

11 June 2012



## InternetNZ Annual General Meeting 2012 – Invitation

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Dear Member,

InternetNZ cordially invites you to its 2012 Annual General Meeting.

This meeting will take place on the evening of Thursday 12 July, in meeting rooms “New Zealand One and Two” at the SKYCITY Auckland Convention Centre, 88 Federal Street, Auckland. This is the first time the AGM is being held outside Wellington and is a special opportunity for our Auckland-based members.

The meeting is to conduct the Society’s annual business as well as an opportunity for you to reflect on the past year’s work. It is also an opportunity for you to hear from our subsidiary companies.

If you plan to attend, please let us know by emailing [rsvp@internetnz.net.nz](mailto:rsvp@internetnz.net.nz) with “AGM” in the subject line by 12 noon, 28 June. Please note that it is essential to RSVP.

### Program

The evening will be structured as follows:

5.30 – 6.30 pm NetHui networking drinks

6.30 – 8.30 pm Annual General Meeting

### AGM papers

Please read and consider the following papers prior to the meeting:

- Agenda with proposed motions
- Minutes of the 2011 AGM
- Business plan and budget for 2012/13
- Annual Report 2011/12

The AGM papers can be found online here: <http://internetnz.net.nz/meetings/Annual-General-Meetings/2012>

If you are unable to attend, the AGM will be streamed live for your convenience by R2.co.nz. You will also be able to actively participate in the meeting via integrated chat. Full details will be provided closer to the date of the AGM.

We hope you will join us in celebrating our successes this past year, and contributing to our future.

Regards,

A handwritten signature in black ink, appearing to read "Frank March", written over a light grey grid background.

Frank March  
President

## Agenda for the 2012 InternetNZ Annual General Meeting

**Date:** Thursday 12 July 2012  
**Venue:** Meeting rooms "New Zealand One and Two"  
SKYCITY Auckland Convention Centre  
88 Federal Street, Auckland

- 1830 **Meeting opens**  
**Apologies**  
(MOVED: President/ ) "THAT the apologies be accepted".
- 1835 **Minutes of 2011 AGM and Matters Arising**  
(MOVED: President/ ) "THAT the minutes of the 2011 AGM be received and adopted as a true and accurate record of the meeting."
- 1840 **President's Report** (on behalf of Council)  
(MOVED: President/ ) "THAT the President's Report be received."  
  
(MOVED: President/ ) "THAT the Annual Report be received."  
  
(MOVED: President/ ) "THAT the Audited Annual Accounts be accepted."  
  
(MOVED: President/ ) "THAT BDO – Wellington be appointed auditor for the ensuing year."
- 1855 **InternetNZ Operational**  
  
**CE Report**  
(MOVED: / ) "THAT the report of the Chief Executive be received."  
  
**2012/13 Budget**  
(MOVED: President/ ) "THAT the 2012/13 Business Plan and Budget be adopted."
- 1910 **Information update**  
Campbell Gardiner – Membership survey 2012 results
- 1920 **General Business**
- 1940 **Break**
- 2000 **DNCL Report**  
(MOVED: / ) "THAT the DNCL Annual Report be received."
- 2010 **NZRS Report**  
(MOVED: / ) "THAT the NRZS Annual Report be received."
- 2020 **Announcement of Election Results**
- 2030 **Meeting closes**

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**MINUTES OF THE 2011 INTERNETNZ ANNUAL GENERAL MEETING**

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**Status:** Draft

**Date:** Thursday 28 July 2011

**Venue:** Te Wharewaka O Poneke,  
Taranaki St Wharf, Wellington

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Frank March (InternetNZ President) welcomed Members and officially opened the sixteenth AGM of InternetNZ at 6.04pm. He ensured that there was a quorum of financial members. He announced that voting had re-opened and would close at approximately 7.45pm.

**1. Apologies:**

Apologies were received from Andy Linton, Anne Urlwin, Don Christie, Don Stokes, Gavin Adlam, Lance Wiggs, Nathan Torkington, Neil James, Peter Dengate Thrush, Rick Shera and Roger Hicks.

**AGM 01/11** THAT the apologies be accepted.

(President/Vice President)

**CARRIED U**

**2. Minutes of 2010 AGM and Matters Arising:**

The minutes of the 2010 AGM were taken as read.

**AGM 02/11** THAT the minutes of the 2010 AGM be received and adopted as a true and accurate record of the meeting.

(President/Vice President)

**CARRIED U**

**3. Presentation from BDO - Wellington:**

The President welcomed Mark Bewley (BDO - Wellington) to the meeting. It was noted that the decision to re-tender the group's audit services previously provided by Grant Thornton was made at the March Council meeting.

Mark provided a brief summary about the history and services of BDO - Wellington and opened the floor to questions.

#### **4. President's Report:**

The President noted that his written report was printed within the Annual Report however he wished to expand on a few points. The President thanked Vikram Kumar and Richard Wood for organising the inaugural NetHui that was held from 29 June to 1 July in Auckland. It was noted that one of the highlights of NetHui was the announcement of the inaugural InternetNZ Lifetime Achievement Award which this year went to Richard Naylor. It was also noted that Laurence Zwimpfer became a member of the NZ Order of Merit (MNZM) for services to Information Technology.

Frank stated that membership engagement would continue to be one of the main priorities of the Chief Executive and was currently a work in progress.

The loan of \$200,000 that InternetNZ had provided Hector's World was considered fully impaired and was written off in the current financial year.

**AGM 03/11** THAT the President's Report be received.  
(President/Vice President)  
**CARRIED U**

**AGM 04/11** THAT the Annual Report be received.  
(President/Colin Jackson)  
**CARRIED U**

**AGM 05/11** THAT the Audited Annual Accounts be accepted.  
(President/Colin Jackson)  
**CARRIED U**

**AGM 06/11** THAT BDO - Wellington be appointed auditor for the ensuing year.  
(President/Donald Clark)  
**CARRIED U**

#### **5. CE Report:**

The President invited Vikram Kumar (InternetNZ CE) to speak to his report. Vikram expanded on four challenges that InternetNZ faced in the past year:

- 1) Response to Christchurch earthquakes
- 2) Telco industry: ultra-fast broadband, rural broadband initiative, Telecommunications Amendment Bill and Supplementary Order Paper
- 3) IPv6 Implementation
- 4) Copyright and new laws.

It was noted that work was undertaken to launch <http://3strikes.net.nz> – a website that would provide information and tools to combat the negative impacts of the New Zealand copyright amendment law.

**AGM 07/11** THAT the report of the Chief Executive be received.  
(President/Hamish MacEwan)  
**CARRIED U**

#### **6. 2011/2012 Budget:**

Vikram spoke to his report noting that the actual expenditure for 2010/11 was as budgeted. The major increase of \$262,000 budgeted for 2011/12 was in the area of work streams. Salaries for

contracted technical services represented one of the major costs for work streams. Frank noted that there was a budgeted expenditure associated with the Christchurch recovery.

Keith Davidson noted online that the \$10,000 base funding from InternetNZ enabled leveraging other sponsors up to over \$100,000 funding in total, primarily used to fund the Pacific IGF event in Noumea in April this year, and Pacific Internet Partners extended its gratitude to InternetNZ for its generous sponsorship.

Frank thanked Jordan Carter who resigned as a Policy Director for his contributions and continuous support over the years.

**AGM 08/11** THAT the 2011/12 Business Plan and Budget be adopted.

(President/Colin Jackson)

**CARRIED U**

## **7. Information update:**

The President invited Campbell Gardiner (Communications Lead) to speak to his report on the member's survey. Campbell noted 63 respondents, who were predominantly male and from the lower North Island, participated in the survey. The main reasons for becoming a member included helping shape the Internet's future, interest in Internet governance including domain names and supporting 'open and uncaptureable' principles of InternetNZ. The follow up steps arising from the survey were to raise InternetNZ's public profile and improve the current grants process.

## **8. General Business:**

The President announced that Council had appointed three new Fellows to InternetNZ: Keith Davidson, David Farrar and Simon Riley.

