



an  InternetNZ company

ANNUAL REPORT 2014-15

NZRS LIMITED

Annual Report
For the Year Ended 31st March 2015

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THE YEAR IN REVIEW

New company name and brand

During the year we completed a change of company name to NZRS Ltd and the adoption of a new brand that mirrors that of our shareholder InternetNZ.

Statistics

This year saw 82,487 new domains being added, just below the budgeted 84,000.

Over the year domain name growth increased significantly due to the opening of the second level on 30 September 2014. Following this, there was a six-month period where those with existing .nz names had the rights to either register or reserve their name direct at the second level. This PRR (preferential, registration and reservation) period expired on 30 March, 1.00pm and there was another increase of domains registered at this time.

The growth rate for 2014-2015 was 15%, well above the 4.48% growth in 2013-2014 but below the average 20% growth seen in the seven years leading up to the global financial crisis.

	31 March 2015	31 March 2014	31 March 2013
Registrars connected to production (including DNCL)	85	83	82
Domain names	632,268	549,781	526,201
Net growth	82,487	23,580	48,516
Percentage increase	15.00%	4.48%	10.15%

Financial Performance

As a result of tight cost control and some expenditure being deferred, profit was also above budget with a net surplus of \$2.724 million versus \$2.312 forecast (2013-14 \$3.101 million).

Dividends totalling \$2.755 million (2013-14 \$2.559 million) were paid to the shareholder InternetNZ across the 2014 - 2015 year.

The domain name fee charged to Registrars remained at \$1.25 per month.

The company's balance sheet remained strong, with significant funds invested. The funds, derived predominantly from prepaid domain name fees, are conservatively invested under a low-risk investment strategy of rolling fixed-interest deposits spread across a number of registered banks, with the company's reserves therefore relatively well protected from the global financial crisis. Yields have remained modest to match the interest rates on offer and there has been no loss of capital.

Charitable Status

The company continues to meet the requirements for charitable status and incurred no liability for income tax on its earnings during 2014 - 2015.

Income recognition policy

At the end of the 2012-2013 financial year we changed our income recognition policy slightly to calculate on a daily rather than monthly basis. For management accounting purposes we use monthly income recognition throughout the year and apply a correction at the end of the year in agreement with the auditors. This year due to the unusually high number of registrations in the last few days of March 2015, this correction was \$63,961.

Progress towards the achievement of our Strategic Goals

The company's vision is:

A world class Internet in NZ.

This vision and the five strategic goals that follow from it provide the all-important focus for the company. Significant progress was made on delivering the key work items that support these goals.

There were two major developments over the year:

- The switch over from an outsourced service provider to an internal technical team;
- The opening of the second level.

Strategic Goal 1

Deliver a world-class domain name service to registrars, their customers and all Internet users.

This is our key strategic goal and we consider it a goal that cannot be compromised by any future developments. It is this imperative that has led to our strong focus on best practice processes, best practice controls and best practice technology.

The company's core operational systems performed well during the year, enabling achievement of the key metrics under the Service Level Agreement (SLA) with Domain Name Commission Limited (DNCL) in accordance with the relevant Operating Agreements (OA) between NZRS/INZ and DNCL/INZ, for all months.

Availability	SLA requirement	Number of months SLA requirement met
DNS	100	12

Our priority this year was to take over the operational management of the DNS zone generation and distribution process from our outsourced partner with no disruption to service, which went well. As part of that process we added new third-party monitoring services for our DNS.

Strategic Goal 2

Deliver world-class registry services that continually improve.

The company's core registration system performed well again enabling achievement of the key metrics required by the SLA.

Availability	SLA requirement	Number of months SLA requirement met
SRS	99.90	11
WHOIS	99.90	12

We made substantial changes to the SRS to support the opening of the second level including changes to support reservations, conflicts and preferred registrations. In addition extra monitoring was added to ensure that we could handle exceptionally high volumes at critical times.

Our channel management, customer research and marketing activities continued apace, particularly in support of opening the second level. The NZRS Board now has sophisticated market research data available to it.

Strategic Goal 3

Support InternetNZ through tangible contributions of income, governance and management resources, and expert knowledge.

Our key contribution over this year was financial through dividend payments and the support of key group initiatives in developing its future strategy, communicating the work of the group and building stronger relationships with key stakeholders.

Strategic Goal 4

Develop our services and technology within a long term evolutionary framework to meet the future needs of Internet users.

This year we were free to develop new opportunities and by end of the year had one opportunity close to release.

Strategic Goal 5

Deliver, in partnership with DNCL, a successful long-term strategy for .nz.

During this year we completed discussions on the .nz Framework, a new document that sets out the different roles for NZRS, DNCL and InternetNZ and how they apply to elements of the overall .nz service. In addition the boards of NZRS and DNCL agreed a revised .nz strategy.

