

**Internet New Zealand Incorporated**  
**Annual Report**  
**For the Year Ended 31st March 2013**

**Prepared By**

**Curtis McLean Limited**  
**Chartered Accountants**  
**Wellington NZ**

**Internet New Zealand Incorporated**  
**Annual Report**  
**For the Year Ended 31st March 2013**

**Schedule of Contents**

	<b>Page</b>
- Annual Report	1
- Statement of Comprehensive Income	2
- Statement of Changes in Equity	3
- Statement of Financial Position	4-5
- Statement of Cashflows	6-7
- Accounting Policies	8-12
- Notes to the Financial Statements	13-20
- Independent Auditor's Report	21-22

**Internet New Zealand Incorporated**  
**Annual Report**  
**For the Year Ended 31st March 2013**

**Financial Result**

The Group Net Profit for the year, after taxation, was \$191,126 (2012: \$614,610).

	<b>2013</b>		<b>2012</b>	
	<b>Group</b>	<b>Parent</b>	<b>Group</b>	<b>Parent</b>
Retained Earnings as at 1 April	9,187,873	5,490,566	8,573,263	4,639,914
Net Profit (Loss) After Taxation	191,126	700,527	614,610	850,651
Retained Earnings as at 31st March	\$9,378,999	\$6,191,093	\$9,187,873	\$5,490,565

**Dividend**

Dividends of \$3,828,920 were received from New Zealand Domain Name Registry Limited, a wholly owned company, for the year ended 31st March 2013 (2012: \$3,324,999).

**Remuneration of Council**

During the year Council received the following remuneration:

**Fees Paid**

Frank March - President	18,000
Jamie Baddeley - Vice President	11,250
Neil James	9,900
Donald Clark	9,000
Michael Foley	9,000
Hamish MacEwan	9,000
Jonny Martin	9,000
Dave Moskovitz	9,000
Nathan Torkington	9,000
Michael Wallmannsberger	9,000
Lance Wiggs	9,000
Brenda Wallace	4,943
Don Christie	4,057

**\$120,150**

**For and on Behalf of the Council**

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Vice President

  
\_\_\_\_\_  
Date

**Internet New Zealand Incorporated**  
**Statement of Comprehensive Income**  
**For the Year Ended 31st March 2013**

	Note	2013		2012	
		Group	Parent	Group	Parent
<b>Operating Income</b>					
Registry Fees		7,703,881	-	7,086,371	-
Other Income		60,638	230,288	93,007	242,409
		<u>7,764,519</u>	<u>230,288</u>	<u>7,179,378</u>	<u>242,409</u>
<b>Less Operating Expenses</b>					
Registry Services		1,929,855	-	1,806,361	-
Domain Name Commission		533,550	-	543,581	-
Public Policy		686,819	686,819	493,367	493,367
Society		928,550	928,550	933,371	933,371
Technical Leadership		611,061	611,061	437,664	437,664
Audit Fees		19,150	5,300	26,866	10,040
Employee Remuneration		2,171,740	811,427	1,918,562	720,192
Depreciation & Amortisation	3,4	744,697	56,063	704,237	61,286
Rent		137,100	137,100	137,100	137,100
Loss on Disposal of Fixed Assets		-	-	9,213	3,553
		<u>7,762,522</u>	<u>3,236,320</u>	<u>7,010,322</u>	<u>2,796,573</u>
Total Operating Expenses					
<b>Surplus/(Deficit) from Operations</b>		1,997	(3,006,032)	169,056	(2,554,164)
<b>Plus Other Income/(Expenses)</b>					
Dividend Income	7	-	3,828,920	-	3,324,999
Interest		527,144	215,654	545,931	180,194
Christchurch Rebuild		(338,015)	(338,015)	(100,377)	(100,377)
		<u>191,126</u>	<u>700,527</u>	<u>614,610</u>	<u>850,652</u>
<b>Surplus for the Year</b>					
<b>Other Comprehensive Income</b>		-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Comprehensive Income for the Year</b>		<u>\$191,126</u>	<u>\$700,527</u>	<u>\$614,610</u>	<u>\$850,652</u>

Total Comprehensive Income is attributable to the Members of Internet New Zealand Inc.

