Internet New Zealand Incorporated
Annual Report
For the Year Ended 31st March 2012

Prepared By

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Chartered Accountants
Wellington NZ

Internet New Zealand Incorporated
Annual Report
For the Year Ended 31st March 2012

Schedule of Contents

Internet New Zealand Incorporated
Annual Report
For the Year Ended 31st March 2012

Financial Result

The Group Net Profit for the year, after taxation, was $614,610 (2011 $1,110,675).

	2012		2011	
	Group	Parent	Group	Parent
Retained Earnings as at 1 April	8,865,655	4,639,915	7,754,980	2,333,288
Net Profit (Loss) After Taxation	614,610	850,651	1,110,675	2,306,627
Retained Earnings as at 31st March	$9,480,265	$5,490,566	$8,865,655	$4,639,915

Dividend

Dividends of $3,324,999 were received from New Zealand Domain Name Registry Limited, a wholly owned company, for the year ended 31st March 2012 (2011 $5,010,000).

Remuneration of Council

During the year Council received the following remuneration:

Fees Paid

Frank March - President	18,000
Jamie Baddeley - Vice President	11,250
Don Christie	9,000
Donald Clark	6,000
Michael Foley	9,000
Neil James	9,410
Hamish MacEwan	9,000
Jonny Martin	9,000
Dave Moskovitz	9,000
Nat Torkington	9,000
Michael Wallmannsberger	9,000
Lance Wiggs	9,000
	$116,660

For and on Behalf of the Council

President

Vice President

8 June 2012 **Date**

Internet New Zealand Incorporated
Statement of Comprehensive Income
For the Year Ended 31st March 2012

	Note	2012 Group	2012 Parent	2011 Group	2011 Parent
Operating Income					
Registry Fees		7,086,371	-	7,151,664	-
Other Income		93,007	242,409	74,254	217,829
		7,179,378	242,409	7,225,918	217,829
Less Operating Expenses					
Registry Services		1,806,361	-	1,591,097	-
Domain Name Commission		543,581	-	563,926	-
Public Policy		493,367	493,367	492,828	492,828
Society		933,371	933,371	1,065,256	1,065,256
Technical Leadership		437,664	437,664	258,500	258,500
Audit Fees		26,866	10,041	27,599	9,500
Employee Remuneration		1,918,562	720,192	1,864,211	782,599
Depreciation & Amortisation	3,4	704,237	61,286	434,379	77,789
Rent		137,100	137,100	121,084	121,084
Loss on Disposal of Fixed Assets		9,213	3,553	-	-
Total Operating Expenses		7,010,322	2,796,574	6,418,880	2,807,556
Surplus/(Deficit) from Operations		169,056	(2,554,165)	807,038	(2,589,727)
Plus Other Income/(Expenses)					
Dividend Income	7	-	3,324,999	-	5,010,000
Finance Income		-	-	13,914	13,914
Interest		545,931	180,194	497,733	84,683
Sundry Income		-	-	4,234	-
Impairment of Loan & Receivable	12	-	-	(162,244)	(162,244)
Christchurch Rebuild		(100,377)	(100,377)	(50,000)	(50,000)
Surplus for the Year		614,610	850,651	1,110,675	2,306,626
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Year		$614,610	$850,651	$1,110,675	$2,306,626

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

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Internet New Zealand Incorporated
Statement of Changes in Equity
For the Year Ended 31st March 2012

	Note	2012 Group	2012 Parent	2011 Group	2011 Parent
Retained Earnings					
Opening Retained Earnings		8,865,655	4,639,915	7,754,980	2,333,288
Total Comprehensive Income for the Year					
Surplus for the Year		614,610	850,651	1,110,675	2,306,627
Other Comprehensive Income		-	-	-	-
Retained Earnings as at 31st March		$9,480,265	$5,490,566	$8,865,655	$4,639,915

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Internet New Zealand Incorporated
Statement of Financial Position
As At 31st March 2012

