AGENDA
Annual General Meeting

Thursday 25 July 2019, 5:30pm

InternetNZ, Level 11 Boulcott Street, Wellington

5:30pm Refreshments on arrival

6:00pm AGM Commences

7:30pm AGM Concludes

Note. Online voting is closed at 5pm

Time	Description
6:00pm	**Karakia and Waiata** **Annual General Meeting Opens** **Apologies** *MOTION: THAT the apologies be accepted.* **Minutes of 2018 AGM and Matters Arising** *MOTION: THAT the minutes of the 2018 AGM be received and adopted as a true and accurate record of the meeting.*

6.15pm	**President's Report (on behalf of Council)** *MOTION: That the President's Report be received.* **Annual Report and Audited Annual Accounts** *MOTIONS:* • *That the Annual Report be received.* • *That the Audited Annual Accounts be accepted.* • *That Crowe Australasia (an affiliate of Findex NZ Limited) to be appointed auditor for the 2019/20 audit)*
6.35pm	**InternetNZ Operational Update** *MOTIONS: That the 2019/20 Activity Plan and Budget be adopted.*
6.50pm	**DNCL Update**
7.00pm	**2019 Membership Survey**
7.10pm	**General Business**
7.20pm	**Announcement of Election Results:** • Council roles
7.30pm	**Meeting closes** **Karakia Whakamutunga**

MINUTES OF THE 2018 ANNUAL GENERAL MEETING

Status: To be ratified

Date: Thursday 26 July 2018

Venue: AREA Events Function Centre, 1 O'Reily Ave, Te Aro, Wellington

Taumariki Mei and Councillor Sarah Lee, with Council and staff, led the karakia and waiata at the beginning of the meeting. The President then welcomed Members and other guests, and officially opened the AGM at 6:03pm. More than 20 financial members were present at the meeting and therefore quorum was met.

It was announced that voting had been closed at approximately 5pm. Only members who have been financial members for at least three months prior to the AGM were eligible to vote.

1. Apologies

Apologies were received from Mark Foster, Dave Moskovitz, Bill Dashfield, Richard Currey, Frank March, and Keith Davidson.

AGM 01/18: That the apologies be accepted.

(President/Daniel Spector)
CARRIED U

2. Minutes of the 2017 AGM and Matters Arising

The minutes of the 2017 AGM were taken as read.

AGM 02/18: That the minutes of the 2017 AGM be received and adopted as a true and accurate record of the meeting.

(President/Brenda Wallace)
CARRIED U

3. Guest Speaker: Minister Clare Curran

The President introduced Minister Clare Curran who was invited as a guest speaker. The Minister delivered her speech which highlights the government's position as focused on looking after the wellbeing and safety for New Zealanders. They want to engage and collaborate with relevant organisations in the Internet community such as InternetNZ, so they can do their public service delivery much better. She also gave her insight on how InternetNZ could engage more with the government, which is by getting more involved in discussion on issues that requires expertise and knowledge that the government might not necessarily have such as digital rights, open source, and net neutrality to name a few.

At the end of the Minister's speech and after she addressed the questions raised, a short waiata was presented led by Taumariki Mei along with staff and Council.

4. President's Report

The President gave a summary of his report and highlighted the changes and key activities that InternetNZ has had in the past year. He acknowledged all staff who have done an admirable job of keeping things going amidst the changes and transition during the organisation restructure. He thanked David Farrar and Richard Currey for their Chairmanship of the subsidiaries boards, as well as the rest of the DNCL and NZRS Board members.

He also thanked and acknowledged the former Chief Executive and Domain Name Commissioner – Jay Daley and Debbie Monahan – for their contribution to the organisation throughout their term; thanked Joy Liddicoat and the members of the Council and mentioned that it's good to now have a good mix in Council. He then expressed his appreciation to all the members, for selecting the current Officers and Councillors.

AGM 03/18: That the President's report be accepted.

