2017-2018

Annual Report

NZRS

an InternetNZ company

FROM THE BOARD

This year marks a year of great change for NZRS.

Following decisions made by the shareholder in 2017, the company's role in operating the .nz registry and domain name system came to an end on 31 March, with NZRS assets, people, funds, systems and responsibilities merging with the shareholder – InternetNZ.

Both in the immediate past year and in the fifteen years the company operated the shared registry system and the DNS, there are significant achievements to note and to celebrate.

In 2017/18:

- Growth in the register is ahead of forecast. Over the year 23,950 new domains were added, above the budgeted 13,299 for a growth rate of 3.5% (in line with the ccTLD average reported by CENTR which is 3.5%)
- There was ongoing development of the Peak Domain Analytics product.
- We saw continuous improvement of the .nz Registrar Portal, a leading system giving customers deeper insight into their portfolio of .nz domain names.
- Our work was celebrated as we were announced as finalists in two CENTR awards – the 'Above and Beyond Innovation Category' and the 'Contributor of the Year Category.'

All of this and more was accomplished in an environment of great change, with personnel changes at the executive and governance level and all the pressures of a fundamental restructure being handled by the team with grace and professionalism.

The company particularly recognises the contribution of long-serving Chief Executive Jay Daley, who finished up with the company in January 2018, and Board Chair Richard Currey who stood down from the Board to assist with the organisational changes in September 2017. Linda Robertson, David Wright, Mark Vivian and Brenda Wallace saw the company through to the 31 March conclusion of its work.

FROM THE BOARD

In the course of its sixteen years as operator of .nz, there are many successes to mark. A few to note:

- We developed and maintained a world-class registry and DNS service for .nz, with stringent availability and performance requirements met and exceeded far in excess of our peers. All with the commitment to technological excellence, security, quality and care this demands.
- We lead technical research that is recognised and celebrated by peers around the world, and which has inspired new and innovative systems such as the nascent Peak Domain Analytics product.
- We saw the successful delivery and development of public good systems and services such as the National Broadband Map and the Internet Data Portal – providing accessible and useful information for New Zealanders.
- We took the operation of the .nz SRS in-house from outsourced service provider CatalystIT – evolving and developing the .nz DNS including through the provision of globally resilient DNS services through offshore partners.
- We maintained efficient and careful stewardship of the funds paid ultimately by registrants, maximising the efficiency of operations and the financial contribution made to support InternetNZ's broader goals.

These highlights represent a proud record of success, but they are not coming to an end.

The merger with InternetNZ demands even more of us – bringing the talents, experience and insight of our team to a new operating model and the chance to contribute even more broadly to building a better world through a better Internet, and the ongoing excellence of operation for .nz that the public and our customers demand and expect.

As closing Chief Executive and as group Chief Executive of InternetNZ, I offer sincere thanks to everyone who has worked in and with NZRS since it was founded in 2002, and pay particular tribute to Jay Daley and Nick Griffin as the senior leaders of the staff, and to Linda Robertson, Richard Currey, Donna Hiser (may she rest in peace) and Carol Stigley as former Board Chairs, for their work.

I also thank every staff and board member present and past, for their contributions to NZRS's success, and in that wish to single out Dave Baker for his service with NZRS since the beginning, and for his ongoing commitment to the company's work in the newly merged InternetNZ.

To sum it up, NZRS concludes its responsibilities as a company with a proud track record. The work continues in a new form, but this chapter comes to an end with this final annual report

Jordan Carter
Director, NZRS and Group Chief Executive

THE YEAR IN REVIEW

Registry performance

This year saw 700,00 registered .nz domain names being reached and surpassed. Over the year 23,950 new domains were added, above the budgeted 13,299 for a growth rate of 3.5%, in line with the previous year's growth of 3.95%.

The growth rate was again sustained by registrations directly at the second level, which saw an annual growth rate of 9.8% compared to a growth rate of 2.8% for .co.nz.

.nz now comprises 19% of the registry, up from 17.9% a year earlier.

	31 March 2018	31 March 2017	31 March 2016
Registrars connected to production (incl DNCL)	91	89	89
Domain names	706,477	682,527	656,607
Net growth	23,950	25,920	24,339
Percentage increase	3.51%	3.95%	3.85%

Financial Performance

Profit was above budget with a net surplus of $4.685 million versus $4.284 million forecast (2016–17 $4.268 million).

Dividends totalling $4.728 million (2016-17 $4.334 million) were paid to the shareholder InternetNZ across the 2017 – 2018 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. 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 the 2017-18 financial year.

Health and safety

NZRS's health and safety policy sets out measures in place to provide a safe workplace and identify and manage any hazards. Staff participation in health and safety is a key objective under this policy. Health and safety training is provided as appropriate and a hazard register is also kept up to date. There were no (0) Lost Time Injuries or Notifiable Events at NZRS during the 2017/18 financial year. During the same period no (0) Near Miss and no (0) First Aid Cases were recorded.

PROGRESS TOWARDS STRATEGIC GOALS

The company's vision is: "A better world through a better Internet."

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.

STRATEGIC GOAL 1

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

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.

Service	SLA requirement for availability	Number of months SLA requirement met
DNS	100	12

This year we continued our multi-year review of our DNS and as part of that:

- The routers at all of our DNS sites were upgraded;
- We signed a contract with CIRA, the .CA registry, to serve .nz within their global state-of-the-art infrastructure.
- We transitioned to a new DNSSEC signing architecture.

STRATEGIC GOAL 2

Deliver world-class registry services that continually improve.

Development of our registrar portal continues in order to maintain its role as the world leading product of its class. The portal continues to be a key element of our strategy to deliver valuable business intelligence to registrars in order to ensure that NZRS remains a preferred registry for its registrars. During this year we added several features, including those to allow registrars to define access for staff and sharing our threat intelligence data, which assists registrars in keeping .nz clean and secure.

At the 2017 CENTR awards, NZRS were finalists in the "Above and Beyond Innovation" Category, "Contributor of the Year" category, and came second place overall for Registry of the Year.

For the SRS system a number of changes were made:

- upgraded all our database servers,
- deployed the new WHOIS server to production
- introduced Individual Registrant Privacy Option (IRPO)
- updated the port 43 WHOIS to reduce the amount of registrant data returned.

Service	SLA requirement for availability	Number of months SLA requirement met
SRS	99.90	11
WHOIS	99.90	12

The company's core registration system performed well, with the exception of one small outage* in February, all of the key metrics required by the SLA were achieved.