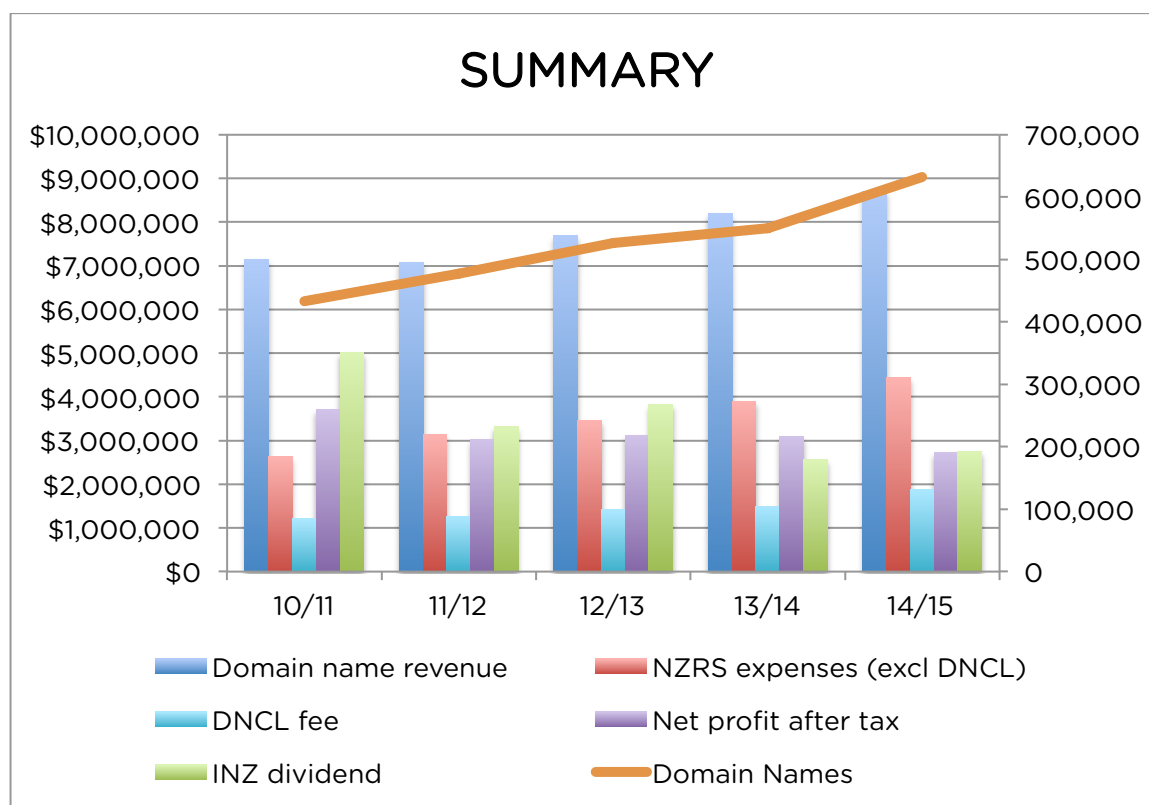
People and relationships

NZRS has enjoyed good working relationships with both InternetNZ and DNCL, at both governance and operational levels.

There was one change at Board level during the year. At the 2014 AGM Michael Wallmannsberger retired by rotation and Brenda Wallace was appointed at the following INZ Council meeting. Brenda replaces Michael as the INZ Council representative on the NZRS Board.

History and trends

NZRS commenced managing the domain name registry for .nz in October 2002 and each of the subsequent years has seen year-on-year growth in domain names, company revenue and dividends paid to the shareholder. This has been achieved alongside reducing domain name fees.

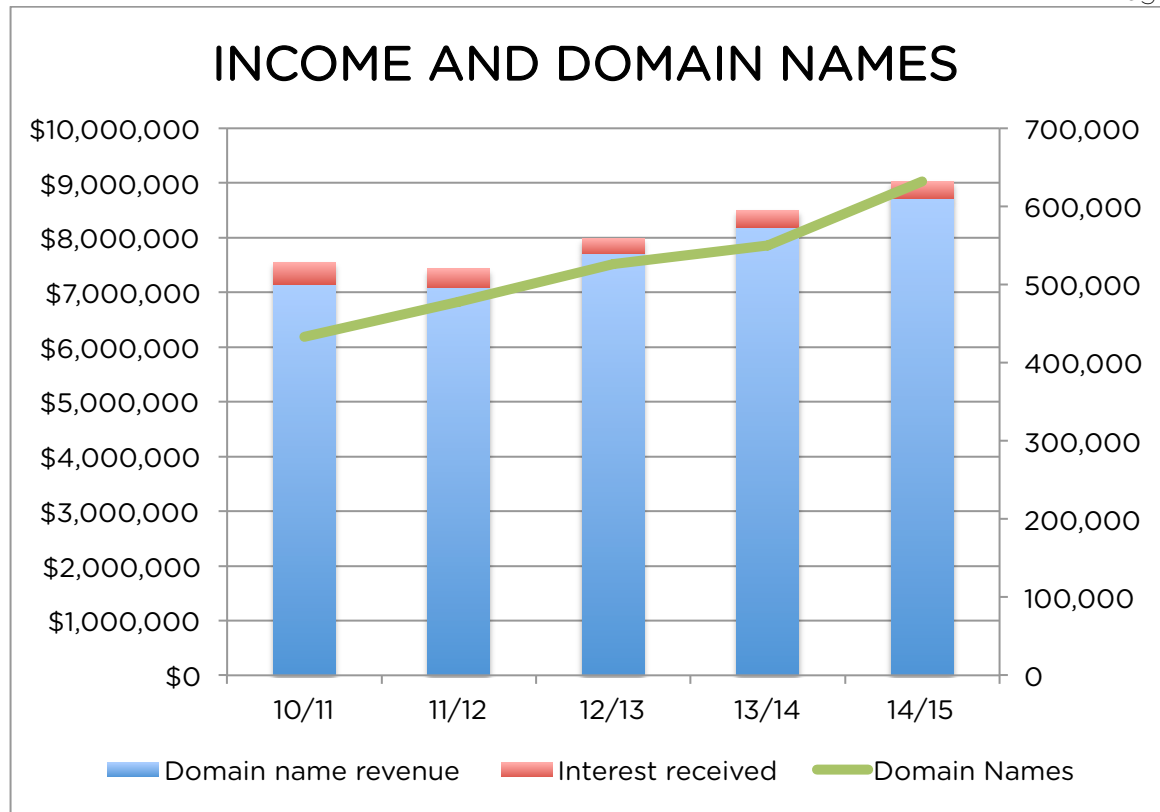


	10/11	11/12	12/13	13/14	14/15
Domain name revenue	\$7,152	\$7,086	\$7,703	\$8,195	\$8,712
Expenses	\$3,841	\$4,413	\$4,869	\$5,396	\$6,307
Net profit after tax	\$3,710	\$3,031	\$3,121	\$3,101	\$2,724
Dividend	\$5,010	\$3,325	\$3,829	\$2,560	\$2,756
DNCL fee	\$1,208	\$1,260	\$1,411	\$1,496	\$1,870
Domain names	433	477	526	549	632

All figures are in 000s

The main factors for the increase in expenses in this year were the introduction of a technical research team and the step up in our marketing activities.

