

## Financial Report: 31 December 2016

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Author:	Jordan Carter, Chief Executive
Purpose of Paper:	To provide the standard monthly update on the financial performance of InternetNZ.

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### Commentary to the Accounts

For the quarter ending December 2016, the accounts report a surplus of \$538,377 against a budgeted deficit of \$304,131, reflecting a variance (surplus) against budget of \$842,508.

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 2017.

### Income and Expenditure variances

The surplus of \$538K (compared to budgeted deficit of \$304k, a positive \$842k variance) is driven by income being \$624k ahead of budget, and expenditure being \$218k behind budget. These variances are explained below.

#### Income:

Income remains over budget by \$624,724 predominantly due to the wash-up dividend of \$665,598 from NZRS's 2015/16 business year, less \$68,538 of reduced dividend for the current year compared to budget. The balance of \$27k is attributable to the Issues program \$30k grant, and group activities less membership and interest.

## Expenditure:

### Areas of difference are:

- **Remuneration** in total is under budget by \$40k, staff training, recruitment, misc. staff costs, KiwiSaver and casual & temp costs are in total under budget by \$47k, and are expected to remain under at YE. Wages are over by \$7k due to maternity leave costs.

### All the following areas are under budget:

- **Internet Issues** operating expenses are under budget by \$4k, as reported at the November Council meeting we are expecting an overspend at YE of \$65k due to unplanned resources being required for the Vodafone-Sky merger, and the Telco Act review.
- **Community funding** operating expenses are under budget by \$15k, within that subscriptions are over budget by \$7k as reported previously (due to Smarty Grants). Areas under budget are remuneration, conferences, consultants (report customisation not commissioned yet), legal, meeting, printing and stationery and national travel.
- **Community Engagement** operating expenses are under by \$8k, within that remuneration is over by \$40k (unbudgeted for maternity leave), and legal expenses are over budget by \$10k, both are expected to remain over at year-end. Areas under budget are conferences, consultants, meeting costs, national travel, are under by \$13k in total, the funding review has not commenced so is under by \$5k. NetHui and the NetHui Initiatives are under by \$35k combined, and Māori Engagement is also under \$5k.
- **Communication & Outreach** operating expenses are under by \$65k, over-all this area of work is expected to remain under for the year, as previously reported the team's work focus has been resourced internally.
- **International Engagement** is under budget by the \$18k of which \$15k relates to the Oceania Summer School, which will no longer occur in any form in the 2017/18 year. As reported in November we may redeploy some of this money to attend RightsCon at the end of the financial year.
- **International Events** operating expenses have come in under budget by \$5k for the year.
- **Operational** costs are under budget by \$24k, within which the following are over, consultants, legal fees, meeting costs, repairs and maintenance, and national travel by \$12k, the remaining expenditure lines are all under budget by \$36K.
- **Overhead** expenditure is under by \$4k. However, as reported previously within the expenses cleaning costs are over by \$5k, due to an increase in price that occurred after the Budget was finalised.

- **Governance and Members** operating expenses are under by \$41k, of which \$5k to audit fees and consultants, \$16k is attributable to training, \$11k to meeting costs, printing stationery and subscriptions, \$6k on international and national travel and another \$3k on Maori Engagement.