Additional work to support our registrars throughout the year included:

- .nz Registrar Conference in May.
- Constructed the Register Size Prediction model to predict domain retention and forecast new creates.
- Launched .nz CAKE awards. Sending a cake to a Registrar as recognition when exceptional Care, Attention, Knowledge and Excellence is displayed.
- Created the opportunity for Registrars and Re-sellers to engage in learning via live E-Learning sessions.

* https://status.nzrs.net.nz/incidents/09w9z9xdhmlc

STRATEGIC GOAL 3

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

Our key contribution over this year was again financial through dividend payments while contribution in other areas grows. NZRS is a strong supporter of greater group integration at a strategic and cultural level and has both initiated and supported key group initiatives that develop its future strategy, communicate the work of the group and build 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.

The research team developed a technique to classify registrants into Person or Organization using advanced text analysis tools that enhances our understanding of the .nz register and proved useful for other purposes, like analyzing the prevalence of IRPO option among individual registrations. As part of our commitment for a more secure .nz namespace, the research team also started the collection and analysis of SSL certificates for websites within .nz, to track deployment of HTTPS and identify trends.

After the initial release of Peak Domain Analytics to a small number of customers for usability feedback at the start of the year, a significant upgrade of the user interface and work flows was undertaken. Further feedback was then sought from registrars on their preferred sign-up and sales work flows. These were then incorporated into the product. Preparations then began for a final release product with security hardening and integration with our backend billing systems. With the organisational changes the next release to registrars was put on hold, but is planned for 2018/19.

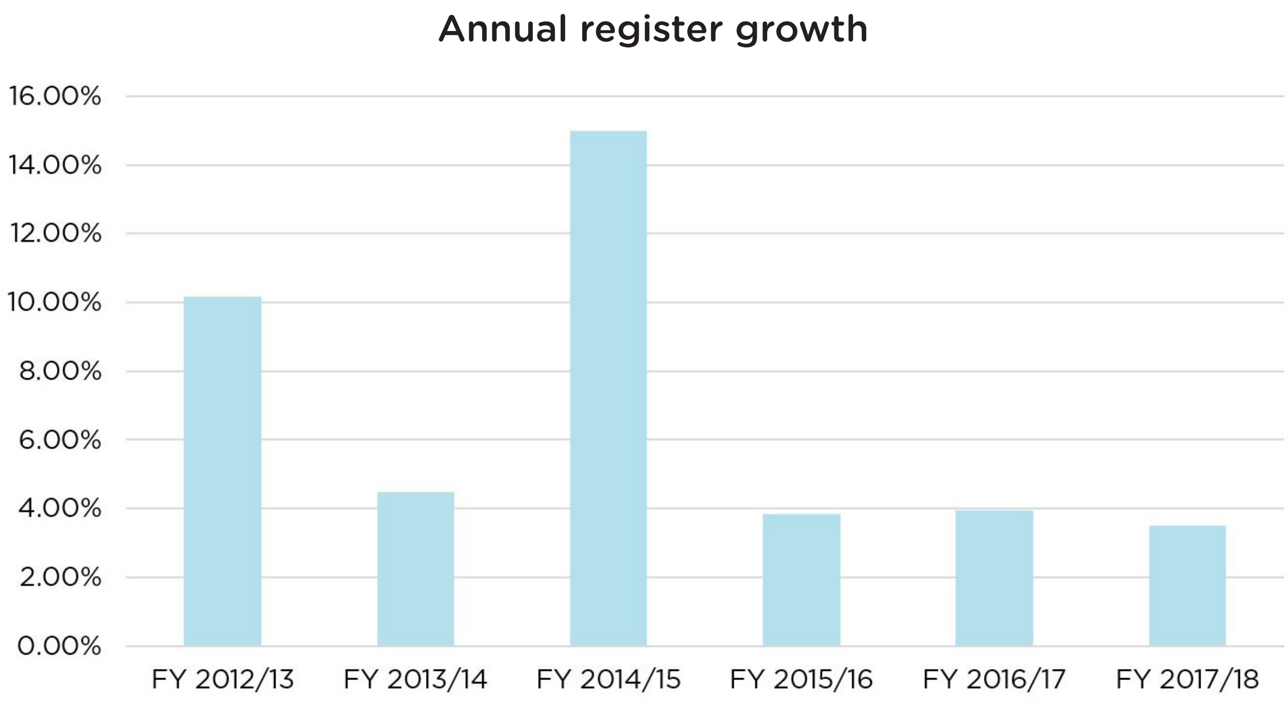
The National Broadband Map saw continuing development with additional data from wireless broadband providers being added during the year. The way the map displays broadband speeds was also updated, responding to Commerce Commission requirements.

