

Internet New Zealand Incorporated

Consolidated Financial Statements
For the year ended 31 March 2022

Internet New Zealand Incorporated

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Statement of Comprehensive Revenue and Expense For the year ended 31 March 2022

	Notes	Group		Parent	
		2022	2021	2022	2021
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Exchange Revenue					
Registry Fees		12,635,308	11,082,481	12,635,308	11,082,481
Other Income		264,484	137,136	361,168	292,875
Total Exchange Revenue		12,899,792	11,219,617	12,996,477	11,375,356
Total Operating Revenue		12,899,792	11,219,617	12,996,477	11,375,356
Operating Expenses					
Domain Name Commission		1,589,350	1,297,011	-	-
Community Engagement		658,350	524,032	658,350	524,032
Community Funding		1,615,201	1,985,994	1,615,201	1,985,994
Communications/Outreach		737,571	705,832	737,571	705,832
Governance		332,066	382,843	332,066	382,843
International Engagements		266,634	298,623	266,634	298,623
IT Operations	7(b)	2,255,383	2,146,373	3,981,482	3,596,072
Policy		981,490	1,322,301	981,490	1,322,301
Technical Research		582,854	544,021	582,854	544,021
Technology Strategy		449,600	411,809	449,600	411,809
Commercial Marketing		1,663,719	1,583,320	1,663,719	1,583,320
Organisational Services		1,501,712	1,355,305	1,501,712	1,355,305
Security		421,410	297,599	421,410	297,599
Total Operating Expenses	7 (a)	13,055,337	12,855,063	13,192,088	13,007,751
Surplus/(Deficit) From Operating Activities		(155,545)	(1,635,446)	(195,611)	(1,632,395)
INVESTING ACTIVITIES					
Interest Income	12	107,610	236,057	100,233	220,965
Fair Value Gains/(Losses) on Managed Funds	12	217,789	791,830	217,789	791,830
Surplus/(Deficit) From Investing Activities		325,399	1,027,887	318,022	1,012,795
SURPLUS/(DEFICIT) FOR THE YEAR		169,853	(607,559)	122,410	(619,599)
Other Comprehensive Revenue and Expense		-	-	-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR		169,853	(607,559)	122,410	(619,599)

These financial statements have been authorised for issue by the Council on _____

President

Date

Councillor

Date

These financial statements should be read in conjunction with the notes to the financial statements.

Internet New Zealand Incorporated

Statement of Financial Position As at 31 March 2022

	Notes	Group		Parent	
		2022	2021	2022	2021
		\$	\$	\$	\$
ASSETS					
Current					
Cash and Cash Equivalents	8	3,038,157	1,883,933	2,800,291	1,741,908
Trade Debtors and Other Receivables	9	1,675,765	1,605,667	1,704,689	1,550,703
Prepayments		550,703	638,395	484,943	566,008
Investments	12	8,835,098	11,469,538	8,164,075	10,690,533
Total Current Assets		14,099,723	15,597,533	13,153,997	14,549,152
Non-current					
Property, Plant and Equipment	10	1,657,404	375,511	1,647,092	358,133
Intangible Assets	11	702,346	941,466	516,511	736,219
Intangible assets under construction	11	2,225,331	651,884	2,225,331	651,884
Investment in Subsidiary	6	-	-	580,000	580,000
Investments	12	5,043,711	4,842,147	5,043,711	4,842,147
Total Non-Current Assets		9,628,791	6,811,008	10,012,646	7,168,384
TOTAL ASSETS		23,728,515	22,408,541	23,166,642	21,717,536
LIABILITIES					
Current					
Trade Creditors and Other Payables	14	1,854,934	2,207,377	1,734,408	1,886,620
Employee Entitlements	16	472,492	465,750	386,211	401,203
Deferred Revenue - Current	15	7,239,943	6,677,990	7,239,943	6,677,990
Other current liabilities	19	411,402	-	411,402	-
Total Current-Liabilities		9,978,770	9,351,117	9,771,964	8,965,813
Non-Current					
Deferred Revenue - Non Current	15	3,669,242	3,158,502	3,669,242	3,158,502
Employee Entitlements	16	53,400	48,175	44,939	41,632
Provisions		6,500	-	6,500	-
Total Non-Current Liabilities		3,729,142	3,206,677	3,720,680	3,200,134
TOTAL LIABILITIES		13,707,911	12,557,794	13,492,644	12,165,947
NET ASSETS		10,020,601	9,850,747	9,673,998	9,551,588
EQUITY					
Accumulated Funds		10,020,601	9,850,747	9,673,998	9,551,588
TOTAL EQUITY		10,020,601	9,850,747	9,673,998	9,551,588