(Kelly Buehler/Daniel Spector)
CARRIED U

5. Annual Report & Audited Annual Accounts

Amber Craig, Chair of the Audit & Risk Committee, gave a short acknowledgement and advised that the changes across the organisation, in addition to tight deadline, had been a challenge to staff and the Audit & Risk Committee. However, the organisation was still able to meet requirements. She offered her thanks to the Council members and to the members of the Audit & Risk Committee for accommodating urgent meetings and thanked the auditors – Deloitte and Crowe Horwath for their support especially to Nadija of Deloitte and Valerie of Crowe Horwath. She also expressed huge appreciation to InternetNZ staff for their easy turn around and accommodating pushed timeline, namely to Mary Tovey (Finance Manager), Aron Narayan (Accounting Support), and Sue Carter (former NZRS Office Manager).

AGM 04/18: That the annual report be received.

(Steve Cosgrove/Don Stokes)
CARRIED U

AGM 05/18: THAT Crowe Horwath Wellington to be appointed auditor for the 2018/19 audit.

(Colin Jackson/David Wright)
CARRIED U

AGM 06/18: THAT the Audited Annual Accounts for 2017/18 be accepted.

(Sarah Lee/Colin Jackson)
CARRIED U

6. Operational Update

Jordan Carter, Group Chief Executive, presented a summary of InternetNZ's accomplishments in the past year which includes:

- Internet policies that the team have worked one such as the Telco Act Review and Digital Divides map;
- regional NetHui and NetHui Copyright held early this year;
- series of Speaker Series events;
- Community Funding and Sponsorships awarded to successful recipients;
- Strategic Partnerships;
- Supporting multi-stakeholder Internet governance and actively participating in the Internet Governance Forums; and
- Improvements on the Technical Research and Services

He also presented the key projects planned for the coming year and an overview of the 2018/19 budget.

He also gave a brief summary of the NZRS key achievements in the last year and highlighted the annual growth on the registered .nz domain names as well as the excellent financial outcomes, products enhanced, and their 100% SLA compliance. He also presented a quick overview on the 2017/18 financial summary including information around the application of revenue.

He then acknowledged and thanked Jay Daley, former NZRS CE for his positive approach during the transition after the merger; thanked the NZRS Chairs and Board members for their support as well as to all NZRS staff and directors, past and present.

Jordan also introduced the members of the new Senior Leadership Team and presented a simple diagram on the new InternetNZ structure as well as the plans for building capability on the new organisation and what the organisation's strategic goals are.

7. DNCL Update

Before presenting the DNCL update, Brent Carey, Domain Name Commissioner thanked the DNCL staff first and expressed his appreciation for their continued support amidst the changes brought by the organisation restructure.

Brent presented a short update on what the Domain Name Commission have been working on and highlighted their key achievements which includes providing great customer service to the public; dealing with issues on the conflicted names – i.e. the team have successfully reduced the number of conflicted names from 14,677 to 2,452 by October 2017; and the increased privacy in the .nz domain name space – from 7,000 registrants with privacy, this has now increased to 15,000 and it's still growing.

For DNCL's future, he presented the team's goals and key projects for the coming year.

He also gave special thanks to Debbie Monahan and Jay Daley, David Farrar (former DNCL Board Chair), and the DNCL Board's independent members Adam Hunt and Lucy Elwood for their support.

8. 2018 Membership Survey

Jordan gave an overview of the results of the membership survey where 94 members have participated.

9. General Business

No other business was raised.

10. Special Presentations

The President presented and recognised the four new Fellows:

- James Watts (Broadband Pioneer in NZ)
- Di Daniels (National Coordinator for 2020 Trust)
- Nat Torkington (Developed the first website in New Zealand via .govt.nz)
- Keitha Booth (Independent Advisor, Advocate for open and transparent government)

After the presentations, the President invited Councillors Sarah Lee and Amber Craig for a special presentation for Brenda Wallace, who was recognised for the many contributions she has made during her term on Council and as an NZRS director.

11. Election Results

Group Chief Executive Jordan Carter presented the election results of the Council elections on behalf of the Returning Officer. He noted that the results provided at the meeting were interim results and will be checked on Friday morning by an independent scrutineer before the final results were released.

