ANNUAL REPORT

2009 – 2010

Annual Report 2009 - 2010

InternetNZ (Internet New Zealand Inc) is an open membership, incorporated society, established to promote and protect the Internet in New Zealand.

It has overall responsibility for the .nz domain name space, and is an advocate for the interests of Internet users and domain name registrants in New Zealand and overseas.

InternetNZ

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President's Report

This has been a challenging year for me personally in my first year as President and an exciting one for InternetNZ.

The 2009 AGM followed closely on the dissolution of the Executive Board and the resulting significant management changes. As a transitional move we appointed an Acting CEO – Richard Currey – to oversee staff and manage the work of the policy office. My thanks go to Richard for his contribution. He provided InternetNZ with much needed stable and sure administration during a crucial time. He was also a great support for me personally.

Rounding off the management transformation, Vikram Kumar was appointed InternetNZ Chief Executive in January 2010, responsible to the Council for oversight of staff and managing the work of the Policy and Shared Services Units. Vikram has a fine ICT pedigree, honed in central Government circles, and I have greatly enjoyed working with him since his appointment, in pursuit of InternetNZ's raft of organisational objectives.

The past year has seen InternetNZ continue its business-as-usual stewardship of the .nz domain name space. At the same time we have made significant progress towards ensuring the Internet in New Zealand is open and continuing to perform at a high level.

That the staff successfully progressed a full plate of Internet advocacy and public policy in the midst of great structural upheaval is a credit to their work ethic and tenacity. Significant work was done by staff in such areas as fibre access, copyright and Internet filtering. Pleasingly, InternetNZ's profile was considerably raised in the eyes of the general public through the New Zealand IPv6 Hui, the R v the Internet Seminar and PublicACTA events.

Internationally, InternetNZ continues to wield influence at a range of fora including ICANN (the Internet Corporation for Assigned Names & Numbers), IGF (Internet Governance Forum) and APTLD (the Asia Pacific Top Level Domain Association). Keith Davidson has significant standing in the international Internet community and we are lucky to have him stay on as a contractor, flying the flag for InternetNZ and advancing our cause at these meetings.

Congratulations are also due to Keith for his recent appointment as Chair of APTLD, a move which greatly enhances New Zealand's position on the international Internet governance stage.

In a group-wide sense, InternetNZ and its two subsidiary companies – New Zealand Registry Services and the Domain Name Commission – continue working well together. We have worked to improve the financial reporting for the InternetNZ Group to assist transparency in the expectation that this will assist members' understanding of how we operate.

My thanks go to all of InternetNZ's Council and Board members for their work over the year. I especially wish to thank outgoing Councillors Liz Butterfield and Chris Streatfield, and DNCL board member David Russell. All three have brought considerable technical, business and ICT strategy skills to bear and will be sorely missed.

Finally I would like to take the opportunity to thank the InternetNZ membership for their support and commitment to InternetNZ during a busy year.

InternetNZ is first and foremost a membership organisation and, as well as working hard to maintain our excellent policy focus, we fully intend improving communication with members and member engagement in policy development..

With the continued support of members, and a professional and committed staff and Council, I am certain that next year will be as satisfying as this one has.

Frank March, President

Chief Executive's Report

"The Internet changes everything" is an overused cliché. However, as with many clichés, it contains a kernel of truth. Most people will agree that the Internet is disruptive, with profound social, cultural and economic impacts. The everyday impacts are easier to see but it is in the longer-term that we will see massive change including new business models, new forms of entertainment, and new expectations from Government.

Of course, the Internet doesn't change everything. We will remain our essential human selves, with all that it means for our values, our social norms, and our humanity.

For all the change that the Internet has caused, it is in many ways still in its infancy. Over the next few years, with better and faster Internet access will come new services, new opportunities, and a blurring between the real and cyber worlds. Roll-out of the Government's Ultra Fast Broadband Initiative (UFB) and more capable mobile devices are two examples of immediate impact.

There will also be many challenges. Some of these could be quite fundamental, such as global technical debates about extensions and replacements to the Internet brought on by its very success and its role as critical national infrastructure.

InternetNZ has played a major role in setting and advocating the policy landscape for ubiquitous, high-speed network connectivity. These are now part of the Government's plans and we have to start moving conversations to the next step. This will include thinking about how regional networks inter-connect, services that will run on UFB, and an approach that supports competition and open access.

Finally, there are numerous challenges in relation to wider impacts of the Internet such as copyright, centralised government filtering, privacy, security, and digital skills.

InternetNZ will continue to operate in a rapidly changing environment. The challenge for us is to be flexible and nimble yet anchored by well-developed principles and community relationships. Many of the things we did in the past will continue to remain important but we will also need to continually evolve and take on new skills, new mindsets, and new ways of working.

Signs of change are evident. The Highlights section in this Annual Report shows the many achievements of the organisation in 2009 – 2010. At the same time, our Business Plan for 2010 – 2011 shows where we intend to focus in the coming year. There is both continuity and change, finely balanced.

Even as the Internet and InternetNZ evolves, we need to keep our roots strong. The expertise and abilities of our members to contribute to protecting and promoting the Internet for New Zealanders is a valuable asset. So is our relationship with Government and the many organisations that we work with. These have made us a critical part of the New Zealand Internet community, a position that imposes on us many expectations and responsibilities.