*Citation: Keith Davidson has a long period of distinguished service to the Internet, not only in New Zealand but also in the Pacific. For many years he has been deeply involved in international bodies the Internet Corporation for Assigned Names and Numbers (ICANN), the Asia Pacific Top level Domain Organisation (APTLTD) and the Internet Governance Forum (IGF). Keith was elected to the Council of InternetNZ in 1998, became President in 2001 and then Executive Director in 2005. As Executive Director, Keith organised the highly-successful ICANN Wellington meeting in 2006. He tirelessly pushes a sane, Internet-based agenda and is totally unafraid of standing up to vested interests.*

*David Farrar has a long history of distinguished service to InternetNZ. He was elected to the Council in 1998, and served as Vice President from 2003 to 2007. He was one of the principal architects of the current governance framework for .nz and was particularly successful in negotiating the sale of Domainz to Melbourne IT in 2003. He served for many successful years on the NZRS board and presently serves on the DNCL board. David has been crucial in much of the policy and advocacy work of InternetNZ and is Chair of the Policy Advisory Group. His seemingly boundless energy is used to lobby consistently for the Internet in New Zealand. In addition he is arguably New Zealand's most widely read and quoted political blogger.*

*Simon Riley has made an enormous contribution across a wide range of fields over many years. He has a long history of IT and Internet activism, especially in Wellington. He was one of the primary movers behind Fran Wilde's InfoCity strategy for Wellington. He was one of the people behind the creation of CityLink and establishment of the E-Vision Centre in Wellington. He influenced the commissioning of the Zwimpfer Report that led to the formation of New Zealand's Advanced Research and Education Network (REANNZ) and was a founder of the 2020 Communications Trust. At present, he is a major motivating force within the New Zealand IPv6 Task Force. Simon was a very active member of the InternetNZ Council from 2001 to 2007 and was responsible for many other initiatives that have come*

*out of InternetNZ, including the Cyberlaw Fellowship in partnership with Victoria University of Wellington.*

The President announced that voting would be closed at 7.45pm and provisional results would be announced at 8.05pm.

*7.39pm to 7.53pm – Refreshment break.*

## **9. DNCL Report:**

The President invited Joy Liddicoat (DNCL Chair) and Debbie Monahan (Domain Name Commissioner) to speak to their report. Joy thanked the Directors of the Domain Name Commission for their ongoing support. Joy spoke to the report expanding on the use of macrons in the .nz domain names. It was noted that a new service of registrant info search was offered to provide answers to regular queries.

**AGM 09/11** THAT the DNCL Annual Report be received.  
(President/Vice President)

**CARRIED U**

## **10. NZRS Report:**

The President invited Donna Hiser (NZRS Chair) and Jay Daley (NZRS CE) to speak to their report.

Donna thanked Jay and the Directors of the NZRS for their ongoing support and provided some key highlights from the 2010/11 year:

- 1) The year end financial result showed a net surplus after tax of \$3.7 million.
- 2) Following a review of the company's Reserves Policy all cash in excess of reserves resulted in Dividends totalling \$5.01 million.
- 3) A twelve month rolling average of domain name growth stayed within a range of 3,250-3,500.
- 4) The Chief Executive has continued to develop positive relationships both within the INZ group and internationally.
- 5) David Farrar retired at the 2010 AGM and Donna thanked him for his contributions as director of NZRS.

Jay thanked Donna for her support as outgoing Chair of NZRS and noted that Richard Currey was appointed Chair at the NZRS AGM earlier that afternoon. A summary was provided of significant progress made towards all five of the organisation's strategic goals.

**AGM 10/11** THAT the NZRS Annual Report be received.  
(President/David Farrar)

**CARRIED U**

**11. Announcement of Election Results:**

There were six nominations for four vacancies. Susi Cosimo (Returning Officer) announced the provisional election results as follows:

**Councillors:**

- Nathan Torkington – 3 year term until AGM 2014
- David Moskovitz – 3 year term until AGM 2014
- Donald Clark – 3 year term until AGM 2014
- Michael Wallmannsberger – 3 year term until AGM 2014

The results were subject to sign off by an independent scrutineer and Justice of the Peace – Maureen Milburn. They were to be finalised the next day on Friday, 29 July 2011. The final results of the elections were to be published on the InternetNZ website the following week.

The President congratulated all those who have been elected.

**Meeting closed:** There being no further business, the 2011 Annual General Meeting closed at 8.36pm.

**Signed as a true and correct record:**

.....  
**Frank March, CHAIR**



**Business Plan 2012/13  
For Member Discussion/Approval  
at 2012 AGM**

# TABLE OF CONTENTS

Introduction.....	3
Process.....	3
Structure .....	4
Limitations .....	4
Environmental Scan .....	4
Core Operations .....	5
External-facing core operations.....	5
Internal-facing core operations .....	5
Reactive Work .....	7
Domestic areas of reactive work.....	7
International areas of reactive work .....	7
Proactive Work .....	8
External-facing proactive work.....	8
Internal-facing proactive work .....	10
Stretch Goals.....	10
Budget Summary .....	12



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## Introduction

The business plan for the 2012/13 financial year is being developed to reflect four drivers:

1. The strategic priorities set by the Council.
2. The views of members to achieve InternetNZ's goals.
3. Recognition of InternetNZ's SWOT (strengths, weaknesses, opportunities, and threats).
4. Continue to deliver core operations effectively.

A Group Strategy Day involving Council members and the Board members of InternetNZ's subsidiaries, NZRS and DNCL, was held on 21 September 2011. This meeting led to development of the following medium-term strategic priorities for InternetNZ and its subsidiaries:

- **Leadership:** To be a leader by example; continue to be recognised as delivering the world's best practise in the Internet community, including in the management of dot nz.
- **Universality:** Open and uncapturable; universal access to the Internet for all parts of society. Digital access as a 'human right'.
- **Doing it well:** Promote effective societal, economic and cultural use of the Internet.
- **Multi-stakeholder Governance:** NZ Government trusts our multi-stakeholder approach to Internet governance, backed up by a strong ecosystem.

## *Process*

InternetNZ's 2012/13 financial year is from 1 April 2012 to 31 March 2013.

Council, at its meeting on 9th December 2012, approved the process and overall approach to the 2012/13 Business Plan. Council also approved a draft operational budget of \$2.862 million and capital budget of \$31,000. At the same time, Council wanted a big step up in InternetNZ's external activities, to have more "aspirational goals" in 2012/13.

Members' views on the draft Business Plan were requested, both through in-person meetings and discussion on the Members Discuss mailing list. In-person meetings were held in Christchurch on 9th February 2012; in Auckland on 13th February 2012; and in Wellington on 14th February 2012.

The Business Plan has been updated to incorporate the very valuable suggestions and comments received from members.

This Business Plan has been prepared for discussion/approval by Council at its meeting on 17th February 2012. A final business plan will then be tabled at the 2012 Annual General Meeting for members to discuss and approve.

## ***Structure***

This draft business plan is divided into the following sections:

- Core operations
  - External-facing
  - Internal-facing
- Reactive work
  - Domestic
  - International
- Proactive work
  - External-facing
  - Internal-facing

In addition, a summary of the proposed budget is set out in a separate section.

## ***Limitations***

InternetNZ's business plan should be taken as a prioritising document and a statement of direction rather than a prescriptive, unchanging plan. We operate in an Internet-speed world. Experience has shown that the organisation needs to have the flexibility and agility to respond to big issues as they emerge.

There isn't a hard line between the "reactive work" and "proactive work" and in some cases the work should be in both categories. The choice of category is primarily driven by our approach- where the work's scope and outcomes are decided by InternetNZ that is termed "proactive work". Otherwise, it's "reactive work".

The business plan serves to give us a valuable foundation to balance reactive work with proactively furthering the Society's objects.

The business plan is at a high level. There will be detailed scoping, planning, and budgeting of each major initiative at an operational level.

## ***Environmental Scan***

At an international level, there is continued increasing pressure on Internet governance and the multi-stakeholder model. The explosion in Top Level Domain names will significantly change peoples' Internet use and perceptions.

In New Zealand, we have a new ICT Minister. There is expected to be continuity in Government policies and priorities. There may be a higher priority given to Internet in the rural areas.

The Briefing to the Incoming Minister <http://www.med.govt.nz/about-us/ministers/briefings-to-incoming-ministers-1/briefings-to-incoming-ministers/BIM-Communications-Technology-pdf> and the ICT Minister's speech at the broadband conference <http://beehive.govt.nz/speech/address-commerce-commission-conference> provide a comprehensive review of current policy issues and priorities in the year ahead.

Internally, InternetNZ continues to focus on its goal of "protecting and promoting the Internet for New Zealand". As previously mentioned, Council has asked for more "aspirational goals" in 2012/13.

## Core Operations

These are the ongoing, day-to-day activities to further the Society's objects.

Over time, several initiatives classified in previous years as "proactive" have proved to be valuable and worth continuing on a regular basis. These have now been added to core operations.

