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## Preliminary Year End Financial Report: 31 March 2016

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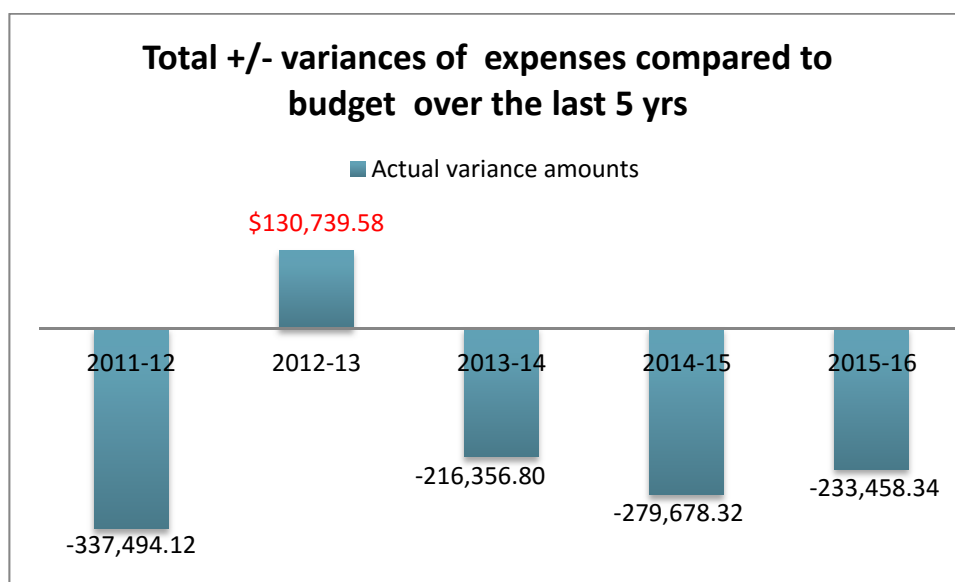
<b>Author:</b>	Jordan Carter, Chief Executive
<b>Purpose of Paper:</b>	To provide an initial year end update on the financial performance of InternetNZ for the 2015/16 year.

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### Commentary to the Accounts

The preliminary (unaudited) result for the year ending March 2016 sees a surplus result of \$453,445, against a budgeted surplus of \$219,986 reflecting a variance of \$233,458. This excess surplus was achieved regardless of the fact that we absorbed an abnormal expense of asset write-off in excess of \$186k.

Historically, as illustrated in the following graph, we have underspent compared to budget in four of the last five years. This has been due to a combination of things: the budget being set prior to the activity plan being developed, an approach to budgeting that in some areas provides “caps” rather than planned spending, and generally tight control of expenditure wherever possible.



I am very pleased that this year-end report shows ongoing restraint in the overall level of spending, higher than expected income (mainly due to APRICOT), and the flexibility that a small organisation can exercise in responding to changed circumstances by adjusting its priorities when required.

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 2016.

## Income and Expenditure variances

### Income:

Income was over budget for the year by \$649,673 across the organisation. The main driver for this variance was APRICOT 2016, where sponsorship and registrations income was unknown at the time of setting the budget.

Besides APRICOT, other income variances were:

- An increase of \$7k for Group Service expenses
- A small reduction in membership fees of \$1k
- A deficit in interest of \$34k, resulting from low interest rates, and making more cash accessible
- A \$11k deficit on the revaluation of the USD bank account at year-end, as required by accounting standards

In the 2016/17 Activity Plan there are no planned events that are likely to lead to a similar scale of variance on the income side.

### Expenditure:

Areas of difference are:

- **Remuneration** in total was over budget by \$16k for the year, with miscellaneous staff costs, Kiwi Saver wages & salaries, and casual & temporary costs being over by \$30k. ACC, recruitment, staff training, and contracted technical services are all lower than budgeted by \$14k
- **Operational costs** ended the year over budget by \$221k. Within that:
  - in the operations section of the budget, remuneration was over by \$17k with miscellaneous staff expenses, recruitment, staff training, wages and salaries, and casual and temp (reception) expenses over by \$31k. ACC, staff training and contractor technical services under by \$14k.
  - the following areas were over budget: advertising and marketing, bank charges, consultants, depreciation by \$48k as budget was to lower, domain names, postage & couriers, repairs and maintenance/software, printing and stationery, subscriptions, telecommunications, travel-national, cleaning, electricity are all over budget by \$283k, which includes the extraordinary item of \$182k to finish writing off the previous premises fit out at Grand Arcade Tower, as explained at the December Council meeting.

