



Financial summary

Preliminary Results for the year ended 31 March 2022

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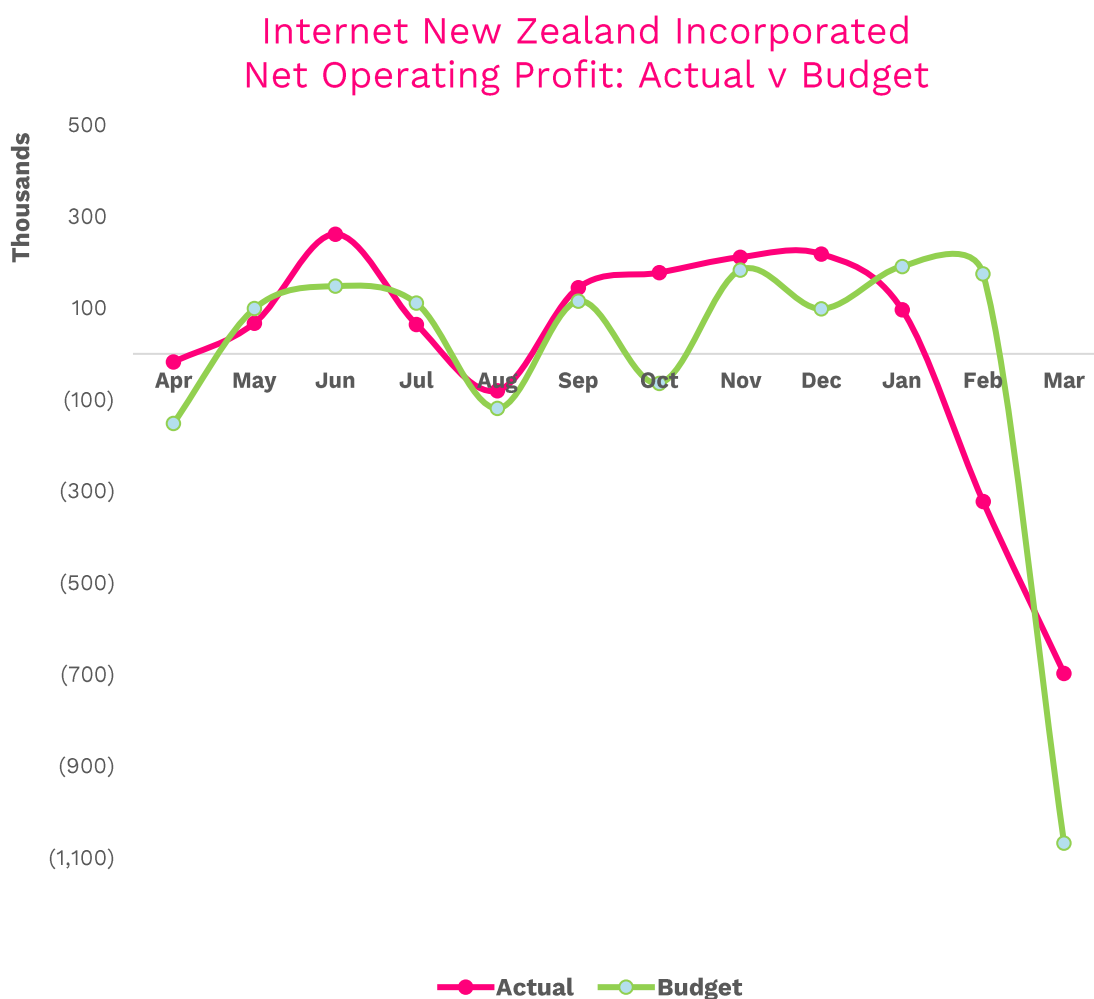
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Summary of YE Results

This report provides information on the unaudited performance and financial position of InternetNZ for the year end of the 2021-22 financial reporting year.

