

APNIC EC Meeting Minutes

Teleconference
Thursday 18 June 2009

Meeting Start: 11:05 am (UTC +1000) 18 June 2009

Present

Akinori Maemura (Chair)
Che-Hoo Cheng
Kuo-Wei Wu
Ma Yan
Hyun-Joon Kwon
James Spenceley
Jian Zhang
Paul Wilson

Geoff Huston (minutes)
Irene Chan
Richard Brown
Connie Chan
TrevorPascoll (KPMG)

Agenda

1. Agenda Bashing
2. Review of Minutes and Action List Review from 21 May meeting
3. Financial Report
4. Director-General's Report
5. Membership Adoption of 2010 Fee Schedule
6. AOB

Minutes

1. Agenda Bashing

A report on the Australian Taxation Office's ruling on APNIC was added as the first item of business.

2. Minutes of Last Meeting and Matters Arising

The minutes from the meeting of 21 May 2009, as amended were approved.

Action ec-09-019: Secretariat to publish minutes, as corrected, of the May 21 meeting

3. Finance Reports

Irene Chan reported to the EC on the May 2009 APNIC Financial Statement (attached). Income for the year to date is 7% below pro-rate budget projections, and expenses are 10% lower than pro-rata projections.

The May Financial Statement was accepted by the EC.

Action ec-09-020: Secretariat to publish membership by economy breakdowns in the semi-annual membership reports to the EC.

4. Director-General's Report

The D-G reported to the EC on the NRO EC retreat. THE NRO EC is supportive of a long term future for ICANN that does not include a renewed JPA with the US Government. The matter of incorporation of the NRO is still an active topic of consideration, and, following a revision of the proposed incorporation documents, the EC anticipates a phase of consultation with the RIRs' Boards on this matter. The NRO EC has agreed on a common date for RPKI readiness across all RIRs of 1 January 2011. There are some coordination issues, including cross-certification requirements and the issue of the structure of Trust Anchors. It was noted that RIPE has volunteered a fractional staff position to support the public Affairs Coordination Group of the NRO. The topic of 2-byte ASN exhaustion was raised and the NRO was supportive of a broad awareness and educational program to assist the community in the transition to 4-byte ASN use.

Proposals have been received for hosting APNIC 30 in August 2010, and proposals will be forwarded to the EC for consideration at the July EC meeting.

On staffing matters, the D-G noted that 2 staff member's contracts have been terminated, and neither position has been re-filled at this stage.

The financial position is being carefully monitored in the light of a shortfall in revenue revenues against the budget, the current taxation position, and the potential for further expenditure on a legal appeal of the taxation ruling.

5. Membership Adoption of 2010 Fee Schedule

The EC considered a proposal by Hyun-Joon Kwon relating to a potential By Laws change relating to membership review of EC decisions.

The EC was supportive of the establishment of a Working Group to consider proposing changes to the membership tiers and voting rights at the APNIC membership as a consequence of the changes to the member fee schedule. The EC undertook to present the proposal to APNIC members at the next APNIC Members Meetings.

Action ec-09-021: EC to convene a session at APNIC 28 on membership tiers and voting.

6. AOB

EC Briefing on ATO Ruling

Trevor Pascall of KPMG reported on the current status of the response to the Australian Taxation Office review. An ATO periodic review of GST obligations was extended to a review of APNIC's income tax status. An earlier ATO private ruling concerning the tax-free treatment of membership dues was deemed to be invalid by the ATO. The ATO's assessment of liability as a result of the review for the three years ending 30 June 2005, 2006 and 2007 was a total sum of \$424,249.80. There are also implications in terms of the taxation position with respect to the period ending 30 June 2009 and future years.

KPMG have prepared a notice of objection to this ruling, and this will be lodged with the ATO in the coming week, based on APNIC's structure as a membership organization and the application of the principle of mutuality that formed the basis of the previous private rulings by the ATO. KPMG advised that the appropriate payment arrangement under these circumstances was to pay 50% of

the outstanding amount under dispute, and await the outcome of the ATO's consideration of the objection.

The D-G recommended to obtain legal advice regarding subsequent steps of appeal at the Administrative Appeals Tribunal and the Federal Court, and the costs associated with such an action, and that appropriate provision be made in the 2009 and 2010 budgets for this contingency.

Action ec-09-022: Secretariat to circulate ATO notice and APNIC's notice of objection to the EC.