NZRS receives interest income on funds invested, with the majority of these funds representing prepaid domain name fees. .nz policy provides for registrants to register domain names for terms ranging from one month to 120 months. The average term as at 31st March 2015 was 14.6 months for new domain names, and 5.8 months for renewals. The increasing number of domain names results in the amount of prepaid domain name fees increasing each year.

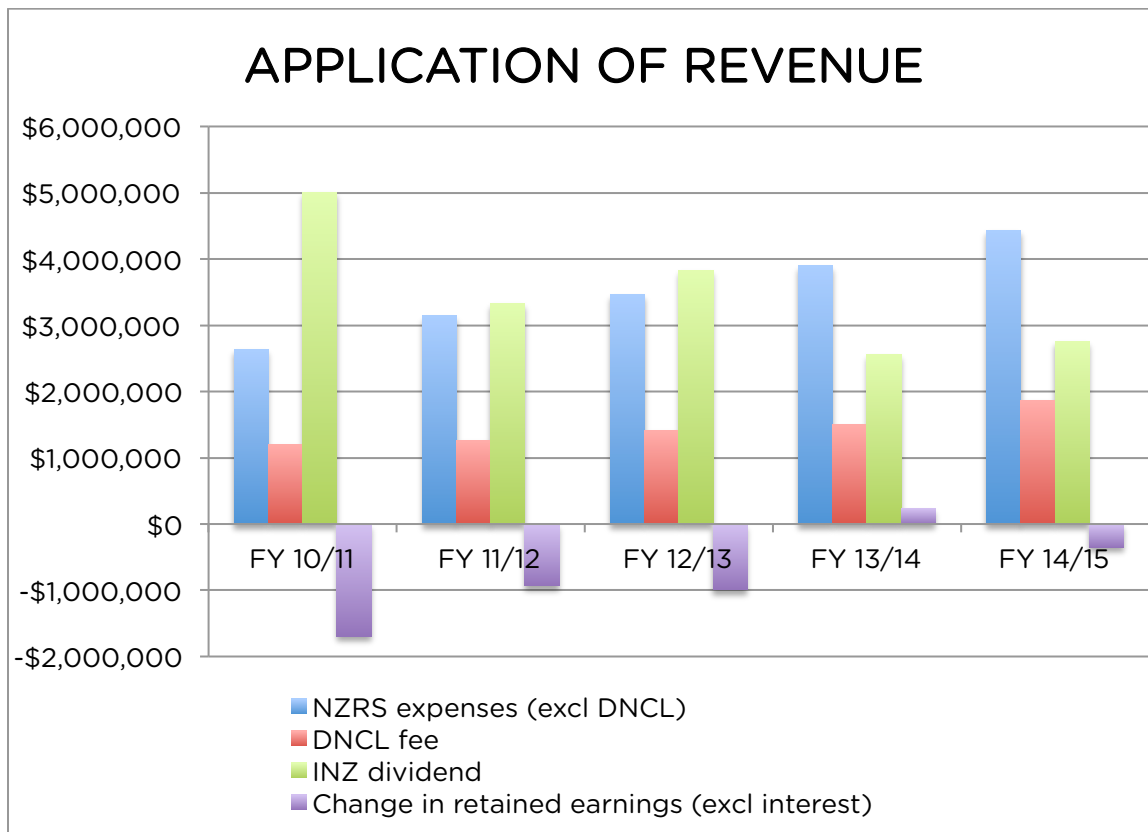


	10/11	11/12	12/13	13/14	14/15
Domain name revenue	\$7,152	\$7,086	\$7,703	\$8,195	\$8,712
Interest received	\$398	\$347	\$287	\$303	\$320
Domain names	433	477	526	549	632

All figures are in 000s

Interest income will continue to be a feature of NZRS's overall revenue as long as the company receives prepaid domain name fees under the .nz policy. NZRS manages these funds under company policies (Liquidity, Treasury, Reserves and Dividend) that recognise the legal, commercial and fiduciary obligations to maintain those funds and invest them in a prudent manner.

NZRS has not paid income tax for the 2009-2010 through to 2014-2015 years as a result of our charitable status.



	10/11	11/12	12/13	13/14	14/15
Expenses (excl DNCL)	\$2,631	\$3,153	\$3,458	\$3,900	\$4,438
DNCL fee	\$1,207	\$1,260	\$1,411	\$1,495	\$1,870
INZ dividend	\$5,010	\$3,325	\$3,829	\$2,560	\$2,756
Change in retained earnings (excl interest)	(\$1,697)	(\$641)	(\$994)	\$239	(\$351)
Tax	\$0	\$0	\$0	\$0	\$0

All figures are in 000s

Outlook

Growth

The main factor in the outlook for 2015-16 is the ongoing effect of the introduction of new gTLDs. It is the company's view that until this point much of the global growth in domain names was generated by speculation in a concentrated market, right down to the level of individuals purchasing single domains. With this speculative behaviour undermined by the vast increase in availability of 'good' names at a global level, global growth is flat-lining across the board. Our forecast for .nz is therefore for a return to the low growth that we saw before the opening of the second level.

