

Internet New Zealand Incorporated
Annual Report
For the Year Ended 31st March 2014

Prepared By

Deloitte
Wellington **NZ**

Internet New Zealand Incorporated
Annual Report
For the Year Ended 31st March 2014

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Internet New Zealand Incorporated
Annual Report
For the Year Ended 31st March 2014

Financial Result

The Group Net Profit for the year, after taxation, was \$33,101 (2013: \$191,126).

	2014		2013	
	Group	Parent	Group	Parent
Retained Earnings as at 1 April	9,378,999	6,191,093	9,187,873	5,490,566
Net Profit (Loss) After Taxation	33,101	(615,666)	191,126	700,527
Retained Earnings as at 31st March	\$9,412,100	\$5,575,427	\$9,378,999	\$6,191,093

Dividend

Dividends of \$2,559,637 were received from New Zealand Domain Name Registry Limited, a wholly owned company, for the year ended 31st March 2014 (2013: \$3,828,920).

Remuneration of Council

During the year Council received the following remuneration:

Fees Paid

Frank March - President	27,000
Jamie Baddeley - Vice President	16,875
Neil James	14,850
Donald Clark	13,500
Hamish MacEwan	13,500
Dave Moskovitz	13,500
Michael Wallmannsberger	13,500
Lance Wiggs	13,500
Brenda Wallace	13,500
Richard Wood	10,924
Amber Craig	10,924
Nathan Torkington	9,750
Jonny Martin	2,576
Michael Foley	2,576
Rochelle Furneaux	2,500

\$178,975

For and on Behalf of the Council


 Vice-President
 Councillor

19 June 2014 Date

Internet New Zealand Incorporated
Statement of Comprehensive Income
For the Year Ended 31st March 2014

	Note	2014		2013	
		Group	Parent	Group	Parent
Operating Income					
Registry Fees		8,194,983	-	7,703,881	-
Other Income		73,920	232,051	60,638	230,288
		8,268,903	232,051	7,764,519	230,288
Less Operating Expenses					
Registry Services		2,154,118	-	1,929,855	-
Domain Name Commission		612,987	-	533,550	-
Public Policy		704,396	704,396	686,819	686,819
Society		699,284	699,284	928,550	928,550
Technical Leadership		903,618	903,618	611,061	611,061
Audit Fees		27,230	8,060	19,150	5,300
Employee Remuneration		2,796,059	1,125,450	2,171,740	811,427
Depreciation & Amortisation	3,4	751,865	49,482	744,697	56,063
Rent		155,441	155,441	137,100	137,100
Loss on Disposal of Fixed Assets		-	-	-	-
		8,804,998	3,645,731	7,762,522	3,236,320
Surplus/(Deficit) from Operations		(536,095)	(3,413,680)	1,997	(3,006,032)
Plus Other Income/(Expenses)					
Dividend Income	7	-	2,559,637	-	3,828,920
Interest		491,946	161,127	527,144	215,654
Investment Income		77,250	77,250	-	-
Christchurch Rebuild		-	-	(338,015)	(338,015)
		33,101	(615,666)	191,126	700,527
Surplus for the Year		33,101	(615,666)	191,126	700,527
Other Comprehensive Income		-	-	-	-
		-	-	-	-
Total Comprehensive Income for the Year		\$33,101	(\$615,666)	\$191,126	\$700,527

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 2014

	Note	2014		2013	
	Group	Parent	Group	Parent	Parent
Retained Earnings					
Opening Retained Earnings		9,378,999	6,191,093	9,187,873	5,490,566
Total Comprehensive Income for the Year					
Surplus for the Year		33,101	(615,666)	191,126	700,527
Other Comprehensive Income		-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Retained Earnings as at 31st March		\$9,412,100	\$5,575,427	\$9,378,999	\$6,191,093

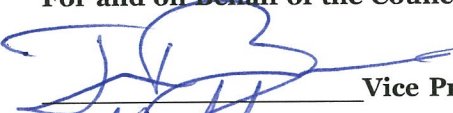
Internet New Zealand Incorporated
Statement of Financial Position
As At 31st March 2014


