

APNIC EC Meeting Minutes

Teleconference

Monday, 21st December 2009

Meeting Start: 15:10 pm (UTC +1000) 21 December 2009

Present

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

Geoff Huston (minutes)
Richard Brown
Irene Chan
Connie Chan
Srinivas Chendi

Apologies

Hyun-Joon Kwon

Agenda

1. Agenda Bashing
2. Review of Minutes and Action List Review
3. Financial Report
4. Director-General's Report
5. 2010 Budget
6. Property Subcommittee Report
7. Financial Audit Procedures
8. India NIR - Call for Comment Review
9. AOB

Minutes

1. Agenda Bashing

No further items were added to the agenda.

2. Minutes of Last Meeting and Matters Arising

The minutes from the meeting of 18 November 2009, were approved.

Action ec-09-032: Secretariat to publish minutes of the November 15 meeting

The minutes from the meeting of 2 December 2009, were approved.

Action ec-09-033: Secretariat to publish minutes of the December 2 meeting

Action list review:

Action ec-09-027: Secretariat to publish minutes of the October 17 meeting
completed

Action ec-09-028: Secretariat to circulate Auditor Selection material to the EC for a decision on appointment of an Auditor.
completed

Action ec-09-029: Secretariat to prepare a revenue schedule for 2010 based on the hypothetical scenario that all revenue would be based on the 2010 fee schedule.
Completed

Action ec-09-030: Secretariat to revise proposed budget in accordance with EC review comments.
Completed

Action ec-09-031: EC to consider post-IPv4 depletion scenarios at its next face-to-face meeting.

3. Financial Report

Richard Brown and Irene Chan reported to the EC on the November 2009 APNIC Financial Statement (attached). Total current asserts are reported to be \$AUD 11.2M.

Income for the year to date is 5.6% below budget projections, and expenses are 5.5% lower than pro-rata projections. Expenditure for December includes taxation fees, audit fees and a number of further adjustments. At this stage the projections for the end of year outcome is an operating surplus of \$AUD 8,404.

It was noted that a response by the Australian Taxation Office to APNIC's notice of objection remains forthcoming. Further action will be determined once the response is received. Any taxation liability resulting from the ATO's determination in this matter is not included in the APNIC financial reports as yet.

APNIC had 2,153 members by the end of November, and a further 745 entities have non-member service agreements with APNIC, predominately for maintenance of historical resource allocations.

The November 2009 Financial Statement was accepted by the EC.

4. Director-General's Report

The D-G reported to the EC on discussions held in India in the previous week, relating to the NIR application.

APNIC has been invited to participate in an ITU-T Working Group meeting to consider the recent CIR proposal, scheduled for March 2010. The D-G invited available EC members to indicate if they are available to attend.

An Asia-based IGF meeting has been proposed, and appears likely to be convened in mid-2010. APNIC will play an active role in this meeting.

The NRO EC retreat is scheduled to be held in Brisbane on 5th and 6th February 2010. The APNIC EC observer to the NRO EC, Akinori Maemura, has been invited to attend this meeting.

On HR matters, the D-G noted that as a result of the EC's request to reduce training expenses, the training Unit staffing has been reviewed, and the position of "training development consultant" has been made redundant.

5. 2010 Budget

The EC considered the proposed 2010 budget (attached).

It was noted that proposed expenses had been revised from the previous budgetary drafts on the basis of updates in projected interest rates in Australia for 2010, a redundancy in a training position as a result of expense reductions requested by the EC, revision of collocation site operating costs, revision of proposed consultancy arrangements in public affairs and research, and revision of the schedule for the engagement of additional staff.

It was noted that the financial implications of the ongoing objection with the ATO, the financial implications of the establishment of an India NIR and the purchase of a property for office accommodation are not included in this budget, and any adjustments to the expenditure authority for 2010 will be undertaken via further EC decisions.

The EC voted to adopt a budget for 2010 with a operational expenditure of AUD \$13,027,805, and capital expenditure of \$845,300, Paul Wilson abstained.

The projected revenue for 2010 is AUD \$12,878,340 and the anticipated operating loss for the year is AUD \$149,465.

6. Property Subcommittee Report

The Property Subcommittee inspected a number of properties earlier in December 2009 and a Property Subcommittee report was prepared for the EC as an outcome of this inspection. Richard Brown spoke to the report.

The APNIC EC approved the purchase of a property for APNIC's office accommodation requirements, with a capital allowance of AUD \$7,500,000 for the purchase, refurbishment and fit out costs, and an additional allowance for operational expenditure of \$700,000 to be incurred in during 2009 for one-off transition costs and current lease commitments.

The APNIC EC delegated to the Director General the responsibility for selection and acquisition of a suitable property for APNIC.

7. Financial Audit Procedures

The EC reviewed the Audit Procedures document (attached).

The EC determined to amend the finance procedures such that APNIC's financial auditors must be rotated every 5 years. The firm selected to perform this audit must be a recognised Tier 1 accounting firm.

8. India NIR - Call for Comment Review

The EC noted the strong desire on the part of the proponents of the India NIR, and the sponsorship by the Department of Information Technology of the Government of India, to see an India NIR established in the near future. This was confirmed in a report of recent discussions in India undertaken by the Director General.

The EC noted that the recent Call for Comment produced a low rate of response, and noted its concern regarding the true depth of awareness of, and support for, the NIR across the Indian Internet industry sector. The EC also recognised that local promotion and education on the role of an NIR within the Indian community should address such concerns.

In considering the NIR application, the EC noted the significant size and importance of the Indian APNIC membership, the potential size and importance of the Indian Internet industry in future, and the consequent challenges and risks associated with any NIR operation in India. The EC also noted the likely changes to RIR and NIR activities in the next 2 years with the exhaustion of IPv4 address space allocation function, and recognises that there are a number of forthcoming major changes to the IP address registry administrative function.

The EC notes that an India NIR will face substantial challenges in building expertise, public support and capacity in the current environment, and that a complete registry function will take an extended period of time to establish.

The EC resolved to provide in-principle recognition of the India NIR, based on the proposal received from NIXI, and subject to the negotiation of specific and sustainable operational arrangements between APNIC and the NIR.

In particular, the EC recommends that APNIC continue to directly support all key technical services in India, within the context of an active and functional NIR which can effectively support and promote the local delivery of those services. An NIR "Hosting Agreement" should be established between APNIC and NIXI which clearly defines respective responsibilities.

The EC will provide final approval for operational launch of the NIR, on review and approval of the negotiated arrangements, which will then remain in place until such time as the EC agrees to further modification.

9. AOB

There were no items of AOB

Next Scheduled Meeting

21 January 2010 (Teleconference)

Meeting closed: 16:40 pm (UTC+1000)

Summary of Action Items

Action ec-09-031: EC to consider post-IPv4 depletion scenarios at its next face-to-face meeting.

Action ec-09-032: Secretariat to publish minutes of the November 15 meeting

Action ec-09-033: Secretariat to publish minutes of the December 2 meeting



APNIC

Monthly financial report (in AUD)