The preliminary year-end accounts report a surplus result of \$122,410 against a budgeted deficit of \$284,473, returning a positive variance of \$406,883. This variance is due in part to:

- increased registry revenue due to growth in domain names.
- a delay in the infrastructure costs for the registry replacement project.
- several roles within the organisation being vacant during the year, leading to - savings in employment costs.
- the decision not to have a regional NetHui, in person or online.



Revenue Analysis

Revenue	Actual (YTD)	Budget (YTD)	Variance	%Total Sales
Registry Fees	12,635,308	12,453,119	182,189	94.9%
BBMap	54,637	66,408	(11,771)	0.4%
DEFENZ	16,146	114,000	(97,854)	0.1%
Registry Lock	-	-	-	0%
Events	-	25,846	(25,846)	0%
Membership	8,897	15,000	(6,103)	0.1%
Recharge & Misc.	281,490	248,916	32,574	2.1%
Investment	318,021	439,980	(121,959)	2.4%
Total Revenue	\$13,314,499	\$13,363,269	(\$48,770)	100.0%

- **Registry fees** earnings were **up for the year by \$182k** against budget and reflect the increase in the size of the registry (741,157 domain names) reported at the end of the Mar.
- **DEFENZ product** closed the year \$98k behind budget. As stated in the Q3 report the future of DEFENZ as a product and if we will continue to invest in it, will be made over the first quarter of 2022-2023.
- The fourth quarter Investments in Managed Funds were impacted by the volatility in the markets, falling short of budget by \$112k.
- Year to date the accounts report **total operating revenue of \$13.3M**, up \$926k for the same period last year.

Expenditure Analysis

- Direct costs of operating the .nz Registry report **\$2.5M YTD**, of which **\$1.7m** made up fees paid to the Domain Name Commission. This result came in at **\$93k under budget**.
- **Employment costs** totalled **\$6.3M YTD**, with an **underspend of \$601K** against the YTD budget. This result comes about as several roles remained vacant during the last three quarters of the year, and an underspend in staff training budgeted year to date.
- **YTD Operating costs** are **\$1.95M**, with an **overspend of \$124k** against budget.
- Overall, the accounts report a total expenditure (excluding direct costs) of **\$10.4M** with a YTD **underspend of \$365K**, this aligns with the same period last year.

Expenditure by Function

Function	Actual (YTD)	Budget (YTD)	Variance	%Expenditure
Commercial	1,663,719	1,800,567	(136,848)	12.6%
Communications	737,571	624,925	112,646	5.6%
Engagement	658,350	536,645	121,705	5.0%
Funding	1,615,201	1,531,724	83,477	12.2%
International	266,634	282,382	(15,748)	2.0%
IT Operations (incl. DNCL fee)	3,981,482	4,294,249	(312,767)	30.2%
Org. Services (incl. Gov. & Security)	2,255,188	2,592,272	(337,084)	17.1%
Policy	981,490	963,336	18,154	7.4%
Technical Research	582,854	598,344	(15,490)	4.4%
Technology Strategy	449,600	443,063	6,537	3.4%
Total Expenditure	\$13,192,088	\$13,667,507	(\$475,418)	100.0%

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
Public Good <ul style="list-style-type: none"> Community funding (100%) Sponsorship (100%) Engagement (75%) Policy (75%) Product (25%) International (50%) 	\$4.09M	\$3.87M	14 FTE	14 FTE
Product (.nz & other) <ul style="list-style-type: none"> Product (75%) IT Operations (75%) Technology Strategy (75%) Policy (25%) Cost of Sales (100%) DNCL Management Fee (100%) International (50%) 	\$6.15M	\$6.43M	12 FTE	15 FTE
Organisational Capability <ul style="list-style-type: none"> Organisational Services (100%) Security (100%) 	\$2.95M	\$3.37M	15 FTE	18 FTE

