

Financial statements

For the quarter ended 31 March 2019



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Commentary to the accounts

This report has been prepared to provide preliminary accounts for the final quarter of the 2018-19 financial reporting year for Internet New Zealand Incorporated. Audited financials will be made available once Crowe Horwath have completed their audit.

For the quarter ending 31 March 2019, the accounts report a deficit result of (\$205,699) against a budgeted deficit of (\$68,522). The downturn in the results can be attributed to the decline in the number of active domain names renewed during the quarter, down to 712,894 from 718,143 at the end of the last quarter. A correction in the markets this quarter saw significant gains made in investing activities, though this gain was largely offset by a lower than budgeted capitalisation of salaries, with more focus directed to operational activities, year-end accruals to capture employment costs relevant to this financial year and a ramp up in funding rounds to finalise the annual funding allocations.

Year to date, the InternetNZ accounts report a **surplus** of **\$602,097** against a budgeted surplus of **\$336,377**.

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

Income and expenditure variances for the quarter

Income:

Operating Income is under compared to budget by (\$134,931) (4.6%). Within that, .nz Registry revenue was (\$131,093) (4.6%) under budget.

Other income recorded a gain of \$230,593, up 194.7% from Investing activities against a budgeted expectation of \$118,446.

Expenditure:

Areas of difference are:

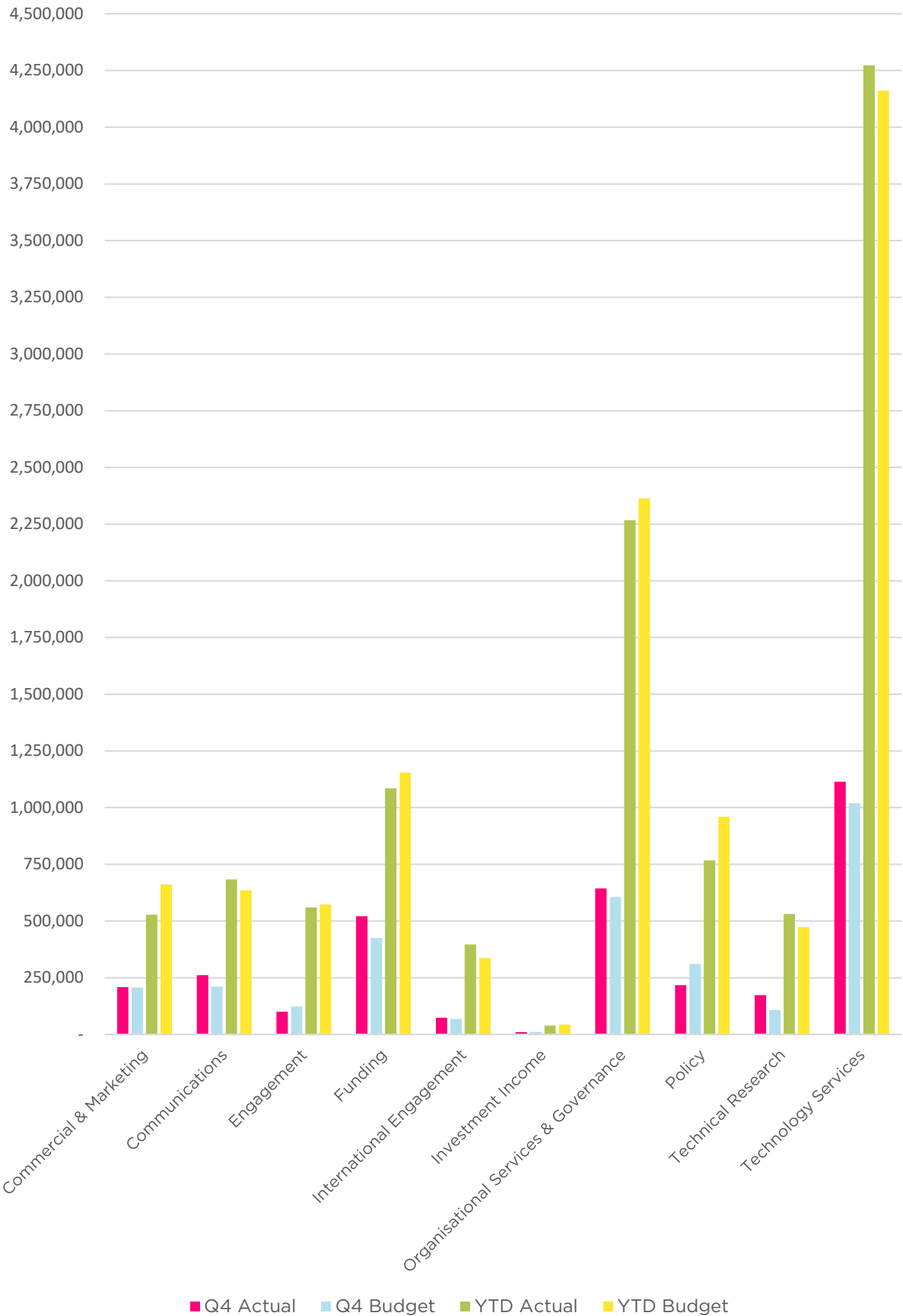
- **Remuneration** costs were considerably higher against expectation, at \$280,047 variance or 26.3% up. There were a number of factors influencing this result, including a lower than expected salary capitalisation rate, as focus turned increasingly to operational activity in the lead up to year end. Additional accruals with respect to KPI bonuses, staff insurances and Kiwisaver, along with adjustments made at 31 March 2019 for year-end employment costs falling outside the payroll cycle also contributed to this result. There were also higher than expected training costs around Bullying & Harassment and Feedback training to support Professional Development.