Internet New Zealand Incorporated

Statement of Changes in Net Assets For the year ended 31 March 2022

	Group		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
ACCUMULATED FUNDS				
Opening Balance	9,850,747	10,458,306	9,551,587	10,171,188
Surplus/(Deficit) for the Year	169,853	(607,559)	122,410	(619,599)
Other Comprehensive Revenue and Expense	-	-	-	-
Total Comprehensive Revenue and Expense	169,853	(607,559)	122,410	(619,599)
CLOSING BALANCE ACCUMULATED FUNDS	10,020,601	9,850,747	9,673,998	9,551,588
TOTAL EQUITY	10,020,601	9,850,747	9,673,998	9,551,588

Internet New Zealand Incorporated

Statement of Cash Flows For the year ended 31 March 2022

	Notes	Group		Parent	
		2022	2021	2022	2021
		\$	\$	\$	\$
Cash flows from operating activities					
<i>Cash was provided from/(applied to):</i>					
Receipts from customers		14,069,800	12,115,627	14,116,958	12,327,160
Interest received		119,572	257,740	112,734	243,620
Payments to suppliers and employees		(12,677,942)	(11,848,285)	(12,711,321)	(12,232,393)
GST		(18,692)	(15,223)	(53,592)	(7,358)
Net cash from/(used in) operating activities	21	1,492,740	509,859	1,464,778	331,029
Cash flows from investing activities					
<i>Cash was provided from/(applied to):</i>					
Net proceeds from sale (purchase) of investments		2,650,665	732,209	2,542,684	781,753
Proceeds of property, plant and equipment sold					
Purchase of property, plant and equipment		(1,382,812)	(454,202)	(1,379,226)	(438,809)
Purchase of intangible assets		(1,606,366)	(643,508)	(1,569,853)	(449,279)
Net cash from/(used in) investing activities		(338,513)	(365,501)	(406,395)	(106,335)
Net increase/(decrease) in cash and cash equivalents					
		1,154,227	144,358	1,058,383	224,694
Cash and cash equivalents, beginning of the year		1,883,933	1,739,575	1,741,908	1,517,214
Cash and cash equivalents at end of the year	8	3,038,157	1,883,933	2,800,291	1,741,908

These financial statements should be read in conjunction with the notes to the financial statements.

Internet New Zealand Incorporated

Notes to the financial statements For the year ended 31 March 2022

1 Reporting entity

These financial statements comprise the consolidated financial statements of Internet New Zealand Incorporated ("InternetNZ") for the year ended 31 March 2022

The primary activity of InternetNZ | Ipurangi Aotearoa is the home and guardian for the .nz domain, and it's our mission to create an Internet for all New Zealanders that is safe, accessible and a place for good.

Separate Financial statements for InternetNZ (the "Parent") and consolidated financial statements comprising the Parent and its subsidiaries (the "Group") are presented.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the Public Benefit Entity International Public Sector Accounting Standards Reduced Disclosure Regime (PBE IPSAS with RDR) and other applicable Financial Reporting Standards as appropriate to PBEs. For the purposes of complying with NZ GAAP, the Group is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-For-Profit PBE IPSAS on the basis that it does not have public accountability and it is not large as defined by the financial reporting framework.

The Parent and Group is eligible to report in accordance with Tier 2 PBE Accounting Standards on the basis that it does not have public accountability and annual expenditure of the Group does not exceed \$30 million.

The Parent and Group is deemed a public benefit entity for financial reporting purposes, as its primary objective is to provide services to the community for social benefit and has been established with a view to supporting that primary objective rather than a financial return.

The Board has elected to report in accordance with Tier 2 Not-For-Profit PBE Accounting Standards apart from note 21 and in doing so has taken advantage of most of the applicable Reduced Disclosure Regime (RDR) disclosure regime.

(b) Basis of measurement

The financial statements have been prepared on a historical costs basis, except for investments measured at fair value.

The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

(c) Presentation currency

The financial statements are presented in New Zealand dollars.

All numbers are rounded to the nearest dollar (\$), except when otherwise stated.

(d) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year .

Internet New Zealand Incorporated

Notes to the financial statements For the year ended 31 March 2022

3 Summary of significant accounting policies

The accounting policies of the Parent and Group have been applied consistently to all years presented in these financial statements.

