

APNIC EC Meeting Minutes

Teleconference
Thursday 9 October 2008

Meeting Start: 1:15 pm (UTC +1000)

Present

Akinori Maemura
Che-Hoo Cheng
Ming-Cheng Liang
Mao Wei
Kuo-Wei Wu
Kusumba Sridhar
Paul Wilson

Geoff Huston (minutes)

Irene Chan
Richard Brown
Connie Chan

Ron Zubrik (KPMG, for agenda item 5)

Apologies

Ma Yan

Agenda

1. Agenda Bashing
2. Review of Minutes and Action List Review from 25 August Meeting
3. Financial Report: Financial Report 08/08, 09/08
4. Director-General's Report
5. Fees Study Update
6. AOB

Minutes

1. Agenda bashing

There were no changes to the agenda. Item 5, Fees Study Update, was considered as the first item of business for the meeting

2. Minutes of Last Meeting and Matters Arising

The minutes from the meeting of 25 August 2008 (as amended) were approved unanimously.

Action ec-08-030: Secretariat to publish minutes of the August meeting

Review of action items:

- Action ec-08-026:** Secretariat to publish minutes of the July meeting.
[completed]
- Action ec-08-027:** EC to propose a DNSSEC statement to the membership at APNIC 27.
[completed]
- Action ec-08-028:** KPMG Task 1 Report to be circulated to EC by 5 September, Task 2 and Task 3 reports to be presented to the EC on the 9th October meeting.
[completed]
- Action ec-08-029:** Secretariat review Indian NIR application process and report to EC.
[completed]

3. Finance Report

Irene Chan provided the monthly reports of expenditures revenues, and membership movements for August and September 2008. The per allocation fee revenue continues lower than originally projected, but is consistent with the high degree of year-by-year variation in this revenue class. The impact of the declining AUD / USD exchange rate was considered, and upward variation in costs for the ICANN contribution and travel expenses are the major areas of likely impact if this situation is sustained. As of the end of September total expenses are closely aligned to the budgeted amount, while total revenue is slightly below the budget projection.

The EC accepted the financial reports for August and September 2008 (attached).

4. Director-General's Report

The Director-General reported on the creation of a Technical Area within the overall staff structure, and the appointment of Byron Ellacot as the Area Manager. A number of associated staff movements were also noted by the D-G.

The D-G also raised the issue of the minimum per-address allocation fee which would not be aligned with the minimum IPv4 address allocation following the anticipated adoption of the /22 minimum address allocation size for IPv4. In order to ensure that these were aligned in future the EC adopted the following alteration to the APNIC Fee Schedule.

Resolution:

That the APNIC Fee Schedule for the minimum per-address allocation fee be aligned to the minimum allocation size.

The resolution was adopted unanimously.

- Action ec-08-031:** Secretariat to amend the APNIC Fee Schedule, Section 3.2.2, of <http://www.apnic.net/docs/corpdocs/member-fee-schedule.html> to read: "The minimum per-address fee payable for any allocation or assignment of IPv4 address space is equal to the fee payable for a minimum IPv4 address allocation."

The D-G briefed the EC on the progress related to the India NIR applications. It was reported that the bodies who had made the applications would work towards reaching an agreement that would facilitate the submission of a single application for an India NIR.

The D-G reported on the NRO-related activities. It is understood by the APNIC EC that the meeting scheduled for the 13th October at ARIN will be an informal gathering and will not be a formal meeting of the Boards of the RIRs. The APNIC EC noted that the efforts of a drafting group on an the MoU for Legacy Address Space were unable to make any progress and the matter remained unresolved. The APNIC EC reiterated their support for a stance that treated the Legacy Address space as a common rather than a regional resource in respect of any returns and subsequent reallocations.

5. Fees Study Update

Rob Zubrik of KPMG briefed the APNIC EC on Tasks 2 and 3 of the Fee Study, related to financial modelling in the scenarios of NIR formation in a number of regional economies and IPv4 exhaustion.

The EC will consider this report and provide further guidance to KPMG for Task 4 of the study.

Action ec-08-032: Further guidance to be provided to KPMG regarding Task 4.

6. AOB

There were no additional items of business raised at the meeting.

