Internet New Zealand Incorporated

Consolidated Financial Statements
For the year ended 31 March 2019

Internet New Zealand Incorporated

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Internet New Zealand Incorporated

Statement of Comprehensive Revenue and Expense
For the year ended 31 March 2019

	Notes	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
OPERATING ACTIVITIES					
Exchange revenue					
Registry fees		10,798,490	10,504,127	10,798,490	-
Other income		164,357	174,025	362,339	486,340
Total exchange revenue		10,962,848	10,678,152	11,160,830	486,340
Total operating revenue		10,962,848	10,678,152	11,160,830	486,340
Operating expenses					
Registry services		-	3,525,306	-	-
Domain Name Commission		1,703,290	1,738,890	-	-
Community engagement		560,470	550,626	560,470	550,626
Community funding		1,084,882	756,815	1,084,882	756,815
Communications/Outreach		683,941	210,413	683,941	210,413
Governance and members		430,742	700,670	407,141	681,170
International engagements		400,731	110,754	400,731	110,754
Policy		767,921	558,392	767,921	558,392
Technical Research		531,589	-	531,589	-
Technology Services	7(b)	3,113,254	-	4,433,254	-
Commercial Marketing		528,149	-	528,149	-
Organisational Services		1,743,462	2,317,794	1,743,462	1,699,145
Total operating expenses	7 (a)	11,548,430	10,469,661	11,141,539	4,567,316
Surplus/(deficit) from operating activities		(585,582)	208,491	19,291	(4,080,976)
INVESTING ACTIVITIES					
Dividend income		-	-	-	4,728,236
Interest income on term deposits		415,684	415,744	397,481	63,302
Fair value gains/(losses) on managed funds		185,326	242,816	185,326	242,816
Surplus/(deficit) from investing activities		601,010	658,560	582,806	5,034,353
SURPLUS/(DEFICIT) FOR THE YEAR		15,427	867,051	602,097	953,377
Other comprehensive revenue and expense		-	-	-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR		15,427	867,051	602,097	953,377

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

President — 27 June 2019. Date

Counsellor — 27 June 2019 Date

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

Internet New Zealand Incorporated

Statement of Financial Position
As at 31 March 2019

	Notes	Group		Parent	
		2019	2018	2019	2018
		$	$	$	$
ASSETS					
Current					
Cash and cash equivalents	8	3,624,207	2,869,590	3,175,964	1,849,841
Trade debtors and other receivables	9	1,260,719	1,221,323	1,257,574	94,161
Prepayments		366,822	257,697	327,852	75,654
Investments	12	15,511,325	15,341,646	15,145,250	5,174,967
Total current assets		20,763,073	19,690,256	19,906,640	7,194,623
Non-current					
Property, plant and equipment	10	584,071	478,526	574,345	238,040
Intangible assets	11	119,629	434,492	115,556	54,351
Investment in subsidiary	6	-	-	580,000	610,000
Total non-current assets		703,700	913,018	1,269,900	902,391
TOTAL ASSETS		21,466,773	20,603,274	21,176,540	8,097,014
LIABILITIES					
Current					
Trade creditors and other payables	14	1,700,288	995,649	1,308,655	602,752
Employee entitlements	16	403,977	283,432	362,153	154,778
Deferred revenue - current	15	5,879,625	5,837,636	5,879,625	-
Total current-liabilities		7,983,890	7,116,717	7,550,433	757,530
Non-current					
Deferred revenue - non current	15	2,625,066	2,644,168	2,625,066	-
Total non-current liabilities		2,625,066	2,644,168	2,625,066	-
TOTAL LIABILITIES		10,608,956	9,760,885	10,175,500	757,530
NET ASSETS		10,857,817	10,842,389	11,001,040	7,339,484
EQUITY					
Accumulated funds		10,857,817	10,842,389	11,001,040	7,339,484
TOTAL EQUITY		10,857,817	10,842,389	11,001,040	7,339,484