For the month ending November 2009

Asia Pacific Network Information Centre

1. Balance Sheet

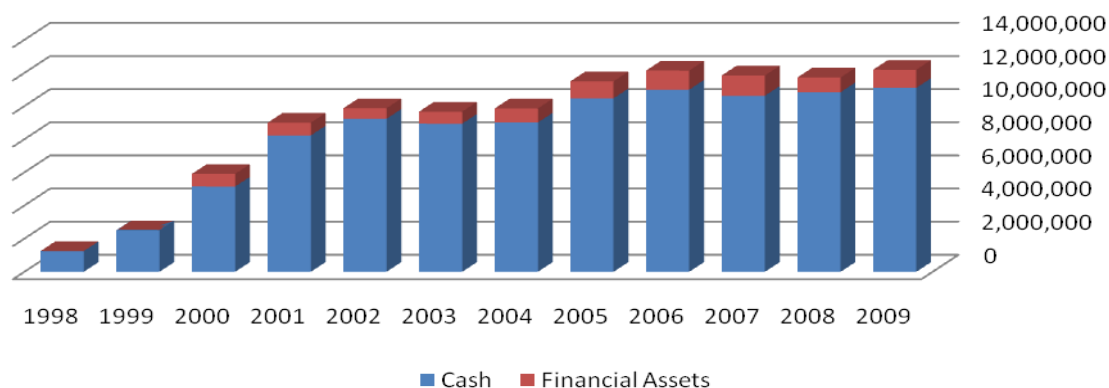
Statement of Financial Position (AU\$)					
	30/11/2009	% of Total Asset or Liab+Equity	% change from 12/31/08	Year-End 2008	Year-End 2007
CURRENT ASSETS					
Cash	7,102,835	46%	3.8%	6,844,414	6,626,341
Term deposit investment	2,300,000	15%	0.0%	2,300,000	2,300,000
Receivables	762,917	5%	-49.8%	1,518,540	737,859
Others	1,022,871	7%	89.2%	540,688	325,739
TOTAL CURRENT ASSETS	11,188,624	72%	-0.1%	11,203,642	9,989,939
NON-CURRENT ASSETS					
Other financial assets	1,091,355	7%	23.6%	883,201	1,222,666
Property, plant and equipment	1,549,578	10%	-9.3%	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	4,340,933	28%	1.2%	4,291,417	4,589,758
TOTAL ASSETS	15,529,557	100%	0.2%	15,495,060	14,579,696
CURRENT LIABILITIES					
Payables	745,070	5%	18.3%	629,650	1,139,160
Provisions	1,066,230	7%	7.7%	989,847	888,178
Unearned revenue	4,689,641	30%	-12.9%	5,383,679	3,817,898
TOTAL LIABILITIES	6,500,940	42%	-7.2%	7,003,177	5,845,236
EQUITY					
Share capital	1.00	0%	0.0%	1.00	1.00
Reserves other financial assets investment	131,997	1%	0.0%	0	90,827
Retained earnings	8,896,618	57%	4.8%	8,491,882	8,643,633
TOTAL EQUITY	9,028,616	58%	6.3%	8,491,883	8,734,461
TOTAL LIABILITIES & EQUITY	15,529,557	100%	0.2%	15,495,060	14,579,696

Note:

* The 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 September.

Below chart is APNIC reserve analysis.

APNIC Reserve Analysis



2. Income Statement

2.1 Expenses

All expenses include the actual and accrued costs as at the end of November. The projected figures for 2009 are compared to the approved 2009 budget figures.

EXPENSES (AUD)	YTD Nov-09	YTD Nov-08	Variance %	Projected Actual	Budget 2009	Budget Variation %
Bank charges	62,930	58,870	6.9%	68,651	73,816	-7.0%
Communication expenses	140,714	155,304	-9.4%	153,507	158,549	-3.2%
Computer expenses *	351,177	142,767	146.0%	383,103	339,423	12.9%
Depreciation expense	658,314	583,115	12.9%	718,161	679,860	5.6%
Sponsorship and Publicity expenses	138,241	164,572	-16.0%	175,463	176,981	-0.9%
Doubtful debt expenses	1,804	57	3048.4%	3,804	27,175	-86.0%
ICANN contract fee *	328,805	216,795	51.7%	358,696	329,200	9.0%
Insurance expense	120,665	112,020	7.7%	131,634	130,310	1.0%
Meeting and training expense	136,766	156,749	-12.7%	141,766	213,500	-33.6%
Membership fees	62,858	53,933	16.5%	68,572	68,700	-0.2%
Miscellaneous expenses	4,959	1,337	270.8%	5,410	2,000	170.5%
Office operating expenses	112,211	113,352	-1.0%	122,413	126,731	-3.4%
Postage & delivery	32,115	34,409	-6.7%	35,034	35,000	0.1%
Printing & photocopy	21,366	40,411	-47.1%	23,308	45,000	-48.2%
Professional fees	515,265	447,892	15.0%	625,265	854,832	-26.9%
Recruitment expense	72,135	125,882	-42.7%	78,693	118,826	-33.8%
Rent and outgoings	539,999	559,931	-3.6%	589,090	646,179	-8.8%
Salaries and personnel expenses*	5,394,439	4,940,256	9.2%	6,084,109	6,103,160	-0.3%
Staff training/conference expenses	80,317	120,383	-33.3%	117,619	132,000	-10.9%
Tax expense *	0	0	0.0%	99,137	135,000	-26.6%
Translation expenses	15,637	16,832	-7.1%	15,637	35,000	-55.3%
Travel expenses *	1,314,624	1,297,688	1.3%	1,397,124	1,627,237	-14.1%
TOTAL EXPENSES	10,105,341	9,342,554	8.2%	11,396,195	12,058,479	-5.5%

2.2 Revenue

Revenue (AUD)	YTD Nov-09	YTD Nov-08	Variance %	Projected Actual	Budget 2009	Budget Variation %
Interest income	529,188	710,549	-25.5%	568,341	617,000	-7.9%
IP Resource application fees	1,121,826	993,468	12.9%	1,183,810	1,263,282	-6.3%
Membership fees *	7,178,246	6,071,583	18.2%	7,863,514	7,943,814	-1.0%
Non-members fees	115,191	116,006	-0.7%	125,663	131,984	-4.8%
Per Allocation fees *	1,443,178	1,527,831	-5.5%	1,535,017	1,876,701	-18.2%
Reactivation fees	8,876	10,144	-12.5%	9,683	15,601	-37.9%
Sundry income *	152,213	256,500	-40.7%	157,213	237,744	-33.9%
Foreign exchange gain/(loss)	(38,642)	81,843	-147.2%	(38,642)	0	0.0%
TOTAL REVENUE	10,510,077	9,767,925	7.6%	11,404,599	12,086,125	-5.6%

2.3 Operating Profit/ Loss

REVENUE and EXPENSES (AUD)	YTD Nov-09	YTD Nov-08	Variance %	Projected Actual	Budget 2009	Budget Variation %
Total Revenue	10,510,077	9,767,925	7.6%	11,404,599	12,086,125	-5.6%
Total Expenses	10,105,341	9,342,554	8.2%	11,396,195	12,058,479	-5.5%
OPERATING PROFIT/(LOSS)	404,736	425,372	-4.9%	8,404	27,647	-69.6%

Notes on significant variances:

- 1) Computer expenses:
 - Increases in support and maintenance costs
- 2) ICANN contract fee
 - Increase in the APNIC proportion for NRO contribution
- 3) Salaries and personnel:
 - Continued focus on reduction in leave balances
 - Expenses reduced as a result of the time taken to find replacement staff
- 4) Travel expenses:
 - Executive team focus on staff travel activity and competitive fare environment
- 5) Tax Expense:
 - KPMG have lodged objections with the ATO responding to the revised tax assessments for the period 2005 to 2007, based on their advice, no allowance for any payments relating to this tax liability has been incorporated into these accounts.
- 6) Membership fees:
 - Slower membership growth than budgeted with the majority of new members joining in the Associate membership tier
- 7) Per Allocation fees:
 - Lower volume of NIR requests than budgeted
- 8) Sundry Income:
 - Arrangement to contribute all meeting income to the local host

Note: Accounts are projected base on the following:-

- *pro-rata from the actual figures and projected until end of year*
- *year to date figures will be used if further expenses are not expected*
- *budget figures, or*
- *other updated information on hand.*

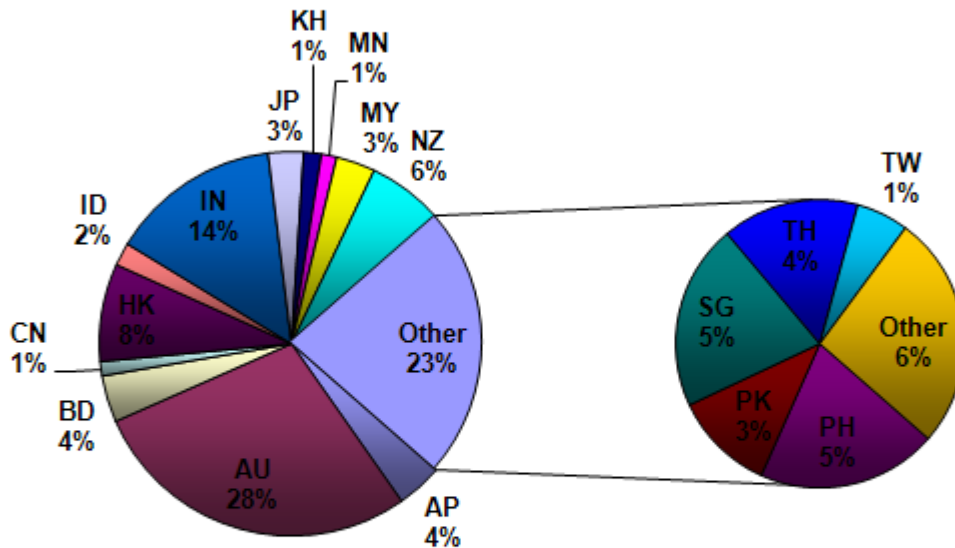
3. Membership

3.1 Membership Statistics

At the end of November 2009, APNIC had a total of 2,153 members serving 51 economies. There was net growth of 21 members, with 34 new members, 14 member accounts were closed, and one member reactivate account during November.