NZRS's budget for 2015 - 2016 is predicated on a rate of monthly growth in domain names. The company believes this realistically reflects the current outlook.

Net Growth	2015-16
April	7,055
May	3,342
June	2,826

July	2,272
August	2,283
September	-3,024
October	-5,493
November	1,339
December	491
January	496
February	1,355
March	-1,673
TOTAL	11,269
Monthly average	939

Expenditure

For a number of years our expenditure has grown as we have invested in new services and responded to policy changes, including the introduction of EPP, Internationalised Domain Names, DNSSEC, Registrar Portal and opening the second level. Our forecast for the next three years shows our expenditure peaking in 2015-16 and then beginning to decline.

NZRS Corporate Governance Statement

The Role of the Board

The Board's role is to effectively represent and promote the interests of the shareholder with a view to adding long-term value to the company while respecting the interests of a wide range of stakeholders within the context of the company's ownership and the shareholder's objectives.

The Board is responsible for the overall direction and control of the company's activities, and its key responsibilities include the following:

- Establishment of goals and strategies with associated business plans
- Monitoring company performance against budget and other performance measures
- Ensuring integrity in reporting
- Communications with the shareholder on a regular basis through an annual Company Plan, Annual Report and quarterly reporting, and other reporting as requested by the shareholder
- Implementation of policies to enhance company performance
- Identifying and managing business risks, including statutory compliance
- Ensuring appropriate internal controls and the quality and independence of the external audit function
- Monitoring management and its performance, including Chief Executive appointment, review, development, succession planning and delegations
- Fostering a company culture that requires directors, management and every staff member to adhere to high standards of ethics and corporate behaviour.

Board Structure

The directors of NZRS Ltd are appointed by the shareholder Internet New Zealand Incorporated. Each year directors retire by rotation and may, if they so desire, make themselves available for re-appointment. Board membership currently consists of five non-executive directors.

Board Operations and Policies

The NZRS Ltd Board meets regularly and policies are in place to ensure these meetings are subject to formal agendas and reporting procedures.

The Board has adopted a Governance Policy, incorporating the following Good Governance Principles which collectively document the Board's role and responsibilities, and deal with principles and processes associated with independence and conflicts of interest, Board committees and procedures, reporting and disclosure, risk management, and relationships with the shareholder and stakeholders.

Good Governance Principles

1. Ethical Standards

The directors of the company observe and foster high ethical standards.

2. Board Composition and Performance

The Board works with the shareholder to ensure there is a balance of independence, skills, knowledge, experience and perspectives among directors so that the Board works effectively.

The Board seeks, in conjunction with its shareholder, to maintain a balance of directors with complementary skills and business experience and who will contribute to the Board in a positive and constructive manner, while acting with the highest levels of integrity and professionalism. Newly appointed directors undergo an induction process which includes the provision of all relevant documentation.

Directors are encouraged to belong to appropriate professional organisations and to participate in ongoing training and development relevant to their governance responsibilities.

3. Board Committees

The Board utilises committees where this enhances its effectiveness in key areas while retaining board responsibility.

The Board has formally constituted one standing Board Committee:

Audit and Risk Assessment Committee – membership consists of all Board members. The Committee is regulated by approved Terms of Reference that address membership, functions and responsibilities, authorities and reporting procedures. The Committee is chaired by a director who is not the Board Chair. The Committee monitors the company's risk management processes, oversees the findings of the company's external auditors and reviews undertaken by other professional advisers, and monitors the company's legislative compliance.

4. Reporting and Disclosure

The Board demands integrity both in financial reporting and in the timeliness and balance of disclosure on the company's affairs.

5. Remuneration

The Board has an objective of the remuneration of directors being transparent, fair and reasonable.

6. Risk Management

The Board regularly verifies that the company has appropriate processes that identify and manage potential and relevant risks.

7. Auditors

The Board ensures the quality and integrity of the external audit process.

8. Shareholder Relations

The Board fosters a constructive relationship with the shareholder InternetNZ, ensures it understands their objectives and encourages them to engage with the company in an appropriate manner.

9. Stakeholder Interests

The Board respects the interests of the company's wide range of stakeholders within the context of the company's ownership, its fundamental purpose and its role in managing a key component of New Zealand's infrastructure.



Left to right: Chief Executive Jay Daley, Directors - Doug Mercer, Richard Currey, Brenda Wallace, David Wright and Mark Vivian.

The NZRS Board

Richard Currey (Chairman)

Richard has held senior Treasury roles managing portfolios of \$2bn+ for a number of banks and was Auckland Manager of a global information provider. In 1997 Richard started a successful website and multimedia company specialising in e-commerce and database driven solutions. Since 2007, Richard has worked on a number of assignments focusing on project and strategic management. Richard was a Board member of DNCL for eight years and Chair for two.

David Wright (Chair, Audit & Risk Assessment Committee)

David is a professional company director and business consultant. He has held Chief Executive and senior management positions in the primary production, transport and electricity sectors across both the private and state sectors. His previous appointments include Director of the Land Transport Safety Authority, a role that included oversight of New Zealand's motor vehicle and driver licence registries. His current governance roles include Chair of West Coast Energy PTY Ltd, Chair of Air Rescue Group, Deputy Chair NZ Blood Service, Director of WEL Networks Ltd, Director of Wellington Water Ltd and Interim CEO, Heart of the City Incorporated.

