



Financial summary

For the quarter ended 31 March 2020

Table of contents

Summary of result	3
Net Operating Profit	3
Expenditure by Category Chart	4
Balance Sheet	5
Investments	5

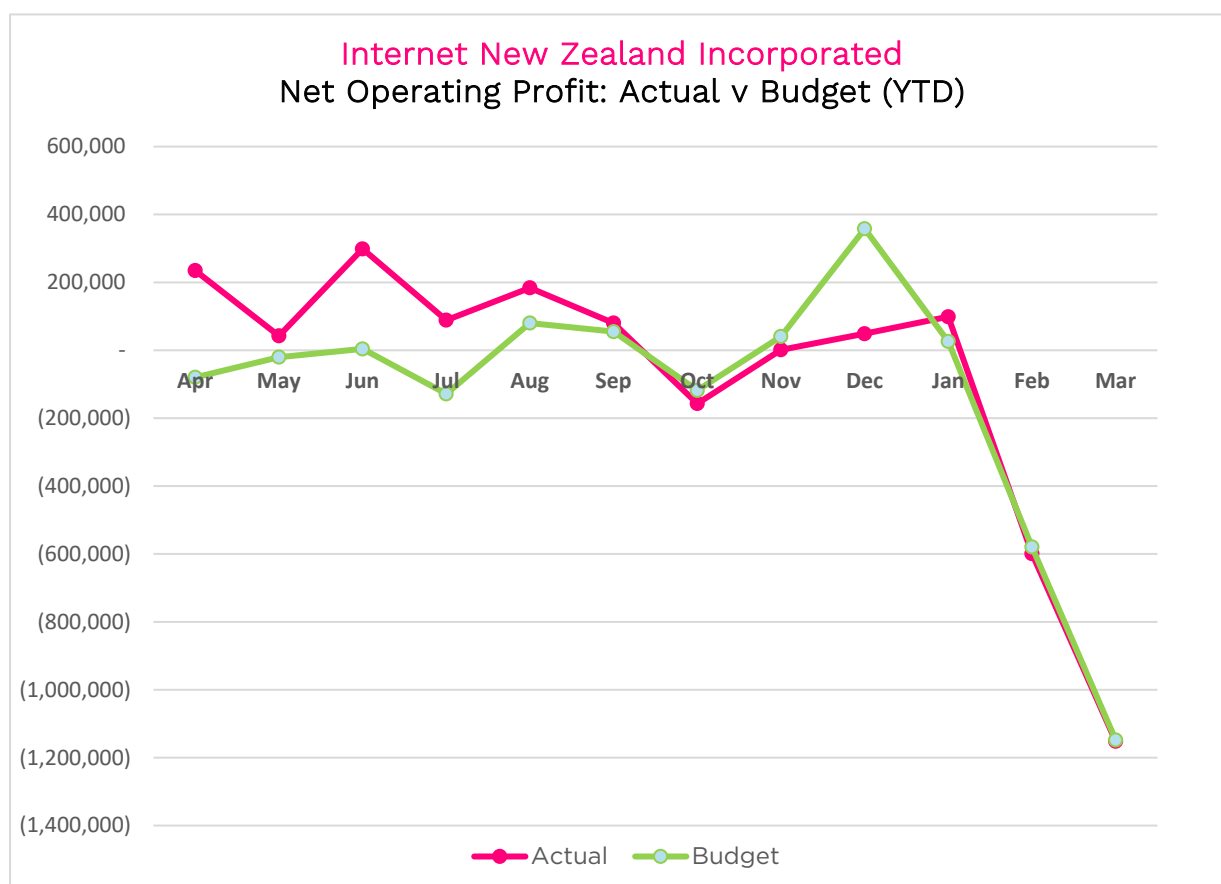
Summary of the result for Quarter Ending 31 March 2020

This report has been prepared to provide preliminary account for the final quarter of the 2019/20 financial reporting year for Internet New Zealand Incorporated. Audited financial will be made available once Crowe have completed their audit.

