

Financial Report: 30 September 2017

Author: Jordan Carter, Chief Executive

Purpose of Paper: To provide a monthly update on the financial performance of InternetNZ.

Commentary to the accounts

For the period ending September 2017, the accounts report a surplus result of \$309,499, against a budgeted surplus of \$99,163. This outcome reflects a variance underspend of \$210,336, and no significant variance on the income side.

The numbers in this report now relate to the Budget adjustments approved by Council at its meeting in August 2017.

Detailed commentary on the variances follows.

There follow a number of attachments with further information for Council:

- A - The profit and loss statement
- B - A chart showing net income, actual against budget
- C - The balance sheet
- D - Information about the spread of assets across institutions
- E - Managed Invested Funds, balance per month and chart
- F - A chart showing cash in bank, actual against forecast
- G - The cash flow forecast to March 2018.

Income and Expenditure variances

Income:

Income of \$2,257,085 is comparatively in line with the budget of \$2,254,387, with the increase of \$2,698 relating to interest.

Expenditure:

Areas of difference are:

- **Remuneration** in total was under budget by \$61,233. All areas were under, with recruitment delay accounting for \$44k of the underspend, and the balance of \$17k spread across misc. staff costs, contractors and casual staffing costs.

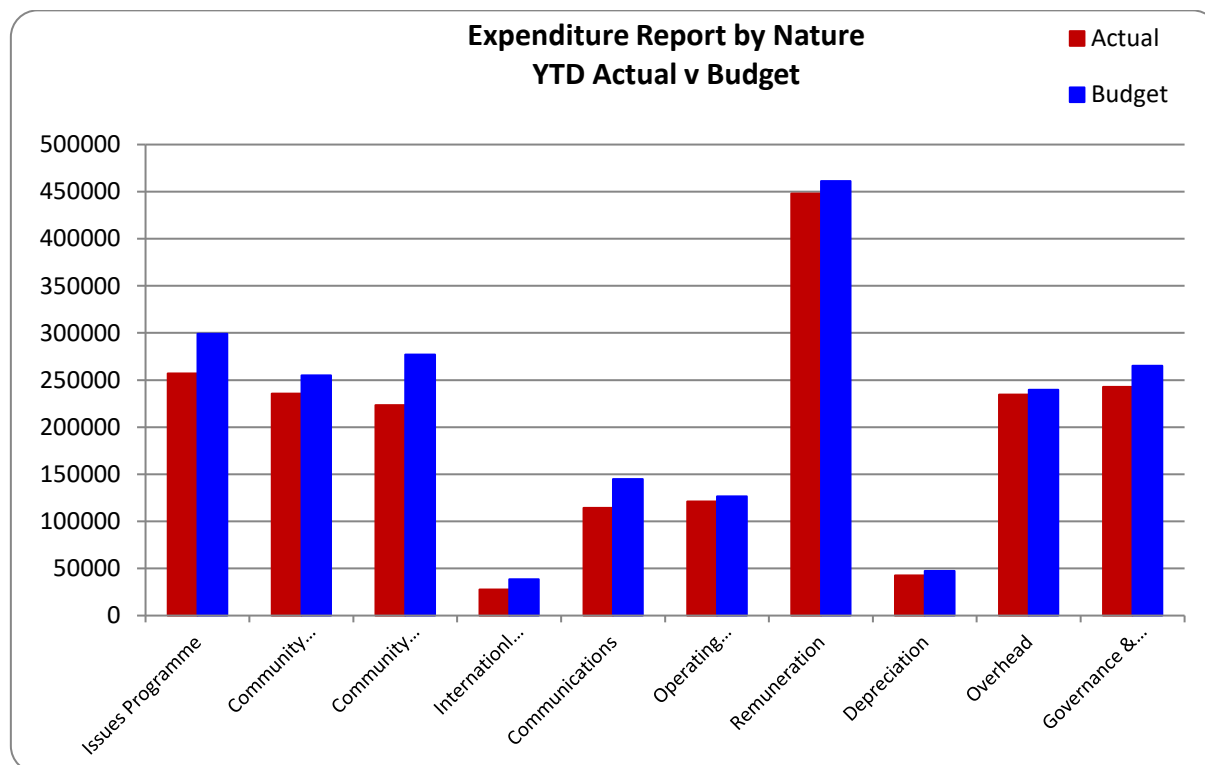
- **Internet Issues** is reporting an underspend of \$42k. Within this recruitment is under by \$8k, operating expenses \$7k, and all the focus areas (Access, Creative Use, Trust) and General Issues are under by \$27k.
- **Community Funding** is reporting an underspend of \$19,372.04 - this is due to budget phasing.
- **Community Engagement** is reporting an underspend of \$53,646. The recruitment delay contributes towards \$25,188 of the underspend; another \$13,851 is attributable to projects being delayed e.g. NZIRF initiatives, Member meetings; and the balance of \$14,607 is across general operating expenditure.
- **International Engagement** is reporting an underspend of \$10,834.
- **Communications/Outreach** is reporting an underspend of \$30,677 compared to budget. This is attributable to a combination of projects and other promotional work being delayed. Reallocation of funds on delayed projects may be used to build our brand and marketing strategy.
- **Operational costs** are underspent by \$29,375. Within that:
 - remuneration is under by \$13,138 due to phasing
 - operating expenses are all under by \$6,617
 - overheads under by \$5,065
 - depreciation is under by \$4,555
- **Governance and Members** expenditure is under budget by \$22,453. Within this: audit fees, consultants, general expenditure, governance training, legal, and meeting costs were under by \$25,698; resourcing issues in the Community area are still resulting in the membership activities being delayed and under budget by \$6,350; and organisational review costs are over budget by \$9,594.

