

APNIC EC Meeting Minutes

Teleconference

Friday, 30 November 2012

Meeting Start: 4:09pm (UTC +10:00)

Present

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

Geoff Huston
Richard Brown
Craig Ng
Connie Chan
Irene Chen
Sanjaya

Apologies

Ma Yan

Agenda

1. Agenda Bashing
2. Review of Previous Minutes
3. Financial Report
4. 2013 Budget Preparation
5. APNIC Policy Endorsement
6. DG Report
7. APNIC 35 – EC Election Chair Appointment
8. EC Appointment to the ASO AC
9. PPAC
10. AOB

Minutes

The EC Chair called the meeting to order at 4:09 pm (UTC +10:00)

1. Agenda Bashing

No changes were made to the Agenda.

2. Review of Minutes and Actions

The minutes of the meeting held on 30 October 2012 were unanimously approved.

Motion to approve the minutes proposed by Kenny Huang, seconded by: Wendy Zhao

3. Financial Report

The EC noted the October 2012 financial report (attached).

The total asset position for APNIC is currently \$24.1M. This represents a net growth in assets of \$3.9M for period of January to October 2012.

Revenue until the end of October 2012 is \$14.7M, with a forecast for the full year of \$17.8M. The forecast of the final position at the end of 2012 is 8% higher than originally forecast in the 2012 budget. The major variations in income are due to the higher than forecast resource applications and membership levels. Expenses are currently at \$11.4M, and forecast to be \$14.9M by the end of 2012. The forecast operating outcome for 2012 is a \$2.9M surplus.

At the end of October 2012 APNIC has a total of 3,504 members. There were 88 new members and 11 members who had closed their accounts during the month.

The EC noted the October financial report as representing the financial position of APNIC as of the end of the October 2012, and the EC was satisfied that the company is solvent and able to meet all current debts.

4. 2013 Budget Preparation

Richard Brown reported to the EC on the 2013 Budget plans. A number of scenarios relating to the 2013 budget will be further developed for the next EC meeting.

5. APNIC Policy Endorsement

The EC unanimously endorsed the adoption of policy proposal Prop-101 - Removing multihoming requirement for IPv6 portable assignments.

Motion to approve the minutes proposed by: Gaurab Raj Upadhaya, seconded by: Kenny Huang.

The EC unanimously endorsed the adoption of policy proposal Prop-104 - Clarifying demonstrated needs requirement in IPv4 transfer policy.

Motion to approve the minutes proposed by: Kenny Huang, seconded by: Che-Hoo Cheng.

6. DG Report

The 2 weeks in Dubai for the WTSA meeting has now come to a conclusion. The WTSA considered Resolution 64, relating to the ITU's engagement with the Internet. A last minute proposal to include specific actions relating to Internet registry functions was not supported by the Secretary General. It is possible that this topic will reappear at either WCIT or at a later ITU meeting.

It is likely that the WCIT meeting will conclude with a relatively benign outcome for the Internet, as the issue of the form of the ITU's engagement with governance and control over elements of the Internet's infrastructure may take a number of years and further rounds of meetings, and the current WTSA and WCIT meetings are neither the beginning, nor the end. The forthcoming WTPF meeting and the Plenipotentiary meeting, and others will all demand the investment of activity by the RIRs to engage. It is not reasonable to

expect others to undertake or underwrite our participation in these meetings, and our direct involvement is absolutely necessary.

7. APNIC 35 – EC Election Chair Appointment

Consideration of this matter was deferred to the next meeting.

8. EC Appointment to the ASO

Consideration of this matter was deferred to the next meeting.

9. PPAC

With respect to the inaugural meeting of a Public Policy Advisory Committee at APNIC 35, the EC canvassed a number of options relating to the role of this group, including that of providing advice to the Policy SIG and that of undertaking the functional role of an Internet Governance Forum. The Chair noted that this topic required more discussion within the EC prior to the inaugural meeting of the PPAC at APNIC 35.

10. AOB

There were no items of AOB.

