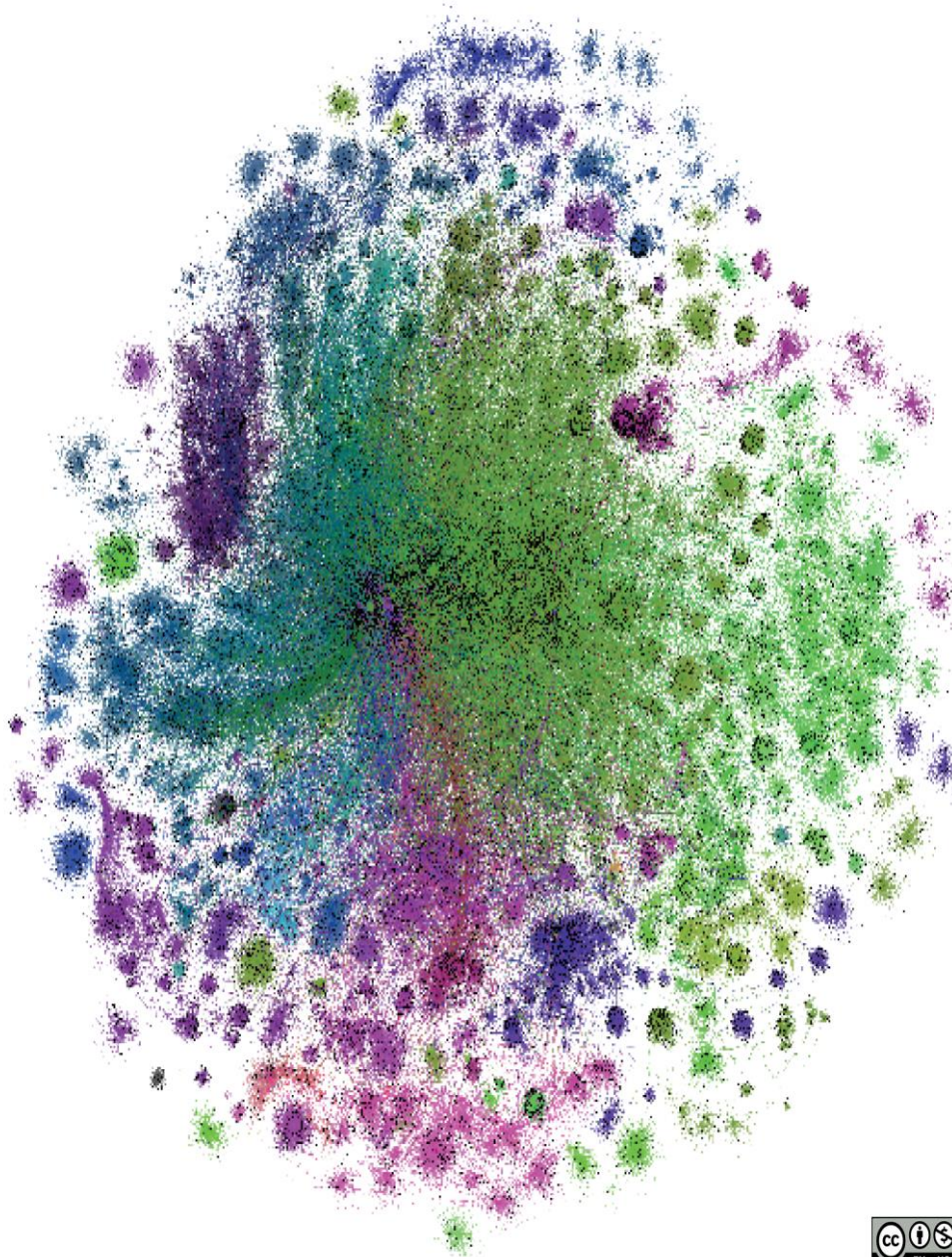




Group Financial Statements

For the Quarter Ended 30 June 2018



Created by Dean Pemberton

Table of Contents

Commentary to the Accounts	3
Consolidated Income Statement	4
Activity Based Consolidated Income Statement	5
Statement of Movements in Equity	6
Balance Sheet	7
Statement of Cash Flows	8
Cash Flow Charts	9

Commentary to the Accounts

For the first quarter of the 2018/2019 financial year, the Group Accounts report a surplus result of \$262,364 against a budgeted first quarter surplus of \$22,137. This outcome reflects a variance underspend of \$158,037 within Operating Expenses; there is no significant movement away from the budgeted income to report.

The results in these accounts are reported against the approved, first round BAU budgets presented to Council with respect to the restructured Internet New Zealand , and to the Board with respect to the Domain Name Commission.

INTERNET NEW ZEALAND INCORPORATED:

With a reported first quarter surplus of \$363,049 against an anticipated surplus of \$61,980, the newly merged entity showed considerable resilience and maturity as it navigated through a series of strategy realignment and sole searching missions, with an aim to reconfirm initiatives that will be put into action during the second quarter. The variance underspend of \$219,853 within Operating Expenses was a direct result of this approach, and we expect to see an increase in expenditure outlay during the second quarter.

