



# Financial summary

For the quarter ended 30 June 2020

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## Summary of the result for Quarter Ending 30 June 2020

This report has been prepared to provide an account of the first quarter of the 2020-21 financial reporting year, for InternetNZ.

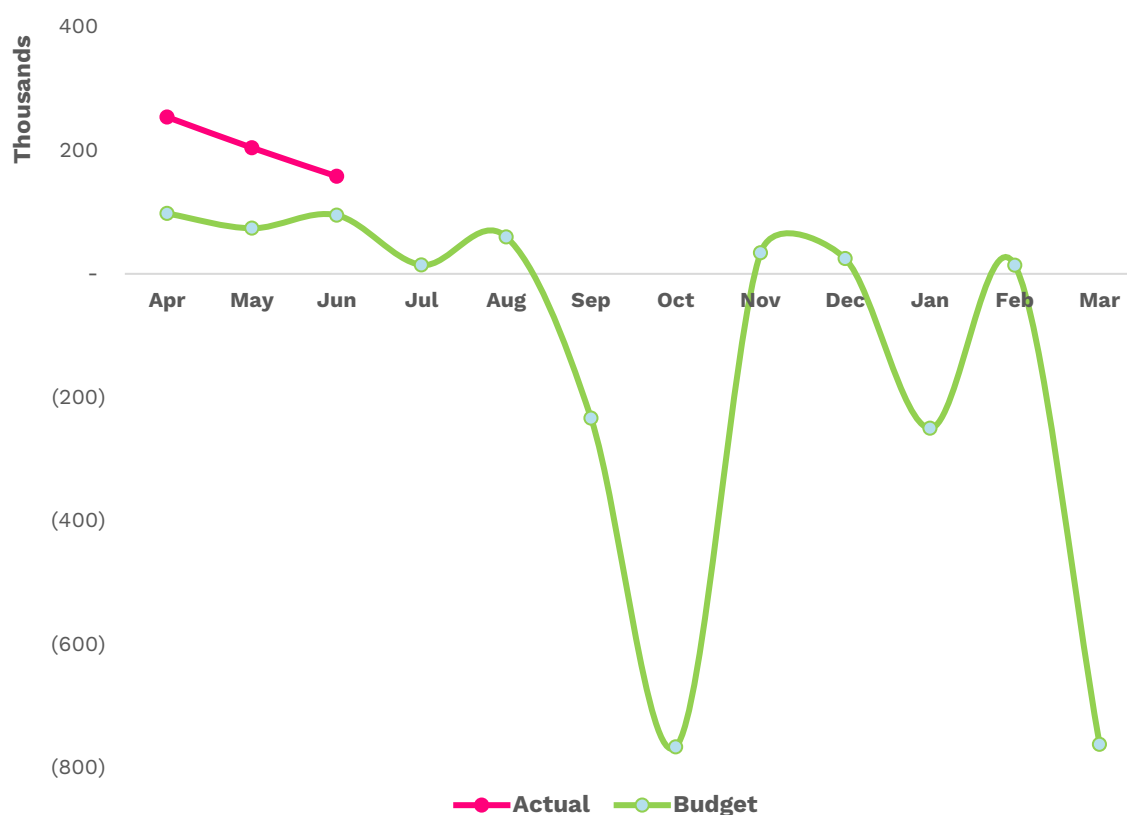
For the quarter ending 30 June 2020, the accounts report a surplus result of \$616,191 against a budgeted surplus of \$266,501, resulting in a positive budget variance of \$349,690. The result comes as a direct consequence of significant returns achieved from our managed funds portfolio during April and May of this year.

The impact of COVID-19 for most of Q1 had some effect on planned activities and this is reflected in the lower than expected spend result across all function areas. We also had to defer some project-related milestones within the first quarter, as we put stakeholders' priorities around the COVID-19 pandemic at the forefront.

We anticipate a busy Q2 as we return to a different normal and resume some important work as logistics around what we do becomes increasing available.

The following sections provide commentary on our revenue and expenditure for the quarter, as well as highlighting key areas within the Balance Sheet.

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



The large deficits budgeted for during October 2020 and March 2020 anticipate the timing of the two rounds of funding typically carried out over the course of the financial year.

## Revenue Analysis for Quarter 1

Operating revenue for Q1 fell just short of achieving budget, with the accounts reporting total operating revenue of \$2,784,136 against a budget of \$2,785,500. Despite the small overall variance, we point to a surge in the number of created domain names that were secured during the lockdown period, resulting in a positive variance of \$24,184 against budget in Registry fees for the quarter. As a result of COVID-19, we also made the decision in Q1 to release the DEFENZ product for free until 30 September 2020 to interested parties, and this has had a negative impact on forecast revenues.

| Revenue              | Actual             | Budget             | Variance         | %Total Sales  |
|----------------------|--------------------|--------------------|------------------|---------------|
| Registry Fees        | 2,707,113          | 2,682,929          | 24,184           | 86.9%         |
| BBMap                | 13,156             | 14,385             | (1,229)          | 0.4%          |
| DEFENZ               | 30                 | 20,000             | (19,970)         | 0.0%          |
| Events               | -                  | -                  | -                | 0.0%          |
| Membership           | 3,350              | 3,347              | 3                | 0.1%          |
| Recharge & Misc.     | 60,488             | 61,089             | (601)            | 1.9%          |
| Investment           | 332,693            | 84,800             | 247,893          | 10.7%         |
| <b>Total Revenue</b> | <b>\$3,116,830</b> | <b>\$2,866,550</b> | <b>\$250,280</b> | <b>100.0%</b> |

The managed funds portfolio performed well during the lockdown period; the quarter closed off with total gains of \$332,693 in combined managed funds and interest income, against a budget for the quarter of \$84,800.