For the quarter ending 31 March 2020, the accounts reported a deficit result of \$1,652,030 against a budgeted deficit of \$1,201,152, resulting in a budget variance of \$450,878. This variance was due to a one-off management fee of \$500,000 that was paid to the Domain Name Commission in Q4, to cover the costs of the US litigation. Note that we plan for a large deficit in the last quarter each year as this is when many community funding payments are scheduled.

When the \$500,000 is deducted from the variance, the quarter's result reports a positive variance against the budgeted deficit, by \$49,122. This is despite a downturn in the investment markets which saw volatility within the managed funds in the quarter.

Year to date, the InternetNZ accounts report a deficit of \$829,852 against a budgeted deficit of \$860,706; and this result includes the DNCL increased fee of \$500,000. Please note the budget approved in March 2019 was for a deficit of \$800,482 (this was before the increased DNCL fee) and that therefore the results are in fact showing a \$470,600 positive variance compared to the original budget.



Revenue detail for the quarter

Operating Revenue was over compared to budget by \$141,614. Of this, \$12,585 was associated to product, events, recharge and Misc., while the balance of \$129,028 was from investments. The reduced budget for the quarter in investments was based on an early fall in the quarter but markets improved during March to give a better outcome.

Revenue	Actual	Budget	Variance	% of Total Sales
Registry Fees	2,682,774	2,675,832	6,942	100%
BBM	16,100	15,210	890	1%
DEFENZ	30	0	30	0%
Events	2,248	0	2,248	0%
Membership	3,610	3,494	116	0%
Recharge & Misc	60,088	57,729	2,359	2%
Investment	(91,004)	(220,032)	129,028	-3%
Total Revenue	2,673,847	2,532,233	141,614	100%

YTD operational revenue \$11,573,949 is ahead of budget \$11,434,631, by \$139,318, the majority of which has been previously explained by a reduction in revised budget of the Investment in Q4 to a deficit of \$98,000. Operational revenue \$11,135,608 is behind budget \$11,154,412 by \$18,804. The balance of the increase is attributable to Interest income and annual FX exchange revalue on foreign currency bank accounts.

Expenditure detail for the quarter

Expenditure was over compared to budget in the areas illustrated in the expenditure breakdown table that follows. Actual expenditure of \$4,325,876 was recorded against budgeted expenditure of \$3,733,385, resulting in an overspend of \$592,491 (15.87%) for the quarter.

The reported overspend is mainly attributable to the one-off management fee payment to DNCL (\$500k) to reimburse for the US Litigation costs.

The balance of the reported overspend \$92,491 for the quarter is attributable to phasing.

If the one-off expense to DNCL is excluded, expenses YTD would have been \$389,240 below budget.

The reduced spend is across many categories including Operating expenses \$108,399, International Engagement \$87,323, Marketing \$46,818 and Security \$24,727.

Expenditure breakdown by Function

Area	Actual	Budget	Variance	% of Expenditure
Commercial	510,769	499,821	(10,948)	12%
Communications	209,793	201,400	(8,393)	5%
Engagement	100,405	75,189	(25,216)	2%

Funding	796,837	786,345	(10,492)	18%
International	115,151	196,987	81,836	3%
Investment	2,788	3,073	285	0%
IT Operations (incl DNCL Fee)	1,391,216	821,802	(569,414)	32%
Org. Services	525,754	498,846	(26,908)	12%
Policy	394,563	331,529	(63,034)	9%
Security	68,782	69,800	1,018	2%
Technical Research	121,135	129,981	8,846	3%
Technology Services	0	0	0	0%
Technology Strategy	88,683	118,612	29,929	2%
Total Expenditure Q4	4,325,876	3,733,385	592,491	100%

Financial Expenditure by 2019/20 Goals

The table below is a high-level report to track budgeted expenditure by Strategic Goals; it does not represent, from a financial perspective, the internal resources that has been invested in this space over the period.

Goal	Actual	Budget	Variance	% of Expenditure
Improve .nz Policy/Security	99,264	64,300	(34,964)	11%
New non .nz Products	16,130	15,210	(920)	2%
Ensuring Openness (including funding)	703,025	795,000	91,975	80%
Intervention to bridge the Digital Divide	59,096	57,000	(2,096)	7%
Expenditure Q4	877,515	931,510	53,995	100%

For more details on what we have been working on please see the Q4 Activity report.

