

NZRS Finances

Jay Daley
to InternetNZ Council
June 2009



Agenda

- End of Year 2008 - 2009
 - Income and Expenditure
 - Equity and Retained Earnings
 - Balance Sheet
- Liquidity Policy
- Issues / Points to Note

Income and Expenditure

Registry Fees	\$6,361,318
Less: Total Expenses	\$3,633,238
Net Operating Profit	\$2,728,080
Plus: Interest Revenue	\$578,492
Plus: Sundry Income	\$206,071
Net Profit Before Taxation	\$3,512,643
Less: Interest Expense	\$6,060
Less: Provision for Tax	\$411,157
Net Profit After Taxation	\$3,095,426

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Operating Expenses

Amortisation	\$10,529
Audit Fees	\$12,704
Depreciation	\$166,646
Directors' Fees	\$93,600
DNC Management Fee	\$1,095,600
Loss on Disposal of Fixed Assets	\$1,649
Employee Remuneration	\$430,555
Other Expenses	\$1,606,997
Rent	\$214,958
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Changes in Equity

Opening Retained Earnings	\$3,563,671
Plus: Net Profit After Taxation	\$3,095,426
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Less: Dividend Paid	\$2,112,000
Retained Earnings as at 31st March 2009	\$,4,547,097
Plus: Share Capital	\$30,000
Equity as at 31st March 2009	\$4,577,097
Change in Retained Earnings	\$983,426

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Balance Sheet

Cash and Cash Equivalents	\$386,461
Term Deposits	\$7,335,496
Trade and Other Receivables	\$869,927
Income Tax Refund Due	\$402,795
Total Current Assets	\$8,994,679
Plus: Fixed and Intangible Assets	\$290,103
Total Assets	\$9,284,782
Deferred Income - Within One Year	\$3,156,877
Trade and Other Payables	\$235,637
Total Current Liabilities	\$3,392,514
Plus: Deferred Income - Greater than One Year	\$1,315,171
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Liquidity Policy

- ⌚ Legal obligations as directors
 - ⌚ Avoid trading recklessly - can meet future obligations
 - ⌚ Solvency test - assets greater than liabilities
- ⌚ Contractual obligations
 - ⌚ Operating agreement
 - ⌚ SLA
 - ⌚ Registrar connection agreement

Liquidity Policy

- ❧ Fiduciary duty
 - ❧ Respect rights and interests of registrants
- ❧ Mitigate risk
 - ❧ Strategic risk - Black Swan event
 - ❧ Financial risk - Growth turns negative
- ❧ Result:
 - ❧ Formula for liquidity within a liquidity policy

Liquidity Policy

- ④ Formula for Liquidity Ratio
 - ④ Adjusted assets
 - ④ Cash & cash equivalents + Term Deposits
 - ④ divided by
 - ④ Adjusted liabilities
 - ④ Deferred Income + 1.5 x Minor Liabilities
 - ④ With minimum allowable ratio of 100%
 - ④ At EOY 08/09 was 160% - \$2,896,453 surplus

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Issues / Points to Note

- ⌚ No debt
 - ⌚ But no assets to borrow against
- ⌚ 10 year registrations
 - ⌚ \$1,315,171 income for nine years of service
- ⌚ Conservative investment risk profile
 - ⌚ Professional advice - term deposits only
 - ⌚ Other TLDs/Registries have speculated
 - ⌚ ICANN lost USD 4,462,000
 - ⌚ Nominet lost GBP 2,316,000

Issues / Points to Note

⌚ Fiduciary Duty

- ⌚ Cessation of the service

 - ⌚ Possibility of refunds

- ⌚ Transfer of service

 - ⌚ Prepaid funds to move with the service

⌚ Strategic Risks

- ⌚ Everyone moves away from .nz

- ⌚ Domain Names cease to be so relevant

- ⌚ .nz taken off InternetNZ

Issues / Points to Note

- ☞ Expectations of a modern ccTLD
 - ☞ Greater investment in infrastructure
 - ☞ Reliability, Security, Performance, Visibility
 - ☞ More than just a basic service - must have broader understanding of
 - ☞ Security
 - ☞ Enabling of rights and responsibilities
 - ☞ Linkage to other Internet identifiers, e.g. ENUM
 - ☞ That needs to feed into service provision

Capital Structure Review

- ☞ Liquidity Policy
 - ☞ Surplus liquidity
- ☞ Investment Strategy
 - ☞ .nz (services and infrastructure) / diversification / policy and grants / reserves
- ☞ Dividend
- ☞ Domain Name Fee
- ☞ -> Capital Structure Review

Any questions?

jay@nzrs.net.nz

