

Executive Summary – Financial Reporting

This report provides a summary of the 2015 actuals, as at the end of May 2015. This report includes a forecast of both revenue and expenses based on analysis of current and planned activities for the remainder of the year.

Financial Position May 2015

Net equity increased by 9% to \$23.3M at the end of May from \$21.4M at the end of 2014, and the number of months expenses covered by equity has increased slightly from 16.52 to 16.54 at the end of last year

Financial Performance YTD May 2015

As at the end of May, the YTD surplus is **\$1,331,060** that is **\$426,727** above the budget for the same period. Forecast estimates for the remainder of the year show that the final surplus will be **\$1,666,415** or **\$469,708** above the budget estimate.

This forecast variance is driven by a forecast overachievement on Revenue of **\$291,429** and a reduction in forecast expenditure of **\$178,279** compared to budget.

Revenue highlights:

- **Investment Income** – A review of the Credit Suisse forecast of investment income and interest on cash deposits will see the final results for 2015 being very close to budget. July is normally a month with significant income and the estimate is for over \$280k in income for July 2015.
- **Membership Income** – Membership revenue growth continues to be higher than budget with members joining at higher tiers than anticipated in the budget and existing members increasing the size of their resource holdings since their last anniversary. The budget assumed an average annual member fee of around \$1,450 for new members, the actual results show that this average is over \$1,800, showing that for new members the annual fee is averaging higher than the fee for a /22. This is driving the variance in membership revenue highlighted above. Based on a review of the YTD performance income from these fees will be at least \$330k above the budget estimate.
- **Non-members Fees** – Growth in Non-member accounts is above the budget estimate and it is forecast that this will result in a positive variance of over \$13.5k in 2015.
- **Signup Fees** – Sign-Up Fees are anticipated to be above budget by the end of the year as new membership growth is tracking slightly above the target of 800 set out in the budget. At this stage new members will likely achieve between 850 and 900 by the end of 2015.
- **Transfer Fees** – The fees derived from Transfers of APNIC resources will be as much as \$15k below budget by the end of 2015 based on the activity so far this year.
- **Sundry Income** – Income budgeted from training receipts and income from meeting registration for non APNIC members will be below budget based on analysis of the activity so far this year.

Expense Highlights:

- **Bank Charges** – The actual costs for Bank and Merchant fees are tracking below budget and are forecast to be below budget by over \$17k by the end of the year. There is still a strong preference for members to settle accounts by bank transfer as opposed to using a Credit card.
- **Communication Expenses** – Based on an analysis of committed and planned expenses for the rest of 2015, this expense will be higher than budget by \$26k at the end of the year. The Global Who-Is cloud service that will be more than \$20k above the budget estimate.

- **Doubtful Debts Expenses** – includes a significant write-back of accounts that were outstanding at the end 2014. This credit is offset by a reduction in the Membership Fee income where accounts have been credited and closed. An accurate amount will not be available until the end of the year.
- **Meeting and training expenses** – Actual costs incurred for the APNIC39 meeting were less than budgeted by nearly \$35k and the use of local hosts to reduce venue and catering costs for training (budgeted at \$72k) have all contributed to this variance.
- **Membership Fees Expenses** – The ISOC Annual membership was reduced from Gold to Silver membership this year resulting in a variance of \$12k.
- **Professional Fees** – Professional Fees are not incurred evenly across the year, and it anticipated that the actuals for the end of the year will be below budget by over \$50k, the main driver of this variance is the PR agency fees that were included in the budget but will not be proceed in 2015. There were budgets for PR activities in Thailand, Philippine, Malaysia, and Cambodia.

Expense by Activity Codes

- The financial reports include analysis of Expenditure by Activity code and show that the expenditure by category is closely correlated with the budget by activity.

Investment Funds YTD 2015

The Investment portfolio has increased in value by \$557k since the end last year, with income being declared at \$338,475 as at the end of May. The end of year forecast provided by the Investment advisors shows that Investment income is in line with budget and the total return from all investments will be within \$7.8k of the budget estimate.

Financial Stability

APNIC's balance sheet remains in a very strong position with APNIC's total equity representing 16.54 months of 2015 forecast operating expenses. Cash or cash equivalents represent 110.5% of APNIC's equity position.

Membership Growth 2015

Membership Growth in 2015 continues to be in line with budget, with a net growth of 266 members at the end of May, continuing on this trend, net new members at the end of 2015 will be around 640, and with budgeted net growth being 559.

Growth is strongest in; Australia (79), Hong Kong (54), and Japan (48) up until the end of May.

The introduction of the new fee schedule sees that the vast majority of new members join as Tiered members and the number of Associate members continues to reduce as new members from last year transition to a Tiered category upon renewal.

PT.TELKOMSEL Indonesia became an Extra Large member in April.

Some of the larger account closures in 2015 are:

Member Size	Name	Account	Start Date	End Date	Termination Date	Closure Reason
extra large	Technology Networks Inc	ATHOME-JP	10/11/1999	30/11/2014	5/01/2015	Merger/ Acquisition
large	Snap Limited	SNAP-NZ	5/09/2002	30/09/2015	20/05/2015	Transfer to Other Accounts
large	Micronet Broadband (Pvt) Ltd.	MBL-PK	31/01/2003	31/01/2016	1/04/2015	Merger/ Acquisition
large	Super Broadband Network	SUPERBROADBANDNETWORK-TH	12/08/2008	31/08/2015	21/05/2015	Transfer to Other Accounts
medium	DMZGlobal	DMZGLOBAL-NZ	9/12/2014	31/12/2015	20/03/2015	Merger/ Acquisition
medium	Satyam Computer Services Ltd.	SATYAM-IN	4/01/2008	31/01/2015	6/01/2015	Transfer to Other Accounts
medium	WISH NET PRIVATE LIMITED	WISHNET-IN	7/04/2009	30/04/2015	13/04/2015	Transfer to NIR
medium	MarbelNetworks	MARBELNETWORKS-PH	1/02/2011	28/02/2015	4/05/2015	Non Payment/ Non Contactable

The closure related to Non Payment/non- non-contactable relates to 2 /19's and 1 /22.

Taxation Status

KPMG have advised that:

“Based on more recent discussions, we now understand that the ATO internal review has become inactive, and we believe that now is an opportune time to apply for a new Private Ruling as a favourable outcome is more probable”

Based on this advice APNIC has engaged KPMG to prepare the documentation for submission by the end of June.

Other issues

The finance team are currently undertaking a review of APNIC's transactional banking arrangements, there are currently proposals being considered from; HSBC, WESTPAC, ANZ, CBA. We are expected to make a recommendation to the APNIC treasurer at the end of June in relation to this review.