

APNIC EC meeting

Teleconference

Wednesday 21 November 2007

Meeting Start: 3:05 pm (UTC +1000)

Present

Akinori Maemura (Chair)

Che-Hoo Cheng

Vinh Ngo

Kuo-Wei Wu

Kusumba Sridhar

Mao Wei

Ming-Cheng Liang

Paul Wilson

Geoff Huston (Executive Secretary)

Irene Chan

Connie Chan

Agenda

1. Roll Call and Agenda bashing
2. Minutes of Last Meeting and Matters Arising
3. Finance Report
4. Director-General's Report
5. Review of EC Procedures
6. APNIC 2008 Budget
7. EC Nomination of AC member for 2008
8. Exchange of letters between NRO and ICANN
9. SIG Chairs request to EC
10. AOB

The agenda was completed, with all meeting papers and documents circulated to the EC, on the 14th of November.

Minutes

1. Roll Call and Agenda bashing

Agenda item 6 (APNIC 2008 budget) was considered as the first item of business for the meeting.

Proposed amendment to the EC election procedure was added to the agenda under the AOB item.

2. Minutes of Last Meeting and Matters Arising

The minutes from the meeting of 11 October 2007 were approved.

Action ec-07-038: Secretariat to publish minutes of 11 October 2007 meeting

The minutes from the special meeting of 16 October 2007 were approved.

Action ec-07-039: Secretariat to publish minutes of 16 October 2007 meeting

Review of action items:

Action ec-07-032: EC to consider Phase 2 of the KPMG study following completion of the 2008 budget process
outstanding

Action ec-07-033: Secretariat to add IPv6 per address fee to the APNIC 25 Policy SIG agenda
outstanding

Action ec-07-034: Secretariat to publish minutes of 4 September 2007 meeting
completed

Action ec-07-035: Director-General to prepare a report to the EC on member services and associated Secretariat procedures relating to member contact
completed

Action ec-07-036: Secretariat to announce the adopted fee schedule to members
completed

Action ec-07-037: EC Procedures to be placed on the agenda of the next EC meeting
completed

3. Finance Report

The EC considered the financial reports for the month ending October 2007 (attached).

It was noted that the financial report contained an additional commentary on the status of realised and unrealised foreign exchange gains and losses, the comparison of the current financial state against the original budget and the anticipated operating outcome for 2007.

The EC approved the financial report.

4. Director-General's Report

The DG reported that the property investment that was being considered in October had been sold. A second property was still on the market at this stage. It was recommended to the EC that the EC establish a framework and associated delegation of authority to the DG that would allow APNIC to undertake due and proper consideration of acquisition of an

office property for APNIC. The DG noted that APNIC is now committed by contract to the current office premises for a further five years, extending to March 2013.

Action ec-07-040: Secretariat to prepare a property investment briefing to the EC

The DG reported to the EC on the recent IGF meeting. It was reported that the NRO contribution received very positive feedback and was congratulated on its positive and informative stature within the IGF. There was no serious level of criticism or counter-proposals being offered at this IGF, and the discussions were well-informed and productive. The IGF was considered to be a success and there was considerable positive momentum for the 2008 IGF, to be held in New Delhi in November 2008.

The efforts on the part of JPNIC in co-organizing a workshop on IPv4/IPv6 was acknowledged with gratitude, and on behalf of APNIC the DG thanked JPNIC for their efforts.

5. Review of EC Procedures

The EC considered confidential legal advice concerning the roles and responsibilities of members of the EC, a report concerning a review the APNIC By Laws (attached) and a proposed set of procedures to be adopted by the EC for the conduct of business (attached).

The EC unanimously resolved to adopt the Review of APNIC Executive Council Procedures and the recommendations therein.

The EC unanimously resolved to adopt the Procedures for the Conduct of Business for the APNIC Executive Council.

Action ec-07-041: Executive Secretary to report to the EC on the status of adoption of the recommendations contained in the EC Review.

Action ec-07-042: Procedures for the conduct of business to be published as part of the APNIC corporate document collection.

6. APNIC 2008 Budget

The EC reviewed the draft budget for 2008 that was prepared in the light of the decision to set APNIC membership and service fees in AUD as of 1 January 2008 (attached).

The EC passed a motion, with 2 abstentions, to defer further consideration of the 2008 budget to the next regular EC meeting, with any further questions to the Secretariat regarding the prepared budget material to be passed to the Chair of the EC by COB 22nd November 2007.

7. EC Nomination of AC member for 2008

The EC noted that they will need to nominate an individual to serve on the Address Council for 2008. The EC will provide nominations to the Executive Secretary prior to the next regular meeting of the EC, and a vote will be held at that meeting in order to complete the selection process.

Action ec-07-043: EC members to provide nominations for the EC-selected AC member position to the Executive Secretary prior to next EC meeting

8. Exchange of letters between NRO and ICANN

The EC reviewed the drafts of correspondence between the NRO and ICANN relating to mutual commitments, acknowledgements and expectations.

The EC unanimously adopted a resolution to approve these letters.

Action ec-07-044: DG to inform the NRO EC of the APNIC approval of the draft exchange of letters between the NRO and ICANN

9. SIG Chairs request to EC

The EC considered a request from the SIG chairs to clarify the EC's expectations regarding the SIG Chairs / EC meetings held prior to the APNIC member meeting.

It was noted that the purpose of putting the outcomes of the policy development process before the APNIC membership was a step in the formal adoption of the policy, and the member review was intended to ensure that the policy as proposed was viable for APNIC to adopt in that the policy did not present unacceptable risks from financial, legal or procedural viability perspectives. The EC noted that the member review was not intended to open an avenue for appeal over the policy itself, as this is within the purview of the open policy process and the SIGs, but to assess the policy proposal from the perspective of its adoption and operation by APNIC. The EC review was intended to ensure that issues relevant to this membership review were highlighted and discussed prior to the member meeting.

The EC considered a request from the SIG chairs for APNIC to publish best current practice documents. The EC was supportive of this request, but requested further clarification regarding the attribution of such a document collection.

Action ec-07-045: Executive Secretary to draft EC response to the SIG Chairs request.

10. AOB

EC Election Procedures

The EC considered a proposed amendment to the EC election such that the candidates for election must formally agree to the responsibilities and admit to the potential liabilities associated with the role of an EC member as a condition of acceptance of a nomination of a candidate. It was noted that a change to the EC election process as stated in the APNIC ByLaws constitutes a change to the ByLaws and would require the affirmative vote of 2/3s of the entire APNIC membership. It was proposed to the EC that the nominations material include material that describes the roles, responsibilities and obligations of EC members, and that candidates be encouraged to review this material prior to acceptance of the nomination.

Action ec-07-046: Executive Secretary to prepare EC Candidate nomination material describing the roles, responsibilities and obligations of individual members of the EC.

11. 8. Next meeting

20 December 2007 (Teleconference)

Meeting closed: 5:27 pm (UTC+1000)

Action items

Action ec-07-032: EC to consider Phase 2 of the KPMG study following completion of the 2008 budget process

Action ec-07-033: Secretariat to add IPv6 per address fee to the APNIC 25 Policy SIG agenda

Action ec-07-038: Secretariat to publish minutes of 11 October 2007 meeting

Action ec-07-039: Secretariat to publish minutes of 11 October 2007 meeting

Action ec-07-040: Secretariat to prepare a property investment briefing to the EC

Action ec-07-041: Executive Secretary to report to the EC on the status of adoption of the recommendations contained in the EC Review.

Action ec-07-042: Procedures for the conduct of business to be published as part of the APNIC corporate document collection.

Action ec-07-043: EC members to provide nominations for AC member to the Executive Secretary prior to next EC meeting

Action ec-07-044: DG to inform the NRO EC of the APNIC approval of the draft exchange of letters between the NRO and ICANN

Action ec-07-045: Executive Secretary to draft EC response to the SIG Chairs request.

Action ec-07-046: Executive Secretary to prepare EC Candidate nomination material describing the roles, responsibilities and obligations of individual members of the EC.

Attachment

3. Finance Report

October Financial Report



APNIC

Monthly financial report (in AUD)

For the month ending October 2007

1. Balance Sheet

| Statement of Financial Position (AUD) | | | | | |
|--|-------------------|--|---|--------------------------|--------------------------|
| | 31/10/2007 | % of Total Asset or Liab+Equity | % change from 31/12/2006 | Year-End 2006 | Year-End 2005 |
| <i>Exchange rate(*)</i> | <i>0.9291(1)</i> | | <i>5.60%</i> | <i>0.7938(2)</i> | <i>0.7363(2)</i> |
| CURRENT ASSETS | | | | | |
| Cash | 6,666,398 | 45% | 17.0% | 5,696,300 | 5,173,256 |
| Term deposit investment | 2,800,000 | 19% | -15.2% | 3,300,000 | 3,300,000 |
| Receivables | 1,112,440 | 8% | -33.5% | 1,673,458 | 1,209,551 |
| Advance payment (Prepayment, Deposit, etc) | 127,355 | 1% | -4.5% | 133,331 | 117,361 |
| Others | 9,194 | 0% | -38.4% | 14,937 | 5,269 |
| TOTAL CURRENT ASSETS | 10,715,388 | 73% | -0.9% | 10,818,026 | 9,805,436 |
| NON-CURRENT ASSETS | | | | | |
| Other financial assets | 1,221,834 | 8% | 6.4% | 1,148,369 | 1,020,778 |
| Property, plant and equipment | 1,634,365 | 11% | 9.4% | 1,494,461 | 1,319,499 |
| Long term deposit investment | 1,200,000 | 8% | -40.0% | 2,000,000 | 2,000,000 |
| TOTAL NON-CURRENT ASSETS | 4,056,199 | 27% | -12.6% | 4,642,830 | 4,340,277 |
| TOTAL ASSETS | 14,771,586 | 100% | -4.5% | 15,460,856 | 14,145,713 |
| CURRENT LIABILITIES | | | | | |
| Accrued expenses | 1,019,091 | 7% | -30.1% | 1,458,382 | 1,078,411 |
| Provisions | 746,576 | 5% | 5.5% | 707,834 | 531,283 |
| Unearned revenue | 4,363,638 | 30% | 2.2% | 4,271,275 | 3,675,909 |
| TOTAL LIABILITIES | 6,129,305 | 41% | -4.8% | 6,437,490 | 5,285,602 |
| EQUITY | | | | | |
| Share capital | 1.00 | 0% | 0.0% | 1.00 | 1.00 |
| Reserves | 113,067 | 1% | -21.3% | 143,620 | 158,167 |
| Retained earnings | 8,529,213 | 58% | -3.9% | 8,879,745 | 8,701,943 |
| TOTAL EQUITY | 8,642,281 | 59% | -4.2% | 9,023,366 | 8,860,111 |
| TOTAL LIABILITIES & EQUITY | 14,771,586 | 100% | -4.5% | 15,460,856 | 14,145,713 |

(*) The exchange rates used in this report are official average rates provided by the Australia Taxation Office (ATO)

(1) ATO official monthly average rate for October 2007

(2) ATO official spot rate for 31 Dec 2006 and 31 Dec 2005 respectively.

2. Profit and Loss Statement

2.1 Expenses

| EXPENSES (AUD) | Oct-07 Actual | YTD Actual | YTD % | Projected Actual 2007 | Budget 2007 | Projected Year End Budget Variation | Projected Budget Variation % |
|------------------------------|------------------|------------------|---------------|-----------------------------|------------------|--|---------------------------------------|
| Bank charges | 5,099 | 58,246 | 0.8% | 69,895 | 59,154 | 10,741 | 18.2% |
| Communication expenses | 16,246 | 185,027 | 2.6% | 222,032 | 157,298 | 64,734 | 41.2% |
| Computer expenses | 27,050 | 120,227 | 1.7% | 144,272 | 156,798 | (12,256) | -8.0% |
| Depreciation expense | 46,801 | 462,902 | 6.5% | 555,482 | 553,966 | 1,516 | 0.3% |
| Donation/ Sponsorship | 19,050 | 75,245 | 1.0% | 92,842 | 94,302 | (1,460) | -1.5% |
| Doubtful debt expenses | 0 | 1,940 | 0.0% | 14,303 | 14,303 | 0 | 0.0% |
| ICANN contract fee | 0 | 243,540 | 3.4% | 243,540 | 273,846 | (30,306) | -11.1% |
| Meeting and training expense | 23,138 | 146,756 | 2.0% | 176,107 | 188,001 | (11,894) | -6.3% |
| Membership fees | 4,249 | 45,177 | 0.6% | 54,212 | 75,231 | (21,019) | -27.9% |
| Miscellaneous expenses | 0 | 3,794 | 0.1% | 4,552 | 9,707 | (5,155) | -53.1% |
| Office operating expenses | 16,147 | 184,418 | 2.6% | 201,302 | 190,458 | 10,844 | 5.7% |
| Personnel expenses | 83,260 | 464,250 | 6.5% | 583,786 | 549,049 | 34,737 | 6.3% |
| Postage & delivery | 4,624 | 33,448 | 0.5% | 40,138 | 45,663 | (5,525) | -12.1% |
| Printing & photocopy | 735 | 34,182 | 0.5% | 41,018 | 42,053 | (1,035) | -2.5% |
| Professional fees | 10,920 | 333,177 | 4.6% | 423,177 | 488,141 | (64,974) | -13.3% |
| Publicity expense | 13,683 | 23,299 | 0.3% | 27,959 | 68,141 | (40,182) | -59.0% |
| Recruitment | 939 | 77,097 | 1.1% | 87,062 | 82,062 | 5,000 | 6.1% |
| Rent and outgoings | 38,956 | 371,160 | 5.2% | 445,392 | 412,280 | 33,112 | 8.0% |
| Salaries | 284,871 | 3,026,961 | 42.2% | 3,881,574 | 4,081,493 | (199,919) | -4.9% |
| Staff Training/conference | 12,431 | 72,493 | 1.0% | 73,811 | 73,811 | 0 | 0.0% |
| Tax expense | 14,722 | 159,579 | 2.2% | 333,858 | 333,858 | (94,279) | -28.2% |
| Translation Expenses | 8,178 | 8,178 | 0.1% | 58,001 | 58,001 | 0 | 0.0% |
| Travel expenses | 127,553 | 1,042,282 | 14.5% | 1,142,282 | 1,037,770 | 104,512 | 10.1% |
| TOTAL EXPENSES | 758,650 | 7,173,378 | 100.0% | 8,822,319 | 9,045,386 | (223,067) | -2.5% |