Next Meeting

20th November 2008 (Teleconference)

Meeting closed: 2:45 pm (UTC+1000)

Summary of Action Items

Action ec-08-030: Secretariat to publish minutes of the August meeting

Action ec-08-031: Secretariat to amend the APNIC Fee Schedule, Section 3.2.2, of <http://www.apnic.net/docs/corpdocs/member-fee-schedule.html> to read: "The minimum per-address fee payable for any allocation or assignment of IPv4 address space is equal to the fee payable for a minimum IPv4 address allocation."

Action ec-08-032: Further guidance to be provided to KPMG regarding Task 4.



APNIC

Monthly financial report (in AUD)

For the month ending August 2008

Asia Pacific Network Information Centre

1. Balance Sheet

Statement of Financial Position (AUD)					
	31/08/2008	% of Total Asset or Liab+Equity	% change from 31/12/2007	Year-End 2007	Year-End 2006
CURRENT ASSETS					
Cash	7,270,156	45%	27.6%	6,626,341	5,696,300
Term deposit investment	2,300,000	14%	-30.3%	2,300,000	3,300,000
Receivables	1,574,298	10%	6.8%	737,859	1,474,467
Others	595,957	4%	71.6%	325,739	347,259
TOTAL CURRENT ASSETS	11,740,410	73%	8.5%	9,989,939	10,818,026
NON-CURRENT ASSETS					
Other financial assets	1,004,046	6%	-12.6%	1,222,666	1,148,369
Property, plant and equipment	1,716,572	11%	14.9%	1,667,091	1,494,461
Long term deposit investment	1,700,000	11%	-15.0%	1,700,000	2,000,000
TOTAL NON-CURRENT ASSETS	4,420,619	27%	-4.8%	4,589,758	4,642,830
TOTAL ASSETS	16,161,029	100%	4.5%	14,579,696	15,460,856
CURRENT LIABILITIES					
Payables	636,076	4%	-56.4%	1,139,160	1,458,382
Provisions	956,896	6%	35.2%	888,178	707,834
Unearned revenue	5,508,167	34%	29.0%	3,817,898	4,271,275
TOTAL LIABILITIES	7,101,140	44%	10.3%	5,845,236	6,437,490
EQUITY					
Share capital	1.00	0%	0.0%	1.00	1.00
Reserves other financial assets investment	-241,798	-1%	-268.4%	90,827	143,620
Retained earnings	9,301,686	58%	4.8%	8,643,633	8,879,745
TOTAL EQUITY	9,059,889	56%	0.4%	8,734,461	9,023,366
TOTAL LIABILITIES & EQUITY	16,161,029	100%	4.5%	14,579,696	15,460,856

Notes:

For comparison purposes the following exchange rates apply:

- (1) ATO official monthly average rate for August 2008 is 0.8938
- (2) ATO official notes spot rate for 31 Dec 2007 was 0.8875 and for 31 Dec 2006 respectively 0.7938

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

2. Profit and Loss Statement

2.1 Expenses

This report provides the projected figures for 2008, to compare with the revised budget.

EXPENSES (AUD)	Aug-08 Actual	YTD Actual	YTD %	Projected Actual 2008	Budget 2008	Projected Year End Budget Variation	Projected Budget Variation %
Bank charges	7,091	44,727	0.7%	67,090	83,573	(16,483)	-19.7%
Communication expenses	13,358	112,659	1.8%	168,989	231,783	(62,795)	-27.1%
Computer expenses	19,412	100,436	1.6%	150,654	162,390	(11,736)	-7.2%
Depreciation expense	55,456	416,867	6.7%	625,300	641,480	(16,180)	-2.5%
Sponsorship and Publicity expenses	41,240	124,180	2.0%	165,481	190,883	(25,402)	-13.3%
Doubtful debt expenses	0	57	0.0%	20,126	20,126	0	0.0%
ICANN contract fee	(8,581)	157,669	2.5%	236,503	285,000	(48,497)	-17.0%
Insurance expense	9,986	82,063	1.3%	123,095	121,526	1,569	1.3%
Meeting and training expense	4,866	40,733	0.7%	167,763	183,841	(16,078)	-8.7%
Membership fees	4,349	36,628	0.6%	54,943	69,496	(14,553)	-20.9%
Miscellaneous expenses	230	1,205	0.0%	1,807	5,534	(3,727)	-67.3%
Office operating expenses	9,892	79,809	1.3%	119,714	88,616	31,098	35.1%
Postage & delivery	5,564	26,785	0.4%	40,178	36,586	3,592	9.8%
Printing & photocopy	7,285	30,699	0.5%	46,049	31,526	14,523	46.1%
Professional fees	35,966	205,102	3.3%	544,539	544,172	367	0.1%
Recruitment expense	3,267	102,132	1.6%	132,132	90,503	41,630	46.0%
Rent and outgoings	53,594	383,964	6.2%	598,342	586,245	12,097	2.1%
Salaries and personnel expenses	435,728	3,328,547	53.4%	5,417,186	5,402,753	14,432	0.3%
Staff Training/conference expenses	9,576	105,536	1.7%	120,536	84,305	36,231	43.0%
Tax expense	0	0	0.0%	134,167	44,928	89,239	198.6%
Translation expenses	0	16,458	0.3%	21,458	73,871	(52,413)	-71.0%
Travel expenses	122,476	839,488	13.5%	1,517,693	1,519,033	(1,340)	-0.1%
TOTAL EXPENSES	830,756	6,235,747	100.0%	10,473,744	10,498,170	(24,426)	-0.2%

