
Unaudited Year End Financial Report: 31 March 2018

Author: Jordan Carter, Chief Executive

Purpose of Paper: To provide a year-end update on the financial performance of InternetNZ for the 2017/18 year.

Commentary to the accounts

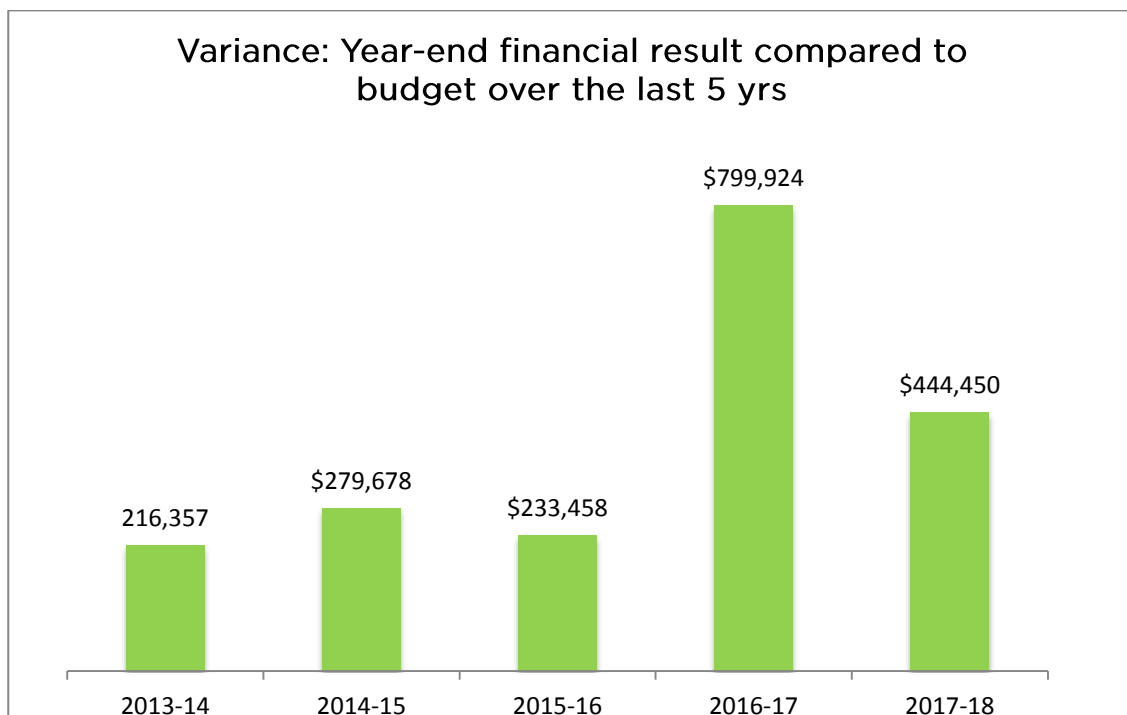
The unaudited result for the year ending March 2018 was a surplus of \$720,384, against a budgeted surplus of \$275,933, reflecting a variance of \$444,450.

As illustrated in the following graph for the fifth year running we are reporting a surplus variance compared to budget.

This surplus is due predominantly to projects and staffing holds being put in place while the Organisational review process was undertaken.

Income was relatively in-line with budget, however, expenditure across most work areas was impacted by the review, Outreach and Communications by staffing resources, Governance by the cost of the review, Issues by delays to projects.

The funding underspend was due to a combination of things which are detailed out in the section on variances.



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 was comparatively in-line with budget a small increase of \$6,746 attributable in large part to interest income being over by \$14k and membership, NetHui registrations and sponsorship being under \$7k.