Next Scheduled Meeting

17-18 December, 2012 (Retreat)

Meeting Adjourned: 5:40 pm (UTC+10:00) Friday 30 November 2012

Monthly Financial Report (in AUD)

October 2012

APNIC



Table of Contents

Statement of Financial Position	3
Notes to the 2012 Balance Sheet	3
Statement of Income	4
Expenses	4
Revenue	4
Operating Surplus/ Deficit	5
Notes on the Statement of Income	5
APNIC Reserve	6
Cash Flow Statement	6
APNIC Capital Reserve	7
Membership	7
Membership Statistics	7
Membership by Category	7
Membership Growth	8
Year-to-Date Membership Movement by Economy	9

Statement of Financial Position

	31/10/2012	% of Total	Year-End 2011	% change from 31/12/2011
CURRENT ASSETS				
Cash/ Term deposits	13,580,421	56%	9,048,267	50%
Receivables	648,475	3%	1,077,330	-40%
Others	624,800	3%	604,933	3%
TOTAL CURRENT ASSETS	14,853,696	62%	10,730,530	38%
NON-CURRENT ASSETS				
Other financial assets	1,090,858	5%	986,920	11%
Property, plant and equipment	8,112,227	34%	8,436,968	-4%
Deferred tax assets	60,985	0%	60,985	0%
TOTAL NON-CURRENT ASSETS	9,264,070	38%	9,484,874	-2%
TOTAL ASSETS	24,117,767	100%	20,215,404	19%
CURRENT LIABILITIES				
Payables	777,900	3%	445,677	75%
Provisions	1,285,530	5%	1,190,748	8%
Unearned revenue	7,273,671	30%	7,171,080	1%
TOTAL LIABILITIES	9,337,102	39%	8,807,506	6%
EQUITY				
Share capital	1.00	0%	1.00	0%
Reserves other financial assets investment *	50,386	0%	(43,085)	0%
Retained earnings	14,730,278	61%	11,450,982	29%
TOTAL EQUITY	14,780,665	61%	11,407,898	30%
TOTAL LIABILITIES & EQUITY	24,117,767	100%	20,215,404	19%

Note:

* Reserves on other financial assets investment – This balance is due to the revaluation of our investment in unit trusts based on the market valuation as at the end of September 2012. These investments are revalued on a quarterly basis.

Notes to the 2012 Balance Sheet

The total asset position for APNIC as at the end of October 2012 has continued to increase when compared to the position at the end of 2011. The major factors causing the change are:

- The increase in the “Cash” position is due to the timing impact of expenses and the continued growth in revenue. Cash includes amounts held in the operating account and short-term deposits of up to 12 months.

Statement of Income

Expenses

This report incorporates the year to date, budget and forecast estimates. The Year to Date (YTD) actual figures are compared to the figures for the same period last year. As per the previous report, the Forecast figures have been revised based on detailed review of the expected revenues, and committed and planned expenditure for 2012.

EXPENSES (AUD)	YTD Oct-12	YTD Oct-11	Variance %	Forecast 2012	Forecast Variation to Budget	Forecast Variation	Budget 2012
Bank charges	111,735	86,003	29.9%	129,124	13,124	11.3%	116,000
Communication expenses *	332,416	349,897	-5.0%	424,595	(20,173)	-4.5%	444,768
Computer expenses	471,750	310,757	51.8%	614,835	41,023	7.1%	573,812
Depreciation expense *	688,750	698,390	-1.4%	819,582	(80,418)	-8.9%	900,000
Doubtful debt expenses	1,258	137	815.4%	26,258	1,258	5.0%	25,000
ICANN contract fee	266,103	237,408	12.1%	321,655	11,655	3.8%	310,000
Income tax expense *	0	0	0.0%	47,170	(102,830)	-68.6%	150,000
Insurance expense	105,768	99,680	6.1%	125,050	(3,550)	-2.8%	128,600
Meeting and training expenses	176,785	373,869	-52.7%	253,440	(236,960)	-48.3%	490,400
Membership fees	57,399	44,354	29.4%	69,093	(1,307)	-1.9%	70,400
Miscellaneous expenses	2	1,471	-99.9%	2	(998)	-99.8%	1,000
Office operating expenses *	210,047	232,798	-9.8%	258,320	18,875	7.9%	239,445
Postage & delivery	26,895	29,959	-10.2%	32,162	(2,338)	-6.8%	34,500
Printing & photocopy	30,886	31,632	-2.4%	47,037	(20,563)	-30.4%	67,600
Professional fees	498,931	454,699	9.7%	1,015,528	115,178	12.8%	900,350
Recruitment expense	73,622	94,880	-22.4%	110,588	9,588	9.5%	101,000
Salaries and personnel expenses	6,524,370	5,732,154	13.8%	8,215,054	(30,549)	-0.4%	8,245,603
Sponsorship and Publicity expenses	148,544	163,785	-9.3%	270,585	(75,415)	-21.8%	346,000
Staff training/conference expenses	125,630	98,947	27.0%	155,770	(3,543)	-2.2%	159,313
Translation expenses	11,928	10,297	15.8%	11,928	(3,072)	-20.5%	15,000
Travel expenses *	1,577,095	1,399,067	12.7%	1,933,507	(478,851)	-19.8%	2,412,358
TOTAL EXPENSES	11,439,916	10,450,184	9.5%	14,881,282	(849,867)	-5.4%	15,731,149