**Internet New Zealand Incorporated**  
**Statement of Changes in Equity**  
**For the Year Ended 31st March 2013**

	Note	2013		2012	
		Group	Parent	Group	Parent
<b>Retained Earnings</b>					
<b>Opening Retained Earnings</b>		9,187,873	5,490,566	8,573,263	4,639,914
<b>Total Comprehensive Income for the Year</b>					
Surplus for the Year		191,126	700,527	614,610	850,651
Other Comprehensive Income		-	-	-	-
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Retained Earnings as at 31st March</b>		<u>\$9,378,999</u>	<u>\$6,191,093</u>	<u>\$9,187,873</u>	<u>\$5,490,565</u>

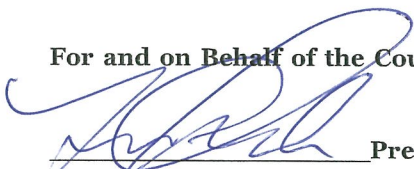
**Internet New Zealand Incorporated**  
**Statement of Financial Position**  
**As At 31st March 2013**


	Note	2013		2012	
		Group	Parent	Group	Parent
<b>Current Assets</b>					
Cash and Cash Equivalents	1	2,318,372	965,785	1,829,747	285,036
Other Financial Assets	1a	11,006,105	4,014,408	9,474,966	2,391,046
Trade Debtors and Other Receivables	2	1,251,117	256,473	1,112,635	155,346
<b>Total Current Assets</b>		<b>14,575,594</b>	<b>5,236,666</b>	<b>12,417,348</b>	<b>2,831,428</b>
<b>Non Current Assets</b>					
Other Financial Assets - Non Current	1a	553,735	553,735	2,092,271	2,092,271
<b>Total Non Current Assets</b>		<b>553,735</b>	<b>553,735</b>	<b>2,092,271</b>	<b>2,092,271</b>
<b>Property, Plant &amp; Equipment</b>	3	394,789	246,175	458,802	282,012
<b>Investments</b>					
Shares in Subsidiaries	8	-	610,000	-	610,000
<b>Total Investments</b>		<b>-</b>	<b>610,000</b>	<b>-</b>	<b>610,000</b>
<b>Intangible Assets</b>	4	856,502	37,670	718,324	15,579
<b>Total Assets</b>		<b>16,380,620</b>	<b>6,684,246</b>	<b>15,686,745</b>	<b>5,831,290</b>
<b>Less Liabilities:</b>					
<b>Current Liabilities</b>					
Deferred Income- Current	10	4,371,415	-	4,046,689	-
Trade Creditors and Other Payables	5	991,604	493,153	850,014	340,724
<b>Total Current Liabilities</b>		<b>5,363,019</b>	<b>493,153</b>	<b>4,896,703</b>	<b>340,724</b>
<b>Term Liabilities</b>					
Deferred Income- Non Current	10	1,638,602	-	1,602,169	-
<b>Total Liabilities</b>		<b>7,001,621</b>	<b>493,153</b>	<b>6,498,872</b>	<b>340,724</b>
<b>Net Assets</b>		<b>\$9,378,999</b>	<b>\$6,191,093</b>	<b>\$9,187,873</b>	<b>\$5,490,566</b>

**Internet New Zealand Incorporated**  
**Statement of Financial Position**  
**As At 31st March 2013**

	2013		2012	
	Group	Parent	Group	Parent
<b>Represented by:</b>				
<b>Total Equity</b>	<u>\$9,378,999</u>	<u>\$6,191,093</u>	<u>\$9,187,873</u>	<u>\$5,490,566</u>