2.2 Revenue

| REVENUE (AUD) | Oct-07 Actual | YTD Actual | YTD % | Projected Actual 2007 | Budget 2007 | Projected Year End Budget Variation | Projected Budget Variation % |
|---------------------------------------|------------------|------------------|---------------|-----------------------------|------------------|--|---------------------------------------|
| Interest income | 30,983 | 348,914 | 4.8% | 528,914 | 546,577 | (17,663) | -3.2% |
| IP Resource application fees | 47,161 | 644,342 | 8.8% | 773,210 | 717,914 | 55,296 | 7.7% |
| Membership fees | 511,491 | 5,081,420 | 69.5% | 6,097,704 | 5,948,589 | 149,115 | 2.5% |
| Non-members fees | 11,104 | 120,700 | 1.6% | 144,840 | 98,578 | 46,262 | 46.9% |
| Per Allocation fees | 76,150 | 1,126,084 | 15.4% | 1,351,301 | 917,140 | 434,161 | 47.3% |
| Reactivation fees | 0 | 10,799 | 0.1% | 12,959 | 6,319 | 6,640 | 105.1% |
| Sundry income | 3,494 | 176,345 | 2.4% | 181,614 | 186,883 | (5,269) | -2.8% |
| Realised foreign exchange gain/(loss) | (186,391) | (192,847) | -2.6% | (192,847) | 0 | (192,847) | |
| TOTAL REVENUE | 493,991 | 7,315,756 | 100.0% | 8,897,695 | 8,422,000 | 475,695 | 5.6% |

2.3 Operating Profit/ Loss – against budget

| Revenue and Expenses (AUD) | Oct-07 Actual | YTD Actual | YTD % | Projected Actual 2007 | Budget 2007 | Projected Year End Budget Variation | Projected Budget Variation % |
|---------------------------------|------------------|----------------|--------|-----------------------|------------------|-------------------------------------|------------------------------|
| Total Revenue | 493,991 | 7,315,757 | 100.0% | 8,897,695 | 8,422,000 | 475,675 | 5.6% |
| Total Expenses | 758,650 | 7,173,378 | 100.0% | 8,822,319 | 9,045,386 | (223,067) | -2.5% |
| OPERATING PROFIT/ (LOSS) | (264,659) | 142,379 | | 75,376 | (623,386) | | |

2.4 Operating Position – after foreign exchange adjustment

| Revenue and Expenses (AUD) | YTD Actual | Projected Actual 2007 |
|---|------------------|-----------------------|
| Total Revenue | 7,315,757 | 8,897,695 |
| Unrealised foreign exchange gain/(loss) | (477,392) | (625,876) |
| Total Expenses | 7,173,378 | 8,822,319 |
| OPERATING PROFIT/ (LOSS) | (335,013) | (550,500) |

Note:

Accounts are projected to the end of the year based on the following method:

- where the line item is based on activity spread across the year, a pro-rata estimate is made using the average monthly rate as the basis of the prediction, or
- if the expenditure or revenue is based on a single transaction, or a small number of transactions, the year to date figures will be used if further expenses or revenues are not expected, or
- updated information provided by area managers.

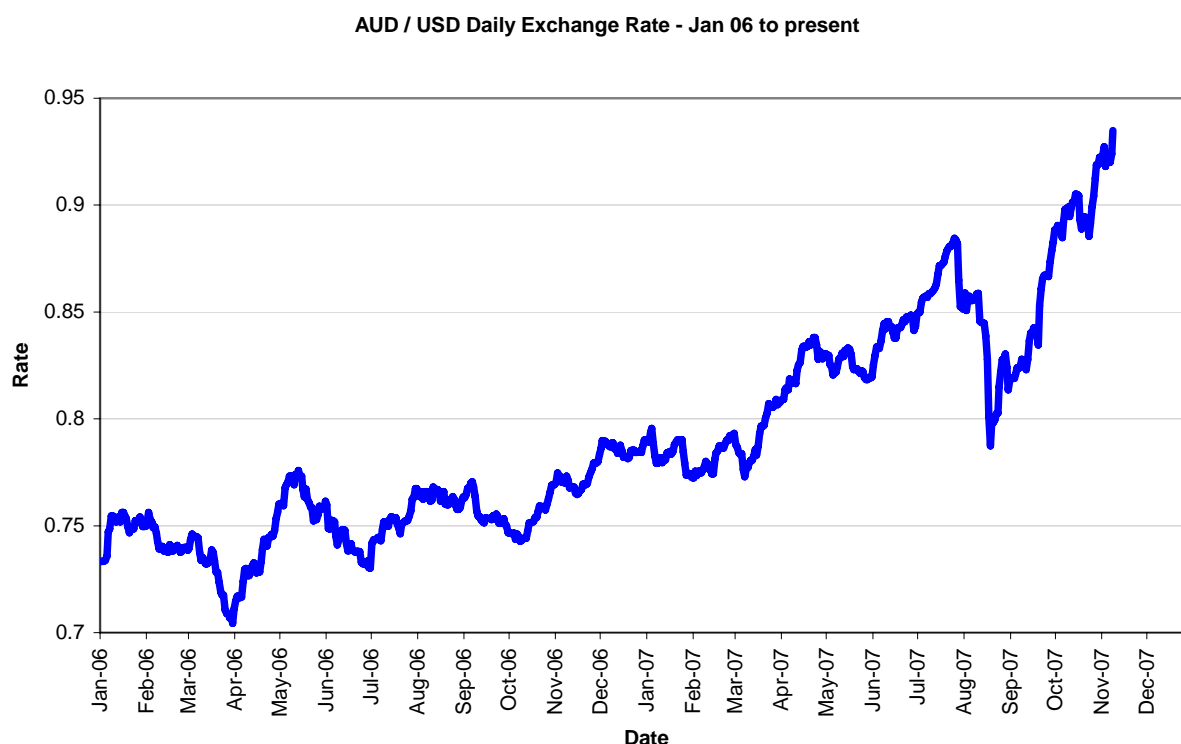
3. Foreign Exchange

The US dollar declined further against the AUD and other Asian currencies across the month of October. The opening rate was 0.8884 at the start of October, and 0.923 on 1 November. The outlook is for further decline of the USD in the coming weeks due to continued poor performance of the US economy from the continuing sub-prime mortgage situation and falling interest rates. The AUD performance remains strong with rising interest rates and continuing strong resource prices on world markets.

The AUD / USD currency exchange rate figures for October 2007 are:

| | |
|---|--------|
| ATO official monthly average rate for Oct 2007 | 0.9010 |
| ATO average exchange rate for Jan to Oct 2007 | 0.8369 |
| NAB Foreign Exchange Outlook 2007 average rate for Jan – Dec 2007 | 0.8524 |
| Budget average exchange rate for 2007 | 0.7889 |
| Exchange rate as of 31 October 2007 | 0.9291 |
| Projection for the exchange rate used for 1 January 2008 | 0.9300 |

The chart below shows the daily AUD / USD exchange rate for the period since 1 January 2006.



4. Membership

By the end of October 2007, APNIC had a total of 1,552 members serving 51 economies. There is a net gain of 11 members, with 28 new members whilst 17 members have been closed. Economies in which APNIC have the highest members are Australia (409 members), India (184 members), followed by Hong Kong (139 members).

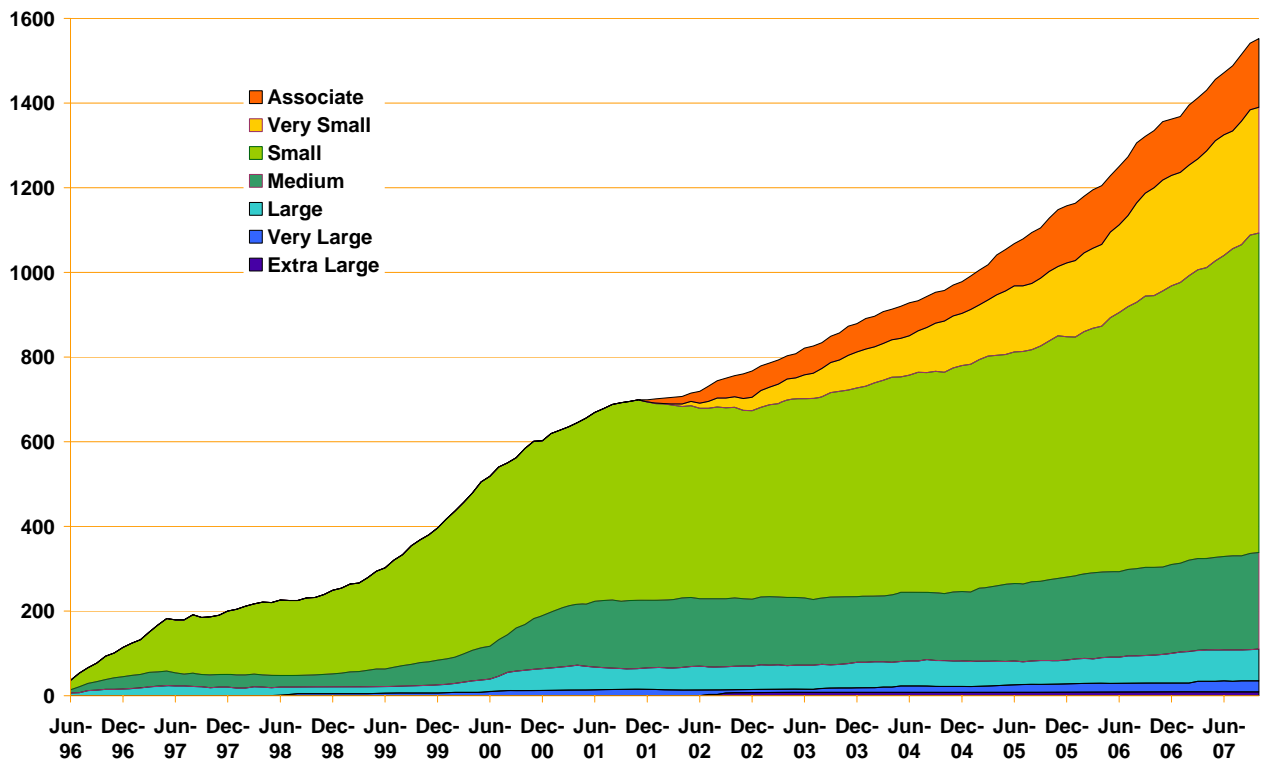
The following table shows the monthly membership changes, and the analysis of membership tier of APNIC, which shows 49% of APNIC members are at Small membership tier.