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

Internet New Zealand Incorporated

Statement of Changes in Net Assets
For the year ended 31 March 2019

	Group		Parent	
	2019	2018	2019	2018
	$	$	$	$
ACCUMULATED FUNDS				
Opening balance	10,842,389	9,975,338	7,339,484	6,386,107
Opening balance - NZRS			3,059,459	-
Surplus/(deficit) for the year	15,427	867,051	602,097	953,377
Other comprehensive revenue and expense	-	-	-	-
Total comprehensive revenue and expense	15,427	867,051	602,097	953,377
CLOSING BALANCE ACCUMULATED FUNDS	10,857,817	10,842,389	11,001,040	7,339,484
TOTAL EQUITY	10,857,817	10,842,389	11,001,040	7,339,484

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Statement of Cash Flows
For the year ended 31 March 2019

	Notes	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Cash flows from operating activities					
Cash was provided from/(applied to):					
Receipts from customers		11,125,532	11,174,076	11,323,514	736,432
Dividends received		-	-	-	4,728,236
Interest received		421,846	451,848	403,394	52,927
Payments to suppliers and employees		(10,050,929)	(9,879,307)	(9,826,899)	(4,430,681)
GST		(44,546)	20,637	(21,893)	4,697
Net cash from/(used in) operating activities	19	1,451,905	1,767,256	1,878,117	1,091,611
Cash flows from investing activities					
Cash was provided from/(applied to):					
Net proceeds from sale (purchase) of investments		(169,679)	(1,403,394)	(572,104)	(1,008,070)
Purchase of property, plant and equipment		(483,646)	(224,133)	(480,574)	(75,691)
Purchase of intangible assets		(43,963)	(283,354)	(43,963)	(12,590)
Net cash from/(used in) investing activities		(697,288)	(1,910,881)	(1,096,641)	(1,096,351)
Net increase/(decrease) in cash and cash equivalents		754,617	(143,625)	781,476	(4,740)
Cash and cash equivalents, beginning of the year		2,869,590	3,013,215	1,849,841	1,854,581
Cash and cash equivalents, beginning of the year - NZRS		-	-	544,647	-
Cash and cash equivalents at end of the year	8	3,624,207	2,869,590	3,175,964	1,849,841

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

Notes to the financial statements

1 Reporting entity

These financial statements comprise the consolidated financial statements of Internet New Zealand Incorporated ("InternetNZ") for the year ended 31 March 2019. Internet NZ merged with New Zealand Domain Name Registry (NZRS) as at 1 April 2018. Therefore the parent for 2019 is the merged entity of InternetNZ and NZRS (2018: Internet NZ).

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

Separate Financial statements for InternetNZ (the "Parent") and consolidated financial statements comprising the Parent and its subsidiaries (the "Group") are presented.

2 Basis of preparation

(a) Statement of compliance

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

The Parent and Group is eligible to report in accordance with Tier 2 PBE Accounting Standards on the basis that is does not have public accountability and annual expenditure of the Group does not exceed $30 million.

The Parent and Group is deemed a public benefit entity for financial reporting purposes, as its primary objective is to provide services to the community for social benefit and has been established with a view to supporting that primary objective rather than a financial return.

(b) Basis of measurement

The financial statements have been prepared on a historical costs basis, except for investments measured at fair value.

The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

(c) Presentation currency

The financial statements are presented in New Zealand dollars.

All numbers are rounded to the nearest dollar ($), except when otherwise stated.

(d) Changes in accounting policies

During the year there was one change in accounting policies (2018: none). The policy in respect of fixed assets depreciation has changed during the year to permit the merged organisation to align to one depreciation policy after the merger. The change provides reliable, relevant information to users by ensuring one method of depreciation is used. This was a change for INZ from diminishing value used in 2018 to the straight line basis for the 2019 finacial year. The alignment and change in policy has reduced depreciation expense for the year by $10,006 compared to if it had been based on diminishing value.

