Internet New Zealand Incorporated

Consolidated Financial Statements
For the year ended 31 March 2021

Internet New Zealand Incorporated

Contents

Internet New Zealand Incorporated

Statement of Comprehensive Revenue and Expense
For the year ended 31 March 2021

	Notes	Group		Parent	
		2021	2020	2021	2020
		$	$	$	$
OPERATING ACTIVITIES					
Exchange Revenue					
Registry Fees		11,082,481	10,745,463	11,082,481	10,745,463
Other Income		137,136	231,156	292,875	424,765
Total Exchange Revenue		11,219,617	10,976,620	11,375,356	11,170,228
Total Operating Revenue		11,219,617	10,976,620	11,375,356	11,170,228
Operating Expenses					
Domain Name Commission		1,297,011	1,210,053	-	-
Community Engagement		524,032	535,220	524,032	535,220
Community Funding	7 (d)	1,985,994	1,255,947	1,985,994	1,255,947
Communications		705,832	666,244	705,832	666,244
Governance		382,843	411,013	382,843	375,612
International Engagement		298,623	535,085	298,623	535,085
IT Operations	7(b), 7(c)	2,146,373	2,386,314	3,596,072	4,226,317
Policy		1,322,301	1,265,590	1,322,301	1,265,590
Technical Research		544,021	547,494	544,021	547,494
Technology Strategy	7(b)	411,809	152,207	411,809	152,207
Commercial Marketing	7(b)	1,583,320	1,266,999	1,583,320	1,266,999
Organisational Services		1,652,904	1,577,087	1,652,904	1,577,087
Total Operating Expenses	7 (a)	12,855,063	11,792,211	13,007,751	12,403,801
Surplus/(Deficit) From Operating Activities		(1,635,446)	(815,592)	(1,632,395)	(1,233,573)
INVESTING ACTIVITIES					
Interest Income		236,057	403,738	220,965	391,379
Fair Value Gains/(Losses) on Managed Funds		791,830	12,343	791,830	12,343
Surplus/(Deficit) From Investing Activities		1,027,887	416,081	1,012,795	403,721
SURPLUS/(DEFICIT) FOR THE YEAR		(607,559)	(399,511)	(619,600)	(829,851)
Other Comprehensive Revenue and Expense		-	-	-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR		(607,559)	(399,511)	(619,600)	(829,851)

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

President — Date: 30 June 2021.

Counsellor — Date: 30 JUNE 2021

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 2021

	Notes	Group 2021 $	Group 2020 $	Parent 2021 $	Parent 2020 $
ASSETS					
Current					
Cash and Cash Equivalents	8	1,883,933	1,739,575	1,741,908	1,517,214
Trade Debtors and Other Receivables	9	1,605,667	1,298,810	1,550,703	1,297,253
Prepayments		638,395	763,851	566,008	689,825
Investments	12	11,469,538	13,188,050	10,690,533	12,458,589
Total Current Assets		15,597,533	16,990,286	14,549,152	15,962,881
Non-current					
Property, Plant and Equipment	10	375,511	406,679	358,133	396,982
Intangible Assets	11	941,466	529,270	736,219	501,492
Work in Progress		651,884	394,075	651,884	394,075
Investment in Subsidiary	6	-	-	580,000	580,000
Investments	12	4,842,147	3,064,015	4,842,147	3,064,015
Total Non-Current Assets		6,811,008	4,394,039	7,168,383	4,936,564
TOTAL ASSETS		22,408,541	21,384,325	21,717,535	20,899,445
LIABILITIES					
Current					
Trade Creditors and Other Payables	14	2,207,377	1,880,573	1,886,620	1,721,687
Employee Entitlements	16	513,925	429,504	442,835	390,627
Deferred Revenue - Current	15	6,677,990	5,893,299	6,677,990	5,893,299
Total Current-Liabilities		9,399,292	8,203,376	9,007,445	8,005,613
Non-Current					
Deferred Revenue - Non Current	15	3,158,502	2,722,644	3,158,502	2,722,643
Total Non-Current Liabilities		3,158,502	2,722,644	3,158,502	2,722,643
TOTAL LIABILITIES		12,557,794	10,926,019	12,165,947	10,728,256
NET ASSETS		9,850,747	10,458,306	9,551,588	10,171,188
EQUITY					
Accumulated Funds		9,850,747	10,458,306	9,551,588	10,171,188
TOTAL EQUITY		9,850,747	10,458,306	9,551,588	10,171,188