3.1.1 Membership by Economy

The following chart illustrates the APNIC membership distribution by economy.



3.1.2 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 38% of APNIC members are included in the Small membership tier.

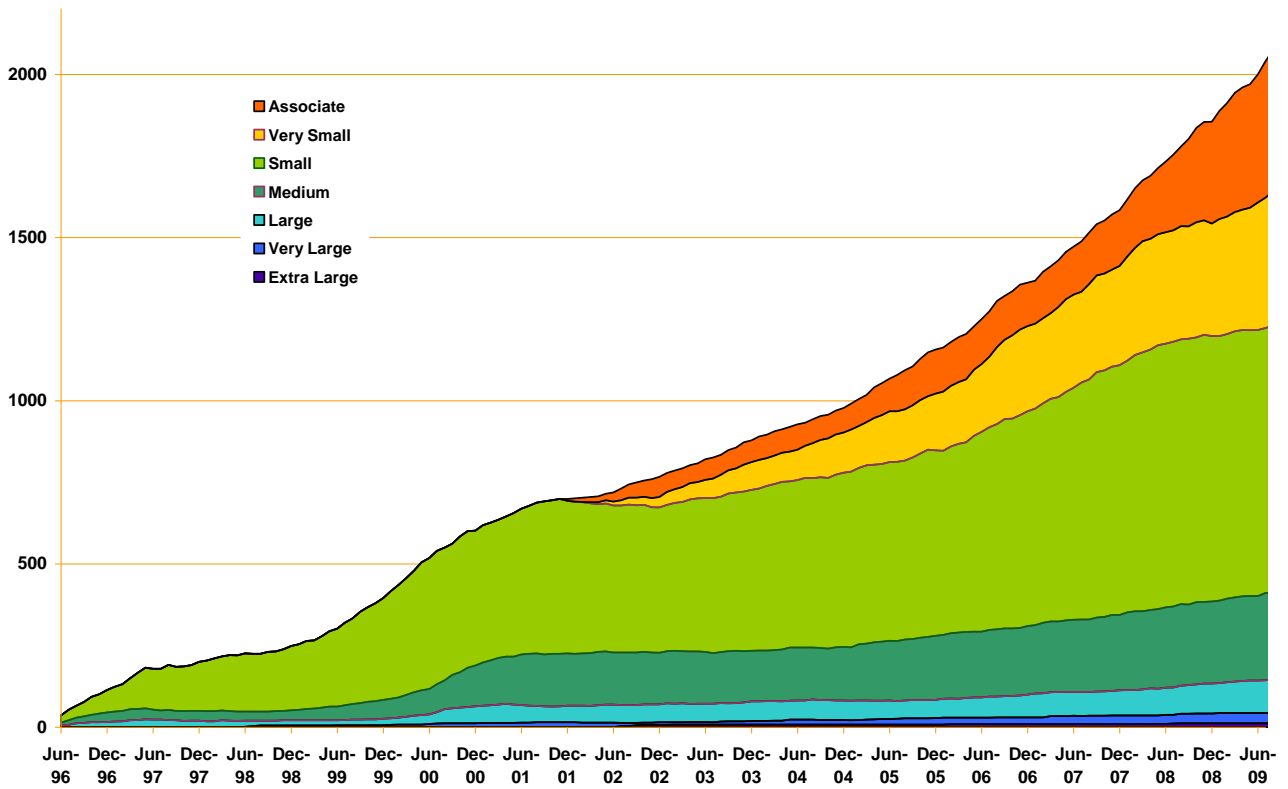
Membership	Total Oct-09	New Nov-09	Reactivate Nov-09	(Closed) Nov-09	Size Change Nov-09	Total YTD Nov-09	Total YTD (%) Nov-09
Extra Large	13	0	0	0	0	13	1%
Very Large	31	0	0	0	0	31	1%
Large	106	0	0	0	0	106	5%
Medium	270	0	1	0	5	276	13%
Small	820	1	0	(6)	8	823	38%
Very Small	440	2	0	(1)	15	456	21%
Associate	452	31	0	(7)	(28)	448	21%
TOTAL	2132	34	1	(14)	0	2153	100%

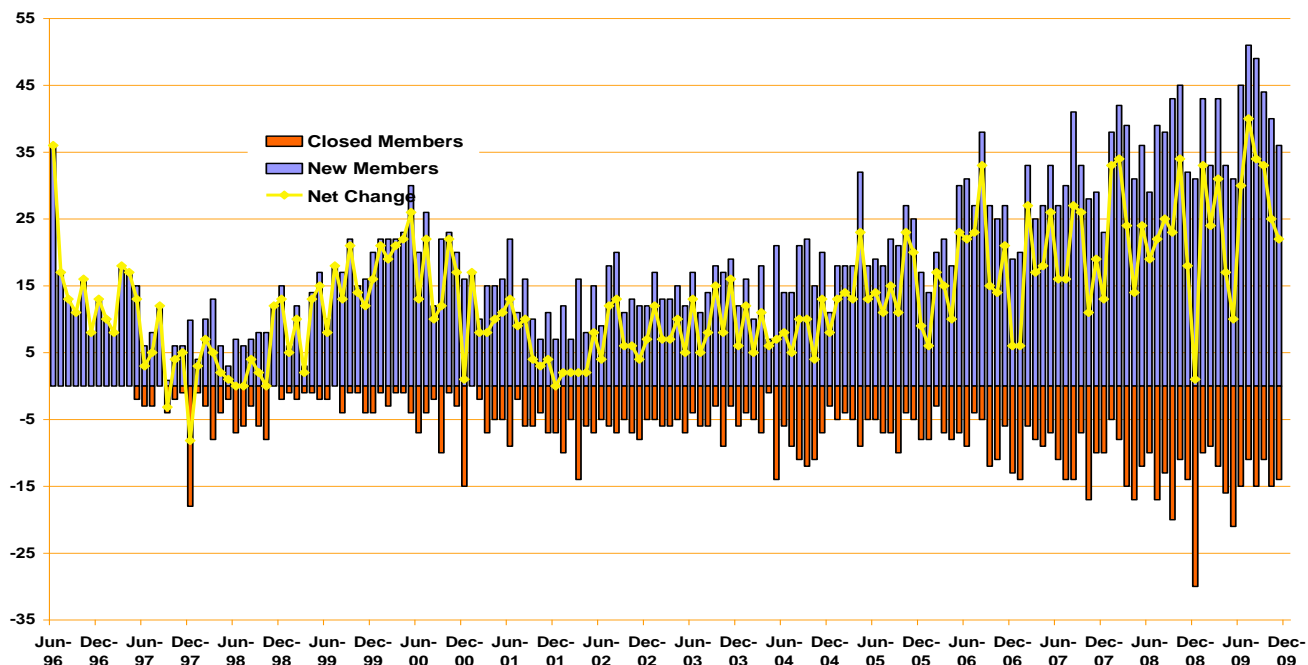
The table below compares the actual growth in each tier of membership at the end of November 2009 to the budgeted annual growth on a monthly pro-rata basis. Overall growth at the end of November is above budget, with Associate membership growing at a faster rate than anticipated. Growth in the Small 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 Nov-09	Actual Growth YTD 2009	Budgeted Growth YTD (*)	Variation Actual vs Budget (*)
Extra Large	12	13	1	13	1	1	0
Very Large	30	33	3	31	1	3	(2)
Large	92	101	9	106	14	8	6
Medium	251	271	20	276	25	18	7
Small	813	903	90	823	10	83	(73)
Very Small	345	420	75	456	111	69	42
Associate	312	408	96	448	136	88	48
TOTAL	1855	2149	294	2153	298	270	28

3.1.3 Membership Movement

The following graphs illustrate total number of members since 1996, followed by the monthly movements of APNIC membership.