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3 Summary of significant accounting policies

The accounting policies of the Parent and Group have been applied consistently to all years presented in these financial statements.

The significant accounting policies used in the preparation of these financial statements are summarised below:

(a) Basis of consolidation

The Group financial statements consolidate the financial statements of the Parent and all entities over which the Parent has the power to govern the financial and operating policies so as to obtain benefits from their activities (defined as "subsidiaries").

Controlled entities are those entities over which the Parent has the power to govern the financial and operating activities so as to obtain benefits from their activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All subsidiaries have a 31 March balance date and consistent accounting policies are applied.

The consolidation of the Parent and subsidiary entities involves adding together like terms of assets, liabilities, income and expenses on a line-by-line basis. All significant intra-group balances are eliminated on consolidation of the Group financial position, performance and cash flows.

In the Parent financial statements investments in subsidiaries are stated at cost less any impairment losses.

(b) Cash and cash equivalents

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

(c) Debtors and other receivables

Trade debtors and other receivables are measured at their cost less any impairment losses.

An allowance for impairment is established where there is objective evidence the Parent and Group will not be able to collect all amounts due according to the original terms of the receivable.

(d) Creditors and other payables

Trade creditors and other payables are stated at cost.

(e) Property, plant and equipment

Items of property, plant and equipment are measured at cost, less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Additions and subsequent costs

Subsequent costs and the cost of replacing part of an item of property, plant and equipment are recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to the Parent and Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the acquisition date.

All repairs and maintenance expenditure is charged to surplus or deficit in the year in which the expense is incurred.

Disposals

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits or service potential are expected from its use. When an item of property, plant or equipment is disposed of, the gain or loss recognised in the surplus or deficit is calculated as the difference between the net sale proceeds and the carrying amount of the asset.

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(e) Property, plant and equipment (continued)

Depreciation

Depreciation is recognised as an expense in the reported surplus or deficit and measured on a straight line (SL) basis on all property, plant and equipment over the estimated useful life of the asset. The following depreciation rates have been applied:

Furniture and Fittings	9.80 - 11.76 Years	Straight Line
Office equipment	1.49 - 9.80 Years	Straight Line
Computer hardware	1.49 - 5.71 years	Straight Line

The residual value, useful life, and depreciation methods of property, plant and equipment are reassessed annually.

(f) Intangible assets

Intangible assets acquired separately are initially recognised at cost.

Intangible assets acquired by the Parent and Group, which have finite useful lives, are measured at cost less accumulated amortisation and any impairment losses.

The following amortisation rates have been applied to each class of intangible assets:

Software	1 - 2.5 years	Straight Line
Trademarks	7 Years	Straight Line

Residual values and useful lives are assessed at each reporting date.

Disposals

Gains or losses on derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and recognised in the surplus of deficit for the year.

(g) Leased assets

Leases, where the Parent and Group assumes substantially all the risks and rewards incidental to ownership of the leased assets, are classified as finance leases. All other leases are classified as operating leases.

Lease payments on finance leases are apportioned between finance charges and the reduction of the lease obligation so as to achieve a constant rate of interest (the effective interest rate) on the remaining balance of the liability. Finance charges are charged directly against the surplus or deficit, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group general policy on borrowing costs.

Payments made under operating leases are recognised in the surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

(h) Provisions

A provision is recognised for a liability when the settlement amount or timing is uncertain, when there is a present legal or constructive obligation as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate of the potential settlement can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material. The increase in the provision due to the passage of time is recognised as an interest expense.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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(i) Employee entitlements

Employee benefits, previously earned from past services, that the Parent and Group expect to be settled within 12 months of reporting date, are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to the reporting date and annual leave earned, but not yet taken, at the reporting date.

(j) Impairment of non-financial assets

At each reporting date, the Parent and Group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Parent and Group estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs. An asset's or CGU's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use.

