



# Financial summary

For the quarter ended 31 December 2021

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## Summary of YTD Results

This report provides information on the performance and financial position of InternetNZ at the end of the third quarter of the 2021-22 financial reporting year.

**Year to date** the accounts report a **surplus result of \$1,046,913** against a budgeted surplus of \$318,476, returning a **positive variance of \$728,437**.

This variance is because of:

- increased registry revenue due to growth in domain names.
- a delay in the recognition of Mimosa direct costs compared to budget phasing
- better than expected performance of our investments in Managed Fund portfolios.
- a number of roles within the organisation being vacant during most of the second quarter, leading to - savings in employment costs.

### Internet New Zealand Incorporated Net Operating Profit: Actual v Budget



## Revenue Analysis

Revenue	Actual (YTD)	Budget (YTD)	Variance	%Total Sales
Registry Fees	9,422,498	9,268,676	153,822	92.2%
BBMap	42,537	49,806	(7,268)	0.4%
DEFENZ	13,554	85,500	(71,946)	0.1%
Registry Lock	-	-	-	0%
Events	-	25,846	(25,846)	0%
Membership	4,608	11,250	(6,642)	0.1%
Recharge & Misc.	202,112	187,212	14,900	2.0%
Investment	533,465	323,464	210,001	5.2%
Total Revenue	\$10,218,773	\$9,951,754	\$267,019	100.0%

- Registry fees earned is up \$154k against budget and reflects the increase in the size of the registry (738,309 domain names) reported at the end of the Dec.
- In the third quarter DEFENZ product sales increased by \$5,647, with the accounts reporting back a YTD shortfall of \$72k against budgeted revenue. The future of DEFENZ as a product and if we will continue to invest in it, will be made over the next two quarters.
- Investments in Managed Funds has maintained a trend of outperforming expectations, returning \$533k YTD against anticipated income of \$323k, this result is still down against the \$840k income reported for the same period last year.
- Year to date the accounts report total operating revenue of \$10.2M, up \$900k for the same period last year.

## Expenditure Analysis

- Direct costs of operating the .nz Registry reports \$1.8M YTD, of which \$1.3m made up fees paid to the Domain Name Commission. This result came in at \$69k under budget.
- Employment costs totalled \$4.7M YTD, with an underspend of \$353K against YTD budget. This result comes about as several roles remained vacant during most of the second and third quarters, and an underspend in staff training budgeted year to date.
- YTD Operating costs is \$1.1M, with an overspend of \$13k against budget.
- Overall, the accounts report total expenditure of \$9.2M with a YTD underspend of \$356K, \$225k under compared with the same period last year.

## Expenditure by Function

Function	Actual (YTD)	Budget (YTD)	Variance	%Expenditure
Commercial	1,179,618	1,321,645	(142,027)	12.9%
Communications	491,164	457,263	33,901	5.4%
Engagement	399,265	346,149	53,116	4.4%
Funding	1,058,205	1,004,750	53,455	11.5%
International	167,158	208,406	(41,248)	1.8%
IT Operations (incl. DNCL fee)	2,970,178	3,173,369	(203,191)	32.4%
Org. Services (incl. Gov. & Security)	1,561,506	1,553,810	7,696	17%
Policy	589,518	697,249	(107,731)	6.4%
Technical Research	431,617	440,033	(18,416)	4.6%
Technology Strategy	333,632	325,156	8,476	3.6%
<b>Total Expenditure</b>	<b>\$9,171,860</b>	<b>\$9,527,830</b>	<b>(\$355,969)</b>	<b>100.0%</b>

## Expenditure by Area

If we consider three broad areas of expenditure being Public Good, Products and Organisational Capability, a high-level picture of resources deployed is shown in this table. Note: these draw wholly from operating expenditure and exclude capitalised costs.