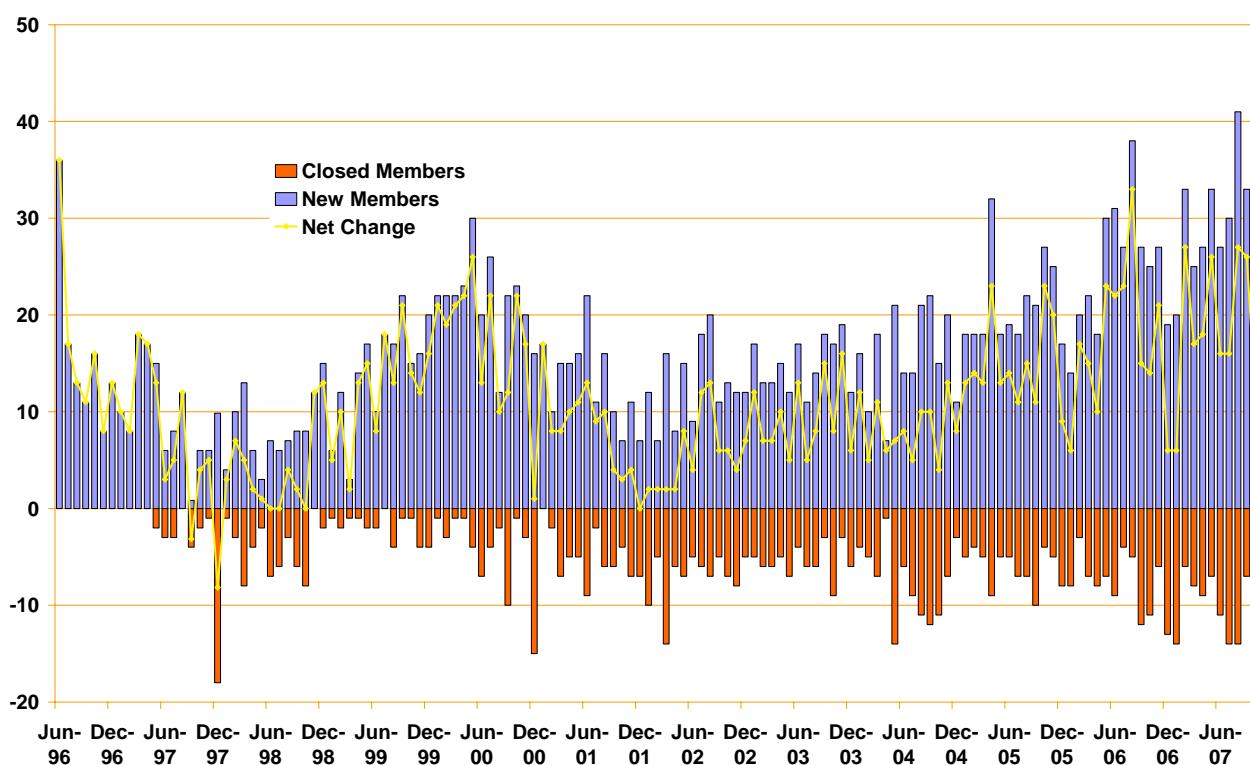
| Membership | Total | New | (Closed) | Size | Total | Total YTD |
|--------------|-------------|-----------|-------------|----------|-------------|-------------|
| | Sep-07 | Oct-07 | Oct-07 | Change | YTD | (%) |
| | | | | Oct-07 | Oct-07 | Oct-07 |
| Extra Large | 9 | 0 | 0 | 0 | 9 | 1% |
| Very Large | 26 | 0 | 0 | 0 | 26 | 2% |
| Large Member | 74 | 0 | 0 | 1 | 75 | 5% |
| Medium | 227 | 0 | (3) | 4 | 228 | 15% |
| Small | 752 | 3 | (7) | 7 | 755 | 49% |
| Very Small | 296 | 13 | (6) | (6) | 297 | 19% |
| Associate | 157 | 12 | (1) | (6) | 162 | 10% |
| TOTAL | 1541 | 28 | (17) | 0 | 1552 | 100% |

Table below compares actual growth of membership till the end of October 2007 with the budgeted growth on a pro-rata basis.

| Membership | Actual Total EOY | Actual Total YTD | Actual Growth YTD | Budgeted Total EOY | Budgeted Growth EOY | Budgeted Growth YTD | Variation Actual vs. Budget |
|--------------|------------------|------------------|-------------------|--------------------|---------------------|---------------------|-----------------------------|
| | 2006 | Oct-07 | 2007 | 2007 | 2007 | (*) | (*) |
| Extra Large | 9 | 9 | 0 | 10 | 1 | 1 | -1 |
| Very Large | 21 | 26 | 5 | 22 | 1 | 1 | 4 |
| Large Member | 70 | 75 | 5 | 84 | 14 | 12 | -7 |
| Medium | 210 | 228 | 18 | 224 | 14 | 12 | 6 |
| Small | 658 | 755 | 97 | 748 | 90 | 75 | 22 |
| Very Small | 261 | 297 | 36 | 348 | 87 | 73 | -37 |
| Associate | 133 | 162 | 29 | 131 | -2 | -2 | 31 |
| TOTAL | 1362 | 1552 | 190 | 1567 | 205 | 171 | 19 |

The graph below illustrates the historical figures for total memberships since the establishment of APNIC's membership system in 1996; the membership is growing steadily with an underlying trend model that is stronger than a linear growth. The monthly net change in membership is shown in the following graph.





5. Additional Notes for the October Report

With 10 months of the year's activity now entered into the APNIC financial accounts, the overall financial situation for APNIC has been extensively reviewed to ensure that we have a detailed and complete picture of the projected 2007 outcomes to use as input to the 2008 budget drafting process. These notes reflect the findings of this review.

The major factor for the year was the AUD / USD exchange rate that continued to show a declining USD, with the exchange rate as of the end of October rising above 0.90. In addition, the rising global oil prices had a significant impact on travel costs, particularly in the latter part of the year.

The level of allocation activity and membership was higher than anticipated in the budget, reflecting very strong growth in internet deployment in the Asia Pacific region across 2007. APNIC's address allocation levels rose throughout the year, and the revenue from per-address allocation fees and membership fees have been above the 2007 budget projections.

5.1 Realized and Unrealized Foreign Exchange Position

With the prospect of a continuing strong AUD across 2008, and low USD interest rates as compared to AUD interest rates, APNIC has moved maturing USD term deposits to AUD in October, which is the basis for much of the realised AUD 186,391 foreign exchange loss recorded in October. All USD income is being converted to AUD on receipt due to the relative exchange rate and interest rate outlook. Remaining USD term deposit accounts will be converted to AUD as they mature in the coming weeks. It is anticipated that the USD assets will be substantially cleared by the end of 2007, thereby eliminating the majority of the dual current accounting for 2008.

5.2 Comparison of Expenditure Projections against the 2007 Budget

The anticipated outcome is a total expenditure level of AUD \$8.8M, as compared to the original budget estimate of \$9.0M, or some 2.5% lower, due to close attention to expenditure controls across the year.

- The overall salary position is described in two line items, Salaries and Personnel expenses. The personnel expenses include staff amenities, various award payments and staff-elected salary sacrifice payments to superannuation funds. Changes in the Australian superannuation system in July 2007 have provided significant financial incentives for staff to undertake salary sacrifice payments to superannuation funds, and the personnel expenses for 2007 is projected to be some AUD 34,000 higher than the budget projections due to this factor, while the expenditure in the salaries line item has been reduced by the same amount. This change is neutral to APNIC's expenditures, and has no substantive impact on APNIC's finances or taxation position. The overall salary and personnel cost is projected to be AUD 4.4M for 2007, some AUD 165,000 lower than the original budget projection. This shortfall is due to a number of unfilled positions in the APNIC structure for parts of 2007. Steps have been taken to fill these vacant positions, and the 2008 budget will reflect the hiring of a Services Area Manager, a Business Area Manager and filling the currently vacant establishment staff positions.
- The ICANN contract fee is lower than anticipated because of the AUD currency movement. The formula used by the NRO to calculate each RIR's contribution depends on the RIR's budget as well as allocation activity.
- Office expenses are higher than originally projected for the year due to unanticipated increases in insurance premiums and a number of unanticipated repair and maintenance costs.
- The Professional Fees projections reflect the decision not to undertake the program of AUD 120K of R&D grants in 2007 because of the stringent budgetary situation, and also reflects the additional un-budgeted expenditure of AUD 55K on the KPMG consultancy for Phase I of the APNIC Member Fees activity.
- Publicity expenses are lower than projected because of the arrangements with SANOG for APNIC 24 , where SANOG underwrote many of the publicity costs associated with this meeting.
- Rental costs have risen partly because of an increase in the number of parking space costs in the APNIC office in 2007.
- Travel expenses have increased significantly for 2007 over the budget projections, despite careful control on individual trips by APNIC Secretariat staff through 2007, because of the significant upward movement of air ticket prices through the year due to the oil price movements. This is anticipated to continue across 2008 as the cushioning impact of price hedging by the aviation industry runs out and further price movement is anticipated.
- The estimate of taxation liability has been revised downward following a review of the taxation liabilities that are anticipated for 2007.
- A review of the accounting system's journal entries has revealed a long term error in the journal where invoices associated with a communications service has been incorrectly recorded as a computing expense This has been corrected in the projections for expenditure for 2007, but not retrospectively corrected in the budget for 2007, so there is a significant variation between the projections for year end in these two line items as compared to the budget projections.

The overall outcome is well aligned to the budget projections for expenditure for 2007.

5.3 Comparison of Revenue Projections against the 2007 Budget

The projected income for 2007 is significantly higher than the 2007 budget projection due to significantly higher than budgeted levels of address allocations in the per-allocation area as well as in membership growth.

- Interest income is lower than anticipated, reflecting the interest payments on USD term deposits and the declining USD exchange rate through the year.
- The per-allocation fees were 56% higher than projected in USD terms, reflecting both the volatility of per-address allocation revenue in recent years for APNIC and the elevated address demand levels in 2007 across the Asia Pacific region.
- The other major revenue shift was in membership, where membership levels have increased over the projected levels in the very large, medium and small membership categories.

In USD terms, where the fees represent constant value, the 2007 revenue projection is some 14.5% above the budget projection, and the additional USD 1M revenue has components in both membership revenue and per-address allocation fees.

In AUD terms the situation is different, owing to the combination of the exchange rate variation over the year and the accounting practice that applies to each revenue category. The impacts of the declining terms of the currency exchange rate on membership revenue levels are subtly different from the impacts of exchange rate variation on revenues for per-address allocation fees. The accrual accounting practice implies that the membership fee is entered into the accounts by equally apportioning the currency-converted invoiced amount across the 12 months of the membership period. The impact of the exchange rate change is therefore one that is spread across both 2007 and 2008 financial accounts, and reflects the prevailing exchange rate at the time the invoice was raised, spread across the period of membership on a month-by-month basis.

In USD terms both membership and per-address allocation fees were higher than USD 2007 budget projections by some USD 400K for each line item. In AUD terms the outcome has been somewhat different. The per-address allocation activity is projected to record a AUD 434K increase in the revenue for this line item over the budget projections, which is well aligned to the anticipated 7% movement in the exchange rate and the relative value of the two currencies. The accrual accounting practice used for recording membership fees makes the membership fee revenue line item accounting more sensitive to exchange rate variation across the full year. The membership income exceeds the budget projection by AUD 149K as a result, which is a smaller increase than that reflected in a USD picture of the same revenue stream across 2007.

In AUD terms the stronger than anticipated revenue growth has been partially absorbed by the declining USD value, and the anticipated 2007 outcome is a revenue level that is 5.6% higher than the original 2007 budget projection.

5.4 Operating Outcome for 2007

The combination of the reduced expenditure levels and increase in revenue has resulted in a projected outcome for 2007 of an operating position exclusive of the unrealized USD currency exchange factors of a surplus of AUD 75,376. This change of position relative to the budget is due to a projected overall 2.5% decrease in expenditure and a projected overall 5.6% increase in revenues, or a net change in the projected financial position by some 8%.

The average exchange rate for the year is projected to be some 7% higher than the 2007 budget projections, and because APNIC income is largely based in USD the revenue performance has been stronger than the AUD

financial data would indicate. Revenues in 2007 are projected to be some 15% higher than the budget projection, in USD terms. The exchange rate variation component in the revenue figures is a total of AUD 818,723, and this is recorded in the financial data as realized and unrealized foreign exchange rate losses. Paid invoices and currency conversions to date have resulted in a realized loss of AUD 192,847. The remaining USD fund balance add a negative revenue item of an unrealized foreign exchange rate loss of AUD 625,876 to the accounts, using the projected end of year exchange rate of 0.93 as the basis for this calculation.

The net APNIC financial position for 2007 as a result is a projected loss of AUD 550,500, as compared to the original budget projection of a AUD 623,386 loss, or a swing of 0.6%. The stronger than anticipated revenue performance and further constraints of expenditure have been balanced by the net effect of AUD / USD exchange rate movement across the year.

Attachment

5. Review of EC Procedures

Review of EC Procedures

A Review of APNIC Executive Council Procedures

Geoff Huston
Executive Secretary, APNIC EC
21 September 2007

Advice to the Members of the APNIC Executive Council

In the light of legal advice provided to APNIC, I have undertaken a review of the situation regarding APNIC fees and the actions of the APNIC Executive Council (EC), the Fees WG and the APNIC Membership in this matter. There are a number of aspects of recent events where it appears possible that some of our actions have been at variance with APNIC's corporate documents. More generally, the current working mode of operation of the APNIC EC, the carriage of the APNIC member meetings, and the procedures used for fee setting and APNIC budgets appear to have been at times inconsistent with the provisions and procedures as set forth in these documents. A concern here is that the provisions of indemnification for members of the EC rely on the EC's adherence to a consistent and reasonable set of operational procedures.

This document highlights a number of potential discrepancies between current practice and documented procedures and provisions, and recommends that the EC adopt a number of changes in its operation. The intention is to ensure the alignment of the Council's operational procedures with the provisions in APNIC's corporate documents, and ensure that the Council operates in such a manner that all individual members of Council enjoy the full provisions of protection from personal liability afforded by APNIC's By-Laws, by APNIC's Directors and Officers insurance coverage, and by the Australian Corporations Act.

The following commentary is based on a reading of the APNIC By-Laws, the APNIC Pty Ltd Articles of Association, the Memorandum of Association, and the APNIC Membership Agreement.