Where the carrying amount of an asset or the cash-generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised immediately in surplus or deficit.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus or deficit.

(k) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Financial instruments comprise trade debtors and other receivables, cash and cash equivalents, investments and trade creditors and other payables.

Initial recognition and measurement

Financial assets and financial liabilities are recognised initially at fair value plus transaction costs attributable to the acquisition, except for those carried at fair value through surplus or deficit, which are measured at fair value.

Financial assets and financial liabilities are recognised when the reporting entity becomes a party to the contractual provisions of the financial instrument.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or if the Parent or Group transfers the financial asset to another party without retaining control or all substantial risks and rewards of the asset.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

All financial assets except for those classified as fair value through surplus or deficit are subject to review for impairment at minimum at each reporting date.

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(k) Financial instruments (continued)

Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification, which is primarily determined by the purpose for which the financial assets were acquired. The Parent and Group has classified its financial assets into two categories for financial reporting purposes:

(i) *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Parent and Group's cash and cash equivalents, trade debtors and most other receivables fall into this category of financial instruments.

After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

(ii) Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through surplus or deficit upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in the surplus or deficit for the year. The fair values of financial instruments in this category are determined by reference to active market transactions.

Investments in managed funds are classified in this category.

Subsequent measurement of financial liabilities

Trade payables and other borrowings are subsequently measured at amortised cost using the effective interest method.

(l) Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Parent and Group and revenue can be reliably measured. Revenue is measured at the fair value of consideration received.

The Parent and Group assess its revenue arrangements against specific criteria to determine if it is acting as the principal or agent in a revenue transaction. In an agency relationship, only the portion of revenue earned on the Parent and Group's own account is recognised as gross revenue in the Statement of Comprehensive Revenue and Expense.

The following specific recognition criteria must be met before revenue is recognised:

Rendering of services

Revenue from services rendered is recognised in the accounting periods in which the services are provided.

Interest income

Interest income is recognised as it is earned.

Dividend income

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

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Notes to the financial statements

(m) Foreign currency translation

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction.

Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from then settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognised as income or expenses in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(n) Income tax

Due to its charitable status, the Parent and Group is exempt from income tax.

(o) Goods and Services Tax (GST)

All amounts in these financial statements are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the Inland Revenue (IR) is included as part of receivables or payables in the Statement of Financial Position.

4 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with NZ IPSAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Where material, information on significant judgements, estimates and assumptions is provided in the relevant accounting policy or provided in the relevant note disclosure.

The estimates and underlying assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Estimates are subject to ongoing review and actual results may differ from these estimates. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in future years affected.

5 Capital management policy

The Parent and Group capital is its equity, being the net assets represented by retained earnings and other equity reserves. The primary objectives of the Parent and Group's capital management policy is to ensure adequate capital reserves are maintained in order to support its activities. The Parent and Group manages its capital structure and makes adjustment to it, in light of changes to funding requirements. To maintain or adjust the capital structure, budgetary discretionary expenditure is reduced to avoid the need for external borrowings.

6 Subsidiaries

The consolidated financial statements of the Group include the following subsidiary of the Parent:

All subsidiaries are incorporated in New Zealand under the Companies Act 1993 and registered as charities under the Charities Act 2005.

Name of subsidiary	Principal activity
Domain Name Commission Limited	Managing the .nz domain name space and protecting the interests and rights of everyone involved in using it.

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7(a) Operating expenses

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Amortisation of intangibles	277,824	344,436	272,312	31,200
Audit fees	23,768	24,364	19,268	4,864
Bad and doubtful debts	-	-	-	-
Depreciation of property, plant and equipment	336,072	221,870	322,483	52,215
Loss on disposal of property, plant and equipment	126,364	4,983	123,028	1,647
Operating lease payments	399,789	530,186	399,789	394,428
Wages, salaries and other employee costs	5,377,091	4,863,154	4,726,476	1,669,926
Other overheads and administration costs	5,007,523	4,480,668	5,278,184	2,413,036
Total operating expenses	11,548,430	10,469,661	11,141,539	4,567,316

7(b) Technology services

The group technological services expenses are $1,300,000 less than the parent technological services expenses due to the elimination of the management fee paid to Domain Name Commission Limited.