Expenditure:

Areas of difference are:

- **Remuneration** in total was under budget by \$116k for the year. All areas except recruitment were under: miscellaneous staff costs (\$12k), staff training (\$39k), Kiwi Saver (\$6k), wages & salaries (\$35k), and casual & temporary (\$31k). Recruitment was over by \$7k due to the group CE recruitment process.
- **Internet Issues** ended the year under budget by \$132k. Expenditure of \$278k was under budget by \$116k. Within that:
 - remuneration costs were under by \$16k; conferences, consultants, general expenses, meeting costs, telecommunication and national travel were all under by \$17k
 - all focus areas were under budget as follows; General issues (e.g. the election, position papers and ISP Spotlight) were under by \$3k, Access by \$35k, Creativity by \$18k and Trust by \$43k
 - as previously reported to Council, Issues were predicting an under-spend of between \$80 and \$100k for the year
- **Community Funding** ended the year under budget by \$83k. Within that:
 - remuneration, conferences, general expenses, meeting costs, printing and stationery, subscriptions, and national travel were all under, by \$20k
 - strategic partnerships, on-demand grants and funding rounds were under by \$63k in total, the non-identification of a suitable small strategic partner, the lack of applications for the on-demand grants and the withdrawal of an approved funding applicant all contributed to the under-spend
- **Community Engagement** ended the year under budget by \$134k. Within that:

- remuneration cost were under by \$44k, and all operating expenses: conferences, consultants, general office expense, legal, meeting costs, printing & stationery, telecommunications, subscriptions, and national travel by \$44k
- engagement was under by \$50k. Within that NetHui and NetHui collaborations when netted off against NetHui income was \$5k under; speakers series, member engagement and the stakeholder event came in under by \$48k
- as outlined earlier in this report the organisational review saw a hold being put on recruitment, resulting in the Community Engagement team being under resourced and unable to complete all planned work
- **International Engagement** ended the year \$3k over budget.
- **Communications/Outreach** year-end result was under by \$117k
- as previously reported this underspend is attributable to a combination of remuneration being under by \$47k with a reduction in staffing numbers, and the balance \$70k down to projects and other promotional work being delayed
- **Operational costs** ended the year under budget by \$75k. Within that:
 - conferences, general office expenses, repair and maintenance, printing and stationery and subscriptions were over by \$16k
 - remuneration was under in total by \$28k
 - accounting fees, depreciation, group staff activities, legal fees, meeting costs, telecommunications, national travel and Website and hosting were under by \$67k
 - overheads were under by \$8k, within that security was over by less than \$1k
 - loss on disposals and an exchange variance associated with the revalue of the USD bank account at year-end resulted in a unbudgeted deficit of \$12k
- **Governance and Members** ended the year over budget by \$104k. Within that:
 - audit fees, consultants, general office expenses, governance training, meeting costs, subscriptions, telecommunications, international/national travel and Māori engagement were under by \$145k
 - organisational review associated costs; recruitment, legal fees and consultants were over budget by \$249k (noting that this was expected, since no budget was set for the organisational review process).

