

AFRINIC 2014 FINANCIALS

Presented: November 2015

Pointe Noir

Introduction

- The following report highlights key aspects of the financial statements
- It is the opinion of the board of directors that what is contained in this presentation is an accurate reflection of the truth, and strives towards total transparency.

Key points outside the numbers

- On page 1 of the financial statement, the directors are listed. It has been noted that there were 10 directors on the list rather than 9. This has since been rectified Mr. Padayatchy is no longer registered as a director.
- On Page 10, Paragraph 1, as already addressed by the board on the members list, the company as of the 31st of December had a sole legal member. The process to rectify this is currently in motion.

The financial position as of 31/12/2014 (1)

- On Page 9 cash and cash equivalent were stated as \$1,025,147 USD, an increase of \$137,577 from 2013.
- Of the \$1,025,147:
 - \$489,853 was advanced fee receipts – this money was only available to spend as invoices became due on the 1st of January 2015.
 - \$150,367 was ring fenced for the FIRE project – supplied and to be used entirely for that purpose.
 - \$59,554 belonged to AFTLD and was simply held by AfriNIC under an MoU
 - \$325,373 was AfriNIC's own money available to be spent on general operations, this is an increase of \$117,025 from 2013

The financial position as of 31/12/2014 (2)

- The information on the previous slide was drawn from Note 7 on Page 20 of the financial report.

7. CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>
	USD	USD
Cash at bank	1,019,140	885,617
Cash in hand	<u>6,007</u>	<u>1,953</u>
Cash at bank and on hand	<u><u>1,025,147</u></u>	<u><u>887,570</u></u>

The Company maintains a number of bank accounts (e.g.operations account, suppliers account, Fire Project) to manage its daily operations. The balance of USD 1,025,147 consists of the following balances:

	<u>2014</u>	<u>2013</u>
<i>Own Cash Holding</i>	325,373	208,348
<i>Fees received in Advance</i>	489,853	456,595
<i>Cash Held - Projects/Other</i>		
<i>FIRE</i>	150,367	186,544
<i>AfTLD</i>	<u>59,554</u>	<u>36,083</u>
	<u><u>1,025,147</u></u>	<u><u>887,570</u></u>

The call deposit, denominated in MUR 6,000,000, bears an interest at floating rate of 4.85% - 4.9% p.a and has a maturity of six months.

Income and expense Breakdown (1)

- AfriNIC received a total of \$344,374 from grants, sponsorship and other income unrelated to the fees (Note 11, Page 21)
- The fee income for the year was \$3,559,660, an increase of approximately 14% from 2013.

11. INCOME

	<u>2014</u>	<u>2013</u>
	USD	USD
Members fees	3,559,660	3,113,095
Grants	254,093	111,450
Other income	90,281	219,400
	<u>3,904,034</u>	<u>3,443,945</u>

- Member fees are income receive from members for subscription to service, initial setup fees, penalties on late payments, reconnection fees among others.
- Grants are income received from sponsorships.
- Other income relates to donations and gifts received during the year.

Income and expense Breakdown (2)

- Our total combined administration and distribution expenses amounted to \$3,883,469, an increase of around 9.9% from 2013.

13. DISTRIBUTION EXPENSES

Distribution expenses include the following:

	<u>2014</u>	<u>2013</u>
	USD	USD
Meeting expenses	294,180	99,784
Bad debts	92,963	48,636
Travelling expenses	529,678	506,220
Contribution	118,578	145,556
Others	45,781	52,160
	<u>1,081,180</u>	<u>852,356</u>

14. ADMINISTRATION EXPENSES

Administrative expenses include the following:

	<u>2014</u>	<u>2013</u>
	USD	USD
Staff and other related costs	2,108,768	2,015,267
Office expenses	235,222	248,037
Depreciation and amortization	185,665	190,227
Others	273,214	227,639
	<u>2,802,869</u>	<u>2,681,170</u>

Income and expense Breakdown (3)

- Our fees were effectively \$323,809 below what was necessary to cover our expenses, and this was made up through grants and sponsorship
- The above was derived by deducting administration expense (\$2,802,869) and distribution expense (\$1,081,180) from fees income (\$3,559,660)

Income and expense Breakdown (4)

- FOREX gains dropped to \$26,317 – a decrease of \$133,378 from 2013
- A surplus for the year of \$50,765 was recorded, of which \$30,780 was generated through FOREX and bank interest gains.

16. FINANCE INCOME AND COST

	2014	2013
	USD	USD
Finance income		
Bank interest receivable	5,582	2,426
Net foreign exchange gain	26,317	159,695
	<u>31,899</u>	<u>162,121</u>
Finance cost		
Finance charges payable under finance lease	(1,119)	(3,578)
	<u>30,780</u>	<u>158,543</u>

Net foreign exchange gain is the result of foreign transactions translated into the functional currency, and also as a result of converting opening balances into the new functional currency adopted in 2014.

More Details on the expenses (1)

- Expenses are broken down into administration expenses and distribution expenses. Administration expenses refer to HR costs and Office costs, everything else is considered a distribution expense.
- Expense Movements:
 - Bad debt rose to \$92,963 from \$48,636 - an increase of \$44,327
 - Travel costs rose to \$529,678 – an increase of 4.6%
 - Meeting expenses rose to \$294,180 from \$99,784 – an increase of \$194,396
 - Contribution expenses decreased to \$118,578 – a decrease of 22%
 - Staff and related costs increased to \$2,108,768 - an increase of 4.6%
 - Office expenses decreased to \$235,222, a decrease of 5.4%
 - Depreciation (non-cash expense) increased to \$185,665 – an increase of 10.3%

Travel Expense Explanation

- While not included in the financial statements, the board felt it was important to clarify the increase in travel expenses
- The below was received from internal management and is not in the official audit report.

Meeting Expenses		
	2014	2013
Conference Packages	\$197,401.00	\$58,036.00
Cocktails & Socials	\$39,249.00	\$881.00
Translations	\$16,150.00	\$6,760.00
Live Streamings	\$24,865.00	\$26,013.00
Give Aways & logistics	\$16,464.00	\$8,095.00
	\$294,129.00	\$99,785.00

Contribution Expenses

- As noted, AfriNIC contributed \$118,573 to external parties, the following is the breakdown received from internal management, and is not found in the official financial statements.
 - \$36,265 – AfriNIC share of NRO contribution to ICANN
 - \$20,000 – AfriNIC share of NRO expenses
 - \$30,000 – AfriNIC contribution to the FIRE project
 - \$5,000 – Regional IGF contribution
 - \$22,186 – AfriNIC's fellowship program
 - \$5,000 – Contribution to ISOC

Some notes on payment performance

- Bad Debt only references money that has actually been written off – however it is related to bad payment performance in general.
- As of the 2nd of September 2015, only 67.12% of our membership base was in good standing, this is significantly contributing to the financial position of the company and has to be addressed.

Auditor Recommendation

- AFRINIC enlisted the services of Ernest and Young for seven years
- A decision was taken to move to KPMG for the 2014 Audit
- It is the view of the audit committee that KPMG did not perform, resulting in the delays we have seen with the financials.
- Due to the above factors, the Board recommends that we change the current auditor.
- Utilising the pre-2014 evaluation matrix that was performed, the Board recommends the appointment of PricewaterhouseCoopers for the audit of the 2015 financial year.

THANK YOU

- Questions?