Revenue results were up slightly, by 2.7% for the first quarter.

DOMAIN NAME COMMISSION:

No major variances were seen in Actual vs Budgeted income for the first quarter, with a 1.0% improvement against budget.

Ordinary expenditure is underbudget at \$304,798 against a budget of \$380,993. The accounts also show \$138,018 recorded against Extraordinary Expenditure, related to ongoing legal action, resulting in a bottom line of (\$99,782).

We enclose the following attachments with further information for Council:

- 1. Consolidated Income Statement**
- 2. Consolidated Income Statement – Activity Based**
- 3. Statement of Movements in Equity**
- 4. The Balance Sheet**
- 5. Statement of Cashflows**
- 6. Charts showing Monthly Balances of Cash at Bank maintained under various facilities**

Internet New Zealand Group
Consolidated Income Statement
For the Quarter Ended 30 June 2018

	Group		INZ		DNCL	
	Qtr	YTD	Qtr	YTD	Qtr	YTD
Income						
Registry Fees	2,680,168	2,680,168	2,680,168	2,680,168	-	-
Broadband Map	3,279	3,279	3,279	3,279	-	-
Management Fees	-	-	-	-	330,000	330,000
Interest Received	39,739	39,739	39,705	39,705	34	34
Managed Funds Income	84,537	84,537	84,537	84,537	-	-
Sundry Income	15,480	15,480	60,191	60,191	13,000	13,000
Total Income	2,823,204	2,823,204	2,867,881	2,867,881	343,034	343,034
Less Direct Expenses						
DNC Fee	-	-	330,000	330,000	-	-
.nz Costs	148,456	148,456	148,456	148,456	-	-
Other IT	14,463	14,463	14,463	14,463	-	-
Total Direct Expenses	162,919	162,919	492,919	492,919	-	-
Less Other Expenses						
Audit Costs	9,041	9,041	9,041	9,041	-	-
Governance Costs	36,160	36,160	24,860	24,860	11,301	11,301
International Travel	73,693	73,693	58,696	58,696	14,997	14,997
Community Investment	222,588	222,588	222,588	222,588	-	-
Legal Fees	19,327	19,327	18,509	18,509	818	818
Office Costs	186,986	186,986	175,863	175,863	67,932	67,932
Employment Costs	1,373,305	1,373,305	1,201,768	1,201,768	171,537	171,537
Other Operating Expenses	338,802	338,802	300,588	300,588	38,214	38,214
Extraordinary Expenditure	138,018	138,018	-	-	138,018	138,018
Total Expenses	2,397,921	2,397,921	2,011,913	2,011,913	442,816	442,816
Net Profit (Loss) Before Tax	262,364	262,364	363,049	363,049	(99,782)	(99,782)
Less Provision for Tax	-	-	-	-	-	-
Net Profit (Loss) After Tax	\$ 262,364	\$ 262,364	\$ 363,049	\$ 363,049	(\$99,782)	(\$99,782)

Notes:

The income and expenditure lines for the individual entities do not add to the Group totals due to the following intra-group entries being eliminated.

1. GSE paid by DNCL to INZ
2. The DNCL fee paid by INZ to DNCL

Internet New Zealand Group
Consolidated Income Statement - Activity Based
For the Quarter Ended 30 June 2018

	Group		INZ		DNCL	
	Qtr	YTD	Qtr	YTD	Qtr	YTD
Income						
Registry Fees	2,680,168	2,680,168	2,680,168	2,680,168	-	-
Broadband Map	3,279	3,279	3,279	3,279	-	-
Management Fees	-	-	-	-	330,000	330,000
Interest Received	39,739	39,739	39,705	39,705	34	34
Managed Funds Income	84,537	84,537	84,537	84,537	-	-
Sundry Income	15,480	15,480	60,191	60,191	13,000	13,000
Total Income	2,823,204	2,823,204	2,867,881	2,867,881	343,034	343,034
Less Activity Expenditure						
Policy						
Access, Trust, Creativity	164,869	164,869	164,869	164,869	-	-
.nz Policy	4,652	4,652	4,652	4,652	-	-
Outreach & Engagement						
Funding	224,634	224,634	224,634	224,634	-	-
Communications	117,118	117,118	117,118	117,118	-	-
Engagement	163,839	163,839	163,839	163,839	-	-
.nz Operations	345,775	345,775	404,796	404,796	270,979	270,979
Marketing	31,680	31,680	31,680	31,680	-	-
Broadband	5,866	5,866	5,866	5,866	-	-
Domain Analytics	93	93	93	93	-	-
Technology Services	600,103	600,103	600,103	600,103	-	-
Technical Research	124,389	124,389	124,389	124,389	-	-
International Engagement	107,795	107,795	92,798	92,798	14,997	14,997
Organsational & Governance	456,949	456,949	502,456	502,456	11,301	11,301
Other Operating Expenses	75,062	75,062	67,540	67,540	7,521	7,521
Extraordinary Expenditure	138,018	138,018	-	-	138,018	138,018
Total Expenses	2,560,840	2,560,840	2,504,832	2,504,832	442,816	442,816
Net Profit (Loss) Before Tax	262,364	262,364	363,049	363,049	(99,782)	(99,782)
Less Provision for Tax	-	-	-	-	-	-
Net Profit (Loss) After Tax	\$ 262,364	\$ 262,364	\$ 363,049	\$ 363,049	(\$99,782)	(\$99,782)

Notes:

The income and expenditure lines for the individual entities do not add to the Group totals due to the following intra-group entreies being eliminated.