These documents are available at the following URLs:

- By-Laws: <http://www.apnic.net/docs/corpdocs/Bylaws.pdf>
- Articles of Association: <http://www.apnic.net/docs/corpdocs/AoA.htm>
- Memorandum of Association: <http://www.apnic.net/docs/corpdocs/MoA.htm>
- Membership agreement: <http://www.apnic.net/docs/corpdocs/membership-agreement.html>

This document contains a number of recommendations to the Executive Council.

Recommendation 1

Members of the Executive Committee are reminded to ensure that they are thoroughly familiar with these APNIC corporate documents. The role of each member of the Executive Council is consistent with undertaking the duties of an officer of APNIC, and in order to undertake such a role responsibly, and in order to enjoy the protections of the indemnity provisions and the benefits of Directors and Officers liability insurance, then each member of the Executive Council must act in strict accordance with all the provisions of these documents, as well as in strict accordance with the Corporations Act 2001 of Australia.

1. APNIC Pty Ltd

APNIC Pty Ltd is a legal entity incorporated under the *Corporations Act 2001 of Australia* (Corporations Act).

There is a single subscribed share in APNIC Pty Ltd, held by the APNIC Director General, Paul Wilson. Paul Wilson is the sole member of APNIC Pty Ltd, holding this share in trust, under the terms of a Trust Deed.

APNIC Pty Ltd has a single Director, also the APNIC Director General, Paul Wilson.

APNIC Pty Ltd has certain obligations under the Australian Corporations Act, and these obligations are imposed on the Directors and Officers of APNIC Pty Ltd. Failure to perform these obligations include civil and

criminal penalties, personal liabilities and compensation orders and future prohibition on managing companies. These obligations include (and are not limited to) the obligation to:

- 1) act honestly and in good faith exercising care and diligence;
- 2) act in the best interests of the company;
- 3) avoid conflicts of interest; and
- 4) prevent the company trading if insolvent.

A Director or Officer may cite a defence to these obligations if expert advice were sought regarding the best interests of the company and reasonable reliance was placed on this expert information. That defence may be in doubt if expert advice was sought and not acted upon by the Director or Officer.

2. APNIC, the Membership Association

APNIC as a membership body is distinct from APNIC Pty Ltd in a corporate sense. The Director of APNIC Pty Ltd has the power to appoint one or more Special Committees, and delegate to such Special Committees some of the powers, authority and functions of the Director of APNIC Pty Ltd. "APNIC" is defined as a Special Committee of the company, and "APNIC Members" are members of that Special Committee [paragraph 9.3 of the APNIC Articles of Association, and Recital E of the APNIC Membership Agreement].

It is noted that this delegation of powers, authority and function does not remove the liability of the Director to comply with the Director's obligations under the Corporations Act.

The Special Committee may further delegate these powers, authority and functions to a subcommittee of this Special Committee, which is the Executive Council of APNIC [paragraph 9.3 of the APNIC Articles of Association].

The Director may promulgate By-Laws for the purpose of establishing, governing and prescribing the functions, powers and authorities of the Special Committee [paragraph 9.4 of the APNIC Articles of Association]. These are the APNIC By-Laws. These By-Laws may be amended, or annulled by the Director or by the Special Committee [paragraph 9.8 of the APNIC Articles of Association]. The Special Committee may only amend the By-Laws through the affirmative vote of two-thirds of the entire membership [Part XIII, paragraph 83 of the APNIC By-Laws].

Indemnification by APNIC of liabilities for persons acting on APNIC Pty Ltd's behalf only applies if the person acted honestly and in good faith with a view to the best interests of the Company and had no reasonable cause to believe that their conduct was unlawful [paragraph 13.1 of the APNIC Articles of Association].

3. The APNIC Executive Council

The Executive Council consists of the following members:

- seven individuals who are elected at APNIC AGMs in accordance with the provisions of the By-Laws [paragraph 31 of the APNIC By-Laws]; and
- the Director General, by virtue of his position ("*ex-officio*") [part VI paragraph 54, item i. of the APNIC By-Laws].

The By-Laws also contains the provision that the "Director General must not be a member of APNIC, the representative of a member of APNIC, nor a member of the Executive Council" [Part VI, paragraph 51. of the APNIC By-Laws]. The apparent contradiction between this provision and the provision for the Director to act as an *ex-officio* member of the APNIC Executive Council [part VI paragraph 54, item i. of the APNIC By-Laws] is resolved through the interpretation of paragraph 51 as a qualification for appointment to office as Director General, such that the Director General must not be an *elected* member of the Executive Council. Accordingly, it appears that the appropriate interpretation of the By-Laws is that the Director General is a member of the Executive Council, and is accorded all the powers, functions and authority of a member of the Executive Council by virtue of his office.

The current mode of operation of the EC assumes a membership of the Council that is therefore at variance with the APNIC By-Laws, as the Director General appears to be considered to be an observer rather than a voting member of the Council by virtue of his office ("*ex-officio*")

To ensure that the EC acts in accordance with the APNIC By-Laws, it is recommended that the Director General be recognised as a fully qualified member of the EC, and is eligible to attend all meetings of the EC.

Specifically, this recommendation advises the EC to adopt procedures such that:

- the Director General, like other members, can exercise a vote on all motions put to the EC,

- that all meetings of the EC are held with due notice of the meeting being extended to all EC members, including the Director General, and
- that no EC member, including the Director General, shall be prevented from attending any meeting of the EC.

As with all EC members, it is the responsibility of the Director General to identify those matters that represent a conflict of interest and to recuse himself from consideration of such matters, as appropriate. There is no mention of any matter in the By-Laws where the Director General is excused from any activities of the EC by virtue of his ex-officio membership of this Council.

Recommendation 2

The Director General of APNIC be recognised as a fully qualified member of the Executive Council, and therefore able to take part in all business of the Executive Council, to be able to exercise his vote on all motions put to the Executive Council, and to be subject to all the obligations and responsibilities of individual members of the Executive Council.

The EC operates under the delegation of powers, authority and functions from the Director of APNIC Pty Ltd. While this does not limit the liability and obligation of the Director to act within the provisions of the Corporations Act, this delegation also has potential liabilities for members of the EC. Paragraphs 62 through 66 of the APNIC By-Laws indemnify members of the EC, as long as it is established that the Council member acted honestly and in good faith in serving the best interests of APNIC and had reasonable cause to believe that his conduct was not unlawful. APNIC has purchased insurance against the liabilities as set out in paragraph 62 of the By-Laws. This does not in any way lessen the obligation of each of the members of the EC to act honestly in the best interests of APNIC and to avoid conflicts of interest.

The EC has not formally adopted any document that describes the procedures for calling meetings of the Council, the procedure for the conduct of meetings and the manner of carrying motions put to the Council, and the required manner of recording the deliberations of the Council.

From the perspective of ensuring that the full protection of indemnification is available to EC members it is recommended the provisions of paragraph 57 of the APNIC By-Laws also be formally adopted by the EC, including, but not necessarily limited to, the adoption of procedural rules for meeting and for the conduct of its activities, functions and affairs. Adequate provision in such procedural rules should be made for notice to members of the Council of all meetings. The provision should also be made in the procedural rules that action may be taken without a meeting if there is prior consent of all members in writing and this consent is filed with the minutes of the proceedings of the Council.

Recommendation 3

The Executive Council adopt procedural rules for the conduct of all meetings whether in person or via electronic means, and for the conduct of its activities, functions and affairs.

It also appears appropriate to note that there has been some uncertainty expressed at recent EC meetings as to whether a specific action or measure has been formally adopted by the EC. Some clarification of the voting procedure would assist in resolving such matters if they arise in the future, and a clear statement that the EC as a group operates using a principle of a majority vote at a meeting as the method of adoption would be helpful in this context. It is recommended that the EC adopt the provision that all matters put to the EC shall be adopted by the affirmative vote of the majority of members present, except where otherwise specified in the APNIC By-Laws, and a provision is made for resolving a tied vote.

Recommendation 4

Except where a two thirds majority vote is required, a vote of the Executive Council at a meeting shall be considered to have passed if a majority of Council members present at the meeting vote in favour of the motion. In the event of a tied vote the Chair of the Meeting shall exercise the casting vote.

If members of the EC meet in private to conduct APNIC business, or meet in a way that does not post due notice of the meeting, or excludes any member of the Council from participation in the meeting, whether face to face or by electronic means, then the actions of those EC members that meet in such a manner incur a significantly higher level of risk of individual liability, as it is unclear whether it is a valid meeting of the EC with valid outcomes. If any meeting of EC members is held outside of the provisions of the APNIC By-Laws, it is not a valid meeting of the Council, and any outcomes of such a meeting are not binding on APNIC. In such a case it is likely that there is no form of individual indemnification on the part of APNIC relating to any

potential liabilities that may be incurred by the attendees at such a meeting, and the Council members that meet in such a manner may be highly exposed to allegations of collusion, conspiracy or fraudulent behaviour with attendant civil or criminal sanctions depending on the nature of the accusation and the matter leading to the accusation.

Recommendation 5

All meetings and proceedings of the Executive Council, whether in person or via electronic means, are to be held with the designated minute taker present. No items of Executive Council business shall be conducted in a manner that deliberately excludes any member of the Executive Council from being present or excludes the presence of the designated minute taker.

The EC has to power to “to act on behalf of the Members in the interval between AGMs within the limits of the powers delegated to it by the Members” [Part V, para 30, item a, APNIC By-Laws]. In addition to, and outside this delegation by the Members, the EC has the responsibility to set member fees by virtue of the provision in the By-Laws that “Members shall pay dues as established by the Executive Council from time to time, and the payment of such dues shall be a condition precedent to effective Membership of APNIC.” [Part IV, para 4, APNIC By-Laws].

Any decision of the EC, whether made by the delegation of powers by the APNIC membership to the EC, or made by functions explicitly delegated to the EC (such explicitly delegated functions include fee setting, and all functions enumerated in items b through i of the APNIC By-Laws, Part V, Para 30), may be reviewed by the members and may be amended by the members. Such an amendment requires the affirmative vote of a two thirds majority of the entire APNIC membership [Part IV, para 5, item f, APNIC By-Laws].

Under the APNIC By-Laws, the members has explicitly delegated to the EC the responsibility to set membership dues from time to time. Given this delegation of function has taken place, this function is no longer a membership responsibility. The membership could rescind this delegation and undertake this fee setting function directly, but this would require an amendment to the APNIC By-Laws, and this could only be undertaken by the membership through the affirmative vote of two thirds of the entire APNIC membership. The procedure followed at the AMM in APNIC 24 with the vote on membership dues was arguably not valid as a binding decision made within the powers and authority of the membership under the By- Laws, given that this function has one that the membership has unreservedly delegated to the EC and this delegation has not been rescinded or amended.

It is recommended that the EC undertake actions that are in conformance with the APNIC By-Laws and perform the function of setting membership dues from time to time (which is to say, at any time deemed necessary by the EC).

Recommendation 6

The Executive Council has been delegated the responsibility to set APNIC member dues from time to time.

A comment from the floor raised in the member meeting in APNIC 24 concerning the setting of the per-address fees touched upon the roles of individual members of the EC and the interests of the organizations from which these members have been drawn. The members of the EC are constrained by the By-Laws such that they “shall serve on the Executive Council in their personal capacity and shall act in the best interests of the APNIC membership and not the Member organization to which that individual belongs” [Part VI, para 35, APNIC By-Laws]. Such accusations regarding the interests of EC members are of course unhelpful from the perspective of the trust relationship on the part of APNIC members that the EC is acting in the interests of APNIC members and that the delegation of powers, functions and authorities from the membership to the EC is being undertaken in good faith. It is also possible that failure on the part of EC members to be seen to be acting in the manner as prescribed in the By-Laws imperils the indemnity protection and insurance cover for individual members of the EC.

Recommendation 7

EC members should bear in mind at all times their obligations to act honestly, to act in their personal capacity, to act in the best interests of the APNIC membership and not the member organization to which that individual belongs, to avoid personal conflicts of interest, and to take all reasonable measures to avoid a situation of APNIC trading while insolvent. EC members should note all expert advice that has been reasonably provided to APNIC concerning the best interests of APNIC, and ensure that no EC decisions contravenes applicable provisions of APNIC corporate documents or contravenes statutes and regulations as they apply to APNIC’s activities.

4. APNIC Members

It is the role of the members, as constituted as a Special Committee of APNIC Pty Ltd, to examine the accounts of APNIC, and to adopt decisions on strategic policy and planning for APNIC [Part IV, para 5, item b, APNIC By-Laws].

The process of review of strategic policy and planning has been undertaken through the use of periodic member surveys. If the outcome of these surveys is to be interpreted as membership adoption of the decision to commit APNIC to a specific set of strategic objectives and services then it would be appropriate for the EC to adopt a procedure that provides for the membership survey report be circulated to members and for the report to be adopted at a member meeting as a commitment by APNIC for the delivery of services and strategic objectives. This would then allow the EC to interpret this survey as an authoritative source of membership direction regarding strategic policy and planning and services for APNIC. Failure of the APNIC EC to act in accordance with this membership adopted decision could be interpreted as a failure of the APNIC EC to operate in accordance with the By-Laws

Recommendation 8

The Executive Council should adopt a procedure to commission regular membership surveys on APNIC services, planning and strategic objectives, and recommend the membership survey report to the membership for adoption. The membership-adopted survey report shall be the authoritative guide for the EC in managing the activities, functions, affairs and budget of APNIC and the corporation.