The major core operations are:

### *External-facing core operations*

- Monitoring and countering emerging threats to an "open and uncapturable" Internet.
- Maintaining and enhancing key relationships.
- Working with our strategic partners and likeminded organisations for mutual benefit. This includes organisations outside the ICT and Internet industries, as the Internet experts.
- Promoting, running, and improving community investment (previously known as grants) to support efforts and initiatives led by the wider community to further InternetNZ's objects.
- Reaching out to the wider community on Internet issues in a way that is appropriate and relevant to people, communities, and businesses.
- International efforts including understanding issues and developments related to the Internet at the global level; maintaining key relationships and positions of influence within regional and global Internet institutions; and maintaining the status of New Zealand as an active and notable participant in Internet development.
- Communicating the "InternetNZ story" and finding opportunities to better communicate our key messages and principles. A higher public profile for InternetNZ, consistent with our mission and values, is an important by-product. This includes ourselves using the opportunities the Internet provides, for example wider and deeper engagement using social media.
- Becoming an expert to provide insights and commentary on Internet-related issues to the media and wider community. In addition, to raise the level of awareness and discussion about Internet-related issues.
- Deliver on our obligations and responsibilities as the designated manager for .nz and as an ICANN "At-Large Structure".
- Highlight achievements of the New Zealand Internet community, including via the ANZIAs (Australia New Zealand Internet Awards).
- Administrative support to a number of organisations as a means of supporting them, e.g. NZNOG, ISPANZ, and the IPv6 Task Force.

### *Internal-facing core operations*

- Supporting the Council in its governance and strategic activities.
- Members' and membership services.
- Conduct a members' survey annually to drive continual improvement.

- Investment of the Group's cash in excess of reserves in line with the appropriate policies and oversight arrangements.
- Administrative support and organisational services to InternetNZ and its subsidiaries (office services and shared services).
- Mitigating major risks facing the organisation.

## **Reactive Work**

Reactive work, by its very nature, is difficult to quantify and predict. It involves developing policy, advice, positions, submissions, workshops, and campaigns to initiatives led or raised by others, typically governments and its institutions.

As noted in past years, the magnitude of effort required is expected to continue to rise given the increasing tendency for governments to introduce laws and policies to regulate the Internet. In addition, Government's priority areas, such as providing better broadband in urban and rural areas, are leading to significant changes in the market and industry structure which necessitates our increasing efforts in our reactive work.

However, both Council and members want InternetNZ to increase efforts and resources to the proactive areas to meet the strategic priorities. This balancing act remains a major challenge for InternetNZ.

### ***Domestic areas of reactive work***

The following are the known, anticipated areas:

- Rollout of UFB and RBI
- Commerce Commission's demand-side study
- Auction of the digital dividend spectrum
- Review of copyright file sharing regulations
- Government's five point action plan ("E-whatever")
- Growing interest in Open Government
- Exclusion of software from patentability
- Subsequent stages of work following the Law Commission's reports on privacy and news media

### ***International areas of reactive work***

The following are the known, anticipated areas:

- Growing strain on the multi-stakeholder Internet governance model
- Likely massive increase in the number of Top Level Domain names
- Re-negotiation of key contracts that define ICANN's role and responsibilities
- Increasing global pressure from interests dependent on copyright, Intellectual Property, and software patents
- Negotiations related to the Trans-Pacific Partnership agreement
- Growing interest in governments taking broad cybersecurity and law enforcement measures
- Internet numbering policy issues

## **Proactive Work**

### ***External-facing proactive work***

#### **Research**

- Commission research on Internet issues to complement existing research efforts and support evidence-based policy making.
- Commission research on the economic contribution of the Internet to New Zealand.

#### **Telco and Internet regulatory policy**

- Continue to monitor policy issues and identify any gaps as the rollout of the UFB and RBI proceeds.
- Evaluate opportunities to further discussion about a converged (telco and broadcasting) regulator and regulatory frameworks.
- Initial review of the feasibility of developing a principles-based approach to future law-making in New Zealand involving the Internet and Internet intermediaries.
- Understand market demand for overseas connectivity and support development of new international capacity.

#### **IPv6 implementation**

- Continue supporting the IPv6 Task Force.
- Consider ways to speed up the implementation of IPv6 across key sectors. Lead or contribute to major efforts.

#### **Domain names diversity**

- Depending upon decisions yet to be taken, to lead or contribute to InternetNZ's efforts in increasing domain names diversity for New Zealand, including applying for and running .kiwi.
- Promote the Top Level Domain names principles developed by InternetNZ as a global framework. Develop alliances with likeminded organisations and interests to further InternetNZ's international interests.

#### **Copyright**

- Promote discussions towards a future-fit Copyright Act and the opportunities the Internet provides, including between creators, content providers, intermediaries, and consumers. This is in light of the scheduled review of the Copyright Act in 2013.
- Commission research to identify the economic harm and opportunities of the Internet from a New Zealand creators' perspective, possibly taking a few creative works as a case study or the creative industries as a whole.

#### **Conferences**

- Organise NetHui 2012, building on the success of the first conference, positioning it as a major path for InternetNZ to work with the wider community. Further develop the concept of regional "mini NetHuis".
- Subject to acceptance of our bid to host APRICOT 2014 in Auckland, plan and organise this global-level event.

## **Rights-based approach to the Internet**

- Promote discussions and better understanding of a rights-based approach to the Internet, both in New Zealand and globally.

## **Cybersecurity**

- Lead and coordinate efforts for ISPs to act consistently and proactively in removing malware from their residential customers' computers.
- Evaluate options and, if appropriate, lead efforts to regularly scan and remove malware on websites within the .nz namespace. This will be in close coordination of the efforts of NZRS and DNCL.
- Consider ways to improve the interchange and sharing of information amongst cybersecurity researchers and institutions within New Zealand.

## **Supporting local governments**

- Identify and implement options to support local governments in developing and implementing their local digital strategy.
- Promote discussions with local governments on the applicability of InternetNZ's Future: Digital thinking to local communities, local issues, and local development.
- Continue supporting the rebuild of Christchurch, in particular supporting the projects that InternetNZ funds, and facilitating collaboration amongst the local community.

## **Bridging the digital divides**

- Promote discussion and options to bridge the digital divides (economic, geographical, age, skills, etc.).
- Consider ways to encourage the Internet industry and online services owners to provide better online interactions to people with disabilities.

## **Privacy**

- Actively participate in discussions about privacy and protecting personal information. This includes complex issues of jurisdiction, risks from cloud services, and data sovereignty.
- Identify and promote best practices for adoption of Privacy Enhancing Technologies and professional ethics in developing online services.

## **Internet education and skills**

- Commission and promote educational material about the Internet, targeted at a medium level of technical expertise. This includes identifying appropriate material that already exists.
- Consider ways to promote greater interest amongst young adults towards technical Internet career paths.

## **Thought leadership**

- Make the priorities outlined in Future: Digital relevant and imperative for the Government's agenda on a portfolio by portfolio basis.
- Coordinate round-table discussions with the country's leaders on a shared vision and the opportunities from the Internet involving politicians, businesses, communities, academics, technologists, and strategists to complement NetHui.

- Identify and implement ways to highlight and discuss public policy issues related to the Internet with parliamentarians.
- Identify and promote ways that the Internet can help protect the environment and sustainable development.

### ***Internal-facing proactive work***

- Discussion and review of InternetNZ's vision, mission, values, essence, and goals.
- Promote InternetNZ membership to under-represented community segments.
- Identify and implement opportunities for InternetNZ to engage with local communities in multiple cities across New Zealand.
- Identify and promote opportunities for members to network and get to know each other better, including encouragement of self-organising local groups of members.
- Enhance website to better provide information and services for both members and visitors, in line with an overall communications plan.
- Review opportunities and processes for members to use InternetNZ as a platform to more easily contribute to furthering the Society's objects.
- Increasing use of open, competitive rounds for identifying and supporting community investment projects.
- Review of InternetNZ's structure as well as ICT systems to ensure they remain fit for the future and expectations of the organisation.

### ***Stretch Goals***

The following five initiatives are 'aspirational' goals. They are likely to take several years to fully develop and will lead to a step-change in InternetNZ's operations. It is intended that progress will be made on some or all of these initiatives towards the long-term goals in 2012/13:

#### **Network measurement**

- Measure network-level indicators and traffic flows as a way to provide evidence-based technical policy discussions and leadership.
- Identify and include existing sources of network measurement in the above.

#### **Technical and Internet numbering policy**

- Step up identification and involvement in major technical policy areas, both within New Zealand and globally.
- Increase focus and participation in Internet numbering policy issues, in particular at APNIC.
- Identify and detail the "new" regulatory areas as focus on the ultra-fast broadband rollout turns to demand-side areas. This includes data caps; national and international connectivity and transit; and locally hosted content.

#### **Conferences**

- Further develop the concept of regional "mini NetHuis".

