

Detailed Operational Budgets – 2014

REVENUE

Membership fees

Revenue derived from membership fees continues to be the major single source of revenue. The 2014 budgets recognize such facts and emphasizes the importance of increase in membership volume for the year. With no revision in fee structure envisaged during the coming 12 months, the revenue profile assumes a steady growth in membership base coupled with increase allocation requests resulting from the impending exhaustion of IPv4 resources. 2013 saw a revision of fee structure for End Sites which will have a gradual impact on fees income. In addition, various measures put in place in 2013 with a view to improve turnaround of resources requests are beginning to bear fruits. The 2014 membership base is expected to grow by 28%. Every effort will be made to ensure that closures are kept to a minimum and at the same time to explore other means of exploiting potential fee revenue related income. The following table shows the fees revenue profile for the 2014 budget year:

	Existing Members		New Members			Total
	No	Fees ONLY	No	SetUP	Fees	
LIR - Extra Small	354	\$489,300	125	\$218,750	\$129,850	\$837,900
LIR - Very Small	208	\$448,800	40	\$80,000	\$66,550	\$595,350
LIR - Small	109	\$656,000	7	\$17,500	\$20,800	\$694,300
LIR - Medium	55	\$691,200	4	\$16,000	\$25,600	\$732,800
LIR - Large	12	\$258,750	0	\$0	\$0	\$258,750
LIR - Very Large	16	\$480,000	0	\$0	\$0	\$480,000
End Sites - Micro	40	\$8,000	30	\$75,000	\$4,000	\$87,000
End Sites - Mini	20	\$6,000	20	\$54,000	\$2,333	\$62,333
End Sites - Extra Small	5	\$2,000	4	\$12,000	\$367	\$14,367
End Sites - ASN	10	\$500	5	\$2,000	\$583	\$3,083
	829	\$3,040,550	235	\$475,250	\$250,083	\$3,765,883

Member only - Associate			10	\$0	\$5,000	\$5,000
Member only - Small			10	\$0	\$10,000	\$10,000
Member only - Large			10	\$0	\$25,000	\$25,000
	0	\$0	30	\$0	\$40,000	\$40,000

Provision for Early settlement discount						-\$5,000
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Late Payment Penalty						\$100,000
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NET FEE REVENUE

\$3,900,883

To be consistent with previous years' budgets assumptions, the Fees Revenue budget takes cognizance of the trend experienced in the past few years and takes into account the various improvements which have been implemented since last year. A net growth of 28% (of billable members) for the year 2014 is viewed as conservative and achievable. Once again, the Extra Small category is expected to benefit from this growth. It is also anticipated that there will be an increase in members requesting additional resources. However, the impact on Revenue will only be recognised in 2015, unless a change in approach is adopted. A similar pattern has been applied when estimating the entry point of new members as follows:

Quarter 1 - 40% **Quarter 2 - 30%**
Quarter 3 - 20% **Quarter 4 - 10%**

The 2014 budget assumes the full implementation of the new category – Associate Members. US\$ 40 000 is expected to be derived from this new category.

Included in the Fees Revenue is an amount of US\$ 100 000 representing Late Payment Penalty which will be charged to members who pays their fees after the due date; 31 January. Communications have already been sent to that effect and from last years' experience this charge has proven to be both effective in accelerating collections.

Other Revenues

Includes all other income generated which are not fees or fees related. The following is the makeup of income which have been classified as Other:

OTHER REVENUE	
<i>Events Related sponsorships:</i>	
AFRINIC Internet Summit	\$50,000
AFRINIC 21	\$70,000
<i>Projects Related sponsorships:</i>	
IPv6	\$10,000
Training - Recovery	\$80,000
<i>Other:</i>	
OIF - frais de Gestions	\$15,000
	\$225,000
Bank Interests Receivable	\$30,000
TOTAL OTHER REVENUE	\$255,000

They represent sponsorships/grants from regional partners supporting our events and projects through financial support. There will be an increasing effort to maximise on this form of partnership as it is a way of fostering community engagement and participation in AFRINIC activities and mission.

EXPENDITURES

Operating Expenditure:

The 2014 Operating costs budgets have been constructed around the various activity plans as set up by individual operating units with the main focus on service excellence. The guiding force is centred around the completion of various projects which was started in 2013 with a view to improve on services level to members. The following table shows an itemised breakdown of the 2014 expenditure budgets together with comparatives:

	BUDGETS 2014 vs			
	2014 BUDGETS	2013 BUDGETS	2013	Forecasted Performance
Administrative expenses	US\$	US\$	%	%
HR	\$2,442,772	\$2,204,391	11%	31%
Telephone & Communications	\$61,864	\$49,897	24%	70%
Computer expenses	\$19,217	\$3,333	477%	2802%
Office Expenses	\$248,812	\$222,159	12%	5%
Motor vehicle expenses	\$4,300	\$3,000	43%	-15%
Insurance	\$11,600	\$10,200	14%	84%
Printing, postage & stationery	\$15,003	\$9,245	62%	9%
Bank charges	\$25,000	\$23,333	7%	-21%
Professional Fees	\$15,720	\$13,867	13%	42%
Depreciation	\$215,000	\$161,520	33%	33%
Consultancy Fees	\$63,767	\$61,567	4%	2%
Total Administrative expenses	\$3,123,056	\$2,762,512	13%	29%
Distribution expenses	US\$	US\$	%	%
Marketing & Comms expenses	\$35,918	\$38,408	-6%	80%
Bad debts	\$20,000	\$20,000	0%	-57%
Meeting expenses	\$190,000	\$190,800	0%	90%
Members Training	\$100,000	\$105,000	-5%	67%
Travelling expenses	\$410,000	\$345,000	19%	12%
Research & Development	\$50,000	\$32,000	56%	
Entertainment	\$0	\$3,333		
IPv6 outreach Program	\$25,000	\$0		
Contribution	\$98,000	\$97,500	1%	-10%
Remote Sites Operations Costs	\$2,340	\$6,750	-65%	1%
Total Distribution expenses	\$931,258	\$838,791	11%	33%
Total Operating expenses	\$4,054,314	\$3,601,303	13%	29%

COMMENTS ON OPERATING COSTS BUDGETS

The 2014 operating costs budget was prepared along a very conservative line with all costs being kept to a minimum. The 2012 operating results having recorded a deficit, the year 2013 was focussed on realigning the bottom line back to a positive number. The spirit behind the 2014 budgets is reposition AFRINIC on track with regards to its future results and continue with the reserves build up. Total operating expenses is expected to be 13% more than the 2013 budgets. Major area of increase are staff costs (11%), Depreciation (33%) and Travel (19%). Staff costs is set to grow marginally by 11% with more emphasis on staff training and development. The ongoing investment in infrastructure refresh will be reflected in the increased depreciation line. AFRINIC assumes the responsibility of the chairmanship of the NRO for the year 2014. Inevitably, the responsibility comes with a fair amount of presence and participation at international Forum which will impact the 2014 Travel budget. In addition, a new line item has been introduced to cover Research & Development of new initiatives. The IPv6 outreach program is also being accelerated and is reflected in the costs. It is to be noted that LIR Training will take a different approach in 2014. It is expected that 80% of our members Training expenses will be recovered by way of sponsorships and/or payment by participants. The Members Training costs reflected under the operating expenses is the total amount and the 80% recovery has been treated as other Revenue as above.

CORE OPERATIONS COSTS

The following table reflects the operating costs of AFRINIC core functions. A full costs absorption model has been adapted whereby operating costs of all internal service units are fully absorbed into the core functions by applying a percentage:

	US\$	%
Registration Service	2,118,620	54%
Community Outreach	67,397	2%
Policy Development	373,913	9%
Training	474,347	12%
IPv6 Outreach	395,600	10%
Administration	514,434	13%
	3,944,312	100%

Our core function remains, by far, our Registration and related Members Services absorbing 54% of total operating costs.

BUDGETED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	As at 31 December 2014	
	Rs	US\$
ASSETS		
Non-current assets		
Plant and equipment	20,057,939	\$668,598
Intangible assets	1,773,334	\$59,111
	<u>21,831,273</u>	<u>\$727,709</u>
Current assets		
Trade receivables and other assets	6,215,199	\$207,173
Cash and cash equivalents	32,478,141	\$1,082,605
	<u>38,693,340</u>	<u>\$1,289,778</u>
Total assets	<u>60,524,613</u>	<u>\$2,017,487</u>
RESERVES AND LIABILITIES		
Revenue reserve	473,611	\$15,787
Other reserve	39,693,750	\$1,323,125
Net assets attributable to members	<u>40,167,361</u>	<u>\$1,338,912</u>
Non current liabilities		
Finance lease obligations	636,412	\$21,214
Current liabilities		
Finance lease obligations	253,122	\$8,437
Trade and other payables	19,467,718	\$648,924
	<u>19,720,840</u>	<u>\$657,361</u>
Total reserves and liabilities	<u>60,524,613</u>	<u>\$2,017,487</u>

BUDGETED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Year Ended 31 December 2014	
	Rs	US\$
Income	<u>122,476,500</u>	<u>\$4,082,550</u>
Distribution expenses	(27,898,525)	-\$929,951
Administrative expenses	<u>(93,616,673)</u>	<u>-\$3,120,556</u>
	<u>(121,515,198)</u>	<u>-\$4,050,507</u>
Surplus of income over expenditure	961,302	\$32,043
Finance revenue	2,200,000	\$73,333
Finance cost	(114,215)	-\$3,807
Surplus for the period	<u>3,047,087</u>	<u>\$101,570</u>