

Special Purpose Financial Statements

New Zealand Internet Exchange Incorporated
For the year ended 31 March 2022

Prepared by Sutcliffe Graham + Co

Contents

3	Directory
4	Approval of Special Purpose Financial Report
5	Statement of Financial Performance
7	Statement of Changes in Equity
8	Balance Sheet
9	Notes to the Financial Statements
13	Audit Report

Directory

New Zealand Internet Exchange Incorporated For the year ended 31 March 2022

Legal Name

New Zealand Internet Exchange Incorporated

Entity Type

Incorporated Society

Incorporated Societies Number

2636857

IRD Number

119-649-161

Entity Purpose of Mission

To maintain and extend the interests of the professional internet community throughout New Zealand.

Main Source of Entity's Cash

Members' subscriptions.

Incorporation Date

16 February 2016

Registered Office

Botting Legal Limited
Level 6, Southern Cross Building
59-67 High Street, Auckland

Chartered Accountant

Sutcliffe Graham & Co Ltd
1181 Cameron Road, Tauranga

Bankers

Westpac Bank

Solicitors

Botting Legal Limited

Approval of Special Purpose Financial Report

New Zealand Internet Exchange Incorporated For the year ended 31 March 2022

The Members are pleased to present the approved financial report including the historical financial statements of New Zealand Internet Exchange Incorporated for year ended 31 March 2022.

APPROVED

For and on behalf of the Members.



Chairperson

Date 5/07/22



Treasurer

Date 5/07/22



Statement of Financial Performance

New Zealand Internet Exchange Incorporated For the year ended 31 March 2022

	NOTES	2022	2021
Members' Contributions			
Port		624,597	565,747
Virtual Peering		8,400	-
Total Members' Contributions		632,997	565,747
Cost of Sales			
Cables and Consumables		23,590	-
Total Cost of Sales		23,590	-
Direct Costs			
Peering - Data Centre/Co-location		43,703	45,475
Peering - Contractors		14,880	7,000
Peering - Fibre/Interconnects		167,937	62,745
Peering - Remote Hands		10,252	7,702
Total Direct Costs		236,772	122,922
Gross Profit		372,634	442,826
Other Income			
Interest Income		144	95
Other Income		7,500	2
Total Other Income		7,644	97
Expenses			
Accounting Fees		3,798	3,580
Audit Fees		3,646	2,750
Bank Fees		1,134	1,844
Computer Equipment Support		22,205	-
Exchange Loss		-	3,832
Functions & Events		6,620	695
General Expenses		1,395	48
Insurance		9,905	7,411
Interest Expense		-	2,207
Legal Expenses		1,400	14,795
Marketing & Sponsorship		10,060	16
Merchant Charges		850	599
Promotions		14,089	-
Service Agreements (IAA)		132,417	122,676
Subcontractors		425	-
Subscriptions		4,730	2,987
Training & Development		303	-
Travel		676	-
Total Expenses		213,653	163,440

These financial statements should be read in conjunction with the attached audit report and notes to the financial statements.

	NOTES	2022	2021
Net Profit Before Depreciation		166,625	279,482
Less Depreciation			
Depreciation		92,288	73,788
Loss on Disposal of Assets		9,980	25,247
Total Less Depreciation		102,268	99,035
Net Profit for the Year		64,357	180,447

These financial statements should be read in conjunction with the attached audit report and notes to the financial statements.



Statement of Changes in Equity

New Zealand Internet Exchange Incorporated For the year ended 31 March 2022

	2022	2021
Equity		
Opening Balance	394,588	214,141
Increases		
Profit for the Period	64,357	180,447
Total Increases	64,357	180,447
Total Equity	458,945	394,588

These financial statements should be read in conjunction with the attached audit report and notes to the financial statements.



Balance Sheet

New Zealand Internet Exchange Incorporated As at 31 March 2022

	NOTES	31 MAR 2022	31 MAR 2021
Assets			
Current Assets			
Cash and Cash Equivalents		409,046	313,531
Accounts Receivable		4,647	1,208
Income Tax Receivable	3	48	31
Prepayments		7,609	3,667
Total Current Assets		421,350	318,436
Non-Current Assets			
Property, Plant and Equipment	4	109,158	103,605
Spark NZ Trading Ltd - Bond		5,000	5,000
Total Non-Current Assets		114,158	108,605
Total Assets		535,508	427,042
Liabilities			
Current Liabilities			
Accounts Payable		5,498	2,522
Accrued Expenses		20,684	15,752
GST Payable		10,508	11,879
Income Received in Advance		39,750	2,300
Other Current Liabilities		122	-
Total Current Liabilities		76,562	32,454
Total Liabilities		76,562	32,454
Net Assets		458,945	394,588
Equity			
Members' Funds		458,945	394,588
Total Equity		458,945	394,588

These financial statements should be read in conjunction with the attached audit report and notes to the financial statements.