It is also noted that the procedure for the conduct of APNIC Member meetings appears to have aspects that are unclear to both the members and to the APNIC EC. While the By-Laws provide guidance on the notice for a meeting, and what constitute a quorum and who should chair the meeting, they do not provide guidance on the conduct of the meeting, including matters such as the tabling of motions to be put to the meeting, the type of motions that may be tabled, the conduct of discussion and the procedure for calling for a membership vote.

Recommendation 9

If is recommended that the APNIC Executive Council draw up a procedure for the conduct of member meetings, including the drawing up of standing orders for the meeting, the procedure for conducting debate, the procedure for the tabling and considerations of motions at the meeting and the procedure for calling for a vote on motions.

5. Executive Council Material

It appears that this information regarding the role and responsibilities of the EC, and the conduct of meetings and relating information be collected into a handbook that can be published so that the EC's procedures are clearly evident to all, and candidates for open EC positions and newly elected members of the EC can ensure that they are fully informed about the function of the EC.

Recommendation 10

An Executive Council Member's handbook be maintained that includes copies of the APNIC corporate documents, a summary of the powers, functions, and authorities of the Executive Council, the procedures that govern the conduct of meetings of the EC and related information associated with the role of members of the Executive Council.

6. Summary of Recommendations

Recommendation 1

Members of the Executive Committee are reminded to ensure that they are thoroughly familiar with the APNIC corporate documents. The role of each member of the Executive Council is consistent with undertaking the duties of an officer of APNIC, and in order to undertake such a role responsibly, and in order to enjoy the protections of the indemnity provisions and the benefits of Directors and Officers liability insurance, then each member of the Executive Council must act in strict accordance with all the provisions of these documents, as well as in strict accordance with the Corporations Act 2001 of Australia.

Recommendation 2

The Director General of APNIC be recognised as a fully qualified member of the Executive Council, and therefore able to take part in all business of the Executive Council, to be able to exercise his vote on any motion put to the Executive Council, and to be subject to all the obligations and responsibilities of individual members of the Executive Council.

Recommendation 3

The Executive Council adopt procedural rules for the conduct of all meetings whether in person or via electronic means, and for the conduct of its activities, functions and affairs.

Recommendation 4

Except where a two thirds majority vote is required, a vote of the Executive Council at a meeting shall be considered to have passed if a majority of Council members present at the meeting vote in favour of the motion. In the event of a tied vote the Chair of the Meeting shall exercise the casting vote.

Recommendation 5

All meetings and proceedings of the Executive Council, whether in person or via electronic means, are to be held with the designated minute taker present. No items of Executive Council business shall be conducted in a manner that deliberately excludes any member of the Executive Council from being present or excludes the presence of the designated minute taker.

Recommendation 6

The Executive Council has been delegated the responsibility to set APNIC member dues from time to time.

Recommendation 7

EC members should bear in mind at all times their obligations to act honestly, to act in their personal capacity, to act in the best interests of the APNIC membership and not the member organization to which that individual belongs, to avoid personal conflicts of interest, and to take all reasonable measures to avoid a situation of APNIC trading while insolvent. EC members should note all expert advice that has been reasonably provided to APNIC concerning the best interests of APNIC, and ensure that no EC decisions contravenes applicable provisions of APNIC corporate documents or contravenes statutes and regulations as they apply to APNIC's activities.

Recommendation 8

The Executive Council should adopt a procedure to commission regular membership surveys on APNIC services, planning and strategic objectives, and recommend the membership survey report to the membership for adoption. The membership-adopted survey report shall be the authoritative guide for the EC in managing the activities, functions, affairs and budget of APNIC and the corporation.

Recommendation 9

It is recommended that the APNIC Executive Council draw up a procedure for the conduct of member meetings, including the drawing up of standing orders for the meeting, the procedure for conducting debate, the procedure for the tabling and considerations of motions at the meeting and the procedure for calling for a vote on motions.

Recommendation 10

An Executive Council Member's handbook be maintained that includes copies of the APNIC corporate documents, a summary of the powers, functions, and authorities of the Executive Council, the procedures that govern the conduct of meetings of the EC and related information associated with the role of members of the Executive Council.

Attachment

5. Review of EC Procedures

EC Procedures for the Conduct of Business

Procedures for the Conduct of Business for the APNIC Executive Council

DRAFT
Version 2
19 October 2007

The procedures relating to the conduct of the APNIC Executive Council, together with the delegation of powers, functions and authorities to the Executive Council, are defined in the APNIC By-Laws. This document contains additional procedures relating to the conduct of activities undertaken by the Executive Council.

Notwithstanding any provisions contained here, these procedures are subject to the provisions of the APNIC By-Laws, the APNIC Articles of Association, the APNIC Memorandum of Association, and the powers of the corporation and its directors, other officers and members.

1. Meeting Conduct

All meetings of the Executive Council shall be conducted according to **Roberts Rules of Order**.

2. Confidentiality

All Executive Council members shall sign a binding non-disclosure agreement with APNIC. Failure to do so shall affect the ability of the member to view certain documents and reports that relate to the status and activities of individual APNIC members.

All proceedings of Executive Council meetings, and all correspondence among the Executive Council, are strictly confidential, except where explicitly allowed for under these procedures or under the provisions of the APNIC By Laws or applicable law.

Executive Council members must not share information or material divulged to them in their role as members of the Executive Council, in whole or in part, with any other persons or parties.

Executive Council meetings are not to be recorded in any form except by the designated minute taker, and access to telephonic meetings shall not be granted to any other person except with notice to, and consent of, the meeting.

Executive Council members are elected and serve in their individual capacities. These confidentiality provisions apply to all Executive Council members individually.

3. Notice of Meetings

Regular meetings of the Executive Council shall be scheduled by the Chair of the Executive Council with at least 2 weeks due notice to all Executive Council members. Extraordinary meetings may be proposed by any Executive Council member and held at any time, by unanimous consent of all Executive Council members then in office.

Due notice of meetings shall consist of notification via the Executive Council's mailing list and notification posted on the Executive Council's web page.

4. Agenda Items for Meetings

Any Executive Council member may request that an item to be included in the agenda. Items from other sources may be included at the discretion of the Chair of the Executive Council.

Where an Executive Council decision is requested, a written proposal must be supplied, either on paper or electronically.

Agenda items, and documents for inclusion in those items, must be in the hands of the Executive Secretary of the Executive Council at least 10 days prior to the meetings. Agenda items and documents received after that date will only be included at the discretion of the Chair of the Executive Council, and with the consent of all those Executive Council members present at the meeting.

The agenda and documents of a meeting will be made available to all Executive Council members one week prior to the meeting.

The agenda of Executive Council meetings will contain the following standing items:

- Roll Call
- Minutes of last meeting and matters arising
- Finance Report
- Director General's Report
- Items submitted by Council Members

5. The Chairman of the Meeting

The Chairman of the meeting will be the Chairman of the Executive Council, or in his absence the Secretary of the Executive Council or in their absence the Treasurer of the Executive Council, or in their absence the Director General.

6. Quorum for Meetings

Notwithstanding the provisions of the APNIC ByLaws, a quorum of no less than one half of the individual members of the Executive Council then in office constitutes a quorum for the commencement of any meeting of the Executive Council. No motion other than a motion to adjourn shall be put to a meeting of the Executive Council unless a quorum of no less than one half of the individual members of the Executive Council then in office is present at the meeting and able to vote on the motion.

7. Exclusion

No items of Executive Council business shall be conducted in a manner that deliberately excludes any member of the Executive Council from being present, or excludes the presence of the designated minute taker.

8. Executive Secretary

An Executive Secretary for the Executive Council shall be appointed by the Director General of APNIC from time to time.

The responsibilities of the Executive Secretary include:

- preparation of agenda and materials for Executive Council meetings,
- recording of minutes of Executive Council meetings,
- tracking of actions arising from meetings, and
- other activities as required to ensure smooth operations of the Executive Council,

under delegation from the Secretary of the Executive Council.

9. Minutes of Meetings

All meetings and proceedings are to be held with a designated minute taker present. The designated minute taker is the Executive Secretary of the Executive Council, or, in his absence, a member of the Secretariat as nominated by the Director General.

Minutes will normally consist of a record of the agenda, the documents of the meeting, a summary of each item considered, and a record of the decisions taken by the Executive Council. The minutes will contain an action list with names responsible for the actions.

The Executive Secretary shall produce minutes of a meeting as soon after the meeting as possible. The minutes shall be circulated electronically to the Council members for review. Normally, this circulation should take place no later than two weeks after the meeting. The minutes will be approved at the subsequent Executive Council meeting, and published thereafter.

10. Publication of Minutes and Papers of Meetings

All minutes and all meeting documents will be catalogued and held electronically. All minutes and meeting documents, except those deemed to be confidential by the Executive Council, and except those that relate to the status or activities of individual APNIC members or individual clients of APNIC's services, will be published in accordance with these procedures as the record of the Executive Council's actions.

11. Declaration of Conflict of interest

All elected members of the Executive Council serve on the Executive Council in their personal capacity and shall act in the best interests of the APNIC membership and not the member organization to which that individual belongs.

Any Executive Council member may declare a conflict of interest in the consideration of an item of business for the Executive Council.

Council Members declaring a conflict of interest will excuse themselves from the discussion of the item and abstain from the vote on any motion related to the item. The Member's declaration of conflict of interest and the abstinence from any vote will be recorded in the minutes of the Executive Council meeting.

12. Voting Procedure at the Meeting

Unless stipulated in the APNIC By Laws or other binding documents, an Executive Council vote shall be considered to have passed if a majority of the members of the Executive Council present at the meeting vote in favour of the motion. In the event of a tied vote the Chairman of the Meeting shall exercise the casting vote.

All majority votes shall be undertaken by affirmation. Any member may request the Chairman of the Meeting to perform a vote according to a roll call procedure.

All other votes shall be performed according to a roll call procedure.

The Executive Secretary shall conduct all roll call procedure votes. In a roll call vote each member shall respond when their name is called, indicating that they support or oppose the motion, or that they choose to abstain from the vote.

13. Electronic Voting Procedure

Any member of the Executive Council may submit a proposal to the Executive Secretary for electronic voting.

The Executive Secretary shall circulate the proposal to the Executive Council via the Council's email list, with a copy posted to the Executive Council's web page. A time limit for the discussion period of one week will commence as of the circulation of the proposal to the Executive Council.

At the expiration of the discussion period, the Executive Secretary shall call for an electronic vote with a dead-line for voting of one week. Votes must be sent to the Executive Council email list so that all Executive Council members can audit the outcome.

For an electronic vote to be valid, the votes of the majority of the members of the Executive Council must be received by the dead-line for voting.

The electronic voting options are: Yes / No / Abstention / Veto.

Any Executive Council member who fails to respond will be deemed as having abstained from the vote.

Up to the time of the completion of voting any member may change their vote, including a veto.

The "Veto" option is to be selected by an Executive Council member if they are of the view that the issue has not been vetted to their satisfaction and therefore wishes to reopen discussion.

At the dead-line of voting, if a "Veto" vote option has been cast then the process reverts to the consideration stage or is referred to an in-person (face-face or telephonic) meeting, at the proposer's discretion.

A proposal is accepted if the majority of the members give a positive vote and no "Veto" is recorded. For decisions where a larger majority is required by the APNIC By-Laws or other binding documents, that rule will prevail.

Upon resolution of an electronic vote (closure or referral to an in-person meeting), the Executive Secretary will state the issue and the result for recording in the relevant minutes.

14. Reporting to the APNIC Membership

As part of the Executive Council's report to the APNIC AGM, the Executive Secretary shall prepare a report to the APNIC members, indicating for each membership-elected member of the Executive Council:

- the record of Executive Council meeting attendance for each member of the Council;
- the record of trips and meetings attended as a representative of APNIC and the total amount funded by APNIC for these activities; and
- whether the Executive Council member has executed a non-disclosure agreement with APNIC.

15. Provision of Documents, Analysis and Research by the Secretariat

The Secretariat shall provide to the Executive Council the accounts and records as necessary to reflect the current financial position of APNIC. These accounts and records shall be presented in the Finance Report standing agenda item.

Any additional requests for documents, analysis, or reports shall be made by resolution of the Executive Council and be passed to the Executive Secretary for response by the Secretariat. The Executive Secretary shall acknowledge the request and provide an initial estimate of when the response material will be circulated to the Executive Council.

All provided material will be circulated to all members of the Executive Council, except in the case that the member has failed to execute a binding non-disclosure agreement with APNIC and the information to be circulated includes confidential information relating to individual member activities or status.

16. Election of Officers of the Executive Council

The Executive Council holds an internal election to select a Chairman, Treasurer, and Secretary for the calendar year. This election is held at the Board's first regularly scheduled meeting following the membership election of council members at the APNIC Annual General Meeting.

Each officer shall be elected for a one-year renewable term by the affirmative vote of at least a majority of the members of the Executive Council then in office. An individual may not hold more than one office.

The Director-General, as the only non-elected Executive Council member, chairs the first Council meeting following the AGM until the Chairman is elected.