Doug Mercer

Doug recently retired from a fulltime career of nearly thirty years in the IT industry. He has held Senior Management positions and for much of his career provided Project Management consultancy to a wide range of Companies and Government Departments. In 2002, Doug was the Project Manager responsible for implementing the Shared Registry System currently operated by NZRS.

Brenda Wallace

Brenda is a developer at Rabid, involved in a social enterprise startup in Wellington, and a council member for InternetNZ. She was previously a Production Engineer at Weta Digital. She has worked in technical and team lead roles in Open source, mobile telecommunications, and electricity generation.

Mark Vivian

Mark is a Partner with Movac, the Wellington-based venture capital firm. He has created and grown successful businesses in New Zealand, the United Kingdom and the United States, and experienced two highly successful IPOs on the NASDAQ and London Stock Exchange. Mark also founded KEA, an award-winning organisation harnessing New Zealand's expat community, and worked with New Zealand businesses to access global markets. He held senior management positions with the New Zealand Rugby Union, and is a former Chairman of the Wellington Sevens. Mark is currently Director of 1Above Limited, Roof Safe Systems Limited, New Ground Media Limited, Board Advisor to Yellow Brick Road Limited, and is an investor in a number of privately-held New Zealand companies. He is also a Trustee of the Young Enterprise Trust.

NZRS Limited
Annual Report
For the Year Ended 31st March 2015

Prepared By

Deloitte
Wellington NZ

NZRS Limited
Directors' Report
For the Year Ended 31st March 2015

Financial Result

The Net Profit for the year, after taxation, was \$2,724,128 (2014 \$3,101,480).

	2015	2014
Retained Earnings as at 1 April 2014	3,496,329	2,954,486
Net Profit After Tax	2,724,128	3,101,480
Dividend Declared	(2,755,776)	(2,559,637)
Retained Earnings as at 31 March 2015	\$3,464,681	\$3,496,329

Dividend

Dividends of \$2,755,776 were declared and paid for the year ended 31st March 2015 (2014 \$2,559,637).

Remuneration of Directors

During the year the Board of Directors received the following remuneration:

	2015	2014
Directors' Fees		
Richard Currey	39,000	39,000
Douglas Mercer	23,562	29,250
Michael Wallmannsberger (Retired July 2014 AGM)	6,500	19,500
David Wright	25,188	19,500
Mark Vivian	19,500	19,500
Brenda Wallace (Appointed August 2014 INZ Council Meeting)	13,000	-
	\$126,750	\$126,750

Directors' Information

There were no notices from directors of the company requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

NZRS Limited
Directors' Report (Continued)
For the Year Ended 31st March 2015

Interests Register

Entries have been made in the interests register during the year for the directors' remuneration disclosed in this report and directors and officers insurance paid by the company.

Share Dealings

No shares were purchased, sold or held either directly or indirectly by the directors during the year.

No changes have occurred since Balance Date.

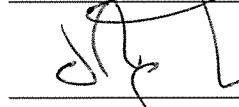
General

No changes have been made to the main activities of the company since trading commenced.

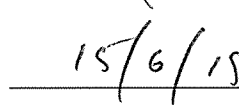
For and on Behalf of the Board



Director



Director



Date

NZRS Limited
Statement of Comprehensive Income
For the Year Ended 31st March 2015

	Note	2015 \$	2014 \$
Registry Fees		8,711,828	8,194,983
Operating Expenses			
Amortisation		420,049	338,674
Audit Fees		11,365	13,330
Depreciation	4	383,833	358,095
Directors' Fees		126,750	126,750
DNC Management Fee	13	1,869,840	1,495,872
Employee Remuneration	14	1,743,703	960,916
Other Expenses	1	1,693,880	2,102,419
Rent		58,286	-
Total Operating Expenses		6,307,706	5,396,056
Surplus/(Deficit) from Operations		2,404,122	2,798,927
Plus Other Income/(Expenses)			
Interest Revenue		320,006	302,553
Surplus/(Deficit) for the Year		2,724,128	3,101,480
Other Comprehensive Income		-	-
Total Comprehensive Income for the Year		\$2,724,128	\$3,101,480

Total Comprehensive Income is attributable to the Shareholders of the Company

NZRS Limited
Statement of Changes in Equity
For the Year Ended 31st March 2015

		2015 \$	2014 \$
Share Capital			
Opening Share Capital	30,000		30,000
	<hr/>		<hr/>
Share Capital as at 31st March 2015		30,000	30,000
Retained Earnings			
Opening Retained Earnings	3,496,329		2,954,486
Transactions with Owners			
Dividend Declared	15	2,755,776	2,559,637
		<hr/>	<hr/>
		740,553	394,849
Total Comprehensive Income for the Year			
Surplus/(Deficit) for the Year	2,724,128		3,101,480
	<hr/>		<hr/>
	2,724,128		3,101,480
	<hr/>		<hr/>
Retained Earnings as at 31st March 2015		3,464,681	3,496,329
		<hr/>	<hr/>
Equity as at 31st March 2015		\$3,494,681	\$3,526,329
		<hr/>	<hr/>

NZRS Limited
Statement of Financial Position
As At 31st March 2015

	Note	2015 \$	2014 \$
Current Assets			
Cash and Cash Equivalents		2,205,361	870,692
Short Term Deposits	2	6,753,692	7,228,880
Trade Debtors and Other Receivables	3	<u>1,623,380</u>	<u>1,105,142</u>
Total Current Assets		10,582,433	9,204,714
Property, Plant & Equipment	4	462,515	565,843
Intangible Assets	5	<u>624,755</u>	<u>523,547</u>
Total Assets		11,669,703	10,294,104
Less Liabilities:			
Current Liabilities			
Deferred Income - Current	7	5,533,052	4,609,054
Trade Creditors and Other Payables	6	<u>427,947</u>	<u>410,213</u>
Total Current Liabilities		5,960,999	5,019,267
Non-Current Liabilities			
Deferred Income - Non Current	7	<u>2,214,023</u>	<u>1,748,508</u>
Total Liabilities		8,175,022	6,767,775
Net Book Value of Assets		<u>\$3,494,681</u>	<u>\$3,526,329</u>
Represented by:			
Total Equity		<u>\$3,494,681</u>	<u>\$3,526,329</u>

