at AMM
- Survey opens 9 June
- Survey Closes – 11 July
- Reports to be presented to APNIC38

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APNIC 37

Locations

East Asia

- Japan: Tokyo
- Hong Kong: Hong Kong
- China: Beijing (2)
- Taiwan: Taipei
- Mongolia: Ulanbataar

South Asia

- India: Delhi (3)
- India: Mumbai
- India: Chennai
- Sri-Lanka: Colombo
- Pakistan: Islamabad
- Bangladesh: Dhaka

South-east Asia

- Indonesia: Jakarta
- Thailand: Bangkok
- Malaysia: Kuala Lumpur
- Laos: Vientiane

Oceania

- Australia: Melbourne
- New Zealand: Wellington
- New Caledonia: Noumea

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APNIC 37

Focus Groups and Interviews

- Focus Groups
 - 8 to 10 attendees, session lasting up to 1.5 hours
 - Before the meeting, attendees will be provided with an overview of the purpose of the focus group and how they will be run.
 - Focus group report to be included as part of the survey report
 - Attendees will be given the following issues for consideration but they are free to raise other issues that they see as important:
- Tactical Issues
 - IPv4 Address Transfers
 - APNIC Services
 - APNIC Priorities
 - APNIC Management and Fees
 - Routing security
- Strategic Issues
 - IPv6
 - Internet Security
 - AP community building
 - AP Internet development/capacity building
 - Global Internet cooperation and collaboration

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APNIC 37

Focus Groups and Interviews

- Interviews
 - One-on-one meetings
 - Scheduled for around 1 hour
 - Before the meeting interviewees will be provided with an overview of the purpose of the meeting.
 - Interviewees will be given the following issues for consideration but they are free to raise other issues they see as important.
- Strategic Issues
 - IPv6
 - Internet Security
 - AP community building
 - AP Internet development/capacity building
 - Global Internet cooperation and collaboration
- Interview reports will be anonymized and provided to APNIC EC & ELT.

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Issue list

The previous slides listed the issues that will be used to drive the discussion at the Focus Group Meetings and Interviews. The facilitators will be provided with the list of issues, but with some additional content to help prompt discussion if required.

It is important to note that:

- Time is limited so some topics may or may not be discussed
- The Issue list is for guidance, groups or interviewees may concentrate on other issues that they see as important
- This is not the survey, so the discussion needs to be at a high level, identifying potential issues to be considered for the questionnaire

Issue list for Facilitators

Tactical issues:

- **IPv4 Address Transfers**

Possible discussion topics:

- Within region transfers
- Inter-region transfers
- IPv4 space shortage
- Needs priority

- **APNIC Services**

Possible discussion topics:

- Training
- Helpdesk
- Whois
- Conferences
- Website
- Resource delegation

Issue list for Facilitators

Tactical issues cont'd:

- **APNIC Priorities**

Possible discussion topics:

- Prior consideration of the attached Internet ecosystem diagram would be helpful

- **APNIC Management and Fees**

Possible discussion topics:

- Executive Council
- Secretariat
- Corporate Governance
- Fee schedule

- **Routing security**

Possible discussion topics:

- Route hijacking
- RPKI

Issue list for Facilitators

Strategic issues:

- **IPv6**

Possible discussion topics:

- Awareness
- Business and Management attitude to IPv6
- Barriers to adoption
- Alternative solutions

- **Internet Security**

Possible discussion topics:

- Biggest risks to your organization
- Biggest risks to the Internet as a whole

Issue list for Facilitators

Strategic issues cont'd:

- **AP community building**

Possible discussion topics:

- The level of outreach and support that your economy receives from APNIC
- Knowledge of APNIC
- Your information sources

- **AP Internet development/capacity building**

Possible discussion topics:

- Skill shortage
- Root Server Development, IXP
- Your economy's Internet infrastructure
- Future demand challenges

- **Global Internet cooperation and collaboration**

Possible discussion topics:

- Multi-stakeholder model / Internet governance
- Key participants



The slide features the APRICOT 2014 logo on the left, consisting of a stylized globe icon and the text 'APRICOT 2014'. The main text reads 'Thank you' in a large, bold font. To the right, there is a silhouette of a traditional archway. Below the archway, the text 'PETALING JAYA, MALAYSIA' and '18-28 February 2014' is displayed. At the bottom, the APRICOT 2014 logo is repeated on the left, and the APNIC 37 logo is on the right. The background is a light purple gradient.