- **International Engagement and Governance**, collectively, reports an overspend of \$25,242, or 16.3% up against budget, caused by an increase in head count in attendance at the ICANN convention, held in Kobe, Japan.
- **Community engagement** was underspent by (\$14,777) (32.8%), largely caused by an underspend of (\$10,100) against budget for Maori Engagement.
- **Community funding** came in at \$96,494 overspend, this largely made up for the underspend against budget in the prior quarter. Overall, the annual accounts report an underspend of (\$51,867) against the total annual funding budget of \$895,000. A component of this amount has been tagged for the 'Follow Up Fund' - a retainer of some of the grant monies in reserve to help fund any follow up activity that arises from projects funded.
- **Commercial/Marketing** reported an underspend of (\$22,969) (19.5%) against budget. There was underspend of the \$10,000 on sponsorships during the quarter, and \$4,949 under in Merchandising and \$5,140 under on Promotions.
- **Policy and Internet issues** closed this quarter with an overall underspend of (\$90,223) (49.6%) against the Policy Q4 budget. Within this, .nz Policy was underspent by (\$36,474) (75.6%), Access provision was underspent by (\$28,587) (74.7%), Creative provision was underspent by (\$11,434) (55.0%), and Trust provision was underspent by (\$3,832) (63.9%). A General Issues provision of \$29,901 allowed for in the budget was underspent by half.
- **Amortisation and Depreciation** increased \$13,388 or 7.3% compared with budget. This was the result of Deloitte readjusting Internet New Zealand's amortisation and depreciation method, from Diminishing Value to Straight Line, in response to a change in our internal Accounting Policy.

Internet New Zealand Incorporated
Income Statement
For the 3 months ended 31 March 2019