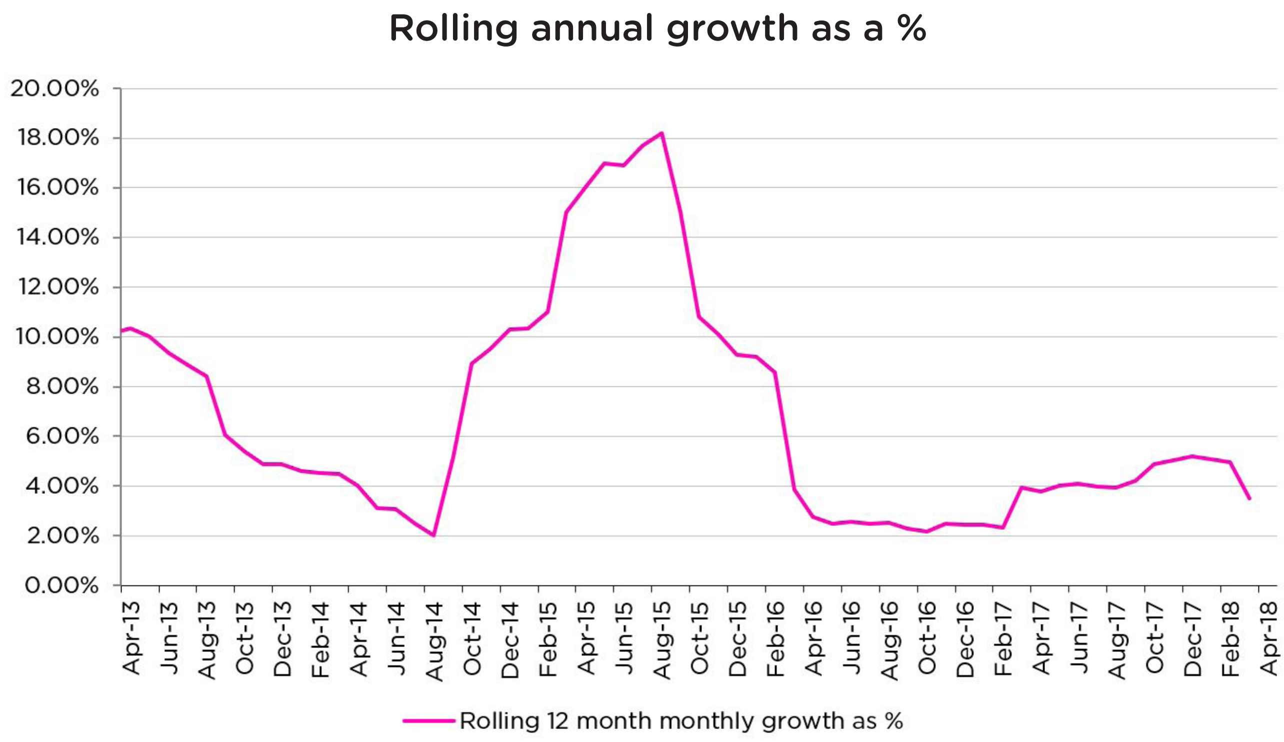
STRATEGIC GOAL 5

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

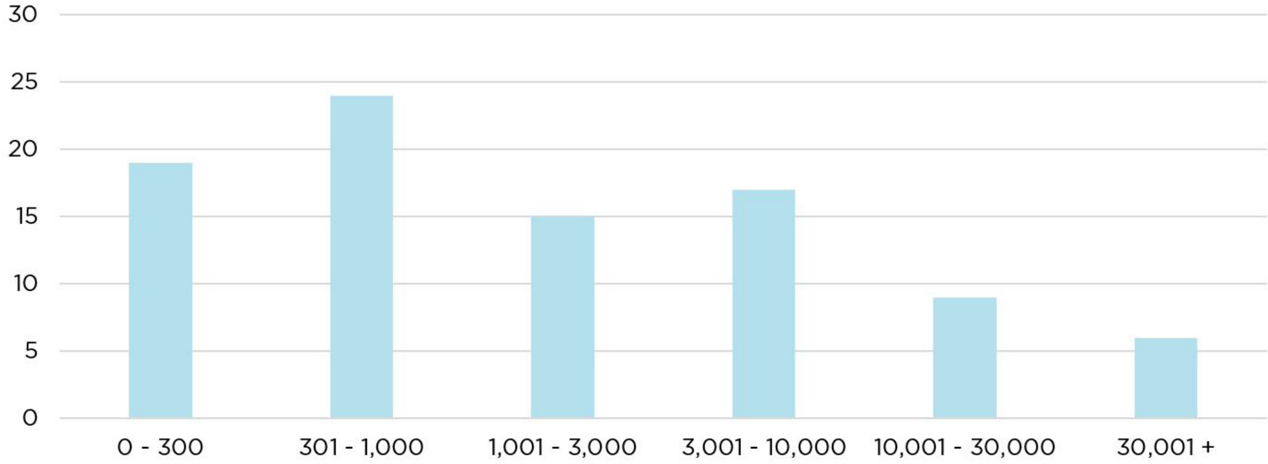
The key activity for the year was the introduction of the Individual Registrant Privacy Option (IRPO) to the SRS and every Registrar was required to offer it by 28 March 2018. IRPO gives individual registrants who are not in trade the option to choose to withhold their phone number and contact address from publicly appearing in the domain registrant search.