The Director-General asks for candidates to run for Chairman of the Executive Council. The Director-General holds a roll call vote for each candidate and declares the winner. While no candidate achieves a majority vote then candidate with the least votes is removed from the slate and the voting procedure is repeated. The Chairman takes office immediately upon election.

The newly elected Chairman chairs the remainder of the meeting, including the selection of the Secretary and Treasurer.

The Chairman asks for candidates for Secretary and Treasurer. The Chairman then holds a vote for each office according to the procedure used to elect the Chairman.

17. SubCommittees of the Executive Council

All subcommittees formed by the Executive Council shall be constituted with a defined life time, at the expiration of which the subcommittee shall be extended for a further defined period or wound up, at the discretion of the Executive Committee.

All subcommittees formed by the Executive Committee shall have a charter to describe its role, and any delegated powers and authorities, and a membership.

All subcommittees formed by the Executive council shall adhere to these procedures for the conduct of their business.

18. Suspension or Amendment of these Procedures

The provisions of all or any of these procedures may only be altered, suspended, or otherwise annulled, by the Executive Council with the passing of a motion with the affirmative vote of a majority of Council members then in office.

Appendix A. The Role of Executive Council

The role of the Executive Council is described in the APNIC By-Laws. The provisions of the By-Laws as they relate to the powers and functions of the Executive Council are summarized here, with a reference to the paragraph of the APNIC By-Laws that describes this role.

This appendix to the Executive Council procedures does not form part of the Executive Council Procedures.

A.1 Composition of the Executive Council

The Executive Council consists of seven members elected at Annual General Meetings of Members, and the Director General who is an ex-officio member of the Council

- Executive Council members are elected by the Members at the Annual General Meeting of the Members for a two year term [para 31, para 32]
- Only one individual per Member organisation may be elected to sit on the Executive Council. [para 35]
- Casual vacancies on the Executive Council may be filled by individuals appointed by the Executive Council, who shall serve on the Executive Council until the next Annual General Meeting of Members. [para 42]
- Executive Council members may be removed from office by a 2/3 majority vote of the members [para 25]
- The Director General serves as a member of the Executive Council by virtue of his office [para 54i]

A.2 Roles and Responsibilities of the Executive Council

The delegations of functions, powers and authority within the overall structure of APNIC is derived by a sequence of delegations from the Director to APNIC Pty Ltd to the APNIC Membership (the “Special Committee”) to the Executive Committee (a subcommittee of the Special Committee), and, in a number of cases, to the Director General. The Executive Committee is responsible to the APNIC Membership by virtue of this delegation from the Membership, and to APNIC Pty Ltd by virtue of their effective role as an Officer of APNIC Pty Ltd.

- Executive Council members shall serve on the Executive Council in their personal capacity and shall act in the best interests of the APNIC membership and not the Member organisation to which that individual belongs. [para 35]

The Executive Council has the following roles and responsibilities:

- To be responsible to the Members to grant membership to qualified entities under the terms of the By-Laws, and delegate the authority to undertake this function to the Director General [para 4, para 54b]
- Set membership dues from time to time [para 4]
- Report to APNIC Members on the activities of APNIC [para 5b]
- Fix the place and time of Annual General Member meetings [para 6]
- Call Special Meetings of Members at a nominated place, date and time [para 7]
- The Chair of the Executive Council chairs Member meetings [para 11]
- To be responsible to the Members to count member votes, and may for this purpose appoint 2 or more persons to serve as tellers [para 13]

- To act on behalf of the Members in the interval between Annual General Member meetings, within the limits of the powers delegated to it by the Members [para 30a]
- To be responsible to the Members, and to provide direction to the Director General in the delegation of management of the activities, functions and affairs of APNIC and the corporation to the Director General [para 30b, para 54b]
- To be responsible to the Members, and to provide the authority to the Director General to exercise all such powers and do all such acts or things as may be required to be exercised or done by the corporation or the directors of the corporation, subject to the provisions of the Memorandum and Articles of Association of the corporation and to such requirements as may be prescribed by a resolution of the directors of the corporation [para 30c, para 54c]
- To be responsible to the Members, and to delegate to the Director General the authority to take all steps to facilitate and implement the decisions of the Members at Annual General Meetings and, where appropriate, of the decisions of other meetings of APNIC [para 30d, para 54e]
- To be responsible to the Members, and to delegate to the Director General the responsibility to consider broad Internet policy issues in order to ensure that APNIC's policies and strategies fully respond to the constantly changing Internet environment [para 30e, para 54e]
- To be responsible to the Members, and to delegate to the Director General the responsibility to ensure the efficient coordination of the work of APNIC [para 30f, para 54g]
- To establish the basis for the budget of APNIC and determine, in the light of the decisions taken by the Members on the reports referred to in paragraph 5(b) of the By-Laws, a ceiling for the expenditure of APNIC until the next AGM after considering all relevant aspects of the work of APNIC in that period [para 30g]
- To delegate the authority to the Director General to provide any general directives dealing with the staffing of APNIC and to delegate the authority to fix the basic salaries, the salary scales and the system of allowances and pensions for all employees of APNIC [para 30h, para 54d]
- Reduce or waive fees for 'deserving organisations' [para 37]
- Request an audit on any or all aspects of the operation of the Secretariat [para 37]
- To be responsible to the members and the delegate to the Director General the responsibility to keep minutes of all meetings of the Executive Council, and keep a record of resolutions passed by the Executive Council [para 49a, para 49b]
- To be responsible to the members and the delegate to the Director General the responsibility to keep minutes of all meetings of the Members, and keep a record of resolutions passed by Members [para 49a, para 49b]
- To be responsible to the members and the delegate to the Director General the responsibility to keep such accounts and records as are necessary or desirable in order to reflect the financial position of APNIC and the corporation [para 49c]
- To elect the Director General [para 30i]
- By a 3/5 majority vote remove the Director-General [para 36]

A.3 Executive Council Decisions

- Decisions of the Executive Council shall be made by a majority vote of the members of the Executive Council present at a meeting [para 36]
- A decision of the Executive Council to remove the Director-General shall be made by a 3/5 majority vote of the Executive Council [para 36]

Attachment

6. APNIC 2008 Budget

Draft 2008 Budget



APNIC Budget - Financial Year 2008

Prepared: 13 Nov 2007

1. Summary

This budget is prepared for the APNIC financial year January to December 2008. It includes revenue, expense and cash flow projections based on the planned activity profile for APNIC for 2008, projected membership growth and other financial factors including projected cost index movement and cash interest rates.

The purpose of this paper is to allow the Executive Council of APNIC to approve an expenditure level for 2008, in the manner as described in the APNIC ByLaws:

“to establish the basis for the budget of APNIC and determine, in the light of the decisions taken by the Members on the reports referred to in by-law 5(b) above, a ceiling for the expenditure of APNIC until the next AGM after considering all relevant aspects of the work of APNIC in that period” [APNIC ByLaws30(g)]

The operational expenditure for APNIC for 2008 is proposed to be **AUD \$10,484,191**, the projected revenue for 2008 is **AUD \$10,992,248**, and the anticipated operating surplus for the year is **AUD \$508,056**.

The capital asset outlay for 2008 is proposed to be **AUD \$1,000,500**.

Formal EC approval is sought for expenditure authority to the amount of AUD \$10,498,170 for operational expenditure and AUD \$ 1,000,500 for the purchase of capital assets to support the operations of APNIC for 2008.

2. Budget Preparation Notes

2.1. Data Sources

The APNIC 2008 budget has been prepared on the basis of expenditures forecast to support the APNIC in undertaking membership services and support functions for 2008.. The data sources used to prepare this budget are:

- The APNIC member survey has been used to prepare departmental activity programs for 2008 which have been assembled into projections for line item expenditure forecasts as reported in the APNIC General Ledger accounting system.
- The APNIC organizational structure provides data concerning the staff establishment level.
- The forecasts of expenditure use trend and variability estimates based on financial data drawn from the APNIC annual financial reports from 2003 to 2006, and the projected financial outcome for 2007, as of the October 2007 monthly financial report.
- The Financial Outlook report for 2008 produced by the National Bank of Australia has been used for interest rate and Consumer Price Index (CPI) forecast information.
- The APNIC Asset Registry provides data concerning the line item for depreciation.
- Financial advice has been provided by APNIC's accountants concerning APNIC's taxation liability.
- Revenue data has been adjusted to take into account the 2008 APNIC fee schedule and the use of the AUD for membership fee and service payments.

2.2. Currency

2008 will be the first year that APNIC will use a single currency for both invoicing and expenses, and these budget figures use the Australian Dollar for all 2008 budget projections.

2.3. Trend Analysis and Variance

The APNIC 2008 budget has been prepared using a scenario of a projected outcome and variance levels that reflect the level of predicted certainty of the forecast amount represented as 'low' and 'high' bounds. The 'low' outlook reflects a lower bound on the probable income and expenditure projections, while the 'high' outlook reflects a higher probability bound on the underlying business activity level projections. These bounds reflect the anticipated range of variance of overall activity levels within the business.

The calculation of these trend projections is based on a statistical analysis of APNIC financial data over the period 2003 – 2007. The annual historical expenditure and revenue data has been analyzed on a per-line item basis to generate a weighted mean annual variation for all line items for each year. The weighting is an exponential decay distribution, placing a higher relative weight on the most recent data and a reduced weight on older data, and the particular approach used here is calculated by placing 50% weight on the 2006 – 2007 variation and 30% weight on the 2005 – 2006 variation, 20% weigh on the 2004 - 2005 variation, and 10% weight on the 2003 – 2004 variations.

For the membership numbers, where the historical data has underlying trend characteristics of compound growth rather than linear growth, the weighted mean is applied to the annual growth ratio series, using the same relative weightings as the weighted mean annual variation.

The variability of each line item is calculated as one mean standard deviation of the data from the weighted mean, producing confidence bounds of the projected expenditure or revenue for that line item.

2.4. Projection Techniques

The preparation of the APNIC 2008 budget is based on a number of projection techniques:

- Where there is a calculated outcome that can be based on known data, existing contracts or known financial arrangements, that value has been used. For example, the line item relating to office rent is based on the amount specified in the office lease contract.
- Where the expenditure line item relates to the supply of goods or services, a calculated net cost based index has been used. This cost base index is calculated using 50% of the projected Consumer Price Index movement for 2008, 50% of the relative membership increase projected for 2008 and discounting these two factors by a projected activity productivity level factor.
- In other cases the trend analysis approach is used, where the weighted mean annual variation of the line item for the period 2003 - 2006 is used as the basis for the projection.
- Where additional information is available to modify these projections, the adjustments have been made to the line item.

The 2008 APNIC revenue projection has been prepared by firstly projecting the 2008 membership levels, using the weighted mean variation of the annual growth ratios for the past 5 years, as described above. These membership levels have been converted into a projected revenue stream by applying the 2008 APNIC membership fee schedule to the projected membership numbers, assuming a uniform spread of new members across the 2008 calendar year. Variation in this projection is based on the mean standard deviation of the weighted mean.

The projections for APNIC revenue line items have been prepared by using the weighted mean variation technique as applied to the 2003 – 2007 USD revenue financial data to produce 2008 USD revenue projections for each line item in order to eliminate the superimposition of the effects of a shifting AUD / USD exchange rate on this financial data. These projected revenue amounts for 2008 have then been converted to AUD using the conversion rate of 0.7889, as per the EC decision of October 2007. Variation is based on a mean standard deviation of the weighted mean.

Interest revenue projections have been adjusted to account for the use of higher Australian interest rates over US rates, and further adjusted to account for the National Australia Bank's higher interest rate outlook for AUD cash securities for 2008.

The 2008 expenditure projection has been prepared by gathering budget forecasts from each APNIC department based on activity plans that support the priorities as listed in the APNIC member survey. These budget forecasts have been combined with known financial commitments, projected net cost base movement for 2008, and the weighted mean of the expenditure variation over the 2003 – 2007 period, and projections have been made on a per line-item basis for each line item in the APNIC financial reporting system.