Other Expected Major Budget Variances

Other than those already noted, and the costs that will be associated to the decision of amalgamating NZRS with InternetNZ, there are no other major budget variances to report.

Condensed Income and Expenditure Report

Actual v Budget by Nature
As at 30 September 2017



As always, I welcome any questions or comments in response to this report.

Jordan Carter
Chief Executive

Mary Tovey
Finance Manager

24 October 2017

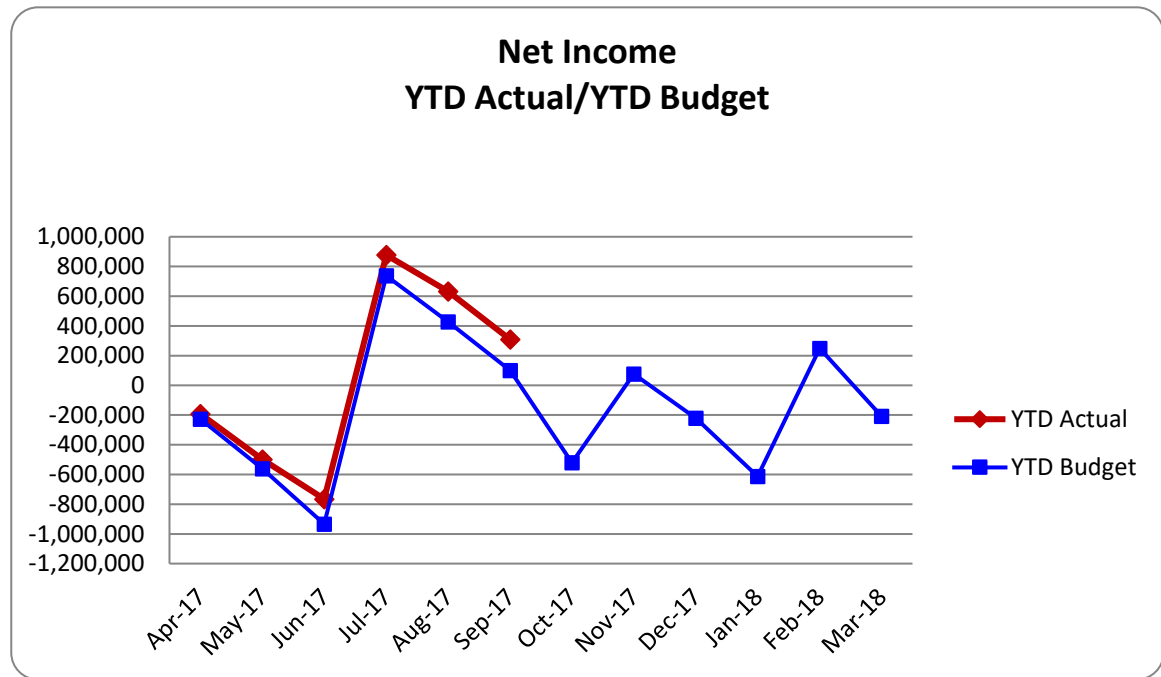
Attachment A: Profit and Loss Statement

InternetNZ
Profit and Loss Statement
As at 30 September 2017

InternetNZ	Apr - Sep 17	Budget	\$ Over Budget
Ordinary Income/Expense			
Income			
500 • Operating Income			
530 • Shared Group Services	193,379.95	193,396.77	-16.82
535 • Group Staff Activity Recharge	7,227.40	6,224.26	1,003.14
542 • Membership - Corporate	1,600.00	1,500.00	100.00
546 • Membership - Individual	2,240.50	1,900.00	340.50
Total 500 • Operating Income	204,447.85	203,021.03	1,426.82
570 • Sundry Income			
570-01 • NetHui Registration Fees	1,147.84	1,200.00	-52.16
570-02 • NetHui Sponsorship	57,479.42	58,500.00	-1,020.58
570 • Sundry Income - Other	0.00	350.00	-350.00
Total 570 • Sundry Income	58,627.26	60,050.00	-1,422.74
580 • Investment Income			
583 • Dividends	1,978,236.00	1,978,236.00	0.00
586 • Interest	15,773.97	13,080.00	2,693.97