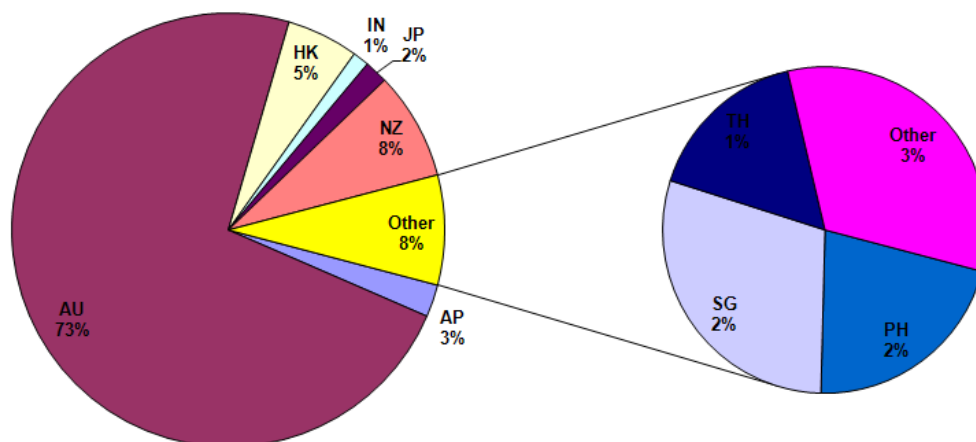
3.2 Non-Member Account Statistics

At the end of November 2009, APNIC had a total of 745 non-member account holders serving 19 economies. Services request by non-member account are being analysed as the following table.

Non-Member Account Type	Total	%
ASN	142	19%
ASN and Historical Maintenance	83	11%
ASN and Internet Address	19	3%
ASN, Internet Address and Historical Maintenance	2	0%
Historical Maintenance	494	66%
Internet Address	5	1%
TOTAL	745	100%

3.2.1 Non-Member Account by Economy

The following chart illustrates the APNIC non-member account distribution by economy.



APNIC budget submission – Financial Year 2010

1. Executive Summary

This document contains the submission for the APNIC budget for the financial year from January to December 2010. It includes revenue, expense, capital expenditure and cash flow projections based on the planned activity profile for 2010, the projected revenue growth and other variables including economic forecasts, consumer price index predictions and interest rate forecasts.

The purpose of this paper is to allow the Executive Council of APNIC to approve an expenditure level for 2010, 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 2010 is proposed to be AUD \$13,027,805 the projected revenue for 2010 is AUD \$12,878,340 and the anticipated operating loss for the year is AUD \$149,465.

2. Financial Outlook 2010

2.1 Revenue Outlook

There are a number of important factors that will affect APNIC revenue for the 2010 year. The interest rate environment continues to improve as the Australian economy recovers from the effects of the Global Financial Crisis, the Reserve Bank of Australia has ended the rate cutting cycle and retail rates available for cash deposit are beginning to increase. Longer term rates are looking more favourable and this budget uses a conservative rate of 5% to forecast interest income for 2010. Rates for APNIC cash deposits in 2009 were as high as 8.4% for longer term deposits taken out when retail rates were very strong, making the forecast 2010 interest returns averaging 5% look low by comparison. Income from member related activities including membership fees, application and allocation fees were not significantly affected in 2009 by decreases in activity as a result of changes in global economic conditions, but this budget remains conservative in relation to growth forecasts.

Due to the introduction of the new membership fee schedule in 2010, it will take 12 months to get to a point where APNIC will be recognising the new fees for all members, so in effect the 2010 accounts will only reflect 50% of the change from the existing fee schedule to the 2010 fee schedule. NIR per-allocation fees for 2010 reflect the fact that these fees will be gradually phased out over the year, as the NIR members are transitioned to the new fee schedule on their membership anniversary date.

A major constraint on the revenue forecast for 2010 is the effect that the formation of an NIR in India would have on APNIC's membership revenue. Based on our analysis, the Indian membership would contribute around \$1.240M to the APNIC revenue in 2010 compared to just \$238K in NIR membership if all Indian members became constituents of the NIR. Given that it is likely that this will not happen in January, we could assume that at least 50% of this difference would be likely to affect APNIC's revenue resulting in potentially \$500k in lost revenue. As the registry functions would continue to be provided by APNIC, and a service fee model has yet to be developed, this budget assumes that this \$500k would be recovered. Accordingly, for the purposes of phrasing the 2010 budget, the potential formation of an NIR in India is phrased as being neutral in terms of revenue and expenditure impacts. This aspect of the APNIC budget will be revised during 2010 as the details of the arrangements between APNIC and a potential India NIR are settled.

2.2 Expense Outlook

The expenses in this budget have, where practical, been determined based on a zero based budgeting approach. A detailed bottom-up analysis of activities and associated forecasts of expenses has been used to accurately determine the expenses that APNIC will incur as result of undertaking its planned activities in 2010. The budget has been developed to show clearly the expenses involved in providing existing services. A additional set of costs have been provided that highlight the expenses associated with a number of new initiatives that may be undertaken in 2010, pending expenditure approval from the EC.

The secretariat has undertaken a comprehensive review of all expenses and has identified a number of areas where action can be taken to reduce costs; these have been incorporated into the budget submission.

The Property Sub-Committee of the EC has been evaluating a proposal to purchase office accommodation for the Secretariat. The impacts to this budget (and future budgets) of such an acquisition will be included in a separate financial study, as part of a building purchase proposal.

2.3 Capital Expenditure Outlook

The Capital Expenditure submission for 2010 includes a \$310,000 allocation for hardware for the “HiAvail” initiative and these costs are associated with the introduction of a third co-location facility.

Office Improvements and Equipment have been budgeted at \$85,000, this is based on the assumption that no major work is undertaken as we let the current lease run down before relocating. The 2009 budget had a provision for \$500k to undertake a fit-out of the current premises, this work was not completed, and we continue to investigate alternative office facilities. Depending on the timing associated with any such relocation of office accommodation this office improvement capital expenditure item may not be undertaken. The secretariat is currently developing a business case to support relocation to a building to be purchased by APNIC. This analysis, and the associated changes to the APNIC capital program for 2010 will be completed separately and is not included in this budget submission.

There is an allowance for \$110,000 to implement a new accounting and ERP system to streamline administration and finance procedures and improve purchasing and asset controls.

The balance of the 2010 CAPEX budget of \$845,300 includes the following major items:

- 3x Root Server node maintenance 150k
- DNS Anycast for in-addr service 125k
- Server upgrades (hyssop - 3x whois - 9x DNS - DB - Zenoss) 75k
- Firewall Services 45k
- Additional Blades 45k
- CMS system components 40k
- Office meeting room refits 30k
- HK/JP co-lo upgrades (rack - console - power rail) 22k
- Physical security devices and software tools 20k
- Training Lab - upgrade servers routers 16k
- Polycom VSX800 (4 simultaneous connections)15k
- 2x Servers for New CMS Architecture 15k
- Looking Glass Routers - 3x Cisco 3700 15k