There were three vacancies available this election – President, Vice President and one Councillor serving three-year term ending at AGM in 2021. The successful candidates were:

- Jamie Baddeley – elected unopposed for President
- Joy Liddicoat – elected unopposed for Vice President
- Richard Hulse – elected as Councillor via online voting

In addition to the election results, a constitutional change was put forward to the membership.

That Clause 11.4 of the Constitution be changed from: "In all elections a preferential voting system will be used" to: "In all elections a preferential and proportional voting system will be used".

In total there were 135 votes on this resolution; 68.89% voted yes, 19.26% voted no; and 11.9% have opted to abstain. More than two-thirds of the votes were in favour of the proposed Constitutional change; therefore, the Constitution will be amended.

Jordan congratulated the successful candidates and passed on his commiserations to those who were unsuccessful.

He also acknowledged and thanked the staff who have organised and worked on setting up the AGM.

In closing, Taumariki Mei led the closing karakia and with the staff and Council sang a waiata.

Meeting closed: There being no further business, the 2018 Annual General Meeting closed at 8.02pm

Signed as a true and correct record:

……………………………………….

Jamie Baddeley, President, Chair

Keeping the Internet open, secure and for all New Zealanders.

InternetNZ Annual Report 2018-2019.

Who we are

InternetNZ is a non-profit organisation, and the home and guardian of .nz - providing the infrastructure, security and support to keep it humming. We use the funding from the sale of .nz domain names to support the development of New Zealand's Internet through policy, community grants, research and events.

Our mission is an Internet that is open, secure, and for all New Zealanders.

President's report

InternetNZ is continuing to grow in both capability and flexibility. After our first full year as a reshaped organisation and with strong leadership and clear accountability, we are seeing the benefits envisaged by council taking real shape. I am genuinely excited about where we will go next.

The ability of InternetNZ to respond to unpredictable circumstances in a strong and positive way has been tested. I hope, and I believe we've come closer together as a result. Today InternetNZ is continuing to help all New Zealanders harness the power of the Internet. But we must use that to continue to try and help the world become a better place and be better connected with each other in New Zealand. We must insist on building the constructive side of being globally connected and we should look after each other locally in a kind way.

To do that well demands a level of fitness, of preparedness, of resilience, and openness. Our organisation has made changes in support of that.

InternetNZ is an organisation joined by many others around the world that continue to rally around the good of being connected with each other and helping all to make the most of that.

I want you to ask your friends, your colleagues, and your like-minded acquaintances to help us achieve that.

Finally, my thanks to a wonderful, diverse and thoughtful council. In particular, I'd like to recognise Keith Davidson - having been with the organisation in some way for over 21 years - your contribution is immeasurable. Go show 'em how we do it Keith. We know you will.

Jamie Baddeley
President, InternetNZ

Chief Executive's report

This has been a big year for InternetNZ. Besides our usual work operating .nz, dealing with Internet issues, funding and events, we have made great progress in building our new integrated organisation following changes last year.

We defined a new Strategic Framework, started developing an integrated brand across the Group, and have learned to work better together across our team. You'll see fruits of this at the AGM and even more in next year's report.

2018/19 ended with the horrifying terrorist attacks on the Muslim community in Christchurch. Our voice in response has to be about the Internet's possibilities and the good it can bring while acknowledging and helping fix the problems that arise. As Aotearoa turns to dealing with social media policy following Christchurch, we will be there.

Thanks to all the team - you've made all our work happen.
Here's to 2019/20!

Jordan Carter
Chief Executive, InternetNZ

Statistics

A few fun facts from our year...

712,894 .nz domain names

- 511,024 .co.nz
- 138,263 .nz
- 27,221 .org.nz
- 22,038 .net.nz
- 14,348 other second level domains

2018-19 financial year	Pre 2018-19 financial year
63,280 newly registered domains: organisations	**446,128** registered domains: organisations
48,550 newly registered domains: individual	**260,243** registered domains: individual
15 months average term of a new domain name	**14 months** average term of a domain name
7 months average term of a renewed domain name	**6 months** average term of a renewed domain name