KEY DATA AND METRICS





Registrars by portfolio size

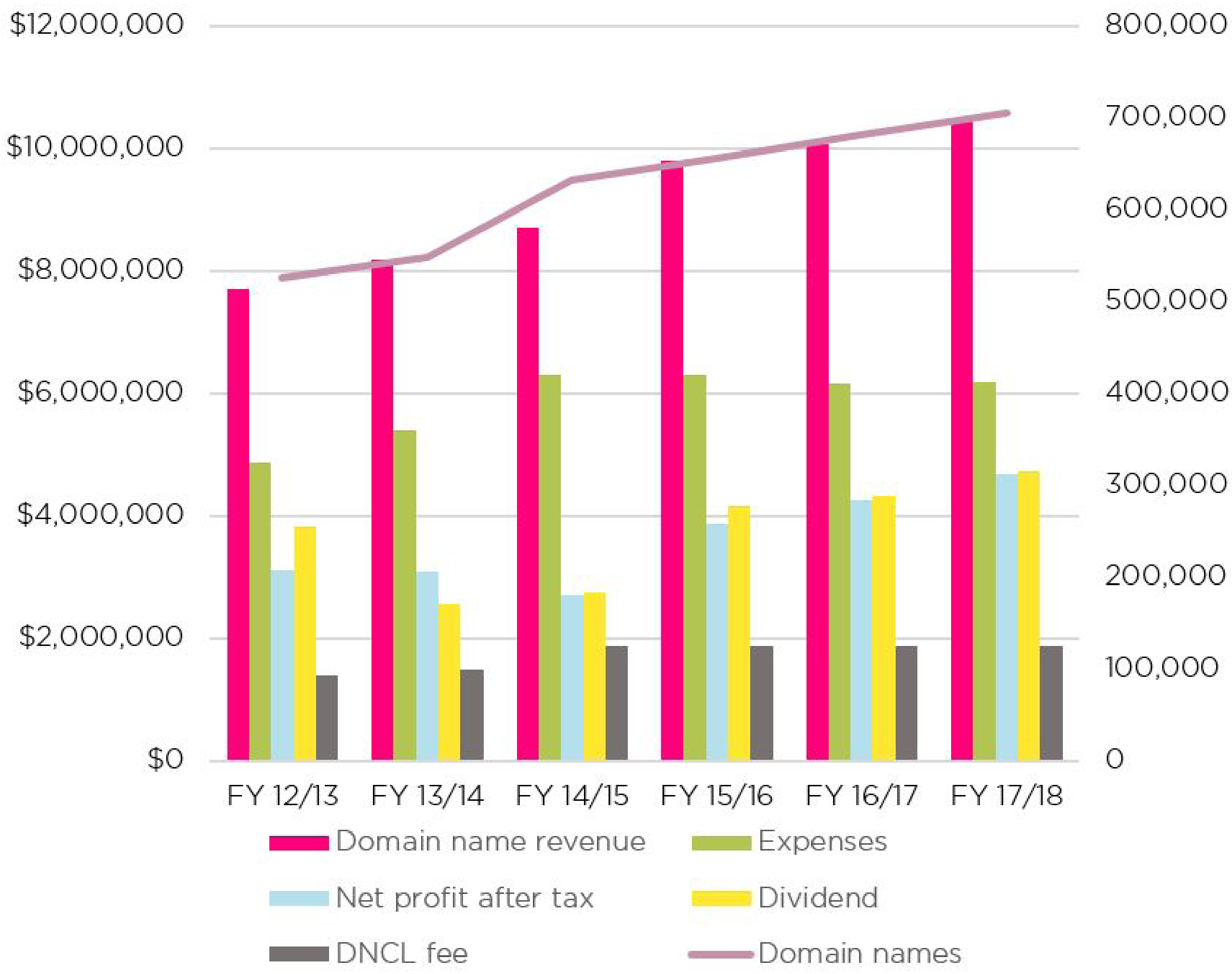


The number of registrars grew by two over the year, while market consolidation continued. Of the 91 authorised registrars shown above there are only 63 different owning groups.

Registrars

Year	Number of registrars
2018	91
2017	89
2016	88
2015	89
2014	85
2013	82

Financial summary

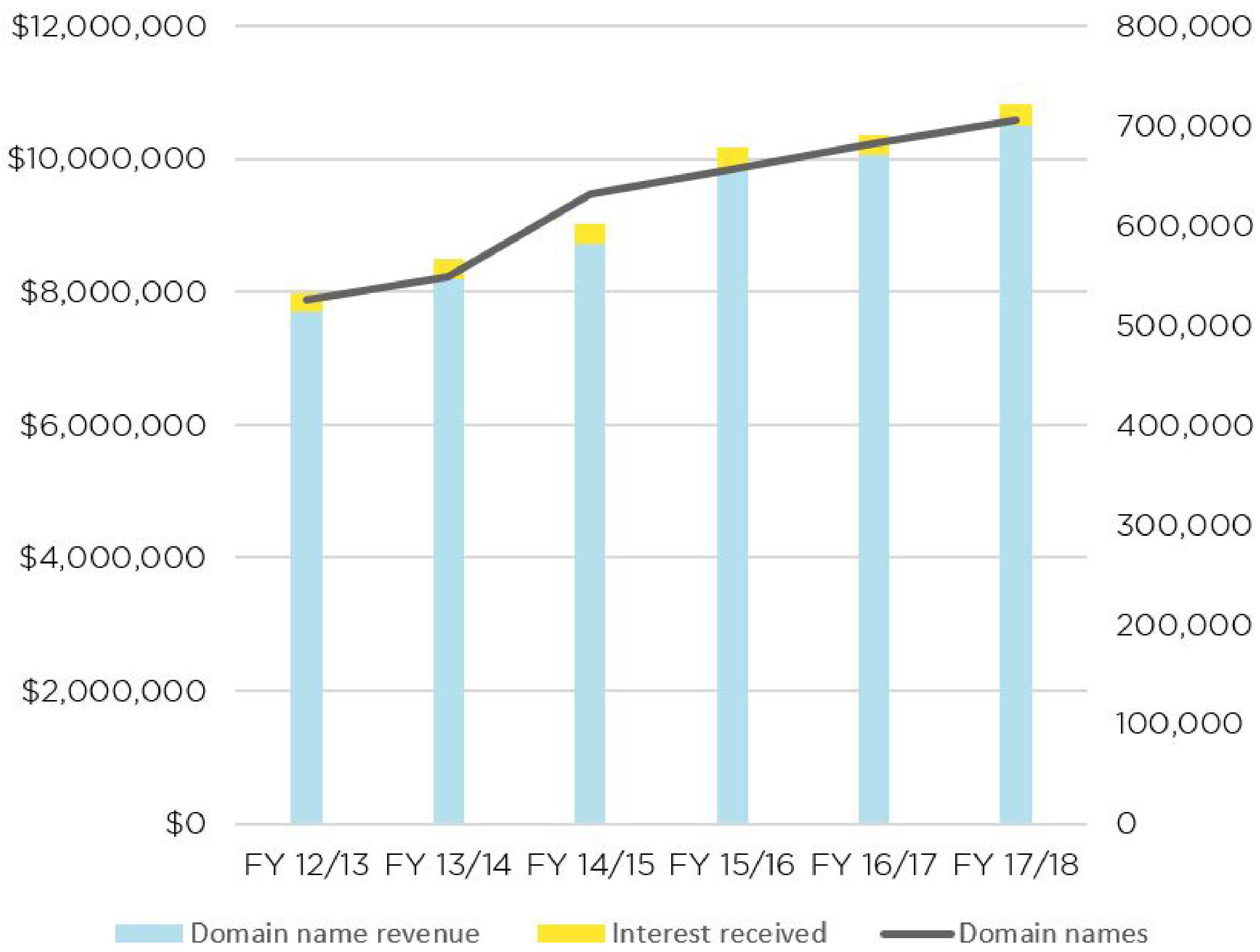


	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Domain name revenue	$7,703	$8,195	$8,712	$9,810	$10,058	$10,504
Expenses	$4,869	$5,396	$6,307	$6,296	$6,157	$6,200
Net profit after tax	$3,121	$3,101	$2,724	$3,874	$4,268	$4,685
Dividend	$3,829	$2,560	$2,756	$4,171	$4,334	$4,728
DNCL fee	$1,411	$1,496	$1,870	$1,870	$1,870	$1,870
Domain names	526	549	632	656	682	706

All table figures are in 000's

2017-18 was another all round good year for NZRS, with a growing register of domains, increased revenue, decreased expenses, increased profit and increased dividend.