Next Meeting

16th July 2009 (Teleconference)

Meeting closed: 1:10 pm (UTC+1000)

Summary of Action Items

Action ec-09-019: Secretariat to publish minutes, as corrected, of the May 21 meeting

Action ec-09-020: Secretariat to publish membership by economy breakdowns in the semi-annual membership reports to the EC.

Action ec-09-021: EC to convene a session at APNIC 28 on membership tiers and voting.

Action ec-09-022: Secretariat to circulate ATO notice and APNIC's notice of objection to the EC.



APNIC

Monthly financial report (in AUD)

For the month ending May 2009

Asia Pacific Network Information Centre

1. Balance Sheet

Statement of Financial Position (AU\$)					
	31/05/2009	% of Total Asset or Liab+Equity	% change from 12/31/08	Year-End 2008	Year-End 2007
CURRENT ASSETS					
Cash	6,481,462	41%	-5.3%	6,844,414	6,626,341
Term deposit investment	2,300,000	14%	0.0%	2,300,000	2,300,000
Receivables	2,088,755	13%	37.6%	1,518,540	737,859
Others	815,005	5%	50.7%	540,688	325,739
TOTAL CURRENT ASSETS	11,685,223	74%	4.3%	11,203,642	9,989,939
NON-CURRENT ASSETS					
Other financial assets	844,311	5%	-4.4%	883,201	1,222,666
Property, plant and equipment	1,649,977	10%	-3.4%	1,708,216	1,667,091
Long term deposit investment	1,700,000	11%	0.0%	1,700,000	1,700,000
TOTAL NON-CURRENT ASSETS	4,194,288	26%	-2.3%	4,291,417	4,589,758
TOTAL ASSETS	15,879,511	100%	2.5%	15,495,060	14,579,696
CURRENT LIABILITIES					
Payables	419,717	3%	-33.3%	629,650	1,139,160
Provisions	978,673	6%	-1.1%	989,847	888,178
Unearned revenue	5,954,594	37%	10.6%	5,383,679	3,817,898
TOTAL LIABILITIES	7,352,983	46%	5.0%	7,003,177	5,845,236
EQUITY					
Share capital	1.00	0%	0.0%	1.00	1.00
Reserves other financial assets investment	(41,319)	0%	0.0%	0	90,827
Retained earnings	8,567,845	54%	0.9%	8,491,882	8,643,633
TOTAL EQUITY	8,526,527	54%	0.4%	8,491,883	8,734,461
TOTAL LIABILITIES & EQUITY	15,879,511	100%	2.5%	15,495,060	14,579,696

Note:

* The negative value in "Reserves on other financial assets investment" was due to the revaluation of our investment in unit trusts and was based on the market valuation as at the end of March.

2. Income Statement

2.1 Expenses

All expenses include the actual and accrued costs as at the end of May, these are compared to the approved 2009 budget.

EXPENSES (AUD)	Monthly May-09	YTD May-09	YTD (**) Budget 2009	YTD Budget Variation	YTD Budget Variation %	Budget 2009
Bank charges	4,667	27,157	30,757	(3,600)	-11.7%	73,816
Communication expenses	13,092	63,225	66,062	(2,838)	-4.3%	158,549
Computer expenses *	30,862	169,734	141,426	28,307	20.0%	339,423
Depreciation expense	60,805	293,345	283,275	10,070	3.6%	679,860
Sponsorship and Publicity expenses	(6,121)	50,361	73,742	(23,381)	-31.7%	176,981
Doubtful debt expenses	0	1,804	11,323	(9,519)	-84.1%	27,175
ICANN contract fee	30,841	149,457	137,167	12,290	9.0%	329,200
Insurance expense	10,706	58,092	54,296	3,796	7.0%	130,310
Meeting and training expense	467	51,770	88,958	(37,189)	-41.8%	213,500
Membership fees	5,372	26,862	28,625	(1,763)	-6.2%	68,700
Miscellaneous expenses	34	1,053	833	220	26.4%	2,000
Office operating expenses	12,280	50,726	52,804	(2,078)	-3.9%	126,731
Postage & delivery	911	8,495	14,583	(6,088)	-41.7%	35,000
Printing & photocopy	815	13,412	18,750	(5,338)	-28.5%	45,000
Professional fees	45,558	350,533	356,180	(5,647)	-1.6%	854,832
Recruitment expense	3,594	46,881	49,511	(2,630)	-5.3%	118,826
Rent and outgoings	49,800	245,088	269,241	(24,154)	-9.0%	646,179
Salaries and personnel expenses *	696,164	2,366,965	2,582,106	(215,142)	-8.3%	6,103,160
Staff training/conference expenses	3,864	35,957	55,000	(19,043)	-34.6%	132,000
Tax expense	0	0	56,250	(56,250)	-100.0%	135,000
Translation expenses	0	0	14,583	(14,583)	-100.0%	35,000
Travel expenses *	85,170	552,172	678,015	(125,843)	-18.6%	1,627,237
TOTAL EXPENSES	1,048,884	4,563,088	5,063,489	(500,400)	-9.9%	12,058,479