2.2 Revenue

REVENUE (AUD)	Aug-08 Actual	YTD Actual	YTD %	Projected Actual 2008	Budget 2008	Projected Year End Budget Variation	Projected Budget Variation %
Interest income	72,538	514,390	7.5%	771,585	721,997	49,588	6.9%
IP Resource application fees	88,732	695,582	10.1%	1,043,373	963,960	79,413	8.2%
Membership fees	574,374	4,291,895	62.3%	6,728,462	6,732,908	(4,446)	-0.1%
Non-members fees	10,273	83,512	1.2%	125,268	198,316	(73,048)	-36.8%
Per Allocation fees	74,586	1,081,977	15.7%	1,622,966	1,912,246	(289,280)	-15.1%
Reactivation fees	1,268	8,876	0.1%	13,314	17,936	(4,622)	-25.8%
Sundry income	27,917	220,455	3.2%	230,455	214,885	15,570	7.2%
Foreign Exchange gain/(loss)	8,255	(2,887)	0.0%	(4,331)	0	(4,331)	0.0%
TOTAL REVENUE	857,943	6,893,800	100.0%	10,531,092	10,762,248	(231,156)	-2.1%

2.3 Operating Profit/ Loss

Revenue and Expenses (AUD)	Aug-08 Actual	YTD Actual	YTD %	Projected Actual 2008	Budget 2008	Projected Year End Budget Variation	Projected Budget Variation %
Total Revenue	857,943	6,893,800	100%	10,531,092	10,762,248	(231,156)	-2.1%
Total Expenses	830,935	6,235,927	100%	10,473,744	10,498,170	(24,426)	-0.2%
OPERATING PROFIT/ (LOSS)	27,008	657,873		57,347	264,077		

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 expecting
- budget figures, or
- other updated information on hand.