- all other areas are under budget, by \$62k.
- **Internet Issues Programme** ended the year over budget by \$5k, with the budget variance is due to the following:
  - conference, consultants, legal fees, Internet Law & Rights and Internet Access expenses are over budget, all other expenses and portfolios are under.
  - Internet Access is over budget by \$66k, mainly due to additional expense in the Copper Pricing matter with the Commerce Commission. As previously briefed to Council, participating in the process required participation in all stages to maintain position and there have been more stages than anticipated.
- **Community Funding** ended the year under budget by \$5k. Within that:
  - remuneration, advertising, conferences, consultants, meeting costs, national travel, stakeholder perception, on demand grants, and funding engagement are all under, by \$53k.
  - Legal, subscriptions, community funding review process, funding and strategic partnerships are over by \$58k of which \$48k is attributable to the delayed draw down of a legacy partnership with Victoria University of Wellington. As reported in December it is expected that strategic partnership will be over for the year by \$58k. The balance of \$5k is attributable in large part to the Smarty Grants software which was budgeted to be capitalised (but is instead a subscription).
- **Community Engagement** ended the year under budget by \$68k, due to remuneration, advertising, conferences, consultants, subscriptions, national travel and international engagement being under by \$29k. NetHui, Sponsorship, and the Oceania Summer School are also under budget by \$39k, and will remain under. The Oceania Summer School programme will be picked-up next year.
- **Governance and Members** ended the year under budget by \$76k, expenditure has not been as budgeted.
- **International Engagement** ended the year under budget by \$76k, due to a reduced amount of international travel being undertaken.
- **International Events** ended the year under budget by \$285k, of which \$12k relates to the ANZIAs and \$273k to APRICOT. As predicated the APRICOT event did not require any direct financial contribution from InternetNZ, and covered all previous years' costs incurred by InternetNZ relating to APRICOT. This was achieved by prudent management of expenditure by Yvonne Shelton.

### Other Expected Major Budget Variances

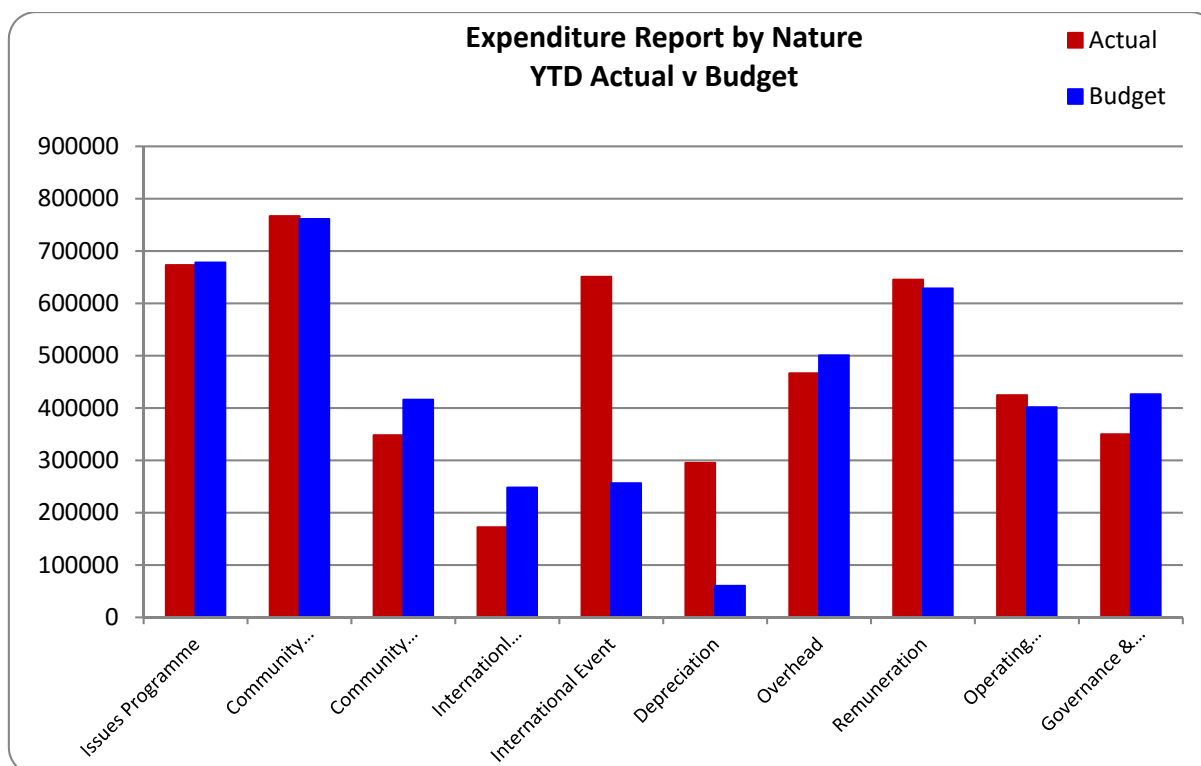
Other than those already noted, and dependant on the audit result there are no other major budget variances to report.