The significant accounting policies used in the preparation of these financial statements are summarised below:

(a) Basis of consolidation

The Group financial statements consolidate the financial statements of the Parent and all entities over which the Parent has the power to govern the financial and operating policies so as to obtain benefits from their activities (defined as "subsidiaries").

Controlled entities are those entities over which the Parent has the power to govern the financial and operating activities so as to obtain benefits from their activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All subsidiaries have a 31 March balance date and consistent accounting policies are applied.

The consolidation of the Parent and subsidiary entities involves adding together like terms of assets, liabilities, income and expenses on a line-by-line basis. All significant intra-group balances are eliminated on consolidation of the Group financial position, performance and cash flows.

In the Parent financial statements investments in subsidiaries are stated at cost less any impairment losses.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

(c) Debtors and other receivables

Trade debtors and other receivables are measured at their cost less any impairment losses.

An allowance for impairment is established where there is objective evidence the Parent and Group will not be able to collect all amounts due according to the original terms of the receivable.

(d) Creditors and other payables

Trade creditors and other payables are stated at cost.

(e) Property, plant and equipment

Items of property, plant and equipment are measured at cost, less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Additions and subsequent costs

Subsequent costs and the cost of replacing part of an item of property, plant and equipment are recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to the Parent and Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the acquisition date.

All repairs and maintenance expenditure is charged to surplus or deficit in the year in which the expense is incurred.

Disposals

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits or service potential are expected from its use. When an item of property, plant or equipment is disposed of, the gain or loss recognised in the surplus or deficit is calculated as the difference between the net sale proceeds and the carrying amount of the asset.

Internet New Zealand Incorporated

Notes to the financial statements For the year ended 31 March 2022

(e) Property, plant and equipment (continued)

Depreciation

Depreciation is recognised as an expense in the reported surplus or deficit and measured on a straight line (SL) basis on all property, plant and equipment over the estimated useful life of the asset. The following depreciation rates have been applied:

Building Fitout	Term of the lease	Straight Line
Furniture and Fittings	9.80 - 11.76 Years	Straight Line
Office equipment	1.49 - 9.80 Years	Straight Line
Computer hardware	1.49 - 5.71 years	Straight Line

The residual value, useful life, and depreciation methods of property, plant and equipment are reassessed annually.

(f) Intangible assets

Intangible assets acquired separately are initially recognised at cost.

Intangible assets acquired by the Parent and Group, which have finite useful lives, are measured at cost less accumulated amortisation and any impairment losses.

The following amortisation rates have been applied to each class of intangible assets:

Software	2.5 - 4 Years	Straight Line
Trademarks	7 Years	Straight Line

Residual values and useful lives are assessed at each reporting date.

Disposals

Gains or losses on derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and recognised in the surplus or deficit for the year.

Internally generated intangible assets

Expenditure on research activities is recognised in surplus or deficit as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the process is technically and commercially feasible, future economic benefits are probable and the Parent and Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in surplus or deficit as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

(g) Leased assets

Leases, where the Parent and Group assumes substantially all the risks and rewards incidental to ownership of the leased assets, are classified as finance leases. All other leases are classified as operating leases.

Lease payments on finance leases are apportioned between finance charges and the reduction of the lease obligation so as to achieve a constant rate of interest (the effective interest rate) on the remaining balance of the liability. Finance charges are charged directly against the surplus or deficit, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group general policy on borrowing costs.

Payments made under operating leases are recognised in the surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

(h) Provisions

A provision is recognised for a liability when the settlement amount or timing is uncertain, when there is a present legal or constructive obligation as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate of the potential settlement can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material. The increase in the provision due to the passage of time is recognised as an interest expense.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The Parent currently has an obligation to make good any alterations to the premises, remove any fixtures and fittings installed and restore the building to the condition it was in at the commencement of their current lease.

Notes to the financial statements For the year ended 31 March 2022

(i) Employee entitlements

Employee benefits, previously earned from past services, that the Parent and Group expect to be settled within 12 months of reporting date, are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to the reporting date and annual leave earned, but not yet taken, at the reporting date.

(j) Impairment of non-financial assets

At each reporting date, the Parent and Group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Parent and Group estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs. An asset's or CGU's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use.

Where the carrying amount of an asset or the cash-generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised immediately in surplus or deficit.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus or deficit.

(k) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Financial instruments comprise trade debtors and other receivables, cash and cash equivalents, investments and trade creditors and other payables.