<https://internetnz.nz/sites/default/files/2020-Q4-Activity-Report.pdf>

https://internetnz.nz/sites/default/files/dotnz_Q4_2020.pdf

https://internetnz.nz/sites/default/files/Product_development_Q4_2020.pdf

https://internetnz.nz/sites/default/files/strategic_goals_report_Q4.pdf

Balance Sheet

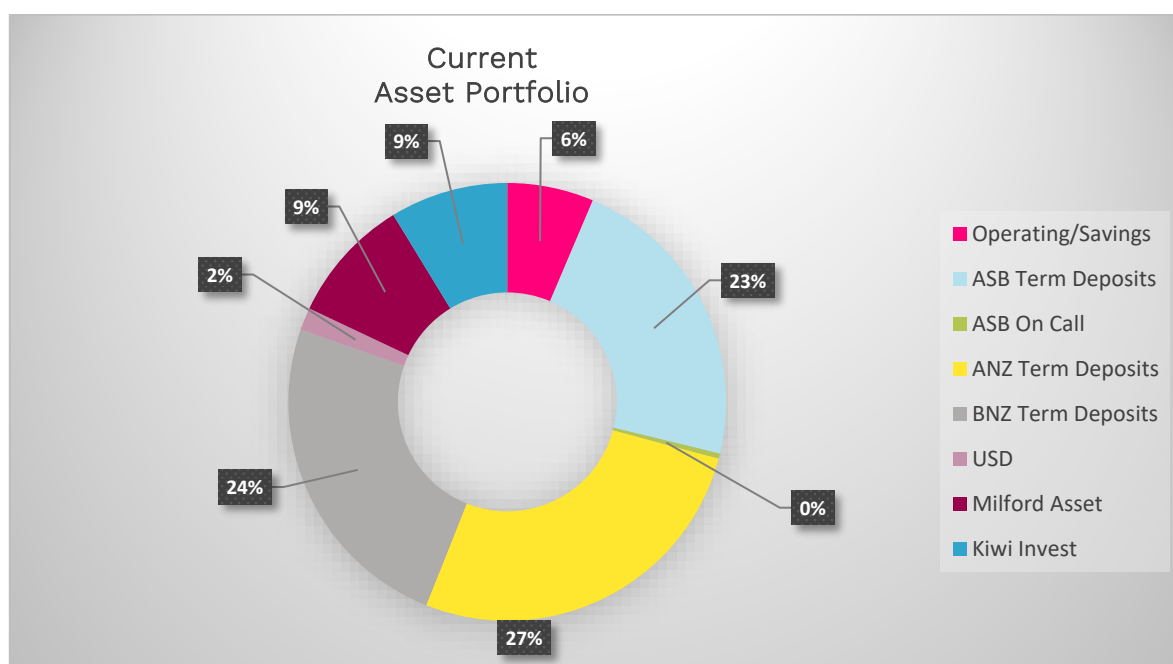
A detailed Balance sheet report for INZ Group is available for review (link below). We would like to provide detail on two specific areas of note in this report:

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

Link : [Financial Report 31 March – Group](#)

Investments

The graph below represents the percentage spread of our investments (\$18,463,141) across all institutions.



Cash in Excess of Reserves as at QE Mar 2020

At the end of Q3 (30 Dec 2019) cash in excess of reserves was \$4.2M.

The following is an update as at the end of Q4, 31 Mar 2020: As at the end of Q4 the Cash in Excess of Reserves was \$4.8M (the increase is due to lower capex expenditure). This is made up as follows:

Total Cash & Current Assets	19,002,417
Less Deferred Income	(8,615,942)
Less Reserves as per the policy	(3,474,204)
Less other Current Liabilities	(2,087,835)
Cash in Excess of Reserves	4,824,436

The Net Equity balance at March 31st is \$10.5M – therefore balance of \$7M (less Reserve (\$3.5M) is well above the target adopted in the new Financial Strategy of \$5.5M.

Cash Position PE March 2020