8 Cash and cash equivalents

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Cash at bank and in hand	3,508,099	2,754,063	3,095,193	1,769,474
Term deposits with maturities of three months or less	116,108	115,527	80,771	80,367
Cash and cash equivalents at end of the year	3,624,207	2,869,590	3,175,964	1,849,841

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

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

9 Trade debtors and other receivables

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Trade receivables	1,216,459	1,170,902	1,215,604	13,587
Accrued interest	44,260	50,421	41,971	19,639
GST receivable	-	-	-	60,935
Impairment allowance	-	-	-	-
Total trade debtors and other receivables	1,260,719	1,221,323	1,257,574	94,161

Trade debtors and other receivables are non-interest bearing and receipt is normally on 30 days terms. Therefore the carrying value of trade debtors and other receivables approximates its fair value.

As at 31 March 2018 and 2019, all overdue receivables have been assessed for impairment and appropriate allowances made. All receivables are subject to credit risk exposure.

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10 Property, plant and equipment

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

Group 2019	Leasehold Improvements $	Furniture and fittings $	Computer hardware $	Office equipment $	Total $
Gross carrying amount					
Opening balance	1,498	273,173	2,489,790	454,131	3,218,592
Additions	-	46,068	381,479	15,083	442,630
Disposals in cuurent year			(874,719)	(2,524)	(877,243)
Disposals of fully amortised assets	-	-	(837,945)	-	(837,945)
Closing balance	1,498	319,241	1,158,605	466,690	1,946,034
Accumulated depreciation and impairment					
Opening balance	180	97,478	2,270,307	372,102	2,740,067
Current year depreciation	105	22,627	269,014	44,328	336,074
Depreciation written back on disposal			(861,322)	(344)	(861,666)
Amortisation written back on disposal	-	(14,567)	(837,945)	-	(852,512)
Closing balance	284	105,538	840,054	416,086	1,361,962
Carrying amount 31 March 2019	1,213	213,703	318,551	50,604	584,071

Group 2018	Leasehold Improvements $	Furniture and fittings $	Computer hardware $	Office equipment $	Total $
Gross carrying amount					
Opening balance	15,333	227,383	2,363,206	440,725	3,046,647
Additions	-	45,789	154,295	24,047	224,132
Disposals	(13,835)	-	(27,711)	(10,641)	(52,187)
Closing balance	1,498	273,173	2,489,790	454,131	3,218,592
Accumulated depreciation and impairment					
Opening balance	13,910	71,163	2,127,529	329,094	2,541,695
Current year depreciation	105	26,315	145,137	50,313	221,870
Depreciation written back on disposal	(13,835)	-	(2,358)	(7,305)	(23,498)
Closing balance	180	97,478	2,270,307	372,102	2,740,067
Carrying amount 31 March 2018	1,318	175,695	219,483	82,029	478,526

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Notes to the financial statements

Property, Plant and Equipment (continued)

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

Parent 2019	Leasehold Improvements $	Furniture and fittings $	Computer hardware $	Office equipment $	Total $
Gross carrying amount					
Opening balance	-	273,172	139,381	61,284	473,837
Opening balance - NZRS	1,498	-	2,350,409	310,020	2,661,927
Additions	-	46,068	381,479	12,011	439,558
Disposals	-	-	(874,719)	(2,524)	(877,243)
Closing balance	1,498	319,240	1,996,550	380,791	2,698,080
Accumulated depreciation and impairment					
Opening balance	-	97,478	95,721	42,598	235,798
Opening balance - NZRS	180	-	2,174,587	266,920	2,441,687
Current year depreciation	105	22,627	269,013	30,738	322,483
Depreciation written back on disposal	-	(14,567)	(861,322)	(344)	(876,233)
Closing balance	285	105,539	1,677,999	339,912	2,123,735
Carrying amount 31 March 2019	1,213	213,701	318,552	40,879	574,345