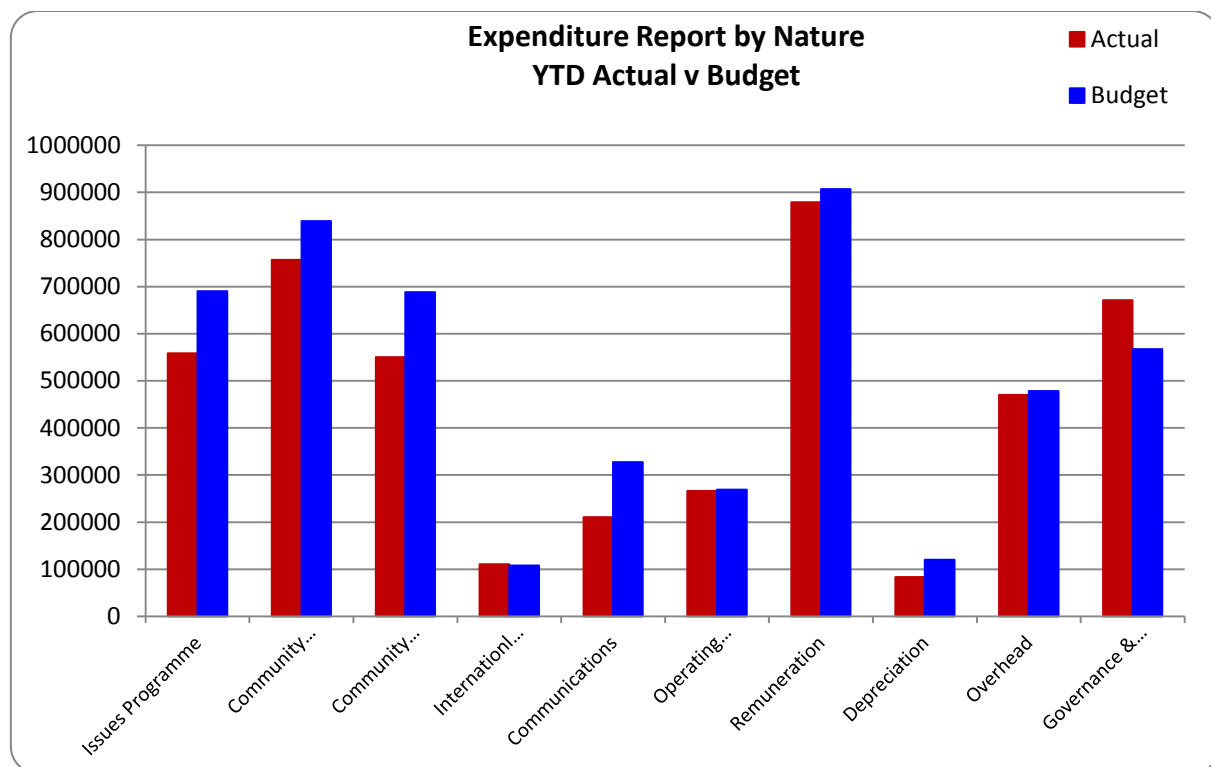
Other Expected Major Budget Variances

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 2018

	YTD Actual \$	YTD Budget \$	Variance \$
Income – total	5,277,774	5,271,028	6,746
Expenditure			
Issues Programme	558,392	690,311	-131,918
Community Funding	756,815	839,192	-82,377
Community Engagement	550,626	688,031	-137,404
International Engagement	110,754	108,195	2,559
Communications	210,413	327,283	-116,870
Operating Expenses	266,515	268,990	-2,475
Remuneration	879,145	907,213	-28,067
Depreciation	83,415	119,850	-36,435
Overhead	470,069	478,385	-8,316
Council & Members	671,245	567,646	103,599
Expenditure – total	4,557,391	4,995,095	-437,704
Net Income	720,384	275,933	444,450