Initial recognition and measurement

Financial assets and financial liabilities are recognised initially at fair value plus transaction costs attributable to the acquisition, except for those carried at fair value through surplus or deficit, which are measured at fair value.

Financial assets and financial liabilities are recognised when the reporting entity becomes a party to the contractual provisions of the financial instrument.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or if the Parent or Group transfers the financial asset to another party without retaining control or all substantial risks and rewards of the asset.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

All financial assets except for those classified as fair value through surplus or deficit are subject to review for impairment at minimum at each reporting date.

Notes to the financial statements For the year ended 31 March 2022

(k) Financial instruments (continued)

Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification, which is primarily determined by the purpose for which the financial assets were acquired. The Parent and Group has classified its financial assets into two categories for financial reporting purposes:

(i) *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Parent and Group's cash and cash equivalents, trade debtors and most other receivables fall into this category of financial instruments.

After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

(ii) *Financial assets at fair value through surplus or deficit*

Financial assets at fair value through surplus or deficit include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through surplus or deficit upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in the surplus or deficit for the year. The fair values of financial instruments in this category are determined by reference to active market transactions.

Investments in managed funds are classified in this category.

Subsequent measurement of financial liabilities

Trade payables and other borrowings are subsequently measured at amortised cost using the effective interest method.

(l) Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Parent and Group and revenue can be reliably measured. Revenue is measured at the fair value of consideration received.

The Parent and Group assess its revenue arrangements against specific criteria to determine if it is acting as the principal or agent in a revenue transaction. In an agency relationship, only the portion of revenue earned on the Parent and Group's own account is recognised as gross revenue in the Statement of Comprehensive Revenue and Expense.

The following specific recognition criteria must be met before revenue is recognised:

Rendering of services

Revenue from services rendered is recognised in the accounting periods in which the services are provided.

The Group recognises revenue from rendering services in proportion to the stage of completion of a transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

Amounts received in advance for services to be provided in future periods are recognised as a liability until such time as the service is provided.

Interest income

Interest income is recognised as it is earned.

Notes to the financial statements For the year ended 31 March 2022

(m) Foreign currency translation

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction.

Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognised as income or expenses in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(n) Income tax

Due to its charitable status, the Parent and Group is exempt from income tax.

(o) Goods and Services Tax (GST)

All amounts in these financial statements are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the Inland Revenue (IR) is included as part of receivables or payables in the Statement of Financial Position.

(p) Grant expenditure

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria for the grant. They are recognised as expense when the application has been received. The Parent and Group's non-discretionary grants have no substantive conditions (i.e. use for restricted purposes or repay).

Discretionary grants are those grants where the Parent and Group has no obligation to award a grant on receipt of a grant application. For discretionary grants without substantive conditions, the total committed funding is recognised as expense when the grant is approved and the approval has been communicated to an applicant.

Discretionary grants with substantive conditions are recognised as an expense at the earlier of the grant payment or when the grant conditions have been satisfied.

Grant expenses are disclosed as part of community funds.

4 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with PBE standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Where material, information on significant judgements, estimates and assumptions is provided in the relevant accounting policy or provided in the relevant note disclosure.

The estimates and underlying assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Estimates are subject to ongoing review and actual results may differ from these estimates. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in future years affected.

5 Capital management policy

The Parent and Group capital is its equity, being the net assets represented by retained earnings and other equity reserves. The primary objectives of the Parent and Group's capital management policy is to ensure adequate capital reserves are maintained in order to support its activities. The Parent and Group manages its capital structure and makes adjustment to it, in light of changes to funding requirements. To maintain or adjust the capital structure, budgetary discretionary expenditure is reduced to avoid the need for external borrowings.

6 Subsidiaries

The consolidated financial statements of the Group include the following subsidiary of the Parent:

All subsidiaries are incorporated in New Zealand under the Companies Act 1993 and registered as charities under the Charities Act 2005.

Name of subsidiary	Principal activity
Domain Name Commission Limited	Managing the .nz domain name space and protecting the interests and rights of everyone involved in using it.

Internet New Zealand Incorporated

Notes to the financial statements

7(a) Operating expenses

	Group		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Amortisation of intangibles	275,636	231,313	219,711	214,552
Audit fees	31,239	29,000	25,999	24,500
Depreciation of property, plant and equipment	198,999	218,203	188,345	210,493
Loss on disposal of property, plant and equipment	55,713	9,356	55,713	9,356
Operating lease payments	430,992	433,953	430,992	433,953
Wages, salaries and other employee costs	7,260,762	6,938,842	6,249,781	6,156,232
Other overheads and administration costs	4,801,996	4,994,396	6,021,547	5,958,665
Total Operating Expenses	13,055,337	12,855,063	13,192,088	13,007,751

7(b) IT operations

The Group IT Operations expenses are \$1,726,100 less than the Parent IT Operations due to the elimination of the management fee paid to Domain Name Commission Limited (2021: \$1,449,699).