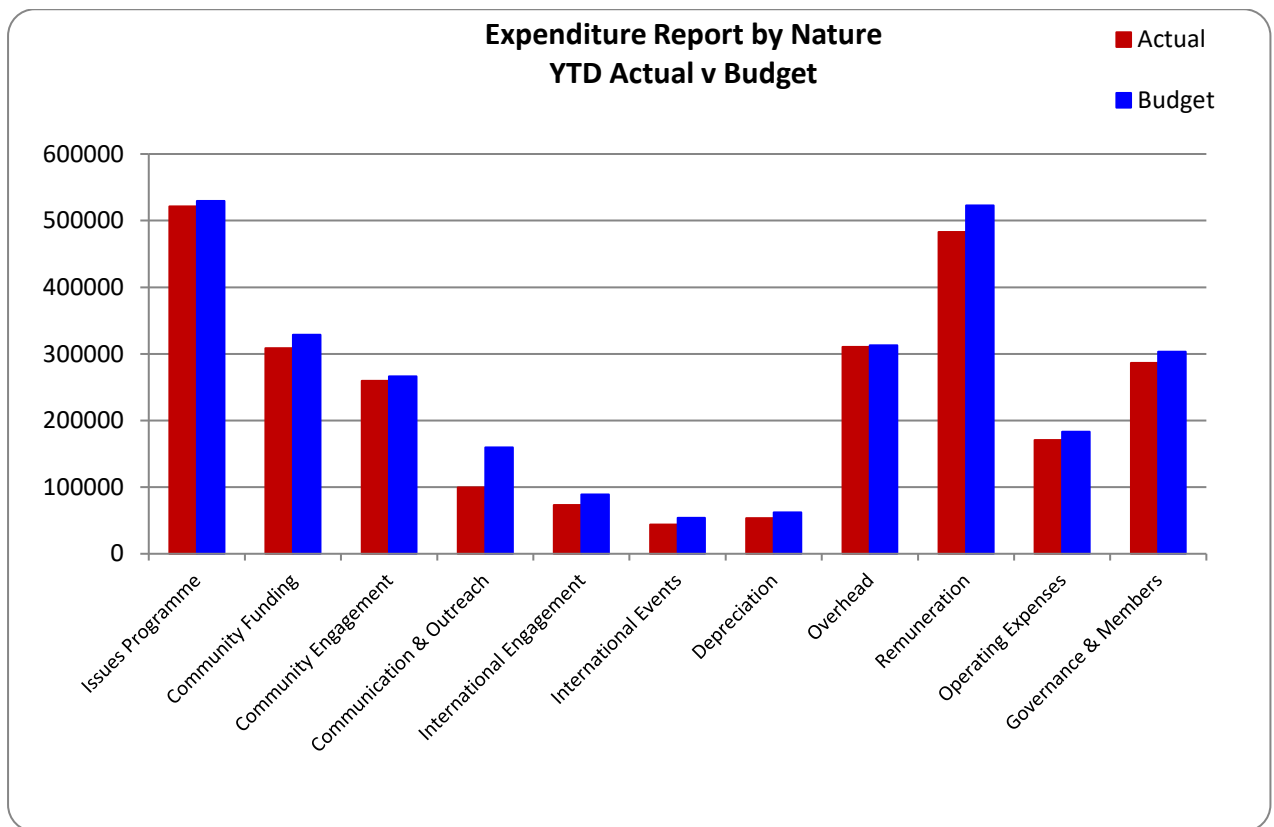
## Other Expected Major Budget Variances

There are no other major variances to report.

## Condensed Income and Expenditure Report

### Actual v Budget by Nature As at 31 December 2016

	YTD Actual \$	YTD Budget \$	Variance \$
<b>Income – total</b>	<b>3,483,887</b>	<b>2,859,163</b>	<b>624,724</b>
<b>Expenditure</b>			
Issues Programme	554,187	558,083	-3,897
Community Funding	394,897	409,800	-14,903
Community Engagement	302,962	310,124	-7,162
Communication & Outreach	111,410	176,743	-65,333
International Engagement	83,468	101,198	-17,730
International Events	49,201	54,000	-4,799
Depreciation	61,203	69,750	-8,547
Overhead	348,052	352,158	-4,106
Remuneration (Operations)	554,243	581,192	-26,949
Operating Expenses	188,942	212,716	-23,774
Council & Members	296,947	337,530	-40,584
<b>Expenditure – total</b>	<b>2,945,510</b>	<b>3,163,295</b>	<b>-217,785</b>
<b>Net Income</b>	<b>538,377</b>	<b>-304,131</b>	<b>842,509</b>