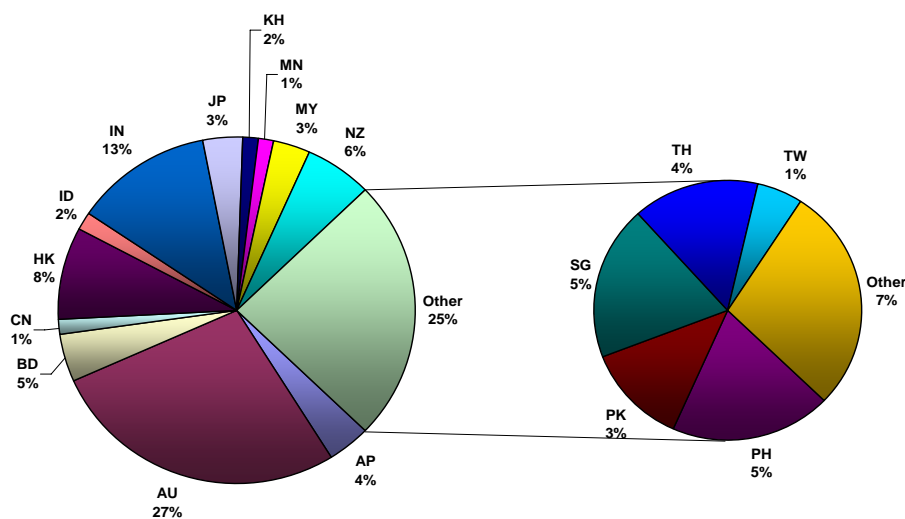
3. Membership

3.1 Membership statistics

At the end of August 2008, APNIC had a total of 1,779 members serving 51 economies. One Extra Large member [AUS-DEFENCE-AU] was upgraded from Associate this month. The economies in which APNIC has the highest number of members are Australia (484 members), India (224 members), and Hong Kong (150 members).

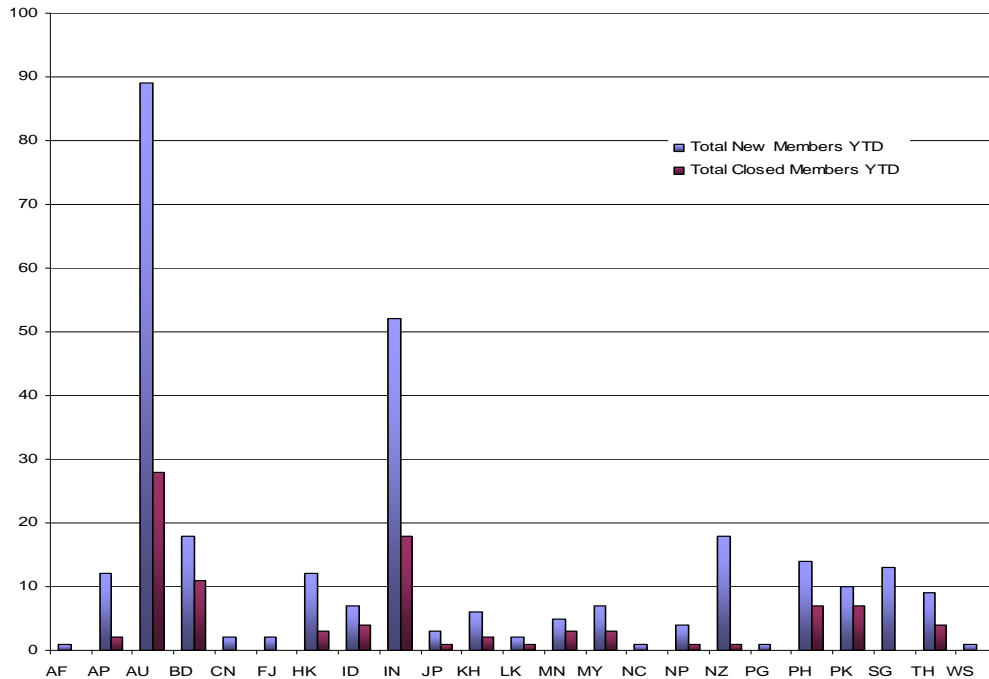
3.1.1 Membership by Economy

The following chart illustrates the APNIC membership distribution by economy.



3.1.2 Year to date movement by Economy

The chart below illustrates by economy the number of members that have joined or closed their membership so far in 2008. As at the end of August 2008, APNIC had a net growth of 195 members, with 292 new members whilst 97 members accounts have been closed. The highest numbers of new members are from Australia (89), followed by India (52). The majority of the closures are due to members that are either non contactable, or the business is no longer operating.