	Note	2012 Group	2012 Parent	2011 Group	2011 Parent
Current Assets					
Cash and Cash Equivalents	1	1,829,747	285,036	1,591,935	506,662
Other Financial Assets	1a	9,474,966	2,391,046	7,869,252	360,993
Trade Debtors and Other Receivables	2	1,112,635	155,346	1,140,511	120,953
Total Current Assets		12,417,348	2,831,428	10,601,698	988,608
Non Current Assets					
Other Financial Assets - Non Current	1a	2,092,271	2,092,271	3,087,397	3,087,397
Total Non Current Assets		2,092,271	2,092,271	3,087,397	3,087,397
Property, Plant & Equipment	3	458,802	282,012	637,060	310,359
Investments					
Shares in Subsidiaries	8	-	610,000	-	610,000
Total Investments		-	610,000	-	610,000
Intangible Assets	4	718,324	15,579	530,308	4,338
Total Assets		15,686,745	5,831,290	14,856,463	5,000,702
Less Liabilities:					
Current Liabilities					
Deferred Income- Current	10	3,809,086	-	3,523,768	-
Trade Creditors and Other Payables	5	850,014	340,724	843,881	360,787
Total Current Liabilities		4,659,100	340,724	4,367,649	360,787
Term Liabilities					
Deferred Income- Non Current	10	1,547,380	-	1,623,159	-
Total Liabilities		6,206,480	340,724	5,990,808	360,787
Net Assets		$9,480,265	$5,490,566	$8,865,655	$4,639,915

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Internet New Zealand Incorporated
Statement of Financial Position
As At 31st March 2012

	2012		2011	
	Group	**Parent**	**Group**	**Parent**
Represented by:				
Total Equity	$9,480,265	$5,490,566	$8,865,655	$4,639,914

For and on Behalf of the Council

________________ **President**

________________ **Vice President**

8 June 2012 **Date**

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Internet New Zealand Incorporated
Statement of Cash Flows
For the Year Ended 31st March 2012

	Note	2012 Group	2012 Parent	2011 Group	2011 Parent
Cash Flows From Operating Activities					
Cash was Provided From					
Net Receipts from Customers		7,443,303	243,813	7,046,110	253,948
Receipt of Taxation		4,245	-	533	-
Dividend Received		-	3,324,999	-	5,010,000
Interest Received		550,894	163,922	445,118	37,645
Net GST Received		6,658	7,131	-	-
		8,005,100	**3,739,865**	**7,491,761**	**5,301,593**
Cash was Distributed To:					
Payments to Suppliers and Employees		6,424,452	2,871,593	5,681,957	2,709,937
Payment of Taxation		18,252	10,791	3,208	3,208
Net GST Paid		-	-	18,836	6,594
		6,442,704	**2,882,384**	**5,704,001**	**2,719,739**
Net Flows Operating Activities		**1,562,396**	**857,481**	**1,787,760**	**2,581,854**
Cash Flows From Investing					
Cash was Distributed To:					
Net Investment in Term Deposits		610,588	1,034,927	1,526,632	3,077,876
Purchase of Fixed Assets & Intangibles		713,996	44,180	762,891	8,653
		1,324,584	**1,079,107**	**2,289,523**	**3,086,529**
Net Cash Flows From Investing Activities		**(1,324,584)**	**(1,079,107)**	**(2,289,523)**	**(3,086,529)**
Net Increase (Decrease) In Cash and Cash Equivalents		**237,812**	**(221,626)**	**(501,763)**	**(504,675)**
Add: Opening Cash and Cash Equivalents		1,591,935	506,662	2,093,698	1,011,337
Closing Cash and Cash Equivalents	1	**1,829,747**	**$285,036**	**$1,591,935**	**$506,662**

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Internet New Zealand Incorporated
Statement of Cash Flows
For the Year Ended 31st March 2012

