Internet New Zealand Incorporated

Consolidated Financial Statements
For the year ended 31 March 2018

Internet New Zealand Incorporated

Contents

Internet New Zealand Incorporated

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

	Notes	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
OPERATING ACTIVITIES					
Exchange revenue					
Registry fees		10,504,127	10,058,081	-	-
Other income		174,025	118,055	486,340	400,769
Total exchange revenue		10,678,152	10,176,136	486,340	400,769
Non-exchange Revenue - Grants		-	42,844	-	42,844
Total operating revenue		10,678,152	10,218,980	486,340	443,613
Operating expenses					
Registry services		3,525,306	3,407,240	-	-
Domain Name Commission		1,738,890	1,559,917	-	-
Community engagement		550,626	368,369	550,626	368,369
Community funding		756,815	755,706	756,815	755,706
Communications/Outreach		210,413	191,270	210,413	191,270
Governance and members		700,670	522,552	681,170	490,927
International engagements		110,754	104,777	110,754	104,777
International events		-	41,526	-	41,526
Internet issues		558,392	816,734	558,392	816,734
Other overhead and administrative expenses		2,317,794	2,277,590	1,699,145	1,579,026
Total operating expenses	7	10,469,661	10,045,681	4,567,316	4,348,335
Surplus/(deficit) from operating activities		208,491	173,299	(4,080,976)	(3,904,722)
INVESTING ACTIVITIES					
Dividend income		-	-	4,728,236	4,334,136
Interest income on term deposits		415,744	383,722	63,302	48,021
Fair value gains/(losses) on managed funds		242,816	215,337	242,816	215,337
Surplus/(deficit) from investing activities		658,560	599,059	5,034,353	4,597,495
SURPLUS/(DEFICIT) FOR THE YEAR		867,051	772,358	953,377	692,773
Other comprehensive revenue and expense		-	-	-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR		867,051	772,358	953,377	692,773

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

President — Date: 22/6/18.

Joy Liddicoat

Vice President — Date: 22/6/18

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

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Internet New Zealand Incorporated

Statement of Financial Position
As at 31 March 2018

	Notes	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
ASSETS					
Current					
Cash and cash equivalents	8	2,869,590	3,013,215	1,849,841	1,854,581
Trade debtors and other receivables	9	1,221,323	1,342,789	94,161	95,760
Prepayments		257,697	264,698	75,654	45,226
Investments	12	15,341,646	13,938,252	5,174,967	4,166,897
Total current assets		19,690,256	18,558,955	7,194,623	6,162,464
Non-current					
Property, plant and equipment	10	478,526	504,953	238,040	216,211
Intangible assets	11	434,492	471,868	54,351	72,961
Investment in subsidiary	6	-	-	610,000	610,000
Total non-current assets		913,018	976,821	902,391	899,173
TOTAL ASSETS		20,603,274	19,535,776	8,097,014	7,061,637
LIABILITIES					
Current					
Trade creditors and other payables	14	995,649	945,964	602,752	542,695
Employee entitlements	16	283,432	299,688	154,778	132,835
Deferred revenue - current	15	5,837,636	5,641,750	-	-
Total current-liabilities		7,116,717	6,887,402	757,530	675,530
Non-current					
Deferred revenue - non current	15	2,644,168	2,673,035	-	-
Total non-current liabilities		2,644,168	2,673,035	-	-
TOTAL LIABILITIES		9,760,885	9,560,438	757,530	675,530
NET ASSETS		10,842,389	9,975,338	7,339,484	6,386,107
EQUITY					
Accumulated funds		10,842,389	9,975,338	7,339,484	6,386,107
TOTAL EQUITY		10,842,389	9,975,338	7,339,484	6,386,107

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

Internet New Zealand Incorporated

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

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
ACCUMULATED FUNDS				
Opening balance	9,975,338	9,202,980	6,386,107	5,693,334
Surplus/(deficit) for the year	867,051	772,358	953,377	692,773
Other comprehensive revenue and expense	-	-	-	-
Total comprehensive revenue and expense	867,051	772,358	953,377	692,773
CLOSING BALANCE ACCUMULATED FUNDS	10,842,389	9,975,338	7,339,484	6,386,107
TOTAL EQUITY	10,842,389	9,975,338	7,339,484	6,386,107