For and on Behalf of the Council

  
 \_\_\_\_\_ President

  
 \_\_\_\_\_ Vice President

14/6/13  
 \_\_\_\_\_ Date

**Internet New Zealand Incorporated**  
**Statement of Cash Flows**  
**For the Year Ended 31st March 2013**

	Note	2013		2012	
		Group	Parent	Group	Parent
<b>Cash Flows From Operating Activities</b>					
<b>Cash was Provided From</b>					
Net Receipts from Customers		8,052,311	227,305	7,443,303	243,813
Receipt of Taxation		18,418	18,418	4,245	-
Dividend Received		-	3,828,920	-	3,324,999
Interest Received		547,237	168,169	550,894	163,922
Net GST Received		<u>14,442</u>	<u>-</u>	<u>6,658</u>	<u>7,131</u>
		<b>8,632,408</b>	<b>4,242,812</b>	<b>8,005,100</b>	<b>3,739,865</b>
<b>Cash was Distributed To:</b>					
Payments to Suppliers and Employees		7,302,146	3,404,749	6,424,452	2,871,593
Payment of Taxation		-	-	18,252	10,791
Net GST Paid		<u>30,172</u>	<u>30,172</u>	<u>-</u>	<u>-</u>
		<b>7,332,318</b>	<b>3,434,921</b>	<b>6,442,704</b>	<b>2,882,384</b>
<b>Net Flows Operating Activities</b>		<b>1,300,090</b>	<b>807,891</b>	<b>1,562,396</b>	<b>857,481</b>
<b>Cash Flows From Investing</b>					
<b>Cash was Provided From:</b>					
Net Withdrawal from Term Deposits		7,397	-	-	-
<b>Cash was Distributed To:</b>					
Net Investment in Term Deposits		-	84,826	610,588	1,034,927
Purchase of Fixed Assets & Intangibles		<u>818,862</u>	<u>42,316</u>	<u>713,996</u>	<u>44,180</u>
		<b>818,862</b>	<b>127,142</b>	<b>1,324,584</b>	<b>1,079,107</b>
<b>Net Cash Flows From Investing Activities</b>		<b>(811,465)</b>	<b>(127,142)</b>	<b>(1,324,584)</b>	<b>(1,079,107)</b>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>		<b>488,625</b>	<b>680,749</b>	<b>237,812</b>	<b>(221,626)</b>
<b>Add: Opening Cash and Cash Equivalents</b>		<u>1,829,747</u>	<u>285,036</u>	<u>1,591,935</u>	<u>506,662</u>
<b>Closing Cash and Cash Equivalents</b>	<b>1</b>	<u><b>2,318,372</b></u>	<u><b>\$965,785</b></u>	<u><b>\$1,829,747</b></u>	<u><b>\$285,036</b></u>



**Internet New Zealand Incorporated**  
**Statement of Cash Flows**  
**For the Year Ended 31st March 2013**

**Operating Activity Cash Flow Reconciliation**

	<b>2013</b>		<b>2012</b>	
	<b>Group</b>	<b>Parent</b>	<b>Group</b>	<b>Parent</b>
Surplus/(Deficit) for the Year	191,126	700,526	614,610	850,651
<b>Add/(deduct) Non - cash items</b>				
Depreciation	167,741	48,154	257,809	56,679
Amortisation	<u>576,956</u>	<u>7,909</u>	<u>446,428</u>	<u>4,607</u>
	744,697	56,063	704,237	61,286
<b>Movement in working capital</b>				
(increase)/decrease in receivables	(73,367)	(2,983)	65,295	1,404
(increase)/decrease in GST receivable	(15,730)	(30,172)	6,658	7,131
increase/(decrease) accounts payable	127,148	152,429	6,607	(20,063)
(increase)/decrease interest receivable	20,093	(47,485)	4,963	(16,272)
(increase)/decrease tax receivable	18,418	18,418	(14,007)	(10,791)
(increase)/decrease prepayments	(73,454)	(38,905)	(35,506)	(15,865)
increase/(decrease) deferred income	<u>361,159</u>	<u>-</u>	<u>209,539</u>	<u>-</u>
	364,267	51,302	243,549	(54,456)
<b>Net Cash Flow from Operating Activities</b>	<u><b>\$1,300,090</b></u>	<u><b>\$807,891</b></u>	<u><b>\$1,562,396</b></u>	<u><b>\$857,481</b></u>