**Digital skills**

- Step up efforts to assist both young adults and the wider community to stay safe online with practical advice and tools.

**Thought leadership**

- Identify and implement ways for a “think tank” on Internet policy issues to emerge. This includes strengthening ties with Universities to develop ways to promote Internet policy development.

## Budget Summary

\$ 000s	Budget 2011/12	Proposed Budget 2012/13
<b>Public Work</b>		
Community Investment	500	<b>500</b>
Work Streams	620	<b>620</b>
Policy Office	997	<b>1025</b>
<b>Operating Expenses</b>		
Council/Members	256	<b>217</b>
SSU	545	<b>500</b>
<b>TOTAL</b>	2,918	<b>2,862</b>

### Notes:

- The current financial year's (2011/12) budget approved at the 2011 AGM included a contingency of \$100,000 for NetHui 2011. This contingency was fully used and is therefore added to the approved budget in the table above.
- The proposed operational budget for financial year 2012/13 is \$2.862 million, a decrease of \$56,000 or about 2% over 2011/12. This includes the budget for NetHui 2012.
- Council/Members budget is net of interest earned on reserves. Similarly, the SSU (Shared Services Unit) expenditure is net of re-charge for common services to our subsidiaries, NZRS and DNCL.
- The proposed capital budget is \$31,000 (current financial year: \$50,000). This is made up of computers (\$6,000) and software development (\$25,000).
- All amounts are exclusive of GST.
- InternetNZ's major source of funding is dividend from NZRS.



# **InternetNZ Annual Report 2011-2012**



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InternetNZ (Internet New Zealand Inc) is an open membership incorporated society, established to protect and promote the Internet for New Zealand. InternetNZ is an advocate for an “open and uncaptureable” Internet so that it continues to be a platform for innovation.

InternetNZ is also the delegated manager of the .nz domain name space. Two wholly-owned subsidiaries ensure .nz is run effectively and in the interests of registrants: the Domain Name Commission Ltd (DNCL) develops and enforces policies for .nz domain names; and New Zealand Domain Name Registry Ltd trading as .nz Registry Services (NZRS) maintains and publishes the register of .nz names, and operates the Domain Name System for .nz



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# President's Report



This has been another eventful year for InternetNZ, with the organisation continuing to make significant and influential contributions to ongoing public policy debates.

Our policy and advocacy work has never been more relevant to the New Zealand Internet community. With the UFB fibre implementation getting underway this year, “content” issues have tended to dominate the public debates but we will never lose sight of the need to ensure that the underlying Internet infrastructure is preserved and maintained as an open system.

Of special note was the inaugural NetHui, which took place just before the 2011 AGM. NetHui proved to be a great success, and exceeded our most optimistic expectations. It gave our organisation a platform for an exchange of ideas that set the scene for the rest of the year.

I am also proud of our record in providing community funding grants for projects in line with our objectives. During the past 12 months we have given just under one million dollars to individuals and organisations to enable them to carry out projects that InternetNZ sees as desirable and useful but which we are not able to do ourselves. Of particular significance is the \$500,000 we put towards projects assisting with the rebuild of Christchurch. It was particularly satisfying that we were able to partner with representatives of Christchurch business and community organisations to ensure that projects selected for funding also met Christchurch's own priorities.

A major interest for members this year was the debate around whether InternetNZ should apply to ICANN to operate a new gTLD. After some consideration the issue boiled down to: should we apply for the dot Kiwi string? The discussion around this issue was robust, though never acrimonious. Such a healthy exchange of views represented the best of what a diverse and well-intentioned membership body can provide towards an informed debate.

In the end, Council decided not to proceed with an application. While InternetNZ will not be entering the new gTLD market, we cannot afford to ignore the potential impact that a flood of new gTLDs will have on our stewardship of dot nz. We must continue to operate our own TLD according to world best practice. At the same time we need to ensure that our policies and practices continue to make .nz an attractive domain for New Zealand Internet users to purchase.

I thank Vikram and his team for the great work they have done over the past 12 months. My thanks also go to all of InternetNZ's Council and Board members for another year of effective work. I particularly thank Donna Hiser who is retiring after nine years as a director on the NZRS Board. Her service to InternetNZ extends back to 2000, at a rather difficult time for our organisation, when she stepped in at short notice as Acting CE of Domainz.

Finally I would like to again take this opportunity to thank the InternetNZ membership, especially those who have worked in the Policy Advisory Group for their support and commitment to InternetNZ during a busy year.

Frank March

A handwritten signature in black ink, appearing to read 'Frank March', written over a light grey, textured background.

President  
InternetNZ

# Chief Executive's Report



Looking back over the last year, it's hard to decide if we should be optimistic or pessimistic about the future of the Internet. Have we reached a tipping point where it's become widely accepted that openness and a lack of centralised control makes the Internet what it is? Or, should we worry that the very success of the Internet carries with it the seed of its downfall - that governments and powerful corporates are capturing the Internet for their own narrow interests?

We need to consider this question as InternetNZ's goal is to keep the Internet open and 'uncaptureable'. It is the context for the work we have done and for the work we need to do.

There are many grounds for optimism with Internet users around the world raising their voices against laws that threaten Internet freedom. The 18th of January 2012 may go down in history as the day 'ordinary' Internet users stood up to the awesome might of Hollywood's relentless efforts to control the threat the Internet poses to its traditional business models. Over 4.5 million people signed Google's online petition to the US Congress against SOPA and PIPA; 162 million people visited Wikipedia's blackout landing page. InternetNZ, in view of the threat to our national interests, also blacked out its website that day.

Subsequently, the White House issued a statement that it would "not support legislation that reduces freedom of expression, increases cybersecurity risk, or undermines the dynamic, innovative global internet." That was the last nail in SOPA's and PIPA's coffin. 'Ordinary' Internet users had given notice that they care about keeping the Internet open and 'uncaptureable'.

Similar signals came from Europe, where thousands of people took part in street protests to oppose ACTA. InternetNZ was an early participant in protesting against the secrecy and negative impacts of ACTA on the Internet. We were part of the coalition that organised PublicACTA on 10th April 2010 which led to the "Wellington Declaration" calling for greater transparency in the negotiation process and limitation in the scope of the treaty's subject matter.

There were several other signals over the past year to inspire optimism about the Internet's future. For example, studies confirmed the role the Internet and social media played in accelerating protests in the early stages of the "Arab Spring" in Tunisia, Egypt and elsewhere in the Middle East. Internet freedom has become an essential element of democracy.

However, there are equally compelling grounds to be pessimistic. We may, in fact, be at a tipping point but not quite the one we've been working towards.

It's estimated that the number of governments that censor Internet content has grown to 41 today from about 4 in 2002. There are several motives or rationales for Internet censorship: politics and power; social norms and morals; security concerns; and protecting intellectual property rights and legacy economic interests. In addition, networking tools and applications that allow the sharing of information related to these motives are themselves subject to filtering and blocking.

Perhaps the starkest expression of intentions of some governments came from then-Prime Minister Vladimir Putin who stated the goal of Russia and its allies as "establishing international control over the Internet." The chosen vehicle for control is the International Telecommunications Union (ITU), a body of the United Nations. The ITU is an inter-governmental treaty organisation where each country gets an equal vote. It is conducting a review of the international agreements governing telecommunications and seeks to expand regulatory authority to the Internet at a summit scheduled for the end of this year.

The massive amount of information available online is leading to the rise of new gatekeepers as people search for relevant information. Convenience and the commercial value of tracking people's digital footprints are increasingly leading to information and service silos. For all the vaunted vastness of the Internet, one study shows that media concentration online is greater than the physical equivalent.

New Zealand is substantially better off on the openness scale than most other countries. Yet, we are one of the few nations that have a 3 strikes law, backed by harsh penalties and deemed guilt on accusation. Our low data caps and media concentration makes threats to net neutrality a real possibility. There is a significant threat to the open Internet from a political deal accepting extremely restrictive provisions being pushed in the Trans-Pacific Partnership Agreement negotiations, particularly by the United States. So we have our own challenges on top of the international threats.

Whether or not the Internet remains open and 'uncaptureable' is not an academic discussion. It is a 'general purpose technology' creating a platform for step change - much like railroads and electricity networks have done before. The open and layered nature of the Internet has meant that permission is not required to develop new and innovative services on the Internet, leading to tremendous growth and innovation. That is why the critical aspects of an open Internet are worth protecting. Otherwise, the Internet would simply not be what it is and we would not have the many online services that make our lives better.