87 active registrars

91% of registrars rate their overall satisfaction with InternetNZ as satisfied

The domain name alphabet

How many domain names begin with each character

	2018-19	Historic*
a	7,472	100,679
b	6,850	94,930
c	8,431	117,115
d	4,317	60,905
e	4,220	59,882
f	4,535	64,286
g	4,008	58,962
h	4,974	64,006
i	2,987	47,540
j	1,904	25,711
k	3,299	40,752
l	4,307	55,594
m	7,432	105,537
n	4,548	67,306
o	2,533	35,028
p	6,350	91,566
q	624	9,115
r	4,507	63,718
s	**10,221**	140,555
t	9,498	120,080
u	1,086	14,902
v	1,999	25,478
w	4,452	66,443
x	349	4,711
y	715	10,623
z	542	7,012

*Historic represents any domain name creations before 1 April 2018

8 written submissions

2 Parliamentary select committees

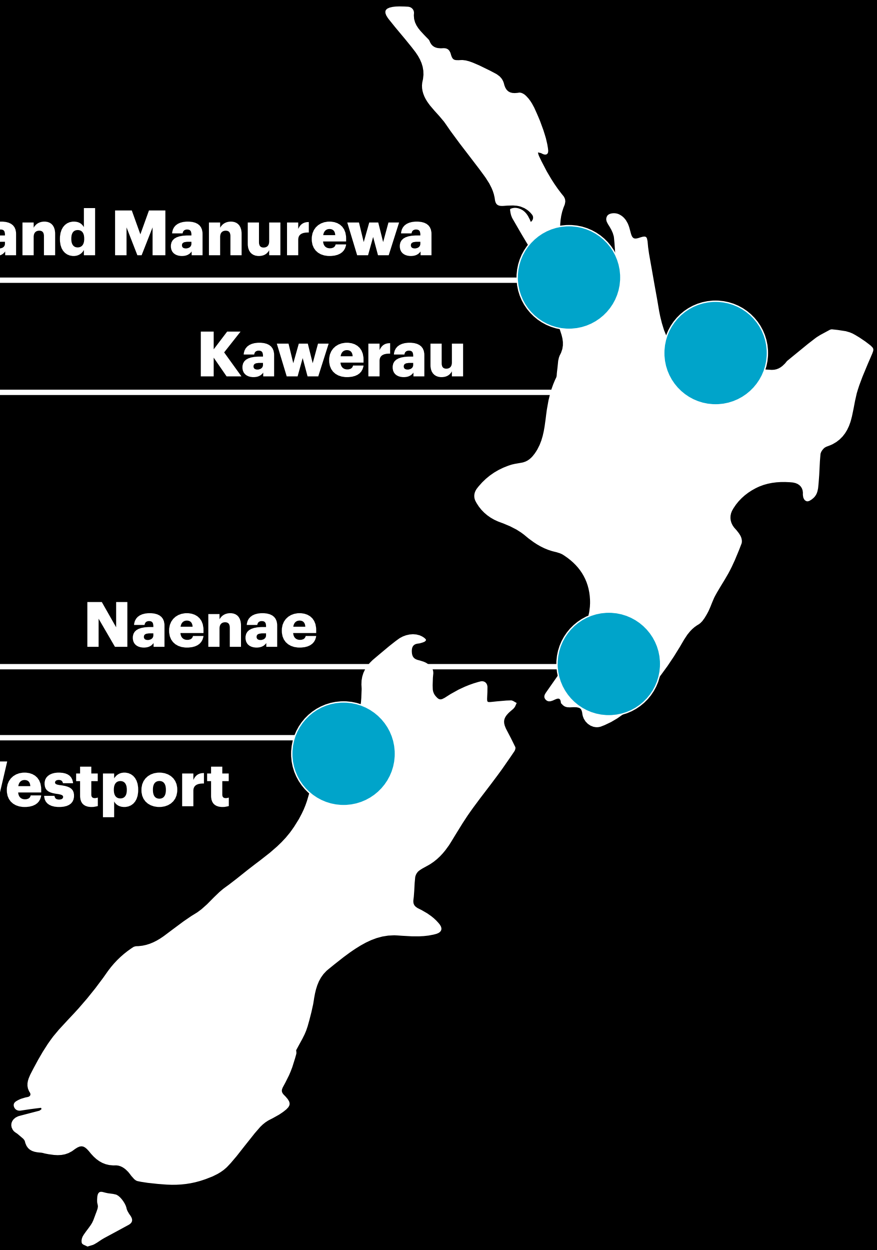
23 blogs on Internet issues

Solving digital divides together - an InternetNZ position paper

130+ Internet issues and events triaged

62

interviews with digitally excluded people in collaboration with The Workshop



report.digitaldivides.nz

363 members
(as at 31 March 2019)