Revenue

REVENUE (AUD)	YTD Oct-12	YTD Oct-11	Variance %	Forecast 2012	Forecast Variation to Budget	Forecast Variation	Budget 2012
IP Resource application fees *	1,940,000	1,317,000	47.3%	2,407,250	1,418,147	143.4%	989,103
Interest income *	474,219	310,653	52.7%	558,574	146,574	35.6%	412,000
Membership fees	11,902,345	10,686,755	11.4%	14,359,700	407,632	2.9%	13,952,067
Non-members fees	190,767	161,047	18.5%	228,937	9,868	4.5%	219,069
Reactivation and Transfer fees	34,924	22,200	57.3%	35,100	7,710	28.1%	27,390
Sundry income *	180,995	276,840	-34.6%	196,835	(662,072)	-77.1%	858,907
Foreign exchange gain/(loss)	(4,039)	(5,265)	-23.3%	(3,837)	(3,837)	0.0%	0
TOTAL REVENUE	14,719,212	12,769,229	15.3%	17,782,559	1,324,022	8.0%	16,458,536

Operating Surplus/ Deficit

REVENUE and EXPENSES (AUD)	YTD Oct-12	YTD Oct-11	Variance %	Forecast 2012	Forecast Variation to Budget	Forecast Variation	Budget 2012
Total Revenue	14,719,212	12,769,229	15.3%	17,782,559	1,324,022	8.0%	16,458,536
Total Expenses	11,439,916	10,450,184	9.5%	14,881,282	(849,867)	-5.4%	15,731,149
OPERATING SURPLUS/(DEFICIT)	3,279,296	2,319,045	41.4%	2,901,277	2,173,890	298.9%	727,387

Notes on the Statement of Income

Similar to the previous financial report, the major factors causing the variance between the forecast and budget are related to the increased growth in Member revenue, predominately increased activity in new membership and an increase in initial resource application fees. Planned initiatives for cost recovery training have been delayed, so income and expenses related to this initiative will be minimal in 2012. Further details on variations include:

(1) Expenses

- **Computer Expenses** – There are a number of computer related expenses that were planned for 2012 will not be incurred. There will be increased expenditure in the last quarter related to the implementation of the new mail and VOIP solutions.
- **Depreciation Expenses** – Due to the timing of Capital Expenditure during the year, the Depreciation expenses are forecast to be less than budgeted.
- **Income Tax Expenses** – Latest estimates for the 2012 tax expense forecast a saving against budget. APNIC's taxation position for 2012 was confirmed after the budget was finalized in 2011, the tax status for future years is still to be finalized.
- **Meeting & Training Expenses** – Meeting and training expenses will be significantly below budget. The budget included an allowance for \$120k for catering and venue expenses for the planned increase in training activities that were largely unspent. Actual costs of catering, venue and equipment hire for the APNIC meetings was much lower than budgeted.
- **Sponsorship and Publicity Expenses** – Contribution for IGF meeting and NRO share expenses will be lower than budgeted. Other savings in Gifts/Promotional material for APNIC meetings and other events will be below the budget.
- **Travel Expenses** in the budget included an annual amount of \$593k relating to cost recovery training; this initiative, will not be significantly implemented in 2012. APNIC's travel costs for core activities, on the other hand, are forecast to be above budget as a result of increased travel activity. There is significant travel planned for October planned including the Joint Board meeting in Montevideo

(2) Revenue

- **IP Resource application fees** – Growth in new membership continues to be strong. The revised forecast would see a variance of around \$1.4m compared to the budget estimate by the end of the year.

- **Interest Income** – The increased cash flow from the growth of Member Income and strong returns for cash investments has resulted in higher than anticipated Interest income. Recent moves by the Reserve Bank will see retail deposit rates become less favourable as we head into 2013.
- **Membership Fees** – Increasing growth in membership will result in a positive variance to budget of around \$400k. APNIC’s membership growth continues to exceed the conservative estimates used in the budget submission.
- **Sundry Income** in the budget included an annual amount of \$593k relating to cost recovery training income; to date no income for this initiative has been incurred.