The Capital expenditure requirement for 2010 is proposed to be \$1,350,300

2.4 High Level Financials

2.4.1 Financial Statements – Budget 2010

2010 Budget Submission

Account Group	Code	Forecast	Total Budget	Change
Revenue	Reporting Account	2009	2010	%
	IP Resource Application Fees Total	1,263,375	1,442,149	14.2%
	Interest Income Total	594,628	460,555	-22.5%
	Membership Fee Income Total	7,843,441	9,944,932	26.8%
	Non-Member Fees Total	126,215	137,357	8.8%
	Per Allocation Fees Total	1,483,709	688,926	-53.6%
	Reactivation Fees Total	11,835	13,101	10.7%
	Start-up Fees Total	-	-	0.0%
	Realise Foreign Ex Rate Gain Total	-	-	0.0%
	Realise Foreign Ex Rate Loss Total	-	-	0.0%
	Realised Foreign Exc Rate Gain/Loss Total	34,940	-	-100.0%
	Sundry Income Total	154,708	191,320	23.7%
	Total Revenue	11,442,971	12,878,340	12.5%
Account Group	Code	Forecast	Total Budget	Change
Costs and Expenses	Reporting Account	2009	2010	%
	Bank Charges Total	72,664	79,202	9.0%
	Communication Expenses Total	156,703	327,376	108.9%
	Computer Expenses Total	384,752	511,120	32.8%
	Depreciation Expense Total	715,950	783,975	9.5%
	Donation/Sponsorship Total	164,071	183,787	12.0%
	Doubtful Debts Expenses Total	3,804	4,791	25.9%
	ICANN Contract Fee Total	358,696	306,000	-14.7%
	Insurance Expense Total	133,605	135,900	1.7%
	Meeting and Training Expenses Total	148,672	287,400	93.3%
	Membership Fees Total	64,934	55,660	-14.3%
	Miscellaneous Expenses Total	6,535	6,850	4.8%
	Office Operating Expenses Total	126,062	140,160	11.2%
	Postage & Delivery Total	32,416	34,550	6.6%
	Printing & Photocopy Total	25,022	26,260	4.9%
	Professional Fees Total	729,979	933,300	27.9%
	Recruitment Expense Total	80,884	80,000	-1.1%
	Rent & Outgoings Total	589,025	608,753	3.3%
	Salaries, Wages & Oncosts Total	6,013,902	6,725,352	11.8%
	Staff Training/Conference Total	117,988	150,155	27.3%
	Tax Expense Total	106,642	103,464	-3.0%
	Translation Expenses Total	25,000	25,000	0.0%
	Travel Expenses Total	1,375,878	1,518,750	10.4%
	Grand Total	11,433,184	13,027,805	13.9%
	Profit/(Loss)	9,787	(149,465)	

Account Group	Code	Forecast	Total Budget	Change
Capital Expenditure	Reporting Account	2009	2010	%
	Equipment&Software	485,000	1,265,300	160.9%
	Office Improvements	500,000	75,000	-85.0%
	Office Furniture	20,000	10,000	-50.0%
		1,005,000	1,350,300	34.4%

2010 Budget Submission

Account Group	Code	Forecast	Budget	Change
Revenue	Reporting Account	2009	2010	%
	IP Resource Application Fees Total	1,263,375	1,442,149	14.2%
	Interest Income Total	594,628	460,555	-22.5%
	Membership Fee Income Total	7,843,441	9,944,932	26.8%
	Non-Member Fees Total	126,215	137,357	8.8%
	Per Allocation Fees Total	1,483,709	688,926	-53.6%
	Reactivation Fees Total	11,835	13,101	10.7%
	Start-up Fees Total	-	-	0.0%
	Realise Foreign Ex Rate Gain Total	-	-	0.0%
	Realise Foreign Ex Rate Loss Total	-	-	0.0%
	Realised Foreign Exc Rate Gain/Loss Total	34,940	-	-100.0%
	Sundry Income Total	154,708	191,320	23.7%
	Total Revenue	11,442,971	12,878,340	12.5%
Account Group	Code	Forecast	Budget	Change
Costs and Expenses	Reporting Account	2009	2010	%
	Bank Charges Total	72,664	79,202	9.0%
	Communication Expenses Total	156,703	177,376	13.2%
	Computer Expenses Total	384,752	461,120	19.8%
	Depreciation Expense Total	715,950	783,975	9.5%
	Donation/Sponsorship Total	164,071	183,787	12.0%
	Doubtful Debts Expenses Total	3,804	4,791	25.9%
	ICANN Contract Fee Total	358,696	306,000	-14.7%
	Insurance Expense Total	133,605	135,900	1.7%
	Meeting and Training Expenses Total	148,672	287,400	93.3%
	Membership Fees Total	64,934	55,660	-14.3%
	Miscellaneous Expenses Total	6,535	6,850	4.8%
	Office Operating Expenses Total	126,062	140,160	11.2%
	Postage & Delivery Total	32,416	34,550	6.6%
	Printing & Photocopy Total	25,022	26,260	4.9%
	Professional Fees Total	729,979	733,300	0.5%
	Recruitment Expense Total	80,884	80,000	-1.1%
	Rent & Outgoings Total	589,025	608,753	3.3%
	Salaries, Wages & Oncosts Total	6,013,902	6,268,040	4.2%
	Staff Training/Conference Total	117,988	150,155	27.3%
	Tax Expense Total	106,642	103,464	-3.0%
	Translation Expenses Total	25,000	25,000	0.0%
	Travel Expenses Total	1,375,878	1,443,750	4.9%
	Grand Total	11,433,184	12,095,493	5.8%
	Profit/(Loss)	9,787	782,847	

2010 Incremental Activity

Initiative	Initiative	Initiative	New Resources	Total Budget	Change
Hi Availability	Public Affairs	Research	2010	2010	%
-	-	-	-	1,442,149	14.2%
-	-	-	-	460,555	-22.5%
-	-	-	-	9,944,932	26.8%
-	-	-	-	137,357	8.8%
-	-	-	-	688,926	-53.6%
-	-	-	-	13,101	10.7%
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
-	-	-	-	-	-100.0%
-	-	-	-	191,320	23.7%
-	-	-	-	12,878,340	12.5%
Activity	Activity	Activity	New Resources	Total Budget	Change
Hi Availability	Public Affairs	Research	2010	2010	%
-	-	-	-	79,202	9.0%
150,000	-	-	-	327,376	108.9%
50,000	-	-	-	511,120	32.8%
-	-	-	-	783,975	9.5%
-	-	-	-	183,787	12.0%
-	-	-	-	4,791	25.9%
-	-	-	-	306,000	-14.7%
-	-	-	-	135,900	1.7%
-	-	-	-	287,400	93.3%
-	-	-	-	55,660	-14.3%
-	-	-	-	6,850	4.8%
-	-	-	-	140,160	11.2%
-	-	-	-	34,550	6.6%
-	-	-	-	26,260	4.9%
-	-	200,000	-	933,300	27.9%
-	-	-	-	80,000	-1.1%
-	-	-	-	608,753	3.3%
-	127,703	-	329,609	6,725,352	11.8%
-	-	-	-	150,155	27.3%
-	-	-	-	103,464	-3.0%
-	-	-	-	25,000	0.0%
-	75,000	-	-	1,518,750	10.4%
200,000	202,703	200,000	329,609	13,027,805	13.9%
(200,000)	(202,703)	(200,000)	(329,609)	(149,465)	

Account Group	Code	Forecast	Budget	Change
Capital Expenditure	Reporting Account	2009	2010	%
	Equipment&Software	485,000	933,300	92.4%
	Office Improvements	500,000	75,000	-85.0%
	Office Furniture	20,000	10,000	-50.0%
	Total	1,005,000	1,018,300	1.3%

Activity	Activity	Activity	New Resources	Total Budget	Change
Hi Availability	Public Affairs	Research	2010	2010	%
310,000	5,000	-	17,000	1,265,300	160.9%
-	-	-	-	75,000	-85.0%
-	-	-	-	10,000	-50.0%
310,000	5,000	-	17,000	1,350,300	34.4%

2.4.2 Statement of Cash Flows

Cash Position 2010

Expenses (AUD)	13,027,805
Capital Purchases	
Equipment & Software	1,265,300
Improvements	85,000
Total Capital Purchases	<u>1,350,300</u>
Non-Cash Expenses	
Bad & Doubtful Debts	4,791
Depreciation Expenses	783,975
Loss on Disposal of Assets	-
Total Non-Cash Expenses	<u>788,766</u>
Total Cash Outflow	13,589,339
Total Expenditure - Capital and Operational	14,378,105

Cash Reserve Forecast 2010

Cash Position Jan 2010	7,094,343
Projected Cash Receipts	12,878,340
Projected Cash Disbursements	13,589,339
Net Change in Cash Position	(710,999)
Cash Position 31 Dec 2010	6,383,344
Term Deposit Investments	4,000,000
Cash and Deposits 31 Dec 2010	10,383,344

2.5 Additional Financial Considerations

It is noted here that three matters are not explicitly included in this budget, due to current uncertainties relating to the resolution of these matters.