Area	Actual (YTD)	Budget 2021/22	Actual People Allocation	Planned People Allocation
<b>Public Good</b> <ul style="list-style-type: none"> <li>Community funding (100%)</li> <li>Sponsorship (100%)</li> <li>Engagement (75%)</li> <li>Policy (75%)</li> <li>Product (25%)</li> <li>International (50%)</li> </ul>	\$2.65M	\$3.70M	11 FTE	14 FTE
<b>Product (.nz &amp; other)</b> <ul style="list-style-type: none"> <li>Product (75%)</li> <li>IT Operations (75%)</li> <li>Technology Strategy (75%)</li> <li>Policy (25%)</li> <li>Cost of Sales (100%)</li> <li>DNCL Management Fee (100%)</li> <li>International (50%)</li> </ul>	\$4.42M	\$6.30M	13 FTE	15 FTE

Organisational Capability	\$2.1M	\$3.30M	15 FTE	18 FTE
<ul style="list-style-type: none"> <li>Organisational Services (100%)</li> <li>Security (100%)</li> <li>IT Operations (25%)</li> <li>Engagement (25%)</li> <li>Governance (100%)</li> </ul>				
Total Expenditure	\$9.2M	\$13.30M	39 FTE	47 FTE

## Spend by Top Priorities

For our top three priority projects, the amount being invested is summarised below. Note this is a cash view, to give a sense of the scale of resource deployment - it does not break out capitalised matters and so cannot be compared directly to the operating budget.

Area	Includes	Actual (YTD)	Budget 2021/22
.nz Registry Replacement	The project budget for Mimosa in 2021/22 (Capex & Opex). Backfilled staff roles. Other staff role not otherwise backfilled (i.e., share of staffing time attributed)	\$3.4M  \$2.3M \$1.1M	Total \$5.20M  Capex \$3.30M Opex \$1.90M (FTE 10-11)
.nz Policy Review	Project budget for the review and implementation. The legal contractor for the year. Share of staffing time attributed.	\$0.04M  \$0.04M	Total \$0.55M  Opex \$0.55M (FTE 3)
Flexible First	Org development capacity  Capex (fitout). Share of staffing time attributed. Project costs.	\$1.65M  \$1.1M \$0.65M	Total \$1.84M  Capex \$0.85M Opex \$0.99M (FTE 5.5)

## Capital Expenditure

Work Item	Actual (YTD)	Capex Plan 2021/22
Project Mimosa – Implementation	\$2.09M	\$2.60M
Project Mimosa – Infrastructure	\$0.60M	\$0.68M
Security Operations Centre	\$0.03M	\$0.02M
Total Baseline Investment	\$2.72M	\$3.30M
New Premises fitout	\$1.0M	\$0.85M
Staff IT requirements	\$0.05M	\$0.05M
Total Capacity Investment	\$1.05M	\$0.90M
TOTAL CAPITAL INVESTMENT	\$3.77M	\$4.20M

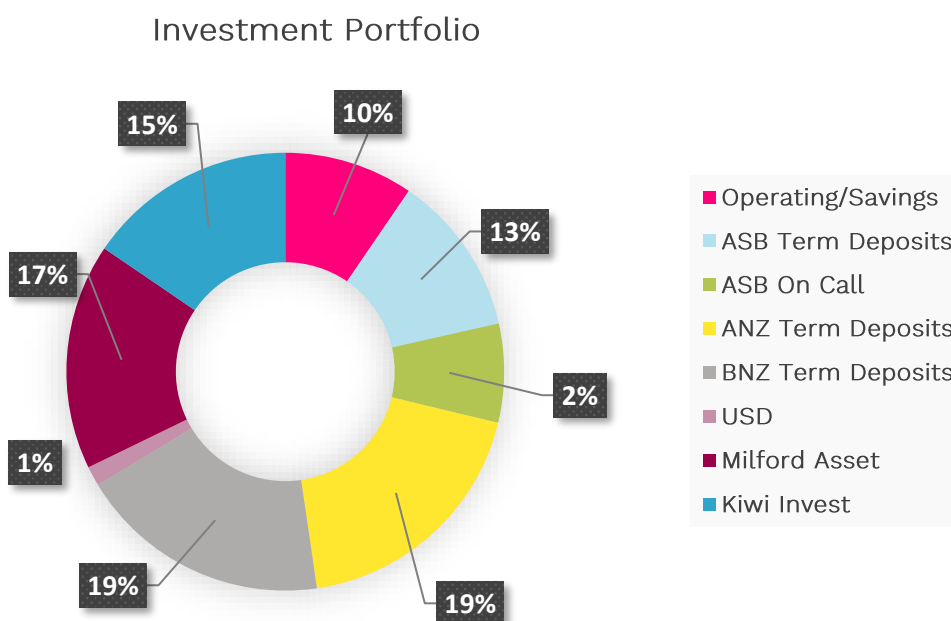
## Balance Sheet

A detailed Balance sheet report for the InternetNZ Group is available for review in the *Group financial statements for the quarter ended 31 December 2021*. We focus our attention on two specific areas of note in this report:

1. The current Investment Portfolio.
2. An update on Cash in Excess of Reserves.

## Investments

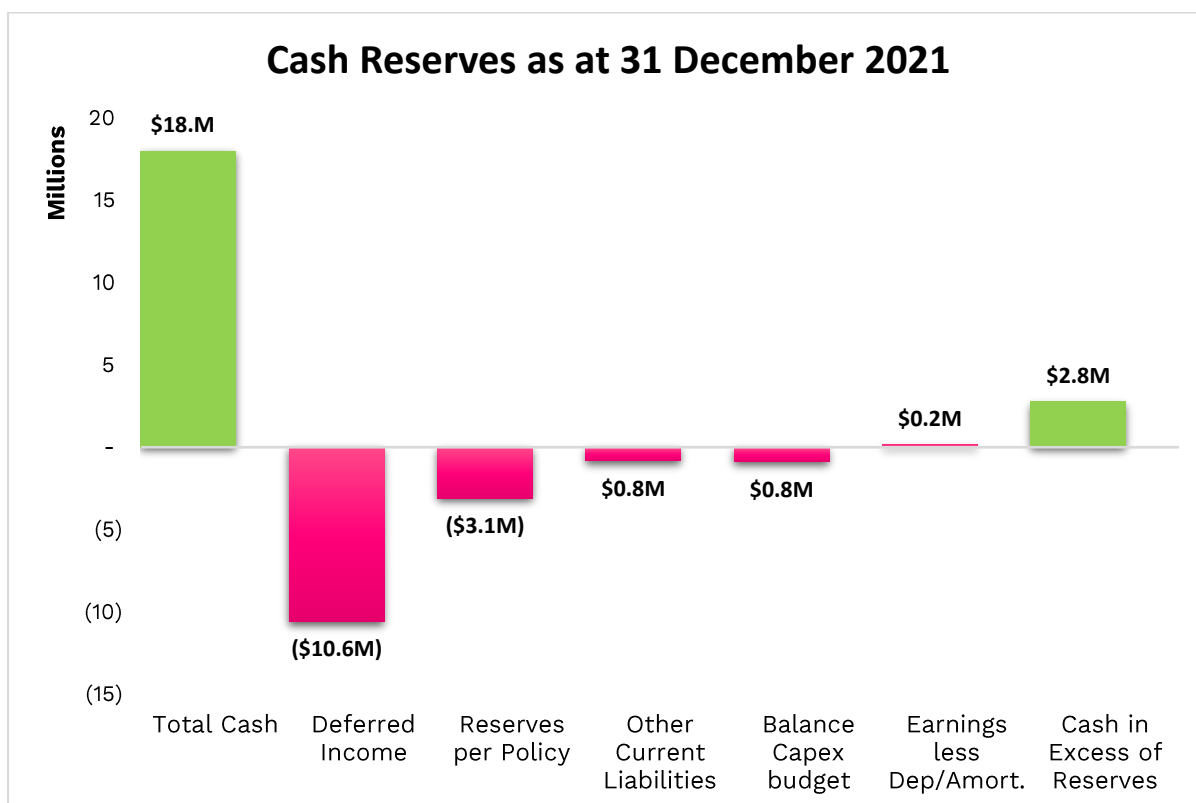
The chart below provides a visual on the percentage spread of funds invested (\$16,457,883) across all institutions, as at 31 December 2021.



## Cash in Excess of Reserves

We report the Cash in Excess of Reserves position as at 31 December 2021 at **\$2.8M** as provided below:

Total Cash & Current Assets	\$18,009,386
less: Deferred Income	(\$10,591,283)
less: Reserves as per the policy	(\$3,105,100)
less: Other Current Liabilities	(\$823,298)
less: Balance unspent Capex budget	(\$883,916)
add: Earnings less Dep/Amort.	\$163,247
Cash in Excess of Reserves	\$2,769,036



The third quarter of the 2021-22 financial year sees **Net Equity** at **\$10.0M** (reported as \$10.0M in the previous quarter), and the **Net Equity minus Reserves** position at **\$6.9M** (\$6.6M in the previous quarter).

This exceeds the measure currently required by the *Financial and Investment Strategy Policy*, which sets the target for Net Equity minus Reserves at \$5.5M.