**Internet New Zealand Incorporated**  
**Accounting Policies**  
**For the Year Ended 31st March 2013**

**Significant Accounting Policies**

These financial statements comprise the consolidated financial statements of Internet New Zealand Incorporated ("INZ") for the year ended 31 March 2013. INZ is an incorporated society registered under the Incorporated Societies Act 1908 and domiciled in New Zealand.

The consolidated financial statements of INZ 31st March 2013 comprise INZ and its subsidiaries (together referred to as the "Group"). The financial statements were authorised for issue by the Councillors on 14 June 2013.

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

INZ is a Public Benefit Entity as the primary objective is to provide goods or services for the community rather than for a financial return.

**(a) Statement of compliance**

These financial statements are prepared in compliance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) complying with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for Public Benefit reporting entities applying differential reporting exemptions.

The Group qualifies for Differential Reporting because it is not publicly accountable and does not qualify as a large entity as defined in the framework for Differential Reporting by the New Zealand Institute of Chartered Accountants. The Group has taken advantage of all Differential Reporting Exemptions, except NZ IAS 7 Statement of Cash Flows.

**(b) Basis of preparation**

**Presentation Currency**

The financial statements are presented in New Zealand dollars. They are prepared on a historical cost basis except for investments which are stated at their fair value.

**Use of estimates and judgements**

The preparation of financial statements in conformity with NZ IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Changes to Accounting Policies**

There has been no significant change in accounting policies in the current reporting period.

**Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been consistently applied by Group entities.

**Internet New Zealand Incorporated**  
**Accounting Policies**  
**For the Year Ended 31st March 2013**

**(c) Basis of Consolidation**

The Group financial statements consolidate the financial statements of the Parent and all entities over which the Parent has power to control the financial reporting and operating policies so as to obtain benefits from its activities (defined as "subsidiaries"). The financial statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases.

In preparing the consolidated financial statements, all interentity balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

**(d) Employee entitlements**

The provisions for employee entitlements to wages, salaries, annual leave and long service leave payments represent the amount for which there is a present obligation to pay resulting from employees' services provided up to balance date.

**(e) Financial assets**

Financial assets consist of cash, deposits and receivables. Upon recognition financial assets are recognised at fair value. Subsequent to initial recognition financial assets are classified as loans and receivables. Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are restated at amortised cost using the effective interest rate method.

**(f) Financial instruments issued by the company**

**Debt and equity instruments**

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

**Interest and dividends**

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

**Cash and cash equivalents**

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

**(g) Foreign currency**

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise.

**Internet New Zealand Incorporated**  
**Accounting Policies**  
**For the Year Ended 31st March 2013**

**(h) Goods and Services Tax**

All amounts are shown exclusive of Goods and Services Tax (GST) except for trade debtors, receivables and payables that are stated inclusive of GST.

**(i) Impairment of assets**

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income immediately, unless the relevant asset is carried at a fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income immediately, unless the relevant asset is carried at a fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(j) Income Tax**

The Group was registered as a charity under the Charities Act 2005 and therefore exempt from income tax under Section CW41 & CW42 of the Income Tax Act 2007 effective from when it was granted charitable status.

Internet New Zealand Inc is registered as a charity in terms of the Charities Act 2005 with effect from 30 June 2008. The wholly owned subsidiaries, New Zealand Domain Name Registry Limited and Domain Name Commission Limited were registered as charities in terms of the Charities Act 2005 with effect from 19 August 2008 and 10 October 2008 respectively.