The last year was a period of financial stress for New Zealand and globally. While things have started to get better, we are more likely to go to a new "normal" rather than return to where we were before the crises hit. This new "normal" will have significant impact on not-for-profit organisations, including sustained financial constraints. We and our partner organisations will have to focus even more sharply on delivering better outcomes with fewer resources.

I have no doubt that the coming year will be challenging, but InternetNZ will face up to these challenges and deliver on the exciting opportunities before us.

Vikram Kumar, Chief Executive

InternetNZ Overview

InternetNZ (Internet New Zealand Inc) is New Zealand's leading Internet advocacy organisation. Our vision is of the Internet, open and uncaptureable. Our mission is to protect and promote the Internet for New Zealand.

We provide independent, leading expertise to government, industry and community stakeholders on a range of Internet policy and technical issues. We maintain close links with the best in the business around the world, and apply that knowledge to the benefit of New Zealand. We also support public good initiatives including cyberlaw research, Internet safety, and technical empowerment, both locally and globally.

We favour self-regulation, but where appropriate we advocate stronger regulatory intervention should issues of market power threaten the openness and accessibility of the Internet.

InternetNZ is also delegated manager of the .nz country code top level domain (ccTLD) and represents New Zealand at a global level through that role.

InternetNZ is a non-profit, open membership, incorporated society, overseen by a council elected from its members. There are two subsidiaries, the Domain Name Commission (DNC), which develops and enforces policies for the .nz domain name, and .nz Registry Services (NZRS), which maintains and publishes the register of .nz domain names, and operates the Domain Name System (DNS) for .nz.

1. Management of .nz

1.1. Ensure that the .nz DNS meets the needs of registrants.
1.2. Maintain a fair and competitive market for .nz registrars.
1.3. Ensure .nz is operated to industry best practice following "industry best practice RFCs".
1.4. Maintain effective policies for the .nz space.
1.5. Promote .nz objectives internationally.
1.6. Develop and maintain effective relationships with key government and other organisations in New Zealand.

2. Advocacy and Public Policy

Goal: A policy and regulatory environment that ensures the security and stability of the Internet

2.1. To influence the development of New Zealand Government ICT and telecommunications policy.
2.2. To facilitate best practice and industry self-regulation.
2.3. To further the implementation of the New Zealand Government's Digital Strategy.
2.4. To contribute to the global governance and policy framework for the Internet.
2.5. To preserve the Internet's interoperability and end-to-end principles.
2.6. To assist the development and capability of ICT in developing countries in Oceania.

3. Technical Development and Innovation

Goal: World-class Internet infrastructure and capability in New Zealand

3.1. To promote the development and adoption of next generation Internet technologies, applications and standards by industry and government.
3.2. To further the security and stability of the Internet and promote the use of open technical standards and best practice.
3.3. Professional development of the Internet technical community.

4. Organisational Capability

Goal: An organisation capable of delivering the Society's Objectives and Strategic Plan

4.1. To ensure excellent governance of InternetNZ.
4.2. To support volunteers and members.
4.3. Reputation and external relations.
4.4. Maintaining institutional knowledge and staff capacity.

Highlights

ACTA

The veil of secrecy surrounding the Anti Counterfeiting Trade Agreement (ACTA) was kept tightly drawn for much of 2009 – 2010. ACTA is an attempt to establish a global IP rights enforcement regime that will significantly impact peoples' digital freedoms. In April 2010, InternetNZ assisted the public in voicing concerns through an open conference dubbed PublicACTA. The output of PublicACTA — a document called the Wellington Declaration — garnered over 8000 supporting signatures and was presented to the New Zealand Government negotiating team. The draft ACTA text was subsequently released, and InternetNZ continues to lobby against ACTA's Internet provisions.

Broadband Initiative

The Government's plan for deploying ultrafast broadband to 75% of New Zealanders was further developed during 2009 – 2010. InternetNZ strongly supports this initiative and continues to take a close interest in the policy framework to ensure that the final structure of the Government's $1.5 billion investment will deliver fibre-to-the-home in as many places as possible.

Copyright

In 2009 – 2010 the Government came up with a new proposal to deal with the vexed issue of illicit peer-to-peer filesharing. The Copyright (Infringing File Sharing) Amendment Bill will repeal Section 92a of the Copyright Act 1994. It sets out a fairer regime that is focused on public education via notices, and tests allegations of infringement through a Tribunal process. InternetNZ remains concerned however that suspension of peoples' Internet accounts remains a final penalty and continues to argue that this is a disproportionate response to digital copyright infringement.

Cyberlaw Fellowship

Colombia Law School graduate Jonathan Penney was appointed Cyberlaw Fellow in August 2009. The Cyberlaw Fellowship is a joint project funded by InternetNZ and Victoria University, designed to support the development of expertise in Internet-related legal issues. Jonathan has been actively involved with InternetNZ's efforts in the copyright realm, notably ACTA, and his research focus this year is 'the Internet as a right'.

Filtering

In 2009 – 2010 the Department of Internal Affairs (DIA) deployed a voluntary filtering system that allows ISPs to block access to a blacklist of child abuse material. This attracted robust comment among InternetNZ members and a working group was formed to technically analyse the filtering system and consider its policy implications. InternetNZ subsequently released a position paper rejecting centralised filtering as an acceptable approach for New Zealand to take. The paper sets out the basis for this position and calls on the DIA to conduct a thorough study of the extent of access of child abuse material on the Internet and the best ways of addressing it.

