

Financial statements

For the quarter ended 31 December 2018



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Commentary to the accounts

For the quarter ending 31 December 2018, the accounts report a deficit result of \$176,667 against a budgeted deficit of \$142,570. This outcome reflects a decrease in Income compared to budget of \$230,024, coupled with a variance underspend of \$195,927.

Year to date, the InternetNZ accounts report a surplus of \$809,672 against a budgeted surplus of \$404,899.

The results in these accounts are reported against the updated Budget approved by Council on the 24th August 2018.

Income and expenditure variances

Income:

Income is under compared to budget by \$230,024. Within that, .nz Registry revenue was \$40,233 overbudget; Broadband Map over by \$2,881, income derived from community engagement activities were under \$11,220 against budget, whilst income from investing activities was down \$249,781 against expectations due to the volatility in the markets for the QE December, the first month of Q4 has seen less volatility to the downward side, and losses from Q3 being reduced.

Expenditure:

Areas of difference are:

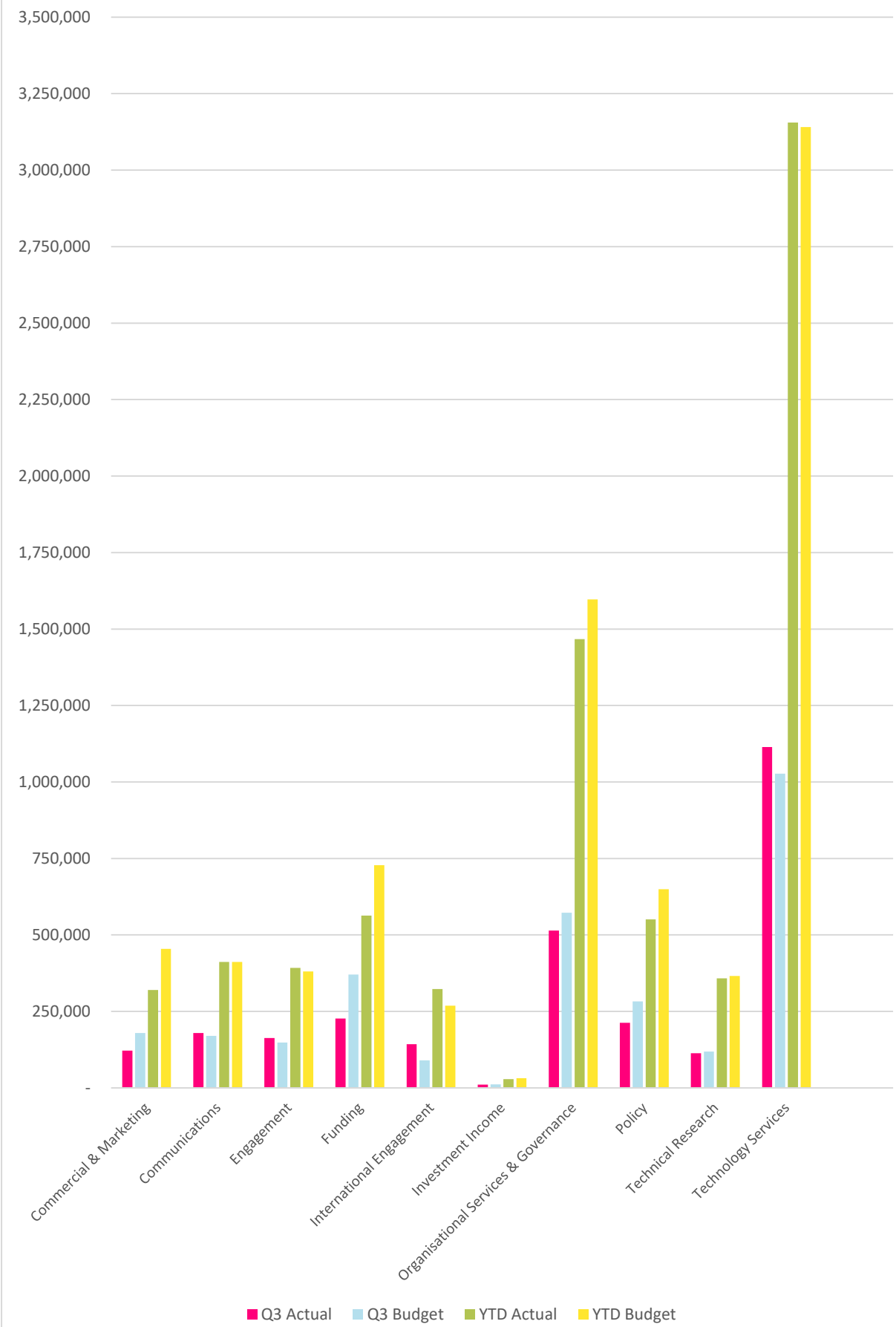
- **Remuneration** costs were over budget by \$44,347. This was largely due to the reduction in the capitalisation of salaries compared to that projected by \$72,902 (we capitalise salaries in connection with new developments on our platforms), this was offset against the underspend in auxiliary employment expenses. Underspend was seen against recruitment costs, staff training and staff insurance expenditure.
- **Organisational services and Governance** reported an underspend of \$50,531. This outcome reinforces an ongoing commitment to cost saving initiatives across many static expenses such as cleaning costs and staff mobile monthly expenditure.
- **Policy and Internet issues** reports an underspend for the quarter of \$56,086. 81% of this underspend was within the Access, Creative, Trust and areas of work (\$45,810), It was anticipated that the Copywrite review work would have started earlier in the year, it has commenced in January. It is expected that within these areas of work there will be an overall underspend for the year.
- **International engagement** is reporting an overspend of \$51,489 against budget, caused by an increase compared to budget in attendance at the ITU in Dubai, and the UNIGF in Paris.