2.2 Revenue

REVENUE (AUD)	Monthly May-09	YTD May-09	YTD (**) Budget 2009	YTD Budget Variation	YTD Budget Variation %	Budget 2009
Interest income	54,976	272,495	257,083	15,412	6.0%	617,000
IP Resource application fees	57,042	462,674	526,368	(63,694)	-12.1%	1,263,282
Membership fees	646,596	3,182,614	3,309,923	(127,309)	-3.8%	7,943,814
Non-members fees	10,539	52,515	54,993	(2,478)	-4.5%	131,984
Per Allocation fees	121,043	619,045	781,959	(162,914)	-20.8%	1,876,701
Reactivation fees	1,268	5,072	6,500	(1,428)	-22.0%	15,601
Sundry income	3,130	56,970	99,060	(42,090)	-42.5%	237,744
Foreign exchange gain/(loss)	(16,288)	(12,333)	0	(12,333)	0.00%	0
TOTAL REVENUE	878,305	4,639,051	5,035,885	(393,769)	-7.0%	12,086,125

2.3 Operating Profit/ Loss

REVENUE and EXPENSES (AUD)	Monthly May-09	YTD May-09	YTD (**) Budget 2009	YTD Budget Variation	YTD Budget Variation %	Budget 2009
Total Revenue	878,305	4,639,051	5,035,885	(396,834)	-7.9%	12,086,125
Total Expenses	1,048,884	4,563,088	5,063,489	(500,400)	-9.9%	12,058,479
OPERATING SURPLUS	(170,579)	75,963	(27,603)	103,566	2.0%	27,647

Notes on significant variances:

- 1) Computer expenses:
 - Increases in support and maintenance costs
- 2) Salaries and personnel:
 - Full year budget includes salary increments
 - Focus on reduction in leave balances resulting in more leave being taken
 - Vacant positions as a result of the time taken to find replacement staff
- 3) Travel expenses:
 - Executive team focus on travel expenditure
- 4) Tax Expense:
 - KPMG are currently responding to the revised tax assessments for the period 2005 to 2007, no allowance for any payments relating to this activity has been incorporated into these accounts

A forecast of all major expenses and revenues will be completed to accompany the June mid-year accounts

(**) YTD Budget and Variation values are based on a linear prorated calculation of the annual budget.

3. Membership

3.1 Membership statistics

At the end of May 2009, APNIC had a total of 1,970 members serving 51 economies. There was a net growth of 10 members during May, with 29 new members, 2 reactivated accounts, and 21 member accounts were closed during May. The majority of those account closures in May were due to the merger and transfer of accounts (i.e.11) other reasons for closure included; non contactable overdue aging accounts, and closure request by members.