Notes to the Financial Statements

New Zealand Internet Exchange Incorporated For the year ended 31 March 2022

1. Reporting Entity

New Zealand Internet Exchange Incorporated is a society registered in New Zealand under the Incorporated Societies Act 1908.

These special purpose financial statements have been prepared for the members of the New Zealand Internet Exchange Incorporated and should not be relied upon for any other purpose.

2. Statement of Accounting Policies

Basis of Preparation

These financial statements have been prepared in accordance with the Special Purpose Framework for use by Not-For-Profit Entities (SPFR for NFPEs) published by Chartered Accountants Australia and New Zealand.

The board considers the basis of special purpose reporting appropriate for the readers of the financial statements.

The society has complied with the SPFR in all material respects. The Accounting Policies that have been applied in respect to the preparation of these special purpose financial statements are set out below.

Changes in Accounting Policies

There have been no changes in accounting policies. Policies have been applied on a consistent basis with those of the previous reporting period.

Revenue

Peering revenue / income is invoiced to members monthly and is accounted for on an accrual basis.

Accounts Receivable and Accrued Income

Accounts receivable are stated at estimated realisable value. Bad debts are written off during the year as they are identified, with appropriate adjustment being made as at balance date for any doubtful debts that may exist.

Accounts Payable and Accrued Expenditure

Accounts payable and accrued expenditure includes amounts owing to suppliers. All accrued invoices were dated prior to balance date.

These notes to the financial statements should be read in conjunction with the attached audit report and accompanying financial statements.



Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less any accumulated depreciation and impairment losses. Historical cost includes expenditure directly attributable to the acquisition of assets, and includes the cost of replacements that are eligible for capitalisation when these are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Depreciation rates used are as follows:

Account	Method	Rate
Computer Equipment	DV	50%
Computer Equipment	SL	50%
Plant and Equipment	DV	50%

Income Tax

The society is liable for taxation on any commercial trading activities under CB33 of the Income Tax Act 2007. However, it is exempt from taxation on membership related activities.

Goods and Services Tax

All amounts are stated exclusive of goods and services tax (GST) except for accounts payable and accounts receivable which are stated inclusive of GST.

	2022	2021
3. Income Tax Expense		
Net Profit (Loss) Before Tax	64,357	180,447
Additions to Taxable Profit		
Non-Deductible Expenses	576,283	385,397
Total Additions to Taxable Profit	576,283	385,397
Deductions from Taxable Profit		
Non-Taxable Members Contributions	640,497	565,749
Deduction for Non-Profit Organisations	144	95
Total Deductions from Taxable Profit	640,641	565,844
Taxable Profit (Loss)	-	-
Tax Payable at 28%	-	-
Deductions from Tax Payable		
Opening Balance	31	18
Prior period tax paid (refunded)	(31)	(18)
Resident withholding tax paid	48	31
Total Deductions from Tax Payable	48	31
Income Tax Payable (Refund Due)	(48)	(31)

These notes to the financial statements should be read in conjunction with the attached audit report and accompanying financial statements.

4. Property, Plant & Equipment

	Balance as at 31 March 2021	Additions	Disposals	Depreciation	Accumulated Depreciation	Balance as at 31 March 2022
Computer Equipment	51,223	93,404	(6,748)	61,754	188,597	76,125
Plant and Equipment	52,382	14,417	(3,232)	30,534	91,939	33,033
Totals	103,605	107,821	(9,980)	92,288	280,536	109,158

2022 2021

5. Loan - Internet Association of Australia Incorporated

Opening Balance	-	53,721
Advance	-	-
Interest	-	2,207
Payments Made	-	(59,760)
Exchange Rate Movement	-	3,832
Total Loan - Internet Association of Australia Incorporated	-	-

On 1 April 2019 New Zealand Internet Exchange Incorporated (NZIX) entered into a loan agreement with Internet Association of Australia Incorporated (IAA) for AU\$50,000 to purchase equipment from IAA for use in the business of NZIX. The principal sum of AU\$50,000 was drawn down 3 July 2019. The loan was fully repaid 23 February 2021. Interest has been charged at the annual rate of 5.77%.