- **Commercial/Marketing** underspend was \$50,131 against budget. The underspend stemmed from slower spend in the Biz Dev area \$15,400, Marketing \$21,800, and Merchandising and Promotions \$10,044, the balance of \$2,887 was across all other areas.
- **Community and Membership engagement** expenditure was over by \$25,787 for the quarter, within this the overspend on NetHui Regional amounted to \$33,295. The underspend of \$7,508 stemmed from lower than expected expenditure on Stakeholder and Maori engagement costs for the quarter.
- **Community funding** came in at \$138,228 under budget for the quarter. The majority (\$135,360) of the variance arose around the timing of the funding rounds and the budget phasing for the quarter.
- **Communications** expenditure was under for the quarter by \$13,753, this is attributable to Brand Marketing and Colmar Brunton research, with future work in both areas planned.
- **Technical Services** most areas of expenditure were under for the quarter (\$26,461), the exceptions were business continuity and consultants' costs.
- **Technical Research** was also under in most areas of expenditure for the quarter by \$8,457.
- **Amortisation and Depreciation** due to the realignment of depreciation methods across the organisation from diminishing value to (DV) to straight line (SL), depreciation and amortisation are reporting an overspend of \$26,878.

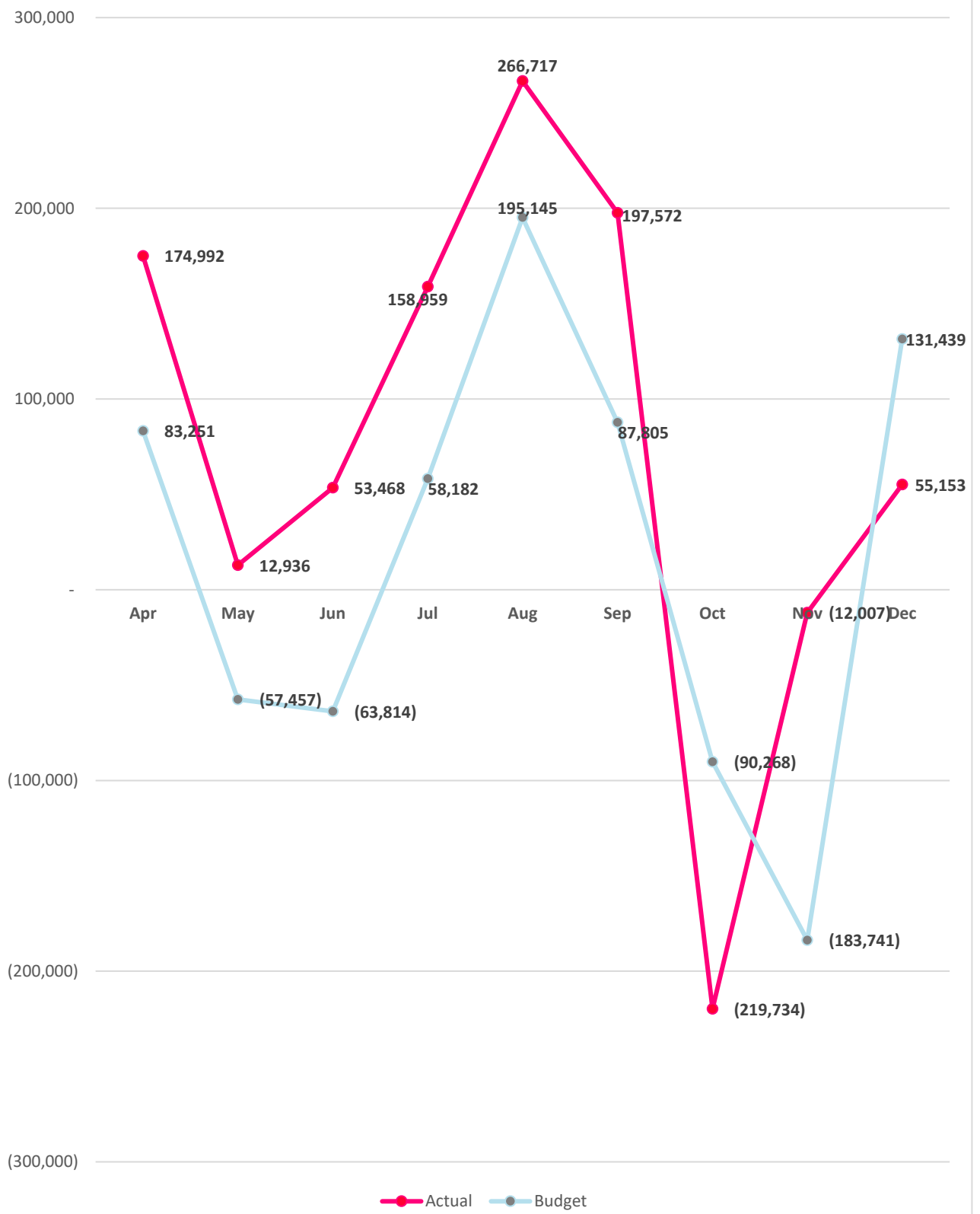
Internet New Zealand Incorporated
Income Statement
For the 3 months ended 31 December 2018

Account	Q3 Actual (\$)	Q3 Budget (\$)	Q3 Var (\$)	Q3 Var (%)	YTD Actual (\$)	YTD Budget (\$)	YTD Var (\$)	YTD Var (%)
Revenue								
.NZ	2,704,610	2,664,377	40,233	2%	8,095,776	7,934,193	161,583	2%
Other Operational	5,581	2,700	2,881	107%	36,166	32,300	3,866	12%
Membership	758	2,742	-1,984	-72%	4,088	5,035	-947	-19%
Events	25,313	34,550	-9,237	-27%	61,262	64,550	-3,288	-5%
Recharge	56,945	57,711	-766	-1%	172,557	173,133	-576	0%
Misc	2,989	0	2,989	0%	7,321	0	7,321	0%
Total Revenue	2,796,197	2,762,080	34,117	1%	8,377,171	8,209,211	167,960	2%
Cost of Sales								