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

Internet New Zealand Incorporated

Statement of Changes in Net Assets
For the year ended 31 March 2021

	Group		Parent	
	2021	2020	2021	2020
	$	$	$	$
ACCUMULATED FUNDS				
Opening Balance	10,458,306	10,857,817	10,171,188	11,001,040
Surplus/(Deficit) for the Year	(607,559)	(399,511)	(619,600)	(829,851)
Other Comprehensive Revenue and Expense	-	-	-	-
Total Comprehensive Revenue and Expense	(607,559)	(399,511)	(619,600)	(829,851)
CLOSING BALANCE ACCUMULATED FUNDS	9,850,747	10,458,306	9,551,588	10,171,188
TOTAL EQUITY	9,850,747	10,458,306	9,551,588	10,171,188

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

Internet New Zealand Incorporated

Statement of Cash Flows
For the year ended 31 March 2021

	Notes	Group 2021 $	Group 2020 $	Parent 2021 $	Parent 2020 $
Cash flows from operating activities					
Cash was provided from/(applied to):					
Receipts from customers		12,115,627	11,095,537	12,327,160	11,289,144
Interest received		257,740	394,603	243,620	380,855
Payments to suppliers and employees		(11,848,285)	(11,503,379)	(12,232,393)	(11,851,336)
GST		(15,223)	(43,163)	(7,358)	(50,108)
Net cash from/(used in) operating activities	**20**	509,859	(56,402)	331,029	(231,445)
Cash flows from investing activities					
Cash was provided from/(applied to):					
Net proceeds from sale (purchase) of investments		732,209	(740,740)	781,753	(377,354)
Purchase of property, plant and equipment		(454,202)	(532,637)	(438,809)	(522,475)
Purchase of intangible assets		(643,508)	(554,849)	(449,279)	(527,476)
Net cash from/(used in) investing activities		(365,501)	(1,828,226)	(106,335)	(1,427,305)
Net increase/(decrease) in cash and cash equivalents		144,358	(1,884,628)	224,694	(1,658,750)
Cash and cash equivalents, beginning of the year		1,739,575	3,624,203	1,517,214	3,175,964
Cash and cash equivalents at end of the year	**8**	1,883,933	1,739,575	1,741,908	1,517,214

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

1 Reporting entity

These financial statements comprise the consolidated financial statements of Internet New Zealand Incorporated ('InternetNZ') for the year ended 31 March 2021.

The primary activity of InternetNZ is to keep the Internet open and uncaptureable, protecting and promoting the Internet for New Zealand.

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 Tier 2 Public Benefit Entity (PBE) Financial Reporting Standards as issued by the New Zealand External Reporting Board (XRB). They comply with New Zealand equivalents to International Public Sector Accounting Standards Reduced Disclosure Regime (PBE IPSAS RDR) and other applicable Financial Reporting Standards as appropriate to PBEs.

The Parent and Group is eligible to report in accordance with Tier 2 PBE Accounting Standards on the basis that is 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.

(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.

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.

(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:

Furniture and Fittings	1.5 - 14.29 Years	Straight Line
Office equipment	7.69 - 13 Years	Straight Line
Computer hardware	1.00 - 11.76 years	Straight Line

The residual value and useful lives of property, plant and equipment are assessed at each reporting date.

(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	1 - 14.29 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 of deficit for the year.

(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.

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Notes to the financial statements

(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.

(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.

Interest income

Interest income is recognised as it is earned.