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

Jordan Carter
Chief Executive

Mary Tovey
Finance Manager

23 May 2018

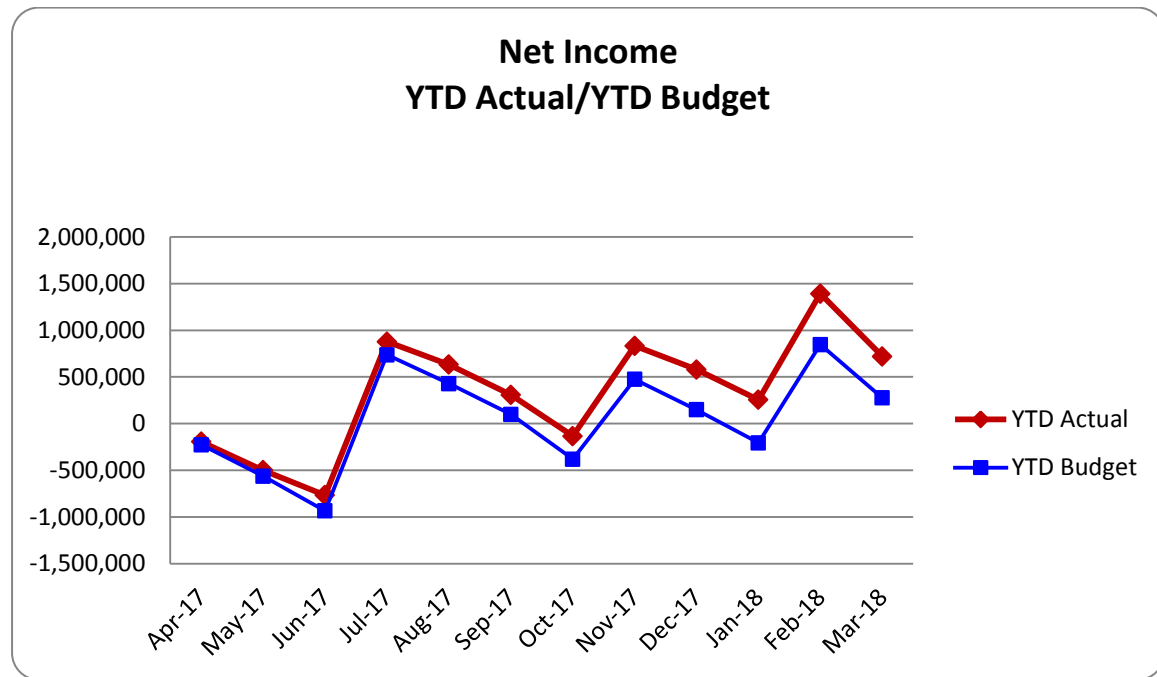
Attachment A: Profit and Loss Statement

InternetNZ
Profit and Loss Statement
As at 31 March 2018

	<u>Apr 17 - Mar 18</u>	<u>Budget</u>	<u>\$ Over Budget</u>
Ordinary Income/Expense			
Income			
500 - Operating Income			
530 - Shared Group Services	387,033.75	387,033.75	0.00
535 - Group Staff Activity Recharge	12,457.25	12,448.24	9.01
542 - Membership - Corporate	4,727.83	4,584.00	143.83
546 - Membership - Individual	5,201.24	8,916.00	-3,714.76
Total 500 - Operating Income	409,420.07	412,981.99	-3,561.92
570 - Sundry Income			
570-01 - NetHui Registration Fees	18,908.74	20,000.00	-1,091.26
570-02 - NetHui Sponsorship	57,479.42	60,000.00	-2,520.58
570-2 - Event Other Income	181.57	0.00	181.57
570 - Sundry Income - Other	350.00	350.00	0.00
Total 570 - Sundry Income	76,919.73	80,350.00	-3,430.27
580 - Investment Income			
583 - Dividends	4,728,236.00	4,728,236.00	0.00
586 - Interest	63,198.66	49,460.00	13,738.66
Total 580 - Investment Income	4,791,434.66	4,777,696.00	13,738.66
Total Income	5,277,774.46	5,271,027.99	6,746.47
Expense			
600 - Remuneration			
601 - ACC Levy	4,405.88	4,445.03	-39.15
625 - Miscellaneous Staff Costs	20,511.61	32,277.64	-11,766.03
630 - Recruitment	57,211.63	49,920.00	7,291.63
635 - Staff Training	38,128.18	56,703.56	-18,575.38
637 - Staff Training Internal	2,437.39	22,500.00	-20,062.61
651 - Wages & Salaries			
651-01 - Kiwi Saver - Employer Cont	49,846.99	56,345.97	-6,498.98
651 - Wages & Salaries - Other	1,389,872.44	1,425,251.68	-35,379.24
Total 651 - Wages & Salaries	1,439,719.43	1,481,597.65	-41,878.22
653 - Wages - Casual & Temporary	851.04	6,000.00	-5,148.96
654 - Wages - Contractors	106,660.72	132,435.63	-25,774.91
Total 600 - Remuneration	1,669,925.88	1,785,879.51	-115,953.63
800 - Operating Expenses			
801 - Accountancy Fees	12,178.00	20,000.00	-7,822.00
805 - Advertising & Marketing	9,030.06	20,000.00	-10,969.94
808 - Audit Fees	4,864.00	7,400.00	-2,536.00
811 - Conferences	12,840.47	16,000.00	-3,159.53
813 - Consultants	100,397.50	174,000.00	-73,602.50
816 - Depreciation	83,414.89	119,850.00	-36,435.11
818 - Group Staff Activities	14,518.34	18,600.00	-4,081.66
820 - General Office Expenses	38,009.07	46,996.00	-8,986.93
822 - Governance Training	6,083.81	19,400.00	-13,316.19
824 - Honoraria	203,250.00	203,250.00	0.00
826 - Legal Fees	83,234.40	49,000.00	34,234.40
829 - Meeting Costs	52,277.86	98,000.00	-45,722.14