Domain Name Commission	330,000	330,000	0	0%	990,000	990,000	0	0.00%
Broadband Map	28,443	13,104	15,339	117%	58,215	39,312	18,903	48.08%
DNS Providers	26,385	26,268	117	0%	78,979	78,804	175	0.22%
DNS Other	7,801	8,451	-650	-8%	23,105	25,353	-2,248	-8.87%
ISP/Hosting/Networking	91,207	91,377	-170	0%	266,022	274,131	-8,109	-2.96%
Other IT	34,346	34,623	-277	-1%	93,397	94,869	-1,472	-1.55%
Total Cost of Sales	518,182	503,823	14,359	3%	1,509,718	1,502,469	7,249	0.48%
Gross Profit	\$2,278,014	\$2,258,257	\$19,757	0.87%	\$6,867,453	\$6,706,742	\$160,711	2.40%
Other Income								
Interest Income	109,059	151,068	-42,009	-28%	256,311	278,664	-22,353	-8%
Managed Funds Income	-196,660	11,112	-207,772	-1870%	-7,539	188,890	-196,429	-104%
Total Other Income	-87,601	162,180	-249,781	-154%	248,773	467,554	-218,781	-47%
Operating Expenses								
Employment	1,170,096	1,125,749	44,347	4%	3,379,837	3,421,504	-41,667	-1%
Organisational Services	160,135	177,535	-17,400	-10%	539,242	577,195	-37,953	-7%
Policy	94,930	151,015	-56,085	-37%	192,712	254,416	-61,704	-24%
Governance	98,053	131,184	-33,131	-25%	248,520	328,675	-80,155	-24%
International Engagement	123,517	72,028	51,489	71%	274,892	214,741	60,151	28%
Marketing	39,506	89,637	-50,131	-56%	82,355	173,842	-91,487	-53%
Funding	180,542	318,770	-138,228	-43%	422,723	571,084	-148,361	-26%
Engagement	124,456	104,680	19,776	19%	211,798	179,981	31,817	18%
Membership	12,344	6,333	6,011	95%	25,189	24,166	1,023	4%
Communications	70,489	84,242	-13,753	-16%	131,883	142,818	-10,935	-8%
Technical Services	75,355	101,816	-26,461	-26%	242,087	325,331	-83,245	-26%
Technical Research	6,211	14,668	-8,457	-58%	26,770	52,310	-25,540	-49%
Amortisation & Depreciatio	209,728	182,850	26,878	15%	521,586	495,834	25,752	5%
Total Operating Expenses	2,365,361	2,560,507	-195,146	-8%	6,299,592	6,761,897	-462,305	-7%
Financial								
Managed Funds Fees	1,719	2,500	-781	-31%	6,962.14	7,500.00	(537.86)	-7%
Total Financial	1,719	2,500	-781	-31%	6,962.14	7,500.00	(537.86)	-7%
Net Profit	-176,667	-142,570	-34,097	24%	809,671.80	404,899.00	404,772.80	100%