## Condensed Income and Expenditure Report

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

	YTD Actual \$	YTD Budget \$	Variance \$
<b>Income - total</b>	<b>5,244,870</b>	<b>4,595,197</b>	<b>649,673</b>
<b>Expenditure **</b>			
Issues Programme	673,097	677,800	-4,703
Community Funding	766,439	761,065	<b>5,374</b>
Community Engagement	347,946	415,808	-67,863
International Engagement	172,158	248,000	-75,842
International Event **	650,764	256,058	<b>394,706</b>
Depreciation/Write-off	295,140	60,000	<b>235,140</b>
Overhead	466,367	500,566	-34,198
Remuneration	645,216	628,169	<b>17,047</b>
Operating Expenses	424,444	401,532	<b>22,912</b>
Council & Members	349,856	426,213	-76,357
<b>Expenditure - total</b>	<b>4,791,425</b>	<b>4,375,210</b>	<b>416,215</b>
<b>Net Income</b>	<b>453,445</b>	<b>219,987</b>	<b>233,458</b>

\*\* Offset income variance of \$680,033 against Int'l Event expenditure of \$351,914



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

Jordan Carter  
Chief Executive

6 May 2016

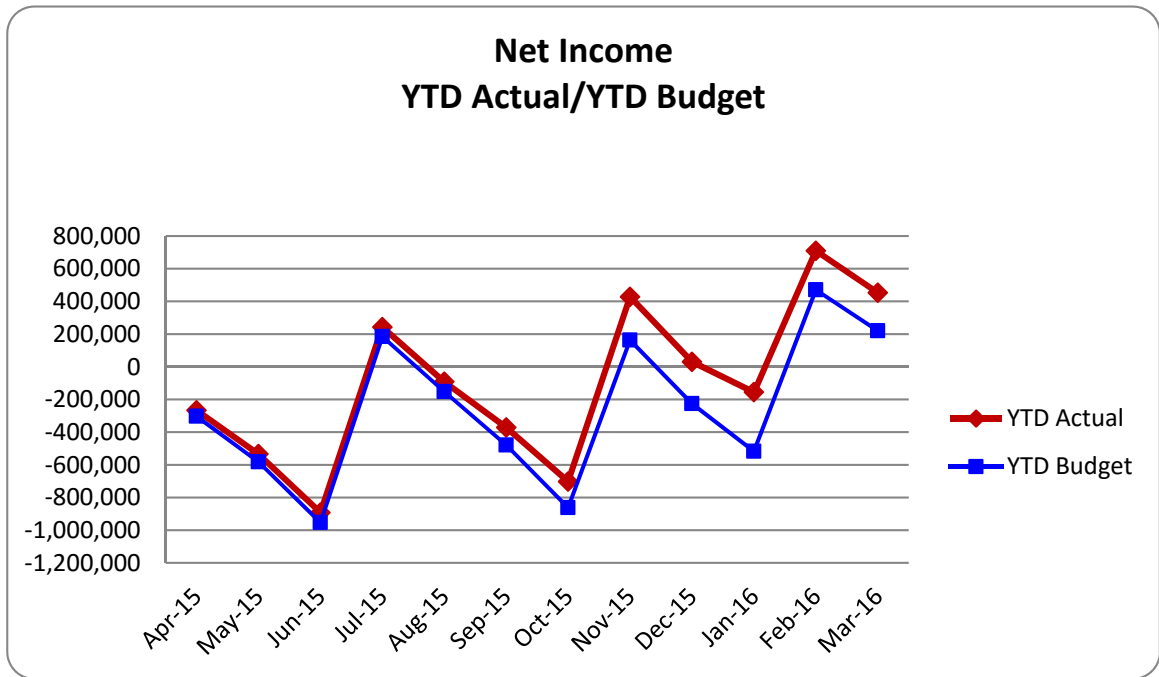
## Attachment A: Profit and Loss Statement