2.5.1 Taxation Treatment of Membership Revenue

The Australian Taxation Office (ATO) is current considering an objection lodged by APNIC regarding the ATO's decision in 2009 to rescind the interim private ruling concerning the tax-free consideration of membership revenue. At this stage the objection is still being considered by the ATO, and the expert advice provided to APNIC by KPMG as APNIC's financial consultants is that this objection will be sustained. Accordingly, the provisions for taxation liability in the 2010 budget are phrased on the assumption that the interim private ruling will be re-instated by the ATO and that member fees will continue to be treated in a tax free ,manner.

2.5.2 India NIR

As noted in section 2.1, the issue of recognition of an NIR for India is one with financial considerations for APNIC. It is estimated that the Indian membership will contribute around \$1.240M to the APNIC revenue in 2010 if there is no India NIR. By contrast, if all such members were part of an India NIR, the equivalent NIR income would be \$238K. At this stage the issues relating to the timing of the recognition and formation of the India NIR, and some related considerations relating to the potential provision of registry service functions to an India NIR by the APNIC Secretariat that imply some considerable uncertainty in terms of the budgetary impact of the formation of an India NIR. At this stage, for the purposes of phrasing the 2010 budget, the potential formation of an NIR in India is phrased as being neutral in terms of revenue and expenditure impacts. This aspect of the APNIC budget will be revised during 2010 as the details of the arrangements between APNIC and a potential India NIR are settled

2.5.3 Property Acquisition

The APNIC EC is currently considering the acquisition of a property to serve the needs of office accommodation of the APNIC Secretariat. The impacts to the operational and capital expenditure schedules for APNIC that would be associated with such a move will be studied in a property acquisition proposal, and are not considered within the parameters of this operating budget. This budget has been prepared in the assumption that APNIC will continue to lease the current office accommodation and undertake a modest level of office refurbishment to accommodate immediate and pressing needs for a minor refit of parts of the existing office layout..

3. Budget Preparation Notes

3.1 Data Sources

The APNIC 2010 budget has been prepared on the basis of expenditure forecast to support APNIC in undertaking membership services and support functions for 2010. The primary data sources used to develop this budget submission are:

- The APNIC member survey has been used to develop the Activity Plan for 2010
- The APNIC organisation structure and HR system provides expenditure breakdown for staff establishment level
- The forecasts for expenses use known committed expenditure where these are known
- The Asset Register has been used to estimate depreciation expenditure in 2010
- Financial advice in relation to taxation liabilities has been provided by APNIC's taxation consultants
- Membership Revenue includes an analysis of the existing membership base, forecast growth and the impact of the new fee schedule from Jan1, 2010.
- Interest Income is calculated based on estimated cash holdings and forecast interest rates contained in the National Australia Bank's financial outlook report for 2010
- Other revenue is calculated based on an using trend and variability analysis

3.2 Projection techniques

The budget submission for 2010 was developed using a comprehensive bottom –up zero based approach. The 03 reporting tool was developed and implemented in early 2008, it gives management and the finance team access to expenditure and budget data through a simple user interface, this has proved very useful in aiding managers develop the 2010 budget submission as they have an accurate view of their current expenditure and can easily identify what commitments they have for 2010.

The Consumer Price Index survey shows that the inflation rate in Australia is running at 1.3%, as at the end of September 2009.

(<http://www.abs.gov.au/Ausstats/abs@.nsf/mf/6401.0>)

4. APNIC Initiatives 2010

4.1 HiAvail

- As part of the HiAvail activity, the third co-lo facilities were requested as part of the BCP/DRP requirement for site redundancy. The current co-lo (Fort. Valley) is serving APNIC's critical services, but there the risk of losing services if there is any disruption at this site. The third co-lo site completes the triangle of redundancy identified in the BCP project and will require Capital Expenditure of \$310k. Non Capital expenses of approximately \$190k for this initiative will be ongoing.

4.2 Consulting

- Collaborative activity with the Swinburne University of Technology, a three year program budgeted at \$50,000 per annum matching funding from the Australian Research Council and additional funding from industry collaborators, as arranged by Swinburne University. To investigate the interactions between address use and routing, looking at the implications of the use of existing edge NAT technologies, the potential impacts of the use of carrier NATs and IPv6 on address use practices and routing scalability.
- Economic and business analysis of the impact of IPv4 addresses exhaustion on the industry. The range of questions that will benefit from such a study include a study of the range of possible roles that APNIC could undertake in facilitating the operation of address trading, and the benefits and risks of undertaking such roles. It is also proposed to undertake a short study on market pricing pressures, and provide forecasts of potential price levels for IPv4 addresses in a market environment. This is budgeted at \$50,000.
- The final item is \$100,000 for ICANN related work. This is focussed specifically on the projected requirements to engage with the ITU-T during the plenipotentiary year to counter the ITU-T moves to assert interest in the creation of an ITU-T-sponsored address registry.

4.3 Public Affairs

The operational planning exercise has clearly identified that APNIC lacks sufficient resources to effectively manage its strategic relationships with a key stakeholders including organisations in our community/industry and government bodies. This provision is for an executive level staff member or consultant to undertake this very important role.

4.4 New Resources proposed for 2010

Internet Resource Officer – Focus initially on Historical resource reclamation and to support increased activity in Resource allocation

Internet Resource Analyst – Helpdesk operations are to be extended to 12 hour (9:00am to 9:00pm) to better serve South Asian members

Senior Training Manager – To develop and implement Train-the-Trainer program for APNIC

Senior Systems Architect – to perform planning, designing and implementation of a number of integrated systems to increase robustness of architecture.

5. Revenue 2010

The table below illustrates the revenue trend from 2004 through to 2009 and shows that the predicted increase for 2010 above 2009 is 11.1%.

Revenue (AUD)	2004	2005	2006	2007	2008	2009	2010
Interest	383,371	427,682	565,375	601,512	780,921	594,628	460,555
IP Resource Application Fees	475,864	695,239	770,603	764,637	1,112,303	1,263,282	1,442,149
non-members Fees	37,515	96,283	120,110	142,764	125,889	126,215	137,357
Per-Allocation Fees	860,678	830,685	1,049,811	1,251,102	1,534,774	1,483,709	688,926
Reactivation Fees	3,897	1,249	11,394	11,854	10,651	11,835	13,101
Sundry	105,701	176,869	242,458	212,215	324,820	154,708	191,320
Membership Fees	4,756,629	4,871,202	5,491,250	6,102,907	6,705,907	7,843,441	9,944,932
Total	6,623,654	7,099,208	8,251,002	9,086,991	10,595,265	11,477,818	12,878,340
Increase		7.2%	16.2%	10.1%	16.6%	8.3%	12.2%

5.1 Interest Income

Interest income has been calculated by analysing the anniversary dates and interest rates for existing investments and then forecasting based on predicted rates for 2010. Interest rates whilst low, continue to improve and are expected to increase over 2010.

5.2 IP Application Fees

The revenue forecast for IP application fees is based on a weighted average growth of the years 2005 through to 2009.

5.3 Non Member Fees

Non-Member fee revenue is based on a weighted average growth of the years 2005 through to 2009.

5.4 Per Allocation Fees

Per Allocation fees revenue is based on the average allocations to the NIR's and Confederation members and has been adjusted to reflect anniversary dates for the NIR's when these fees will no longer be applicable.

5.5 Reactivation Fees

Reactivation fee revenue is based on a weighted average growth of the years 2005 through to 2009.

5.6 Sundry

Sundry fee revenue is derived from the following sources and is based on a weighted average growth for the years 2005 through to 2009:

- Investment distributions
- External training receipts
- Meeting & Sponsorship receipts

5.7 Membership Fees

5.7.1 Predicted membership growth through modelling

Membership numbers have continued to grow strongly with a forecast of close to 19% growth being achieved for 2008. The forecast membership growth used for this budget submission was calculated by using an exponential decay weighted mean ratio of the 2006 - 2009 variance (15,5,2,1) see below with sensitivity included(1 stddev):

Membership	2009 (est)	2010 Projection		
		2010 (Low)	2010 (Med)	2010 (High)
X-Large	13	15	15	15
V-Large	30	31	32	32
Large	108	126	127	128
Medium	264	280	281	282
Small	819	843	852	861
V-Small	412	486	492	497
Assoc	480	731	747	763
Total	2126	2512	2546	2578
Variation	14.5%	18.2%	19.8%	21.3%

5.7.2 Discounted membership growth

For the 2009 budget submission, the membership growth estimates were discounted by 30% to account for potential impacts on growth caused by the Global Financial Crisis. It is prudent to discount growth estimates again in 2010 to account for the lingering effects of the GFC on membership growth.