3. 2008 Membership Projection

The APNIC membership profile for the period 2000 to 2007 is indicated in the following table.

| Membership | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 (est) |
|--------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|
| X-Large | 0 | 0 | 7 | 8 | 8 | 8 | 9 | 9 |
| V-Large | 12 | 15 | 8 | 11 | 14 | 20 | 21 | 27 |
| Large | 52 | 51 | 55 | 60 | 60 | 56 | 70 | 76 |
| Medium | 125 | 160 | 158 | 155 | 164 | 196 | 210 | 233 |
| Small | 413 | 468 | 445 | 493 | 534 | 568 | 658 | 780 |
| V-Small | 0 | 0 | 32 | 85 | 123 | 174 | 261 | 305 |
| Assoc | 0 | 5 | 62 | 67 | 75 | 135 | 133 | 171 |
| Total | 602 | 699 | 767 | 879 | 978 | 1157 | 1362 | 1601 |
| | | 16% | 10% | 15% | 11% | 18% | 18% | 18% |

* based on a pro rata growth projection using APNIC membership numbers as of 31 October 2007

The weighted mean annual variance and mean standard deviation of relative annual member levels for the period 2003 – 2007 is indicated below.

| Mean Annual Compound Growth | Weighted Avg Compound Growth (2003 - 2007) * | Mean Std Dev |
|-----------------------------|--|--------------|
| X-Large | 1.03 | 0.06 |
| V-Large | 1.25 | 0.13 |
| Large | 1.10 | 0.11 |
| Medium | 1.11 | 0.04 |
| Small | 1.15 | 0.05 |
| V-Small | 1.33 | 0.15 |
| Assoc | 1.28 | 0.27 |
| Total | 1.17 | |

* based on an exponential decay weighted mean ratio of 2003 - 2007 variance (5,3,2,1)

Applying the weighted mean variation to the 2007 membership level provides the following projection of membership levels for 2008.

| Membership | 2008 Projection | | | |
|------------------|-----------------|--------------|---------------|---------------|
| | 2007 (est) | 2008 (Low) | 2008 (Med) | 2008 (High) |
| X-Large | 9 | 9 | 9 | 10 |
| V-Large | 27 | 30 | 34 | 37 |
| Large | 76 | 75 | 83 | 92 |
| Medium | 233 | 248 | 259 | 269 |
| Small | 780 | 857 | 894 | 932 |
| V-Small | 305 | 360 | 405 | 451 |
| Assoc | 171 | 172 | 219 | 266 |
| Total | 1601 | 1751 | 1903 | 2057 |
| Variation | 18% | 9.37% | 18.86% | 28.48% |

This projection provides a growth model for membership levels for 2008.

To convert this to a projected revenue stream the model takes into account the accrual accounting approach (which has been required by the APNIC auditors), where 50% of the receipts from membership fees for 2007 are carried forward into 2008. As the 2007 membership fees were paid in USD this model also takes into account the practice of converting the fees to USD at the time of the invoice.

The accrual accounting model also implies that on average only 50% of the AUD income in the 2008 year is available for the 2008 budget, while the remainder is carried forward to 2009.

Accordingly, the membership population as of the end of 2007 is projected forward into 2008 using one half of the actual membership fee income converted to AUD at the time of raising the invoice. According to this approach, this membership population will renew their membership in 2008 using the AUD fee schedule, so fee revenues for these renewals are calculated as one half of the annual AUD membership fee amount (it is neutral within this model whether the renewal is an actual renewal or a closure and a new membership, so the entire end-of-year membership is assumed to be renewing). Additional memberships for 2008 are valued at 50% of the AUD fee schedule, as, assuming an even distribution of new membership processing across 2008, one half of the incremental 2008 membership revenue will be booked in the 2008 budget year and one half of this amount is carried forward into the 2009 budget.

The implication of the accrual accounting approach to membership revenues is that the full effect of the AUD fee change will not be realized until the 2009 financial year.

This model predicts that 82% of the membership will be contributing one half of their 2007 fees to the 2008 budget, using an average exchange rate of 0.84, which is 6% lower than the 2008 fee schedule in AUD terms, and the 19% of total members that are new members in 2008 will only be contributing one half of their 2008 fees to the 2008 budget. For this reason the net impact on the membership fees for 2008 is projected to be only 14% higher than 2007, in AUD terms.

The AUD projection for membership fee revenue for 2008 is shown in the following table.

| Membership Fee Revenue | 2007 (est) | 2008 (Low) | 2008 (Med) | 2008 (High) |
|-------------------------------|-------------------|-------------------|-------------------|--------------------|
| X-Large | 417,086 | 442,452 | 442,452 | 467,803 |
| V-Large | 625,628 | 701,705 | 752,408 | 790,436 |
| Large | 880,514 | 927,726 | 978,430 | 1,035,471 |
| Medium | 1,349,735 | 1,479,357 | 1,514,215 | 1,545,905 |
| Small | 2,259,213 | 2,518,618 | 2,577,244 | 2,637,454 |
| V-Small | 441,705 | 512,142 | 547,793 | 584,236 |
| Assoc | 123,822 | 131,749 | 150,367 | 168,984 |
| Membership Fees (AUD) | 6,097,704 | 6,713,748 | 6,962,908 | 7,230,290 |
| Variation from 2007 | | 10.10% | 14.19% | 18.57% |

4. 2008 Revenue Projection

The method used to project the 2008 revenue is one that is intended to eliminate the factors of the movement of the shifting AUD / USD exchange rate over the period 2003 to the present. The projection has taken the APNIC revenue levels, excluding membership dues, in USD, and used this data to generate weighted mean annual variance in each revenue line item, and then converting this amount into AUD using the exchange rate used for the determining the 2008 APNIC fees, namely 0.7889. The revenue history for APNIC for the past seven years is indicated in the following table.

| Revenue (USD) | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 (est) |
|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Interest | 125,861 | 153,764 | 139,993 | 195,950 | 282,928 | 327,818 | 428,215 | 450,846 |
| IP Application Fees | | 17,297 | 293,459 | 351,845 | 351,188 | 532,901 | 583,655 | 659,084 |
| non-members Fees | 47,099 | 37,037 | 66,105 | 80,994 | 27,686 | 73,801 | 90,971 | 123,462 |
| Per-Allocation Fees | 477,164 | 527,567 | 422,543 | 418,275 | 635,180 | 636,720 | 795,127 | 1,151,849 |
| Reactivation Fees | | | | | 2,876 | 957 | 8,630 | 11,046 |
| Sundry | 30,277 | 92,181 | 20,674 | 31,319 | 78,007 | 135,570 | 183,638 | 154,808 |
| Startup Fees | 238,548 | 135,014 | | | | | | |
| Membership Fees | 1,715,473 | 2,472,532 | 2,871,724 | 3,409,078 | 3,510,392 | 3,733,776 | 4,159,073 | 5,197,683 |
| Total | 2,634,422 | 3,435,392 | 3,814,498 | 4,487,461 | 4,888,257 | 5,441,543 | 6,249,309 | 7,748,778 |
| Variation | | 30% | 11% | 18% | 9% | 11% | 15% | 24% |

The weighted average growth (in USD) in revenue is as follows:

| Annual Variation (USD) | 2004 | 2005 | 2006 | 2007 (est) | Weighted Avg Growth | STD | Variations |
|------------------------|---------|---------|---------|------------|---------------------------|--------|------------|
| Interest | 86,978 | 44,890 | 100,397 | 22,631 | 53,737 | 33886 | 65000 |
| IP Application Fees | -657 | 181,713 | 50,754 | 75,429 | 81,107 | 52096 | 20277 |
| non-members Fees | -53,308 | 46,115 | 17,170 | 32,491 | 22,990 | 26014 | 20000 |
| Per-Allocation Fees | 216,905 | 1,540 | 158,407 | 356,722 | 225,347 | 134837 | 76337 |
| Reactivation Fees | 2,876 | -1,919 | 7,673 | 2,416 | 3,103 | 3240 | |
| Sundry | 46,688 | 57,563 | 48,068 | -28,830 | 14,715 | 39900 | |

Because of the shift to AUD fees and AUD accounts there are a number of one-off adjustments that need to be made to this projection model prior to converting the amounts back into AUD. Prevailing interest rates in AUD are some 2% higher than USD interest levels and this gap is predicted to increase in 2008 due to further rises in the AUD interest rate that are expected in 2008. Accordingly, a further USD 65,000 is added to the interest growth for 2008 to account for this relative change of interest rates between the two currencies.

The shift to AUD fees and an increasing level of resource allocation activity implies that the IP application fee variance projection is low by some 25%. This projection has been adjusted upward by USD 20,277, making a projected increase of USD 101,384, or 34% over the 2007 growth level for IP application fees for 2008.

An adjustment has been made to the non-member fee variation of USD 10,000 to align it to the 2006 – 2007 variation, due to the expectation of continued high levels of allocation activity in the remaining period of IPv4 address availability.

A similar adjustment has been made to the per-address allocation fee revenue amount, of USD 131,375, to align the projected variation to the 2006 – 2007 variation, due to the expectation of continued high levels of allocation activity in the remaining period of IPv4 address availability.

This data has been used to generate a 2008 revenue model by adding the weighted average USD variance to the 2007 line items, adding the adjustments noted above, and then converting the data to AUD using the exchange rate associated with the APNIC 2008 AUD fee schedule rate, namely 0.7889.

The projected revenue for APNIC for 2008 is shown in the following table. In comparing the projections to the 2006 and 2007 revenue numbers the exchange rate variations are included in the variation comparison. The variation in exchange rates has been removed in the Rate Corrected variation amounts.

APNIC 2008 Revenue Projection

| Revenue (AUD) | 2006 | 2007 (est) | 2008 (Low) | 2008 (Med) | 2008 (High) | Variation |
|---------------------------------|------------------|------------------|-------------------|-------------------|-------------------|-----------|
| Interest | 565,375 | 528,914 | 679,043 | 721,997 | 764,950 | 37% |
| IP Application Fees | 770,603 | 773,210 | 897,924 | 963,960 | 1,029,996 | 25% |
| non-members Fees | 120,110 | 144,840 | 165,341 | 198,316 | 231,290 | 37% |
| Per-Allocation Fees | 1,049,811 | 1,351,301 | 1,741,329 | 1,912,246 | 2,083,163 | 42% |
| Reactivation Fees | 11,394 | 12,959 | 13,828 | 17,936 | 22,044 | 38% |
| Sundry | 242,458 | 181,614 | 164,308 | 214,885 | 265,462 | 18% |
| Membership Fees | 5,491,250 | 6,097,704 | 6,713,748 | 6,962,908 | 7,230,290 | 14% |
| Total Revenue (AUD) | 8,251,002 | 9,090,542 | 10,375,522 | 10,992,248 | 11,627,195 | 21% |
| Variation | | 10% | 14% | 21% | 28% | |
| Rate Corrected variation | | 24% | 6% | 12% | 18% | |

5. 2008 Expense Projection

The expense history (in AUD) for APNIC from 2000 is indicated in the following table.

| EXPENSES (AUD) | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 (est) |
|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Bank charges | 21,655 | 18,631 | 19,682 | 22,120 | 22,560 | 41,665 | 56,336 | 69,895 |
| Communication expenses | 80,670 | 82,244 | 162,831 | 213,862 | 143,539 | 164,567 | 125,248 | 222,032 |
| Computer expenses | 23,460 | 51,095 | 48,213 | 54,550 | 74,713 | 88,819 | 151,993 | 144,272 |
| Depreciation expense | 115,189 | 135,872 | 216,858 | 438,010 | 454,957 | 467,607 | 521,466 | 555,482 |
| Donation/ Sponsorship | 84,269 | 88,897 | 94,914 | 55,728 | 106,037 | 54,341 | 110,707 | 120,801 |
| Doubtful debt expenses | 4,563 | 0 | 21,348 | -11,887 | 13,778 | -3,884 | 4,727 | 14,303 |
| ICANN contract fee | 117,175 | 179,473 | 225,393 | 176,846 | 233,082 | 298,515 | 245,405 | 243,540 |
| Meeting and training expense | 162,999 | 256,897 | 121,192 | 107,088 | 92,920 | 113,202 | 119,676 | 176,107 |
| Membership fees | 107,666 | 122,147 | 116,854 | 48,504 | 126,786 | 144,592 | 77,423 | 54,212 |
| Miscellaneous expenses | 8,664 | 5,159 | 24,899 | 17,975 | 19,035 | 20,470 | 7,623 | 4,552 |
| Office operating expenses | 39,629 | 54,812 | 53,354 | 114,538 | 124,633 | 163,914 | 176,639 | 201,302 |
| Personnel expenses | 108,127 | 177,909 | 277,516 | 311,774 | 422,182 | 394,885 | 486,979 | 583,786 |
| Postage & delivery | 23,690 | 27,117 | 35,177 | 64,325 | 55,063 | 58,902 | 44,829 | 40,138 |
| Printing & photocopy | 13,371 | 4,557 | 44,051 | 37,527 | 47,581 | 38,337 | 38,696 | 41,018 |
| Professional fees | 141,551 | 271,597 | 349,223 | 419,251 | 559,642 | 506,585 | 422,464 | 423,177 |
| Recruitment | 60,584 | 47,461 | 40,311 | 68,902 | 61,922 | 66,240 | 87,699 | 87,062 |
| Rent and outgoings | 105,505 | 240,759 | 280,739 | 354,403 | 377,675 | 370,321 | 397,254 | 445,392 |
| Salaries | 1,095,983 | 1,955,466 | 2,209,949 | 2,539,879 | 2,857,459 | 3,110,795 | 3,538,164 | 3,881,574 |
| Staff Training/conference | 23,661 | 49,224 | 87,917 | 77,417 | 65,915 | 47,655 | 61,014 | 73,811 |
| Tax expense | 125,262 | 239,050 | 99,914 | 116,193 | 150,379 | 179,179 | 178,803 | 239,579 |
| Translation Expenses | | 1,579 | 3,206 | 12,059 | 18,835 | 13,982 | 35,281 | 58,001 |
| Travel expenses | 161,453 | 296,266 | 623,859 | 789,610 | 708,882 | 788,129 | 952,703 | 1,142,282 |
| TOTAL EXPENSES (AUD) | 2,625,127 | 4,306,212 | 5,157,401 | 6,028,674 | 6,737,575 | 7,128,818 | 7,841,129 | 8,822,319 |
| variation | | 64% | 20% | 17% | 12% | 6% | 10% | 13% |

The cost base variation factors used in this projection are based on the Australian Consumer Price Index projection and the projected activity level increase that is based on membership growth, both factored by 50% to account for the variation across the full year, and a reduction by an estimated productivity improvement factor of 6.5% across APNIC's expense base in terms of service delivery to members. The net cost base movement is estimated to be 4% for the year.