InternetNZ  
Profit and Loss Statement  
As at 31 March 2016

InternetNZ YTD	Apr 15 - Mar 16	Budget	\$ Over Budget
<b>Ordinary Income/Expense</b>			
<b>Income</b>			
<b>500 · Operating Income</b>			
530 · Shared Group Services	350,039.03	342,587.00	7,452.03
542 · Membership - Corporate	4,690.00	6,000.00	-1,310.00
546 · Membership - Individual	8,188.62	7,800.00	388.62
<b>Total 500 · Operating Income</b>	<b>362,917.65</b>	<b>356,387.00</b>	<b>6,530.65</b>
<b>570 · Sundry Income</b>			
570-01 · APRICOT 2016 Registration Fees	272,890.81	0.00	272,890.81
570-02 · APRICOT Sponsorship	303,470.11	0.00	303,470.11
570-2 · APRICOT Other Income	103,672.85	0.00	103,672.85
570 · Sundry Income - Other	8,675.14	0.00	8,675.14
<b>Total 570 · Sundry Income</b>	<b>688,708.91</b>	<b>0.00</b>	<b>688,708.91</b>
<b>580 · Investment Income</b>			
583 · Dividends	4,170,058.00	4,170,058.00	0.00
586 · Interest	34,693.83	68,752.00	-34,058.17
<b>Total 580 · Investment Income</b>	<b>4,204,751.83</b>	<b>4,238,810.00</b>	<b>-34,058.17</b>
<b>594 · Exchange Gain/Loss</b>	<b>-11,508.17</b>	<b>0.00</b>	<b>-11,508.17</b>
<b>Total Income</b>	<b>5,244,870.22</b>	<b>4,595,197.00</b>	<b>649,673.22</b>
<b>Expense</b>			
<b>600 · Remuneration</b>			
601 · ACC Levy	3,129.24	5,435.06	-2,305.82
625 · Miscellaneous Staff Costs	9,130.08	8,016.72	1,113.36
630 · Recruitment	105,667.96	112,500.00	-6,832.04
635 · Staff Training	39,766.66	40,880.76	-1,114.10
651 · Wages & Salaries			
651-01 · Kiwi Saver - Employer Contribution	41,215.43	38,310.43	2,905.00
651 · Wages & Salaries - Other	1,193,832.45	1,176,505.27	17,327.18
<b>Total 651 · Wages &amp; Salaries</b>	<b>1,235,047.88</b>	<b>1,214,815.70</b>	<b>20,232.18</b>
653 · Wages - Casual & Temporary	16,817.20	7,920.00	8,897.20
655 · Contracted Technical Services	2,278.26	6,240.00	-3,961.74
<b>Total 600 · Remuneration</b>	<b>1,411,837.28</b>	<b>1,395,808.24</b>	<b>16,029.04</b>
<b>800 · Operating Expenses</b>			
801 · Accountancy Fees	27,239.81	28,300.00	-1,060.19
805 · Advertising & Marketing	5,951.29	6,747.60	-796.31
808 · Audit Fees	4,530.00	10,000.00	-5,470.00
809 · Bank Charges	2,707.01	2,182.15	524.86
811 · Conferences	5,537.09	10,004.08	-4,466.99
813 · Consultants	140,610.57	185,620.00	-45,009.43
816 · Depreciation	108,978.96	60,000.00	48,978.96
817 · Domain Names	616.95	442.00	174.95
820 · General Office Expenses	32,588.37	36,205.24	-3,616.87
822 · Governance Training	8,132.34	40,000.00	-31,867.66
824 · Honoraria	201,750.00	200,250.00	1,500.00