For and on Behalf of the Board


 _____ Director


 _____ Director

15/6/15 Date

NZRS Limited
Statement of Cashflows
For the Year Ended 31st March 2015

	2015	2014
	\$	\$
Cashflows From Operating Activities		
Cash was Provided From:		
Net Receipts from Customers	9,609,931	8,398,389
Net GST Received	135,400	
Interest Received	318,675	295,739
Income Tax Refunded	-	7,461
	<hr/>	<hr/>
	10,064,006	8,701,589
Cash was Distributed To:		
Net GST Paid	-	69,217
Net Payments to Suppliers & Employees	5,646,986	4,569,874
	<hr/>	<hr/>
	5,646,986	4,639,091
	<hr/>	<hr/>
Net Cashflows from Operating	4,417,020	4,062,498
Cashflows from Financing Activities		
Cash was Distributed To:		
Dividend Paid	2,755,776	2,559,637
	<hr/>	<hr/>
Net Cashflows from Financing	(2,755,776)	(2,559,637)
Cashflows from Investing Activities		
Cash was Distributed To:		
Purchase of Fixed Assets	280,505	336,375
Purchase & Development of Intangibles	521,258	490,780
	<hr/>	<hr/>
Net Cashflows from Investing	(801,763)	(827,155)
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	859,481	675,706
Plus Opening Cash Balance	8,099,572	7,423,866
	<hr/>	<hr/>
Closing Cash and Cash Equivalents	\$8,959,053	\$8,099,572
	<hr/>	<hr/>
Closing Cash and Cash Equivalents Comprises		
Cash at Bank	2,205,361	870,692
Short Term Deposits	6,753,692	7,228,880
	<hr/>	<hr/>
	\$8,959,053	\$8,099,572
	<hr/>	<hr/>

NZRS Limited
Statement of Cashflows (Continued)
For the Year Ended 31st March 2015

	2015	2014
	\$	\$
Operating Activity Cashflow Reconciliation		
Surplus/(Deficit) for the Year	2,724,128	3,101,480
Plus:		
Depreciation & Amortisation	803,882	696,769
Decrease in GST Payable	135,400	
Decrease in Prepayments		19,459
Decrease in Income Tax Receivable		7,461
Increase in Employee Entitlements	21,657	22,775
Increase in Trade Creditors and Other Payables		87,179
Increase in Deferred Income	1,389,513	347,545
	<hr/> 2,350,452	<hr/> 1,181,188
	5,074,580	4,282,668
Less:		
Increase in Trade Debtors and Other Receivables	491,410	144,139
Increase in Interest Receivable	1,331	6,814
Decrease in GST Payable	-	69,217
Decrease in Prepayments	25,496	-
Increase in Trade Creditors and Other Payables	139,323	-
	<hr/> 657,560	<hr/> 220,170
Net Cashflow from Operating Activities	<hr/> \$4,417,020	<hr/> \$4,062,498

Accounting Policies

For the Year Ended 31st March 2015

Reporting entity

NZRS Limited (the "Company") is a company incorporated and domiciled in New Zealand under the Companies Act 1993.

The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and the financial statements comply with that Act.

The Company was registered with the Charities Services (Department of Internal Affairs) on the 19th August 2008.

The Company operates in one segment, with the main activity being the operation of the .nz Domain Name Shared Registry System in one primary geographical segment, New Zealand.

The Company is defined as a Public Benefit Entity as its primary objective is to provide goods and services for the community rather than for a financial return.

The financial statements of the Company are for the year ended 31 March 2015. The financial statements were authorised for issue by the Board of Directors on 15 June 2015.

Summary of accounting policies

- Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to public benefit entities that qualify for and apply differential reporting concessions.

The Company 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 Company has taken advantage of all Differential Reporting Exemptions, except NZ IAS 7 Statement of Cash Flows.

Basis of measurement

The financial statements have been prepared on a historical basis, except for the financial assets and liabilities that have been measured at fair value to meet NZ IFRS requirements. In the current and comparative financial period all financial assets and liabilities have been carried at historical cost.

Presentation Currency

The financial statements are presented in New Zealand dollars (\$). This is the functional currency.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumption that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

Changes to Accounting Policies

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

Accounting Policies
For the Year Ended 31st March 2015

Significant accounting policies

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

- 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.

- 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 stated at amortised cost using the effective interest rate method.

- Property, plant and equipment

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

Additions

The cost replacing part of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to the Company and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Comprehensive Income.

Depreciation

Depreciation is charged on a diminishing value 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 -

Leasehold Improvements	7.0% - 10.0%	SL
Computer Hardware	30.0% - 50.0%	SL
Office Equipment	6.0% - 67.0%	SL

Leased assets

Leases when the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. The assets acquired by way of finance lease are measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments as inception of the lease, less accumulated depreciation and impairment losses.

Accounting Policies
For the Year Ended 31st March 2015

- Intangible Assets

All intangible assets are stated at cost less accumulated amortisation and any impairment.