**Internet New Zealand Incorporated**  
**Accounting Policies**  
**For the Year Ended 31st March 2013**

**(k) Intangible assets**

**Trademarks**

Trademarks are finite life tangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives of 7 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

**Software**

Software is a finite life intangible asset and is recorded at cost less accumulated amortisation. Amortisation is charged on a diminishing value basis over the estimated useful life. Amortisation is charged to the Statement of Comprehensive Income. The principal rates used to calculate amortisation are -

Software            48.0 - 60.0% DV

**(l) Leased assets**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**(m) Payables**

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

**(n) Property, plant and equipment**

**(i) Owned assets**

Items of property, plant and equipment are stated at cost as deemed cost less accumulated depreciation and impairment losses, see accounting policy (i).

**(ii) Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses, see accounting policy (n). Lease payments are accounted for as described in accounting policy (l).

**Internet New Zealand Incorporated**  
**Accounting Policies**  
**For the Year Ended 31st March 2013**

**(iii) Subsequent costs**

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income an expense as incurred.

**(iv) Depreciation**

Depreciation is charged on a diminishing value or straight line basis on all property, plant and equipment over the estimated useful life. Depreciation is charged to the Statement of Comprehensive Income. The principal rates used to calculate depreciation are -

Furniture & Fittings	10.0 - 48.0% DV
Office Equipment	15.6 - 80.4% DV
Computer Hardware	31.2 - 80.4% DV

**(o) Provisions**

Provisions are recognised when the consolidated entity has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

**(p) Expense Recognition**

Expenses are recognised when expenses are incurred.

Grant expenditure is recognised when approved by Council.

**(q) Revenue recognition**

**Rendering of services**

Revenue from a contract to provide services is recognised when the services are performed.

**Dividend and interest revenue**

Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

**(r) Capital Management**

The Group's capital is accumulated surpluses from trading. The Group manages its revenue, expenses, assets and liabilities prudently in order that the objectives of the ultimate charitable group are met. The Group has no external third party imposed capital management requirements.

**Internet New Zealand Incorporated**  
**Notes To The Financial Statements**  
**For the Year Ended 31st March 2013**

	2013		2012	
	Group	Parent	Group	Parent
<b>1. Cash and Cash Equivalents</b>				
Cash on Hand	400	400	400	400
Cash at Banks	<u>2,317,972</u>	<u>965,385</u>	<u>1,829,347</u>	<u>284,636</u>
Total Cash and Equivalents	<b>2,318,372</b>	<b>965,785</b>	<b>1,829,747</b>	<b>285,036</b>

**1a. Other Financial Assets**

The parent and the group have funds invested in Term Deposits classified as:

Other Financial Assets	11,006,105	4,014,408	9,474,966	2,391,046
Other Financial Assets - Non Current	<u>553,735</u>	<u>553,735</u>	<u>2,092,271</u>	<u>2,092,271</u>
Total Other Financial Assets	<b>11,559,840</b>	<b>4,568,143</b>	<b>11,567,237</b>	<b>4,483,317</b>

The total funds of \$13,878,212 held by the Group at 31 March 2013 comprised:

New Zealand Domain Name Registry Limited Deferred Income	\$6,010,017
New Zealand Domain Name Registry Limited Retained Income	\$1,413,849
Domain Name Commission Limited Retained Income	\$920,418
Internet New Zealand Incorporated Retained Income	\$5,533,928

The total retained income of \$7,868,195 represents funds held but not yet spent.