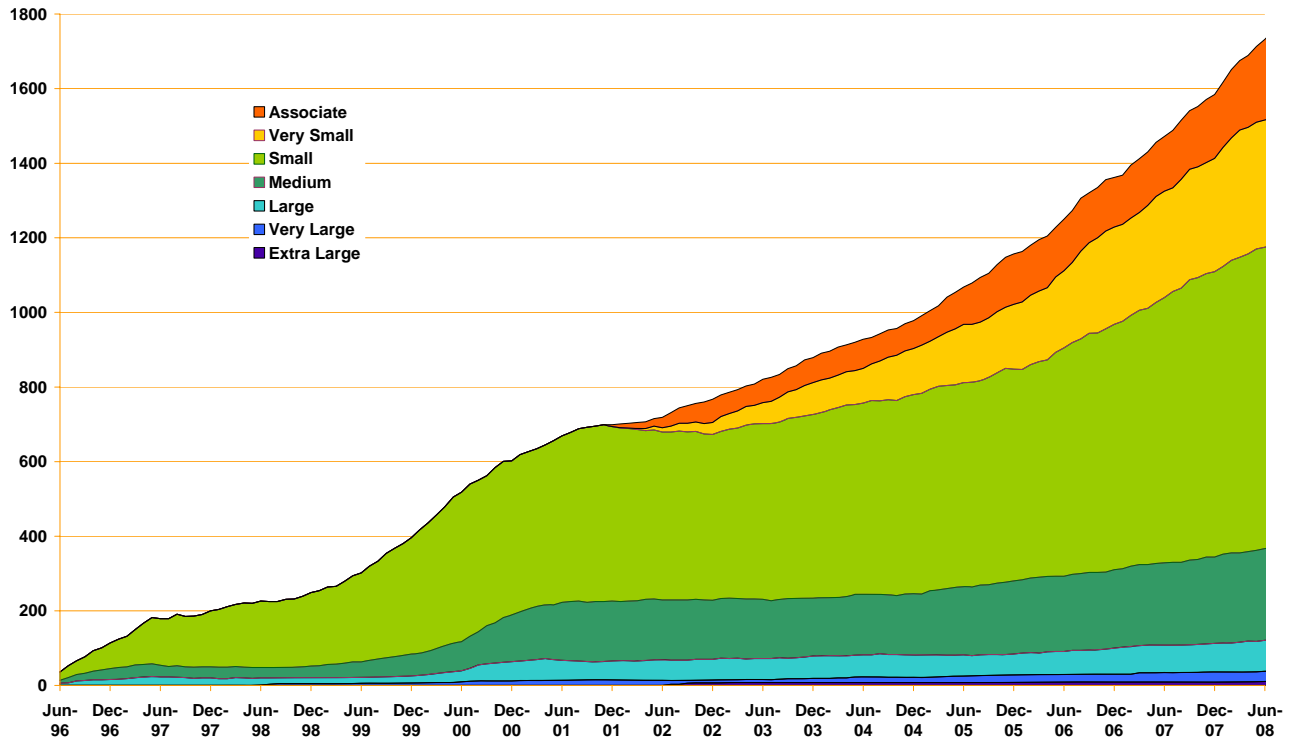
3.1.3 Membership by Category

The following table shows the monthly changes in membership and provides an analysis of APNIC's membership tiers; this table shows that 46% of APNIC members are included in the Small membership tier.

Membership	Total	New	Reactivate	(Closed)	Size	Total	Total YTD
	Jul-08	Aug-08	Aug-08	Aug-08	Change	YTD	(%)
					Aug-08	Aug-08	Aug-08
Extra Large	11	0	0	0	1	12	1%
Very Large	27	0	0	0	2	29	2%
Large Member	84	0	0	0	2	86	5%
Medium	248	1	0	(1)	2	250	14%
Small	811	6	1	(6)	(1)	811	46%
Very Small	341	7	0	(2)	1	347	20%
Associate	232	23	0	(4)	(7)	244	14%
TOTAL	1754	37	1	(13)	0	1779	100%