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

Jordan Carter  
Chief Executive

24 January 2017

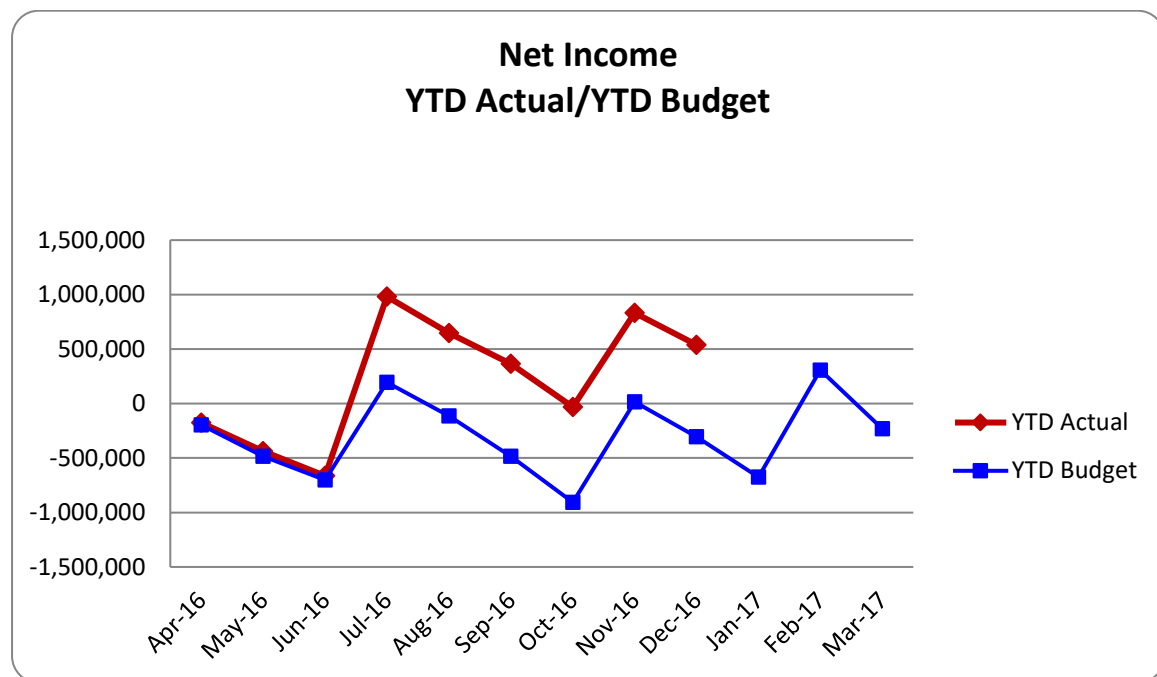
## Attachment A: Profit and Loss Statement

