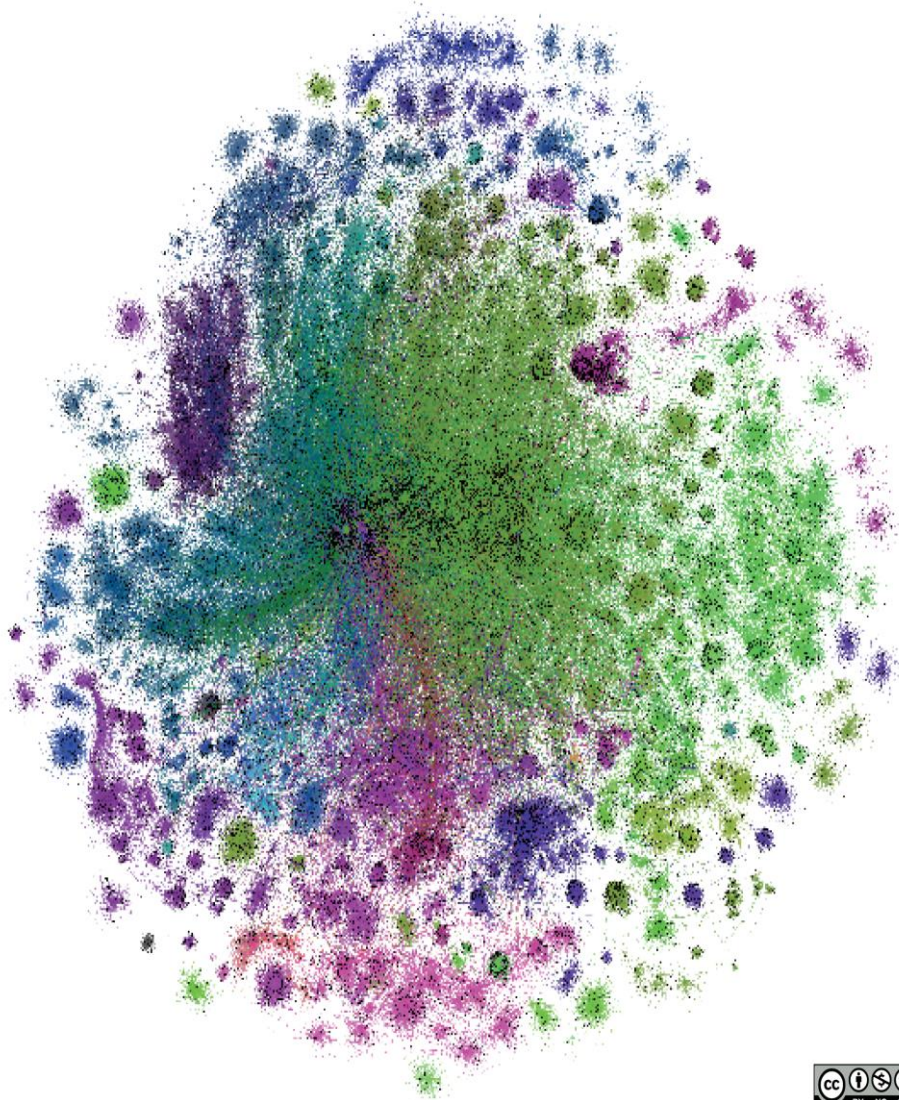




Financial Statements

For the Quarter Ended 30 June 2018



Created by Dean Pemberton

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Commentary to the Accounts

For the quarter ending 30 June 2018, the accounts report a surplus result of \$363,049 against a budgeted surplus of \$61,980. This outcome reflects a variance underspend of \$219,853 and no significant variance on the income side.

The results in these accounts are reported against the approved, first round BAU budgets presented to Council with respect to the restructured InternetNZ.

Income and Expenditure Variances

Income:

Income is over compared to budget by \$53,145. Within that, .nz Registry revenue was \$74,015 (2.8%) overbudget, as were Interest Income and Managed Funds Income, at \$20,205 (103.6%) and \$1,537 (1.9%), respectively. There was a sharp decline in Other Operational Income (including income derived from Broadband Map and Domain Analytics) of \$21,521 (-86.8%) against budgeted expectations.