Income and domain names



	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Domain name revenue	$7,703	$8,195	$8,712	$9,810	$10,058	$10,504
Interest received	$287	$303	$320	$362	$312	$327
Domain names	526	549	632	656	682	706

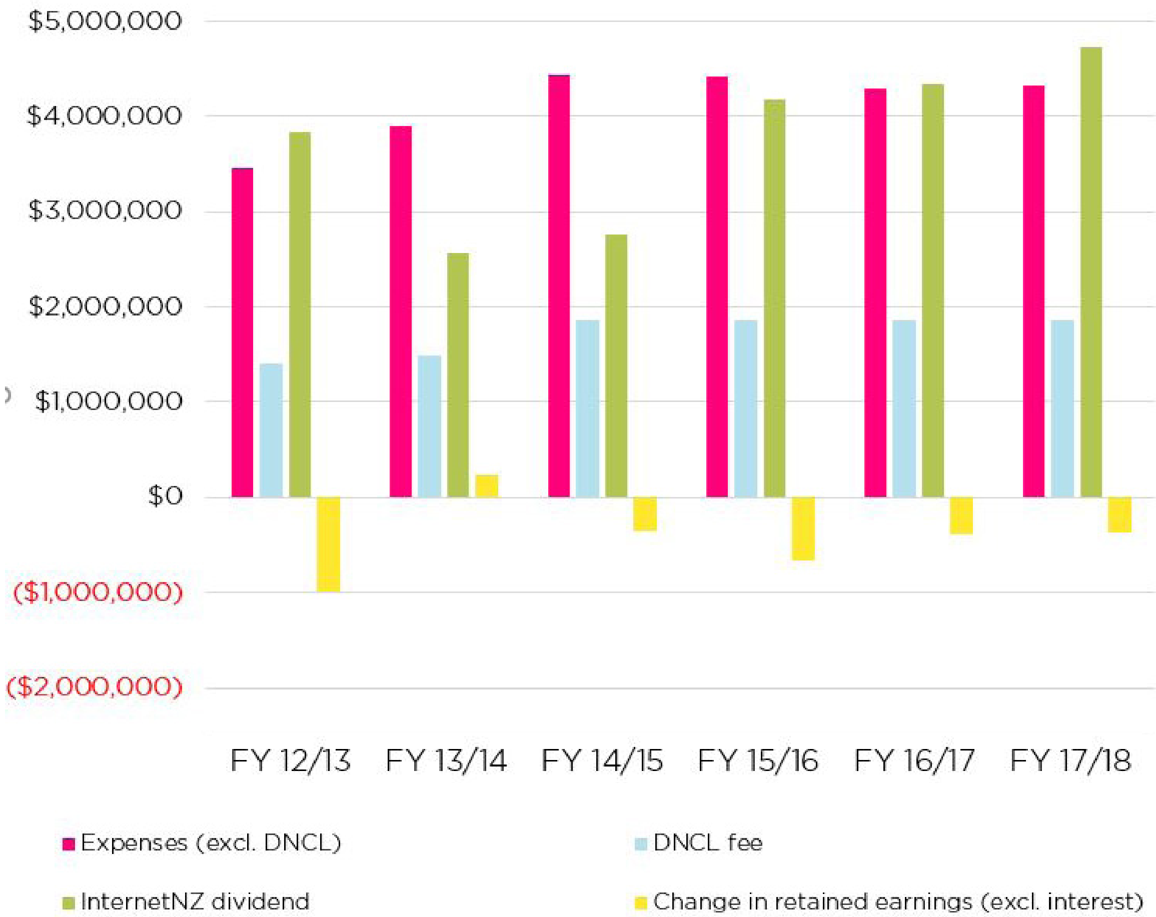
All table figures are in 000's

Over the 2017-18 financial year, income once again exceeded $10m, while the register experienced continued growth reaching 706,477 Domain names by the end of the year.

NZRS receives interest income on funds invested, with the majority of these funds representing prepaid domain name fees. The increasing number of domain names results in the amount of prepaid domain name fees increasing each year.

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.

Application of revenue



	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Expenses (excl. DNCL)	$3,458	$3,900	$4,438	$4,427	$4,287	$4,330
DNCL fee	$1,411	$1,495	$1,870	$1,870	$1,870	$1,870
InternetNZ dividend	$3,829	$2,560	$2,756	$4,171	$4,334	$4,728
Change in retained earnings (excl. interest)	($994)	$239	($351)	($656)	($379)	($370)
Tax	$0	$0	$0	$0	$0	$0

All table figures are in 000's

For several years our expenditure grew as we 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. With the policy for .nz largely complete and efficiency gains being actively pursued, our expenditure has begun to decline.

Consequently, the dividend paid to InternetNZ in the 2017-18 financial year was up again from the previous year. The DNCL fee remained at the same amount as the previous three years.

NZRS has not paid income tax for the 2009-2010 through to 2017-2018 years as a result of our charitable status.

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 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.

NZRS BOARD

Richard Currey (Chair until September 2017)

Richard is an IT consultant and was previously the Strategic Solutions Director for Hewlett Packard Enterprise NZ. He has provided ICT consultancy and strategic management to a number of large enterprises and has been appointed as an Acting Chief Executive for an NGO. He also has considerable small business skills having started a successful website and multimedia company specialising in e-commerce and database driven solutions. Richard has also worked extensively in the Financial Services industry in senior Treasury roles.

Linda Robertson (Chair from September 2017)

Linda is a professional director with over 30 years' experience in the NZ finance sector having worked both in both banking and the corporate environment. In the corporate environment she has worked predominately in the energy sector and has held various senior management roles encompassing, treasury, credit management, audit, risk management and insurance. She was most recently Group Manager Treasury & Procurement at Meridian Energy Ltd. Linda also has extensive governance experience serving on Boards and Audit & Risk Committees including previous roles on the Board of New Zealand Post, Kiwi Bank, Speirs Group and the Earthquake Commission and she was also a member of Audit & Risk Committee of Inland Revenue and Chaired the Audit & Risk Committee of Statistics New Zealand. Current governance positions include; Chair, Audit & Risk Committee, Central Otago District Council, Member of Audit and Risk Committee of Ministry of Social Development, Dunedin City Holdings and Dunedin City Treasury, Member of the Technical Advisory Committee of the New Zealand Export Credit Office, Director of King Country Energy Ltd, Director of NZPM Group, Director of Crown Irrigation Investments, Director of Auckland Council Investments and Director of Local Government Funding Agency.

She is a Certified Treasury Professional, a Fellow of the Institute of Finance Professionals New Zealand (INFINZ), a Fellow of Governance New Zealand (previously Institute of Chartered Secretaries and Administrators), a Chartered Fellow of the New Zealand Institute of Directors and a Graduate Member of the Australian Institute of Company Directors. Linda has a Bachelor of Commerce Degree and a Diploma in Banking.