851 · Repairs and Maintenance	4,425.59	4,000.00	425.59
853 · R & M - Software	7,239.38	6,000.00	1,239.38
855 · Printing & Stationery	16,367.64	15,500.00	867.64
860 · Subscriptions	57,023.24	64,334.00	-7,310.76
870 · Telecommunications	61,410.42	72,000.00	-10,589.58
872 · Travel & Accom - International	2,945.46	14,000.00	-11,054.54
873 · Travel & Accom - National	75,108.57	89,000.00	-13,891.43
875 · Web Site Updates & Hosting	2,550.42	3,000.00	-449.58
Total 876-60 · Internet Governance Portfolio	88,059.54	85,500.00	2,559.54
Total 876 · Issues Programme	193,693.57	293,000.00	-99,306.43
Total 878 · Community Funding	592,067.14	655,000.00	-62,932.86
Total 880 · Community Engagement	383,928.26	465,000.00	-81,071.74
Total 882 · Communications/Outreach	15,675.77	57,000.00	-41,324.23
Total 885 · Organisational Review	285,075.57	115,000.00	170,075.57
Total 800 · Operating Expenses	2,405,668.97	2,730,830.00	-325,161.03
900 · Overheads			
915 · Cleaning Costs	44,810.78	52,300.00	-7,489.22
933 · Electricity	16,483.00	17,500.00	-1,017.00
950 · Insurance	10,769.82	11,000.00	-230.18
975 · Rent Paid	394,427.75	394,585.00	-157.25
980 · Security	3,577.73	3,000.00	577.73
Total 900 · Overheads	470,069.08	478,385.00	-8,315.92
997 · Extraordinary Items			
926 · Depn - (Profit) / Loss on Sale	1,647.36	0.00	1,647.36
998 · Exch Gain/Loss YE revaluation	10,079.39	0.00	10,079.39
Total 997 · Extraordinary Items	11,726.75	0.00	11,726.75
Total Expense	4,557,390.68	4,995,094.51	-437,703.83
Net Ordinary Income	720,383.78	275,933.48	444,450.30
Other Income/Expense			
Other Income			
1000 · Special Dividends			
1030 · Investment Income	242,815.56	0.00	242,815.56
Total 1000 · Special Dividends	242,815.56	0.00	242,815.56
Total Other Income	242,815.56	0.00	242,815.56
Other Expense			
1900 · Special Dividend Exp-Overhead			
1950 · Investment Funds Management Fee	9,924.87	0.00	9,924.87
Total 1900 · Special Dividend Exp-Overhead	9,924.87	0.00	9,924.87
Total Other Expense	9,924.87	0.00	9,924.87
Net Other Income	232,890.69	0.00	232,890.69
Net Income	953,274.47	275,933.48	677,340.99