Parent 2018	Leasehold Improvements $	Furniture and fittings $	Computer hardware $	Office equipment $	Total $
Gross carrying amount					
Opening balance	-	227,383	114,632	60,137	402,152
Additions	-	45,789	28,754	1,147	75,691
Disposals	-	-	(4,005)	-	(4,005)
Closing balance	-	273,172	139,381	61,284	473,837
Accumulated depreciation and impairment					
Opening balance	-	71,163	80,731	34,047	185,941
Current year depreciation	-	26,315	17,348	8,552	52,215
Depreciation written back on disposal	-	-	(2,358)	-	(2,358)
Closing balance	-	97,478	95,721	42,598	235,798
Carrying amount 31 March 2018	-	175,694	43,661	18,686	238,040

Capital commitments

As at 31 March 2019 the Parent and Group have no contractual commitments to acquire property, plant and equipment.

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11 Intangible assets

Movements for each class of intangible assets are as follows:

Group 2019	Software $	Trademarks $	Total $
Gross carrying amount			
Opening balance	4,157,240	10,698	4,167,938
Additions	85,579	-	85,579
Disposals in current year	(2,545,641)		(2,545,641)
Disposals of fully ammortised assets post merger	379,200	-	379,200
Closing balance	2,076,378	10,698	2,087,076
Accumulated amortisation and impairment			
Opening balance	3,722,748	10,698	3,733,446
Current year amortisation	277,825	-	277,825
Amortisation written back on disposal	(2,423,024)		(2,423,024)
Amortisation written back on disposals assets post merger	379,200	-	379,200
Closing balance	1,956,749	10,698	1,967,447
Carrying amount 31 March 2019	119,629	-	119,629

Group 2018	Software $	Trademarks $	Total $
Gross carrying amount			
Opening balance	3,850,180	10,698	3,860,878
Additions	307,060	-	307,060
Disposals	-	-	-
Closing balance	4,157,240	10,698	4,167,938
Accumulated amortisation and impairment			
Opening balance	3,378,312	10,698	3,389,010
Current year amortisation	344,436	-	344,436
Amortisation written back on disposal	-	-	-
Closing balance	3,722,748	10,698	3,733,446
Carrying amount 31 March 2018	434,492	-	434,492

Intangible assets (continued)

Movements for each class of intangible assets are as follows:

Parent 2019	Software $	Trademarks $	Total $
Gross carrying amount			
Opening balance	237,109	-	237,109
Opening balance - NZRS	3,798,127	10,698	3,808,825
Additions	85,579	-	85,579
Disposals	(2,545,641)	-	(2,545,641)
Closing balance	1,575,174	10,698	1,585,872
Accumulated amortisation and impairment			
Opening balance	182,758	-	182,758
Opening balance - NZRS	3,427,572	10,698	3,438,270
Current year amortisation	272,312	-	272,312
Amortisation written back on disposal	(2,423,024)	-	(2,423,024)
Closing balance	1,459,618	10,698	1,470,316
Carrying amount 31 March 2019	115,556	-	115,556

Parent 2018	Software $	Trademarks $	Total $
Gross carrying amount			
Opening balance	224,519	-	224,519
Additions	12,590	-	12,590
Disposals	-	-	-
Closing balance	237,109	-	237,109
Accumulated amortisation and impairment			
Opening balance	151,558	-	151,558
Current year amortisation	31,200	-	31,200
Amortisation written back on disposal	-	-	-
Closing balance	182,758	-	182,758
Carrying amount 31 March 2018	54,351	-	54,351

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12 Investments

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Loans and receivables				
Term deposits	12,448,500	12,454,306	12,082,425	2,287,628
Financial assets at fair value through surplus or deficit				
Managed Funds	3,062,825	2,887,340	3,062,825	2,887,340
Total Financial Assets	15,511,325	15,341,646	15,145,250	5,174,967

There is no impairment provision for investments.

