



# Financial summary

For the 6 months ended 30 September 2021

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## Summary of YTD Results

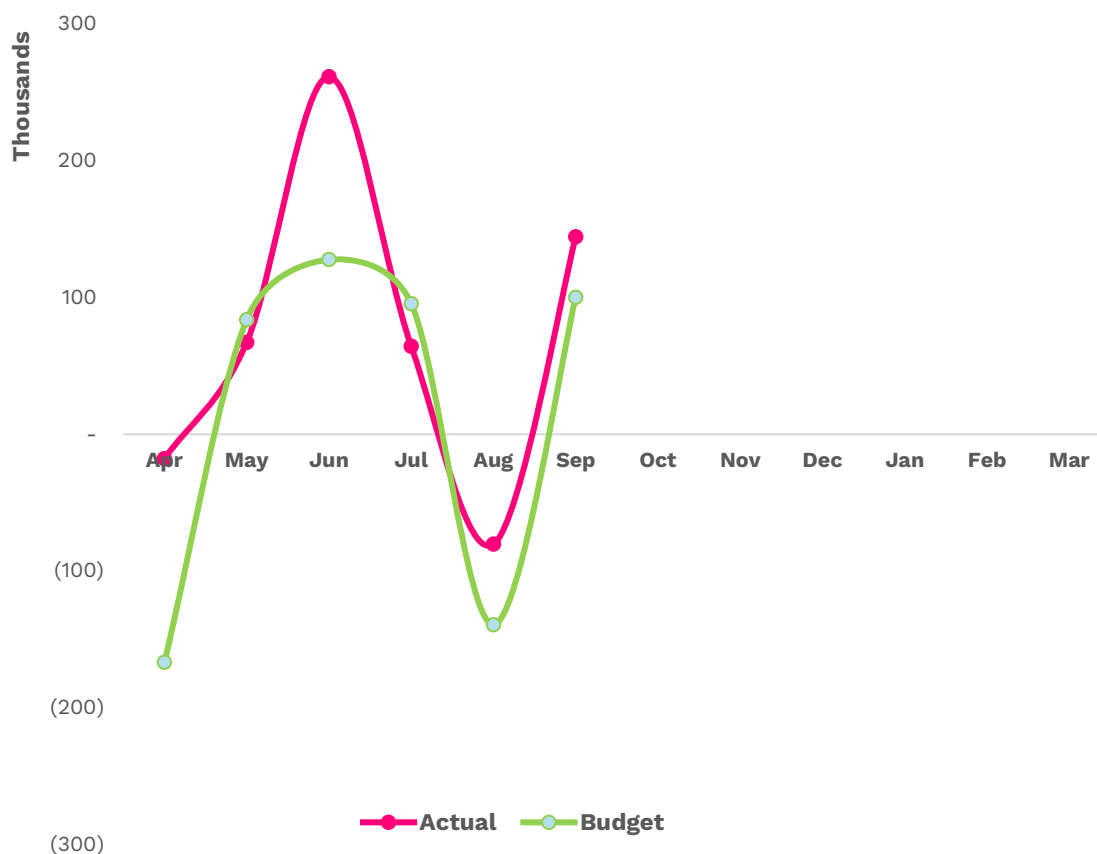
This report provides information on the performance and financial position of InternetNZ at the end of the first half of the 2021-22 financial reporting year.

**Year to date** the accounts report a **surplus result of \$439,186** against a budgeted surplus of \$101,434, returning a **positive variance of \$337,752**.

This variance is as a result of:

- 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	6,174,692	6,097,806	76,886	92.7%
BBMap	27,950	33,204	(5,254)	0.4%
DEFENZ	7,907	57,000	(49,093)	0.1%
Registry Lock	-	-	-	0%
Events	-	25,846	(25,846)	0%
Membership	4,352	7,500	(3,148)	0.1%
Recharge & Misc.	128,898	125,508	3,390	1.9%
Investment	320,017	213,469	106,548	4.8%
<b>Total Revenue</b>	<b>\$6,663,817</b>	<b>\$6,560,333</b>	<b>\$103,484</b>	<b>100.0%</b>

- **Registry fees** earned is **up \$77k** against budget and reflects the increase in the size of the registry (**733,200 domain names**) reported at the end of the second quarter.
- The **DEFENZ product** has recorded no new sales in this financial year, with the accounts reporting back a **YTD shortfall of \$49k** against budgeted revenue. The management team is considering the future of this product.
- **Investments in Managed Funds** has maintained a trend of outperforming expectations, **returning \$276k YTD** against **anticipated income of \$165k**, though this result is down against the \$441k income reported for the same period last year.
- Year to date the accounts report **total operating revenue of \$6.3M**, up \$752k for the same period last year.