Expenditure by Activity



Net Operating Profit: Actual v Budget (YTD)



Balance Sheet			
Internet New Zealand Incorporated			
As at 31 December 2018			
	31 Oct 2018	30 Nov 2018	31-Dec-2018
Assets			
Bank			
InternetNZ - Working Capital Accounts	\$3,444,497.10	\$3,556,351.52	\$3,865,540.47
InternetNZ - Savings Accounts	\$63,843.28	\$63,849.75	\$63,856.44
InternetNZ - Term Deposits	\$10,917,143.99	\$10,927,018.24	\$10,670,302.11
ANZ USD Bank Account	\$322,521.23	\$230,825.99	\$230,941.12
Total Bank	\$14,748,005.60	\$14,778,045.50	\$14,830,640.14
Current Assets			
Trade Receivables & Prepayments	\$1,562,335.88	\$1,331,085.03	\$1,196,297.08
Other Current Assets	\$8,373.39	\$159.78	\$66,252.47
Managed Funds	\$2,955,306.60	\$2,915,068.20	\$2,872,579.80
Total Current Assets	\$4,526,015.87	\$4,246,313.01	\$4,135,129.35
Non-Current Assets			
Assets at Cost	\$3,250,282.29	\$3,257,977.52	\$3,258,107.95
Less Accum - Depreciation	-\$2,598,466.81	-\$2,616,860.83	-\$2,680,769.38
Intangible Assets at Cost	\$3,562,908.68	\$3,577,298.28	\$3,584,157.33
Less Accum - Amortisation	-\$3,268,391.30	-\$3,320,074.98	-\$3,347,044.10
Non-current Assets			
Shares in Domain Name Commission	\$580,000.00	\$580,000.00	\$580,000.00
Total Non-current Assets	\$1,526,332.86	\$1,478,339.99	\$1,394,451.80
Total Assets	\$20,800,354.33	\$20,502,698.50	\$20,360,221.29
Liabilities			
Current Liabilities			
Trade & Other Payables	\$967,867.46	\$722,471.59	\$709,288.64
Deferred Income	\$8,667,120.31	\$8,626,867.00	\$8,373,793.56
Total Current Liabilities	\$9,634,987.77	\$9,349,338.59	\$9,083,082.20
Total Liabilities	\$9,634,987.77	\$9,349,338.59	\$9,083,082.20
Net Assets	\$11,165,366.56	\$11,153,359.91	\$11,277,139.09
Equity			
Current Year Earnings	\$766,525.75	\$754,519.10	\$878,298.28
Retained Earnings	\$10,398,840.81	\$10,398,840.81	\$10,398,840.81
Total Equity	\$11,165,366.56	\$11,153,359.91	\$11,277,139.09

Bank Facility Balances per Month