### InternetNZ Profit and Loss Statement As at 31 December 2016

	Apr - Dec 16	Budget	\$ Over Budget
<b>Ordinary Income/Expense</b>			
<b>Income</b>			
<b>500 · Operating Income</b>			
530 · Shared Group Services	290,331.00	290,250.00	81.00
535 · Group Staff Activity Recharge	6,566.98	0.00	6,566.98
542 · Membership - Corporate	1,700.00	2,583.34	(883.34)
546 · Membership - Individual	3,233.53	5,254.00	(2,020.47)
<b>Total 500 · Operating Income</b>	<b>301,831.51</b>	<b>298,087.34</b>	<b>3,744.17</b>
560 · Grants	30,000.00	0.00	30,000.00
570 · Sundry Income	345.00	1,000.00	(655.00)
<b>580 · Investment Income</b>			
583 · Dividends	3,134,136.00	2,537,076.00	597,060.00
586 · Interest	17,574.65	23,000.00	(5,425.35)
<b>Total 580 · Investment Income</b>	<b>3,151,710.65</b>	<b>2,560,076.00</b>	<b>591,634.65</b>
<b>Total Income</b>	<b>3,483,887.16</b>	<b>2,859,163.34</b>	<b>624,723.82</b>
<b>Expense</b>			
<b>600 · Remuneration</b>			
601 · ACC Levy	3,936.50	5,102.95	(1,166.45)
625 · Miscellaneous Staff Costs	15,077.28	22,089.86	(7,012.58)
630 · Recruitment	45,451.34	52,000.00	(6,548.66)
635 · Staff Training	53,992.53	67,115.04	(13,122.51)
651 · Wages & Salaries			
651-01 · Kiwi Saver - Employer Cont	35,743.49	40,173.50	(4,430.01)
651 · Wages & Salaries - Other	1,012,395.16	1,005,574.17	6,820.99
<b>Total 651 · Wages &amp; Salaries</b>	<b>1,048,138.65</b>	<b>1,045,747.67</b>	<b>2,390.98</b>
653 · Wages - Casual & Temporary	5,746.14	20,445.03	(14,698.89)
<b>Total 600 · Remuneration</b>	<b>1,172,342.44</b>	<b>1,212,500.55</b>	<b>(40,158.11)</b>
<b>800 · Operating Expenses</b>			
801 · Accountancy Fees	7,813.44	14,749.97	(6,936.53)
805 · Advertising & Marketing	1,993.55	8,250.03	(6,256.48)
808 · Audit Fees	1,450.00	3,550.00	(2,100.00)
809 · Bank Charges	2,058.07	4,999.97	(2,941.90)
811 · Conferences	3,437.10	13,999.91	(10,562.81)
813 · Consultants	149,702.90	169,666.74	(19,963.84)
816 · Depreciation	61,202.56	69,750.00	(8,547.44)
818 · Group Staff Activities	7,786.35	8,500.00	(713.65)
820 · General Office Expenses	20,011.20	21,005.36	(994.16)
822 · Governance Training	7,197.14	23,000.00	(15,802.86)
824 · Honoraria	117,287.88	117,687.50	(399.62)
826 · Legal Fees	46,484.90	36,247.07	10,237.83
829 · Meeting Costs	69,192.49	85,962.34	(16,769.85)
851 · Repairs and Maintenance	3,594.24	2,999.97	594.27
853 · R & M - Software	4,676.58	6,750.00	(2,073.42)

855 · Printing & Stationery	13,252.27	16,650.00	(3,397.73)
860 · Subscriptions	36,120.28	35,480.70	639.58
870 · Telecommunications	47,746.01	52,799.52	(5,053.51)
872 · Travel & Accom - International	0.00	4,666.67	(4,666.67)
873 · Travel & Accom - National	52,501.61	57,299.97	(4,798.36)
875 · Web Site Updates & Hosting	1,833.62	3,750.00	(1,916.38)
Total 876-60 · Internet Governance Portfolio	61,270.29	64,000.00	(2,729.71)
Total 876 · Issues Programme	274,337.14	254,170.69	20,166.45
Total 878 · Community Funding	272,089.18	280,000.00	(7,910.82)
Total 880 · Community Engagement	129,827.68	198,200.00	(68,372.32)
Total 882 · Communications/Outreach	1,202.84	9,500.00	(8,297.16)
Total 887 · International Event	31,045.95	35,000.00	(3,954.05)
Total 800 · Operating Expenses	<u>1,425,115.27</u>	<u>1,598,636.41</u>	<u>(173,521.14)</u>
900 · Overheads			
915 · Cleaning Costs	36,869.98	32,249.97	4,620.01
933 · Electricity	11,589.72	18,749.97	(7,160.25)
950 · Insurance	7,141.78	8,025.03	(883.25)
975 · Rent Paid	290,342.20	290,342.70	(0.50)
980 · Security	2,108.49	2,790.00	(681.51)
Total 900 · Overheads	<u>348,052.17</u>	<u>352,157.67</u>	<u>(4,105.50)</u>
Total Expense	<u>2,945,509.88</u>	<u>3,163,294.63</u>	<u>(217,784.75)</u>
Net Ordinary Income	<u>538,377.28</u>	<u>(304,131.29)</u>	<u>842,508.57</u>
Other Income/Expense			
Other Income			
1000 · Special Dividends			
1030 · Investment Income	<u>119,201.36</u>	<u>0.00</u>	<u>119,201.36</u>
Total 1000 · Special Dividends	<u>119,201.36</u>	<u>0.00</u>	<u>119,201.36</u>
Total Other Income	119,201.36	0.00	119,201.36
Other Expense			
1900 · Special Dividend Exp-Overhead			
1950 · Investment Funds Management Fee	<u>6,716.62</u>	<u>0.00</u>	<u>6,716.62</u>
Total 1900 · Special Dividend Exp-Overhead	<u>6,716.62</u>	<u>0.00</u>	<u>6,716.62</u>
Total Other Expense	<u>6,716.62</u>	<u>0.00</u>	<u>6,716.62</u>
Net Other Income	<u>112,484.74</u>	<u>0.00</u>	<u>112,484.74</u>
Net Income	<u><u>650,862.02</u></u>	<u><u>(304,131.29)</u></u>	<u><u>954,993.31</u></u>

