



**ASIA PACIFIC
INTERNET
DEVELOPMENT
TRUST**

APIDT BUDGET 2023

APRIL 2023

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NOTE: All dollar values in this document are denoted in USD

APIDT Budget 2023

The APIDT budget incorporates the consolidated budget for APIDTT PTY LTD ATF for Asia Pacific Internet Development Trust and APIDT Infrastructure PTY LTD. ARENA-PAC Research has been incorporated in Japan and the projected expenses related to this entity are also included in the 2023 Budget expenses.

Funding activities include investment in infrastructure to support ARENA-PAC projects in the region and funding for Grant projects to be implemented by the APNIC Foundation.

Expenses include all budgeted expenses related to the operations of APIDT.

Income is generated from investment distributions, interest income, dividends and increases in the market value of the funds invested.

APIDT entered into an agreement to purchase a commercial property with the purchase being finalised at end of March 2022. The agreement included a lease-back to the previous owner until the end of the 2022 which was extended until mid-March 2023.

Funding Activities 2023

APIDT Infrastructure

ARENA-PAC Tokyo – Guam

A 15-year IRU agreement was signed in January 2021 to provide connectivity between Tokyo and Guam. The outlay for this link included ongoing OA&M charges over 15 years, and Colocation licensed space charges. The circuit was active from April 2022. The IRU upfront investments in IRU agreements are amortised over the life span of the IRU agreement.

ARENA-PAC Guam – Singapore

As part of a consortium, a 15-year IRU agreement was signed to provide connectivity between Guam and Singapore. The outlay for this link includes an IRU Fee (one-time) with ongoing OA&M charges over 15 years, APIDT contributes 25% towards the cost of these fees. This link went live in January 2022, after a cut to the cable in December delayed the links availability.

ARENA-PAC Guam – Indonesia

A 15-year IRU agreement was signed in September 2022 to provide connectivity between Guam and Malang in Indonesia with 50% of the IRU Fee (one-time) due upon signing. The remaining balance of 50% along with ongoing the OA&M charges will be incurred in 2023 when the link is accepted.

ARENA-PAC Guam – Philippines

A 15-year IRU agreement was signed in January 2023 to provide connectivity between Guam and Quezon City in the Philippines. The outlay for this link includes an IRU Fee (one-time) with ongoing OA&M charges over 15 years.

ARENA-PAC Research Japan Office (\$1,076,462)

The budget includes provisions for operation and equipment cost for the local service company in Japan to support APIDT Infrastructure and ARENA-PAC activities.

ARENA-PAC Equipment

A purchase order for equipment to support connectivity in Tokyo, Guam, Indonesia, and the Philippines was placed in December 2021, with deliveries completed in 2022. As this equipment is progressively rolled out, insurance for this equipment will also be arranged.

APNIC Foundation

APIDT has budgeted to fund projects totalling \$12,614,620 to be implemented by the APNIC Foundation in 2023 with the first tranche of funding completed in March 2023. Interim reports on the progress of each project are due in mid 2023, with final reports due in January 2024. The 2023 grants request includes the following continuing projects:

| Project | Budget 2023 USD |
|--|------------------------|
| APNIC Academy Platform and Curriculum Development | \$1,021,545 |
| Training Delivery & Community Trainers | \$1,223,439 |
| Curriculum Development for non-technical Audiences | \$55,214 |
| Cybersecurity: Honeynet and threat sharing | \$53,130 |
| M-Root Deployment | \$725,840 |
| Research and Internet Measurement | \$200,000 |
| ISIF Asia (incl. IPv6) | \$2,718,546 |
| Foundation Grants | \$303,107 |
| SWITCH! | \$1,385,946 |
| Mentoring Network – Afghanistan | \$185,572 |
| Trust Discretionary Funds | \$250,000 |
| AI3 & SOI Asia | \$2,846,896 |
| Overhead | \$1,645,385 |
| Total | \$12,614,620 |

Income 2023

Investment Income (\$17,778,584)

The 2023 Budget assumes an annual return of 5% (after Investment Management Fees) from the APIDT Investment portfolio. The development of the formal investment policy and the allocation of Investment funds was finalised and approved by the APIDT Board in September 2022. The funds are currently invested in line with the transition plan to the revised Strategic Asset Allocations outlined in the investment policy statement.

At the beginning of January 2023, the Investment Fund was valued at \$354,186,715.

Other Income

A variation to the lease with current tenant was finalised in December giving them a commercial rate lease up to 31 March 2023 of \$90,919. This income will be offset by property outgoings including council rates, utilities, where the budget includes a provision of \$185,577.