Account	Q4 Actual (\$)	Q4 Budget (\$)	Q4 Var (\$)	YTD Actual (\$)	YTD Budget (\$)	YTD Var (\$)
Revenue						
.NZ	2,702,714	2,833,807	(131,093)	10,798,490	10,768,000	30,490
Other Operational	5,822	2,200	3,622	41,988	34,500	7,488
Membership	4,272	9,969	(5,697)	8,360	15,004	(6,644)
Events	-	-	-	61,262	64,550	(3,288)
Recharge	55,197	57,711	(2,514)	227,754	230,844	(3,090)
Misc	750	-	750	8,071	-	8,071
Total Revenue	2,768,756	2,903,687	(134,931)	11,145,927	11,112,898	33,029
Cost of Sales						
Domain Name Commission F	330,000	330,000	-	1,320,000	1,320,000	-
Broadband Map	6,813	13,104	(6,292)	65,027	52,416	12,611
DNS Providers	20,521	26,268	(5,747)	99,500	105,072	(5,572)
DNS Other	7,713	8,451	(738)	30,817	33,804	(2,987)
ISP/Hosting/Networking	95,662	91,377	4,285	361,685	365,508	(3,823)
Other IT	6,759	34,623	(27,864)	100,156	129,492	(29,336)
Total Cost of Sales	467,467	503,823	(36,356)	1,977,185	2,006,292	(29,107)
Gross Profit	\$2,301,289	\$2,399,864	(\$98,575)	\$9,168,742	\$9,106,606	\$62,136
Other Income						
Interest Income	141,272	105,336	35,936	397,481	384,000	13,481
Managed Funds Income	192,864	13,110	179,754	185,326	202,000	(16,674)
Realised FX	14,903	-	14,903	14,903	-	14,903
Total Other Income	349,039	118,446	230,593	597,709	586,000	11,709
Operating Expenses						
Employment	1,344,866	1,064,819	280,047	4,726,476	4,486,323	240,153
Commercial & Marketing	94,558	117,527	(22,969)	176,913	291,369	(114,456)
Communications	138,184	110,398	27,786	270,067	253,216	16,851
Engagement	30,325	45,102	(14,777)	242,123	225,083	17,040
Funding	470,726	374,232	96,494	893,449	945,316	(51,867)
Governance	123,102	104,487	18,615	322,758	306,106	16,652
International Engagement	56,622	49,995	6,627	331,514	264,736	66,778
Membership	2,202	3,334	(1,132)	27,391	27,500	(109)
Organisational Services	227,250	233,224	(5,974)	815,355	937,475	(122,120)
Policy	91,695	181,918	(90,223)	284,407	436,334	(151,927)
Tech Research	18,575	14,645	3,930	45,345	66,955	(21,610)
Tech Services	59,065	101,801	(42,736)	301,152	427,132	(125,980)
Amortisation & Depreciation	196,238	182,850	13,388	717,824	678,684	39,140
Total Operating Expenses	2,853,407	2,584,332	269,075	9,154,773	9,346,229	(191,456)
Financial						
Managed Funds Fees	2,619	2,500	119	9,581	10,000	(419)
Total Financial	2,619	2,500	119	9,581	10,000	(419)
Net Profit	(\$205,699)	(\$68,522)	(\$137,177)	\$602,097	\$336,377	\$265,720

Internet New Zealand Incorporated Expenditure by Activity



Internet New Zealand Incorporated Net Operating Profit: Monthly Actual v Budget (YTD)



Internet New Zealand Incorporated

Balance Sheet As at 31 March 2019

Assets	
Bank	
InternetNZ Working Capital Accounts	2,788,655
InternetNZ Savings Accounts	59,850
InternetNZ Term Deposits	12,163,196
Foreign Currency Accounts	246,288
Total Bank	15,257,989
Current Assets	
Trade Receivables & Prepayments	1,543,455
Other Current Assets	42,371
Managed Funds	3,062,825
Total Current Assets	4,648,651
Non-current Assets	
Assets at Cost	4,219,591
less Accumulated Depreciation	(3,598,400)
Intangible Assets	68,709
Shares in Domain Name Commission	580,000
Total Non-current Assets	1,269,900
Total Assets	\$21,176,540.20
Liabilities	
Current Liabilities	
Trade & Other Payables	1,670,808
Deferred Income	8,504,692
Total Current Liabilities	10,175,500
Total Liabilities	\$10,175,499.78
Net Assets	\$11,001,040.42
Equity	
Current Year Earnings	602,097
Retained Earnings	10,398,944
Total Equity	\$11,001,040.42

Internet New Zealand Incorporated Bank Facility Balances per Month