Operating Activity Cash Flow Reconciliation

	2012		2011	
	Group	**Parent**	**Group**	**Parent**
Surplus/(Deficit) for the Year	614,610	850,651	1,110,675	2,306,627
Add/(deduct) Non - cash items				
Finance Cost	-	-	(13,914)	(13,914)
Depreciation	257,809	56,679	210,629	72,829
Impairment of Hectors World Loan	-	-	162,244	162,244
Amortisation	446,428	4,607	223,750	4,960
	704,237	61,286	582,709	226,119
Movement in working capital				
(increase)/decrease in receivables	65,295	1,404	(7,125)	22,205
(increase)/decrease in GST receivable	6,658	7,131	(14,922)	(6,594)
increase/(decrease) accounts payable	6,607	(20,063)	65,090	67,641
(increase)/decrease interest receivable	4,963	(16,272)	(52,615)	(47,038)
(increase)/decrease tax receivable	(14,007)	(10,791)	(2,675)	(3,208)
(increase)/decrease prepayments	(35,506)	(15,865)	39,222	16,102
increase/(decrease) deferred income	209,539	-	67,401	-
	243,549	(54,456)	94,376	49,108
Net Cash Flow from Operating Activities	**$1,562,396**	**$857,481**	**$1,787,760**	**$2,581,854**

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Internet New Zealand Incorporated
Accounting Policies
For the Year Ended 31st March 2012

Significant Accounting Policies
These financial statements comprise the consolidated financial statements of Internet New Zealand Incorporated ("INZ") for the year ended 31 March 2012. 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 2012 comprise INZ and its subsidiaries (together referred to as the "Group"). The financial statements were authorised for issue by the Councillors on 8 June 2012.

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.

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Internet New Zealand Incorporated
Accounting Policies
For the Year Ended 31st March 2012

(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
Fiancial assets consist of cash, deposits and receivables. Upon recognition financial assets are recognised at fair value. Subsequent to intial 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 2012

(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 2012

(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 2012

(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 2012

	2012		2011	
	Group	**Parent**	**Group**	**Parent**

1. Cash and Cash Equivalents

Cash on Hand	400	400	400	400
Cash at Banks	1,829,347	285,036	1,591,535	506,262
Total Cash and Equivalents	**1,829,747**	**285,436**	**1,591,935**	**506,662**

1a. Other Financial Assets

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

Other Financial Assets	9,474,966	2,391,046	7,869,252	360,993
Other Financial Assets - Non Current	2,092,271	2,092,271	3,087,397	3,087,397
Total Other Financial Assets	**11,567,237**	**4,483,317**	**10,956,649**	**3,448,390**

2. Trade Debtors and Other Receivables

Trade receivables	734,748	-	800,043	1,403
Interest Receivable	218,907	66,540	223,869	50,268
GST Receivable	43,424	43,424	50,555	50,555
Tax Receivable	25,879	18,418	11,872	7,627
Pre-payments	89,677	26,964	54,172	11,100
Total	**1,112,635**	**155,346**	**1,140,511**	**120,953**

Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2012

3. Property, Plant & Equipment

Parent

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

This Year	Cost or Valuation	Depreciation For Year	Accumulated Depreciation	Book Value This Year
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
	$604,242	**$56,679**	**$322,228**	**$282,013**

Last Year	Cost or Valuation	Depreciation For Year	Accumulated Depreciation	Book Value Last Year
Furniture & Fittings	353,554	39,521	81,777	271,777
Computer Hardware	208,750	31,218	175,538	33,212
Office Equipment	14,832	2,090	9,461	5,370
	$577,136	**$72,829**	**$266,776**	**$310,359**

During the year there were fixed asset additions as follows:

Furniture & Fittings	$23,154	(2011	$1,910)
Computer Hardware	$5,281	(2011	$3,361)
Office Equipment	$3,450	(2011	$2,378)

Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2012

Group

This Year	Cost or Valuation	Depreciation For Year	Accumulated Depreciation	Book Value This Year
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
	$1,636,573	**$257,809**	**$1,177,771**	**$458,802**

Last Year	Cost or Valuation	Depreciation For Year	Accumulated Depreciation	Book Value Last Year
Furniture & Fittings	353,553	39,521	81,777	271,776
Office Equipment	131,007	11,770	62,176	68,831
Computer Hardware	1,111,925	159,338	815,472	296,453
	$1,596,485	**$210,629**	**$959,425**	**$637,060**

During the year there were fixed asset additions as follows:

Furniture & Fittings	$23,154	(2011	$1,910)
Computer Hardware	$19,358	(2011	$164,876)
Office Equipment	$46,242	(2011	$33,194)

Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2012

4. Intangible Assets

Parent

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

This Year	Cost or Valuation	Amortisation For Year	Accumulated Amortisation	Book Value This Year
Software	72,147	4,607	56,568	15,579

Last Year	Cost or Valuation	Amortisation For Year	Accumulated Amortisation	Book Value Last Year
Software	56,300	4,960	51,961	4,338

During the year there were additions of $15,847 (2011 $1,003).