Dividend income

Dividend income is recognised on the date that the Parent and Groups rights to receive payments are established.

(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 then 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.

4 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with NZ IPSAS 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 2021 $	Group 2020 $	Parent 2021 $	Parent 2020 $
Amortisation of Intangibles	231,313	145,209	214,552	141,540
Audit Fees	29,000	21,540	24,500	17,040
Bad and Doubtful Debts	-	-	-	-
Depreciation of Property, Plant and Equipment	218,203	314,608	210,493	304,415
Loss on Disposal of Property, Plant and Equipment	9,356	1,348	9,356	1,348
Operating Lease Payments	433,953	399,727	433,953	399,727
Wages, Salaries and Other Employee Costs	6,938,842	6,008,536	6,156,232	5,407,357
Other Overheads and Administration Costs	4,994,396	4,901,243	5,958,665	6,132,374
Total Operating Expenses	12,855,063	11,792,211	13,007,751	12,403,801

7(b) Technology services

The Group Technological Services' expenses is now distributed fully into Commercial Marketing, Technology Strategy and IT Operations.

7(c) IT operations

The Group IT Operations expenses are $1,449,699 less than the Parent IT Operations due to the elimination of the management fee paid to Domain Name Commission Limited (2020: $1,840,004).

7(d) Community funding

In response to COVD-19, the Community Funding expenses in 2021 of $1,985,994 have increased in comparison to 2020 Community Funding expenses of $1,255,947.

8 Cash and cash equivalents

	Group 2021 $	Group 2020 $	Parent 2021 $	Parent 2020 $
Cash at bank and in hand	1,883,933	1,622,975	1,741,908	1,436,098
Term deposits with maturities within 90 days	-	116,600	-	81,116
Cash and cash equivalents at end of the year	1,883,933	1,739,575	1,741,908	1,517,214

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

Cash at bank earns interest at floating rates on daily deposit balances.

9 Trade debtors and other receivables

	Group 2021 $	Group 2020 $	Parent 2021 $	Parent 2020 $
Trade receivables	1,545,475	1,220,936	1,489,025	1,220,279
Accrued interest	31,717	53,395	29,841	52,495
GST receivable	28,475	24,479	31,837	24,479
Impairment allowance	-	-	-	-
Total trade debtors and other receivables	1,605,667	1,298,810	1,550,703	1,297,253

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 2020 and 2021, 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 2021	Leasehold Improvements $	Furniture and fittings $	Computer hardware $	Office equipment $	Total $
Gross carrying amount					
Opening balance	1,498	329,313	1,880,637	444,694	2,656,142
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	111,451	2,548,862
Accumulated depreciation and impairment					
Opening balance	390	139,223	1,701,394	408,456	2,249,463
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	94,074	2,173,351
Carrying amount 31 March 2021	1,003	220,898	136,233	17,377	375,511

Group 2020	Leasehold Improvements $	Furniture and fittings $	Computer hardware $	Office equipment $	Total $
Gross carrying amount					
Opening balance	1,498	319,240	1,771,480	426,708	2,518,926
Additions	-	12,898	117,807	23,767	154,472
Disposals in current year	-	-	(8,650)	(5,781)	(14,431)
Disposals of fully depreciated assets	-	(2,825)	-	-	(2,825)
Closing balance	1,498	329,313	1,880,637	444,694	2,656,142
Accumulated depreciation and impairment					
Opening balance	285	105,539	1,452,929	376,102	1,934,855
Current year depreciation	105	33,684	251,858	32,354	318,001
Depreciation written back on disposal	-	-	(3,393)	-	(3,393)
Amortisation written back on disposal	-	-	-	-	-
Closing balance	390	139,223	1,701,394	408,456	2,249,463
Carrying amount 31 March 2020	1,108	190,090	179,243	36,238	406,679

Internet New Zealand Incorporated

Notes to the financial statements

Property, Plant and Equipment (continued)