2008 Cost Variation Factors

| | |
|-------------------------------|-----------|
| CPI Movement (+) | 2.9% |
| Membership Growth (+) | 18.9% |
| Productivity Factor (-) | 6.5% |
| Net Cost Base Movement | 4% |

Both the weighted mean growth and the cost base movement factors for each expense line item are shown as follows.

| Annual Variation | 2004 | 2005 | 2006 | 2007 (est) | Weighted Mean | STD | Cost Base Variance |
|------------------------------|---------|---------|---------|------------|---------------|--------|--------------------|
| Bank charges | 440 | 19,105 | 14,671 | 13,559 | 13,678 | 4,643 | 3,070 |
| Communication expenses | -70,323 | 21,028 | -39,319 | 96,784 | 30,700 | 65,322 | 9,751 |
| Computer expenses | 20,163 | 14,106 | 63,174 | -7,721 | 18,118 | 29,333 | 6,336 |
| Depreciation expense | 16,947 | 12,650 | 53,859 | 34,016 | 33,991 | 14,727 | 24,395 |
| Donation/ Sponsorship | 50,309 | -51,696 | 56,366 | 10,094 | 15,135 | 37,413 | 5,305 |
| Doubtful debt expenses | 25,665 | -17,662 | 8,611 | 9,576 | 5,823 | 12,025 | 628 |
| ICANN contract fee | 56,236 | 65,433 | -53,110 | -1,865 | 1,677 | 42,825 | 10,695 |
| Meeting and training expense | -14,168 | 20,282 | 6,474 | 56,431 | 29,816 | 25,748 | 7,734 |
| Membership fees | 78,282 | 17,806 | -67,169 | -23,211 | -18,515 | 41,800 | 2,381 |
| Miscellaneous expenses | 1,060 | 1,435 | -12,847 | -3,071 | -4,542 | 5,398 | 200 |
| Office operating expenses | 10,095 | 39,281 | 12,725 | 24,663 | 22,741 | 9,660 | 8,840 |
| Personnel expenses | 110,408 | -27,297 | 92,094 | 96,807 | 74,194 | 48,082 | 25,638 |
| Postage & delivery | -9,262 | 3,839 | -14,073 | -4,691 | -6,114 | 6,092 | 1,763 |
| Printing & photocopy | 10,054 | -9,244 | 359 | 2,322 | 387 | 5,202 | 1,801 |
| Professional fees | 140,391 | -53,057 | -84,121 | 713 | -19,502 | 62,076 | 18,584 |
| Recruitment | -6,980 | 4,318 | 21,459 | -637 | 5,713 | 10,047 | 3,823 |
| Rent and outgoings | 23,272 | -7,354 | 26,933 | 48,138 | 30,005 | 20,246 | 19,560 |
| Salaries | 317,580 | 253,336 | 427,369 | 343,410 | 347,583 | 58,659 | 170,463 |
| Staff Training/conference | -11,502 | -18,260 | 13,359 | 12,797 | 5,095 | 13,031 | 3,241 |
| Tax expense | 34,186 | 28,800 | -376 | 60,776 | 35,867 | 25,487 | 10,521 |
| Translation Expenses | 6,776 | -4,853 | 21,299 | 22,720 | 15,870 | 10,722 | 2,547 |
| Travel expenses | -80,728 | 79,247 | 164,574 | 189,579 | 138,126 | 79,867 | 50,165 |

For each line item in the expenditure table the projection methods described earlier have been applied.

Where the expenditure line item relates to the supply of goods or services, a calculated net cost based movement has been used. Where there are contracts or other fixed payment arrangements in place, the associated payment amounts are used. Where there are known additional factors that impact expenditure in 2008, these factors have been added to the projected expenditure variation. The 2008 budget variations as predicted are indicated in the following table, including a brief explanation of the projection for each line item.

| Projected Variation by Line Item | Variation | Remarks |
|----------------------------------|-----------|---|
| Bank charges | 13,678 | weighted mean increase |
| Communication expenses | 9,751 | cost base |
| Computer expenses | 18,118 | weighted mean increase |
| Depreciation expense | 85,998 | asset registry amount |
| Donation/ Sponsorship | 82,985 | expansion of sponsorship program and meeting publicity expenses |
| Doubtful debt expenses | 5,823 | weighted mean increase |
| ICANN contract fee | 41,460 | estimated increase in 2008 contribution |
| Meeting and training expense | 7,734 | cost base |
| Membership fees | 2,381 | cost base |
| Miscellaneous expenses | 982 | estimate |
| Office operating expenses | 8,840 | cost base |
| Personnel expenses | 94,194 | superannuation payments and LSL accrual |
| Postage & delivery | -3,552 | continued cost reduction |
| Printing & photocopy | -9,492 | continued cost reduction |
| Professional fees | 120,995 | Phase II KPMG consultancy, and resumption of R&D grant program |
| Recruitment | 3,441 | weighted mean increase |
| Rent and outgoings | 220,853 | new office rental contract |
| Salaries | 612,681 | fill establishment positions, incl 2 exec posns and 5% base increment |
| Staff Training/conference | 10,494 | weighted mean increase |
| Tax expense | 35,867 | estimated from taxable expenditures |
| Translation Expenses | 15,870 | weighted mean increase |
| Travel expenses | 282,772 | weighted mean plus surcharge factor |

The significant factors in the 2008 expenditure budget are:

- An increase in the office rental to \$420 per sq/m per year for 2008, representing a net increase in the rental line item of \$220,853 per year.
- An increase in the salary costs of \$612,681, representing the filling of 2 executive area manager positions which have been unfilled for 2007 and filling a further 2.5 full time equivalent positions which have been unfilled for 2007, and the inclusion of provision for an average salary movement of 5% for 2008.
- Travel expenses are estimated to rise by 25% in 2008 due to the anticipated APNIC travel schedule, coupled with the anticipation of continued real upward movement in air ticket prices due to the impact of continued upward movement in the price of oil across 2008.
- Donations and Sponsorship includes explicit provision of meeting publicity expenses as well as some provision for expansion of the sponsorship program, including a resumption of the platinum level membership of ISOC.
- Professional Fees for 2008 includes provision for Phase II of the KPMG consultancy and a resumption of the R&D grants program that was suspended in 2007.

These projected changes are applied to the 2007 expenditure estimates for each line item to produce the 2008 budget. The low and high bounds of the projection are also shown, calculated by using a mean standard deviation from the weighted mean of the past 4 years financial data.

APNIC 2008 Expense Projection

| EXPENSES (AUD) | 2007 (est) | 2008 (Low) | 2008 (Med) | 2008 (High) | Variance | |
|------------------------------|------------------|------------------|-------------------|-------------------|------------------|------|
| Bank charges | 69,895 | 78,930 | 83,573 | 88,216 | 13,678 | 20% |
| Communication expenses | 222,032 | 166,461 | 231,783 | 297,105 | 9,751 | 4% |
| Computer expenses | 144,272 | 133,057 | 162,390 | 191,723 | 18,118 | 13% |
| Depreciation expense | 555,482 | 626,753 | 641,480 | 656,207 | 85,998 | 15% |
| Donation/ Sponsorship | 120,801 | 166,373 | 203,786 | 241,199 | 82,985 | 69% |
| Doubtful debt expenses | 14,303 | 8,101 | 20,126 | 32,151 | 5,823 | 41% |
| ICANN contract fee | 243,540 | 242,175 | 285,000 | 327,825 | 41,460 | 17% |
| Meeting and training expense | 176,107 | 158,093 | 183,841 | 209,589 | 7,734 | 4% |
| Membership fees | 54,212 | 14,792 | 56,593 | 98,393 | 2,381 | 4% |
| Miscellaneous expenses | 4,552 | 136 | 5,534 | 10,932 | 982 | 22% |
| Office operating expenses | 201,302 | 200,482 | 210,142 | 219,803 | 8,840 | 4% |
| Personnel expenses | 583,786 | 629,898 | 677,980 | 726,062 | 94,194 | 16% |
| Postage & delivery | 40,138 | 30,494 | 36,586 | 42,678 | -3,552 | -9% |
| Printing & photocopy | 41,018 | 26,324 | 31,526 | 36,728 | -9,492 | -23% |
| Professional fees | 423,177 | 482,096 | 544,172 | 606,248 | 120,995 | 29% |
| Recruitment | 87,062 | 80,455 | 90,503 | 100,550 | 3,441 | 4% |
| Rent and outgoing | 445,392 | 645,999 | 666,245 | 686,491 | 220,853 | 50% |
| Salaries | 3,881,574 | 4,435,596 | 4,494,255 | 4,552,914 | 612,681 | 16% |
| Staff Training/conference | 73,811 | 71,274 | 84,305 | 97,336 | 10,494 | 14% |
| Tax expense | 239,579 | 262,702 | 275,446 | 288,190 | 35,867 | 15% |
| Translation Expenses | 58,001 | 63,149 | 73,871 | 84,593 | 15,870 | 27% |
| Travel expenses | 1,142,282 | 1,345,187 | 1,425,054 | 1,504,921 | 282,772 | 25% |
| Expenses (AUD) | 8,822,319 | 9,868,528 | 10,484,191 | 11,099,854 | 1,661,873 | |
| Variance | | 13% | 12% | 19% | 26% | |

This results in a projected expenditure for APNIC for 2008 of **AUD \$ 10,484,191**.

6. 2008 Cash Projection

The 2008 projected cash position adds the forecast capital purchases of equipment, software, furniture and fittings and improvements to the expenditure projections, and subtracts the non-cash expenses. The total cash outflow projections for 2008 are indicated in the following table.

| | | | |
|--|-------------------|-------------------|-------------------|
| EXPENSES (AUD) | 9,868,528 | 10,484,191 | 11,099,854 |
| Capital Purchases | | | |
| Equipment | 843,963 | 848,500 | 864,930 |
| Software | 98,135 | 100,000 | 100,573 |
| Furniture | 12,078 | 12,000 | 12,378 |
| Improvement | 40,261 | 40,000 | 41,261 |
| Total Capital Purchases | 994,437 | 1,000,500 | 1,019,142 |
| Non-Cash Expenses | | | |
| Bad/ doubtful debt expense | 8,101 | 20,126 | 32,151 |
| Depreciation expense | 626,753 | 641,480 | 656,207 |
| Employment entitlements | 157,475 | 169,495 | 181,515 |
| Loss on dispose of asset | 8,861 | 8,804 | 9,081 |
| Total Non-Cash Expenses | 801,190 | 839,905 | 878,954 |
| TOTAL CASH OUTFLOW | 10,061,775 | 10,644,786 | 11,240,042 |
| Total expenditure - capital and operational | 10,862,965 | 11,484,691 | 12,118,996 |

7. 2008 Projected Operating Outcome

According to this budget, the operating position for 2008 for APNIC is forecast as follows

| Operating Position (AUD) | 2007 (est) | 2008 (Low) | 2008 (Med) | 2008 (High) |
|-------------------------------|------------|------------|------------|-------------|
| Expenses | 8,822,319 | 9,868,528 | 10,484,191 | 11,099,854 |
| Revenue | 9,090,542 | 10,375,522 | 10,992,248 | 11,627,195 |
| Net Outcome | 268,223 | 506,993 | 508,056 | 527,341 |
| Year End Exchange Rate | 0.9300 | | | |
| FX Component | -818,723 | | | |
| Net Operating position | -550,500 | 506,993 | 508,056 | 527,341 |

The forecast cash reserve position is that the median projection indicates that at the end of 2008 the cash and deposit holdings will be at a level of 92% of the initial 2009 predictions of expenditure, as indicated in the following table. This is not in compliance with the EC's fiscal policy of maintaining a 1 year capital reserve, and that situation has resulted from the impact on current reserves of the projected losses for 2007. It is proposed that APNIC should aim to regain the full 12-month reserve through operating surpluses within the next 3 years.

| Cash Reserve Forecast | 2008 (Low) | 2008 (Med) | 2008 (High) |
|--|------------|------------|-------------|
| Cash Position 1 Jan 2008 | 6,666,398 | 6,666,398 | 6,666,398 |
| Projected Cash Receipts | 10,375,522 | 10,992,248 | 11,627,195 |
| Projected Cash Disbursements | 10,061,775 | 10,644,786 | 11,240,042 |
| Net change in Cash Position | 313,746 | 347,461 | 387,153 |
| Cash Position 31 Dec 2008 | 6,980,144 | 7,013,859 | 7,053,551 |
| Term Deposit Investments | 4,000,000 | 4,000,000 | 4,000,000 |
| Cash and Deposits 31 Dec 2008 | 10,980,144 | 11,013,859 | 11,053,551 |
| 2009 budget variance | 12% | 15% | 17% |
| 2009 expenditure forecast | 11,038,805 | 12,014,883 | 13,009,029 |
| 2009 Projected Relative Cash holdings | 99% | 92% | 85% |