



Financial summary

For the quarter ended 30 June 2021

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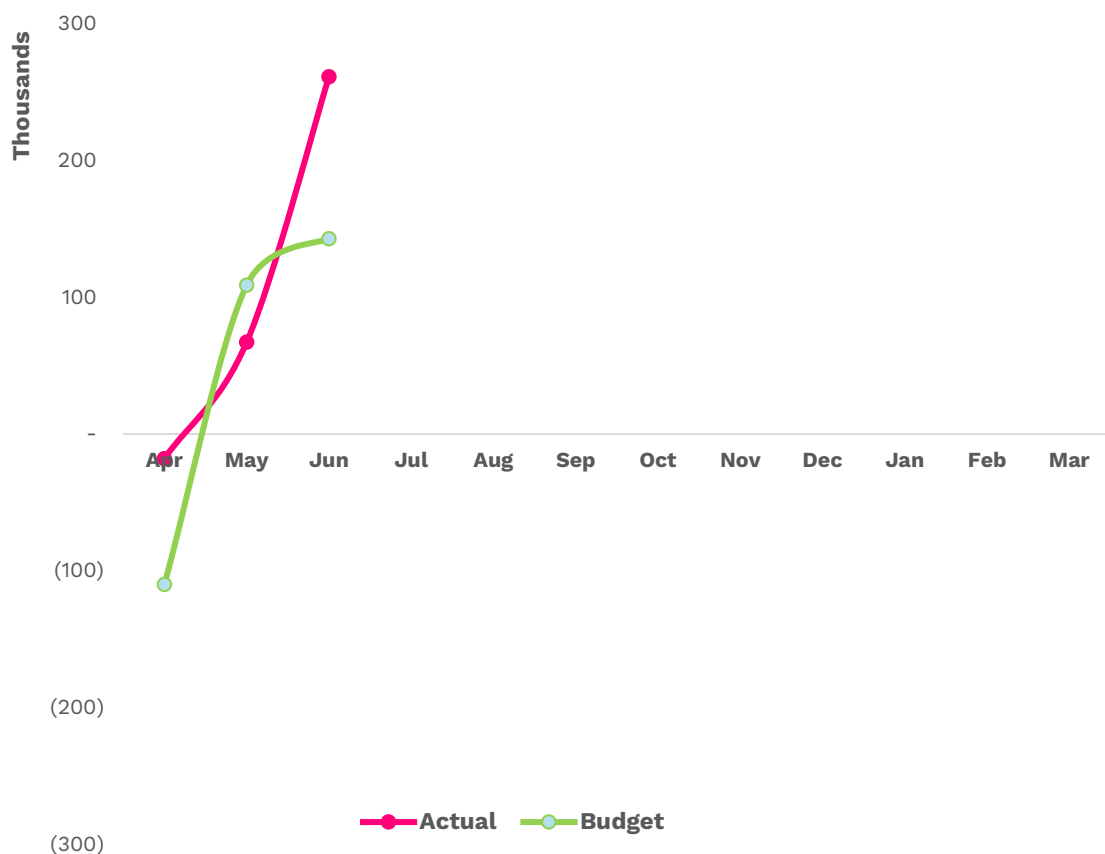
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Summary of YTD Results

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

Year to date the accounts reports a **surplus result of \$310,760** against a budgeted surplus of \$141,875, returning a positive variance of \$168,885. This variance is as a result of growth in the size of the Registry and better than expected performance of our investments in Managed Fund portfolios, the details of which are provided in the Revenue Analysis section.

Internet New Zealand Incorporated Net Operating Profit: Actual v Budget



Revenue Analysis

Revenue	Actual (YTD)	Budget (YTD)	Variance	%Total Sales
Registry Fees	3,014,235	2,992,362	21,873	90.3%
BBMap	14,850	14,102	748	0.4%
DEFENZ	3,686	6,500	(2,814)	0.1%
Registry Lock	-	-	-	0%
Events	-	-	-	0%
Membership	3,262	4,901	(1,639)	0.1%
Recharge & Misc.	63,059	62,354	705	1.9%
Investment	239,125	94,841	144,284	7.2%
Total Revenue	\$3,338,217	\$3,175,060	\$163,157	100.0%

- **Registry fees** earned is **up \$22k** against budget and reflects the increase in the size of the registry (**724,808 domain names**) reported at the end of the first quarter of this financial year.
- The **DEFENZ product** has recorded no new sales in this financial year, with the accounts reporting back a **YTD shortfall of \$3k** against budgeted revenue.
- **Investments in Managed Funds** has maintained a trend of outperforming expectations, **returning \$227k YTD** against **anticipated income of \$82k**, though this result is down against the \$296k income reported for the same period last year.
- Year to date the accounts report **total operating revenue of \$3.1M**, up \$300k for the same period last year.

Expenditure Analysis

- **Direct costs** of operating the **.nz Registry** reports **\$596,975 YTD**, of which **\$431,525** made up fees paid to the **Domain Name Commission**. This result came in at **\$2k under** forecast.
- **Employment costs** totalled **\$1.5M YTD**, with an **underspend of \$29K** against YTD budget. This result is an outcome of a delay in recruitment of new roles and an underspend in staff training budgeted in the first quarter of the year.
- **YTD Operating costs is \$353,626**, with an **overspend of \$9k** against budget. INZ incurred additional Grant Thornton audit fees of \$6.2k and this has been brought into account in June 2021.
- Overall, the accounts report a **YTD underspend of \$6k** against budget on total expenditure.