Total 580 • Investment Income	1,994,009.97	1,991,316.00	2,693.97
Total Income	2,257,085.08	2,254,387.03	2,698.05
Expense			
600 • Remuneration			
601 • ACC Levy	4,405.88	4,445.03	-39.15
625 • Miscellaneous Staff Costs	8,027.09	15,852.80	-7,825.71
630 • Recruitment	22,639.76	38,000.00	-15,360.24
635 • Staff Training	14,558.73	24,926.00	-10,367.27
637 • Staff Training Internal	2,437.39	12,138.00	-9,700.61
651 • Wages & Salaries			
651-01 • Kiwi Saver - Employer Cont	24,941.58	28,666.16	-3,724.58
651 • Wages & Salaries - Other	695,338.40	700,293.43	-4,955.03
Total 651 • Wages & Salaries	720,279.98	728,959.59	-8,679.61
653 • Wages - Casual & Temporary	0.00	3,000.00	-3,000.00
654 • Wages - Contractors	20,240.00	26,500.00	-6,260.00
Total 600 • Remuneration	792,588.83	853,821.42	-61,232.59
800 • Operating Expenses			
805 • Advertising & Marketing	2,108.67	6,680.00	-4,571.33
808 • Audit Fees	364.00	1,800.00	-1,436.00
811 • Conferences	2,613.55	7,090.00	-4,476.45
813 • Consultants	45,475.95	74,285.00	-28,809.05
816 • Depreciation	42,676.03	47,231.00	-4,554.97
818 • Group Staff Activities	10,541.82	8,850.00	1,691.82
820 • General Office Expenses	18,294.08	22,166.00	-3,871.92
822 • Governance Training	2,228.44	5,400.00	-3,171.56
824 • Honoraria	67,350.30	67,350.30	0.00
826 • Legal Fees	26,201.50	32,690.00	-6,488.50
829 • Meeting Costs	32,870.65	36,810.00	-3,939.35