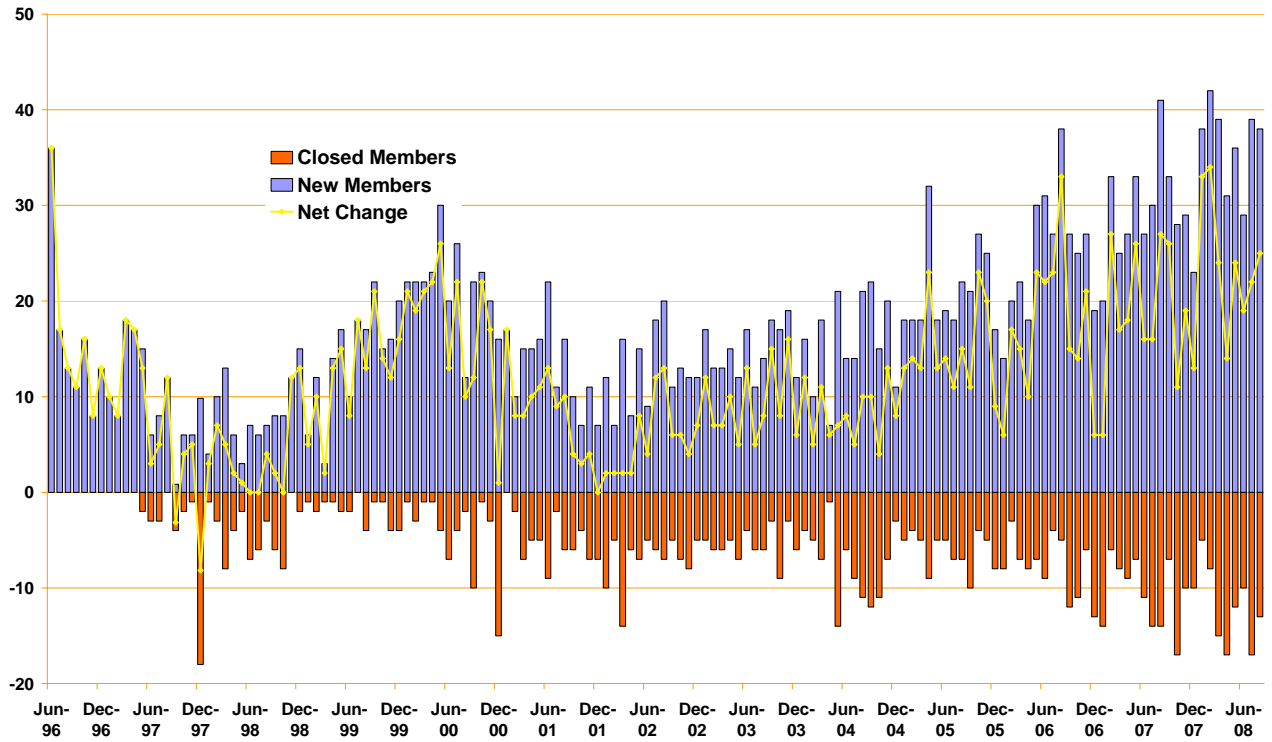
The table below compares the actual growth of membership at the end of August 2008 with the budgeted annual growth on a monthly pro-rata basis.

Membership	Actual Total EOY 2007	Actual Total YTD Aug-08	Actual Growth YTD 2008	Budgeted Total EOY 2008	Budgeted Growth EOY 2008	Budgeted Growth YTD (*)	Variation Actual vs. Budget (*)
Extra Large	9	12	3	9	0	0	3
Very Large	27	29	2	34	7	5	-3
Large Member	77	86	9	83	6	4	5
Medium	231	250	19	259	28	19	0
Small	765	811	46	894	129	86	-40
Very Small	304	347	43	405	101	67	-24
Associate	171	244	73	219	48	32	41
TOTAL	1584	1779	195	1903	319	213	-18



3.1.4 Membership Movement

The final table below provides progressive membership data for each month in 2008, which shows a steady membership growth in 2008. The graph below illustrates the monthly movements of APNIC membership since 1996.





APNIC

Monthly financial report (in AUD)

For the month ending October 2008

Asia Pacific Network Information Centre

1. Balance Sheet

Statement of Financial Position (AUD)					
	31/10/2008	% of Total Asset or Liab+Equity	% change from 31/12/2007	Year-End 2007	Year-End 2006
CURRENT ASSETS					
Cash	6,873,548	44%	3.7%	6,626,341	5,696,300
Term deposit investment	2,300,000	15%	0.0%	2,300,000	3,300,000
Receivables	1,531,851	10%	107.6%	737,859	1,474,467
Others	525,428	3%	61.3%	325,739	347,259
TOTAL CURRENT ASSETS	11,230,828	72%	12.4%	9,989,939	10,818,026
NON-CURRENT ASSETS					
Other financial assets	956,109	6%	-21.8%	1,222,666	1,148,369
Property, plant and equipment	1,643,165	11%	-1.4%	1,667,091	1,494,461
Long term deposit investment	1,700,000	11%	0.0%	1,700,000	2,000,000
TOTAL NON-CURRENT ASSETS	4,299,274	28%	-6.3%	4,589,758	4,642,830
TOTAL ASSETS	15,530,102	100%	6.5%	14,579,696	15,460,856
CURRENT LIABILITIES					
Payables	503,013	3%	-55.8%	1,139,160	1,458,382
Provisions	986,434	6%	11.1%	888,178	707,834
Unearned revenue	5,427,563	35%	42.2%	3,817,898	4,271,275
TOTAL LIABILITIES	6,917,011	45%	18.3%	5,845,236	6,437,490
EQUITY					
Share capital	1.00	0%	0.0%	1.00	1.00
Reserves other financial assets investment *	(298,777)	-2%	-429.0%	90,827	143,620
Retained earnings	8,911,866	57%	3.1%	8,643,633	8,879,745
TOTAL EQUITY	8,613,091	55%	-1.4%	8,734,461	9,023,366
TOTAL LIABILITIES & EQUITY	15,530,102	100%	6.5%	14,579,696	15,460,856