Expenditure by Function

Function	Actual (YTD)	Budget (YTD)	Variance	%Expenditure
Commercial	412,736	406,453	6,283	13.6%
Communications	133,719	136,317	(2,598)	4.4%
Engagement	114,909	107,817	7,092	3.8%
Funding	472,332	473,035	(703)	15.6%
International	65,800	67,427	(1,627)	2.2%
IT Operations (incl. DNCL fee)	958,665	967,082	(8,417)	31.7%
Org. Services (incl. Gov. & Security)	447,240	440,991	6,249	14.8%
Policy	193,906	200,743	(6,837)	6.4%
Technical Research	127,748	131,389	(3,641)	4.2%
Technology Strategy	100,403	101,931	(1,528)	3.3%
Total Expenditure	\$3,027,457	\$3,033,185	(\$5,727)	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	Planned People Allocation
Public Good <ul style="list-style-type: none"> • Community funding (100%) • Sponsorship (100%) • Engagement (75%) • Policy (75%) • Product (25%) • International (50%) 	\$0.97M	\$3.70M	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%) 	\$1.43M	\$6.30M	15 FTE
Organisational Capability <ul style="list-style-type: none"> • Organisational Services (100%) • Security (100%) • IT Operations (25%) • Engagement (25%) • Governance (100%) 	\$0.63M	\$3.30M	18 FTE
Pool Funds	\$0.07M	\$0.50M	

Total Expenditure	\$3.03M	\$13.30M	47 FTE
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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)	\$0.71M	Total \$5.20M
		\$0.30M \$0.41M	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.	\$0.03M	Total \$0.55M
		\$0.03M	Opex \$0.55M (FTE 3)
Flexible First	Org development capacity. Capex (fitout). Share of staffing time attributed. Project costs.	\$0.31M	Total \$1.84M
		\$0.05M \$0.26M	Capex \$0.85M Opex \$0.99M (FTE 5.5)

Capital Expenditure

Work Item	Actual (YTD)	Capex Plan 2021/22
Project Mimosa – Implementation	\$0.30M	\$2.60M
Project Mimosa – Infrastructure	-	\$0.68M
Security Operations Centre	-	\$0.02M
Total Baseline Investment	\$0.30M	\$3.30M
New Premises fitout	\$0.05M	\$0.85M
Staff IT requirements	\$0.03M	\$0.05M
Total Capacity Investment	\$0.08M	\$0.90M
TOTAL CAPITAL INVESTMENT	\$0.38M	\$4.20M

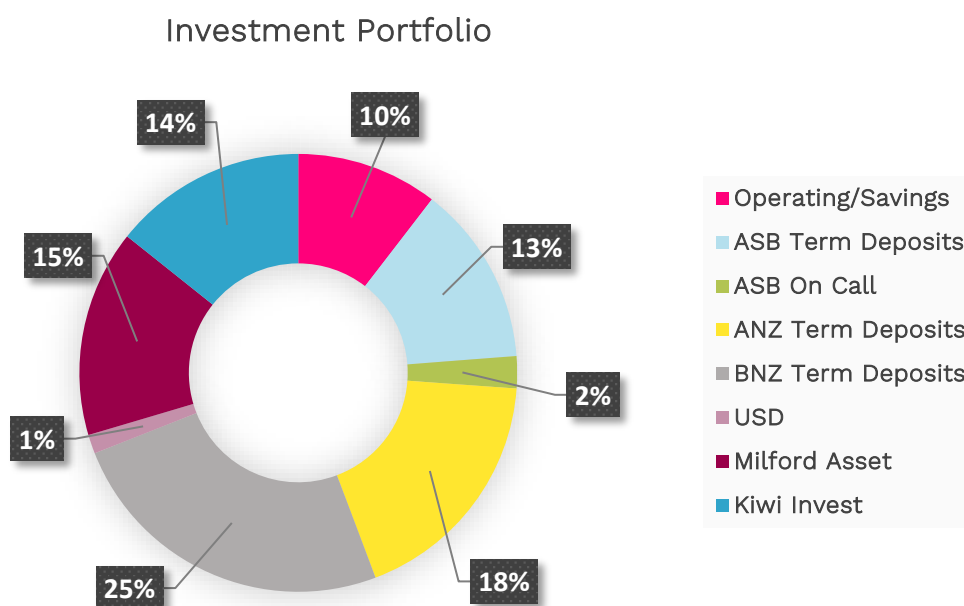
Balance Sheet

A detailed Balance sheet report for the InternetNZ Group is available for review in the *Group financial statements for the quarter ended 30 June 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 (\$17,120,296) across all institutions, as at 30 June 2021.



Cash in Excess of Reserves

We report the Cash in Excess of Reserves position as at 30 June 2021 at **\$1.6M** as provided below:

Total Cash & Current Assets	\$18,846,717
less: Deferred Income	(\$10,327,746)
less: Reserves as per the policy	(\$3,321,612)
less: Other Current Liabilities	(\$635,237)
less: Balance unspent Capex budget	(\$3,159,841)
add: Earnings less Dep/Amort.	\$163,247
Cash in Excess of Reserves	\$1,565,527



The end of the first quarter for the 2021-22 financial year sees **Net Equity at \$9.9M** (reported as \$9.6M in the previous quarter), and the **Net Equity minus Reserves** position at **\$6.6M** (\$6.4M 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.