Attachment B: Net Income actual against budget



## Attachment C: Balance Sheet

InternetNZ  
Balance Sheet  
As at 31 December 2016

ASSETS	<u>December 31, 16</u>
Current Assets	
Cheque/Savings	
Total Cheque/Savings	512,462.04
Total 121 - Term Deposits	2,201,431.82
130 - USD Bank Account	339,885.16
150 - Petty Cash	<u>400.00</u>
122 - Investment Funds	
122-01 - GMI Investment	1,232,705.64
122-20 - Milford Asset	<u>1,328,850.47</u>
Total 122 - Investment Funds	2,561,556.11
Total Other Current Assets	<u>125,913.81</u>
Total Current Assets	5,741,648.94
Fixed Assets	
Total Fixed Assets	292,833.14
Other Assets	
270 - Ordinary Share Capital	30,000.00
271 - Shares in DNCL	<u>580,000.00</u>
Total Other Assets	<u>610,000.00</u>
<b>TOTAL ASSETS</b>	<b><u>6,644,482.08</u></b>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
300 - Accounts Payable	<u>111,440.86</u>
Total Accounts Payable	111,440.86
Other Current Liabilities	
305 - Accruals	<u>141,549.78</u>
Total 327 - Payroll Liabilities	<u>47,295.24</u>
Total Other Current Liabilities	<u>188,845.02</u>
Total Current Liabilities	<u>300,285.88</u>
Total Liabilities	300,285.88
Equity	
412 - Retained Earnings	5,693,334.18
Net Income	<u>650,862.02</u>
Total Equity	<u>6,344,196.20</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>6,644,482.08</u></b>



## Attachment D: Spread of assets across institutions

### Investment Information

#### Term Deposits

Date	Bank	Term	Amount
28/2/2016	BNZ	12 months	92,412
29/8/2016	BNZ	5 months	200,000
29/08/2016	ASB	6 months	450,000
29/08/2016	ASB	10 months	450,000
21/12/2016	BNZ	30 days	350,000
21/12/2016	BNZ	120 days	350,000
01/12/2016	Kiwibank	12 months	309,020
Total \$			<b>2,201,432</b>

#### Managed Investment Funds Information

Date	Managers	Amount
20/06/2013	GMI	1,232,706
20/06/2013	Milford	1,328,850
Total \$		<b>2,561,556</b>