Notes:

For comparison purposes the following exchange rates apply:

- (1) ATO official monthly average rate for October 2008 is 0.7041
- (2) ATO official notes spot rate for 31 December 2007 was 0.8875 and for 31 December 2006 respectively 0.7938

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

2. Profit and Loss Statement

2.1 Expenses

This report provides the projected figures, for comparison with the 2008 budget.

EXPENSES (AUD)	Oct-08 Actual	YTD Actual	YTD %	Projected Actual 2008	Budget 2008	Projected Year End Budget Variation	Projected Budget Variation %
Bank charges	6,057	55,269	0.7%	66,323	83,573	(17,250)	-20.6%
Communication expenses	13,736	141,596	1.7%	169,915	231,783	(61,868)	-26.7%
Computer expenses	(1,559)	127,905	1.5%	153,486	162,390	(8,904)	-5.5%
Depreciation expense	55,030	527,779	6.2%	633,335	641,480	(8,145)	-1.3%
Sponsorship and Publicity expenses	11,489	159,832	1.9%	180,698	190,883	(10,185)	-5.3%
Doubtful debt expenses	0	57	0.0%	20,126	20,126	0	0.0%
ICANN contract fee	19,709	197,086	2.3%	236,503	285,000	(48,497)	-17.0%
Insurance expense	9,986	102,034	1.2%	122,441	121,526	915	0.8%
Meeting and training expense	248	153,636	1.8%	163,636	183,841	(20,205)	-11.0%
Membership fees	7,518	48,496	0.6%	58,195	69,496	(11,301)	-16.3%
Miscellaneous expenses	5	1,332	0.0%	1,598	5,534	(3,936)	-71.1%
Office operating expenses	6,797	98,116	1.2%	117,739	88,616	29,123	32.9%
Postage & delivery	1,025	31,098	0.4%	37,318	36,586	732	2.0%
Printing & photocopy	2,856	36,036	0.4%	43,244	31,526	11,718	37.2%
Professional fees	68,865	375,141	4.4%	583,128	544,172	38,956	7.2%
Recruitment expense	10,825	124,950	1.5%	144,950	90,503	54,448	60.2%
Rent and outgoings	67,698	505,797	6.0%	619,665	586,245	33,420	5.7%
Salaries and personnel expenses	675,724	4,506,121	53.1%	5,464,659	5,402,753	61,906	1.1%
Staff Training/conference expenses	6,383	116,774	1.4%	126,774	84,305	42,469	50.4%
Tax expense	0	0	0.0%	135,543	44,928	90,615	201.7%
Translation expenses	0	16,458	0.2%	21,458	73,871	(52,413)	-71.0%
Travel expenses	186,253	1,161,327	13.7%	1,461,327	1,519,033	(57,706)	-3.8%
TOTAL EXPENSES	1,148,645	8,486,842	100.0%	10,562,063	10,498,170	63,893	0.6%

Notes:

The anticipated outcome is a total expenditure level of AUD \$10.56M, compared to the original budget estimate of \$10.50M, or a 0.6% variance. Some of the major expenses variances are as follows:-

- Communication expenses – lower than budgeted due to the staff connectivity plan that has been revised and incorporated into each individual salary package.
- ICANN contract fee – when this was paid in August the exchange rate was much higher than budgeted
- Recruitment expenses – higher due to increased relocation expenses for overseas staff recruitment, and agency placement costs
- Salaries and Personnel expenses – higher due to revised salary rate to align with the market rate base on the Hays salary scale, and some organisational structure changes.
- Staff Training/ conference expenses –professional development provided to staff by through increased in-house training.