World Internet Project

InternetNZ continued its support for the WIP (World Internet Project) New Zealand Survey, part of an international research initiative that tracks global trends in Internet use. The latest survey, released in March 2010, shows that 83% of New Zealanders are using the Internet. Two thirds of survey respondents said the Internet was so important to their everyday lives that losing access to it would be a problem. Nearly half of users report using social networking sites. The survey is an extremely useful resource for InternetNZ, our strategic partners and the wider community in terms of developing future policy initiatives aimed at increased and better use of technology.

R v the Internet

InternetNZ, the Law Commission and the Ministry of Justice jointly hosted a seminar in December 2009 for legal and Internet professionals to discuss a range of issues around suppression orders, contempt of court and the Internet. Over 80 people attended to discuss undermining of suppression orders online, the lack of jurisdiction over material hosted outside New Zealand, and whether or not online discussion of trials should be considered contempt of court.

Submissions to Government

InternetNZ continued its interaction with the Government and Parliament on a range of legislative and regulatory issues. Major submissions were filed with government agencies on the broadband investment initiative, IP interconnection, the Anti Counterfeiting Trade Agreement, software patents, copyright reform and Internet filtering.

IPv6 (Internet Protocol Version 6)

In 2009 – 2010 the New Zealand IPv6 Task Force was established to develop an IPv6 action plan, training and education options, and assist with IPv6 implementation planning. The Task Force supercedes the New Zealand IPv6 Steering Group and is aligned with the Global IPv6 Forum. Its work is strongly supported by InternetNZ, which provides funding and ongoing Secretariat support.

InternetNZ also helped organise a series of IPv6 Hui in August 2009 to tackle the need for New Zealand corporate and industry networks to implement IPv6. Keynote speaker, 'Father of the Internet' Vint Cerf, declared that the remaining pool of IPv4 addresses will be fully exhausted by 2011 and urged the audience of CIOs to "implement IPv6 now".

NZNOG

NZNOG (New Zealand Network Operators' Group) is an independent structure for which InternetNZ provides secretariat and sponsorship support. The January 2010 NZNOG conference, held in Hamilton, attracted over 100 network operators and featured expert speakers on technical subjects including IPv6, video peering and ENUM.

Collaboration

To further InternetNZ's goal of protecting and promoting the Internet we have collaborated with a number of groups. In 2009 – 2010, strong links were maintained with the New Zealand IPv6 Taskforce, NZNOG, NetSafe, AUT, Victoria University Law Faculty and the Liz Dengate Thrush Foundation. Our aim is to continue building long-term relationships with organisations that work towards one or more of our objectives, maximising the effectiveness of each other's resources and strengths.

Grants Funding

InternetNZ provides grants funding for projects aligned with our objectives. Any person or organisation can apply for funding, with applications assessed by a Grants Committee.

In 2009 – 2010, funding was provided for a range of ICT initiatives, including:

- Broadband measurement at Waikato University's WAND research group
- Linux.conf.au conference fellowships
- .nz honeypot malware project
- Samoa telecentre rebuild (post-September 2009 earthquake & tsunami)
- NetSafe strategic partnership
- New Zealand World Internet Project survey
- Cyberlaw Fellowship at Victoria University's Law Faculty
- New Zealand IPv6 Taskforce support

InternetNZ launches new website

InternetNZ launched a new website in March 2010, providing richer and more connected content. The site encourages two-way dialogue via a blog and links to InternetNZ's Twitter and Flickr accounts. There is more information in key areas such as our strategic partnerships and grants funding, and the website is fully IPv6-enabled.

Event Sponsorships

InternetNZ supported a variety of Internet-related events in 2009 – 2010, including the:

- IPv6 Hui
- Kiwicon conference
- Linux.conf.au conference
- NZNOG 2010
- Foo Camp 2010
- Open Government Data Bar Camp

InternetNZ moves office

In October 2009 InternetNZ moved to new premises at Grand Arcade Tower on Wellington's Willis Street. The new office provides a more efficient use of space, with staff from InternetNZ, the DNC and NZRS working together on one level.

International Activity

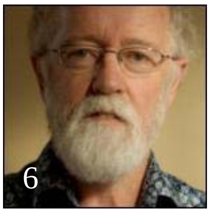
APTLD
(Asia Pacific Top Level Domain Association)

APTLD is the association for ccTLD managers in the Asia Pacific region. In 2009 – 2010 InternetNZ representatives attended meetings in Beijing and Kuala Lumpur, gaining valuable information regarding technological and operational issues of domain name registries in the Asia Pacific region.

ICANN

ICANN (Internet Corporation for Assigned Names and Numbers) is the private sector, non-governmental institution that coordinates the technical resources at the Internet's heart – the global DNS root. In 2009 – 2010, InternetNZ continued its participation at ICANN meetings internationally, with key focus areas being Internationalised Domain Names, new gTLDs and DNS security.