8 Cash and cash equivalents

	Group		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Cash at bank and in hand	3,038,157	1,883,933	2,800,291	1,741,908
Cash and cash equivalents at end of the year	3,038,157	1,883,933	2,800,291	1,741,908

The carrying amount of cash and cash equivalents approximates their fair value.

9 Trade debtors and other receivables

	Group		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Trade receivables	1,608,842	1,545,475	1,601,920	1,489,025
Accrued interest	19,755	31,717	17,340	29,841
GST receivable	47,168	28,475	85,430	31,837
Impairment allowance	-	-	-	-
Total trade debtors and other receivables	1,675,765	1,605,667	1,704,689	1,550,703

Trade debtors and other receivables are non-interest bearing and receipt is normally on 30 days terms. Therefore the carrying value of trade debtors and other receivables approximates its fair value.

As at 31 March 2021 and 2022, all overdue receivables have been assessed for impairment and appropriate allowances made. All receivables are subject to credit risk exposure.

Internet New Zealand Incorporated

Notes to the financial statements

10 Property, plant and equipment

Movements for each class of property, plant and equipment are as follows:

Group 2022	Leasehold Improvements	Furniture and fittings	Building fitout	Computer hardware	Office equipment	Total
	\$	\$	\$	\$	\$	\$
Gross carrying amount						
Opening balance	1,498	442,680	-	1,993,233	62,053	2,499,464
Additions	-	201,090	866,831	540,998	3,586	1,612,505
Disposals in current year	-	(271,772)	-	(13,634)	-	(285,406)
Disposals of fully amortised assets	-	-	-	-	-	-
Closing balance	1,498	371,998	866,831	2,520,597	65,639	3,826,566
Accumulated depreciation and impairment						
Opening balance	495	221,782	-	1,857,000	44,676	2,123,953
Current year depreciation	105	52,059	31,600	104,581	10,654	198,999
Depreciation written back on disposal	-	(142,087)	-	(11,704)	-	(153,791)
Closing balance	600	131,754	31,600	1,949,877	55,330	2,169,162
Carrying amount 31 March 2022	898	240,244	835,231	570,720	10,308	1,657,404

Group 2021	Leasehold Improvements	Furniture and fittings	Computer hardware	Office equipment	Total
	\$	\$	\$	\$	\$
Gross carrying amount					
Opening balance	1,498	329,313	1,880,637	395,296	2,606,744
Additions	-	81,310	77,528	15,391	174,229
Disposals in current year	-	(49,271)	(250,650)	-	(299,921)
Reclassification of assets	-	81,328	285,718	(348,634)	18,412
Closing balance	1,498	442,680	1,993,233	62,053	2,499,464
Accumulated depreciation and impairment					
Opening balance	390	139,223	1,701,394	359,058	2,200,065
Current year depreciation	105	43,230	167,158	7,710	218,203
Depreciation written back on disposal	-	(27,293)	(250,652)	-	(277,945)
Reclassification of assets	-	66,622	239,100	(322,092)	(16,370)
Closing balance	495	221,782	1,857,000	44,676	2,123,953
Carrying amount 31 March 2021	1,003	220,898	136,233	17,377	375,511

Notes to the financial statements

Property, Plant and Equipment (continued)

Movements for each class of property, plant and equipment are as follows:

Parent 2022	Leasehold Improvements	Furniture and fittings	Building fitout	Computer hardware	Office equipment	Total
	\$	\$	\$	\$	\$	\$
Gross carrying amount						
Opening balance	1,498	442,679	-	1,993,233	-	2,437,410
Additions	-	201,090	866,831	540,998	-	1,608,919
Disposals	-	(271,772)	-	(13,634)	-	(285,406)
Closing balance	1,498	371,997	866,831	2,520,597	-	3,760,923
Accumulated depreciation and impairment						
Opening balance	495	221,781	-	1,857,000	-	2,079,276
Current year depreciation	105	52,059	31,600	104,581	-	188,345
Depreciation written back on disposal	-	(142,087)	-	(11,704)	-	(153,791)
Closing balance	600	131,753	31,600	1,949,877	-	2,113,830
Carrying amount 31 March 2022	898	240,244	835,231	570,720	-	1,647,092