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

Internet New Zealand Incorporated

Statement of Cash Flows
For the year ended 31 March 2018

	Notes	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Cash flows from operating activities					
Cash was provided from/(applied to):					
Receipts from customers		11,174,076	10,787,332	736,432	873,254
Dividends received		-	-	4,728,236	4,334,136
Interest received		451,848	418,993	52,927	42,962
Payments to suppliers and employees		(9,879,307)	(9,330,451)	(4,430,681)	(4,161,186)
GST		20,637	(16,170)	4,697	(27,106)
Net cash from/(used in) operating activities	19	1,767,256	1,859,704	1,091,611	1,062,060
Cash flows from investing activities					
Cash was provided from/(applied to):					
Net proceeds from sale (purchase) of investments		(1,403,394)	(3,566,100)	(1,008,070)	(426,396)
Purchase of property, plant and equipment		(224,133)	(280,794)	(75,691)	(80,351)
Purchase of intangible assets		(283,354)	(388,445)	(12,590)	(20,936)
Net cash from/(used in) investing activities		(1,910,881)	(4,235,339)	(1,096,351)	(527,683)
Net increase/(decrease) in cash and cash equivalents		(143,625)	(2,375,635)	(4,740)	534,377
Cash and cash equivalents, beginning of the year		3,013,215	5,388,851	1,854,581	1,320,204
Cash and cash equivalents at end of the year	8	2,869,590	3,013,215	1,849,841	1,854,581

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

Notes to the financial statements

1 Reporting entity

These financial statements comprise the consolidated financial statements of Internet New Zealand Incorporated ("InternetNZ") for the year ended 31 March 2018.

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

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

2 Basis of preparation

(a) Statement of compliance

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

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

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

(b) Basis of measurement

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

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

(c) Presentation currency

The financial statements are presented in New Zealand dollars.

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

(d) Changes in accounting policies

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

3 Summary of significant accounting policies

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

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

(a) Basis of consolidation

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

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

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

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

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

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

(b) Cash and cash equivalents

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

(c) Debtors and other receivables

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

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

(d) Creditors and other payables

Trade creditors and other payables are stated at cost.

(e) Property, plant and equipment

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

Additions and subsequent costs

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

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

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

Disposals

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

(e) Property, plant and equipment (continued)

Depreciation

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

Furniture and Fittings	5.0 - 67.0%	DV
Office equipment	10.0 - 50.0%	DV
Computer hardware	18.0 - 50.0%	DV

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

(f) Intangible assets

Intangible assets acquired separately are initially recognised at cost.

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

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

Software	40.0 - 50.0%	Straight Line
Trademarks	7 Years	Straight Line

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

Disposals

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

(g) Leased assets

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

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

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

(h) Provisions

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

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

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

(i) Employee entitlements

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

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

(j) Impairment of non-financial assets

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

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

Impairment losses are recognised immediately in surplus or deficit.

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

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

(k) Financial instruments

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

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

Initial recognition and measurement

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

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

Derecognition of financial instruments

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

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

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

(k) Financial instruments (continued)

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

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

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

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

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

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

Investments in managed funds are classified in this category.

Subsequent measurement of financial liabilities
Trade payables and other borrowings are subsequently measured at amortised cost using the effective interest method.

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

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

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

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

Interest income
Interest income is recognised as it is earned.

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

(m) Foreign currency translation

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

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

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

(n) Income tax

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

(o) Goods and Services Tax (GST)

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

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

4 Significant accounting judgements, estimates and assumptions

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

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

5 Capital management policy

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

6 Subsidiaries

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

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

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

CROWE HORWATH NEW ZEALAND

7 Operating expenses

The following amounts were expensed in the surplus/(deficit) for the year:

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Amortisation of intangibles	344,436	396,156	31,200	41,512
Audit fees	24,364	39,075	4,864	7,450
Bad and doubtful debts	-	-	-	-
Depreciation of property, plant and equipment	221,870	242,381	52,215	41,835
Donations	-	-	-	-
Loss on disposal of property, plant and equipment	4,983	69,129	1,647	-
Operating lease payments	530,186	531,893	394,428	388,518
Wages, salaries and other employee costs	4,863,154	4,405,978	1,669,926	1,567,298
Other overheads and administration costs	4,480,668	4,361,068	2,413,036	2,301,721
Total operating expenses	10,469,661	10,045,681	4,567,316	4,348,335

8 Cash and cash equivalents

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Cash at bank and in hand	2,754,063	2,713,215	1,769,474	1,554,581
Term deposits with maturities of three months or less	115,527	300,000	80,367	300,000
Cash and cash equivalents at end of the year	2,869,590	3,013,215	1,849,841	1,854,581

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

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

9 Trade debtors and other receivables

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Trade receivables	1,170,902	1,256,264	13,587	20,863
Accrued interest	50,421	86,525	19,639	9,265
GST receivable	-	-	60,935	65,632
Impairment allowance	-	-	-	-
Total trade debtors and other receivables	1,221,323	1,342,789	94,161	95,760

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

As at 31 March 2017 and 2018, 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:

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

Internet New Zealand Incorporated

Notes to the financial statements

10 Property, plant and equipment

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

Group 2018	Leasehold Improvements $	Furniture and fittings $	Computer hardware $	Office equipment $	Total $
Gross carrying amount					
Opening balance	15,333	227,383	2,363,206	440,725	3,046,647
Additions	-	45,789	154,295	24,047	224,132
Disposals	(13,835)	-	(27,711)	(10,641)	(52,187)
Closing balance	1,498	273,173	2,489,790	454,131	3,218,592
Accumulated depreciation and impairment					
Opening balance	13,910	71,163	2,127,529	329,094	2,541,695
Current year depreciation	105	26,315	145,137	50,313	221,870
Impairment charge for the year	-	-	-	-	-
Depreciation written back on disposal	- 13,835	-	(2,358)	(7,305)	(23,498)
Closing balance	180	97,478	2,270,307	372,102	2,740,066
Carrying amount 31 March 2018	1,318	175,695	219,483	82,029	478,526

Group 2017	Leasehold Improvements $	Furniture and fittings $	Computer hardware $	Office equipment $	Total $
Gross carrying amount					
Opening balance	76,841	185,882	2,179,262	396,005	2,837,990
Additions	1,498	41,501	186,951	50,843	280,794
Disposals	(63,007)	-	(3,007)	(6,123)	(72,137)
Closing balance	15,333	227,383	2,363,206	440,725	3,046,647
Accumulated depreciation and impairment					
Opening balance	13,834	51,861	1,963,073	279,427	2,308,195
Current year depreciation	76	19,302	167,468	55,536	242,381
Impairment charge for the year	-	-	-	-	-
Depreciation written back on disposal	-	-	(3,012)	(5,869)	(8,882)
Closing balance	13,910	71,163	2,127,529	329,094	2,541,694
Carrying amount 31 March 2017	1,423	156,220	235,678	111,631	504,953

Property, Plant and Equipment (continued)

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

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

Parent 2017	Leasehold Improvements $	Furniture and fittings $	Computer hardware $	Office equipment $	Total $
Gross carrying amount					
Opening balance	-	185,882	88,906	50,020	324,808
Additions	-	41,501	28,733	10,117	80,351
Disposals	-	-	(3,007)	-	(3,007)
Closing balance	-	227,383	114,632	60,137	402,152
Accumulated depreciation and impairment					
Opening balance	-	51,861	71,084	24,172	147,117
Current year depreciation	-	19,302	12,659	9,875	41,835
Impairment charge for the year	-	-	-	-	-
Depreciation written back on disposal	-	-	(3,012)	-	(3,012)
Closing balance	-	71,163	80,731	34,047	185,941
Carrying amount 31 March 2017	-	156,220	33,901	26,090	216,211

Capital commitments

As at 31 March 2018 the Parent and Group have no contractual commitments to acquire property, plant and equipment.

11 Intangible assets

Movements for each class of intangible assets are as follows:

Group 2018	Software $	Trademarks $	Total $
Gross carrying amount			
Opening balance	3,850,180	10,698	3,860,878
Additions	307,060	-	307,060
Disposals	-	-	0
Closing balance	4,157,240	10,698	4,167,938
Accumulated amortisation and impairment			
Opening balance	3,378,312	10,698	3,389,010
Current year amortisation	344,436	-	344,436
Amortisation written back on disposal	-	-	-
Closing balance	3,722,748	10,698	3,733,446
Carrying amount 31 March 2018	434,492	-	434,492

Group 2017	Software $	Trademarks $	Total $
Gross carrying amount			
Opening balance	3,497,477	10,698	3,508,175
Additions	388,445	-	388,445
Disposals	(35,742)	-	(35,742)
Closing balance	3,850,180	10,698	3,860,878
Accumulated amortisation and impairment			
Opening balance	2,982,156	10,698	2,992,854
Current year amortisation	396,156	-	396,156
Amortisation written back on disposal	-	-	-
Closing balance	3,378,312	10,698	3,389,010
Carrying amount 31 March 2017	471,868	-	471,868

Internet New Zealand Incorporated

Notes to the financial statements

Intangible assets (continued)

Movements for each class of intangible assets are as follows:

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

Parent 2017	Software $	Total $
Gross carrying amount		
Opening balance	203,583	203,583
Additions	20,936	20,936
Disposals	-	-
Closing balance	224,519	224,519
Accumulated amortisation and impairment		
Opening balance	110,045	110,045
Current year amortisation	41,512	41,512
Amortisation written back on disposal	-	-
Closing balance	151,558	151,558
Carrying amount 31 March 2017	72,961	72,961

Internet New Zealand Incorporated

Notes to the financial statements

12 Investments

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Loans and receivables				
Term deposits	12,454,306	11,283,051	2,287,628	1,511,696
Financial assets at fair value through surplus or deficit				
Managed Funds	2,887,340	2,655,201	2,887,340	2,655,201
Total Financial Assets	15,341,646	13,938,252	5,174,967	4,166,897

There is no impairment provision for investments.