**2. Trade Debtors and Other Receivables**

Trade receivables	808,115	2,983	734,748	-
Interest Receivable	198,814	114,025	218,907	66,540
GST Receivable	73,596	73,596	43,424	43,424
Tax Receivable	7,461	-	25,879	18,418
Pre-payments	<u>163,131</u>	<u>65,869</u>	<u>89,677</u>	<u>26,964</u>
Total	<b>1,251,117</b>	<b>256,473</b>	<b>1,112,635</b>	<b>155,346</b>

**Internet New Zealand Incorporated**  
**Notes To The Financial Statements**  
**For the Year Ended 31st March 2013**

### 3. Property, Plant & Equipment

#### Parent

The following gives details of the cost or valuation of assets and depreciation written off to date:

<u>This Year</u>	<u>Cost or Valuation</u>	<u>Depreciation For Year</u>	<u>Accumulated Depreciation</u>	<u>Book Value This Year</u>
Furniture & Fittings	371,929	32,397	148,167	223,762
Computer Hardware	225,025	13,062	207,293	17,732
Office Equipment	19,603	2,695	14,922	4,681
	<u>\$616,557</u>	<u>\$48,154</u>	<u>\$370,382</u>	<u>\$246,175</u>
<u>Last Year</u>	<u>Cost or Valuation</u>	<u>Depreciation For Year</u>	<u>Accumulated Depreciation</u>	<u>Book Value Last Year</u>
Furniture & Fittings	371,929	35,220	115,770	256,159
Computer Hardware	214,031	18,693	194,231	19,800
Office Equipment	18,282	2,766	12,227	6,054
	<u>\$604,242</u>	<u>\$56,679</u>	<u>\$322,228</u>	<u>\$282,013</u>

During the year there were fixed asset additions as follows:

Furniture & Fittings	\$Nil	(2012 \$23,154)
Computer Hardware	\$10,995	(2012 \$5,281)
Office Equipment	\$1,321	(2012 \$3,450)



**Internet New Zealand Incorporated**  
**Notes To The Financial Statements**  
**For the Year Ended 31st March 2013**

**Group**

<b><u>This Year</u></b>	<b><u>Cost or Valuation</u></b>	<b><u>Depreciation For Year</u></b>	<b><u>Accumulated Depreciation</u></b>	<b><u>Book Value This Year</u></b>
Furniture & Fittings	371,929	32,397	148,167	223,762
Office Equipment	225,637	39,197	111,197	114,440
Computer Hardware	1,125,862	96,147	1,069,275	56,587
	<b><u>\$1,723,428</u></b>	<b><u>\$167,741</u></b>	<b><u>\$1,328,639</u></b>	<b><u>\$394,789</u></b>

<b><u>Last Year</u></b>	<b><u>Cost or Valuation</u></b>	<b><u>Depreciation For Year</u></b>	<b><u>Accumulated Depreciation</u></b>	<b><u>Book Value Last Year</u></b>
Furniture & Fittings	371,929	35,220	115,770	256,159
Office Equipment	160,396	28,493	78,752	81,644
Computer Hardware	1,104,248	194,096	983,249	120,999
	<b><u>\$1,636,573</u></b>	<b><u>\$257,809</u></b>	<b><u>\$1,177,771</u></b>	<b><u>\$458,802</u></b>

During the year there were fixed asset additions as follows:

Furniture & Fittings	\$Nil	(2012	\$23,154)
Computer Hardware	\$31,761	(2012	\$19,358)
Office Equipment	\$73,279	(2012	\$46,242)

**Internet New Zealand Incorporated**  
**Notes To The Financial Statements**  
**For the Year Ended 31st March 2013**

#### 4. Intangible Assets

##### Parent

The following gives details of the cost or valuation of assets and amortisation written off to date:

<u>This Year</u>	<u>Cost or Valuation</u>	<u>Amortisation For Year</u>	<u>Accumulated Amortisation</u>	<u>Book Value This Year</u>
Software	102,147	7,909	64,477	37,670
	<u>72,147</u>	<u>4,607</u>	<u>56,568</u>	<u>15,579</u>

During the year there were additions of \$30,000 (2012: \$15,857)