	Note	2014		2013	
		Group	Parent	Group	Parent
Current Assets					
Cash and Cash Equivalents	1	1,772,553	431,656	2,318,372	965,785
Other Financial Assets	1a	12,313,029	4,510,905	11,006,105	4,014,408
Trade Debtors and Other Receivables	2	1,335,611	195,834	1,251,117	256,473
Total Current Assets		15,421,193	5,138,395	14,575,594	5,236,666
Non Current Assets					
Other Financial Assets - Non Current	1a	-	-	553,735	553,735
Property, Plant & Equipment	3	862,570	265,399	842,182	246,175
Shares in Subsidiaries	8	-	610,000	-	610,000
Intangible Assets	4	607,059	65,456	409,109	37,670
Total Non Current Assets		1,469,629	940,855	1,805,026	1,447,580
Total Assets		16,890,822	6,079,250	16,380,620	6,684,246
Less Liabilities:					
Current Liabilities					
Deferred Income- Current	10	4,609,054	-	4,371,415	-
Trade Creditors and Other Payables	5	1,121,160	503,823	991,604	493,153
Total Current Liabilities		5,730,214	503,823	5,363,019	493,153
Term Liabilities					
Deferred Income- Non Current	10	1,748,508	-	1,638,602	-
Total Liabilities		7,478,722	503,823	7,001,621	493,153
Net Assets		\$9,412,100	\$5,575,427	\$9,378,999	\$6,191,093

Internet New Zealand Incorporated
Statement of Financial Position
As At 31st March 2014

	2014		2013	
	Group	Parent	Group	Parent
Represented by:				
Total Equity	<u>\$9,412,100</u>	<u>\$5,575,427</u>	<u>\$9,378,999</u>	<u>\$6,191,093</u>

For and on Behalf of the Council


 _____ **Vice President**


 _____ **Councillor**

19 June 2014 Date

Internet New Zealand Incorporated
Statement of Cash Flows
For the Year Ended 31st March 2014

	Note	2014		2013	
		Group	Parent	Group	Parent
Cash Flows From Operating Activities					
Cash was Provided From					
Net Receipts from Customers		8,551,656	311,398	8,052,311	227,305
Receipt of Taxation		7,461	-	18,418	18,418
Dividend Received		-	2,559,637	-	3,828,920
Interest Received		571,623	247,716	547,237	168,169
Net GST Received		-	7,687	14,442	-
		9,130,740	3,126,438	8,632,408	4,242,812
Cash was Distributed To:					
Payments to Suppliers and Employees		7,875,977	3,621,311	7,302,146	3,404,749
Payment of Taxation		-	-	-	-
Net GST Paid		77,189	-	30,172	30,172
		7,953,166	3,621,311	7,332,318	3,434,921
Net Flows Operating Activities		1,177,574	(494,873)	1,300,090	807,891
Cash Flows From Investing					
Cash was Provided From:					
Net Withdrawal from Other Investments		-	57,237	7,397	-
Cash was Distributed To:					
Net Investment in Other Investments		753,189	-	-	84,826
Purchase of Fixed Assets & Intangibles		970,204	96,493	818,862	42,316
		1,723,393	96,493	818,862	127,142
Net Cash Flows From Investing Activities		(1,723,393)	(39,256)	(811,465)	(127,142)
Net Increase (Decrease) In Cash and Cash Equivalents		(545,819)	(534,129)	488,625	680,749
Add: Opening Cash and Cash Equivalents		2,318,372	965,785	1,829,747	285,036
Closing Cash and Cash Equivalents	1	1,772,553	431,656	\$2,318,372	\$965,785

Internet New Zealand Incorporated
Statement of Cash Flows
For the Year Ended 31st March 2014