826 · Legal Fees	31,122.78	49,000.00	-17,877.22
829 · Meeting Costs	86,490.22	92,268.76	-5,778.54
835 · Postages & Couriers	5,101.82	4,209.72	892.10
851 · Repairs and Maintenance	3,363.39	2,897.64	465.75
853 · R & M - Software	8,452.08	8,393.00	59.08
855 · Printing & Stationery	22,208.31	23,086.08	-877.77
860 · Subscriptions	53,744.33	29,268.32	24,476.01
870 · Telecommunications	67,480.56	66,132.00	1,348.56
872 · Travel & Accom - International	9,186.08	14,000.00	-4,813.92
873 · Travel & Accom - National	79,540.08	73,069.96	6,470.12
875 · Web Site Updates & Hosting	3,928.00	4,560.00	-632.00
<b>Total 876 · Issues Programme</b>	<b>427,838.44</b>	<b>477,200.00</b>	<b>-49,361.56</b>
<b>Total 878 · Community Funding</b>	<b>631,532.34</b>	<b>610,000.00</b>	<b>21,532.34</b>
<b>Total 880 · Community Engagement</b>	<b>171,514.93</b>	<b>210,000.00</b>	<b>-38,485.07</b>
<b>Total 887 · International Event</b>	<b>586,914.35</b>	<b>235,000.00</b>	<b>351,914.35</b>
<b>Total 800 · Operating Expenses</b>	<b>2,727,060.10</b>	<b>2,478,836.55</b>	<b>248,223.55</b>
<b>900 · Overheads</b>			
915 · Cleaning Costs	40,772.23	38,792.00	1,980.23
933 · Electricity	21,953.66	19,020.00	2,933.66
950 · Insurance	9,422.24	10,502.04	-1,079.80
972 · Moving expenses	44,780.59	80,000.00	-35,219.41
975 · Rent Paid	346,703.00	348,531.70	-1,828.70
980 · Security	2,735.70	3,720.00	-984.30
<b>Total 900 · Overheads</b>	<b>466,367.42</b>	<b>500,565.74</b>	<b>-34,198.32</b>
<b>997 · Extraordinary Items</b>	<b>186,160.61</b>	<b>0.00</b>	<b>186,160.61</b>
<b>Total Expense</b>	<b>4,791,425.41</b>	<b>4,375,210.53</b>	<b>416,214.88</b>
<b>Net Ordinary Income</b>	<b>453,444.81</b>	<b>219,986.47</b>	<b>233,458.34</b>
<b>Other Income/Expense</b>			
<b>Other Income</b>			
<b>1000 · Special Dividends</b>			
1010 · Special Dividends - Interest	8,799.80	0.00	8,799.80
1030 · Investment Income	78,148.52	0.00	78,148.52
<b>Total 1000 · Special Dividends</b>	<b>86,948.32</b>	<b>0.00</b>	<b>86,948.32</b>
<b>Total Other Income</b>	<b>86,948.32</b>	<b>0.00</b>	<b>86,948.32</b>
<b>Other Expense</b>			
<b>1900 · Special Dividend Exp-Overhead</b>			
1950 · Investment Funds Management Fee	8,989.70	0.00	8,989.70
<b>Total 1900 · Special Dividend Exp-Overhead</b>	<b>8,989.70</b>	<b>0.00</b>	<b>8,989.70</b>
<b>Total Other Expense</b>	<b>8,989.70</b>	<b>0.00</b>	<b>8,989.70</b>
<b>Net Other Income</b>	<b>77,958.62</b>	<b>0.00</b>	<b>77,958.62</b>
<b>Net Income</b>	<b>531,403.43</b>	<b>219,986.47</b>	<b>311,416.96</b>

Attachment B: Net Income actual against budget



InternetNZ  
Balance Sheet  
As at 31 March 2016

	<u>March 31, 16</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cheque/Savings/Op Term Deposits	
Total Cheque/Savings/	1,319,803.99
Term Deposits	
Total Term Deposits	1,290,981.88
Petty Cash	<u>400.00</u>
Total Cash	2,611,185.87
<b>Investment Funds</b>	
GMI Investment	1,189,929.31
Milford Asset	<u>1,259,589.78</u>
Total Investment	2,449,519.09
<b>Other Current Assets</b>	<u>311,471.95</u>
Total Other Current Assets	<u>311,471.95</u>
<b>Total Current Assets</b>	5,372,176.91
<b>Fixed Assets</b>	
Total Fixed Assets	271,227.19
<b>Other Assets</b>	
Ordinary Share Capital	30,000.00
Shares in DNCL	<u>580,000.00</u>
Total Other Assets	<u>610,000.00</u>
<b>TOTAL ASSETS</b>	<u><u>6,253,404.10</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
Total Accounts Payable	178,567.79
Other Current Liabilities	
Accruals	352,615.69
Payroll Liabilities	<u>28,886.44</u>
Total Other Current Liabilities	<u>381,502.13</u>
Total Current Liabilities	<u>560,069.92</u>
Total Liabilities	560,069.92
<b>Equity</b>	
Retained Earnings	5,161,930.75
Net Income	<u>531,403.43</u>
Total Equity	<u>5,693,334.18</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>6,253,404.10</u></u>



## Attachment D: Spread of assets across institutions

### Special Dividend Investment Information

Date	Bank	Term	Amount
02/12/2016	Kiwibank	12 months	298,570
28/02/2016	BNZ	12 months	92,412
21/03/2016	BNZ	59 days	450,000
21/03/2016	BNZ	89 days	450,000
Total \$			<b>1,290,982</b>

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.