InternetNZ Directory 2009-2010



1. **Frank March**
   President 2009 – 2012
   Vice President 2007 – 2009
   Secretary 1997 – 2001
   Council 1994 – 1997, 2006 – 2007
   InternetNZ Fellow – awarded 2001

2. **Jamie Baddeley**
   Vice President 2009 – 2012
   Council 2006 - 2009

3. **Liz Butterfield**
   Council 2007 – 2010
   InternetNZ Fellow – awarded 2006

4. **Donald Clark**
   Council 2008 – 2011

5. **Michael Foley**
   Council 2007 – 2012

6. **Neil James**
   Council 2008 – 2010
   InternetNZ Fellow – awarded 2001

7. **Hamish MacEwan**
   Council 2007 – 2012

8. **Jonny Martin**
   Council 2006 – 2010

9. **Judith Speight**
   Council 2006 – 2010

10. **Chris Streatfield**
    Council 2008 – 2011
    Council 2001 - 2002
    Secretary 2006 – 2008
    Treasurer 2002 – 2006

11. **Nathan Torkington**
    Council 2009 - 2011

12. **Michael Wallmannsberger**
    Council 2008 – 2011
    Council 2002 – 2003
    Treasurer 2006 – 2008
    Secretary 2003 – 2006

Grant Thornton

Audit Report

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The Members and Stakeholders of Internet New Zealand and Group

We have audited the financial statements on pages 2 to 18. The financial statements provide information about the past financial performance and cash flows of Internet New Zealand Incorporated and its subsidiaries (the Society and Group) for the year ended 31 March 2010 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 7 to 11.

Council's Responsibilities

The Council are responsible for the preparation and presentation of the financial statements which fairly reflects the financial position of the Society and Group as at 31 March 2010 and results and cash flows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Council and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Council in the preparation of the financial statements; and
- whether the accounting policies used are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Grant Thornton

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors, we have no relationship with or interests in the Society and Group.

Unqualified Opinion

We have obtained all the information and explanations that we have required.

In our opinion the financial report on pages 2 to 18 fairly reflects the financial position of the Society and Group as at 31 March 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 11 June 2010 and our unqualified opinion is expressed as at that date.

Grant Thornton

Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand
22 June 2010

Internet New Zealand Incorporated
Annual Report
For the Year Ended 31st March 2010

Prepared By

Curtis McLean Limited
Chartered Accountants
Wellington NZ

The Notes form part of these Financial Statements and should be read in conjunction with them.

Annual Report
For the Year Ended 31st March 2010

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Annual Report
For the Year Ended 31st March 2010

Financial Result

The Group Net Profit for the year, after taxation, was $1,043,715 (2009 $813,887).

	2010		2009	
	Parent	Group	Parent	Group
Retained Earnings as at 1 April	2,166,712	6,711,266	2,333,707	5,897,379
Net Profit (Loss) After Taxation	166,576	1,043,715	(166,995)	813,887
Retained Earnings as at 31st March	$2,333,288	$7,754,981	$2,166,712	$6,711,266

Dividend

Dividends of $2,490,000 were received from New Zealand Domain Name Registry Limited, a wholly owned company, for the year ended 31st March 2010 (2009 $2,112,000).

Remuneration of Council

During the year Council received the following remuneration:

Fees Paid

Frank March - President	19,750
James Baddeley - Vice President	10,500
Liz Butterfield	750
Donald Clark	nil
Stewart Flemming	3,000
Michael Foley	9,000
Neil James	9,000
Hamish MacEwan	9,000
Jonny Martin	9,000
Peter McCaulay	8,000
Judy Speight	9,000
Chris Streatfield	9,000
Nat Torkington	5,250
Michael Wallmannsberger	9,300
	$110,550

For and on Behalf of the Council

President

Vice President

11 June 10 **Date**

Internet New Zealand Incorporated
Statement of Comprehensive Income
For the Year Ended 31st March 2010

	Note	2010 Parent	2010 Group	2009 Parent	2009 Group
Registry Fees		-	6,840,284	-	6,361,318
Other Income		231,029	139,888	41,557	159,696
		231,029	6,980,172	41,557	6,521,014
Less Expenses					
Registry Services		-	1,751,221	-	1,702,246
Domain Name Commission		-	650,430	-	659,618
Public Policy		628,283	628,283	507,788	507,788
Society		1,040,260	1,040,261	987,641	965,060
Technical Leadership		191,263	191,263	99,034	99,034
Audit Fees		9,504	27,376	6,401	25,105
Employee Remuneration		593,756	1,603,189	639,771	1,494,540
Finance Cost		6,596	6,596	45,074	51,134
Depreciation & Amortisation	5,6	32,771	237,751	31,076	208,470
Rent		92,909	211,263	46,212	214,958
Loss on Disposal of Fixed Assets		-	56,533	-	-
Total Expenses		2,595,342	6,404,166	2,362,997	5,927,953
Surplus/(Deficit) from Operations		(2,364,313)	576,006	(2,321,440)	593,061
Plus Other Income/(Expenses)					
Dividend Income		2,490,000	-	2,112,000	-
Interest		16,294	467,709	42,445	660,396
Sundry Income		24,595	-	-	-
Surplus/(Deficit) for the Year		166,576	1,043,715	(166,995)	1,253,457
Less:					
Income Tax Expense	1	-	-	-	439,570
Profit for the Year		166,576	1,043,715	(166,995)	813,887
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Year		$166,576	$1,043,715	($166,995)	$813,887
Attributable to:					
Minority Interest		-	-	-	-
Internet New Zealand Incorporated		166,576	1,043,715	(166,995)	813,887
		$166,576	$1,043,715	($166,995)	$813,887

The Notes form part of these Financial Statements and should be read in conjunction with them.