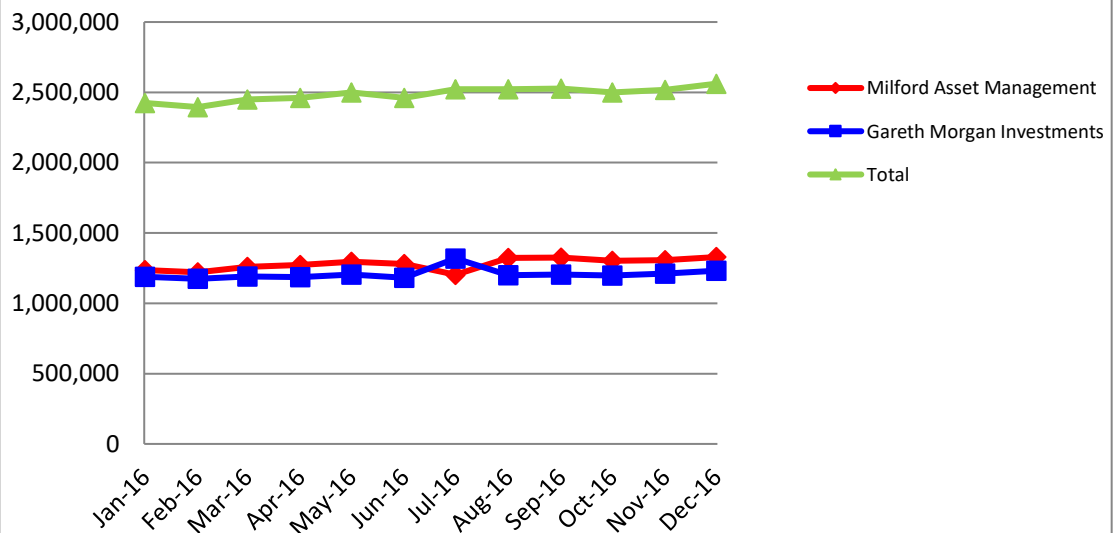
Managed Investment funds recorded at market value on 31 December 2016.

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.