### Managed Investment Funds Information

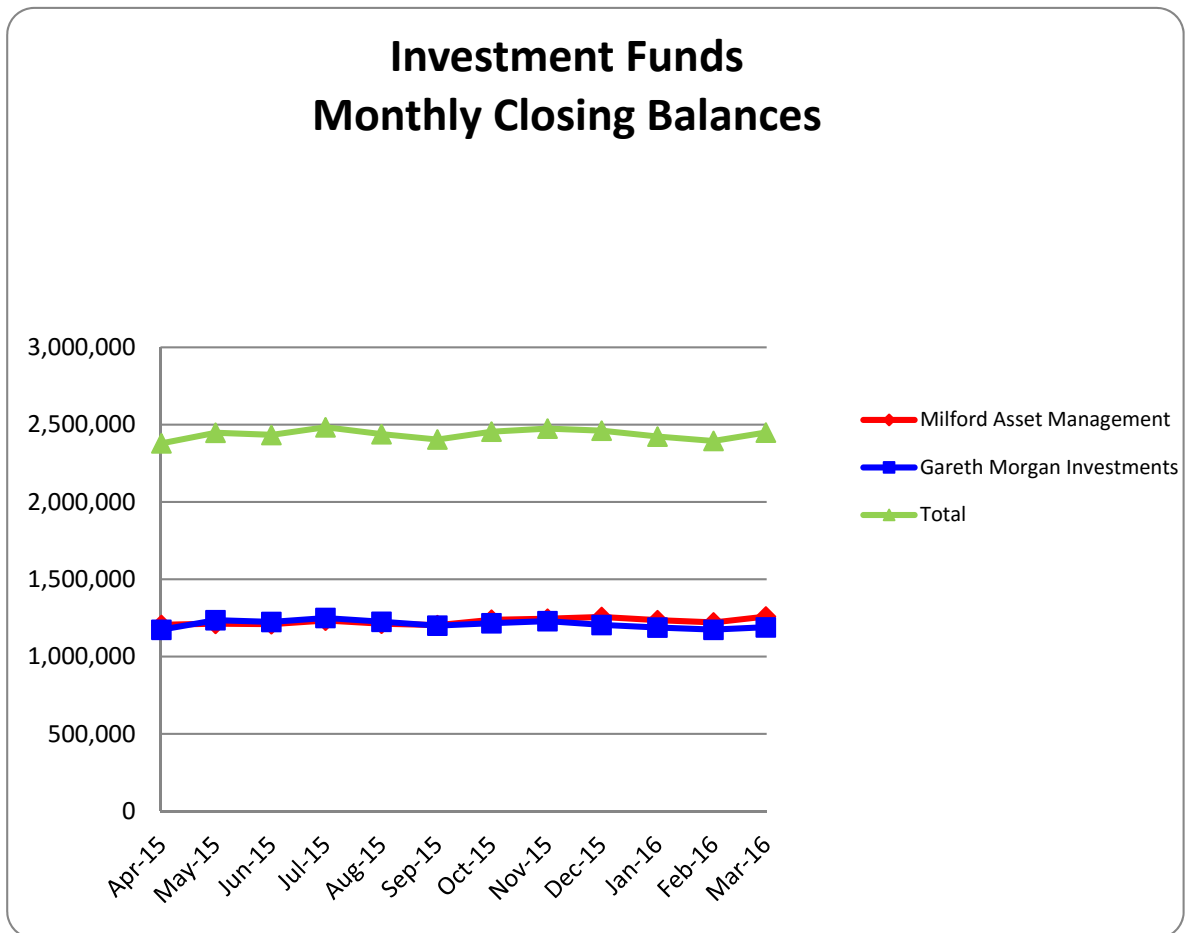
Date	Managers	Amount
20/06/2013	GMI	1,189,929
20/06/2013	Milford	1,259,590
Total \$		<b>2,449,519</b>