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

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	(348,634)	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 assetes	-	66,622	239,100	(322,092)	(16,370)
Closing balance	495	221,782	1,857,000	–	2,079,276
Carrying amount 31 March 2021	1,003	220,897	136,233	-	358,133

Parent 2020	Leasehold Improvements $	Furniture and fittings $	Computer hardware $	Office equipment $	Total $
Gross carrying amount					
Opening balance	1,498	319,240	1,771,480	340,809	2,433,027
Additions	-	12,897	117,807	13,604	144,308
Disposals	-	(2,825)	(8,650)	(5,780)	(17,255)
Closing balance	1,498	329,312	1,880,637	348,633	2,560,080
Accumulated depreciation and impairment					
Opening balance	285	105,539	1,452,929	299,930	1,858,683
Current year depreciation	105	33,684	248,465	22,161	304,415
Depreciation written back on disposal	-	-	-	-	-
Closing balance	390	139,223	1,701,394	322,091	2,163,098
Carrying amount 31 March 2020	1,108	190,089	179,243	26,542	396,982

Capital commitments

As at 31 March 2021 the Parent and Group have no contractual commitments to acquire property, plant and equipment (2020 : none)

11 Intangible assets

Movements for each class of intangible assets are as follows:

Group 2021	Software $	Trademarks $	Total $
Gross carrying amount			
Opening balance	1,422,755	10,698	1,433,453
Additions	665,173	-	665,173
Disposals in current year	(280,745)	(10,698)	(291,443)
Reclassfication of assets	(7,526)	-	(7,526)
Closing balance	1,799,657	-	1,799,657
Accumulated amortisation and impairment			
Opening balance	893,485	10,698	904,183
Current year amortisation	231,313	-	231,313
Amortisation written back on disposal	(293,367)	(10,698)	(304,065)
Reclassfication of assets	26,760	-	26,760
Closing balance	858,191	-	858,191
Carrying amount 31 March 2021	941,466	-	941,466

Group 2020	Software $	Trademarks $	Total $
Gross carrying amount			
Opening balance	867,904	10,698	878,602
Additions	573,410	-	573,410
Disposals in current year	(18,559)	-	(18,559)
Closing balance	1,422,755	10,698	1,433,453
Accumulated amortisation and impairment			
Opening balance	748,276	10,698	758,974
Current year amortisation	145,209	-	145,209
Amortisation written back on disposal	-	-	-
Closing balance	893,485	10,698	904,183
Carrying amount 31 March 2020	529,270	-	529,270

Internet New Zealand Incorporated

Notes to the financial statements

Intangible assets (continued)

Movements for each class of intangible assets are as follows:

Parent 2021	Software $	Trademarks $	Total $
Gross carrying amount			
Opening balance	895,361	10,698	906,059
Additions	470,943	-	470,943
Disposals	(280,745)	(10,698)	(291,443)
Reclassification of assets	(7,526)	-	(7,526)
Closing balance	1,078,033	-	1,078,033
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	341,814	-	341,814
Carrying amount 31 March 2021	736,219	-	736,219

Parent 2020	Software $	Trademarks $	Total $
Gross carrying amount			
Opening balance	367,885	10,698	378,583
Additions	546,035	-	546,035
Disposals	(18,559)	-	(18,559)
Closing balance	895,361	10,698	906,059
Accumulated amortisation and impairment			
Opening balance	252,329	10,698	263,027
Current year amortisation	141,540	-	141,540
Amortisation written back on disposal	-	-	-
Closing balance	393,869	10,698	404,567
Carrying amount 31 March 2020	501,492	-	501,492

12 Investments

	Group 2021 $	Group 2020 $	Parent 2021 $	Parent 2020 $
Loans and receivables				
Term deposits	11,469,538	13,188,050	10,690,533	12,458,589
Financial assets at fair value through surplus or deficit				
Managed Funds	4,842,147	3,064,015	4,842,147	3,064,015
Total Financial Assets	16,311,685	16,252,065	15,532,680	15,522,604

There is no impairment provision for investments.