Expenses 2023

Funding Expenses 2023

Grants - APNIC Foundation (\$12,614,620)

Funding for APNIC Foundation continuing projects during 2023.

APIDT Infrastructure (\$971,396)

IRU Operating & Management Fees

Fees incurred for the ongoing operations and management pursuant to the long term IRU agreements.

IRU Amortisation of Investments

Upfront investments relating to IRU agreements are treated as investments in APIDT Infrastructure and are amortised over the life of each agreement.

ARENA-PAC Research Japan (\$399,538)

APIDT will fund the new service company in Tokyo to undertake ARENA-PAC Research activities during 2023 on a cost recovery basis. Funds will be provided up front based on an approved budget, to be reconciled at the end of the calendar year.

ARENA-PAC Equipment Depreciation (\$360,718)

The equipment purchased by APIDT Infrastructure in 2022 to be installed in Tokyo, Guam, Malang, and Quezon City, along with proposed equipment purchases for ARENA-PAC Research has a depreciation life of 4 years.

Operating Expenses 2023

Accounting Fees (\$115,080)

APIDT has engaged Ernst & Young Australia to provide a full range of accounting and payroll services. KPMG have been appointed as APIDT auditors.

Staffing & Professional Fees (\$438,145)

The 2023 budget for staffing includes 0.8 FTE allocation of the CFO role and the role of Financial Controller at 0.6 FTE from February 2023. The role of Internet Development Project Lead is planned for 2023. The increase in staffing resources reflects the ongoing increase in APIDT's activities and the need for redundancy for key operational activities.

A provision has been made for professional fees in 2023, this is expected to be used to support professional advice to support the ARENA-PAC initiatives and APIDT Operations.

Insurance Expenses (\$34,037)

APIDT undertakes insurances including Management Liability, Public Liability, and Travel Insurances for all entities, i.e., APIDTT, APIDT Infrastructure and ARENA-PAC Research. Equipment insurance is in place to cover the assets as they are installed to support the ARENA-PAC network. Property Insurance is now in place for the APIDT property.

Legal Fees (\$105,000)

APIDT maintains the services of a legal counsel on a retainer basis and engages expert legal advisors as required to support its operations and initiatives. The provision includes an allowance for the engagement of specialist legal advisors as required.

Travel Expenses (\$150,000)

The budget for 2023 includes a provision for travel expenses during 2023, this includes travel for APIDT Directors, Staff, Consultants, and Investment Advisory Committee Members.

Investment Management Fees (\$972,241)

Commencing at the end of April 2021, APIDT engaged the services of investment managers to manage its investment portfolio. For budgeting purposes in 2023, it is assumed that the current arrangements for the management of the funds will remain unchanged from 2022.

Membership Fees (\$2,226)

APIDT and APIDT Infrastructure is a member of APNIC and pays annual membership fees based on the IP resource holdings at their APNIC membership anniversary date.

Other operating Expenses (\$25,000)

This budget includes a provision for other minor expenses.

Capital Expenditure 2023

APIDT Building Project

The purchase of a development site at 56 Breakfast Creek Road, Newstead, Brisbane was completed at the end of March 2022. APIDT engaged architects and other consultants to design a commercial building where APNIC and APNIC Foundation would be anchor tenants on a long-term lease basis. Design and application costs will be incurred and capitalised during 2023, with construction activity and costs being incurred over 2024 and 2025.

During 2023 there is a provision for holding costs including Rates & Taxes, Insurance, and Security that will be incurred. Some of those costs will be offset by the extension of the lease for the previous owner. The application for APIDT to be recognised as a Charitable institution by local authorities will be lodged during 2023, and rebates for Land Tax and Stamp duty are expected to be received if granted.