266 individuals

44 individual plus

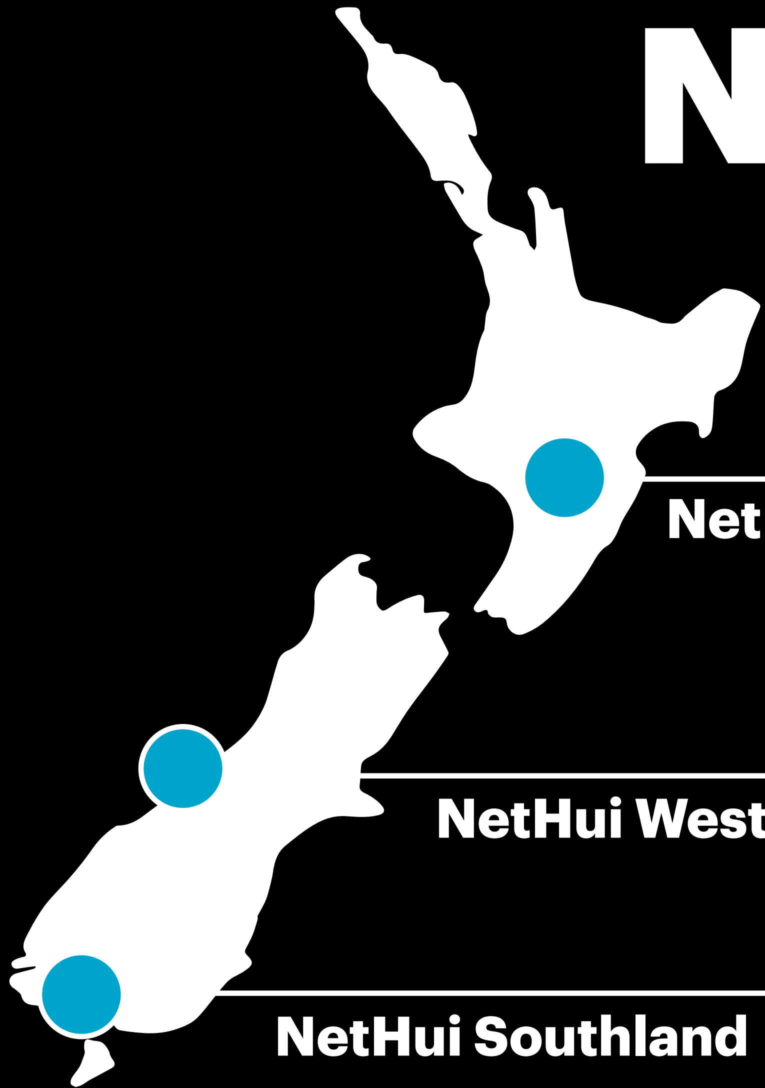
23 small organisations
(less than 100 staff)

3 large organisations
(more than 100 staff)

27 life members

NetHui

88% satisfaction rate



NetHui Manawatū

NetHui West Coast

NetHui Southland

333 NetHui Roadtrip attendees

The domain name week

How many domains are registered each day

	2018-19	Historic*
Monday	18,577	256,448
Tuesday	**19,912**	298,679
Wednesday	19,844	281,375
Thursday	19,738	277,875
Friday	17,335	247,835
Saturday	9,153	108,423
Sunday	9,237	100,943

*Historic represents any domain name creations before 1 April 2018

2 Speaker Series events

- Hate and the Internet
- Truth, justice and the Internet

Hosted first

Domain Name Abuse Forum

Community funding

We have given...