Parent 2021	Leasehold Improvements	Furniture and fittings	Computer hardware	Office equipment	Total
	\$	\$	\$	\$	\$
Gross carrying amount					
Opening balance	1,498	329,312	1,880,637	348,633	2,560,080
Additions	-	81,310	77,528	-	158,838
Disposals	-	(49,271)	(250,650)	-	(299,921)
Reclassification of assets	-	81,328	285,718	(348,633)	18,412
Closing balance	1,498	442,679	1,993,233	-	2,437,409
Accumulated depreciation and impairment					
Opening balance	390	139,223	1,701,394	322,091	2,163,098
Current year depreciation	105	43,230	167,158	-	210,493
Depreciation written back on disposal	-	(27,293)	(250,652)	-	(277,945)
Reclassification of assets	-	66,622	239,100	(322,091)	(16,370)
Closing balance	495	221,781	1,857,000	-	2,079,277
Carrying amount 31 March 2021	1,003	220,897	136,233	-	358,133

As at 31 March 2022 the Parent and Group have no contractual commitments to acquire property, plant and equipment (2021 : none)

Internet New Zealand Incorporated

Notes to the financial statements

11 Intangible assets

Movements for each class of intangible assets are as follows:

	Software	Intangibles under construction	Trademarks	Total
	\$	\$	\$	\$
Group 2022				
Gross carrying amount				
Opening balance	1,315,479	651,884	-	1,315,479
Additions	36,514	1,573,447	-	1,609,961
Disposals in current year	(3,597)	-	-	(3,597)
Closing balance	1,348,396	2,225,331	-	3,573,727
Accumulated amortisation and impairment				
Opening balance	374,013	-	-	374,013
Current year amortisation	275,636	-	-	275,636
Amortisation written back on disposal	(3,597)	-	-	(3,597)
Closing balance	646,052	-	-	646,052
Carrying amount 31 March 2022	702,346	2,225,331	-	2,927,676

	Software	Intangibles under construction	Trademarks	Total
	\$	\$	\$	\$
Group 2021				
Gross carrying amount				
Opening balance	938,577	394,075	10,698	1,343,350
Additions	665,173	257,809	-	922,982
Disposals in current year	(280,745)	-	(10,698)	(291,443)
Reclassification of assets	(7,526)	-	-	(7,526)
Closing balance	1,315,479	651,884	-	1,967,363
Accumulated amortisation and impairment				
Opening balance	409,307	-	10,698	420,005
Current year amortisation	231,313	-	-	231,313
Amortisation written back on disposal	(293,367)	-	(10,698)	(304,065)
Reclassification of assets	26,760	-	-	26,760
Closing balance	374,013	-	-	374,013
Carrying amount 31 March 2021	941,466	651,884	-	1,593,350

Notes to the financial statements

Intangible assets (continued)

Movements for each class of intangible assets are as follows:

	Software	Intangibles under construction	Trademarks	Total
	\$	\$	\$	\$
Parent 2022				
Gross carrying amount				
Opening balance	1,078,033	651,884	-	1,729,917
Additions	-	1,573,447	-	1,573,447
Disposals	(3,597)	-	-	(3,597)
Closing balance	1,074,436	2,225,331	-	1,074,436
Accumulated amortisation and impairment				
Opening balance	341,813	-	-	341,813
Current year amortisation	219,711	-	-	219,711
Amortisation written back on disposal	(3,597)	-	-	(3,597)
Closing balance	557,925	-	-	557,925
Carrying amount 31 March 2022	516,511	2,225,331	-	2,741,842

	Software	Intangibles under construction	Trademarks	Total
	\$	\$	\$	\$
Parent 2021				
Gross carrying amount				
Opening balance	895,361	394,075	10,698	1,300,134
Additions	470,943	257,809	-	728,752
Disposals	(280,745)	-	(10,698)	(291,443)
Reclassification of assets	(7,526)	-	-	(7,526)
Closing balance	1,078,033	651,884	-	1,729,917
Accumulated amortisation and impairment				
Opening balance	393,869	-	10,698	404,567
Current year amortisation	214,552	-	-	214,552
Amortisation written back on disposal	(293,367)	-	(10,698)	(304,065)
Reclassification of assets	26,760	-	-	26,760
Closing balance	341,813	-	-	341,814
Carrying amount 31 March 2021	736,219	651,884	-	1,388,104

The Parent is constructing a new database system to replace the current SRS and the plan is for it all to go live at the start of September 2022.