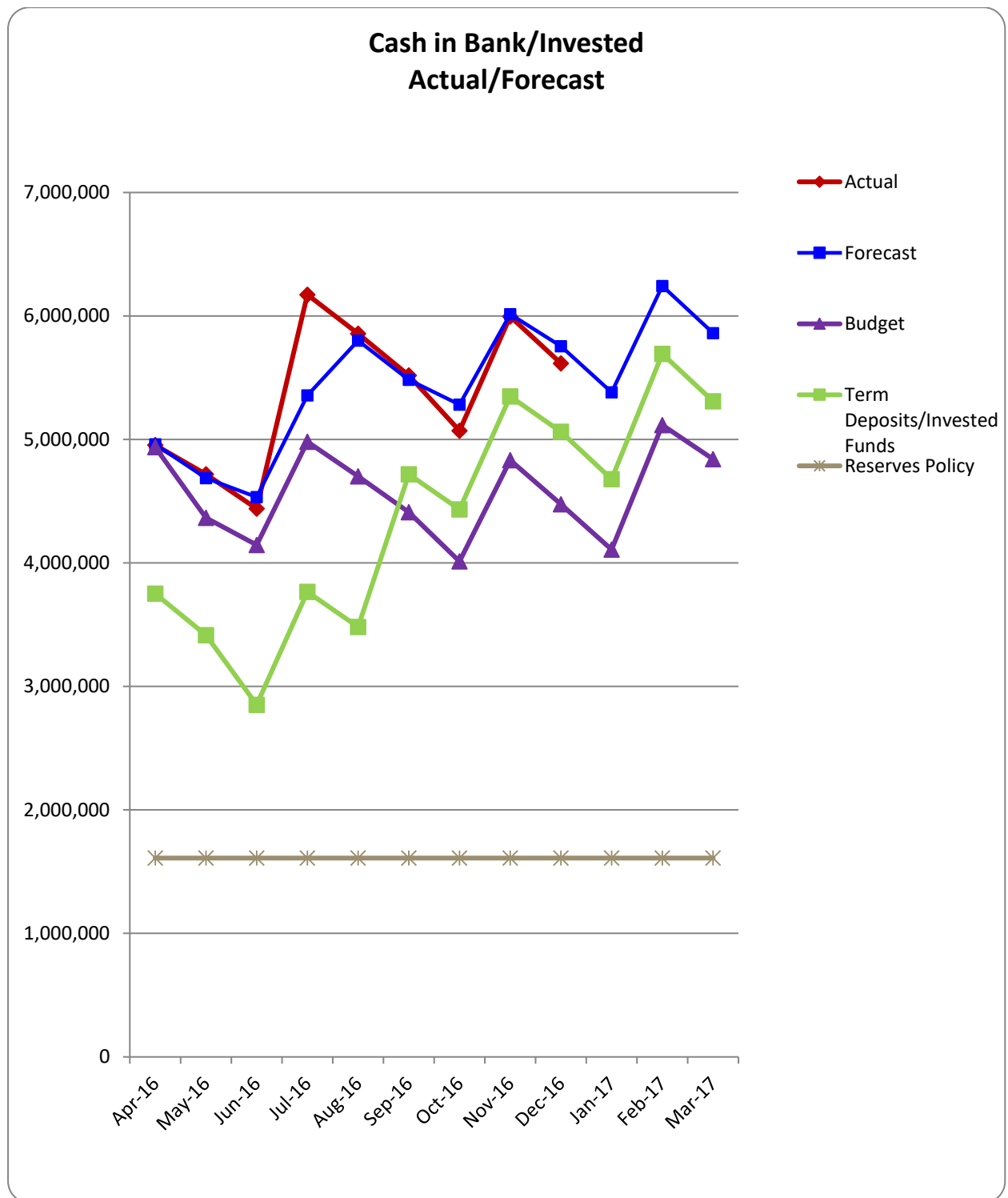
## Attachment E: Managed Invested Funds

	<b>Milford Asset Management</b>	<b>Gareth Morgan Investments</b>	<b>Total</b>
Jan-16	1,235,790	1,188,090	2,423,880
Feb-16	1,221,112	1,174,083	2,395,195
Mar-16	1,259,590	1,189,929	2,449,519
Apr-16	1,272,701	1,187,262	2,459,963
May-16	1,296,358	1,203,608	2,499,966
Jun-16	1,280,111	1,180,690	2,460,801
Jul-16	1,203,161	1,318,803	2,521,965
Aug-16	1,322,224	1,200,142	2,522,366
Sep-16	1,323,934	1,203,311	2,527,245
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