Appendices

Funding Activities 2023

| Funding Activities | | Actual 2022 USD | Budget 2022 USD | 2022 Var to Budget | % Variance | Draft Budget 2023 USD | Change to 2022 % |
|--|--|-------------------|-------------------|--------------------|-----------------|-----------------------|------------------|
| APIDT INFRASTRUCTURE | | | | | | | |
| ARENA-PAC IRU Agreements | Upfront | 1,936,697 | 5,212,285 | (3,275,588) | (62.84%) | 3,165,000 | 63.42% |
| | Ongoing | 155,604 | 325,801 | (170,197) | (52.24%) | 560,640 | 260.30% |
| | Total | 2,092,302 | 5,538,087 | (3,445,785) | (62.22%) | 3,725,640 | 78.06% |
| ARENA-PAC Research Operations and Equipment | Upfront | 986,258 | 1,300,000 | (313,742) | (24.13%) | 676,923 | (31.36%) |
| | ARENA-PAC Operating Expenses | - | - | - | | 399,538 | n/a |
| Total APIDT Infrastructure | Total | 986,258 | 1,300,000 | (313,742) | (24.13%) | 1,076,462 | 9.15% |
| Total ARENA-PAC | One-Time charges | 2,922,955 | 6,512,285 | (3,589,330) | (55.12%) | 3,841,923 | 31.44% |
| | Ongoing fees | 155,604 | 325,801 | (170,197) | (52.24%) | 960,178 | 517.06% |
| | Total | 3,078,560 | 6,838,087 | (3,759,527) | (54.98%) | 4,802,101 | 55.99% |
| <i>* Upfront costs of IRU to be amortised over the life of the agreement</i> | | | | | | | |
| APNIC FOUNDATION GRANTS | | | | | | | |
| | APNIC Academy Platform and Curriculum Development | 523,229 | 1,170,000 | (646,771) | (55.28%) | 1,021,545 | 95.24% |
| | Training delivery & Community Trainers | 1,044,163 | 1,378,000 | (333,837) | (24.23%) | 1,223,439 | 17.17% |
| | Curriculum Development for non-technical Audiences | 69,190 | - | 69,190 | | 55,214 | (20.20%) |
| | Cybersecurity: Honeynet and threat sharing | 44,428 | 57,000 | (12,572) | (22.06%) | 53,130 | 19.59% |
| | M-Root Deployment | 318,510 | 1,366,000 | (1,047,490) | (76.68%) | 725,840 | 127.89% |
| | Research and Internet Measurement | 165,387 | 250,000 | (84,613) | (33.85%) | 200,000 | 20.93% |
| | ISIF Asia (incl. IPv6) | 2,353,493 | 2,748,000 | (394,507) | (14.36%) | 2,718,546 | 15.51% |
| | Foundation Grants | 187,700 | 250,000 | (62,300) | (24.92%) | 303,107 | 61.48% |
| | SWITCH! | 873,733 | 1,096,080 | (222,347) | (20.29%) | 1,385,946 | 58.62% |
| | Mentoring Network – Afghanistan | 159,440 | 240,000 | (80,560) | (33.57%) | 185,572 | 16.39% |
| | Trust Discretionary Funds | 79,474 | 250,000 | (170,526) | (68.21%) | 250,000 | 214.57% |
| | AI3 & SOI Asia | 1,874,664 | 3,782,267 | (1,907,603) | (50.44%) | 2,846,896 | 51.86% |
| | Underspend Previous Year (Credit Note) | (224,405) | | (224,405) | | | (100.00%) |
| | Overhead | 1,170,221 | 1,770,256 | (600,035) | (33.90%) | 1,645,385 | 40.60% |
| Total Foundation Grants | | 8,639,227 | 14,357,603 | (5,718,376) | (39.83%) | 12,614,620 | 46.02% |
| Total Funding Activities | | 11,717,787 | 21,195,690 | (9,477,903) | (44.72%) | 17,416,721 | 48.63% |

Budget Income Statement 2023

| Income | | Actual 2022 USD | Budget 2022 USD | 2022 Var to Budget | % Variance | Budget 2023 USD | Change to 2022 % |
|---|------------------------------------|--------------------|---------------------|-----------------------|-----------------|---------------------|------------------|
| Investment Income | Interest Income | \$91,652 | \$85,385 | \$6,267 | 7.34% | \$693,264 | 656.41% |
| | Investment Dividend Income | \$2,387,274 | \$3,071,200 | (\$683,926) | (22.27%) | \$2,400,000 | 0.53% |
| | Gain from Market Value Adjustments | | \$18,710,744 | (\$18,710,744) | (100.00%) | \$15,657,561 | n/a |
| | Unrealised Foreign Currency Gains | | | | | | |
| | Realised Foreign Currency Gains | \$315,837 | | \$315,837 | | | |
| | Less: Investment Management Fees | (\$1,008,938) | (\$1,131,069) | \$122,131 | (10.80%) | (\$972,241) | (3.64%) |
| | Less: Interest paid | (\$961) | | (\$961) | | | |
| Total Investment Income after fees | | \$1,784,864 | \$20,736,260 | (\$18,951,396) | (91.39%) | \$17,778,584 | 896.07% |
| Other Income | Leasing Income 56 BCR | | | | | \$90,919 | n/a |
| | Less: Property Outgoings | | | | | (\$185,577) | n/a |
| | Outgoings Recovery Income | \$97,694 | | \$97,694 | | | |
| | Other Income | \$7 | | \$7 | | | |
| Total Other Income | | \$97,701 | | \$97,701 | | (\$94,657) | (196.88%) |
| Total Income | | \$1,882,565 | \$20,736,260 | (\$18,853,695) | (90.92%) | \$17,683,926 | 839.35% |