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Internet New Zealand Incorporated
Statement of Changes in Equity
For the Year Ended 31st March 2010

	Note	2010 Parent	2010 Group	2009 Parent	2009 Group
Retained Earnings					
Opening Retained Earnings		2,166,712	6,711,266	2,333,707	5,897,379
Total Comprehensive Income for the Year					
Net Profit (Loss) After Taxation		166,576	1,043,715	(166,995)	813,887
Other Comprehensive Income		-	-	-	-
Retained Earnings as at 31st March		$2,333,288	$7,754,981	$2,166,712	$6,711,266

The Notes form part of these Financial Statements and should be read in conjunction with them.

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Internet New Zealand Incorporated
Balance Sheet
As At 31st March 2010

	Note	2010 Parent	2010 Group	2009 Parent	2009 Group
Current Assets					
Cash and Cash Equivalents	3	1,381,851	11,523,715	1,518,686	9,983,001
Other Current Assets	4	102,420	1,066,763	104,436	1,377,158
Total Current Assets		1,484,271	12,590,478	1,623,122	11,360,159
Property, Plant & Equipment	5	375,538	649,295	67,579	339,451
Investments					
Shares in Subsidiaries	10	610,000	-	610,000	-
Hector's World Limited Loan	9	148,330	148,330	94,926	94,926
Total Investments		758,330	148,330	704,926	94,926
Intangible Assets	6	8,295	189,559	3,955	22,619
Total Assets		2,626,434	13,577,662	2,399,582	11,817,155
Less Liabilities:					
Current Liabilities					
Deferred Income - Current	12	-	3,524,629	-	3,156,877
Trade and Other Payables	7	293,146	743,155	232,870	633,841
Total Current Liabilities		293,146	4,267,784	232,870	3,790,718
Term Liabilities					
Deferred Income	12	-	1,554,897	-	1,315,171
Total Liabilities		293,146	5,822,681	232,870	5,105,889
Net Assets		$2,333,288	$7,754,981	$2,166,712	$6,711,266
Represented by:					
Total Equity		$2,333,288	$7,754,981	$2,166,712	$6,711,266

For and on Behalf of the Council

President

Vice President

11/6/10 **Date**

The Notes form part of these Financial Statements and should be read in conjunction with them.

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Internet New Zealand Incorporated
Statement of Cash Flows
For the Year Ended 31st March 2010

	2010 Parent	2010 Group	2009 Parent	2009 Group
Cash Flows From Operating Activities				
Cash was Provided From				
Net Receipts from Customers	-	7,420,211	-	6,705,928
Net GST Received	-	-	-	20,193
Receipt of Taxation	-	382,188	-	-
Interest Received	15,081	465,896	55,722	656,048
	15,081	**8,268,295**	**55,722**	**7,382,169**
Cash was Distributed To:				
Payments to Suppliers and Employees	2,218,691	5,870,814	2,403,160	5,742,337
Payment of Taxation	2,087	-	1,989	772,041
Net GST Paid	16,068	25,178	4,934	-
	2,236,846	**5,895,992**	**2,410,083**	**6,514,378**
Net Flows Operating Activities	**(2,221,765)**	**2,372,303**	**(2,354,361)**	**867,791**
Cash Flows From Investing & Financing Activities				
Cash was Provided From				
Dividend Received	2,490,000	-	2,112,000	-
Share Redemption	-	-	-	-
	2,490,000	**-**	**2,112,000**	**-**
Cash was Distributed To:				
Shares in Subsidiary	-	-	580,000	-
Interest Expense	-	521	-	-
Loan to Hectors World	60,000	60,000	140,000	140,000
Purchase of Fixed Assets & Intangibles	345,070	771,068	41,442	182,686
	405,070	**831,589**	**761,422**	**332,686**
Net Cash Flows From Investing Activities	**2,084,930**	**(831,589)**	**1,350,558**	**(322,686)**
Net Increase (Decrease) In Cash Held	**(136,835)**	**1,540,714**	**(1,003,803)**	**545,105**
Add: Opening Cash Balance	1,518,686	9,983,001	2,522,489	9,437,896
Closing Cash Carried Forward	**1,381,851**	**11,523,715**	**$1,518,686**	**$9,983,001**
Closing Cash Comprises				
Cash and Cash Equivalents	1,381,851	11,523,715	$1,518,686	$9,983,001
Total Closing Cash	**$1,381,851**	**$11,523,715**	**$1,518,686**	**$9,983,001**

The Notes form part of these Financial Statements and should be read in conjunction with them.