851 · Repairs and Maintenance	2,458.88	2,280.00	178.88
853 · R & M - Software	1,744.09	3,000.00	-1,255.91
855 · Printing & Stationery	6,005.95	6,793.00	-787.05
860 · Subscriptions	16,293.15	27,110.00	-10,816.85
870 · Telecommunications	29,495.83	35,126.00	-5,630.17
873 · Travel & Accom - National	41,699.18	45,733.00	-4,033.82
875 · Web Site Updates & Hosting	1,164.00	1,500.00	-336.00
Total 876-80 · Internet Governance Portfolio	27,678.61	38,500.00	-10,821.39
Total 876 · Issues Programme	105,658.59	131,820.00	-26,161.41
Total 878 · Community Funding	151,296.09	159,500.00	-8,203.91
Total 880 · Community Engagement	152,898.36	173,100.00	-20,201.64
Total 882 · Communications/Outreach	14,761.88	18,000.00	-3,238.12
Total 885 · Organisational Review	118,594.42	109,000.00	9,594.42
Total 800 · Operating Expenses	920,474.02	1,061,814.30	-141,340.28
900 · Overheads			
915 · Cleaning Costs	22,568.62	26,150.00	-3,581.38
933 · Electricity	8,382.33	9,150.00	-767.67
950 · Insurance	5,385.06	5,496.00	-110.94
975 · Rent Paid	197,213.87	197,292.00	-78.13
980 · Security	973.53	1,500.00	-526.47
Total 900 · Overheads	234,523.41	239,588.00	-5,064.59
Total Expense	1,947,586.26	2,155,223.72	-207,637.46
Net Ordinary Income	309,498.82	99,163.31	210,335.51
Other Income/Expense			
Other Income			
1000 · Special Dividends			
1030 · Investment Income	125,310.66	0.00	125,310.66
Total 1000 · Special Dividends	125,310.66	0.00	125,310.66
Total Other Income	125,310.66	0.00	125,310.66
Other Expense			
1900 · Special Dividend Exp-Overhead			
1950 · Investment Funds Management Fee	4,814.55	0.00	4,814.55
Total 1900 · Special Dividend Exp-Overhead	4,814.55	0.00	4,814.55
Total Other Expense	4,814.55	0.00	4,814.55
Net Other Income	120,496.11	0.00	120,496.11
Net Income	429,994.93	99,163.31	330,831.62

Attachment B: Net Income actual against budget



Attachment C: Balance Sheet

InternetNZ
Balance Sheet
As at 30 September 2017

	September 30, 17
ASSETS	
Current Assets	
Cheque/Savings	
Total Cheque/Savings/	926,918.19
Total 121 - Term Deposits	2,189,876.40
130 - USD Bank Account	332,670.00
150 - Petty Cash	400.00
122 - Investment Funds	
122-01 - Kiwi Wealth	1,339,309.21
122-20 - Milford Asset	1,436,019.28
Total 122 - Investment Funds	2,775,328.49
Total Other Current Assets	115,350.16
Total Current Assets	6,340,543.24
Fixed Assets	
Total Fixed Assets	304,439.12
Other Assets	
270 - Ordinary Share Capital	30,000.00
271 - Shares in DNCL	580,000.00
Total Other Assets	610,000.00
TOTAL ASSETS	7,254,982.36
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
300 - Accounts Payable	206,249.95
Total Accounts Payable	206,249.95
Other Current Liabilities	
305 - Accruals	195,111.27
Total 327 - Payroll Liabilities	37,519.23
Total Other Current Liabilities	232,630.50
Total Current Liabilities	438,880.45
Total Liabilities	438,880.45
Equity	
412 - Retained Earnings	6,386,106.98
Net Income	429,994.93
Total Equity	6,816,101.91
TOTAL LIABILITIES & EQUITY	7,254,982.36