Managed funds

InternetNZ holds managed funds with Kiwi Wealth and Milford Assets Management. Managed funds are held with the aim to deliver long term capital growth with moderate risk.

The fair value of the Parent and Group investments in equity investments has been determined by reference to their quoted prices at the reporting date. All equity investments are publicly traded on stock exchanges in New Zealand.

13 Total unspent funds held

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Total unspent funds held:				
Cash and cash equivalents	3,624,207	2,869,590	3,175,964	1,849,841
Investments	15,511,325	15,341,646	15,145,250	5,174,967
Total unspent funds held	19,135,532	18,211,236	18,321,214	7,024,808
The total unspent funds are held by:				
Internet New Zealand Incorporated	18,321,214	7,024,808	18,321,214	7,024,808
Domain Name Commission Limited	814,319	1,243,602	-	-
NZRS Limited	-	9,942,826	-	-
Total unspent funds held	19,135,532	18,211,236	18,321,214	7,024,808
Represented by:				
Funds held but not yet spent	10,630,840	9,729,432	9,816,522	7,024,808
Deferred revenue	8,504,692	8,481,804	8,504,692	-
Total unspent funds held	19,135,532	18,211,236	18,321,214	7,024,808

14 Trade creditors and other payables

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Trade creditors	905,280	921,191	717,046	290,670
GST payable	29,913	74,458	25,629	-
Other accruals	765,095	-	565,980	312,081
Total trade creditors and other payables	1,700,288	995,649	1,308,655	602,752

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

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Notes to the financial statements

15 Deferred revenue

	Group		Parent	
	2019	2018	2019	2018
	$	$	$	$
Current	5,879,625	5,837,636	5,879,625	-
Non-current	2,625,066	2,644,168	2,625,066	-
Total deferred revenue	8,504,692	8,481,804	8,504,692	-

Registry fees received by InternetNZ Limited are recognised as revenue on a straight line basis over the period of registration which ranges from 1 to 10 years. Registry fee receipts received for periods subsequent to balance date are treated as deferred revenue.

16 Employee entitlements

	Group		Parent	
	2019	2018	2019	2018
	$	$	$	$
Annual leave entitlements	372,644	263,643	332,572	137,005
Liability for long-service leave	31,333	19,789	29,581	17,773
Total employee entitlements	403,977	283,432	362,153	154,778

Short–term employee entitlements represent the Parent and Group's obligation to its current and former employees that are expected to be settled within 12 months of balance date. These mainly consist of accrued holiday entitlements at the reporting date.

During the year the number of employees who received remuneration greater than $100,000 is 17 (2018: 16)

17 Operating leases

Operating leases are held for premises used for office space.

	Group		Parent	
	2019	2018	2019	2018
Non-cancellable operating leases are payable as follows:	$	$	$	$
Less than one year	364,590	380,835	364,590	380,835
Between one and five years	1,328,400	1,360,890	1,328,400	1,360,890
More than five years	138,375	470,475	138,375	470,475
Total operating lease commitment	1,831,365	2,212,200	1,831,365	2,212,200

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18 Related party transactions

Related party transactions arise when an entity or person(s) has the ability to significantly influence the financial and operating policies of the Parent or Group.

The Parent and Group has a related party relationship with its Subsidiaries, Executive Officers and other Key Management Personnel.

Transactions between Parent and subsidiaries

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

2019

- Domain Name Commission Limited (DNCL).

2018

- NZRS Limited (NZRS); and
- Domain Name Commission Limited (DNCL).