APNIC Reserve

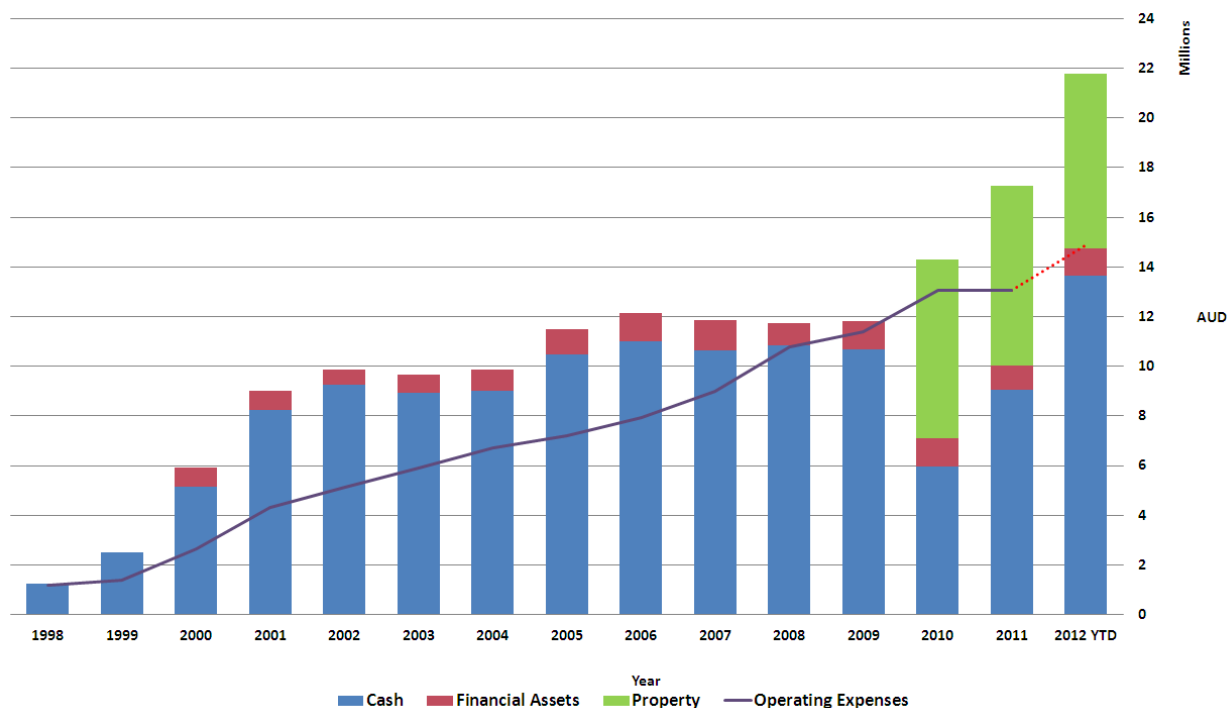
Cash Flow Statement

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

Accounts	Amount
Operating Activities	
Net Income	3,279,296
Adjustments to Profit/(Loss)	
Accounts Receivable	441,525
Other Current Asset	(32,543)
Accounts Payable	102,928
Sales Tax Payable	21,426
Other Current Liabilities	428,531
Total Adjustments to Profit/(Loss)	961,869
Total Operating Activities	4,241,165
Investing Activities	
Fixed Asset	324,741
Other Asset	(103,937)
Total Investing Activities	220,804
Financing Activities	
Long Term Liabilities	(23,290)
Other Equity	93,471
Total Financing Activities	70,181
Net Change in Cash for Period	4,532,149
Cash at Beginning of Period	9,048,272
Cash at End of Period	13,580,421

APNIC Capital Reserve

The APNIC Reserve is continuously diversified between Cash Investments, Managed Funds, and Property (APNIC Office). At the end of October, APNIC maintained \$13m in cash reserves, \$1m in managed fund investments, and \$7m was invested in the APNIC Property. The following chart tracks the value and the allocation of these reserves over time and also tracks the forecast operating expenses for each year for comparison:



Membership

Membership Statistics

At the end of October 2012, APNIC had a total of 3,504 Members serving 52 economies. Strong membership growth continued in October, which highlighted another month of high membership growth.