| Expenses | | Actual 2022 USD | Budget 2022 USD | 2022 Var to Budget | % Variance | Budget 2023 USD | Change to 2022 % |
|---|--|--------------------|---------------------|----------------------|-----------------|---------------------|------------------|
| Funding Expenses | Grants - APNIC Foundation | \$8,639,227 | \$14,357,603 | (\$5,718,376) | (39.83%) | \$12,614,620 | 46.02% |
| | APIDT Infrastructure - IRU Operating & Management Fees | \$155,604 | \$325,801 | (\$170,197) | (52.24%) | \$560,640 | 260.30% |
| | APIDT Infrastructure - IRU Amortisation of Investments | \$159,967 | \$736,544 | (\$576,576) | (78.28%) | \$410,756 | 156.77% |
| | ARENA-PAC Operating Expenses | | | | | \$399,538 | n/a |
| | Depreciation Expenses - ARENA PAC Equipment | \$34,379 | \$243,750 | (\$209,371) | (85.90%) | \$360,718 | 949.24% |
| Total Funding Expenses | | \$8,989,178 | \$15,663,698 | (\$6,674,521) | (42.61%) | \$14,346,271 | 59.59% |
| Operating Expenses | Accounting Fees | \$90,835 | \$107,663 | (\$16,828) | (15.63%) | \$115,080 | 26.69% |
| | Staffing & Professional Fees | \$194,174 | \$287,342 | (\$93,168) | (32.42%) | \$438,145 | 125.65% |
| | Insurance Expenses | \$23,202 | \$15,205 | \$7,997 | 52.60% | \$34,037 | 46.70% |
| | Legal Fees | \$94,320 | \$106,950 | (\$12,630) | (11.81%) | \$105,000 | 11.32% |
| | Travel Expenses | \$59,672 | \$150,000 | (\$90,328) | (60.22%) | \$150,000 | 151.37% |
| | Membership Fees | \$8,483 | \$8,244 | \$239 | 2.90% | \$2,226 | (73.76%) |
| | Depreciation | | \$1,500 | (\$1,500) | (100.00%) | \$3,176 | n/a |
| | Other Operating Expenses | \$22,951 | \$25,000 | (\$2,049) | (8.20%) | \$25,000 | 8.93% |
| Total Operating Expenses | | \$493,638 | \$701,904 | (\$208,266) | (29.67%) | \$872,663 | 76.78% |
| Total Funding and Operating Expenses | | \$9,482,816 | \$16,365,603 | (\$6,882,787) | (42.06%) | \$15,218,935 | 60.49% |

| | | | | | | | |
|---|--|----------------------|--------------------|-----------------------|------------------|--------------------|------------------|
| Surplus/(Deficit) - Investing, Funding and Operating | | (\$7,600,251) | \$4,370,658 | (\$11,970,908) | (273.89%) | \$2,464,991 | (132.43%) |
|---|--|----------------------|--------------------|-----------------------|------------------|--------------------|------------------|

| Other Expenses | | Actual 2022 USD | Budget 2022 USD | 2022 Var to Budget | % Variance | Budget 2023 USD | Change to 2022 % |
|-----------------------------|------------------------------------|---------------------|---------------------|---------------------|----------------|---------------------|------------------|
| | Loss from market value adjustment | | | | | | n/a |
| | Unrealised Foreign Currency Loss | \$2,933 | | \$2,933 | 100.00% | | -100.00% |
| | Realised Foreign Currency Loss | | | | 100.00% | | n/a |
| | Loss on Sale of Intangible Asset | | | | 100.00% | | n/a |
| | Loss from Market Value Adjustments | \$52,495,221 | | \$52,495,221 | 100.00% | | -100.00% |
| | Direct recoverable expenses | \$98,703 | | \$98,703 | 100.00% | | -100.00% |
| Total Other Expenses | | \$52,596,857 | | \$52,596,857 | 100.00% | | -100.00% |
| Total Expenses | | \$62,079,673 | \$16,365,603 | \$45,714,070 | 279.33% | \$15,218,935 | -75.48% |

| | | | | | | | |
|--------------------------|--|-----------------------|--------------------|-----------------------|-------------------|--------------------|-----------------|
| Surplus/(Deficit) | | (\$60,197,108) | \$4,370,658 | (\$64,567,765) | (1477.30%) | \$2,464,991 | -104.09% |
|--------------------------|--|-----------------------|--------------------|-----------------------|-------------------|--------------------|-----------------|