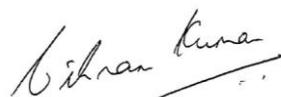
InternetNZ's goal of keeping the Internet open and 'uncaptureable' continues to be critical. Our role has never been more important. Our need to do our bit to protect the Internet from being captured by narrow interests while also promoting the benefits - economic, social, cultural, and environmental - have never been more vital.

This is the backdrop for the work InternetNZ did last year; the highlights are in the next section of this Annual Report. This is also the context driving our work in the year ahead. InternetNZ's efforts are powered by an excellent team of staff, supplemented by the expertise and experience of a number of people on-tap. A similar width of skills and perspectives at the governance layer provides for sound governance and strategic direction.

In the last year we were not able to go beyond these resources. The inaugural NetHui conference has however created a way for the wider community to come together and be a future force multiplier. As this community evolves in the way the community members want it to, InternetNZ has the responsibility and opportunity to provide support and be a catalyst. This is the essence of the Internet and InternetNZ - built from the bottom up; powered by people; and building consensus from multiple, valuable perspectives.

And so, as I weigh up last year and think about the year ahead, I am on balance optimistic. There will be new and unexpected challenges in the year ahead but our commitment to the wider community and their support for us may well decide the balance between openness and control of the Internet.

Vikram Kumar



Chief Executive  
InternetNZ

# Work Highlights 2011-2012

## NetHui 2011



InternetNZ's inaugural NetHui conference was held in June 2011, attracting over 500 people for three days of stimulating discussion on the Internet and its impact on society. A defining feature of the conference was its strong level of attendee participation, where participants came together in facilitated community-led streams to discuss and understand the major issues facing today's Internet.

The event's keynote speaker – Harvard Law Professor Lawrence Lessig – proved enormously popular. Professor Lessig delivered a stirring address on the complexities of digital copyright, corruption in US government law-making, and the power of commercial vested interests in the law-making process. Information about this year's NetHui event can be found at [www.nethui.org.nz](http://www.nethui.org.nz).

## Ultra-fast broadband

2011/2012 was a watershed year for ultra-fast broadband in New Zealand, with the Government significantly progressing its Ultra-Fast Broadband and Rural Broadband Initiatives. With an initial focus on schools, hospitals and businesses, the three Local Fibre Companies (Enable Networks, Northpower Fibre and Ultrafast Fibre) and Chorus have been rolling out fibre in their coverage areas. In regional New Zealand, some schools and hospitals have already received fibre. InternetNZ's focus has been on ensuring both of these initiatives are technically robust, with attention now turning to potential barriers to fibre uptake.

## Election year & Future: Digital

In late-2011, InternetNZ held an election debate in which ICT spokespeople from the major political parties discussed New Zealand's digital future. The debate was streamed live online. In addition, InternetNZ published a comprehensive discussion document, called *Future: Digital*. This was intended as a discussion starter on priorities for a future Government and encouraged development of a 'vision' of New Zealand's digital future. It stressed the importance of Internet technologies in realising economic growth and of fostering a digitally-inclusive society.

## InternetNZ Lifetime Achievement Award



In 2011, InternetNZ instituted a new award recognising outstanding individuals who have made a significant contribution to the development of the Internet in New Zealand. The winner of the inaugural InternetNZ Lifetime Achievement Award was Richard Naylor, who was instrumental in promoting a vision of a 'networked city, networked world'. Richard commands enormous respect in New Zealand's ICT community; not least because of his ongoing championing of open standards and open peering – values that lie at the very heart of the Internet.

## Trans-Pacific Partnership Agreement



InternetNZ continues work to mitigate the potentially devastating impact of the Trans-Pacific Partnership (TPP) Agreement on the Internet. New Zealand is one of nine countries negotiating the TPP which, if passed in accordance with leaked negotiating positions, could undermine an efficient and open Internet. Maintaining a presence as a stakeholder at three separate TPP negotiation rounds, InternetNZ has appealed to negotiators to craft an intellectual property chapter that works with the Internet, not against it. InternetNZ is primarily concerned by the digital copyright provisions of the TPP and, in late-2011, documented its views in a position paper.

The paper notes that in submitting to United States' demands for stronger intellectual property laws, New Zealand's Internet and the future of our weightless economy could be seriously compromised. InternetNZ will only support the TPP if independently verifiable evidence suggests the agreement will bring net benefit to New Zealand without prejudicing an open Internet.

### Digital copyright

Digital copyright featured heavily in 2011/2012, with rights-holder groups and open Internet advocates remaining in conflict. In September 2011, the Copyright (Infringing File Sharing) Amendment Act, colloquially known as the 3strikes law, entered into force. This law provides rightsholders with an easy and expedited way to send notices via ISPs to Internet account holders for their alleged infringing file-sharing. Should an account holder receive three strikes, the rights-holder may seek damages of up to \$15,000 from the Copyright Tribunal. To help people and organisations understand the impact of the new law, InternetNZ set up a dedicated website and associated social media (3strikes.net.nz) as an information resource. The site and its discussion forum proved extremely popular.



### The ANZIAS

Last year, InternetNZ continued its Australia & New Zealand Internet Awards (ANZIAS) collaboration with auDA – the body responsible for the .au domain name space. The ANZIAS are an annual event that recognises the achievements of organisations, businesses and individuals that have made significant contributions to the development and use of the

Internet in New Zealand and Australia. The 2011 Awards saw six New Zealand organisations honoured – Otaki-based Aura Redeye Security, Upper Hutt-based DTS, Victoria University's NZSL Online, Wellington-based beek.co, the Department of Internal Affairs' igovt service, and Wellington-based PaperKut Paperless Receipts.

### Data caps

There has been discussion for quite some time about monthly limits of Internet usage (data caps) that are typical in New Zealand. Against this backdrop, InternetNZ commissioned a report on peoples' and organisations' views about the existence of data caps. Recording and articulating these views was a first step towards considering our goals and initiatives in this area.

## Grants funding rounds

In 2011/2012, InternetNZ granted hundreds of thousands of dollars to various Internet-related projects through two dedicated funding rounds. The Community Projects Funding Round in mid-to-late 2011 saw \$46,000 granted to three research projects: an evaluation of 'white-space' wireless technology for rural telecommunications; a map of New Zealand's Internet infrastructure; and a free wireless project in Cannons Creek. The Christchurch Funding Round, in late 2011 / early 2012 saw \$500,000 granted to build new videoconferencing capabilities in Christchurch schools; free wireless in Sydenham / Lyttelton; a digital literacy training service; and a consortium of digital archiving initiatives. Of this amount, \$63,000 has been earmarked for further free community wireless Internet projects. More information on these projects can be found at [www.internetnz.net.nz/our-work/funding](http://www.internetnz.net.nz/our-work/funding).

## IPv6



Throughout 2011/2012, InternetNZ continued to advocate for implementation of Internet Protocol version 6 (IPv6) – the next generation Internet addressing protocol. As the principal funder and Secretariat for the New Zealand IPv6 Task Force, InternetNZ strongly supports the adoption of IPv6 by New Zealand's public and private sectors. The work of the Task Force has been invaluable in achieving an increased general awareness of IPv6 implementation and creating a better understanding of the state of New Zealand's IPv6 readiness. The Task Force organised a dedicated IPv6 event to give an impetus to government adoption. More information about the Task Force can be found at [www.ipv6.org.nz](http://www.ipv6.org.nz).

## Changes to the Criminal Procedure Bill

We called for, and subsequently in July 2011 welcomed, changes to the Criminal Procedure (Reform and Modernisation) Bill. InternetNZ had strongly opposed section 216 of the bill, which sought to impose new criminal liability on Internet Service Providers (ISPs) for breach of name suppression by their customers. The Justice and Electoral Committee recommended deletion of this clause. The Committee also recommended a new clause 215(3) "which would ensure that internet content hosts were not liable unless they knew or were aware of a risk the information was suppressed."

## Formal submissions

As a part of its 'protect' the Internet goals, InternetNZ made several submissions to government and regulators. The areas for major submissions over the course of the year included demand-side fibre, the digital divide, the Copyright (Infringing File Sharing) Regulations, rural and urban broadband discussion and technical documents, and new media and privacy-related issues. All InternetNZ submissions are available at [www.internetnz.net.nz/our-work/submissions](http://www.internetnz.net.nz/our-work/submissions).