NZRS BOARD

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 a Director of Movac Fund 4 Custodial Limited, 1Above Limited, New Ground Media Limited, Board Advisor TourWriter, Board Advisor Kiwi Landing Pad, Board Advisor Frank Executive, and is an investor in a number of privately-held New Zealand companies. He is also a Trustee of the Young Enterprise Trust, Brooklyn School and Scots College.

David Wright (Chair, Audit and Risk 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 Air Rescue Group, Director of WEL Networks Ltd, Director of Wellington Water Ltd, Board Advisor of Global Safety Index Pty Ltd and Establishment Chair, Solomon Islands Airport Corporation Ltd.

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.

FINANCIAL REPORTS

Crowe Horwath.
PART OF FINDEX

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INDEPENDENT AUDITOR'S REPORT

To the Directors of NZRS Limited

Opinion

We have audited the financial statements of NZRS Limited (the "Company") on pages 1 to 17, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the NZRS Limited as at 31 March 2018, and its financial performance and its 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 Financial Statements* section of our report. We are independent of the NZRS Limited 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, NZRS Limited.

Emphasis of Matter

We draw attention to Note 2(b) of the financial statements. The going concern basis of preparing the financial statements has not been used because the directors made the decision to wind up NZRS Limited within 12 months after balance date. Accordingly, the financial statements have been prepared on a realisation basis. The Company has continued to apply the requirements of NZ GAAP, taking into account that the Company is not expected to continue as a going concern in the foreseeable future and the net assets are valued at their realisable values where applicable.

Responsibilities of Directors for the Financial Statements

Those charged with governance are responsible on behalf of the NZRS Limited for the preparation and fair presentation of the 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 those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Crowe Horwath.
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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole are, free from material misstatement, whether due to fraud or error, and to 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 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 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 Company'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 the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.

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

We communicate with the directors 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

28 June 2018

NZRS Limited

Financial Statements
For the year ended 31 March 2018

NZRS Limited

Contents

NZRS Limited

Statement of Comprehensive Revenue and Expense
For the year ended 31 March 2018

	Notes	2018 $	2017 $
OPERATING ACTIVITIES			
Exchange revenue			
Registry fees		10,504,127	10,058,081
National Broadband Map income		53,920	54,600
Non-exchange Revenue		-	-
Total operating revenue		10,558,047	10,112,681
Operating expenses			
Audit fees		15,600	25,125
Amortisation	11	283,272	314,700
Depreciation	10	157,807	191,622
Directors' fees		116,187	126,750
DNC management fee	15	1,869,840	1,869,840
Employee remuneration	14	2,093,415	1,859,180
Other expenses	6	1,527,960	1,626,642
Rent		135,758	143,375
Total operating expenses		6,199,840	6,157,233
Surplus/(deficit) from operating activities		4,358,207	3,955,447
INVESTING ACTIVITIES			
Interest Revenue		326,661	312,126
Surplus/(deficit) from investing activity		326,661	312,126
SURPLUS/(DEFICIT) FOR THE YEAR		4,684,868	4,267,574
Other comprehensive revenue and expense		-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR		4,684,868	4,267,574

These financial statements have been authorised for issue by the Board.

Director

19/06/2018

Date

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

NZRS Limited

Statement of Financial Position
As at 31 March 2018

	Notes	2018 $	2017 $
ASSETS			
Current			
Cash and cash equivalents	7	544,647	697,759
Short-term deposits	8	9,398,179	9,028,910
Trade debtors and other receivables	9	1,327,803	1,523,973
Total current assets		11,270,630	11,250,641
Non-current			
Property, plant and equipment	10	220,242	269,455
Intangible assets	11	370,554	370,700
Total non-current assets		590,796	640,155
TOTAL ASSETS		11,861,425	11,890,796
LIABILITIES			
Current			
Trade creditors and other payables	12	290,163	443,184
Deferred income - current	13	5,837,636	5,641,750
Total current-liabilities		6,127,798	6,084,934
Non-current			
Deferred income - non current	13	2,644,168	2,673,035
Total non-current liabilities		2,644,168	2,673,035
TOTAL LIABILITIES		8,771,966	8,757,969
NET ASSETS		3,089,459	3,132,827
EQUITY			
Accumulated funds		3,089,459	3,132,827
TOTAL EQUITY		3,089,459	3,132,827

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

NZRS Limited

Statement of Changes in Net Assets
For the year ended 31 March 2018

	Notes	2018 $	2017 $
SHARE CAPITAL			
Opening balance		30,000	30,000
CLOSING BALANCE SHARE CAPITAL		30,000	30,000
ACCUMULATED FUNDS			
Opening balance		3,102,827	3,169,389
Surplus/(deficit) for the year		4,684,868	4,267,574
Other comprehensive revenue and expense		-	-
Dividend declared	16	(4,728,236)	(4,334,136)
Total comprehensive revenue and expense		(43,368)	(66,562)
CLOSING BALANCE ACCUMULATED FUNDS		3,059,459	3,102,827
TOTAL EQUITY		3,089,459	3,132,827

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

NZRS Limited

Statement of Cash Flows
For the year ended 31 March 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Cash was provided from/(applied to):			
Receipts from customers		10,803,879	10,251,393
Interest received		372,016	354,389
Payments to suppliers and employees		(5,855,305)	(5,633,782)
GST received		15,524	3,576
Net cash from/(used in) operating activities	18	5,336,114	4,975,576
Cash flows from financing activity			
Cash was applied to:			
Dividend paid		(4,728,236)	(4,334,136)
Net cash from/(used in) financing activity		(4,728,236)	(4,334,136)
Cash flows from investing activities			
Cash was provided from/(applied to):			
Purchase of property, plant and equipment		(132,300)	(188,351)
Purchase of intangible assets		(259,421)	(367,509)
Net movement in short-term deposits		(369,270)	(3,019,178)
Net cash from/(used in) investing activities		(760,990)	(3,575,039)
Net increase/(decrease) in cash and cash equivalents		(153,112)	(2,933,598)
Cash and cash equivalents, beginning of the year		697,759	3,631,358
Cash and cash equivalents at end of the year	7	544,647	697,759

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

NZRS Limited

Notes to the financial statements

1 Reporting entity

These financial statements comprise the financial statements of NZRS Limited (the "Company") for the year ended 31 March 2018.

The Company was registered with Charities Services (Department of Internal Affairs) on 19 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 a Public Benefit Entity (PBE) as its primary objective is to provide goods and services to the community for social benefit rather than for a financial return.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Tier 2 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 Company 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 Company does not exceed $30 million.