Attachment B: Net Income actual against budget



InternetNZ
Balance Sheet
As at 31 March 2018

ASSETS	March 31, 18
Current Assets	
Cheque/Savings	
Total Cheque/Savings/	1,446,460.81
Total 121 - Term Deposits	2,367,994.36
130 - USD Bank Account	322,613.00
150 - Petty Cash	400.00
122 - Investment Funds	
122-01 - Kiwi Wealth	1,393,104.48
122-20 - Milford Asset	1,494,235.31
Total 122 - Investment Funds	2,887,339.79
Total Other Current Assets	169,712.00
Total Current Assets	7,194,519.96
Fixed Assets	
Total Fixed Assets	292,391.54
Other Assets	
270 - Ordinary Share Capital	30,000.00
271 - Shares in DNCL	580,000.00
Total Other Assets	610,000.00
TOTAL ASSETS	8,096,911.50
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
300 - Accounts Payable	290,670.37
Total Accounts Payable	290,670.37
Other Current Liabilities	
305 - Accruals	426,080.94
Total 327 - Payroll Liabilities	40,778.74
Total Other Current Liabilities	466,859.68
Total Current Liabilities	757,530.05
Total Liabilities	757,530.05
Equity	
412 - Retained Earnings	6,386,106.98
Net Income	953,274.47
Total Equity	7,339,381.45
TOTAL LIABILITIES & EQUITY	8,096,911.50

Attachment D: Spread of assets across institutions

Investment Information

Term Deposits

Date	Bank	Term	Amount
24/11/2017	BNZ	180 days	600,000
07/12/2017	ANZ	120 Days	300,000
1/12/2017	Kiwibank	12 months	319,372
7/01/2018	ASB	6 months	310,504
07/02/2018	ASB	6 months	508,988
26/02/2018	BNZ	180 days	150,000
28/02/2018	BNZ	1 year	98,764
28/03/2018	ANZ	30 Days	80,367
Total \$			2,367,995

Managed Investment Funds Information

Date	Managers	Amount
20/06/2013	Kiwi Wealth	1,393,104
20/06/2013	Milford	1,494,235
Total \$		2,887,339

Managed Investment funds recorded at market value on 31 March 2018.

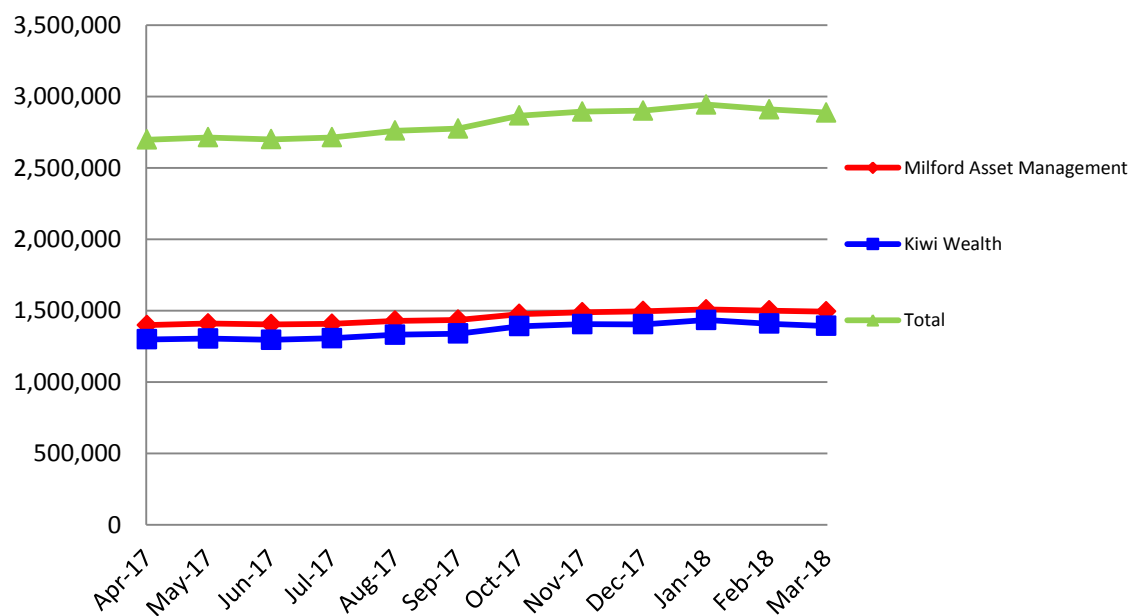
Investment information is recorded separately from the InternetNZ operating reserves as a distinct balance sheet line item, as per the InternetNZ Funds Investment Management Policy Principle 1.