3.1.1 Membership by Category

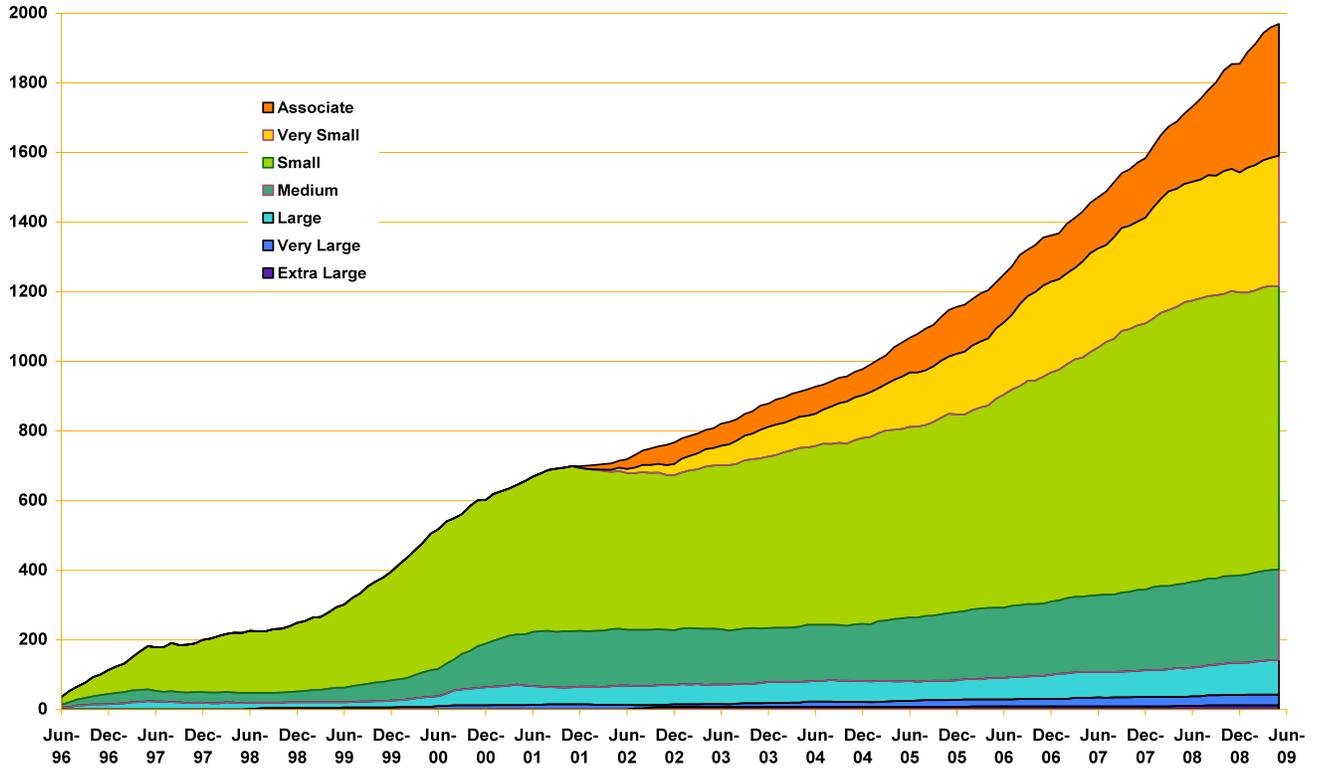
The following table shows the monthly changes in membership and provides an analysis of APNIC's membership tiers; this table shows that 41% of APNIC members are included in the Small membership tier.

Membership	Total Apr-09	New May-09	Reactivate May-09	(Closed) May-09	Size Change May-09	Total YTD May-09	Total YTD (%) May-09
Extra Large	12	0	0	0	0	12	1%
Very Large	31	0	0	0	0	31	2%
Large	99	0	0	0	1	100	5%
Medium	259	0	1	(3)	2	259	13%
Small	816	2	0	(8)	4	814	41%
Very Small	368	4	0	(4)	7	375	19%
Associate	375	23	1	(6)	(14)	379	19%
TOTAL	1960	29	2	(21)	0	1970	100%

The table below compares the actual growth in each tier of membership at the end of April 2009 to the budgeted annual growth on a monthly pro-rata basis. Overall growth at the end of March is above budget, with Associate membership growing at a faster rate than anticipated, on the other hand, growth in the Small tier ended significantly lower than expected at the end of 2008, this resulted in the overestimation of membership in this tier for 2009.

Membership	Actual Total EOY 2008	Budgeted Total EOY 2009	Budgeted Growth EOY 2009	Actual Total YTD May-09	Actual Growth YTD 2009	Budgeted Growth YTD (*)	Variation Actual vs Budget (*)
Extra Large	12	13	1	12	0	0	0
Very Large	30	33	3	31	1	1	0
Large	92	101	9	100	8	4	4
Medium	251	271	20	259	8	8	0
Small	813	903	90	814	1	38	(37)
Very Small	345	420	75	375	30	31	(1)
Associate	312	408	96	379	67	40	27
TOTAL	1855	2149	294	1970	115	122	(7)

The graph below is based on historical figures of the total number of members since the establishment of APNIC's membership system in 1996. This graph illustrates the strong growth in APNIC membership.



3.1.2 Membership Movement

The graph below illustrates the monthly movements of APNIC membership.