Attachment D: Spread of assets across institutions

Investment Information

Term Deposits

Date	Bank	Term	Amount
28/2/2016	BNZ	12 months	95,655
1/12/2016	Kiwibank	12 months	309,020
28/04/2017	ANZ	30 days	80,167
6/7/2017	ASB	6 months	500,000
7/07/2017	ASB	90 days	305,035
27/09/2017	BNZ	30 days	300,000
27/09/2017	BNZ	60 days	300,000
27/09/2017	ANZ	60 days	300,000
Total \$			2,189,877

Managed Investment Funds Information

Date	Managers	Amount
20/06/2013	Kiwi Wealth	1,339,309
20/06/2013	Milford	1,436,019
Total \$		2,775,328

Managed Investment funds recorded at market value on 30 September 2017.

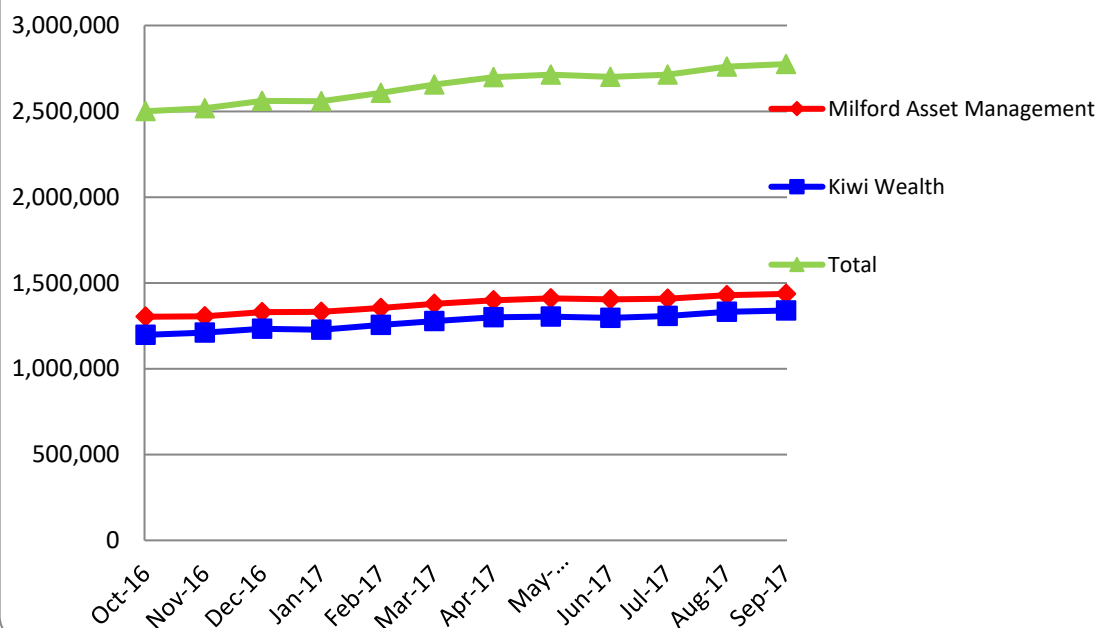
Investment information is recorded separately from the InternetNZ operating reserves as a distinct balance sheet line item, as per the InternetNZ Funds Investment Management Policy Principle 1.