### Investment Funds Monthly Closing Balances



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



Attachment G: Cash flow forecast to December 2016

	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Total
<b>RECEIPTS</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Proj</b>	<b>Proj</b>	<b>Proj</b>	<b>Actual</b>
Invoiced Sales	255,380	60,828	80,558	47,772	60,389	79,117	48,526	46,099	37,564	17,809	37,323	37,312	808,677
Special Dividends	0	0	0	0	0	0	0	0	0	0	0	0	0
Investment Income	12,643	45,844	-43,171	69,712	1,352	6,392	-29,312	19,941	50,700	0	0	0	134,101
Special Dividends Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends	0	0	0	1,934,136	0	0	0	1,200,000	0	0	1,200,000	0	4,334,136
Interest	0	0	0	0	0	0	0	0	0	0	3,476	0	3,476
Interest Received	322	1,776	3,866	483	1,032	1,093	352	1,216	7,412	18	682	1,235	19,487
Special Dividend Term Deposits	0	0	0	0	0	0	0	0	0	0	0	0	0
Sundry Receivables	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepayments	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Receivable	53	339	373	0	0	0	0	0	3,150	0	0	0	3,915
RWT Received	0	0	0	0	0	0	0	0	0	0	0	0	0
GST	0	29,275	2,306	35,583	3,848	32,023	2,534	46,560	0	0	121,359	0	273,488
	268,398	138,062	43,932	2,087,686	66,621	118,625	22,100	1,313,816	98,826	17,827	1,362,840	38,547	5,577,280
<b>PAYMENTS</b>													
Invoiced Costs	319,636	248,779	220,006	264,644	277,457	308,681	366,098	228,974	331,209	116,715	390,701	267,627	3,340,527
ACC Levies	0	0	0	4,429	0	0	0	0	0	0	0	0	4,429
Salary & Wages	33,220	83,867	63,809	62,545	64,121	106,540	69,678	114,372	94,678	79,427	74,427	110,667	957,351
Investment Funds	0	0	0	0	0	0	0	0	0	0	0	0	0
Sundry Payables	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepayments	0	0	0	0	0	0	0	0	0	0	0	0	0
RWT	0	0	0	0	0	0	0	0	0	0	0	0	0
PAYE	21,356	42,119	38,430	23,348	40,638	41,735	33,321	46,363	52,992	55,573	36,166	42,874	474,915
GST	0	0	0	0	0	0	0	0	0	0	0	0	0
	374,212	374,765	322,245	354,966	382,216	456,956	469,097	389,709	478,879	251,715	501,294	421,168	4,777,222
<b>NET CASH FLOW</b>	<b>-105,814</b>	<b>-236,703</b>	<b>-278,313</b>	<b>1,732,720</b>	<b>-315,595</b>	<b>-338,331</b>	<b>-446,997</b>	<b>924,107</b>	<b>-380,053</b>	<b>-233,888</b>	<b>861,546</b>	<b>-382,621</b>	<b>800,058</b>
<b>OPENING BANK</b>	<b>5,060,705</b>	<b>4,954,891</b>	<b>4,718,188</b>	<b>4,439,875</b>	<b>6,172,595</b>	<b>5,857,000</b>	<b>5,518,669</b>	<b>5,071,672</b>	<b>5,995,779</b>	<b>5,615,726</b>	<b>5,381,838</b>	<b>6,243,384</b>	<b>5,060,705</b>
<b>CLOSING BANK</b>	<b>4,954,891</b>	<b>4,718,188</b>	<b>4,439,875</b>	<b>6,172,595</b>	<b>5,857,000</b>	<b>5,518,669</b>	<b>5,071,672</b>	<b>5,995,779</b>	<b>5,615,726</b>	<b>5,381,838</b>	<b>6,243,384</b>	<b>5,860,763</b>	<b>5,860,763</b>

Bank Account Balances as per BS	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
ANZ Savings	356,623	506,918	557,287	507,728	508,197	348,484	148,631	298,777	448,869			
ANZ Current	105,402	128,400	286,433	607,547	290,661	106,358	186,066	1,343,108	58,255			
ASB Term Deposit	0	0	0	0	900,000	900,000	900,000	900,000	900,000			
ASB Working	400,292	400,292	401,035	901,035	1,035	1,840	1,840	1,840	1,842			
BNZ Working	3,048	3,050	3,052	903,053	3,475	3,476	3,478	3,479	3,487			
BNZ Term Deposit	992,412	542,412	92,412	92,412	992,412	992,412	692,412	292,412	992,412			
Kiwibank Term Deposit	298,570	298,570	298,570	298,570	298,569	298,569	298,570	298,570	309,020			
USD Bank Account	338,180	338,180	339,885	339,885	339,885	339,885	339,885	339,885	339,885			
Petty Cash	400	400	400	400	400	400	400	400	400			
Investment Funds	2,459,963	2,499,966	2,460,801	2,521,965	2,522,366	2,527,245	2,500,390	2,517,308	2,561,556			
	<b>4,954,891</b>	<b>4,718,188</b>	<b>4,439,875</b>	<b>6,172,595</b>	<b>5,857,000</b>	<b>5,518,669</b>	<b>5,071,672</b>	<b>5,995,779</b>	<b>5,615,726</b>	<b>0</b>	<b>0</b>	<b>0</b>