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

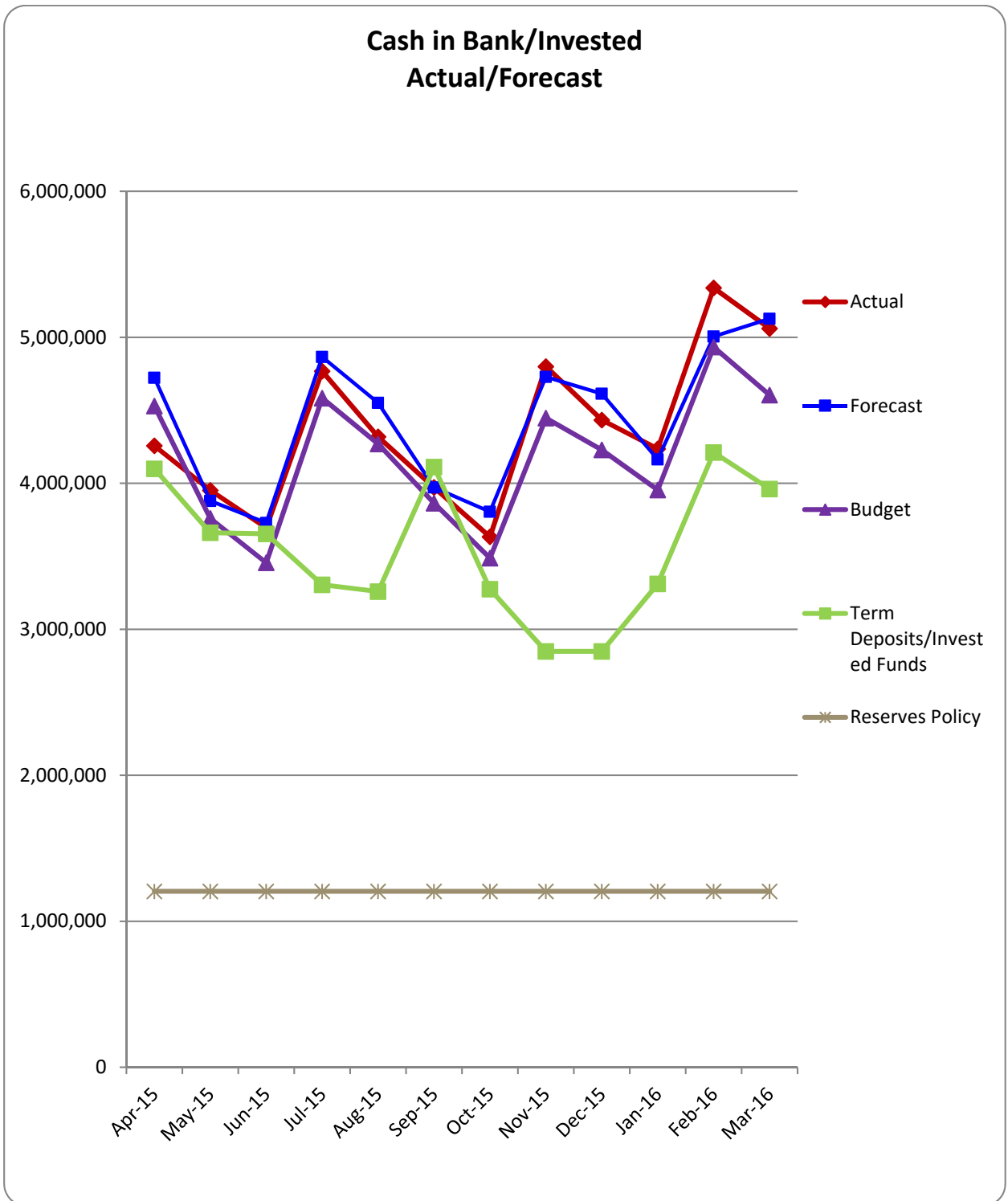
Attachment E: Managed Invested Funds

Investment Funds

	Milford Asset Management	Gareth Morgan Investments	Total
Apr-15	1,205,222	1,174,443	2,379,665
May-15	1,212,508	1,235,719	2,448,227
Jun-15	1,209,782	1,224,387	2,434,169
Jul-15	1,233,368	1,250,246	2,483,614
Aug-15	1,212,988	1,226,115	2,439,103
Sep-15	1,203,796	1,200,593	2,404,389
Oct-15	1,238,926	1,216,311	2,455,236
Nov-15	1,245,125	1,229,584	2,474,709
Dec-15	1,256,455	1,205,251	2,461,705
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