All intangible assets held are assessed as having a finite useful life and amortised over their anticipated useful life. The principal rates to calculate amortisation are -

Trademarks	14.3%	SL
Software	30.0% - 50%	SL

The useful life of finite life intangible assets is examined on an annual basis and adjustment, where applicable, made on a prospective basis.

- Receivables

Receivables are stated at their cost less impairment losses.

A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable.

Receivables with a short duration are not discounted.

- Financial Liabilities

The Company's financial liabilities include trade and other payables, which are measured at amortised cost using the effective interest rate method.

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the Statement of Comprehensive Income.

- Employee Entitlements

Employee entitlements that the Company expects to be settled within 12 months of balance date are measured at nominal value based on accrued entitlements at current rate of pays.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date and entitlements expected to be settled within 12 months.

The Company recognises a liability and an expense for bonuses where they are contractually obliged or where there is a past practice that has created a constructive obligation.

Accounting Policies
For the Year Ended 31st March 2015

- Provisions

The Company recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

- Impairment

The carrying amounts of Company assets are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such indication exists, the assets recoverable amount is estimated. The recoverable amount is calculated as the present value of estimated future cash flows discounted at their original effective interest rate.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying value of assets and are recognised in the Statement of Comprehensive Income.

Impairment losses are reversed when there is change in the estimates used to determine the recoverable amount.

- Foreign Currency Transactions

Transactions in foreign currencies that are settled in the accounting period translated at the settlement rate. Transactions in foreign currency that is not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

Accounting Policies
For the Year Ended 31st March 2015

- Revenue

Rendering of services

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

Registry fees received are recognised as income over the period of the registration. Registry fee receipts received for periods subsequent to balance date are treated as deferred income.

Interest

Revenue is recognised as the interest accrues to the net carrying amount of the financial asset using the effective interest rate method.

Rental Income

Rental income arising from sub-lease agreement is accounted for on a straight line basis over the lease term.

- Expenses

Operating lease payments

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Payments made under operating leases are recognised in the Statement of Comprehensive Income 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.

- Income Tax

The Company was registered as a Charity under the Charities Act 2005 and therefore is exempt from income tax effective from 19 August 2008 under Section CW41 & CW42 of the income tax act 2007.

- GST

All amounts are shown exclusive of Goods and Service Tax (GST), except for receivables and payables that are stated inclusive of GST. When GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

- Risk management objectives and policies

The Company has a series of policies to manage the risk associated with financial instruments. The Company is risk averse and seeks to minimise exposure from its treasury instruments. Policies have been established which do not allow any transactions that are speculative in nature to be entered into.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company receives services from suppliers located in the United States of America. The overseas entity issues invoices and is paid in United States Dollars. The Company therefore has a limited foreign exchange risk.

Accounting Policies
For the Year Ended 31st March 2015

Interest rate risk

Interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Company has no short or long term borrowings.

Credit Risk

Credit risk is the risk that a third party will default on its obligation to the Company, causing the Company to incur a loss. The Company does not require collateral or other security to support accounts receivable balances. The Company has no significant concentrations of credit risk, as it has a large number of credit customers. Management does not believe the Company is significantly exposed to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities.

Capital Management

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

Change in Comparatives

Prior year balances have been re-classified where applicable for comparability to current year balances.

NZRS Limited
Notes To The Financial Statements
For the Year Ended 31st March 2015

1. Other Expenses

The balance of Other Expenses comprises the following items:

	2015	2014
	\$	\$
Bad Debts Written Off	-	-
DNS Networking	115,224	185,506
SRS Maintenance	41,735	315,382
Other IT	136,031	167,195
Other Expenses	1,400,890	1,434,336
	<hr/>	<hr/>
	\$1,693,880	\$2,102,419
	<hr/>	<hr/>

2. Other Financial Assets

The Company has the following funds invested in Term Deposits classified as other financial assets:

This Year

Entity	Maturity Date	Rate	Amount
ASB Bank	7 June 2015	4.40%	\$1,137,818
ANZ Banking Group	5 October 2015	4.60%	\$418,790
ANZ Banking Group	3 December 2015	4.50%	\$588,059
Bank of New Zealand	21 September 2015	4.90%	\$1,387,818
KiwiBank	1 October 2015	4.75%	\$634,476
TSB Bank	12 February 2016	4.10%	\$1,054,151
TSB Bank	25 September 2015	4.70%	\$533,208
TSB Bank	24 November 2015	4.75%	\$1,000,000
			<hr/>
			\$6,753,692
			<hr/>

Last Year

Entity	Maturity Date	Rate	Amount
ASB Bank	7 December 2014	4.20%	\$1,078,951
ANZ Banking Group	6 October 2014	3.85%	\$396,660
ANZ Banking Group	3 December 2014	4.20%	\$564,028
Bank of New Zealand	21 September 2014	4.61%	\$1,328,055
KiwiBank	1 October 2014	4.10%	\$609,487
TSB Bank	12 February 2015	4.10%	\$1,012,224
TSB Bank	25 September 2014	4.15%	\$510,375
Westpac	15 September 2014	4.70%	\$799,578
Westpac	17 October 2014	3.80%	\$927,521
			<hr/>
			\$7,228,880
			<hr/>

NZRS Limited
Notes To The Financial Statements
For the Year Ended 31st March 2015

3. Trade Debtors and Other Receivables

The balance of Trade and Other Receivables comprises the following items:

	2015	2014
	\$	\$
Interest Receivable	89,556	88,224
Accounts Receivable	1,440,681	949,271
Pre-payments	93,143	67,647
	<u>\$1,623,380</u>	<u>\$1,105,142</u>