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Internet New Zealand Incorporated
Statement of Cash Flows (Continued)
For the Year Ended 31st March 2010

Cash Flow Reconciliation

	2010		2009	
	Parent	**Group**	**Parent**	**Group**
Net Profit (Loss) After Taxation	166,576	1,043,715	(166,995)	813,887
Add/(deduct) Non - cash items				
Finance Cost	6,596	6,596	45,074	45,074
Depreciation	29,289	210,330	28,848	195,713
Interest Expense	-	521	-	-
Amortisation	3,482	27,421	2,228	12,757
	39,367	244,868	76,150	253,544
Movement in working capital				
(increase)/decrease in receivables	43,164	(29,460)	(48,354)	(69,178)
(increase)/decrease in GST receivable	(16,068)	(24,190)	(4,934)	11,590
increase/(decrease) accounts payable	60,276	175,139	(131,388)	(78,054)
(increase)/decreaseinterest receivable	(1,213)	(1,813)	13,277	(4,348)
(increase)/decrease tax receivable	(2,087)	382,188	(1,989)	(332,471)
(increase)/decrease prepayments	(21,780)	(82,155)	21,872	25,526)
Loss on Disposal of Fixed Assets	-	56,533	-	-
increase/(decrease) deferred income	-	607,478	-	247,295
	62,292	1,083,720	(151,516)	(199,640)
Dividend Received	(2,490,000)	-	(2,112,000)	-
Net Cash Flow Operations (as per Cash Flow Statement)	**$(2,221,765)**	**$2,372,303**	**$(2,354,361)**	**$867,791**

The Notes form part of these Financial Statements and should be read in conjunction with them.

Grant Thornton
Marked for Identification Purposes
WELLINGTON

Accounting Policies
For the Year Ended 31st March 2010

Significant Accounting Policies

Internet New Zealand Incorporated ("INZ") is a society domiciled in New Zealand. The consolidated financial statements of INZ for the year ended 31st March 2010 comprise INZ and its subsidiaries (together referred to as the "Group"). The financial statements were authorised for issue by the councillors.

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

(a) Statement of compliance

The Group financial statements have been prepared on the basis of being a public benefit entity. Adjustments have been made where appropriate to any profit orientated subsidiaries to restate accounting policies to those of a public benefit entity.

These financial statements are prepared in compliance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) complying with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The Group qualifies for Differential Reporting because it is not publicly accountable and does not qualify as a large entity as defined in the framework for Differential Reporting by the New Zealand Institute of Chartered Accountants. The Group has not taken advantage of any of the Differential Reporting Exemptions.

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

(b) Basis of preparation

Presentation Currency

The financial statements are presented in New Zealand dollars. They are prepared on a historical cost basis except for investments which are stated at their fair value.

Use of estimates and judgements

The preparation of financial statements in conformity with NZ IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Changes to Accounting Policies

The Group has adopted the following new interpretations, revisions and amendments to NZ IFRS which are relevant to and effective for the Group's financial statements for the annual period beginning 1 April 2009:

- NZ IAS 1 Presentation of Financial Statements

Accounting Policies
For the Year Ended 31st March 2010

Adoption of NZ IAS 1 Presentation of Financial Statements (Revised 2007)

The Group has adopted NZ IAS 1 Presentation of Financial Statements (Revised) in its Financial Statements. This standard has been applied retrospectively. The adoption of the standard does not affect the financial position or profits of the Group, but gives rise to additional disclosures.

The measurement and recognition of the Group's assets, liabilities , income and expenses is unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income.

NZ IAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of Comprehensive Income'.

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

The accounting policies have been consistently applied by Group entities.

(c) Basis of Consolidation
The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being INZ (the parent entity) and its subsidiaries as defined in NZ IAS-27 "Consolidated and Separate Financial Statements". A list of subsidiaries appears in note 10 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

In preparing the consolidated financial statements, all interentity balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(d) Employee entitlements
The provisions for employee entitlements to wages, salaries, annual leave and long service leave payments represent the amount for which there is a present obligation to pay resulting from employees' services provided up to balance date.

(e) Financial assets
Fiancial assets consist of cash, deposits and receivables. Upon recognition financial assets are recognised at fair value. Subsequent to intial recognition financial assets are classified as loans and receivables. Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are restated at amortised cost using the effective interest rate method.

(f) Financial instruments issued by the company

Debt and equity instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Interest and dividends
Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

Accounting Policies
For the Year Ended 31st March 2010

(g) Foreign currency
All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction . Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise.

(h) Goods and Services Tax
All amounts are shown exclusive of Goods and Services Tax (GST) except for trade debtors, receivables and payables that are stated inclusive of GST.

(i) Impairment of assets
At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income immediately, unless the relevant asset is carried at a fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income immediately, unless the relevant asset is carried at a fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) Income Tax

The Group was registered as a Charity under the Charities Act 2005 and therefore exempt from income tax under Section CW41 & CW42 of the Income Tax Act 2007 effective from when it was granted charitable status.

Internet New Zealand Inc is registered as a charity in terms of the Charities Act 2005 with effect from 30 June 2008. The wholly owned subsidiaries, New Zealand Domain Name Registry Limited and Domain Name Commission Limited were registered as charities in terms of the Charities Act 2005 with effect from 19 August 2008 and 10 October 2008 respectively.

Current tax (with respect to the the comparative year)

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Accounting Policies
For the Year Ended 31st March 2010

Current tax is recognised as an expense or income in the Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the current tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Deferred Tax
Deferred tax is provided using the balance sheet liability method, providing temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- differences relating to goodwill not deductible for tax purposes,

- the initial recognition of assets or liabilities that affect neither the accounting nor taxable profit,

- investments in subsidiaries to the extent they will probably not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) Intangible assets

Trademarks
Trademarks are finite life tangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives of 7 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Software
Software is a finite life intangible asset and is recorded at cost less accumulated amortisation. Amortisation is charged on a diminishing value basis over the estimated useful life.