## Expenditure Analysis

- **Direct costs** of operating the **.nz Registry** reports **\$1.3M YTD**, of which **\$863k** made up fees paid to the **Domain Name Commission**. This result came in at **\$84k under** forecast.
- **Employment costs** totalled **\$3.2M YTD**, with an **underspend of \$267K** against YTD budget. This result comes about as several roles remained largely vacant during most of the second quarter, and an underspend in staff training budgeted year to date.
- **YTD Operating costs** is **\$712k**, with an **overspend of \$2k** against budget.
- **Funding through Strategic Partnerships** has accelerated faster than anticipated by the budget, and we report a variance **\$245k over budget** as a result of different phasing.

- Overall, the accounts report **total expenditure** of **\$6.2M** with a YTD **underspend of \$125k**, and up \$508k for the same period last year.

## Expenditure by Function

Function	Actual (YTD)	Budget (YTD)	Variance	%Expenditure
Commercial	787,490	891,517	(104,027)	12.7%
Communications	323,162	308,859	14,303	5.2%
Engagement	236,298	260,260	(23,962)	3.8%
Funding	871,030	625,913	245,117	14.0%
International	101,869	140,056	(38,187)	1.6%
IT Operations (incl. DNCL fee)	1,955,280	2,092,096	(136,816)	31.5%
Org. Services (incl. Gov. & Security)	1,025,855	1,031,819	(5,964)	16.5%
Policy	425,123	472,360	(47,237)	6.8%
Technical Research	264,843	297,728	(32,885)	4.3%
Technology Strategy	225,599	221,056	4,543	3.6%
<b>Total Expenditure</b>	<b>\$6,216,549</b>	<b>\$6,341,664</b>	<b>(\$125,115)</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>	\$1.79M	\$3.70M	14 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>	\$2.71M	\$6.30M	13 FTE	15 FTE
<b>Organisational Capability</b>	\$1.65M	\$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>				
Pool Funds	\$0.07M	\$0.50M		
Total Expenditure	\$6.22M	\$13.30M	42 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)	\$2.02M	Total \$5.20M
		\$1.13M \$0.89M	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	Total \$0.55M
		\$0.04M	Opex \$0.55M (FTE 3)
Flexible First	Org development capacity.  Capex (fitout). Share of staffing time attributed. Project costs.	\$0.85M	Total \$1.84M
		\$0.39M \$0.46M	Capex \$0.85M Opex \$0.99M (FTE 5.5)

## Capital Expenditure

Work Item	Actual (YTD)	Capex Plan 2021/22
Project Mimosa – Implementation	\$0.60M	\$2.60M
Project Mimosa – Infrastructure	\$0.60M	\$0.68M
Security Operations Centre	\$0.00M	\$0.02M
<b>Total Baseline Investment</b>	<b>\$1.13M</b>	<b>\$3.30M</b>
New Premises fitout	\$0.39M	\$0.85M
Staff IT requirements	\$0.05M	\$0.05M
<b>Total Capacity Investment</b>	<b>\$0.44M</b>	<b>\$0.90M</b>
<b>TOTAL CAPITAL INVESTMENT</b>	<b>\$1.57M</b>	<b>\$4.20M</b>