- Tax expense – increased significantly for 2008 when compared to the budget projections, employee related taxes have been moved to Salary & Wages Expenses. Tax related to Investment and Interest income has increased in line with increased in returns.
- Translation expenses – lower than budgeted due to translation activity undertaken by internal staff and a reduction in translation requirements.
- Travel expenses – lower than budgeted due to a focus on the reduction in travel activity.

2.2 Revenue

REVENUE (AUD)	Oct-08 Actual	YTD Actual	YTD %	Projected Actual 2008	Budget 2008	Projected Year End Budget Variation	Projected Budget Variation %
Interest income	66,454	650,767	7.4%	780,921	721,997	58,924	8.2%
IP Resource application fees	126,760	926,919	10.6%	1,112,303	963,960	148,343	15.4%
Membership fees	593,498	5,468,598	62.5%	6,705,907	6,732,908	(27,001)	-0.4%
Non-members fees	10,803	104,908	1.2%	125,889	198,316	(72,427)	-36.5%
Per Allocation fees	64,836	1,266,478	14.5%	1,534,774	1,912,246	(377,472)	-19.7%
Reactivation fees	0	8,876	0.1%	10,651	17,936	(7,285)	-40.6%
Sundry income	1,701	254,756	2.9%	255,756	214,885	40,871	19.0%
Foreign Exchange gain/(loss)	54,540	73,774	0.8%	69,064	0	69,064	0.0%
TOTAL REVENUE	918,592	8,755,075	100.0%	10,595,265	10,762,248	(166,983)	-1.6%

Notes:

The projected revenue for 2008 is lower than budgeted due to significantly lower levels of address allocations in the per-allocation area.

2.3 Operating Profit/ Loss

Revenue and Expenses (AUD)	Oct-08 Actual	YTD Actual	YTD %	Projected Actual 2008	Budget 2008	Projected Year End Budget Variation	Projected Budget Variation %
Total Revenue	918,592	8,755,075	100%	10,595,265	10,762,248	(166,983)	-1.6%
Total Expenses	1,148,645	8,486,842	100%	10,562,063	10,498,170	63,893	0.6%
OPERATING PROFIT/ (LOSS)	(230,053)	268,233		33,202	264,077		

Note: Accounts are projected based on the following:-

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

3. Membership

3.1 Membership statistics

At the end of October 2008, APNIC had a total of 1,836 members serving 51 economies. There is net growth of 252 members, with 380 new members whilst 128 member accounts have been closed. The majority of the closures are due to members that are either non contactable, or transfer/ merger accounts.

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 44% of APNIC members are included in the Small membership tier.

Membership	Total	New	(Closed)	Size	Total	Total YTD
	Sep-08	Oct-08	Oct-08	Change	YTD	(%)
				Oct-08	Oct-08	Oct-08
Extra Large	12	0	0	0	12	1%
Very Large	29	0	0	1	30	2%
Large Member	88	0	(1)	2	89	5%
Medium	247	0	0	5	252	14%
Small	814	2	(7)	2	811	44%
Very Small	344	9	0	0	353	19%
Associate	268	34	(3)	(10)	289	16%
TOTAL	1802	45	(11)	0	1836	100%

The table below compares the actual growth of membership at the end of October 2008 with the budgeted annual growth on a monthly pro-rata basis.

Membership	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted	Variation
	Total	Total	Growth	Total	Growth	Growth	Actual vs.
	EOY	YTD	YTD	EOY	EOY	YTD	Budget
	2007	Oct-08	2008	2008	2008	(*)	(*)
Extra Large	9	12	3	9	0	0	3
Very Large	27	30	3	34	7	6	-3
Large Member	77	89	12	83	6	5	7
Medium	231	252	21	259	28	23	-2
Small	765	811	46	894	129	108	-62
Very Small	304	353	49	405	101	84	-35
Associate	171	289	118	219	48	40	78
TOTAL	1584	1836	252	1903	319	266	-14

3.1.2 Membership Movement

The graph below illustrates the monthly movements of APNIC membership since 1996. October 2008 represents the highest number of new members achieved to date.