Managed funds

InternetNZ holds managed funds with Kiwi Wealth and Milford Asset 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 investment in managed funds have been determined by reference to directly observable prices at the reporting date.

13 Total unspent funds held

	Group 2021 $	Group 2020 $	Parent 2021 $	Parent 2020 $
Total unspent funds held:				
Cash and cash equivalents	1,883,933	1,739,575	1,741,908	1,517,214
Investments	16,311,685	16,252,065	15,532,680	15,522,604
Total unspent funds held	18,195,618	17,991,640	17,274,588	17,039,818
The total unspent funds are held by:				
Internet New Zealand Incorporated	17,274,588	17,039,818	17,274,588	17,039,818
Domain Name Commission Limited	921,030	951,822	-	-
Total unspent funds held	18,195,618	17,991,640	17,274,588	17,039,818
Represented by:				
Funds held but not yet spent	8,359,126	9,375,698	7,438,096	8,423,876
Deferred revenue	9,836,492	8,615,942	9,836,492	8,615,942
Total unspent funds held	18,195,618	17,991,640	17,274,588	17,039,818

14 Trade creditors and other payables

	Group 2021 $	Group 2020 $	Parent 2021 $	Parent 2020 $
Trade creditors	1,498,787	1,102,795	1,229,023	1,001,081
GST payable	-	11,228	-	-
Other accruals	708,590	766,550	657,597	720,606
Total trade creditors and other payables	2,207,377	1,880,573	1,886,620	1,721,687

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

15 Deferred revenue

	Group		Parent	
	2021	2020	2021	2020
	$	$	$	$
Current	6,677,990	5,893,299	6,677,990	5,893,299
Non-current	3,158,502	2,722,644	3,158,502	2,722,643
Total deferred revenue	9,836,492	8,615,943	9,836,492	8,615,942

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	
	2021	2020	2021	2020
	$	$	$	$
Annual leave entitlements	465,750	397,736	401,203	361,596
Liability for long-service leave	48,175	31,768	41,632	29,031
Total employee entitlements	513,925	429,504	442,835	390,627

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.

During the year the number of employees who received remuneration greater than $100,000 is 37 (2020 : 20)

17 Operating leases

Operating leases are held for premises used for office space.

	Group		Parent	
	2021	2020	2021	2020
Non-cancellable operating leases are payable as follows:	$	$	$	$
Less than one year	422,003	435,366	422,003	435,366
Between one and five years	922,961	963,050	922,961	963,050
More than five years	-	-	-	-
Total operating lease commitment	1,344,964	1,398,416	1,344,964	1,398,416

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

Transactions between Parent and subsidiaries

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

2021

- Domain Name Commission Limited (DNCL).

2020

- Domain Name Commission Limited (DNCL).

DNCL paid administration fees to InternetNZ during the year of $236,611 (2020 : DNCL $230,500).

Special funding of $Nil was provided by InternetNZ to DNCL for US litigation costs (2020 : DNCL $500,000)

InternetNZ paid management fees to DNCL during the year of $1,449,699 (2020 : $1,840,004)

InternetNZ has trade debtors owing from DNCL of $41,823 (2020 : $5,048)

InternetNZ has trade creditors owing to DNCL of $56,450 (2020 : $657)

Other related party transactions

DNCL paid directors fees of $33,000 (2020: $25,000).

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	
	2021	2020	2021	2020
	$	$	$	$
Directors fee, salaries and other short-term employee benefits	2,009,316	2,069,226	1,745,562	1,839,699
Total remuneration	2,009,316	2,069,226	1,745,562	1,839,699
Number of persons recognised as key management personnel	23	23	19	19