# InternetNZ Directory 2011-2012



**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. Don Christie**  
Council 2010 – 2013

**4. Donald Clark**  
Council 2008 – 2014

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

**6. Neil James**  
Council 2008 – 2013  
InternetNZ Fellow – awarded 2001

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

**8. Jonny Martin**  
Council 2006 – 2013

**9. Dave Moskovitz**  
Council 2010 – 2014

**10. Nathan Torkington**  
Council 2009 – 2014

**11. Michael Wallmannsberger**  
Council 2002 – 2003, 2008 – 2014  
Treasurer 2006 – 2008  
Secretary 2003 – 2006

**12. Lance Wiggs**  
Council 2010 – 2013

**Internet New Zealand Incorporated**  
**Annual Report**  
**For the Year Ended 31st March 2012**

**Prepared By**

**Curtis McLean Limited**  
**Chartered Accountants**  
**Wellington NZ**

**Internet New Zealand Incorporated**  
**Annual Report**  
**For the Year Ended 31st March 2012**

**Schedule of Contents**

	<b>Page</b>
- Annual Report	1
- Statement of Comprehensive Income	2
- Statement of Changes in Equity	3
- Statement of Financial Position	4-5
- Statement of Cashflows	6-7
- Accounting Policies	8-12
- Notes to the Financial Statements	13-19
- Independent Auditor's Report	20-21

**Internet New Zealand Incorporated**  
**Annual Report**  
**For the Year Ended 31st March 2012**

**Financial Result**

The Group Net Profit for the year, after taxation, was \$614,610 (2011 \$1,110,675).

	<b>2012</b>		<b>2011</b>	
	<b>Group</b>	<b>Parent</b>	<b>Group</b>	<b>Parent</b>
Retained Earnings as at 1 April	8,865,655	4,639,915	7,754,980	2,333,288
Net Profit (Loss) After Taxation	614,610	850,651	1,110,675	2,306,627
Retained Earnings as at 31st March	\$9,480,265	\$5,490,566	\$8,865,655	\$4,639,915

**Dividend**

Dividends of \$3,324,999 were received from New Zealand Domain Name Registry Limited, a wholly owned company, for the year ended 31st March 2012 (2011 \$5,010,000).

**Remuneration of Council**

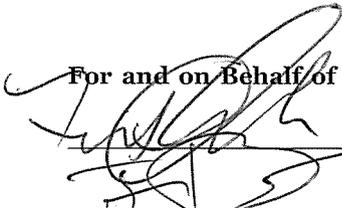
During the year Council received the following remuneration:

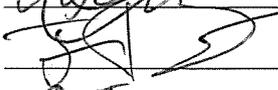
**Fees Paid**

Frank March - President	18,000
Jamie Baddeley - Vice President	11,250
Don Christie	9,000
Donald Clark	6,000
Michael Foley	9,000
Neil James	9,410
Hamish MacEwan	9,000
Jonny Martin	9,000
Dave Moskovitz	9,000
Nat Torkington	9,000
Michael Wallmannsberger	9,000
Lance Wiggs	9,000

**\$116,660**

**For and on Behalf of the Council**

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Vice President

8 June 2012 Date

**Internet New Zealand Incorporated**  
**Statement of Comprehensive Income**  
**For the Year Ended 31st March 2012**

	Note	2012		2011	
		Group	Parent	Group	Parent
<b>Operating Income</b>					
Registry Fees		7,086,371	-	7,151,664	-
Other Income		93,007	242,409	74,254	217,829
		7,179,378	242,409	7,225,918	217,829
<b>Less Operating Expenses</b>					
Registry Services		1,806,361	-	1,591,097	-
Domain Name Commission		543,581	-	563,926	-
Public Policy		493,367	493,367	492,828	492,828
Society		933,371	933,371	1,065,256	1,065,256
Technical Leadership		437,664	437,664	258,500	258,500
Audit Fees		26,866	10,041	27,599	9,500
Employee Remuneration		1,918,562	720,192	1,864,211	782,599
Depreciation & Amortisation	<b>3,4</b>	704,237	61,286	434,379	77,789
Rent		137,100	137,100	121,084	121,084
Loss on Disposal of Fixed Assets		9,213	3,553	-	-
		7,010,322	2,796,574	6,418,880	2,807,556
<b>Surplus/(Deficit) from Operations</b>		169,056	(2,554,165)	807,038	(2,589,727)
<b>Plus Other Income/(Expenses)</b>					
Dividend Income	7	-	3,324,999	-	5,010,000
Finance Income		-	-	13,914	13,914
Interest		545,931	180,194	497,733	84,683
Sundry Income		-	-	4,234	-
Impairment of Loan & Receivable	<b>12</b>	-	-	(162,244)	(162,244)
Christchurch Rebuild		(100,377)	(100,377)	(50,000)	(50,000)
		614,610	850,651	1,110,675	2,306,626
<b>Surplus for the Year</b>		614,610	850,651	1,110,675	2,306,626
<b>Other Comprehensive Income</b>		-	-	-	-
		-	-	-	-
<b>Total Comprehensive Income for the Year</b>		\$614,610	\$850,651	\$1,110,675	\$2,306,626

Total Comprehensive Income is attributable to the Members of Internet New Zealand Inc.

**Internet New Zealand Incorporated**  
**Statement of Changes in Equity**  
**For the Year Ended 31st March 2012**

	Note	2012		2011	
	Group	Parent	Group	Parent	Parent
<b>Retained Earnings</b>					
<b>Opening Retained Earnings</b>		8,865,655	4,639,915	7,754,980	2,333,288
<b>Total Comprehensive Income for the Year</b>					
Surplus for the Year		614,610	850,651	1,110,675	2,306,627
Other Comprehensive Income		-	-	-	-
		<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Retained Earnings as at 31st March</b>		<u>\$9,480,265</u>	<u>\$5,490,566</u>	<u>\$8,865,655</u>	<u>\$4,639,915</u>

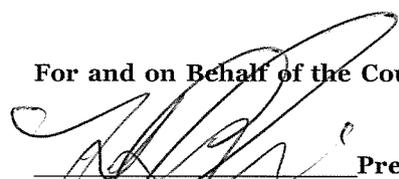
**Internet New Zealand Incorporated**  
**Statement of Financial Position**  
**As At 31st March 2012**

	Note	2012		2011	
		Group	Parent	Group	Parent
<b>Current Assets</b>					
Cash and Cash Equivalents	1	1,829,747	285,036	1,591,935	506,662
Other Financial Assets	1a	9,474,966	2,391,046	7,869,252	360,993
Trade Debtors and Other Receivables	2	1,112,635	155,346	1,140,511	120,953
<b>Total Current Assets</b>		<u>12,417,348</u>	<u>2,831,428</u>	<u>10,601,698</u>	<u>988,608</u>
<b>Non Current Assets</b>					
Other Financial Assets - Non Current	1a	2,092,271	2,092,271	3,087,397	3,087,397
<b>Total Non Current Assets</b>		<u>2,092,271</u>	<u>2,092,271</u>	<u>3,087,397</u>	<u>3,087,397</u>
<b>Property, Plant &amp; Equipment</b>	3	458,802	282,012	637,060	310,359
<b>Investments</b>					
Shares in Subsidiaries	8	-	610,000	-	610,000
<b>Total Investments</b>		<u>-</u>	<u>610,000</u>	<u>-</u>	<u>610,000</u>
<b>Intangible Assets</b>	4	718,324	15,579	530,308	4,338
<b>Total Assets</b>		<u>15,686,745</u>	<u>5,831,290</u>	<u>14,856,463</u>	<u>5,000,702</u>
<b>Less Liabilities:</b>					
<b>Current Liabilities</b>					
Deferred Income- Current	10	3,809,086	-	3,523,768	-
Trade Creditors and Other Payables	5	850,014	340,724	843,881	360,787
<b>Total Current Liabilities</b>		<u>4,659,100</u>	<u>340,724</u>	<u>4,367,649</u>	<u>360,787</u>
<b>Term Liabilities</b>					
Deferred Income- Non Current	10	1,547,380	-	1,623,159	-
<b>Total Liabilities</b>		<u>6,206,480</u>	<u>340,724</u>	<u>5,990,808</u>	<u>360,787</u>
<b>Net Assets</b>		<u>\$9,480,265</u>	<u>\$5,490,566</u>	<u>\$8,865,655</u>	<u>\$4,639,915</u>

**Internet New Zealand Incorporated**  
**Statement of Financial Position**  
**As At 31st March 2012**

	2012		2011	
	Group	Parent	Group	Parent
<b>Represented by:</b>				
<b>Total Equity</b>	<u>\$9,480,265</u>	<u>\$5,490,566</u>	<u>\$8,865,655</u>	<u>\$4,639,914</u>