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

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

13 Total unspent funds held

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Total unspent funds held:				
Cash and cash equivalents	2,869,590	3,013,215	1,849,841	1,854,581
Investments	15,341,646	13,938,252	5,174,967	4,166,897
Total unspent funds held	18,211,236	16,951,468	7,024,808	6,021,478
The total unspent funds are held by:				
Internet New Zealand Incorporated	7,024,808	6,021,478	7,024,808	6,021,478
Domain Name Commission Limited	1,243,602	1,203,322	-	-
NZRS Limited	9,942,826	9,726,668	-	-
Total unspent funds held	18,211,236	16,951,468	7,024,808	6,021,478
Represented by:				
Funds held but not yet spent	9,729,432	8,636,683	7,024,808	6,021,478
Deferred revenue in NZRS Limited	8,481,804	8,314,785	-	-
Total unspent funds held	18,211,236	16,951,468	7,024,808	6,021,478

14 Trade creditors and other payables

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Trade creditors	921,191	892,142	290,670	270,554
GST payable	74,458	53,822	-	-
Other accruals	-	-	312,081	272,142
Total trade creditors and other payables	995,649	945,964	602,752	542,695

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

15 Deferred revenue

	Group 2018	Group 2017	Parent 2018	Parent 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.

16 Employee entitlements

	Group 2018	Group 2017	Parent 2018	Parent 2017
	$	$	$	$
Annual leave entitlements	263,643	281,386	137,005	119,125
Liability for long-service leave	19,789	18,302	17,773	13,710
Total employee entitlements	283,432	299,688	154,778	132,834

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

During the year the numbers of employees who received remuneration greater than $100,000 were:

	Group 2018	Group 2017
$100,001-200,000	13	11
$200,001-300,000	1	2
$300,001+	2	1
Total	16	14

17 Operating leases

Operating leases are held for premises used for office space.

	Group 2018	Group 2017	Parent 2018	Parent 2017
Non-cancellable operating leases are payable as follows:	$	$	$	$
Less than one year	380,835	380,835	380,835	380,835
Between one and five years	1,360,890	1,425,870	1,360,890	1,425,870
More than five years	470,475	802,575	470,475	802,575
Total operating lease commitment	2,212,200	2,609,280	2,212,200	2,609,280

18 Related party transactions

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

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

Transactions between Parent and subsidiaries

Internet New Zealand Incorporated (InternetNZ) owns 100% of the share capital in its subsidiaries:
- NZRS Limited (NZRS); and
- Domain Name Commission Limited (DNCL).

InternetNZ received dividends declared and paid by NZRS during the year of $4,728,236 (2017: $4,334,136).

NZRS and DNCL paid management fees to InternetNZ during the year of $212,256 and $187,235 respectively (2017: $205,332 and $181,776).

Other related party transactions

Innovation Partnership Membership Fees of $40,000, InternetNZ is a trustee of the Innovation Partnership Trust and Outreach and Engagement Director Andrew Cushen represents InternetNZ in this role and is also the Innovation Partnership Trust Treasurer. Andrew Cushen was not a party to the council resolution vote to become a trustee of the Innovation partnership Trust.

Key management compensation

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

Key management personnel compensation includes the following expenses:	Group		Parent	
	2018	2017	2018	2017
	$	$	$	$
Directors fee, salaries and other short-term employee benefits	2,620,966	2,360,751	978,217	954,422
Total remuneration	2,620,966	2,360,751	978,217	954,422
Number of persons recognised as key management personnel	34	33	17	17

18 Financial instruments

(a) Carrying value of financial instruments

The carrying amounts of all material financial assets and liabilities are considered to be equivalent to fair value.

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

(b) Classification of financial instruments

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

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

19 Reconciliation of cash flows from operating activities

	Group		Parent	
	2018	2017	2018	2017
	$	$	$	$
Surplus/(deficit) for the year	867,051	772,358	953,377	692,773
Add/(deduct) non-cash items				
Depreciation, amortisation and impairment	566,306	638,537	83,415	83,347
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	4,983	98,995	1,647	-
Add/(deduct) movements in working capital				
(Increase)/decrease in trade debtors and other receivables	121,465	90,957	(3,098)	209,245
(Increase)/decrease in GST receivable	20,636	(16,171)	4,697	(27,106)
(Increase)/decrease in prepayments	7,002	(119,484)	(30,427)	(11,654)
Increase/(decrease) in trade creditors and other payables	29,050	43,478	103,944	115,455
Increase/(decrease) in employee entitlements	(16,256)	53,759	(21,944)	-
Increase/(decrease) in deferred revenue	167,019	297,273	-	-
Net cash flows from/ (used in) operating activities	1,767,256	1,859,704	1,091,611	1,062,060

20 Contingent assets and contingent liabilities

The Parent and Group have no contingent assets or continent liabilities (2017: None).

21 Events after the reporting period

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