Internet New Zealand Incorporated

Notes to the financial statements

12 Investments

	Group		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
<i>Loans and receivables</i>				
Term deposits	8,835,098	11,469,538	8,164,075	10,690,533
<i>Financial assets at fair value through surplus or deficit</i>				
Managed Funds	5,043,711	4,842,147	5,043,711	4,842,147
Total Financial Assets	13,878,810	16,311,685	13,207,786	15,532,681

All the term deposits for the year are between 6 and 12 months and interest rates varies between 0.95% and 2.5%.

There is no impairment provision for investments.

Managed funds

InternetNZ holds managed funds with Kiwi Wealth and Milford Assets Management. Managed funds are held with the aim to deliver long term capital growth with moderate risk.

The fair value of the Parent and Group investments in equity investments has been determined by reference to their quoted prices at the reporting date. All equity investments are publicly traded on stock exchanges in New Zealand and abroad.

13 Total unspent funds held

	Group		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Total unspent funds held:				
Cash and cash equivalents	3,038,157	1,883,933	2,800,291	1,741,908
Investments	13,878,810	16,311,685	13,207,786	15,532,681
Total unspent funds held	16,916,967	18,195,618	16,008,077	17,274,589
The total unspent funds are held by:				
Internet New Zealand Incorporated	16,008,077	17,274,588	16,008,077	17,274,589
Domain Name Commission Limited	908,890	921,030	-	-
Total unspent funds held	16,916,967	18,195,618	16,008,077	17,274,589
Represented by:				
Funds held but not yet spent	6,007,783	8,359,126	5,098,892	7,438,096
Deferred revenue	10,909,184	9,836,492	10,909,184	9,836,492
Total unspent funds held	16,916,967	18,195,618	16,008,077	17,274,588

14 Trade creditors and other payables

	Group		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Trade creditors	1,231,013	1,498,787	1,147,194	1,229,023
Other accruals	487,254	222,786	450,547	171,793
Grant committed	136,667	485,804	136,667	485,804
Total trade creditors and other payables	1,854,934	2,207,377	1,734,408	1,886,620

Trade creditors and other payables are non-interest bearing and normally settled on 30 day terms; therefore their carrying amount approximates their fair value.

Internet New Zealand Incorporated

Notes to the financial statements

15 Deferred revenue

	Group		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Current	7,239,943	6,677,990	7,239,943	6,677,990
Non-current	3,669,242	3,158,502	3,669,242	3,158,502
Total deferred revenue	10,909,184	9,836,492	10,909,184	9,836,492

Registry fees received by InternetNZ Limited are recognised as revenue on a straight line basis over the period of registration which ranges from 1 to 10 years. Registry fee receipts received for periods subsequent to balance date are treated as deferred revenue.

16 Employee entitlements

	Group		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Annual leave entitlements (current)	472,492	465,750	386,211	401,203
Liability for long-service leave (non-current)	53,400	48,175	44,939	41,632
Total employee entitlements	525,892	513,925	431,150	442,835

Short-term employee entitlements represent the Parent and Group's obligation to its current and former employees that are expected to be settled within 12 months of balance date. These mainly consist of accrued holiday entitlements at the reporting date.

Long-term employee entitlements represent the Parent and Group's obligation to its current and former employees for services provided up to reporting date which settlement will be beyond 12 months of reporting date. These mainly consist of long-service leave entitlements at the reporting date.

During the year the number of employees who received remuneration greater than \$100,000 is 20 (2021 : 37)

17 Operating leases

Operating leases are held for premises used for office space.

	Group		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
<i>Non-cancellable operating leases are payable as follows:</i>				
Less than one year	325,196	422,003	325,196	422,003
Between one and five years	1,233,970	922,961	1,233,970	922,961
More than five years	-	-	-	-
Total operating lease commitment	1,559,166	1,344,964	1,559,166	1,344,964

Internet New Zealand Incorporated

Notes to the financial statements

18 Related party transactions

Related party transactions arise when an entity or person(s) has the ability to significantly influence the financial and operating policies of the Parent or Group.

The Parent and Group has a related party relationship with its Subsidiaries, Executive Officers and other Key Management Personnel.

Transactions between Parent and subsidiaries

Internet New Zealand Incorporated (InternetNZ) owns 100% of the share capital in its subsidiaries:

2022

- Domain Name Commission Limited (DNCL).

2021

- Domain Name Commission Limited (DNCL).