For and on Behalf of the Council

  
 \_\_\_\_\_ President

  
 \_\_\_\_\_ Vice President

8 June 2012 Date

**BDO**  
BDO WELLINGTON

**Internet New Zealand Incorporated**  
**Statement of Cash Flows**  
**For the Year Ended 31st March 2012**

	Note	2012		2011	
		Group	Parent	Group	Parent
<b>Cash Flows From Operating Activities</b>					
<b>Cash was Provided From</b>					
Net Receipts from Customers		7,443,303	243,813	7,046,110	253,948
Receipt of Taxation		4,245	-	533	-
Dividend Received		-	3,324,999	-	5,010,000
Interest Received		550,894	163,922	445,118	37,645
Net GST Received		6,658	7,131	-	-
		<b>8,005,100</b>	<b>3,739,865</b>	<b>7,491,761</b>	<b>5,301,593</b>
<b>Cash was Distributed To:</b>					
Payments to Suppliers and Employees		6,424,452	2,871,593	5,681,957	2,709,937
Payment of Taxation		18,252	10,791	3,208	3,208
Net GST Paid		-	-	18,836	6,594
		<b>6,442,704</b>	<b>2,882,384</b>	<b>5,704,001</b>	<b>2,719,739</b>
<b>Net Flows Operating Activities</b>		<b>1,562,396</b>	<b>857,481</b>	<b>1,787,760</b>	<b>2,581,854</b>
<b>Cash Flows From Investing</b>					
<b>Cash was Distributed To:</b>					
Net Investment in Term Deposits		610,588	1,034,927	1,526,632	3,077,876
Purchase of Fixed Assets & Intangibles		713,996	44,180	762,891	8,653
		<b>1,324,584</b>	<b>1,079,107</b>	<b>2,289,523</b>	<b>3,086,529</b>
<b>Net Cash Flows From Investing Activities</b>		<b>(1,324,584)</b>	<b>(1,079,107)</b>	<b>(2,289,523)</b>	<b>(3,086,529)</b>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>		<b>237,812</b>	<b>(221,626)</b>	<b>(501,763)</b>	<b>(504,675)</b>
<b>Add: Opening Cash and Cash Equivalents</b>		<b>1,591,935</b>	<b>506,662</b>	<b>2,093,698</b>	<b>1,011,337</b>
<b>Closing Cash and Cash Equivalents</b>	<b>1</b>	<b>1,829,747</b>	<b>\$285,036</b>	<b>\$1,591,935</b>	<b>\$506,662</b>

**Internet New Zealand Incorporated**  
**Statement of Cash Flows**  
**For the Year Ended 31st March 2012**

**Operating Activity Cash Flow Reconciliation**

	<b>2012</b>		<b>2011</b>	
	<b>Group</b>	<b>Parent</b>	<b>Group</b>	<b>Parent</b>
Surplus/(Deficit) for the Year	614,610	850,651	1,110,675	2,306,627
<b>Add/(deduct) Non - cash items</b>				
Finance Cost	-	-	(13,914)	(13,914)
Depreciation	257,809	56,679	210,629	72,829
Impairment of Hectors World Loan	-	-	162,244	162,244
Amortisation	<u>446,428</u>	<u>4,607</u>	<u>223,750</u>	<u>4,960</u>
	704,237	61,286	582,709	226,119
<b>Movement in working capital</b>				
(increase)/decrease in receivables	65,295	1,404	(7,125)	22,205
(increase)/decrease in GST receivable	6,658	7,131	(14,922)	(6,594)
increase/(decrease) accounts payable	6,607	(20,063)	65,090	67,641
(increase)/decrease interest receivable	4,963	(16,272)	(52,615)	(47,038)
(increase)/decrease tax receivable	(14,007)	(10,791)	(2,675)	(3,208)
(increase)/decrease prepayments	(35,506)	(15,865)	39,222	16,102
increase/(decrease) deferred income	<u>209,539</u>	<u>-</u>	<u>67,401</u>	<u>-</u>
	243,549	(54,456)	94,376	49,108
<b>Net Cash Flow from Operating Activities</b>	<b><u>\$1,562,396</u></b>	<b><u>\$857,481</u></b>	<b><u>\$1,787,760</u></b>	<b><u>\$2,581,854</u></b>

**Internet New Zealand Incorporated**  
**Accounting Policies**  
**For the Year Ended 31st March 2012**

**Significant Accounting Policies**

These financial statements comprise the consolidated financial statements of Internet New Zealand Incorporated ("INZ") for the year ended 31 March 2012. INZ is an incorporated society registered under the Incorporated Societies Act 1908 and domiciled in New Zealand.

The consolidated financial statements of INZ 31st March 2012 comprise INZ and its subsidiaries (together referred to as the "Group"). The financial statements were authorised for issue by the Councillors on 8 June 2012.

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

INZ is a Public Benefit Entity as the primary objective is to provide goods or services for the community rather than for a financial return.

**(a) Statement of compliance**

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) as appropriate for Public Benefit reporting entities applying differential reporting exemptions.

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

**(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**

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

**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.

**Internet New Zealand Incorporated**  
**Accounting Policies**  
**For the Year Ended 31st March 2012**

**(c) Basis of Consolidation**

The Group financial statements consolidate the financial statements of the Parent and all entities over which the Parent has power to control the financial reporting and operating policies so as to obtain benefits from its activities (defined as "subsidiaries"). The financial statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases.

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**

Financial assets consist of cash, deposits and receivables. Upon recognition financial assets are recognised at fair value. Subsequent to initial recognition financial assets are classified as loans and receivables. Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are 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.

**Cash and cash equivalents**

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

**(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.

**Internet New Zealand Incorporated**  
**Accounting Policies**  
**For the Year Ended 31st March 2012**

**(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.

**Internet New Zealand Incorporated**  
**Accounting Policies**  
**For the Year Ended 31st March 2012**

**(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. Amortisation is charged to the Statement of Comprehensive Income. The principal rates used to calculate amortisation are -

Software            48.0 - 60.0% DV

**(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).

**(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).

**Internet New Zealand Incorporated**  
**Accounting Policies**  
**For the Year Ended 31st March 2012**

**(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 -

Furniture & Fittings	10.0 - 48.0% DV
Office Equipment	15.6 - 80.4% DV
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) Expense Recognition**

Expenses are recognised when expenses are incurred.

Grant expenditure is recognised when approved by Council.

**(q) 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.

**(r) 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.

**Internet New Zealand Incorporated**  
**Notes To The Financial Statements**  
**For the Year Ended 31st March 2012**

	2012		2011	
	Group	Parent	Group	Parent
<b>1. Cash and Cash Equivalents</b>				
Cash on Hand	400	400	400	400
Cash at Banks	<u>1,829,347</u>	<u>285,036</u>	<u>1,591,535</u>	<u>506,262</u>
Total Cash and Equivalents	<b>1,829,747</b>	<b>285,436</b>	<b>1,591,935</b>	<b>506,662</b>

**1a. Other Financial Assets**

The parent and the group have funds invested in Term Deposits classified as:

Other Financial Assets	9,474,966	2,391,046	7,869,252	360,993
Other Financial Assets - Non Current	<u>2,092,271</u>	<u>2,092,271</u>	<u>3,087,397</u>	<u>3,087,397</u>
Total Other Financial Assets	<b>11,567,237</b>	<b>4,483,317</b>	<b>10,956,649</b>	<b>3,448,390</b>

**2. Trade Debtors and Other Receivables**

Trade receivables	734,748	-	800,043	1,403
Interest Receivable	218,907	66,540	223,869	50,268
GST Receivable	43,424	43,424	50,555	50,555
Tax Receivable	25,879	18,418	11,872	7,627
Pre-payments	<u>89,677</u>	<u>26,964</u>	<u>54,172</u>	<u>11,100</u>
Total	<b>1,112,635</b>	<b>155,346</b>	<b>1,140,511</b>	<b>120,953</b>

**Internet New Zealand Incorporated**  
**Notes To The Financial Statements**  
**For the Year Ended 31st March 2012**

### 3. Property, Plant & Equipment

#### Parent

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

<u>This Year</u>	<u>Cost or Valuation</u>	<u>Depreciation For Year</u>	<u>Accumulated Depreciation</u>	<u>Book Value This Year</u>
Furniture & Fittings	371,929	35,220	115,770	256,159
Computer Hardware	214,031	18,693	194,231	19,800
Office Equipment	18,282	2,766	12,227	6,054
	<u>\$604,242</u>	<u>\$56,679</u>	<u>\$322,228</u>	<u>\$282,013</u>
<u>Last Year</u>	<u>Cost or Valuation</u>	<u>Depreciation For Year</u>	<u>Accumulated Depreciation</u>	<u>Book Value Last Year</u>
Furniture & Fittings	353,554	39,521	81,777	271,777
Computer Hardware	208,750	31,218	175,538	33,212
Office Equipment	14,832	2,090	9,461	5,370
	<u>\$577,136</u>	<u>\$72,829</u>	<u>\$266,776</u>	<u>\$310,359</u>