1. GSE paid by DNCL to INZ
2. The DNCL fee paid by INZ to DNCL

Internet New Zealand Group
Statement of Movements in Equity
For the Quarter Ended 30 June 2018

	Group		INZ		DNCL	
	Qtr	YTD	Qtr	YTD	Qtr	YTD
Equity at start of period						
Opening Retained Earnings	10,844,279	10,844,278	10,398,841	10,398,841	445,438	445,438
Shares Subscribed	-	-	-	-	580,000	580,000
	10,844,279	10,844,278	10,398,841	10,398,841	1,025,438	1,025,438
Net Profit (Loss) After Tax	263,267	263,267	363,049	363,049	(99,782)	(99,782)
Equity at end of period	\$11,107,546	\$11,107,545	\$10,761,889	\$10,761,889	\$1,951,094	\$1,951,093

Notes:

The components that make up the total opening equity at the beginning of the period have been removed to calculate Group Totals upon consolidation.

1. Share Subscribed: shares are wholly owned by InternetNZ.

Internet New Zealand Group
Balance Sheet
As at 30 June 2018

	Group		INZ		DNCL	
	Qtr	YTD	Qtr	YTD	Qtr	YTD
Current Assets						
Cash and Cash Equivalents	15,450,724	15,450,724	14,410,490	14,410,490	1,040,234	1,040,234
Managed Funds	2,969,101	2,969,101	2,969,101	2,969,101	-	-
Other Current Assets	1,325,794	1,325,794	1,270,929	1,270,929	54,865	54,865
Total Current Assets	19,745,620	19,745,620	18,650,520	18,650,520	1,095,100	1,095,100
Property, Equipment & Software						
Fixed Assets at Cost	6,860,951	6,860,951	6,656,119	6,656,119	204,832	204,832
Less Accumulated Depreciation	(5,827,179)	(5,827,179)	(5,644,656)	(5,644,656)	(182,523)	(182,523)
Intangible Assets	17,388	17,388	17,388	17,388	-	-
Investments	-	-	-	-	-	-
Shares and Loans	-	-	580,000	580,000	-	-
Total Assets	20,796,779	20,796,779	20,259,370	20,259,370	1,117,408	1,117,408
Less Liabilities:						
Deferred Income	8,486,118	8,486,118	8,486,118	8,486,118	-	-
Trade and Other Payables	1,203,116	1,203,116	1,011,363	1,011,363	191,753	191,753
Total Liabilities	9,689,234	9,689,234	9,497,481	9,497,481	191,753	191,753
Net Assets	\$ 11,107,545	\$ 11,107,545	\$ 10,761,889	\$ 10,761,889	\$ 925,656	\$ 925,656
Represented By:						
Total Equity	\$ 11,107,546	\$ 11,107,545	\$ 10,761,889	\$ 10,761,889	\$ 925,656	\$ 925,656

Notes:

The following items have been removed upon consolidation:

1. Shares in DNCL wholly owned by InternetNZ;
2. Share Subscription with respect to shares issued to InternetNZ by DNCL.

Internet New Zealand Group
Statements of Cashflows
For the 3 months ended 30 June 2018

	GROUP Apr-Jun 2018	INZ Apr-Jun 2018	DNCL Apr-Jun 2018
Operating Activities			
Receipts from customers	2,437,124.86	2,044,940.59	392,184.27
Payments to suppliers and employees	(2,975,959.07)	(2,464,163.95)	(511,795.12)
Cash receipts from other operating activities	3,392.77	6,579.94	(3,187.17)
Net Cash Flows from Operating Activities	(535,441.44)	(412,643.42)	(122,798.02)
Investing Activities			
Proceeds from sale of property, plant and equipment	925,950.81	925,950.81	0.00
Payment for property, plant and equipment	(818,998.23)	(818,998.23)	0.00
Other cash items from investing activities	2,276,433.23	2,304,027.50	(27,594.27)
Net Cash Flows from Investing Activities	2,383,385.81	2,410,980.08	(27,594.27)
Financing Activities			
Other cash items from financing activities	(552,077.25)	(499,341.67)	(52,735.58)
Net Cash Flows from Financing Activities	(552,077.25)	(499,341.67)	(52,735.58)
Net Cash Flows	1,295,867.12	1,498,994.99	(203,127.87)
Cash and Cash Equivalents			
Cash and cash equivalents at beginning of period	13,832,244.53	12,588,882.24	1,243,362.29
Cash and cash equivalents at end of period	15,128,111.65	14,087,877.23	1,040,234.42
Net change in cash for period	1,295,867.12	1,498,994.99	(203,127.87)