(l) Leased assets
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Payables
Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(n) Property, plant and equipment

(i) Owned assets
Items of property, plant and equipment are stated at cost as deemed cost less accumulated depreciation and impairment losses, see accounting policy (i).

Accounting Policies
For the Year Ended 31st March 2010

(ii) Leased assets
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses, see accounting policy (n). Lease payments are accounted for as described in accounting policy (l).

(iii) Subsequent costs
The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income an expense as incurred.

(iv) Depreciation
Depreciation is charged on a diminishing value or straight line basis on all property, plant and equipment over the estimated useful life. Depreciation is charged to the Statement of Comprehensive Income. The principal rates used to calculate depreciation are -

Leasehold Improvements	11.4 - 31.2% DV
Furniture & Fittings	11.4 - 48.0% DV
Office Equipment	9.6 - 80.4% DV or SL
Computer Hardware	31.2 - 80.4% DV

(o) Provisions
Provisions are recognised when the consolidated entity has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(p) Revenue recognition

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

Dividend and interest revenue
Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(q) Capital Management
The Group's capital is accumulated surpluses from trading. The Group manages its revenue, expenses, assets and liabilities prudently in order that the objectives of the ultimate charitable group are met. The Group has no external third party imposed capital management requirements.

Notes To The Financial Statements
For the Year Ended 31st March 2010

	2010		2009	
	Parent	Group	Parent	Group
1. Income Tax				
Taxable Profit/(loss) from Operations	-	-	(166,995)	1,279,774
Non-Deductible Expenses	-	-	10,933	17,759
Imputation Credits Received	-	-	346,746	-
Taxable Profit/(Loss)	**-**	**-**	**190,684**	**1,297,533**
Income Tax at 30%	-	-	57,205	389,260
Imputation Credits Received	-	-	(346,746)	-
	-	**-**	**(289,541)**	**389,260**
Losses from previous year	-	-	(2,002,988)	(2,001,132)
Losses forfeited on charitable status	-	-	2,292,529	1,172,302
Transfer to losses to Carry Forward	-	-	-	-
	-	**-**	**-**	**(439,570)**

The Net Profit of the subsidiaries was taxable to the date they were granted charitable status. The entire group now has charitable status and is exempt from income tax.

	2010 Parent	2010 Group	2009 Parent	2009 Group
Current Tax Assets and Liabilities				
Current Tax Assets				
Tax refund Receivable	4,419	8,664	2,332	405,127
Current Tax Payables				
Income Tax Payable	-	-	-	13,741

2. Imputation Credit Account

	2010 Parent	2010 Group	2009 Parent	2009 Group
Opening Balance	-	-	-	1,637,924
Plus:				
Resident Witholding Tax Paid	-	-	-	174,472
Income Tax Payments	-	-	-	640,503
	-	**-**	**-**	**814,975**
Less:				
Imputation Credits attached to Dividends Paid		-	-	1,040,239
Credits lost on charitable status		-	-	1,353,650
Income Tax Refunds Received	-	-	-	59,010
Closing Balance	**-**	**-**	**-**	**-**

Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2010

	2010		2009	
	Parent	**Group**	**Parent**	**Group**
3. Cash and Cash Equivalents				
Cash on Hand	400	400	400	400
Cash at Bank	1,010,937	2,463,812	3,361,772	2,490,591
Term Deposits	370,514	9,059,503	156,514	7,492,010
Total Cash and Equivalents	**1,381,851**	**11,523,715**	**1,518,686**	**9,983,001**

	2010 Parent	2010 Group	2009 Parent	2009 Group
4. Other Current Assets				
Trade receivables	23,609	793,451	66,773	763,458
Interest Receivable	3,230	171,255	2,017	169,442
GST Receivable	43,961	-	27,893	27,893
Tax Receivable	4,419	8,664	2,332	405,127
Pre-payments	27,201	93,393	5,421	11,238
Other	-	-	-	-
Total	**102,420**	**1,066,763**	**104,436**	**1,377,158**

Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2010

5. Property, Plant & Equipment

Parent

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

This Year	Cost or Valuation	Depreciation For Year	Accumulated Depreciation	Book Value This Year
Furniture & Fittings	351,643	11,953	42,256	309,387
Computer Hardware	205,389	14,707	144,320	61,068
Office Equipment	12,454	2,629	7,371	5,082
	$569,486	**$29,289**	**$193,947**	**$375,537**

Last Year	Cost or Valuation	Depreciation For Year	Accumulated Depreciation	Book Value Last Year
Furniture & Fittings	64,717	5,362	30,303	34,414
Computer Hardware	157,941	21,735	129,614	28,327
Office Equipment	9,580	1,751	4,742	4,838
	$232,238	**$28,848**	**$164,659**	**$67,579**

Group

This Year	Cost or Valuation	Depreciation For Year	Accumulated Depreciation	Book Value This Year
Leasehold Improvements	-	3,912	-	-
Furniture & Fittings	351,643	11,953	42,256	309,387
Office Equipment	102,197	18,006	53,212	48,985
Computer Hardware	947,057	176,459	656,134	290,923
	$1,400,897	**$210,330**	**$751,602**	**$649,295**