## Expenditure Analysis for Quarter 1

Expenditure was down across almost every function area within the organisation for the first quarter, even after phasing some project costs out to future quarters based on the lockdown effect. This was particularly evident within the International Engagement area, where we had reduced the budget for the year as part of planning, but also phasing the bulk of the costs to the second half of the year.

We successfully gained access to rent discounts during the lockdown period on the Wellington office commercial lease, with the accounts reporting savings of \$35,165.

There have been delays in planned recruitment in Q1 for a UX Developer, a Security co-ordinator, and a DNS Specialist.

## Expenditure by Function

| Area                                  | Actual             | Budget             | Variance           | %Expenditure  |
|---------------------------------------|--------------------|--------------------|--------------------|---------------|
| Commercial                            | 281,162            | 321,227            | (40,065)           | 11.2%         |
| Communications                        | 154,737            | 161,207            | (6,470)            | 6.2%          |
| Engagement                            | 55,549             | 52,250             | 3,299              | 2.2%          |
| Funding                               | 171,230            | 176,702            | (5,472)            | 6.8%          |
| International                         | 65,958             | 66,401             | (443)              | 2.6%          |
| IT Operations (incl. DNCL fee)        | 901,320            | 916,975            | (15,655)           | 36.0%         |
| Org. Services (incl. Gov. & Security) | 393,362            | 397,150            | (3,788)            | 15.7%         |
| Policy                                | 277,763            | 281,308            | (3,545)            | 11.1%         |
| Technical Research                    | 117,991            | 151,110            | (33,119)           | 4.7%          |
| Technology Strategy                   | 81,567             | 76,714             | 4,852              | 3.3%          |
| <b>Total Expenditure</b>              | <b>\$2,500,639</b> | <b>\$2,601,044</b> | <b>(\$100,405)</b> | <b>100.0%</b> |

## Expenditure by Strategic Goals

This table draws from the Profit and Loss statement for the quarter to provide a high level summary of the spend that has occurred towards achieving our Strategic Goals: excluded are internal staff and infrastructure costs, as well as progressive capital expenditure for Q1.

| Goal                                    | Actual           | Budget           | Variance     | %Expenditure  |
|---|------------------|------------------|--------------|---------------|
| SG1: Develop an Internet for Good       | 131,008          | 134,772          | (3,764)      | 59.3%         |
| SG2: Improved Digital Inclusion         | 13,560           | 9,392            | 4,168        | 6.1%          |
| SG3: Grow .nz                           | 6,653            | 6,653            | -            | 3.0%          |
| SG4: Sell New Products                  | 54,339           | 64,839           | (10,500)     | 24.6%         |
| SG5: Improving InternetNZ's Performance | 15,257           | -                | 15,257       | 6.9%          |
| <b>Total Expenditure</b>                | <b>\$220,817</b> | <b>\$215,656</b> | <b>5,161</b> | <b>100.0%</b> |

For more detail on what we have been working on please click on the link:  
<https://internetnz.nz/governance-and-reports/plans-and-reports/>

## Balance Sheet

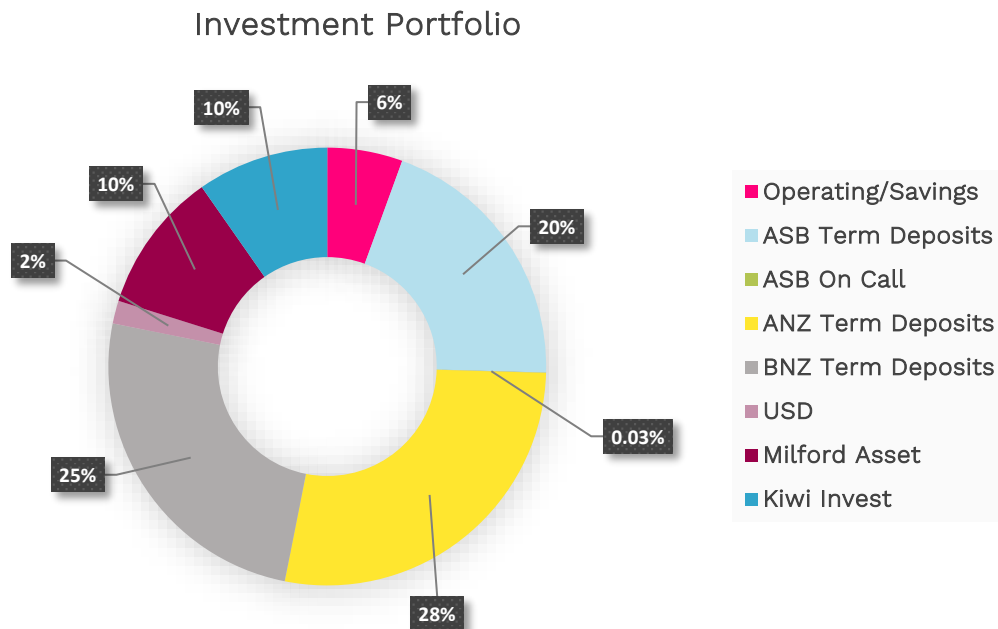
A detailed Balance sheet report for the InternetNZ Group is available for review at the link below. We focus our attention on two specific areas of note in this report:

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

<https://internetnz.nz/assets/Archives/Group-Financial-InternetNZ-Q1-2020.pdf>

## Investments

The chart below provides a visual on the percentage spread of funds invested (\$16,659,873) across all institutions, as at 30 June 2020.

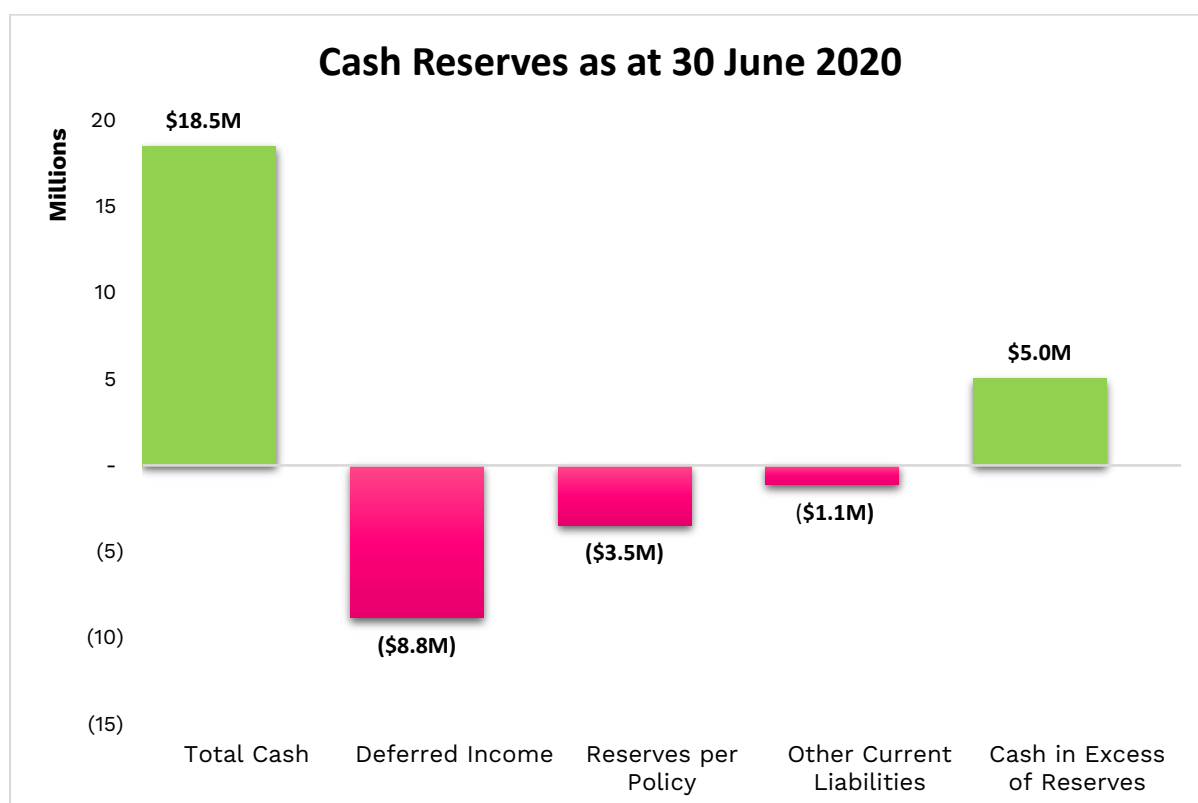


## Cash in Excess of Reserves

The reported position of Cash in Excess of Reserves as at 31 March 2020 was **\$4.82M**.

We continue to report back a strong Cash in Excess of Reserves position at the close of Q1, up 4.2% from the end of Q4 of the 2019-20 financial year (and up 19.0% from the Q3 position of that year), at **\$5.04M** as at 30 June 2020. We summarise that position as follows:

|  |                     |
|--|---------------------|
| <b>Total Cash &amp; Current Assets</b> | <b>\$18,475,253</b> |
| less: Deferred Income                  | (\$8,829,397)       |
| less: Reserves as per the policy       | (\$3,474,204)       |
| less: other Current Liabilities        | (\$1,125,868)       |
| <b>Cash in Excess of Reserves</b>      | <b>\$5,045,784</b>  |



The close of the first quarter of the 2020-21 financial year sees Net Equity at \$10.8M (reported as \$10.5M in the previous quarter), and the **Net Equity minus Reserves** position at **\$7.3M** (\$7.0M 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.