Membership	2009 (est)	2010 (Med)	Calc Growth	Disc 30%	2010(Fcast)
X-Large	13	15	2	1	14
V-Large	30	32	2	1	31
Large	108	127	19	6	121
Medium	264	281	17	5	276
Small	819	852	33	10	842
V-Small	412	492	80	24	468
Assoc	480	747	267	80	667
Total	2126	2546	420	127	2419

5.7.3 Membership Projection for 20010 budget

Membership Projection

Membership	2004	2005	2006	2007	2008	2009 (est)	2010 (est)
X-Large	8	8	9	9	12	13	14
V-Large	14	20	21	27	30	30	31
Large	60	56	70	75	92	108	121
Medium	164	196	210	233	251	264	276
Small	534	568	658	760	813	819	842
V-Small	123	174	261	298	346	412	468
Assoc	75	135	133	169	313	480	667
Total	978	1157	1362	1571	1857	2126	2419
Growth	11.3%	18.3%	17.7%	15.3%	18%	14%	14%

5.7.4 Membership Revenue Calculation

Membership revenue is calculated by modelling the current resource holdings and membership anniversary dates for the entire membership. NIR membership renewal fees are calculated based on their individual membership renewal date. The model recognised revenue for 2010 in 2 parts, up to the anniversary date at the old fee schedule and under the new fee schedule for the remainder of the year. Membership growth is assumed to occur throughout the year, so only 50% of total membership fees for new members will be recognised in 2010.

Membership(2009)	Dec-09	Average Fee 2010	Revenue 2010	Growth 2010	Avge Fee 2010	Growth Revenue	Total Revenue
X-Large	13	129,430	1,682,589	1	111,547	55,774	1,738,362
V-Large	30	28,664	859,911	1	30,662	15,331	875,242
Large	108	12,642	1,365,354	13	13,270	86,253	1,451,607
Medium	264	6,567	1,733,783	12	6,390	38,340	1,772,123
Small	819	3,195	2,616,890	23	3,058	35,169	2,652,060
V-Small	412	1,598	658,359	56	1,527	42,768	701,126
Assoc	480	1,443	692,732	187	660	61,680	754,412
Total	2126		9,609,617	293	167,114	335,315	9,944,932

5.7.5 NIR for India

Based on our workings, the Indian membership would contribute around \$1.240M to the APNIC revenue in 2010 compared to just \$238K in NIR membership if all Indian members became constituents of the NIR. Given that it is likely that this will not happen in January, we could assume that at least 50% of this difference is likely to affect APNIC's revenue resulting in approximately \$500k in lost revenue. These estimates have not been included in the budget submission for 2010 as the service model has yet to be developed to support this activity.

Membership Tier	Annual Growth	2010 Growth	2010 Base	2010 Forecast
associate	\$ 28,350	\$ 14,175	\$ 178,542	\$ 192,717
very small	\$ 17,480	\$ 8,740	\$ 135,245	\$ 143,985
small	\$ 20,887	\$ 10,443	\$ 283,554	\$ 293,997
medium	\$ 6,968	\$ 3,484	\$ 224,319	\$ 227,803
large	\$ -	\$ -	\$ 167,334	\$ 167,334
very large	\$ -	\$ -	\$ 162,936	\$ 162,936
extra large	\$ -	\$ -	\$ 51,030	\$ 51,030
	\$ 73,685	\$ 36,842	\$ 1,202,960	\$ 1,239,802
	Based on Indian NIR		\$ 237,549	
	Loss of Revenue APNIC		\$ 1,002,253	

6. Expenses 2010

Operational expenditure for the 2010 budget submission has been developed by preparing a detailed 2010 activity plan and using the associated activity expenditure forecasts. The activity planning process has involved all unit managers within the APNIC Secretariat. Where available contractual expense commitments have been used, and other expenditure estimates are based on activity scope and experience with activity expenses from previous years. The process has included estimation of the costs associated with continuation of existing activities and programs, and identification of incremental costs associated with proposed new initiatives for 2010. These estimate forecasts have been reviewed by the APNIC Secretariat's Executive Team, and placed into the context of ensuring that they sit within the general parameters of anticipated revenue levels.

Base Case Expense Forecast

Expenses (AUD)	2001	2002	2003	2004	2005	2006	2007	2008	2009(est)	2010
Bank Charges	20,077	24,917	25,951	28,454	41,665	56,336	67,504	62,945	72,664	79,202
Communication Expenses	86,811	162,819	213,848	143,539	164,567	125,248	208,217	171,713	156,703	177,376
Computer Expenses	51,095	48,209	54,547	74,713	88,819	151,993	145,026	164,196	384,752	461,120
Depreciation Expense	128,082	209,368	319,153	407,115	467,607	521,466	565,075	638,668	715,950	783,975
Donation/Sponsorship	82,182	94,907	55,726	106,037	54,341	110,707	140,575	180,186	164,071	183,787
Doubtful Debts Expenses	-	21,346	11,887	13,778	3,884	4,727	4,237	1,540	3,804	4,791
ICANN Contract Fee	179,473	225,376	176,835	233,082	298,515	245,405	243,468	236,503	358,696	306,000
Insurance Expense	18,263	13,364	65,652	77,119	84,970	86,383	115,894	122,462	133,605	135,900
Meeting and Training Expenses	139,669	121,184	107,080	92,920	113,202	119,676	143,318	169,293	148,672	287,400
Membership Fees	122,147	116,846	48,501	126,786	144,592	77,423	52,706	58,282	64,934	55,660
Miscellaneous Expenses	45,708	172,662	178,296	128,606	20,470	7,623	3,901	336,163	6,535	6,850
Office Operating Expenses	67,494	75,337	201,503	140,459	78,944	90,257	105,406	122,512	126,062	140,160
Postage & Delivery	27,118	35,174	64,321	55,063	58,902	44,829	35,714	30,270	32,416	34,550
Printing & Photocopy	21,678	44,048	37,525	47,581	38,337	38,696	36,249	41,863	25,022	26,260
Professional Fees	269,667	349,197	419,223	559,641	506,585	422,464	391,459	552,659	729,979	733,300
Recruitment Expense	47,462	40,308	68,897	61,922	66,240	87,699	91,504	152,845	80,884	80,000
Rent & Outgoings	215,158	249,299	320,219	331,540	370,321	397,254	446,076	614,054	589,025	608,753
Salaries, Wages & Oncosts	2,206,913	2,587,182	2,967,655	3,430,020	3,684,859	4,203,946	4,799,161	5,463,903	6,013,902	6,268,040
Staff Training/Conference	49,224	87,910	77,412	65,915	47,655	61,014	83,355	122,058	117,988	150,155
Tax Expense	165,513	175,649	55,668	114,783	64,430	108,078	100,818	124,469	106,642	103,464
Translation Expenses	1,580	3,205	12,057	18,835	13,982	35,281	20,313	16,832	25,000	25,000
Travel Expenses	365,512	623,811	789,560	708,882	788,129	952,703	1,186,740	1,359,756	1,375,878	1,443,750
Total	4,310,826	5,130,820	5,891,150	6,709,578	7,193,248	7,949,208	8,986,716	10,743,172	11,433,184	12,095,493
Increase		19.0%	14.8%	13.9%	7.2%	10.5%	13.1%	19.5%	6.4%	5.8%