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



**Attachment G: Cash flow actual to March 2016**

	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Total
<b>RECEIPTS</b>	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Invoiced Sales	234,513	55,501	13,930	19,502	71,187	40,804	130,882	230,491	142,218	257,803	293,693	329,139	1,819,663
Special Dividends	0	0	0	0	0	0	0	0	0	0	0	0	0
Investment Income	232	77,155	0	57,474	0	0	58,114	22,826	-13,725	-41,659	-31,387	62,010	191,040
Special Dividends Interest	0	0	2,174	0	0	0	0	0	0	0	0	3,149	5,323
Dividends	0	0	0	1,570,058	0	0	0	1,300,000	0	0	1,300,000	0	4,170,058
Interest	0	30	0	0	0	0	0	0	0	0	3,476	0	3,506
Interest Received	990	2,443	248	1,762	1,806	1,312	631	61	9,747	1,351	1,723	2,159	24,233
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	159	0	0	0	0	159
Interest Receivable	139	1,673	2,664	2,656	0	0	0	10,698	4,247	34	334	0	22,445
RWT Received	0	0	0	0	0	0	0	0	0	0	0	0	0
GST	0	56,616	55,932	0	0	64,831	5,788	58,224	0	1,058	56,761	36,792	336,002
	<b>235,874</b>	<b>193,418</b>	<b>74,948</b>	<b>1,651,452</b>	<b>72,993</b>	<b>106,947</b>	<b>195,415</b>	<b>1,622,459</b>	<b>142,487</b>	<b>218,587</b>	<b>1,624,600</b>	<b>433,249</b>	<b>6,572,429</b>
<b>PAYMENTS</b>													
Invoiced Costs	508,731	422,121	208,465	463,472	415,741	364,701	452,247	346,727	384,208	330,496	427,756	556,644	4,881,309
ACC Levies	0	0	0	3,520	0	0	0	0	0	0	0	0	3,520
Salary & Wages	33,571	47,041	92,643	76,192	58,352	54,898	60,774	69,680	83,884	56,835	56,836	103,625	794,331
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	9,562	29,459	30,958	34,213	41,891	34,478	20,427	39,838	36,621	28,413	37,708	51,059	394,627
GST	4,992	0	0	697	6,192	0	0	0	4,051	0	0	0	15,932
	<b>556,856</b>	<b>498,621</b>	<b>332,066</b>	<b>578,094</b>	<b>522,176</b>	<b>454,077</b>	<b>533,448</b>	<b>456,245</b>	<b>508,764</b>	<b>415,744</b>	<b>522,300</b>	<b>711,328</b>	<b>6,089,719</b>
<b>NET CASH FLOW</b>	<b>-320,982</b>	<b>-305,203</b>	<b>-257,118</b>	<b>1,073,358</b>	<b>-449,183</b>	<b>-347,130</b>	<b>-338,033</b>	<b>1,166,214</b>	<b>-366,277</b>	<b>-197,157</b>	<b>1,102,300</b>	<b>-278,079</b>	<b>482,710</b>
<b>OPENING BANK</b>	<b>4,577,995</b>	<b>4,257,013</b>	<b>3,951,810</b>	<b>3,694,692</b>	<b>4,768,050</b>	<b>4,318,867</b>	<b>3,971,737</b>	<b>3,633,704</b>	<b>4,799,918</b>	<b>4,433,641</b>	<b>4,236,484</b>	<b>5,338,784</b>	<b>4,577,995</b>
<b>CLOSING BANK</b>	<b>4,257,013</b>	<b>3,951,810</b>	<b>3,694,692</b>	<b>4,768,050</b>	<b>4,318,867</b>	<b>3,971,737</b>	<b>3,633,704</b>	<b>4,799,918</b>	<b>4,433,641</b>	<b>4,236,484</b>	<b>5,338,784</b>	<b>5,060,705</b>	<b>5,060,705</b>

<b>Bank Account Balances as per BS</b>	<b>Apr-15</b>	<b>May-15</b>	<b>Jun-15</b>	<b>Jul-15</b>	<b>Aug-15</b>	<b>Sep-15</b>	<b>Oct-15</b>	<b>Nov-15</b>	<b>Dec-15</b>	<b>Jan-16</b>	<b>Feb-16</b>	<b>Mar-16</b>
ANZ Savings	92,911	173,259	502	503	501,360	502,288	302,916	403,441	1,004,241	505,232	505,775	506,250
ANZ Current	63,211	114,917	39,776	1,463,689	558,158	244,815	54,960	1,470,609	488,386	446,693	1,542,866	191,031
ANZ Term Deposit	505,088	0	0	0	0	0	0	0	0	0	0	0
ASB Term Deposit	440,965	440,965	445,803	445,803	445,803	445,803	445,803	0	0	0	0	400,292
BNZ Term Deposit/Working	488,602	488,602	488,602	88,602	88,602	88,602	88,602	88,602	88,602	390,978	395,118	995,498
Kiwibank Term Deposit	285,439	285,439	285,439	285,439	285,439	285,439	285,439	285,439	298,570	298,570	298,570	298,570
USD Bank Account	0	0	0	0	0	0	347	76,718	91,737	170,731	200,861	219,145
Petty Cash	400	400	400	400	400	400	400	400	400	400	400	400
Investment Funds	2,380,397	2,448,227	2,434,169	2,483,614	2,439,104	2,404,389	2,455,236	2,474,709	2,461,705	2,423,880	2,395,194	2,449,519
	<b>4,257,013</b>	<b>3,951,810</b>	<b>3,694,692</b>	<b>4,768,050</b>	<b>4,318,867</b>	<b>3,971,737</b>	<b>3,633,704</b>	<b>4,799,918</b>	<b>4,433,641</b>	<b>4,236,484</b>	<b>5,338,784</b>	<b>5,060,705</b>