InternetNZ received no dividends declared and paid by NZRS during the year (2018: $4,728,236).

DNCL paid management fees to InternetNZ during the year of $227,232 (2018: NZRS $212,256 and DNCL $187,235).

Other related party transactions

There were no other related party transactions (2018: Innovation Partnership Membership Fees of $40,000. InternetNZ is a trustee of the Innovation Partnership Trust and Outreach and Engagement Director Andrew Cushen represents InternetNZ in this role and is also the Innovation Partnership Trust Treasurer. Andrew Cushen was not a party to the council resolution vote to become a trustee of the Innovation partnership Trust).

Key management compensation

The Parent and Group have a related party relationship with its key management personnel. Key management personnel include the Parent's Council Members, Subsidiary Directors and the Senior Management.

Key management personnel compensation includes the following expenses:	Group		Parent	
	2019	2018	2019	2018
	$	$	$	$
Directors fee, salaries and other short-term employee benefits	1,703,261	2,620,966	1,490,511	978,217
Total remuneration	1,703,261	2,620,966	1,490,511	978,217
Number of persons recognised as key management personnel	22	34	19	17

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18 Financial instruments

(a) Carrying value of financial instruments
The carrying amounts of all material financial assets and liabilities are considered to be equivalent to fair value.

Fair value is the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

(b) Classification of financial instruments
All financial assets held by the Parent and Group classified as "loans and receivables" are carried at cost less accumulated impairment losses. Investments in managed funds are classified as "Financial assets at fair value through surplus or deficit" as disclosed in Note 12.

All financial liabilities held by the Parent and Group are carried at amortised cost using the effective interest rate method.

19 Reconciliation of cash flows from operating activities

	Group		Parent	
	2019	2018	2019	2018
	$	$	$	$
Surplus/(deficit) for the year	15,427	867,051	602,097	953,377
Add/(deduct) non-cash items				
Depreciation, amortisation and impairment	613,896	566,306	594,795	83,415
Fair value movements on financial instruments through surplus or deficit	-	-	-	-
Bad and doubtful debt expenses	-	-	-	-
Other non-cash items	-	-	-	-
Add/(deduct) movements classified as investing activities				
(Gain)/loss on disposal of property, plant and equipment	123,029	4,983	123,029	1,647
Add/(deduct) movements in working capital				
(Increase)/decrease in trade debtors and other receivables	(39,395)	121,465	(39,617)	(3,098)
(Increase)/decrease in GST receivable	(44,545)	20,636	(21,892)	4,697
(Increase)/decrease in prepayments	(109,126)	7,002	(109,126)	(30,427)
Increase/(decrease) in trade creditors and other payables	749,185	29,050	598,998	103,944
Increase/(decrease) in employee entitlements	120,545	(16,256)	106,945	(21,944)
Increase/(decrease) in deferred revenue	22,889	167,019	22,889	-
Net cash flows from/ (used in) operating activities	1,451,905	1,767,256	1,878,117	1,091,611

20 Contingent assets and contingent liabilities

The Parent and Group have no contingent assets or continent liabilities (2018: None).

21 Events after the reporting period

There were no significant events after the balance date for 2019 (2018: After the balance date, on the 1st of April 2018, Internet NZ merged with NZRS Limited with all assets and liabilities transferred as an in-specie distribution to Internet NZ as the 100% shareholder of NZRS Limited).

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INDEPENDENT AUDITOR'S REPORT

To the Members of Internet New Zealand Incorporated

Opinion

We have audited the consolidated financial statements of Internet New Zealand Incorporated and its controlled entities (the "Group") on pages 1 to 19, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in net assets/equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for Opinion

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

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

Responsibilities of the Councillors for the Consolidated Financial Statements

The Councillors are responsible on behalf of the entity for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board, and for such internal control as the Councillors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Crowe Horwath

Crowe Horwath New Zealand Audit Partnership
CHARTERED ACCOUNTANTS

1 July 2019