$400k in grants

$400k in partnerships

$80k in sponsorship

Internet Corporation for Assigned Names and Numbers (ICANN)

Kobe, Japan • Barcelona, Spain • Panama City, Panama

Commercial philosophy

- ✓ deliver value to customers
- ✓ move fast
- ✓ experiment and validate
- ✓ learn from failure
- ✓ consistent with InternetNZ's objectives

Our **innovation pipeline**

Goal

two new commercial products
in 2019/20 financial year

broadband
map nz

almost 12 million

API queries

99%

accuracy

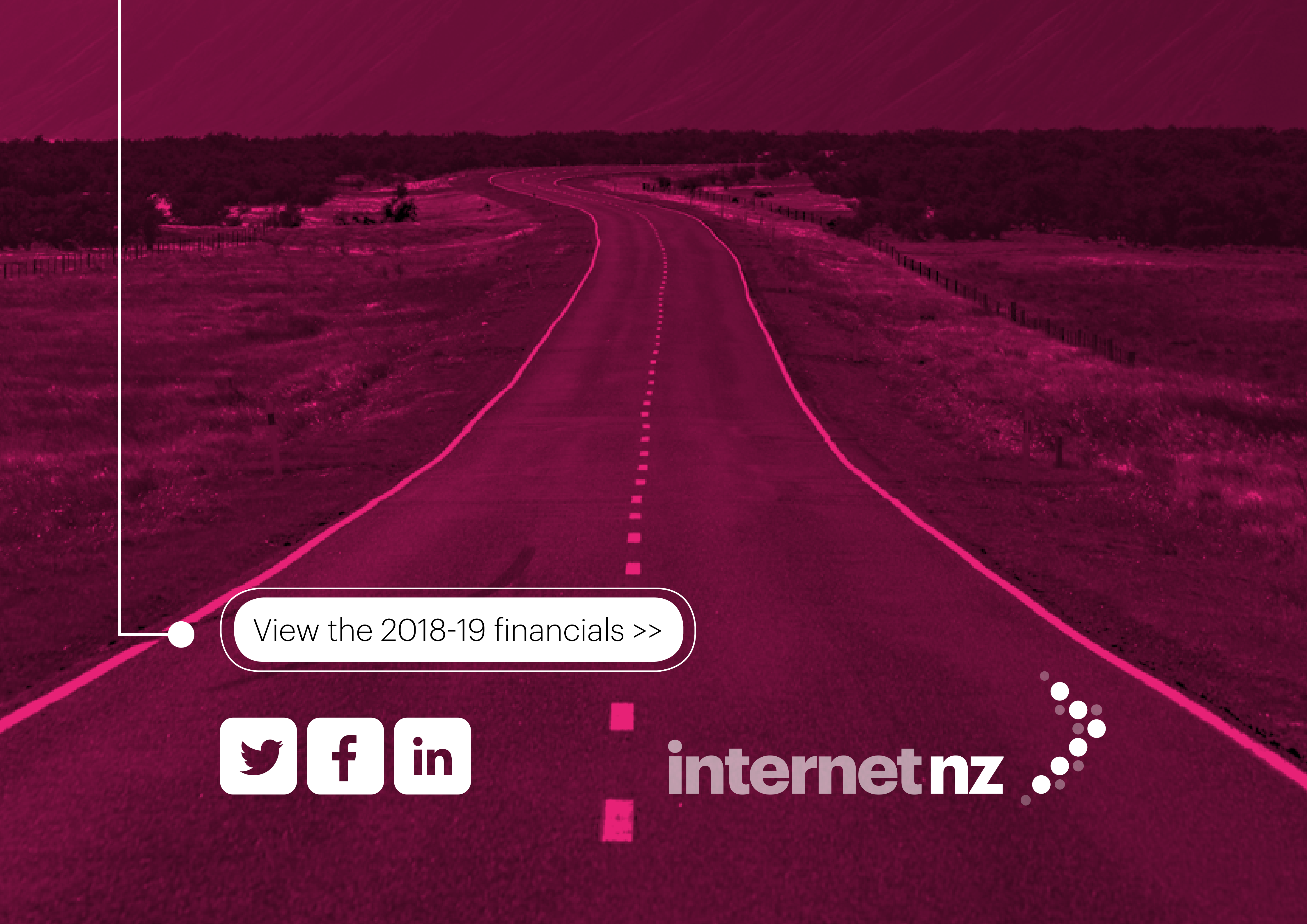
detecting domain abuse

domain name system uptime 100%

99.9% uptime for shared registry system and WHOIS achieved all year long

estimated 145 billion domain name system queries

397 million on average per day


View the 2018-19 financials >>
internetnz

Internet New Zealand Incorporated

Consolidated Financial Statements
For the year ended 31 March 2019

Internet New Zealand Incorporated

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Internet New Zealand Incorporated

Statement of Comprehensive Revenue and Expense
For the year ended 31 March 2019

	Notes	Group		Parent	
		2019	2018	2019	2018
		$	$	$	$
OPERATING ACTIVITIES					
Exchange revenue					
Registry fees		10,798,490	10,504,127	10,798,490	-
Other income		164,357	174,025	362,339	486,340
Total exchange revenue		10,962,848	10,678,152	11,160,830	486,340
Total operating revenue		10,962,848	10,678,152	11,160,830	486,340
Operating expenses					
Registry services		-	3,525,306	-	-
Domain Name Commission		1,703,290	1,738,890	-	-
Community engagement		560,470	550,626	560,470	550,626
Community funding		1,084,882	756,815	1,084,882	756,815
Communications/Outreach		683,941	210,413	683,941	210,413
Governance and members		430,742	700,670	407,141	681,170
International engagements		400,731	110,754	400,731	110,754
Policy		767,921	558,392	767,921	558,392
Technical Research		531,589	-	531,589	-
Technology Services	7(b)	3,113,254	-	4,433,254	-
Commercial Marketing		528,149	-	528,149	-
Organisational Services		1,743,462	2,317,794	1,743,462	1,699,145