Group

This Year	Cost or Valuation	Amortisation For Year	Accumulated Amortisation	Book Value This Year
Software	2,090,290	446,428	1,371,966	718,324
Trademark	10,698	-	10,698	-
	$2,100,988	**$446,428**	**$1,382,664**	**$718,324**

Last Year	Cost or Valuation	Amortisation For Year	Accumulated Amortisation	Book Value Last Year
Software	1,455,843	222,541	925,535	530,308
Trademark	10,698	1,209	10,698	-
	$1,466,541	**$223,750**	**$936,233**	**$530,308**

During the year there were additions of $634,447 (2011 $560,280).

Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2012

5. Trade Creditors and other Payables

	2012		2011	
	Group	**Parent**	**Group**	**Parent**
Trade Payables	627,391	246,155	584,900	250,045
GST Payable	62,083	-	62,556	-
Employee Benefits	109,365	43,394	107,151	45,286
Lease Incentives	51,175	51,175	89,274	65,456
	850,014	**340,724**	**843,881**	**360,787**

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 $3,324,999 (2011 $5,010,000). During the 2011 year there was a one-off special dividend paid to transfer cash in excess of reserves from NZDNRL to INZ.

NZDNRL and DNCL paid management fees to INZ during the year of $78,480 and $122,040 respectively (2011 $85,000 and $115,000).

Other Related Parties

Michael Foley, Donald Clark, Nathan Torkington and Don Christie are all on the Council of INZ. Entities related to them have a trading relationship with the Parent or Group as follows:

Michael Foley is a Director of Voco Limited that provides video conferencing equipment. During the year INZ paid Voco Limited $15,716 for services (Group $15,716).

Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2012

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

Nathan Torkington was the organiser of the Kiwi Foo Camp. During the year InternetNZ paid $5,000 for sponsorhip of the camp (Group $5,000).

Don Christie is a Director of Catalyst IT Limited that provides IT services. During the year InternetNZ paid $6,580 for website hosting and maintenance services. The Group paid a total of $1,259,012 to Catalyst IT Limited for IT Services.

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	**2012**	**2011**
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

	2012		**2011**	
	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	217,075	217,075	354,175	354,175
More than five years	-	-	-	-
Total	**491,275**	**491,275**	**628,375**	**628,375**

Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2012

10. Deferred Income
The group through subsidiary NZDNRL has invoiced clients for $5,356,466 (2011 $5,146,927) in advance. $3,809,086 of this is current and $1,547,380 is non-current.

11. Contingent Liabilities and Commitments
At 31 March 2012 the Group had no contingent liabilities or commitments (2011 $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 (2012 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 (2011 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 Limited ("the Society") and Group on pages 2 to 19, which comprise the consolidated and separate statements of financial position of Internet New Zealand Limited as at 31 March 2012, the consolidated and separate statements of changes in equity, statements of comprehensive income and statements of cash flows 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 Limited. 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.

The Councilors' Responsibility for the Financial Statements
The Councilors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal control as the Councilors 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 judgement, 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 of financial statements that give a true and fair view of the matters to which they relate 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 or any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 2 to 19 present fairly, in all material respects, the financial position of the Society and Group as at 31 March 2012 and the financial performance and cash flows of the Society and Group for the year then ended in accordance with generally accepted accounting practice in New Zealand.

Other Matter

The financial statements of Internet New Zealand Incorporated for the year ended 31 March 2011 were audited by another auditor who expressed an unmodified opinion on those statements on 10 June 2011.

BDO Wellington

BDO Wellington
8 June 2012
Wellington
New Zealand