Attachment E: Managed Invested Funds

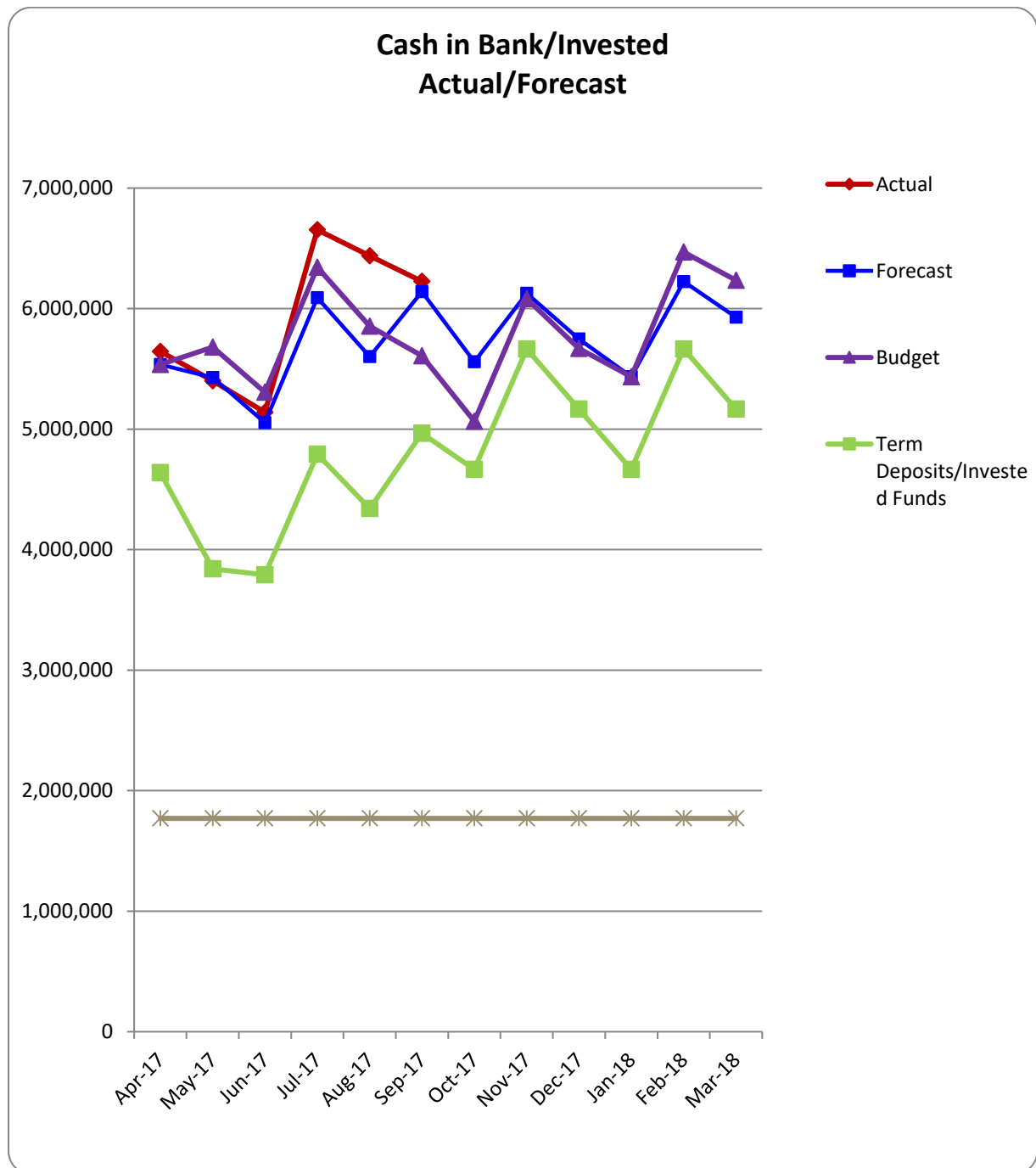
Investment Funds Monitoring report

	Milford Asset Management	Kiwi Wealth	Total
Oct-16	1,302,842	1,197,548	2,500,390
Nov-16	1,306,120	1,211,188	2,517,308
Dec-16	1,328,850	1,232,706	2,561,556
Jan-17	1,331,059	1,227,368	2,558,427
Feb-17	1,353,861	1,254,333	2,608,195
Mar-17	1,377,946	1,277,255	2,655,201
Apr-17	1,398,610	1,299,227	2,697,837
May-17	1,409,655	1,304,298	2,713,952
Jun-17	1,404,880	1,296,163	2,701,044
Jul-17	1,407,232	1,307,028	2,714,260
Aug-17	1,429,107	1,331,913	2,761,020
Sep-17	1,436,019	1,339,309	2,775,328