<ul style="list-style-type: none"> IT Operations (25%) Engagement (25%) Governance (100%) 				
Total Expenditure	\$13.19M	\$13.67M	41 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 roles not otherwise backfilled (i.e., the share of staffing time attributed)	\$3.86M \$2.6M \$1.26M	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.	\$0.07M \$0.07M	Total \$0.55M Opex \$0.55M (FTE 3)
Flexible First	Org development capacity Capex (fitout). Includes the \$100k extra for the HVAC. Share of staffing time attributed. Project costs.	\$1.83M \$1.0M \$0.83M	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	\$2.60M	\$2.60M
Project Mimosa – Infrastructure	\$0.68M	\$0.68M
Security Operations Centre	\$0.03M	\$0.02M
Total Baseline Investment	\$3.31M	\$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	\$4.36M	\$4.20M

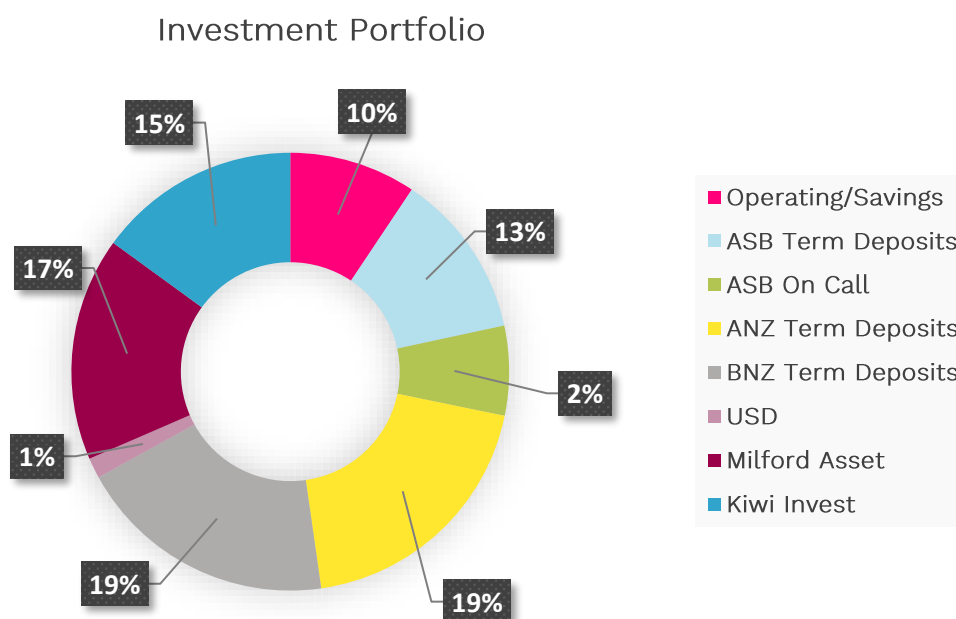
Balance Sheet

A detailed Balance sheet report for the InternetNZ Group is available for review in the *Group financial statements for the year-end 31 March 2022*. 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 of the percentage spread of funds invested (\$16,008,077) across all institutions, as of 31 March 2022.



Cash in Excess of Reserves

We report the Cash in Excess of Reserves position as of 31 March 2022 at **\$2.3M** as provided below:

Total Cash & Current Assets	\$17,288,629
less: Deferred Income	(\$10,909,184)
less: Reserves as per the policy	(\$3,762,049)
less: Other Current Liabilities	(\$426,702)
less: CCAN & DECA Liabilities	(\$411,402)
add: Earnings less Dep/Amort.	\$563,026
Cash in Excess of Reserves	\$2,342,318



The final quarter of the 2021-22 financial year sees **Net Equity** at **\$9.7M** (reported as \$10.0M in the previous quarter), and the **Net Equity minus Reserves** position at **\$5.5M** (\$6.9M in the previous quarter).

The \$1.4M decrease in Net Equity less reserves is attributable to increased year-end accruals, year-end payables (Funding Liabilities), and \$0.4M increase in deferred revenue.

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