Expenditure:

Areas of difference are:

- **Remuneration** was slightly over budget by \$13,372. The first quarter saw the reinstatement of the Commercial and Organisational Services Director, in addition to staff uptake in the Technology Services and Finance areas.
- **International Engagement** is reporting an underspend of \$7,954.
- **Community Engagement** expenditure was underspent by \$8,827 for the first quarter, though the underspend resulted solely from Membership Outreach activities. NetHui and Speaker Series activities saw full consumption of their respective allotments of the budget.
- **Community Funding** had an underspend of \$16,457 over the quarter and it is expected that this surplus will be utilised over quarters two and three as the Funding Rounds gain momentum, with submission deadlines for the current campaign closing on 21st August.
- **Commercial/Marketing** underspend was \$39,749 against budget. These areas have seen a hive of inhouse activity around revitalising the Broadband Map product and landmarking the Domain Analytics product by launching Beta testing in the market. A commitment to refreshing InternetNZ's identity has been new thinking emerging out of the first quarter strategic drive, and a brand relaunch would see future quarter spend here.

- **Organisational Services & Governance** both experienced underspend of \$50,669 and \$5,465, respectively. A continued internal restructure focus remained in the forefront in these areas over quarter one, particularly with the onboarding of the Organisational Services Director, who has been leading the charge. The resulting cost allocation of some of these infrastructure efficiency developments have been borne across the group, in addition to cost savings in operational processes and equipment identified as redundant in the post-merger landscape.

There was also a significant reduction in domestic travel undertaken by the Group Chief Executive due to the focus on merger-related activities predominantly in Wellington.

- **Policy and Internet Issues** were underspent by \$72,869 with more focus on inhouse planning activities around the Digital Divide, Transparency Reporting and Creative Copyright projects, coupled with work on Government partnerships and submissions, in particular the submission of the Privacy Bill this quarter.

It is recommended that a re-phasing of the underspend result in quarter one to future quarters will best serve to fund the following events:

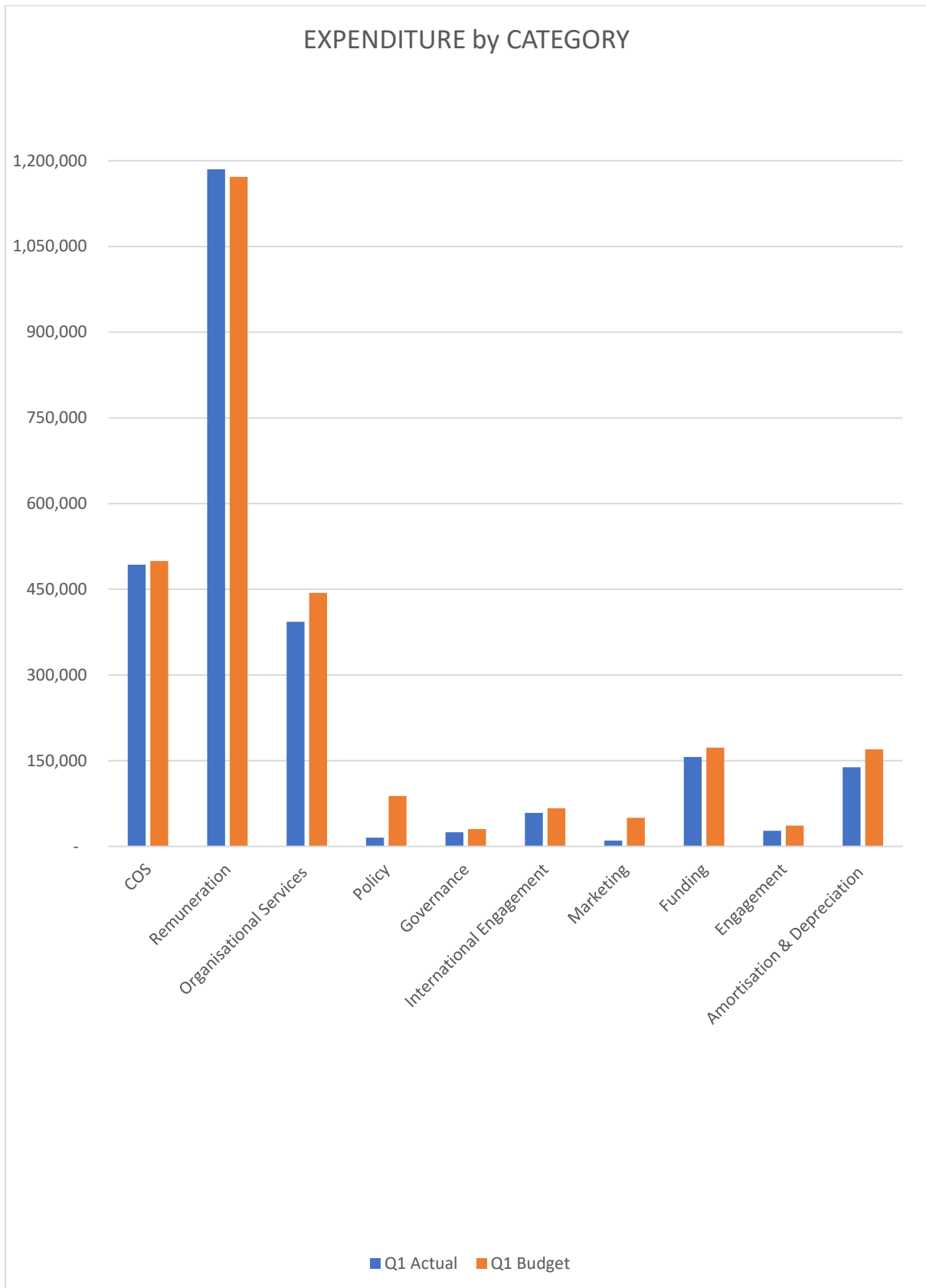
- The .nz Policy forum in November to solicit community views on how we should respond to domain registration abuse;
- The launch of the 2018 State of the Internet (SOTI) report early in 2019.