##### Group

<u>This Year</u>	<u>Cost or Valuation</u>	<u>Amortisation For Year</u>	<u>Accumulated Amortisation</u>	<u>Book Value This Year</u>
Software	2,801,727	576,956	1,945,225	856,502
Trademark	10,698	-	10,698	-
	<u>\$2,812,425</u>	<u>\$576,956</u>	<u>\$1,955,923</u>	<u>\$856,502</u>
	<u>2,090,290</u>	<u>446,428</u>	<u>1,371,966</u>	<u>718,324</u>
Trademark	10,698	-	10,698	-
	<u>\$2,100,988</u>	<u>\$446,428</u>	<u>\$1,382,664</u>	<u>\$718,324</u>

During the year there were additions of \$698,702 (2012 \$634,447). The bulk of software purchased in 2013 relates to New Zealand Domain Name Registry Limited's continued updating and reinvestment in its core registry systems in line with its expected investment plan.

**Internet New Zealand Incorporated**  
**Notes To The Financial Statements**  
**For the Year Ended 31st March 2013**

	2013		2012	
	Group	Parent	Group	Parent
<b>5. Trade Creditors and other Payables</b>				
Trade Payables	748,995	408,134	627,391	246,155
GST Payable	76,526	-	62,083	-
Employee Benefits	129,190	48,126	109,365	43,394
Lease Incentives	<u>36,893</u>	<u>36,893</u>	<u>51,175</u>	<u>51,175</u>
	<b>991,604</b>	<b>493,153</b>	<b>850,014</b>	<b>340,724</b>

## 6. Financial Instruments

### Credit Risk

Financial instruments which potentially subject the parent and group to credit risk consist principally of bank balances and accounts receivable.

The parent and group has a credit policy which is used to manage this exposure to credit risk. As part of this policy limits on exposures with counter parties have been set and are monitored on a regular basis.

The parent and group performs credit evaluations on all customers requiring credit and does not require collateral. The parent and group further minimises its credit exposure by limiting the amount of surplus funds placed with any one financial institution at any one time.

## 7. Related Party Disclosures

### Transactions between Subsidiaries

Internet New Zealand Incorporated (INZ) owns 100% of New Zealand Domain Name Registry Limited (NZDNRL) and Domain Name Commission Limited (DNCL).

INZ received dividends declared and paid by NZDNRL during the year totaling \$3,828,920 (2012: \$3,324,999).

NZDNRL and DNCL paid management fees to INZ during the year of \$78,480 and \$123,540 respectively (2012: \$78,480 and \$122,040).

### Other Related Parties

Frank March, Donald Clark and Don Christie were all on the Council of INZ during the year. They had a trading relationship with the Parent or Group as follows:

Council approved payment of \$10,000 to Frank March for his role as acting Chief Executive in January 2013.

Donald Clark is a Director of 1 through 8 Limited that provides consulting services. During the year INZ paid 1 Through 8 Limited \$13,726 for services (2012: \$42,734). Group \$13,726 (2012: \$42,734).

Don Christie is a Director of Catalyst IT Limited that provides IT services. During the year INZ paid \$15,130 for sponsorship of the NZ Open Source Awards and website hosting and maintenance services (2012: \$6,580). The Group paid a total of \$1,126,583 to Catalyst IT Limited for IT Services (2012: \$1,259,012).

**Internet New Zealand Incorporated**  
**Notes To The Financial Statements**  
**For the Year Ended 31st March 2013**

**Key Management Personnel**

The Company has a related party relationship with its directors and executive officers.

Except as stated above there are no other related party transactions.

**8. Subsidiaries**

Name of Entity	Country of Incorporation	2013	2012
Parent Entity			
Internet New Zealand Incorporated	New Zealand		
Subsidiaries			
New Zealand Domain Name Registry Limited	New Zealand	100%	100%
Domain Name Commission Limited	New Zealand	100%	100%

**9. Operating Leases**

	2013		2012	
	Group	Parent	Group	Parent
Less than one year	137,100	137,100	137,100	137,100
Between one and two years	137,100	137,100	137,100	137,100
Between three and five years	<u>79,975</u>	<u>79,975</u>	<u>217,075</u>	<u>217,075</u>
Total	<b>354,175</b>	<b>354,175</b>	<b>491,275</b>	<b>491,275</b>

**Internet New Zealand Incorporated**  
**Notes To The Financial Statements**  
**For the Year Ended 31st March 2013**

**10. Deferred Income**

The group through subsidiary NZDNRL has invoiced clients for \$6,010,017 (2012 \$5,648,858) in advance.