Last Year	Cost or Valuation	Depreciation For Year	Accumulated Depreciation	Book Value Last Year
Leasehold Improvements	102,091	7,116	47,117	54,974
Furniture & Fittings	64,717	5,362	30,303	34,414
Office Equipment	255,478	11,032	181,442	74,036
Computer Hardware	684,910	172,203	508,883	176,027
	$1,107,196	**$195,713**	**$767,745**	**$339,451**

Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2010

6. Intangible Assets

Parent

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

This Year	Cost or Valuation	Amortisation For Year	Accumulated Amortisation	Book Value This Year
Software	55,296	3,482	47,002	8,295

Last Year	Cost or Valuation	Amortisation For Year	Accumulated Amortisation	Book Value Last Year
Software	47,474	2,228	43,519	3,955

Group

This Year	Cost or Valuation	Amortisation For Year	Accumulated Amortisation	Book Value This Year
Software	891,597	26,183	702,995	188,602
Trademark	10,446	1,238	9,489	957
	$902,043	**$27,421**	**$712,484**	**$189,559**

Last Year	Cost or Valuation	Amortisation For Year	Accumulated Amortisation	Book Value Last Year
Software	702,509	11,519	680,258	22,251
Trademark	8,619	1,238	8,251	368
	$711,128	**$12,757**	**$688,509**	**$22,619**

Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2010

	2010		2009	
	Parent	Group	Parent	Group
7. Trade and other Payables				
Trade Payables	210,356	618,270	158,989	422,414
GST Payable	-	26,923	-	79,006
Employee Benefits	33,599	97,962	73,881	118,680
Lease Incentives	49,191	-	-	-
Tax Payable	-	-	-	13,741
Other	-	-	-	-
	293,146	**743,155**	**232,870**	**633,841**

8. Financial Instruments

Credit Risk

Financial instruments which potentially subject the parent and group to credit risk consist principally of bank balances and accounts receivable.

The parent and group has a credit policy which is used to manage this exposure to credit risk. As part of this policy limits on exposures with counter parties have been set and are monitored on a regular basis.

The parent and group performs credit evaluations on all customers requiring credit and does not require collateral. The parent and group further minimises its credit exposure by limiting the amount of surplus funds placed with any one financial institution at any one time.

9. Related Party Disclosures

Transactions between Subsidiaries

Internet New Zealand Incorporated (INZ) owns 100% of New Zealand Domain Name Registry Limited (NZDNRL) and Domain Name Commission Limited (DNCL).

INZ receives dividends declared and paid by NZDNRL during the year totalling $2,490,000 (2009 $2,112,000).

Up to 13 November 2009 INZ and DNCL were sub-tenants of the premises occupied by NZDNRL. INZ and DNCL paid rent of $222,182 and outgoings of $54,497 (total $276,679, 2009 $141,217) to NZDNRL during the year.

Subsequent to 13 November 2009 NZDNRL and DNCL are sub-tenants of the premises leased by INZ. NZDNRL and DNCL recognised rent incentive expenses of $12,298 and $12,298 to INZ in the current year.

During the year, NZDNRL and DNCL made contributions of $60,000 and $75,000 to INZ for the office premises fit out cost.

Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2010

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

Liz Butterfield, an INZ councillor, is the Managing Director of Hector's World Limited that has received a loan of $200,000 from INZ. The loan is interest free and repayable in 2013. The carrying value of the loan represents the present value of the future receivable applying amortised cost using the effective interest method.

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

10. Subsidiaries

Name of Entity	Country of Incorporation	**2010**	**2009**
Parent Entity			
Internet New Zealand Incorporated	New Zealand		
Subsidiaries			
New Zealand Domain Name Registry Limited	New Zealand	100%	100%
Domain Name Commission Limited	New Zealand	100%	100%

11. Operating Leases

	2010		**2009**	
	Parent	**Group**	**Parent**	**Group**
Less than one year	79,975	79,975	-	197,045
Between one and two years	137,100	137,100	-	-
Between three and five years	274,200	274,200	-	-
More than five years	217,075	217,075	-	-
Total	**708,350**	**708,350**	-	**197,045**

12. Deferred Income

The group has invoiced clients for $5,079,526 (2009 $4,472,048) in advance. $3,524,629 of this is current and $1,554,897 is non-current.

13. Contingent Liabilities and Commitments

At 31 March 2010 the Group had no contingent liabilities or commitments (2009 $Nil).

14. Segmental Reporting

The Group operates significantly within one region being New Zealand with one predominant source of revenue. Management reporting decision making is based upon this single segment.

Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2010

15. Standards & Interpretations to published standards that are not yet effective

At the date of authorisation of these financial statements certain new standards, amendments and interpretations to existing standards have been published but are not yet effective at balance sheet date and have not been early adopted.

The company has assessed the relevance of new standards, interpretations and amendments and has determined that the following may be relevant to its operations.

NZ IFRS 9 - *Financial Instruments: Classification and Measurement* was issued on the 12th of November 2009 and companies that do not wish to adopt early are required to apply from 1 January 2013.

NZ IFRS 9 requires an entity to classify financial assets at either amortised costs or fair value. Currently the Company is required to classify its financial assets into one of four categories: financial assets at fair value through profit and loss, held-to-maturity investments, loans and receivables and financial assets at fair value through equity.

Given at present all financial assets are classified as loans and receivables and will continue to be measured at amortised cost when NZ IFRS 9 is adopted, no impact is expected from the implementation of this standard.