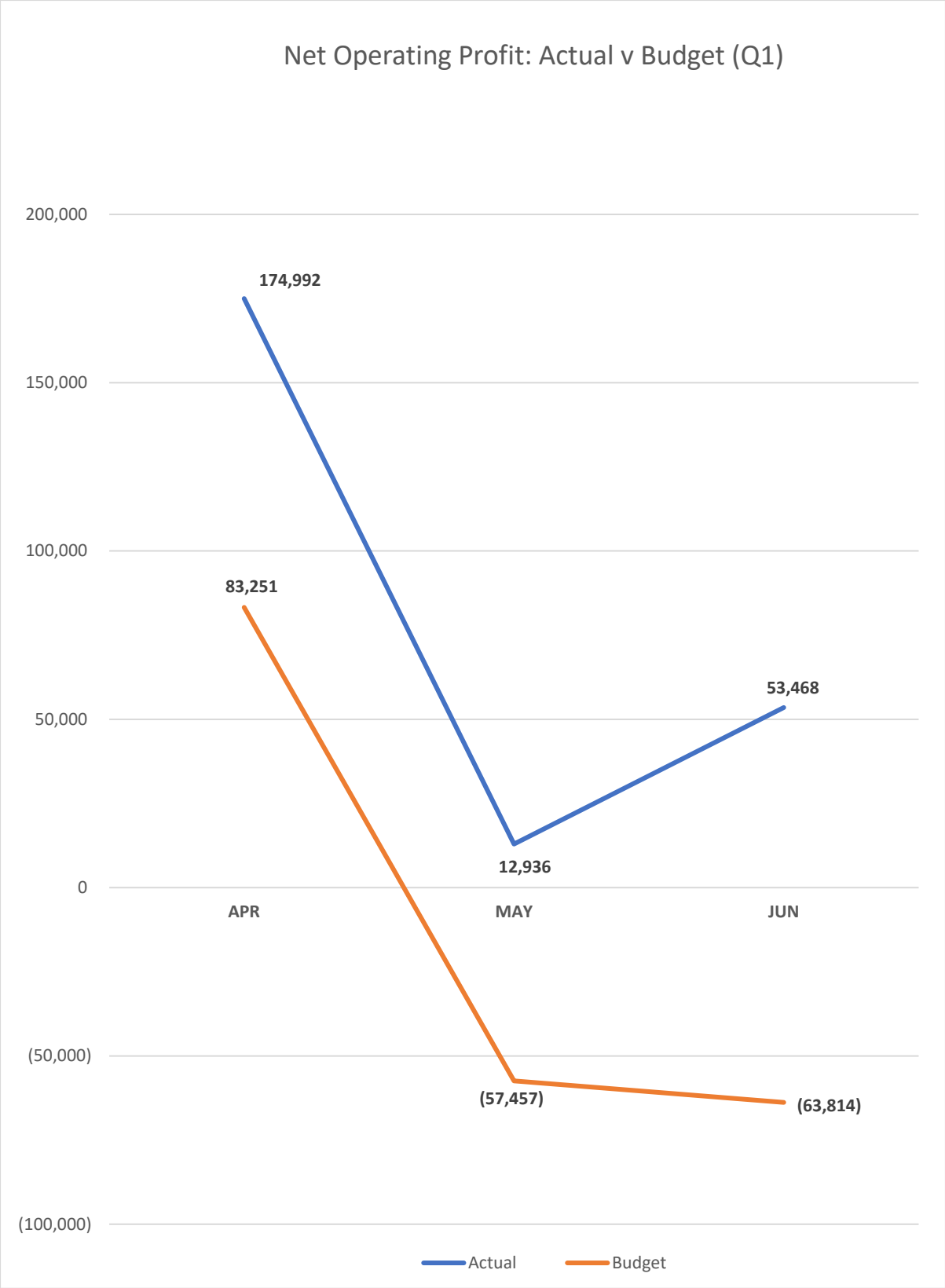
Internet New Zealand Incorporated

Income Statement

For the Quarter ended 30 June 2018

	Qtr 1 Actual	Qtr 1 Budget	Qtr 1 Var (\$)	Qtr 1 Var (%)
Revenue				
.NZ	2,680,168	2,606,153	↑ 74,015	2.8%
Other Operational	3,279	24,800	↓ (21,521)	-86.8%
Membership	2,480	1,830	↑ 650	35.5%
Events	-	-	→ -	0.0%
Recharge	57,711	57,711	→ -	0.0%
Total Revenue	2,743,639	2,690,494	↑ 53,145	2.0%
Cost of Sales				
Domain Name Commission Fee	330,000	330,000	→ -	0.0%
Broadband Map	12,737	13,104	↓ (367)	-2.8%
DNS Providers	26,268	26,268	→ -	0.0%
DNS Other	7,769	8,451	↓ (682)	-8.1%
ISP/Hosting/Networking	86,478	91,377	↓ (4,899)	-5.4%
Other IT	29,661	30,123	↓ (462)	-1.5%
Total Cost of Sales	492,912	499,323	↓ (6,411)	-1.3%
Gross Profit	\$ 2,250,726	\$ 2,191,171	↑ \$ 59,555	2.7%
Operating Expenses				
Employment	1,201,768	1,171,745	↑ 13,372	1.1%
Organisational Services	376,423	443,736	↓ (50,669)	-11.4%
Policy	15,382	88,251	↓ (72,869)	-82.6%
Governance	24,860	30,325	↓ (5,465)	-18.0%
International Engagement	58,696	66,650	↓ (7,954)	-11.9%
Marketing	10,156	49,905	↓ (39,749)	-79.6%
Funding	156,300	172,757	↓ (16,457)	-9.5%
Engagement	26,694	26,151	↑ 543	2.1%
Membership	630	10,000	↓ (9,370)	-93.7%
Amortisation & Depreciation	138,428	169,671	↓ (31,243)	-18.4%
Total Operating Expenses	2,009,338	2,229,191	↓ (219,853)	-9.9%
Net Operating Profit	\$ 241,389	(\$38,020)	↑ \$ 279,409	735%
Other Income				
Interest Income	39,705	19,500	↑ 20,205	103.6%
Managed Funds Income	84,537	83,000	↑ 1,537	1.9%
Total Other Income	124,242	102,500	↑ 21,742	21.2%
Financial Expenses				