**11. Contingent Liabilities and Commitments**

At 31 March 2013 the Group had no contingent liabilities or commitments (2012: \$Nil).

**12. Hector's World Limited Loan**

A gross undiscounted loan of \$200,000 was advanced to Hector's World Limited, in the 2010 financial year (2013 Nil), repayable to Internet New Zealand Incorporated ("INZ") upon demand by INZ but not prior to 31 July 2013.

The loan was interest free unless demanded by INZ. The loan agreement provided for an interest rate not exceeding 5% above the 90 day Bank Bill Buy Rate.

The loan was provided for in full in the year to 31 March 2011, and continues to be fully impaired, as the financial position of Hector's World Limited indicates the company does not have the financial resources to meet repayment. If future evidence becomes available that the financial position has improved an adjustment to impairment will be made to reverse this loss in a subsequent reporting period.

**13. Events Subsequent to Balance Date**

No events occurred subsequent to balance date that would have had a material effect on the financial statements (2012 Nil).

**Internet New Zealand Incorporated**  
**Notes To The Financial Statements**  
**For the Year Ended 31st March 2013**

**14. Prior Period Adjustment**

The below adjustment was made to deferred income and retained earnings of the Group as at 1 April 2011 which has a flow on effect to retained earnings as at 1 April 2012.

<b>Retained Earnings Adjustment</b>	<b>1-Apr-12</b>	<b>1-Apr-11</b>
Opening Retained Earnings - prior to adjustment	9,480,265	8,865,655
Adjustment to Deferred Income	<u>292,392</u>	<u>292,392</u>
Net Decrease in Retained Earnings	292,392	292,392
Opening Retained Earnings - after adjustment	<u>9,187,873</u>	<u>8,573,263</u>
	<b>1-Apr-2012</b>	
<b>Deferred Income Adjustment</b>	<b>Current</b>	<b>Non Current</b>
Deferred Income - prior to adjustment	3,809,086	1,547,380
Adjustment to Deferred Income	<u>237,603</u>	<u>54,789</u>
Deferred Income - after adjustment	<u>4,046,689</u>	<u>1,602,169</u>

The Group's revenue accounting policy is to recognise revenue over the period the service is provided. This policy has been refined and whereas in the past revenue was spread on a monthly basis, revenue is now spread on a daily basis. As on a daily spread revenue is recognised slightly later, this refinement has resulted in an increase in deferred income.

**INDEPENDENT AUDITOR'S REPORT**  
**To the Members of Internet New Zealand Incorporated**

**Report on the Financial Statements**

We have audited the financial statements of Internet New Zealand Incorporated and group on pages 2 to 20, which comprise the consolidated and separate statements of financial position as at 31 March 2013, and the consolidated and separate statements of changes in equity, and statements of comprehensive income (single statement approach), and statements of cash flow's for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Members, as a body, in accordance with the Constitution of Internet New Zealand Incorporated. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditors' 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.

**Council's Responsibility for the Financial Statements**

The Council are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

## Opinion

In our opinion, the financial statements on pages 2 to 20, present fairly, in all material respects, the financial position of Internet New Zealand Incorporated and group as at 31 March 2013, and its consolidated and separate financial performance and its cash flows for the year then ended in accordance with generally accepted accounting practice in New Zealand.

A handwritten signature in blue ink, appearing to read 'BDO Wellington'.

**BDO Wellington**

**14 June 2013**

**50 Customhouse Quay**

**Wellington**

**New Zealand**