Expense Forecast Including New Initiatives

Expenses (AUD)	2001	2002	2003	2004	2005	2006	2007	2008	2009(est)	2010
Bank Charges	20,077	24,917	25,951	28,454	41,665	56,336	67,504	62,945	72,664	79,202
Communication Expenses	86,811	162,819	213,848	143,539	164,567	125,248	208,217	171,713	156,703	327,376
Computer Expenses	51,095	48,209	54,547	74,713	88,819	151,993	145,026	164,196	384,752	511,120
Depreciation Expense	128,082	209,368	319,153	407,115	467,607	521,466	565,075	638,668	715,950	783,975
Donation/Sponsorship	82,182	94,907	55,726	106,037	54,341	110,707	140,575	180,186	164,071	183,787
Doubtful Debts Expenses	-	21,346	11,887	13,778	3,884	4,727	4,237	1,540	3,804	4,791
ICANN Contract Fee	179,473	225,376	176,835	233,082	298,515	245,405	243,468	236,503	358,696	306,000
Insurance Expense	18,263	13,364	65,652	77,119	84,970	86,383	115,894	122,462	133,605	135,900
Meeting and Training Expenses	139,669	121,184	107,080	92,920	113,202	119,676	143,318	169,293	148,672	287,400
Membership Fees	122,147	116,846	48,501	126,786	144,592	77,423	52,706	58,282	64,934	55,660
Miscellaneous Expenses	45,708	172,662	178,296	128,606	20,470	7,623	3,901	336,163	6,535	6,850
Office Operating Expenses	67,494	75,337	201,503	140,459	78,944	90,257	105,406	122,512	126,062	140,160
Postage & Delivery	27,118	35,174	64,321	55,063	58,902	44,829	35,714	30,270	32,416	34,550
Printing & Photocopy	21,678	44,048	37,525	47,581	38,337	38,696	36,249	41,863	25,022	26,260
Professional Fees	269,667	349,197	419,223	559,641	506,585	422,464	391,459	552,659	729,979	933,300
Recruitment Expense	47,462	40,308	68,897	61,922	66,240	87,699	91,504	152,845	80,884	80,000
Rent & Outgoings	215,158	249,299	320,219	331,540	370,321	397,254	446,076	614,054	589,025	608,753
Salaries, Wages & Oncosts	2,206,913	2,587,182	2,967,655	3,430,020	3,684,859	4,203,946	4,799,161	5,463,903	6,013,902	6,725,352
Staff Training/Conference	49,224	87,910	77,412	65,915	47,655	61,014	83,355	122,058	117,988	150,155
Tax Expense	165,513	175,649	55,668	114,783	64,430	108,078	100,818	124,469	106,642	103,464
Translation Expenses	1,580	3,205	12,057	18,835	13,982	35,281	20,313	16,832	25,000	25,000
Travel Expenses	365,512	623,811	789,560	708,882	788,129	952,703	1,186,740	1,359,756	1,375,878	1,518,750
Total	4,310,826	5,130,820	5,891,150	6,709,578	7,193,248	7,949,208	8,986,716	10,743,172	11,433,184	13,027,805
Increase		19.0%	14.8%	13.9%	7.2%	10.5%	13.1%	19.5%	6.4%	13.9%

6.1 Expense variations ranked by % variation

Expenses (AUD)	2009(est)	2010 Budg	Change
Communication Expenses	156,703	327,376	108.9%
Meeting and Training Expenses	148,672	287,400	93.3%
Computer Expenses	384,752	511,120	32.8%
Professional Fees	729,979	933,300	27.9%
Staff Training/Conference	117,988	150,155	27.3%
Doubtful Debts Expenses	3,804	4,791	25.9%
Donation/Sponsorship	164,071	183,787	12.0%
Salaries, Wages & Oncosts	6,013,902	6,725,352	11.8%
Office Operating Expenses	126,062	140,160	11.2%
Travel Expenses	1,375,878	1,518,750	10.4%
Depreciation Expense	715,950	783,975	9.5%
Bank Charges	72,664	79,202	9.0%
Postage & Delivery	32,416	34,550	6.6%
Printing & Photocopy	25,022	26,260	4.9%
Miscellaneous Expenses	6,535	6,850	4.8%
Rent & Outgoings	589,025	608,753	3.3%
Insurance Expense	133,605	135,900	1.7%
Translation Expenses	25,000	25,000	0.0%
Recruitment Expense	80,884	80,000	-1.1%
Tax Expense	106,642	103,464	-3.0%
Membership Fees	64,934	55,660	-14.3%
ICANN Contract Fee	358,696	306,000	-14.7%
Total	11,433,184	13,027,805	13.9%

6.1.1 Communication Expenses:

Major increases in Communication Expenses relate to the following:

- \$150k in incremental costs related to the addition of a third collocation site

6.1.2 Meeting and Training Expenses:

The major incremental costs for Meeting and training expenses in 2010 are:

- Events in Kuala Lumpur & Bangkok \$81,000 venue hire
- Meeting socials and dinners \$74,000
- Staff functions \$25,000
- Equipment rental \$15,000
- Banners for meetings \$15,000
- Training venues and catering \$15,000

Meetings in Manila and Beijing cost significantly less than the commitment for Kuala Lumpur & Bangkok. The two Meetings in 2010 are held in conference centres, there are a lot more hiring costs involved. Costs for the Beijing meeting were partly funded by the host.

6.1.3 Staff Training and Conference Expenses

With the implementation of a new performance appraisal system, we have been able to more effectively align training requirements with gaps in skills. Technical training is a key requirement to support APNIC services.

6.1.4 Salary & Wages Expenses

Salary & Wages expenses represent over 50% of the total expenses at APNIC were developed from a detailed model analysing all individual staff and the costs associated.

Salary & Wages expenses are based on the calculation of forecast headcount at the end of December 2009.

The base model includes no incremental headcount over 2009 levels.

The following variables have been included in the calculation of these expenses in 2010:

- All staff to take minimum of 4 weeks annual leave
- Default incremental increase of 5% to account for increases, promotions, performance improvement and position changes.



APNIC Annual Financial Accounts 2009 Audit Proposal Analysis

1. APNIC Annual Accounts Audit Background

1997 – Audited by Arthur Anderson Tokyo, Japan (cover accounts from April 1996 – March 1997, and December 2007)

1998 until 2004– Audited by PricewaterhouseCoopers Brisbane, Australia (Audit Partner: M D Bruton)

2005 until 2008– Audited by PricewaterhouseCoopers Brisbane, Australia (Audit Partner: P J Clarke)

2. Proposals

We received three proposals for APNIC Annual Accounts Audit 2009, i.e. PricewaterhouseCoopers, Ernst & Young, Bentleys. Deloitte decided not to submit their tender claiming that they would not be competitive.

2.1.1 Tier 1 Firms:

PricewaterhouseCoopers – Fees quoted \$26,455(incumbent)

Ernst & Young – Fees quoted \$29,000

2.1.2 Tier 2 Firm:

Bentleys – Fees quoted \$19,500

3. Other RIRs and ICANN Audit Practices

AFRINIC – Ernst & Young

LACNIC – Praxity (Board requires 2 year rotation for best practice)

ARIN - Goodmand & Co (SOX extra audit twice – 5 years auditor rotation)

RIPE NCC - KPMG (5 year auditor rotation)

ICANN - Regional firm, considering rotation

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4. Legislative requirements

Listed companies are required by the *Corporations Act* to rotate auditors every 5 years.

In response to the wave of corporate crises, the US Sarbanes-Oxley Act includes a provision regarding mandatory audit partner rotation for firms auditing public listed companies. The Act requires the lead audit partner and audit review partner (or concurring reviewer) to be rotated every five years on all public company audits.

However, for private or not-for-profit organization:-

- No requirement for audit firm rotation
- No requirement for audit partner rotation
- Audit firm rotation is a useful good governance practice for nonprofit organizations.

5. Common Practices for Audit rotation

There are various reasons for audit firm rotation to occur:

- to reduce fees in short term via competitive bidding
- when scope or size of company changes
- management changes

6. Constraints

There are existing independent studies that conclude that audit firm rotation reduces audit quality and that the costs far outweigh the benefits. There is a substantial body of academic literature that indicates the direct relationship between the length of auditor tenure and the increased discovery of material financial statement errors. Knowledge of the client, its business and the environment it operates in is essential to audit quality.



7. Recommendations

7.1 It is recommend that the EC engages Ernst & Young for the 2009 audit. The basis for this recommendation is that this is a tier 1 firm and APNIC has been working with PWC in an auditing role since 1998. It is considered appropriate at this juncture to perform a fresh review of our accounts by an internationally recognized accounting firm.

7.2 It is recommend that the Executive Committee provides advice to clarify APNIC operational procedures in relation to the appointment of Auditors for the APNIC financial accounts. It is proposed to establish a rule where APNIC's financial auditors must be rotated every 5 years. Furthermore, the EC may wish to consider whether the auditor may be selected from 2nd tier firms to minimize costs to APNIC, or whether the audit firm must be a Tier 1 firm.

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