(b) Basis of measurement

The financial statements have been prepared on a historical costs basis.

The accrual basis of accounting has been used unless otherwise stated.

The going concern basis of preparing the financial statements has not been used because the directors made the decision to wind up NZRS within 12 months after balance date. Accordingly, the financial statements have been prepared on a realisation basis. The Company has continued to apply the requirements of NZ GAAP taking into account that the Company is not expected to continue as a going concern in the foreseeable future and the net assets are valued at their realisable values where applicable.

(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

The accounting policies adopted are consistent with those of the previous financial year.

CROWE HORWATH NEW ZEALAND

3 Summary of significant accounting policies

The accounting policies of the Company 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) 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 Company 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.

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:

Leasehold improvements	7.0%	SL
Computer hardware	30.0 - 50.0%	SL
Office equipment	6.0 - 67.0%	SL

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

(b) Intangible assets
Intangible assets acquired separately are initially recognised at cost.

The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange.

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

Intangible assets are amortised using the straight line method of amortisation using the following amortisation rates:

Software	40.0 - 50.0%	SL
Trademarks	7 years	SL

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 or deficit for the year.

CROWE HORWATH NEW ZEALAND

(c) Leased assets

Leases, where the Company 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 Company's 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.

(d) 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 expenditure 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.

(e) Employee entitlements

Employee benefits, previously earned from past services, that the Company expects to be settled within 12 months of the 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.

(f) Impairment of non-financial assets

At each reporting date, the Company 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 Company 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. 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 indication exists, the Company 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.

(g) Financial instruments

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

Financial instruments comprise trade debtors and other receivables, cash and cash equivalents, short term deposits 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 Company 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.

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 Company has classified its financial assets as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Company'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.

Subsequent measurement of financial liabilities

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

(h) Revenue

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

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

Interest income

Interest income is recognised as it is earned using the effective interest rate method.

(i) Expenses

Expenses are recognised in the accounting period in which the services or goods are received.

(j) 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 the 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.

(k) Income tax

Due to its charitable status, the Company is exempt from income tax.

(l) 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, Inland Revenue is included as part of receivables or payables in the Statement of Financial Position.

(m) Dividends declared

Dividends are recognised as a deduction from accumulated funds upon declaration.

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.

Impairment of Receivables
The Company maintains an impairment allowance at a level that management considers adequate to provide for potential uncollectibility of its trade and other receivables. The Company evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, the Company uses judgment, based on available facts and circumstances, and based on a review of the factors that affect the collectibility of the accounts including, but not limited to, the age and status of the receivables, collection experience and past loss experience. The review is made by management on a continuing basis to identify accounts to be provided with allowance. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated.

In addition to specific allowance against individually significant receivables, the Company also makes a collective impairment allowance against exposures, which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on historical default experience.

Estimating Useful Life of Intangible Assets and Property, Plant and Equipment
The Company estimates the useful lives of intangible assets and property, plant and equipment based on the period over which each asset is expected to be available for use and on the collective assessment of industry practices, internal evaluation and experience with similar arrangements. The estimated useful life is revisited periodically and updated if expectations differ materially from previous estimates.

There is no change in the estimated useful lives of intangible assets and property, plant and equipment.

Impairment of Non-financial Assets
The Company assesses whether there are any indicators of impairment for all non-financial assets, including intangible assets and property, plant and equipment, at each reporting date. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and discounts such cash flows using the sensitivity analysis of key assumptions to calculate the present value as of the reporting date.

5 Capital Management Policy

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

6 Other expenses

	2018 $	2017 $
National Broadband Map	45,616	35,106
DNS expenses	145,822	191,541
ISP/Hosting/Networking	339,064	355,875
Other IT	308,102	204,180
Overheads	689,356	839,939
Total other expenses	1,527,960	1,626,642

7 Cash and cash equivalents

	2018 $	2017 $
Cash at bank and in hand	544,647	697,759
Term deposits with maturities of three months or less	-	-
Cash and cash equivalents at end of the year	544,647	697,759

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

8 Short term deposits

The Company has the following funds invested in term deposits:

	2018		
	Maturity Date	Rate	Amount
ANZ Banking Group	11 April 2018	3.60%	1,064,329
ANZ Banking Group	4 October 2018	3.35%	467,930
ANZ Banking Group	3 December 2018	3.30%	664,472
ANZ Banking Group	17 December 2018	3.55%	1,624,951
Bank of New Zealand	19 September 2018	3.79%	1,591,881
Bank of New Zealand	12 August 2018	3.70%	1,095,219
Bank of New Zealand	1 October 2018	3.15%	1,093,478
ASB Bank	7 June 2018	3.75%	1,274,135
ASB Bank	1 December 2018	3.58%	521,784
			9,398,179

	2017		
	Maturity Date	Rate	Amount
ANZ Banking Group	11 April 2017	3.55%	1,026,986
ANZ Banking Group	4 October 2017	3.25%	452,913
ANZ Banking Group	4 December 2017	3.35%	642,748
ANZ Banking Group	18 December 2017	3.35%	1,558,660
Bank of New Zealand	19 September 2017	3.55%	1,508,958
Bank of New Zealand	12 August 2017	3.35%	1,057,434
Bank of New Zealand	1 October 2017	3.60%	1,048,030
ASB Bank	7 June 2017	3.25%	1,228,989
ASB Bank	1 December 2017	3.40%	504,192
			9,028,910

9 Trade debtors and other receivables

	2018 $	2017 $
Accounts receivable	1,156,487	1,235,301
Interest receivable	28,244	73,599
Prepayments	143,072	215,072
Impairment allowance	-	-
Trade debtors and other receivables	1,327,803	1,523,973

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

As at 31 March 2018 and 2017, all overdue receivables have been assessed for impairment and appropriate allowances made. All receivables are subject to credit risk exposure.