Attachment E: Managed Invested Funds

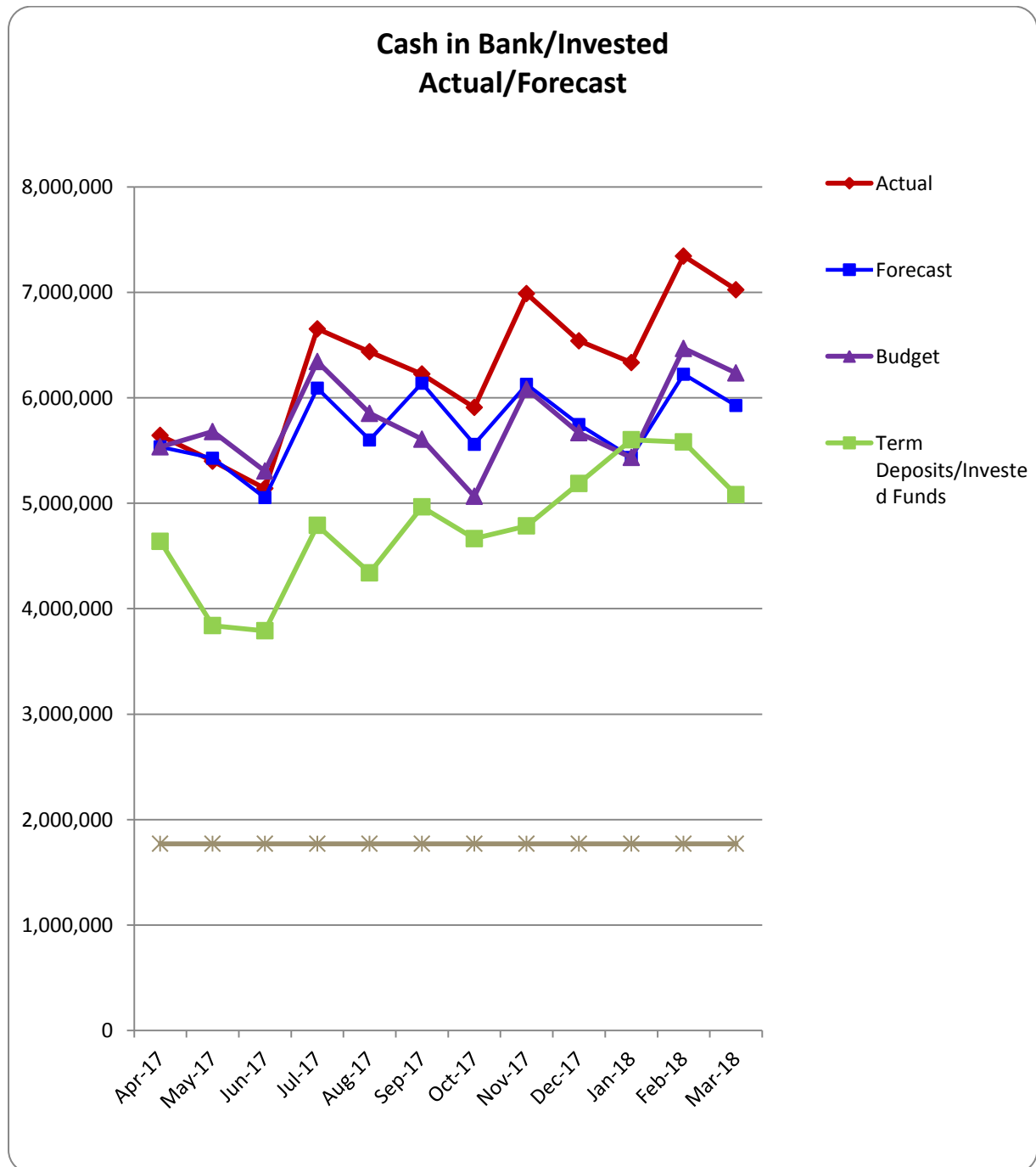
Investment Funds Monitoring report

	Milford Asset Management	Kiwi Wealth	Total
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
Oct-17	1,475,709	1,390,892	2,866,601
Nov-17	1,489,034	1,405,671	2,894,705
Dec-17	1,496,801	1,404,015	2,900,815
Jan-18	1,508,985	1,434,965	2,943,950
Feb-18	1,501,361	1,409,013	2,910,374
Mar-18	1,494,235	1,393,104	2,887,340