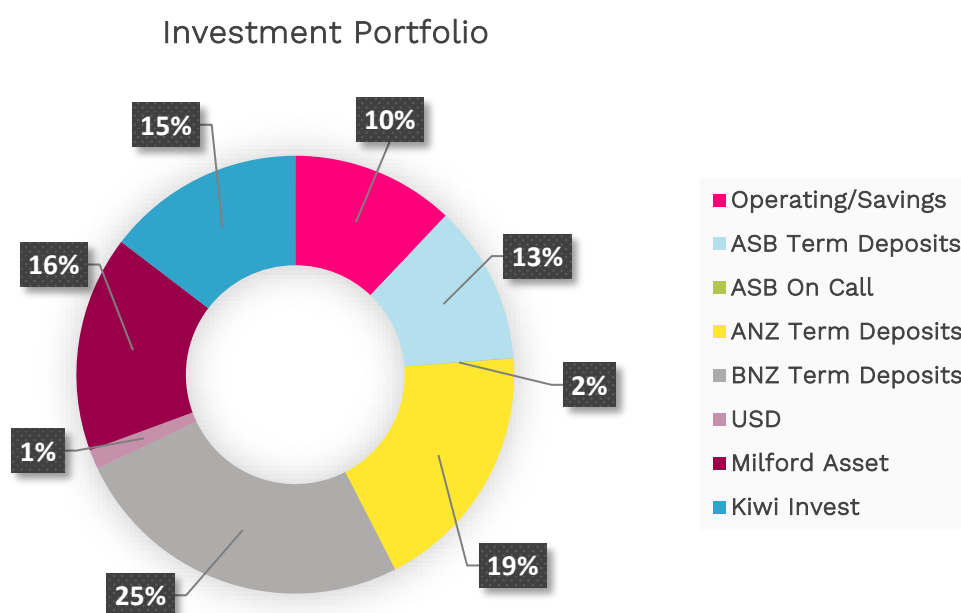
## Balance Sheet

A detailed Balance sheet report for the InternetNZ Group is available for review in the *Group financial statements for the 6 months ended 30 September 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

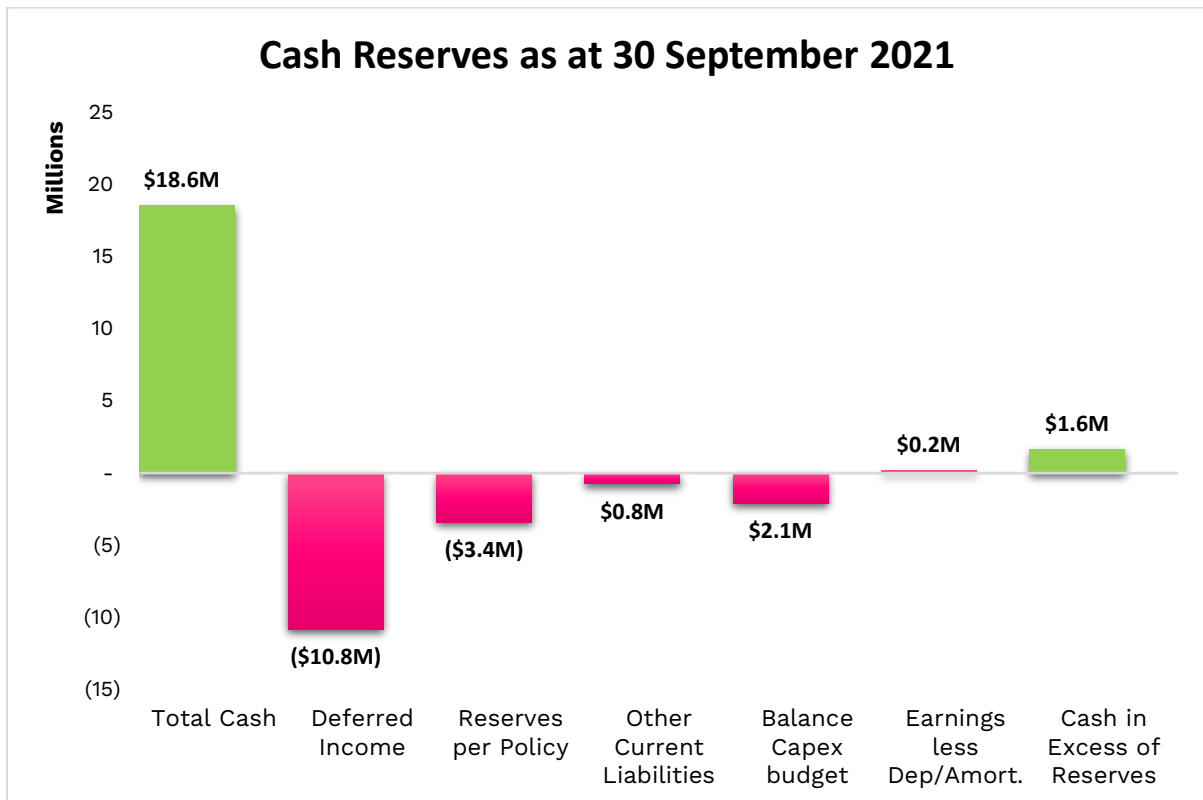
The chart below provides a visual on the percentage spread of funds invested (\$16,689,464) across all institutions, as at 30 September 2021.



### Cash in Excess of Reserves

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

<b>Total Cash &amp; Current Assets</b>	<b>\$18,572,412</b>
less: Deferred Income	(\$10,833,840)
less: Reserves as per the policy	(\$3,394,562)
less: Other Current Liabilities	(\$751,967)
less: Balance unspent Capex budget	(\$2,115,547)
add: Earnings less Dep/Amort.	\$163,247
<b>Cash in Excess of Reserves</b>	<b>\$1,639,745</b>



The end of the first half of the 2021-22 financial year sees **Net Equity at \$10.0M** (reported as \$9.9M in the previous quarter), and the **Net Equity minus Reserves** position at **\$6.6M** (\$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.