Impairment allowance

The movement in the allowance for doubtful debts is as follows:

	2018 $	2017 $
Opening balance	-	-
Amounts written off	-	-
Impairment losses recognised in the year	-	-
Impairment losses reversed in the year	-	-
Closing balance	-	-

10 Property, plant and equipment

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

31 March 2018	Leasehold improvements $	Computer hardware $	Office equipment $	Office relocation $	Total $
Gross carrying amount					
Opening balance	15,333	2,248,574	307,272	-	2,571,179
Additions	-	125,541	6,758	-	132,300
Disposals	(13,835)	(23,706)	(4,010)	-	(41,551)
Closing balance	1,498	2,350,409	310,020	-	2,661,928
Accumulated depreciation and impairment					
Opening balance	13,909	2,046,797	241,017	-	2,301,724
Depreciation for the year	105	127,789	29,913	-	157,807
Impairment charge for the year	-	-	-	-	-
Depreciation written back on disposal	(13,835)	-	(4,010)	-	(17,845)
Closing balance	180	2,174,587	266,919	-	2,441,686
Carrying amount 31 March 2018	1,318	175,822	43,101	-	220,242

31 March 2017	Leasehold improvements $	Computer hardware $	Office equipment $	Office relocation $	Total $
Gross carrying amount					
Opening balance	76,218	2,090,356	278,891	623	2,446,088
Additions	1,498	158,218	28,635	-	188,352
Disposals	(62,384)	-	(254)	(623)	(63,260)
Closing balance	15,333	2,248,574	307,272	-	2,571,179
Accumulated depreciation and impairment					
Opening balance	13,834	1,891,989	204,280	-	2,110,102
Current year depreciation	76	154,809	36,737	-	191,622
Impairment charge for the year	-	-	-	-	-
Depreciation written back on disposal	-	-	-	-	-
Closing balance	13,909	2,046,797	241,017	-	2,301,724
Carrying amount 31 March 2017	1,423	201,776	66,255	-	269,455

Capital commitments

As at balance date the Company had no capital commitments (2017 $Nil).

CROWE HORWATH NEW ZEALAND

NZRS Limited

Notes to the financial statements

11 Intangible assets

Movements for each class of intangible assets are as follows:

31 March 2018	Software $	Trademarks $	Total $
Gross carrying amount			
Opening balance	3,515,000	10,698	3,525,698
Additions	283,127	-	283,127
Disposals	-	-	-
Closing balance	3,798,127	10,698	3,808,825
Accumulated amortisation and impairment			
Opening balance	3,144,300	10,698	3,154,998
Current year amortisation	283,272	-	283,272
Amortisation written back on disposal	-	-	-
Closing balance	3,427,572	10,698	3,438,270
Carrying amount 31 March 2018	370,554	-	370,554

31 March 2017	Software $	Trademarks $	Total $
Gross carrying amount			
Opening balance	3,183,233	10,698	3,193,931
Additions	367,509	-	367,509
Disposals	(35,742)	-	(35,742)
Closing balance	3,515,000	10,698	3,525,698
Accumulated amortisation and impairment			
Opening balance	2,829,600	10,698	2,840,298
Current year amortisation	314,700	-	314,700
Amortisation written back on disposal	-	-	-
Closing balance	3,144,300	10,698	3,154,998
Carrying amount 31 March 2017	370,700	-	370,700

12 Trade creditors and other payables

	2018 $	2017 $
Accounts Payable	81,276	230,739
Holiday pay accrual	100,430	119,512
GST Payable	108,457	92,933
Total trade creditors and other payables	290,163	443,184

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

13 Deferred revenue

	2018 $	2017 $
Current	5,837,636	5,641,750
Non-current	2,644,168	2,673,035
Total deferred revenue	8,481,804	8,314,785

Registry fees received by NZRS 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.

14 Employee entitlements

	2018 $	2017 $
Salaries and wages	2,272,696	2,044,272
Capitalised salaries and wages	(228,250)	(283,958)
Employer contributions to contribution plans	68,052	62,137
Increase/(decrease) in employee entitlements	(19,082)	36,729
Total employee entitlements	2,093,415	1,859,180

Short–term employee entitlements represent the Company'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 salaries and wages and holiday entitlements at the reporting date.

During the year eleven (2017: seven) employees received remuneration greater than $100,000.

15 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 Company.

The Company has a related party relationship with its Parent, entities under common control and Key Management Personnel.

Internet New Zealand Incorporated
Internet New Zealand Incorporated (InternetNZ) owns 100% of the the Company.

Dividends declared and paid by the Company during the year amounted to $4,728,236 (2017: $4,334,136).

The Company paid management fees of $212,256 (2017: $205,332) to InternetNZ.

Domain Name Commission Limited
Domain Name Commission Limited, an entity under common control, received management fees totalling $1,869,840 (2017: $1,869,840) from the Company during the year.

Key management personnel compensation
The Company has a related party relationship with its key management personnel. Key management personnel includes directors and executive officers.

Key management personnel compensation includes the following expenses:

	2018 $	2017 $
Directors fees & other salaries	828,406	683,776
Total remuneration	828,406	683,776
Number of persons recognised as key management personnel	8	8

16 Dividend declared

During the year the Board of Directors declared dividends of $4,728,236 or $157.61 per share (2017: $4,334,136 or $144.47 per share).

17 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 Company classified as "loans and receivables" are carried at cost less accumulated impairment losses.

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

NZRS Limited

Notes to the financial statements

18 Reconciliation of cash flows from operating activities

	2018 $	2017 $
Surplus/(deficit) for the year	4,684,868	4,267,574
Add/(deduct) non-cash items		
Depreciation, amortisation, impairment and gain/loss on fixed assets	441,079	605,323
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	-	-
Add/(deduct) movements in working capital		
(Increase)/decrease in trade debtors and other receivables	124,169	(116,298)
(Increase)/decrease in GST receivable	15,524	3,576
(Increase)/decrease in prepayments	72,000	(103,731)
Increase/(decrease) in trade creditors and other payables	(149,463)	(14,870)
Increase/(decrease) in employee entitlements	(19,082)	36,729
Increase/(decrease) in deferred revenue	167,019	297,273
Net cash flows from/(used in) operating activities	5,336,114	4,975,576

19 Contingent assets and contingent liabilities

The Company has no contingent assets or contingent liabilities (2017: None).

20 Events after the reporting period

After the balance date, on the 1st of April 2018, NZRS Limited merged with Internet NZ with all assets and liabilities transferred as an in-specie distribution to Internet NZ as the 100% shareholder of NZRS Limited (2017: None).

NZRS

an InternetNZ company

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NZRS operates and manages the registration of .nz domain names and the operation of the .nz Domain Name System (DNS). We also operate the National Broadband Map.

NZRS is 100% owned by InternetNZ, the membership society that protects and promotes the Internet. InternetNZ is the manager of the .nz country code, recognised as such by ICANN, and has delegated the running of .nz to us and DNCL, also a 100% owned subsidiary.

This report can be found on InternetNZ website.

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