Investment Funds Monthly Closing Balances



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



Attachment G: Cash flow actual to March 2018

	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	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Invoiced Sales	61,395	36,722	63,779	60,214	67,008	49,620	60,192	47,655	84,344	51,851	38,996	38,707	660,484
Special Dividends													0
Investment Income	50,016	19,520	-13,862	16,188	53,776	18,470	106,007	33,372	8,078	43,134	-37,558		297,141
Special Dividends Interest													0
Dividends				1,978,236				1,375,000			1,375,000		4,728,236
Interest										164		373	537
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	44,482		6,306	83,476	109,068		404,785
	111,411	116,577	96,950	2,054,638	120,784	122,175	210,681	1,456,027	98,728	178,626	1,485,506	39,080	6,091,183
PAYMENTS													
Invoiced Costs	380,228	198,967	184,553	392,264	206,541	228,359	407,191	268,397	451,599	289,315	383,683	215,296	3,606,393
ACC Levies				4,406									4,406
Salary & Wages	59,220	161,411	127,358	84,275	66,492	71,041	88,875	54,627	57,719	64,810	76,719	82,097	994,644
Investment Funds													0
Sundry Payables													0
Prepayments													0
RWT													0
PAYE	42,859		44,544	59,833	58,449	34,714	31,659	53,296	35,906	30,412	15,180	62,251	469,104
GST	7,075				6,231								13,306
	489,382	360,378	356,455	540,778	337,713	334,114	527,725	376,320	545,224	384,538	475,582	359,644	5,087,853
NET CASH FLOW	-377,971	-243,801	-259,505	1,513,860	-216,929	-211,939	-317,044	1,079,707	-446,496	-205,912	1,009,924	-320,564	1,003,330
OPENING BANK	6,021,469	5,643,498	5,399,697	5,140,192	6,654,052	6,437,123	6,225,184	5,908,140	6,987,847	6,541,351	6,335,439	7,345,363	6,021,469
CLOSING BANK	5,643,498	5,399,697	5,140,192	6,654,052	6,437,123	6,225,184	5,908,140	6,987,847	6,541,351	6,335,439	7,345,363	7,024,799	7,024,799

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	425,099	25,191	425,238	325,360	5,391	755,544
ANZ Current	41,091	80,942	586,081	886,655	122,706	496,314	687,833	1,839,305	219,102	69,882	1,425,624	384,186
ANZ Term Deposit	80,000	80,034	80,067	80,067	480,134	380,167	80,200	80,234	380,267	380,300	380,334	380,367
ASB Term Deposit	1,057,021	1,057,021	605,127	1,105,127	1,105,127	805,035	805,035	805,035	812,170	962,180	966,694	819,492
ASB Working	1,848	1,848	1,808	1,808	1,808	1,809	1,809	1,809	151,819	1,819	1,819	152,424
BNZ Working	3,718	3,719	3,720	603,720	603,771	3,817	3,818	3,825	303,842	3,852	3,921	154,298
BNZ Term Deposit	495,655	95,655	95,655	95,655	95,655	695,655	395,655	695,655	695,655	995,655	998,764	848,764
Kiwi bank Term Deposit	309,029	309,020	309,020	309,020	309,020	309,020	309,020	309,020	319,372	319,372	319,372	319,372
USD Bank Account	332,670	332,670	332,670	332,670	332,670	332,670	332,670	332,670	332,670	332,670	332,670	322,613
Petty Cash	400	400	400	400	400	400	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	2,866,601	2,894,705	2,900,815	2,943,950	2,910,374	2,887,340
	5,643,498	5,399,697	5,140,192	6,654,052	6,437,123	6,225,184	5,908,140	6,987,847	6,541,351	6,335,439	7,345,363	7,024,799