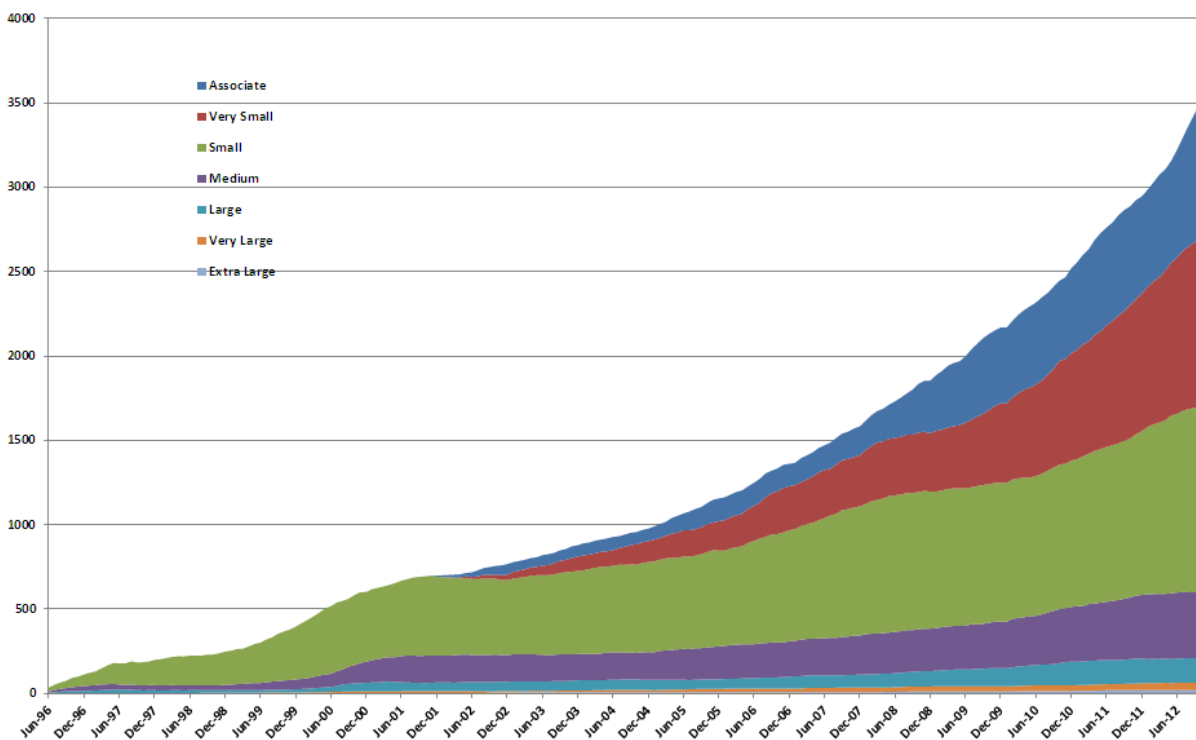
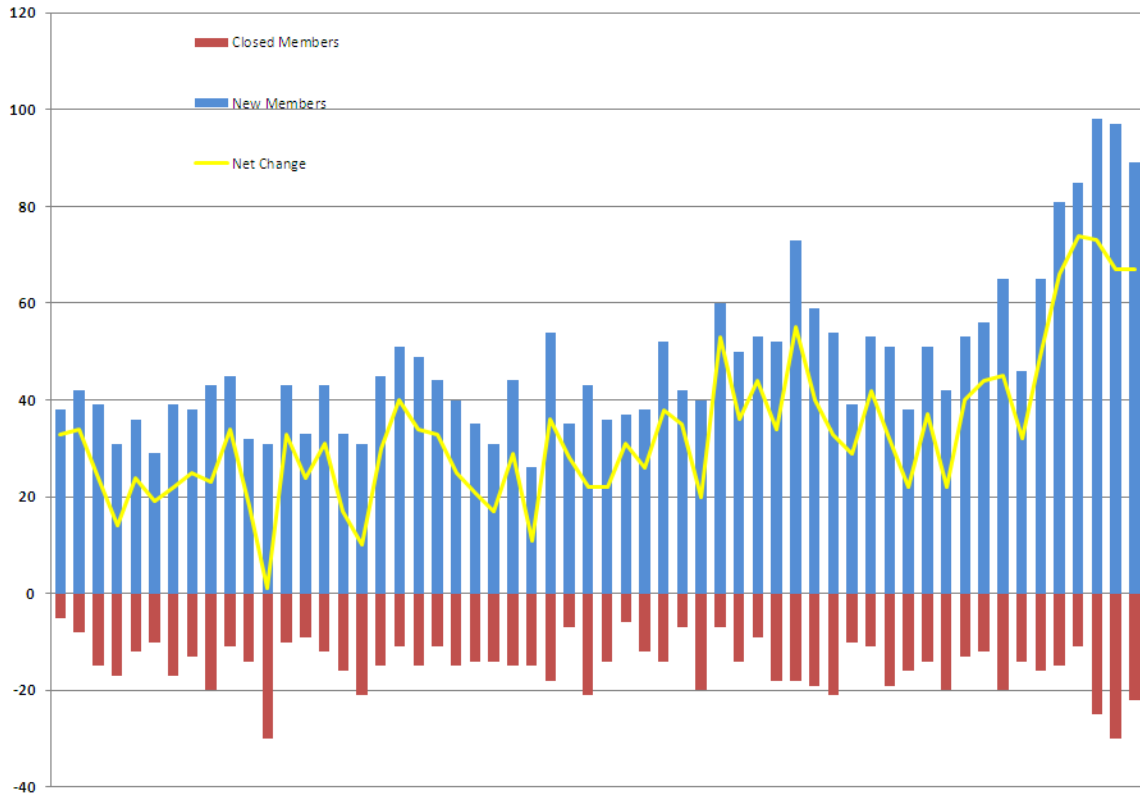
Membership by Category