19 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	
	2021	2020	2021	2020
	$	$	$	$
Financial assets (loans and receivables)				
Cash and cash equivalents	1,883,933	1,739,575	1,741,908	1,517,214
Term deposits	11,469,538	13,188,050	10,690,533	12,458,589
Trade debtors	1,577,192	1,274,331	1,518,866	1,272,774
Prepayments	638,395	763,851	566,008	689,825
Financial assets (fair value through surplus or deficit)				
Managed funds	4,842,147	3,064,015	4,842,147	3,064,015
Total financial assets	20,411,205	20,029,822	19,359,462	19,002,417
Financial liabilities (amortised cost)				
Trade creditors	2,207,377	1,869,345	1,886,620	1,721,687
Deferred revenue	9,836,492	8,615,943	9,836,492	8,615,942
Employee entitlements	513,925	429,504	442,835	390,627
Total financial liabilities	12,557,794	10,914,792	12,165,947	10,728,256

20 Reconciliation of cash flows from operating activities

	Group		Parent	
	2021	2020	2021	2020
	$	$	$	$
Surplus/(deficit) for the year	(607,559)	(399,511)	(619,600)	(829,851)
Add/(deduct) non-cash items				
Depreciation, amortisation and impairment	449,516	459,817	425,045	445,955
Add/(deduct) movements classified as investing activities				
(Gain)/loss on disposal of property, plant and equipment	9,356	1,348	9,356	1,348
Add/(deduct) movements in working capital				
(Increase)/decrease in trade debtors and other receivables	(302,863)	(13,612)	(246,093)	(15,200)
(Increase)/decrease in GST receivable	(7,358)	(43,163)	(7,358)	(50,108)
(Increase)/decrease in prepayments	125,456	(397,028)	123,818	(361,972)
Increase/(decrease) in trade creditors and other payables	330,171	198,969	164,933	438,659
Increase/(decrease) in employee entitlements	84,420	25,528	52,208	28,474
Increase/(decrease) in managed funds	(791,830)	-	(791,830)	-
Increase/(decrease) in deferred revenue	1,220,550	111,250	1,220,550	111,250
Net cash flows from/ (used in) operating activities	509,859	(56,402)	331,029	(231,445)

21 Contingent assets and contingent liabilities

The Parent and Group have no contingent assets or continent liabilities (2020 : None).

22 Events after the reporting period

The Parent is currently in lease negotiations to relocate to a new premises. This lease agreement remains unsigned at the preparation of the Financial Statements and have not been included in the calculation in Note 17. (2020: Shortly before and after balance date a global pandemic impacted the business. The managed funds held by the Parent decreased in line with global markets. No loss was realised as no investments have been sold and none have been impaired. Revenue has not been impacted in the current year but may be lower due to decreased renewals of domain names in the 2021 year). The 2020 events after the reporting period did not have the impacts stated for the 2021 year.

Grant Thornton

Independent Auditor's Report

Grant Thornton New Zealand Audit Limited
L15, Grant Thornton House
215 Lambton Quay
PO Box 10712
Wellington 6143

T +64 4 474 8500
www.grantthornton.co.nz

To the Councillors of Internet New Zealand Incorporated

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Internet New Zealand Incorporated and its controlled entities (the "Group") on pages 1 to 20 which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2021 and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity International Public Sector Accounting Standards for Not-for-Profit Entities Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our firm carries out other assignments for Group in the area of taxation advice. The firm has no other interest in the Group.

The consolidated financial statements of the Group for the year ended 31 March 2020 was audited by another auditor who expressed an unmodified opinion on those statements on 6 July 2020

Councillor's Responsibilities for the Consolidated Financial Statements

The Councillors are responsible on behalf of the Group for the preparation and fair presentation of these consolidated financial statements in accordance with Public Benefit Entity International Public Sector Accounting Standards for Not-for-Profit Entities Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board, and for such internal control as those charged with governance determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Councillor's on behalf of the entity are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Councillors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor’s responsibilities for the audit of the financial statements is located on the External Reporting Board’s website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/

Restriction on use of our report

This report is made solely to the Councillors. Our audit work has been undertaken so that we might state to the Councillor’s, as a body, those matters which we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group its Councillors, as a body for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Limited

Grant Thornton.

B Kennerley

Partner

Wellington

30 June 2021