Investment Funds Monthly Closing Balances



Attachment F – Cash in Bank/Invested actual compared with forecast



Attachment G: Cash flow actual to 30 September 2017

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Total
RECEIPTS	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Actual
Invoiced Sales	61,395	36,722	63,779	60,214	67,008	49,620	39,738	41,066	58,432	39,917	38,306	38,307	594,504
Special Dividends													0
Investment Income	50,016	19,520	-13,862	16,188	53,776	18,470							144,108
Special Dividends Interest													0
Dividends				1,978,236				1,151,000			1,151,000		4,280,236
Interest													0
Interest Received													0
Special Dividend Term Deposits													0
Sundry Receivables													0
Prepayments													0
Interest Receivable													0
RWT Received													0
GST		60,335	47,033			54,085	47,924		132,097		70,128		411,602
	111,411	116,577	96,950	2,054,638	120,784	122,175	87,662	1,192,066	190,529	39,917	1,259,434	38,307	5,430,450
PAYMENTS													
Invoiced Costs	380,228	198,967	184,553	392,264	206,541	228,359	288,148	570,908	572,001	263,140	359,707	238,475	3,883,291
ACC Levies				4,406									4,406
Salary & Wages	59,220	161,411	127,358	84,275	66,492	71,041	104,549	72,606	72,377	75,540	78,073	83,415	1,056,357
Investment Funds													0
Sundry Payables													0
Prepayments													0
RWT													0
PAYE	42,859		44,544	59,833	58,449	34,714	63,266	43,628	36,320	36,551	36,838	38,039	495,041
GST	7,075				6,231								13,306
	489,382	360,378	356,455	540,778	337,713	334,114	455,963	687,142	680,698	375,231	474,618	359,929	5,452,401
NET CASH FLOW	-377,971	-243,801	-259,505	1,513,860	-216,929	-211,939	-368,301	504,924	-490,169	-335,314	784,816	-321,622	-21,951
OPENING BANK	6,021,469	5,643,498	5,399,697	5,140,192	6,654,052	6,437,123	6,225,184	5,856,883	6,361,807	5,871,638	5,536,324	6,321,140	6,021,469
CLOSING BANK	5,643,498	5,399,697	5,140,192	6,654,052	6,437,123	6,225,184	5,856,883	6,361,807	5,871,638	5,536,324	6,321,140	5,999,518	5,999,518

Bank Account Balances as per BS	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
ANZ Savings	624,229	724,435	424,600	524,670	624,811	424,969						
ANZ Current	41,091	80,942	586,081	886,655	122,706	496,314						
ANZ Term Deposit	80,000	80,034	80,067	80,067	480,134	380,167						
ASB Term Deposit	1,057,021	1,057,021	605,127	1,105,127	1,105,127	805,035						
ASB Working	1,848	1,848	1,808	1,808	1,808	1,809						
BNZ Working	3,718	3,719	3,720	603,720	603,771	3,817						
BNZ Term Deposit	495,655	95,655	95,655	95,655	95,655	695,655						
Kiwibank Term Deposit	309,029	309,020	309,020	309,020	309,020	309,020						
USD Bank Account	332,670	332,670	332,670	332,670	332,670	332,670						
Petty Cash	400	400	400	400	400	400						
Investment Funds	2,697,837	2,713,952	2,701,044	2,714,260	2,761,021	2,775,328						
	5,643,498	5,399,697	5,140,192	6,654,052	6,437,123	6,225,184	0	0	0	0	0	0