Operating Activity Cash Flow Reconciliation

	Group	2014 Parent	Group	2013 Parent
Surplus/(Deficit) for the Year	33,101	(615,666)	191,126	700,526
Add/(deduct) Non - cash items				
Depreciation	409,307	45,598	432,535	48,154
Amortisation	<u>342,558</u>	<u>3,884</u>	<u>312,162</u>	<u>7,909</u>
	751,865	49,482	744,697	56,063
Movement in working capital				
(increase)/decrease in receivables	(142,042)	2,097	(73,367)	(2,983)
(increase)/decrease in GST receivable	(77,189)	7,687	(15,730)	(30,172)
increase/(decrease) accounts payable	191,298	(12,463)	127,148	152,429
(increase)/decrease interest receivable	79,677	86,589	20,093	(47,485)
(increase)/decrease tax receivable	7,461	-	18,418	18,418
(increase)/decrease prepayments	(14,142)	(12,599)	(73,454)	(38,905)
increase/(decrease) deferred income	<u>347,545</u>	<u>-</u>	<u>361,159</u>	<u>-</u>
	392,608	71,311	364,267	51,302
Net Cash Flow from Operating Activities	<u>\$1,177,574</u>	<u>(\$494,873)</u>	<u>\$1,300,090</u>	<u>\$807,891</u>

Internet New Zealand Incorporated
Accounting Policies
For the Year Ended 31st March 2014

Significant Accounting Policies

These financial statements comprise the consolidated financial statements of Internet New Zealand Incorporated ("INZ") for the year ended 31 March 2014. 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 2014 comprise INZ and its subsidiaries (together referred to as the "Group").

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 2014

(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 2014

(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 2014

(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).

(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.

Internet New Zealand Incorporated
Accounting Policies
For the Year Ended 31st March 2014

(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	39.0 - 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.

(s) Investments

Investments in unitholdings and managed funds are accounted for at market value.

Investment Income

Dividend and interest income from unitholdings and managed funds are recognised in the Statement of Comprehensive Income as income to the extent that it is probable that economic benefits will flow to the entity and the income can be readily measured.

Net realised and unrealised gains and losses are recognised in the Statement of Comprehensive Income in the period in which they occur. Unrealised gains and losses are treated as other comprehensive income items.

Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2014

	2014		2013	
	Group	Parent	Group	Parent
1. Cash and Cash Equivalents				
Cash on Hand	400	400	400	400
Cash at Banks	<u>1,772,153</u>	<u>431,256</u>	<u>2,317,972</u>	<u>965,385</u>
Total Cash and Equivalents	1,772,553	431,656	2,318,372	965,785

1a. Other Financial Assets

The parent and the group have funds invested in other investments classified as:

Other Financial Assets	12,313,029	4,510,906	11,006,105	4,014,408
Other Financial Assets - Non Current	<u>-</u>	<u>-</u>	<u>553,735</u>	<u>553,735</u>
Total Other Financial Assets	12,313,029	4,510,906	11,559,840	4,568,143

The total funds of \$14,085,582 held by the Group at 31 March 2014 comprised:

New Zealand Domain Name Registry Limited Deferred Income	\$6,357,562
New Zealand Domain Name Registry Limited Retained Income	\$1,742,010
Domain Name Commission Limited Retained Income	\$1,043,448
Internet New Zealand Incorporated Retained Income	\$4,942,562

The total retained income of \$7,728,020 represents funds held but not yet spent.

2. Trade Debtors and Other Receivables

Trade receivables	950,157	886	808,115	2,983
Interest Receivable	119,137	27,436	198,814	114,025
GST Receivable	65,909	65,909	73,596	73,596
Tax Receivable	-	-	7,461	-
Pre-payments	<u>200,408</u>	<u>101,603</u>	<u>163,131</u>	<u>65,869</u>
Total	1,335,611	195,834	1,251,117	256,473

Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2014

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	419,955	30,726	178,893	241,062
Computer Hardware	236,003	12,146	219,439	16,564
Office Equipment	25,422	2,726	17,649	7,773
	\$681,380	\$45,598	\$415,981	\$265,399

<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	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
	\$616,557	\$48,154	\$370,382	\$246,175

During the year there were fixed asset additions as follows:

Furniture & Fittings	\$48,026	(2013 \$Nil)
Computer Hardware	\$10,978	(2013 \$10,995)
Office Equipment	\$5,819	(2013 \$1,321)

Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2014

Group

<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	419,955	30,726	178,893	241,062
Office Equipment	361,909	51,677	162,875	199,034
Computer Hardware	2,052,400	326,136	1,629,926	422,474
	<u>\$2,834,264</u>	<u>\$408,539</u>	<u>\$1,971,694</u>	<u>\$862,570</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	32,397	148,167	223,762
Office Equipment	225,637	39,197	111,197	114,440
Computer Hardware	1,807,770	360,941	1,303,790	503,980
	<u>\$2,405,336</u>	<u>\$432,535</u>	<u>\$1,563,154</u>	<u>\$842,182</u>

During the year there were fixed asset additions as follows:

Furniture & Fittings	\$48,026	(2013	\$Nil)
Office Equipment	\$136,272	(2013	\$73,279)
Computer Hardware	\$244,630	(2013	\$31,761)

Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2014

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	133,816	3,884	68,361	65,456
	<u>102,147</u>	<u>7,909</u>	<u>64,477</u>	<u>37,670</u>
<u>Last Year</u>	<u>Cost or Valuation</u>	<u>Amortisation For Year</u>	<u>Accumulated Amortisation</u>	<u>Book Value Last Year</u>
Software	102,147	7,909	64,477	37,670

During the year there were additions of \$31,669 (2013: \$30,000)

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	2,661,095	343,326	2,054,036	607,059
Trademark	10,698	-	10,698	-
	<u>\$2,671,793</u>	<u>\$343,326</u>	<u>\$2,064,734</u>	<u>\$607,059</u>
<u>Last Year</u>	<u>Cost or Valuation</u>	<u>Amortisation For Year</u>	<u>Accumulated Amortisation</u>	<u>Book Value Last Year</u>
Software	2,119,819	312,162	1,710,710	409,109
Trademark	10,698	-	10,698	-
	<u>\$2,130,517</u>	<u>\$312,162</u>	<u>\$1,721,408</u>	<u>\$409,109</u>

During the year there were additions of \$541,276 (2013 \$698,702). The bulk of software purchased in 2014 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 2014

	2014		2013	
	Group	Parent	Group	Parent
5. Trade Creditors and other Payables				
Trade Payables	940,154	433,749	748,995	408,134
GST Payable	(8,351)	-	76,526	-
Employee Benefits	166,745	47,462	129,190	48,126
Lease Incentives	<u>22,612</u>	<u>22,612</u>	<u>36,893</u>	<u>36,893</u>
	1,121,160	503,823	991,604	493,153

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 \$2,559,637 (2013: \$3,828,920).

NZDNRL and DNCL paid management fees to INZ during the year of \$75,051 and \$127,080 respectively (2013: \$78,480 and \$123,540).

Other Related Parties

Dave Moskovitz (Council Member) is a Trustee of Pacific Internet Partnership (PIP), during the year INZ sponsored PIP \$10,000.

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.

Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2014

Employee Remuneration

Salary Range	Number of Staff Across the Group
\$101,000 - \$200,000	Five
\$201,000 - \$300,000	Two

During the year seven employees received remuneration greater than \$100,000.

8. Subsidiaries

Name of Entity	Country of Incorporation	2014	2013
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

	2014		2013	
	Group	Parent	Group	Parent
Less than one year	240,977	240,977	137,100	137,100
Between one and two years	169,280	169,280	137,100	137,100
Between three and five years	<u>30,394</u>	<u>30,394</u>	<u>79,975</u>	<u>79,975</u>
Total	440,651	440,651	354,175	354,175

10. Deferred Income

The group through subsidiary NZDNRL has invoiced clients for \$6,357,562 (2013 \$6,010,017) in advance.

11. Contingent Liabilities and Commitments

At 31 March 2014 the Group had no contingent liabilities or commitments (2013: \$Nil).

12. Events Subsequent to Balance Date

No events occurred subsequent to balance date that would have had a material effect on the financial statements (2013 \$Nil).

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 18, which comprise the consolidated and separate statements of financial position as at 31 March 2014, and the consolidated and separate statements of changes in equity, and the consolidated and separate statements of comprehensive income 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 18, present fairly, in all material respects, the consolidated and separate financial position of Internet New Zealand Incorporated and Group as at 31 March 2014, 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.

BDO Wellington

**BDO Wellington
19 June 2014
50 Customhouse Quay
Wellington
New Zealand**