During the year there were fixed asset additions as follows:

Furniture & Fittings	\$23,154	(2011	\$1,910)
Computer Hardware	\$5,281	(2011	\$3,361)
Office Equipment	\$3,450	(2011	\$2,378)

**Internet New Zealand Incorporated**  
**Notes To The Financial Statements**  
**For the Year Ended 31st March 2012**

**Group**

<b><u>This Year</u></b>	<b><u>Cost or</u></b> <b><u>Valuation</u></b>	<b><u>Depreciation</u></b> <b><u>For Year</u></b>	<b><u>Accumulated</u></b> <b><u>Depreciation</u></b>	<b><u>Book Value</u></b> <b><u>This Year</u></b>
Furniture & Fittings	371,929	35,220	115,770	256,159
Office Equipment	160,396	28,493	78,752	81,644
Computer Hardware	1,104,248	194,096	983,249	120,999
	<b><u>\$1,636,573</u></b>	<b><u>\$257,809</u></b>	<b><u>\$1,177,771</u></b>	<b><u>\$458,802</u></b>

<b><u>Last Year</u></b>	<b><u>Cost or</u></b> <b><u>Valuation</u></b>	<b><u>Depreciation</u></b> <b><u>For Year</u></b>	<b><u>Accumulated</u></b> <b><u>Depreciation</u></b>	<b><u>Book Value</u></b> <b><u>Last Year</u></b>
Furniture & Fittings	353,553	39,521	81,777	271,776
Office Equipment	131,007	11,770	62,176	68,831
Computer Hardware	1,111,925	159,338	815,472	296,453
	<b><u>\$1,596,485</u></b>	<b><u>\$210,629</u></b>	<b><u>\$959,425</u></b>	<b><u>\$637,060</u></b>

During the year there were fixed asset additions as follows:

Furniture & Fittings	\$23,154	(2011	\$1,910)
Computer Hardware	\$19,358	(2011	\$164,876)
Office Equipment	\$46,242	(2011	\$33,194)

**Internet New Zealand Incorporated**  
**Notes To The Financial Statements**  
**For the Year Ended 31st March 2012**

#### 4. Intangible Assets

##### Parent

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

<u>This Year</u>	<u>Cost or Valuation</u>	<u>Amortisation For Year</u>	<u>Accumulated Amortisation</u>	<u>Book Value This Year</u>
Software	72,147	4,607	56,568	15,579
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Last Year</u>	<u>Cost or Valuation</u>	<u>Amortisation For Year</u>	<u>Accumulated Amortisation</u>	<u>Book Value Last Year</u>
Software	56,300	4,960	51,961	4,338
	<hr/>	<hr/>	<hr/>	<hr/>

During the year there were additions of \$15,847 (2011 \$1,003).

##### Group

<u>This Year</u>	<u>Cost or Valuation</u>	<u>Amortisation For Year</u>	<u>Accumulated Amortisation</u>	<u>Book Value This Year</u>
Software	2,090,290	446,428	1,371,966	718,324
Trademark	10,698	-	10,698	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>\$2,100,988</b>	<b>\$446,428</b>	<b>\$1,382,664</b>	<b>\$718,324</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Last Year</u>	<u>Cost or Valuation</u>	<u>Amortisation For Year</u>	<u>Accumulated Amortisation</u>	<u>Book Value Last Year</u>
Software	1,455,843	222,541	925,535	530,308
Trademark	10,698	1,209	10,698	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>\$1,466,541</b>	<b>\$223,750</b>	<b>\$936,233</b>	<b>\$530,308</b>
	<hr/>	<hr/>	<hr/>	<hr/>

During the year there were additions of \$634,447 (2011 \$560,280).

**Internet New Zealand Incorporated**  
**Notes To The Financial Statements**  
**For the Year Ended 31st March 2012**

	2012		2011	
	Group	Parent	Group	Parent
<b>5. Trade Creditors and other Payables</b>				
Trade Payables	627,391	246,155	584,900	250,045
GST Payable	62,083	-	62,556	-
Employee Benefits	109,365	43,394	107,151	45,286
Lease Incentives	<u>51,175</u>	<u>51,175</u>	<u>89,274</u>	<u>65,456</u>
	<b>850,014</b>	<b>340,724</b>	<b>843,881</b>	<b>360,787</b>

## 6. 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.

## 7. 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 received dividends declared and paid by NZDNRL during the year totaling \$3,324,999 (2011 \$5,010,000). During the 2011 year there was a one-off special dividend paid to transfer cash in excess of reserves from NZDNRL to INZ.

NZDNRL and DNCL paid management fees to INZ during the year of \$78,480 and \$122,040 respectively (2011 \$85,000 and \$115,000).

### Other Related Parties

Michael Foley, Donald Clark, Nathan Torkington and Don Christie are all on the Council of INZ. Entities related to them have a trading relationship with the Parent or Group as follows:

Michael Foley is a Director of Voco Limited that provides video conferencing equipment. During the year INZ paid Voco Limited \$15,716 for services (Group \$15,716).

**Internet New Zealand Incorporated**  
**Notes To The Financial Statements**  
**For the Year Ended 31st March 2012**

Donald Clark is a Director of 1 through 8 Limited that provides consulting services. During the year INZ paid 1 Through 8 Limited \$42,734 for services (Group \$42,734).

Nathan Torkington was the organiser of the Kiwi Foo Camp. During the year InternetNZ paid \$5,000 for sponsorship of the camp (Group \$5,000).

Don Christie is a Director of Catalyst IT Limited that provides IT services. During the year InternetNZ paid \$6,580 for website hosting and maintenance services. The Group paid a total of \$1,259,012 to Catalyst IT Limited for IT Services.

**Key Management Personnel**

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

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

**8. Subsidiaries**

Name of Entity	Country of Incorporation	2012	2011
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%

**9. Operating Leases**

	2012		2011	
	Group	Parent	Group	Parent
Less than one year	137,100	137,100	137,100	137,100
Between one and two years	137,100	137,100	137,100	137,100
Between three and five years	217,075	217,075	354,175	354,175
More than five years	-	-	-	-
<b>Total</b>	<b>491,275</b>	<b>491,275</b>	<b>628,375</b>	<b>628,375</b>

**Internet New Zealand Incorporated**  
**Notes To The Financial Statements**  
**For the Year Ended 31st March 2012**

**10. Deferred Income**

The group through subsidiary NZDNRL has invoiced clients for \$5,356,466 (2011 \$5,146,927) in advance. \$3,809,086 of this is current and \$1,547,380 is non-current.

**11. Contingent Liabilities and Commitments**

At 31 March 2012 the Group had no contingent liabilities or commitments (2011 \$Nil).

**12. Hector's World Limited Loan**

A gross undiscounted loan of \$200,000 was advanced to Hector's World Limited, in the 2010 financial year (2012 Nil), repayable to Internet New Zealand Incorporated ("INZ") upon demand by INZ but not prior to 31 July 2013.

The loan was interest free unless demanded by INZ. The loan agreement provided for an interest rate not exceeding 5% above the 90 day Bank Bill Buy Rate.

The loan was provided for in full in the year to 31 March 2011, and continues to be fully impaired, as the financial position of Hector's World Limited indicates the company does not have the financial resources to meet repayment. If future evidence becomes available that the financial position has improved an adjustment to impairment will be made to reverse this loss in a subsequent reporting period.

**13. Events Subsequent to Balance Date**

No events occurred subsequent to balance date that would have had a material effect on the financial statements (2011 Nil).

**INDEPENDENT AUDITOR'S REPORT**  
**To the Members of Internet New Zealand Incorporated**

**Report on the Financial Statements**

We have audited the financial statements of Internet New Zealand Limited ("the Society") and Group on pages 2 to 19, which comprise the consolidated and separate statements of financial position of Internet New Zealand Limited as at 31 March 2012, the consolidated and separate statements of changes in equity, statements of comprehensive income and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Members as a body, in accordance with the Constitution of Internet New Zealand Limited. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.

**The Councilors' Responsibility for the Financial Statements**

The Councilors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal control as the Councilors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

**Opinion**

In our opinion, the financial statements on pages 2 to 19 present fairly, in all material respects, the financial position of the Society and Group as at 31 March 2012 and the financial performance and cash flows of the Society and Group for the year then ended in accordance with generally accepted accounting practice in New Zealand.

**Other Matter**

The financial statements of Internet New Zealand Incorporated for the year ended 31 March 2011 were audited by another auditor who expressed an unmodified opinion on those statements on 10 June 2011.

*BDO Wellington*

BDO Wellington  
8 June 2012  
Wellington  
New Zealand