Managed Funds Fees	2,582	2,500	↑ 82	3.3%
Total Financial Expenses	2,582	2,500	↑ 82	3.3%
Net proceeds from Investing Acti	\$ 121,660	\$ 100,000	↑ \$ 21,660	22%
Net Profit	\$ 363,049	\$ 61,980	↑ \$ 301,069	486%





Balance Sheet

Internet New Zealand Incorporated

As at 30 June 2018

Assets	JUN	MAY	APR
Bank			
InternetNZ Working Capital Accounts	2,915,203	2,781,890	1,649,513
InternetNZ Savings Accounts	254,670	404,601	908,172
InternetNZ Term Deposits	10,918,004	10,870,634	11,470,599
Foreign Currency Accounts	322,613	322,613	322,613
Total Bank	14,410,490	14,379,738	14,350,897
Current Assets			
Trade Receivables & Prepayments	1,248,743	1,298,329	1,259,461
Other Current Assets	22,187	37,114	46,364
Managed Funds	2,969,101	2,956,744	2,931,524
Total Current Assets	4,240,030	4,292,186	4,237,348
Non-current Assets			
Assets at Cost	6,656,119	6,398,686	6,390,628
less Accumulated Depreciation	(5,644,656)	(5,600,211)	(5,556,658)
Intangible Assets	17,388	8,004	3,597
Shares in Domain Name Commission	580,000	580,000	580,000
Total Non-current Assets	1,608,851	1,386,479	1,417,568
Total Assets	\$20,259,371	\$20,058,404	\$20,005,813
Liabilities			
Current Liabilities			
Trade & Other Payables	1,011,356	883,746	904,452
Deferred Income	8,486,118	8,511,961	8,478,226
Total Current Liabilities	9,497,474	9,395,706	9,382,679
Total Liabilities	9,497,474	9,395,706	9,382,679
Net Assets	\$10,761,896	\$10,662,698	\$10,623,134
Equity			
Current Year Earnings	363,056	263,857	224,293
Retained Earnings	10,398,841	10,398,841	10,398,841
Total Equity	\$10,761,896	\$10,662,698	\$10,623,134