The related party transaction's note further discloses the relationship between NZIX and IAA.

Capital & Operational Commitments

There were no commitments for capital expenditure as at balance date (2021: Nil).

NZIX entered into a Services Agreement with IAA on 2 September 2019, with a commencement date of 1 November 2019. A monthly fee (of \$4,000 NZD and 10% of all revenue (ex. GST) received by NZIX, or by IAA on NZIX's behalf) will be paid to IAA for the initial 2 year term and any subsequent renewal terms of the agreement.

Contingent Liabilities

There are no contingent liabilities or guarantees as at 31 March 2022 (2021: Nil).

Related Party Transactions

A number of entities which are members of the society provide services to the society. All services are provided on an arms length basis. Additionally, some committee members have ties through employment or governance roles, to these service providing entities.

Chris Browning is an employee of Lightwire, a supplier to NZIX. Chris was not involved in the procurement of this service. Transactions with Lightwire totalled \$6,900 for the 2022 year (2021: \$18,822) and there were no balances outstanding at balance date.

Simon Allard is an employee of Vocus Group New Zealand, a supplier to NZIX. Simon was not involved in the procurement of this service. Transactions with Vocus totalled \$7,913 for the 2022 year (2021: \$5,796) and there were no balances outstanding at balance date.

These notes to the financial statements should be read in conjunction with the attached audit report and accompanying financial statements.

Dave Mill is an employee of Searchlight, a supplier of services to NZIX. Transactions with Searchlight totalled \$17,112 for the 2022 year (2021: \$11,500) and there was a balance of \$1,150 (2021: \$1,150) payable by NZIX at balance date.

Two board members are members of IAA which supplies services to NZIX. People abstain from votes as required regarding this relationship. Information regarding service contracts and loans provided from IAA have been disclosed in these financial statements. Transactions with IAA totalled \$146,700 for the 2022 year (2021: \$204,647) and there were no balances outstanding at balance date.

Barry Murphy and Dave Mill are Trustees of NZNOG, of which NZIX has been a sponsor. Transactions with NZNOG totalled \$11,550 for the 2022 year (2021: \$Nil) and there were no balances outstanding at balance sheet.

When decisions are made relating to service provision by a related party of this nature, the members involved in the relevant entity either excuse themselves from the committee discussion or abstain from voting on such matters.

Events After Balance Date

There were no events that have occurred after the balance date that would have a material impact on the Performance Report.



INDEPENDENT AUDITOR'S REPORT

To the Members of New Zealand Internet Exchange Incorporated

Opinion

We have audited the special purpose financial statements ("financial statements") of New Zealand Internet Exchange Incorporated on pages 5 to 12, which comprise the balance sheet as at 31 March 2022, and the statements of financial performance and changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of New Zealand Internet Exchange Incorporated in accordance with Professional and Ethical Standard 1 (Revised), *Code of Ethics for Assurance Practitioners* 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.

Other than in our capacity as auditor we have no relationship with, or interests in, New Zealand Internet Exchange Incorporated.

Restriction on Responsibility

This report is made solely to the Members, as a body, in accordance with the Rules of the New Zealand Internet Exchange Incorporated. Our audit work has been undertaken so that we might state to the Members those matters 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 Members, as a body, for our audit work, for this report, or for the opinions we have formed.

Other Information

The Executive Committee are responsible for the other information. The other information comprises the Chairperson's Report, Secretary's Report, and Treasurer's Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Executive Committee and request that the other information be amended.

Executive Committee's Responsibility for the Financial Statements

The Executive Committee are responsible on behalf of the entity for determining that the Special Purpose Financial Reporting for Not-For-Profit Entities framework adopted is acceptable in New Zealand Internet Exchange Incorporated's circumstances, the preparation of financial statements, and for such internal control as the Executive Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Committee are responsible on behalf of the entity for assessing the entity'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 Executive Committee either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- conclude on the appropriateness of the use of the going concern basis of accounting by the Executive Committee and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. We communicate with the Executive Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the Members. As a result, the financial statements may not be suitable for another purpose.

LACA Limited

LACA Limited
Tauranga
20 July 2022