4. Property, Plant & Equipment

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

<u>This Year</u>	<u>Cost or</u> <u>Valuation</u>	<u>Depreciation</u> <u>For Year</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Book Value</u> <u>This Year</u>
Leasehold Improvements	76,218	6,574	6,574	69,644
Computer Hardware	1,981,229	305,362	1,715,849	265,380
Office Equipment	323,604	71,897	196,113	127,491
	<u>\$2,381,051</u>	<u>\$383,833</u>	<u>\$1,918,536</u>	<u>\$462,515</u>

<u>Last Year</u>	<u>Cost or</u> <u>Valuation</u>	<u>Depreciation</u> <u>For Year</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Book Value</u> <u>Last Year</u>
Computer Hardware	1,816,397	313,990	1,410,487	405,910
Office Equipment	285,868	44,105	125,935	159,933
	<u>\$2,102,265</u>	<u>\$358,095</u>	<u>\$1,536,422</u>	<u>\$565,843</u>

During the year there were fixed asset additions as follows:

Leasehold Improvements	\$76,218	(2014	\$Nil)
Computer Hardware	\$164,832	(2014	\$233,653)
Office Equipment	\$41,174	(2014	\$102,722)

NZRS Limited
Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2015

5. Intangible Assets

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 & Intangibles	3,029,712	420,049	2,404,957	624,755
Trademark	10,698	-	10,698	-
	<u>\$3,040,410</u>	<u>\$420,049</u>	<u>\$2,415,655</u>	<u>\$624,755</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 & Intangibles	2,508,453	338,674	1,984,907	523,547
Trademark	10,698	-	10,698	-
	<u>\$2,519,151</u>	<u>\$338,674</u>	<u>\$1,995,605</u>	<u>\$523,547</u>

During the year there were additions of \$521,258. (2014 \$490,780)

6. Trade Creditors and Other Payables

The balance of Trade and Other Payables comprises the following items:

	<u>2015 \$</u>	<u>2014 \$</u>
Accounts Payable	211,851	351,174
Holiday Pay Accrual	94,641	72,983
GST Payable	121,455	(13,944)
	<u>\$427,947</u>	<u>\$410,213</u>

7. Deferred Income

The Company has invoiced clients for \$7,747,075 (2014 \$6,357,562) in advance.

8. Issued Shares

The Company has 30,000 (2014: 30,000) fully paid ordinary shares. All shares have equal voting rights and rights to dividends.

NZRS Limited
Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2015

9. Financial Instruments

Financial Instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable.

In the normal course of its business the Company incurs credit risk from trade and other debtors. The Company has a credit policy which is used to manage these exposures. The Company does not require any collateral or security to support financial instruments.

The Company is not exposed to any specific currency or interest rate risk other than normal interest rate and currency movements on a daily basis in the market.

As at 31 March 2015 the values stated in the Financial Statements and the estimated fair value of the Company's financial assets and liabilities are not materially different.

10. Contingent Liabilities

The Company had no contingent liabilities as at 31st March 2015. (2014 \$Nil)

11. Commitments

As at balance date the Company had no commitments. (2014 \$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. (2014: None)

13. Related Party Transactions

Internet New Zealand Incorporated

Internet New Zealand Incorporated owns 100% of NZRS Limited.

Dividends declared and paid by the Company during the year totalled \$2,755,776 (2014 \$2,559,637).

NZRS Limited paid management fees of \$59,724 (2014 \$75,051) to Internet New Zealand Incorporated, parent company.

Domain Name Commission Limited

Domain Name Commission Limited, also owned 100% by Internet New Zealand Incorporated, is a related party to the Company and received management fees totalling \$1,869,840 (2014 \$1,495,872) from the Company during the year.

NZRS Limited
Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2015

Key Management Personnel

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

Total employee benefit expenses in the Income Statement included remuneration for:

	2015	2014
	\$	\$
Directors' Fees	126,750	126,750
Key Management	1,154,902	660,486

Transactions with Related Parties are entered into on an arms length basis.

Other Related Parties

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

14. Employee Remuneration

	2015	2014
	\$	\$
Salaries and Wages	1,776,442	916,626
Capitalised Salaries & Wages	(102,255)	-
Employer Contributions to Contribution Plans	47,858	21,515
Increase/(decrease) in Employee Entitlements	21,658	22,775
Total Employee Remuneration	<u>\$1,743,703</u>	<u>\$960,916</u>

During the year Eight (2014 four) employees received remuneration greater than \$100,000.

15. Dividend Declared

During the year dividends of \$2,755,776 (\$91.86 per share) were declared. (2014 \$2,559,637, \$85.32 per share).

**INDEPENDENT AUDITOR'S REPORT
To the Shareholders of NZRS Limited**

Report on the Financial Statements

We have audited the financial statements of NZRS Limited ("the Company") on pages 13 to 28, which comprise the statement of financial position as at 31 March 2015 and the statement of comprehensive income, statement of changes in equity and statement 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 Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholders 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 Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of 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 in accordance with generally accepted accounting practice in New Zealand, and for such internal control as the directors 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 made by the Board of Directors, 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, NZRS Limited.



BDO WELLINGTON

Opinion

In our opinion, the financial statements give a true and fair view in all material respects of the financial position of NZRS Limited as at 31 March 2015, and its 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
15 June 2015
Wellington
New Zealand

Company Directory
As At 31st March 2015

Directors	Douglas Mercer Richard Currey David Wright Brenda Wallace Mark Vivian	
Ordinary Shares Issued		<u>30,000</u>
Held By	Internet New Zealand Incorporated	30,000
Accountants	Deloitte	
Auditors	BDO Wellington	
Bankers	ASB Bank Limited	
Legal Advisors	Quigg Partners	
Registered Office	Level 7, The Bayleys Building, 28 Brandon Street, Wellington	
Company Number	1192313	