The following table shows the monthly changes in membership and provides an analysis of APNIC's membership tiers. The majority of APNIC Members remain in the Small and Very Small membership tier.

Membership	Total Sep-12	New Oct-12	Reactivate Oct-12	(Closed) Oct-12	Size Change Oct-12	Total YTD Oct-12	Total YTD (%) Oct-12
Extra Large	20	0	0	0	0	20	1%
Very Large	44	0	0	0	0	44	1%
Large	145	0	0	0	0	145	4%
Medium	392	0	0	(1)	3	394	11%
Small	1093	0	0	(3)	13	1103	31%
Very Small	981	0	0	(2)	23	1002	29%
Associate	762	88	1	(16)	(39)	796	23%
TOTAL	3437	88	1	(22)	0	3504	100%

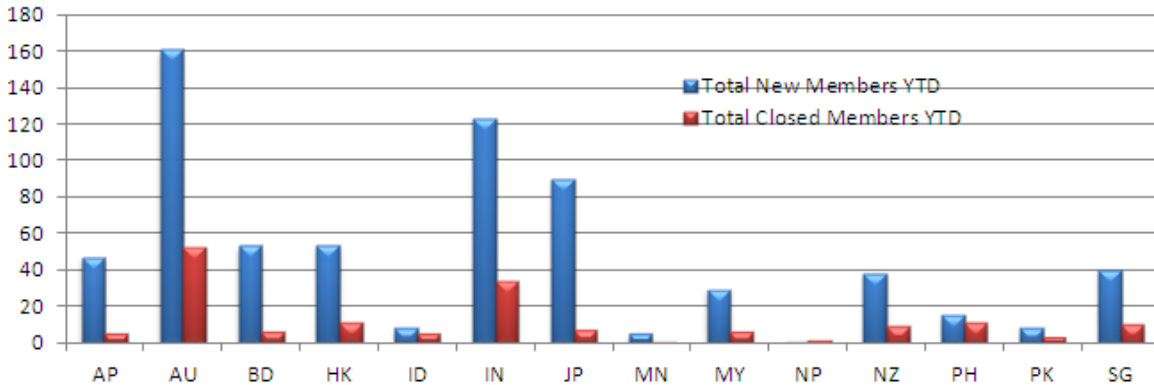
Membership Growth

The following graph illustrates APNIC membership monthly movements, followed by total APNIC membership in various tiers. Membership growth remains very strong in 2012.



Year-to-Date Membership Movement by Economy

The graph below illustrates new and closed membership movement by economy in October 2012. Australia has the highest growth with 24% of total new Members and 30% of total closed Members.



The chart below gives a breakdown of the reason for closure of accounts. The majority of the closures are due to new accounts cancellations; this describes the situation where new accounts decide not to proceed further after they have submitted an application. Another major reason for closure is the category; Merger/ Acquisition/ Transfer, this is where accounts merge or transfer to another accounts.

Closure Analysis