DNCL paid administration fees to InternetNZ during the year of \$246,732 (2021 : DNCL \$236,611).

InternetNZ paid management fees to DNCL during the year of \$1,726,099 (2021: \$1,449,699).

InternetNZ has trade debtors owing from DNCL of \$5,325 (2021: \$41,823).

InternetNZ has trade creditors owing to DNCL of \$6,922 (2021: \$56,450).

Other related party transactions

DNCL paid directors fees of \$24,000 (2021: \$33,000).

Key management compensation

The Parent and Group have a related party relationship with its key management personnel. Key management personnel include the Parent's Council Members, Subsidiary Directors and the Senior Management.

Key management personnel compensation includes the following expenses:

	Group		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Directors fee, salaries and other short-term employee benefits	1,900,201	2,009,316	1,466,475	1,745,562
Total remuneration	1,900,201	2,009,316	1,466,475	1,745,562
Number of persons recognised as key management personnel	20	23	16	19

19 Other current liabilities

These liabilities represent an obligation to pay cash to Christchurch Call Advisory Network (CCAN) and Digital Equity Coalition Aotearoa (DECA). The Group is performing secretarial duties for these entities and receives cash and paying expenses on their behalf. There are no restriction on the use of this cash and it is recognised in cash and cash equivalents. The liability is the outstanding amount due to CCAN and DECA.

Notes to the financial statements

20 Financial instruments

(a) Carrying value of financial instruments

The carrying amounts of all material financial assets and liabilities are considered to be equivalent to fair value.

Fair value is the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

(b) Classification of financial instruments

All financial assets held by the Parent and Group classified as "loans and receivables" are carried at cost less accumulated impairment losses. Investments in managed funds are classified as "Financial assets at fair value through surplus or deficit" as disclosed in Note 12.

All financial liabilities held by the Parent and Group are carried at amortised cost using the effective interest rate method.

	Group		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Financial assets (loans and receivables)				
Cash and cash equivalents	3,038,157	1,883,933	2,800,291	1,741,908
Term deposits	8,835,098	11,469,538	8,164,075	10,690,533
Trade debtors	1,628,597	1,577,192	1,619,260	1,518,866
Financial assets (fair value through surplus and deficit)				
Managed funds	5,043,711	4,842,147	8,164,075	4,842,147
Total financial assets	18,545,564	19,772,810	20,747,700	18,793,454
Financial liabilities (amortised cost)				
Trade creditors	1,854,934	2,207,377	1,734,408	1,886,620
Deferred revenue	10,909,184	9,836,492	10,909,184	9,836,492
Employee entitlements	472,492	465,750	386,211	401,203
Other current liabilities	411,402	-	411,402	-
Total financial liabilities	13,648,012	12,509,619	13,441,206	12,124,315

21 Reconciliation of cash flows from operating activities

	Group		Parent	
	2022	2021	2022	2021
	\$	\$	\$	\$
Surplus/(deficit) for the year	169,853	(607,559)	122,410	(619,599)
<i>Add/(deduct) non-cash items</i>				
Depreciation, amortisation and impairment	317,247	449,516	250,668	425,045
<i>Add/(deduct) movements classified as investing activities</i>				
(Gain)/loss on disposal of property, plant and equipment	55,713	9,356	55,713	9,356
<i>Add/(deduct) movements in working capital</i>				
(Increase)/decrease in trade debtors and other receivables	109,278	(302,863)	60,290	246,093
(Increase)/decrease in GST receivable	(18,692)	(7,358)	(53,592)	(7,358)
(Increase)/decrease in prepayments	87,693	125,456	81,065	123,818
Increase/(decrease) in trade creditors and other payables	(506,625)	330,171	(306,395)	164,933
Increase/(decrease) in employee entitlements	11,967	84,420	(11,686)	52,208
Increase/(decrease) in managed funds	(217,789)	(791,830)	(217,789)	(791,830)
Increase/(decrease) in deferred revenue	1,072,691	1,220,550	1,072,692	1,220,550
Increase/(decrease) in other current liabilities	411,402	-	411,402	-
Net cash flows from/ (used in) operating activities	1,492,740	509,859	1,464,778	331,029

22 Contingent assets and contingent liabilities

The Parent and Group have no contingent assets or contingent liabilities (2021 : None).

23 Events after the reporting period

There were no events that have occurred after balance date that would have a material impact on these financial statements. (2021: None).

24 Comparatives

In order to be consistent with the current year we have reclassified items in the prior year for consistency.