Total operating expenses	7 (a)	11,548,430	10,469,661	11,141,539	4,567,316
Surplus/(deficit) from operating activities		(585,582)	208,491	19,291	(4,080,976)
INVESTING ACTIVITIES					
Dividend income		-	-	-	4,728,236
Interest income on term deposits		415,684	415,744	397,481	63,302
Fair value gains/(losses) on managed funds		185,326	242,816	185,326	242,816
Surplus/(deficit) from investing activities		601,010	658,560	582,806	5,034,353
SURPLUS/(DEFICIT) FOR THE YEAR		15,427	867,051	602,097	953,377
Other comprehensive revenue and expense		-	-	-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR		15,427	867,051	602,097	953,377

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

President — 27 June 2019.
Date

Counsellor — 27 June 2019
Date

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

Internet New Zealand Incorporated

Statement of Financial Position
As at 31 March 2019

	Notes	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
ASSETS					
Current					
Cash and cash equivalents	8	3,624,207	2,869,590	3,175,964	1,849,841
Trade debtors and other receivables	9	1,260,719	1,221,323	1,257,574	94,161
Prepayments		366,822	257,697	327,852	75,654
Investments	12	15,511,325	15,341,646	15,145,250	5,174,967
Total current assets		20,763,073	19,690,256	19,906,640	7,194,623
Non-current					
Property, plant and equipment	10	584,071	478,526	574,345	238,040
Intangible assets	11	119,629	434,492	115,556	54,351
Investment in subsidiary	6	-	-	580,000	610,000
Total non-current assets		703,700	913,018	1,269,900	902,391
TOTAL ASSETS		21,466,773	20,603,274	21,176,540	8,097,014
LIABILITIES					
Current					
Trade creditors and other payables	14	1,700,288	995,649	1,308,655	602,752
Employee entitlements	16	403,977	283,432	362,153	154,778
Deferred revenue - current	15	5,879,625	5,837,636	5,879,625	-
Total current-liabilities		7,983,890	7,116,717	7,550,433	757,530
Non-current					
Deferred revenue - non current	15	2,625,066	2,644,168	2,625,066	-
Total non-current liabilities		2,625,066	2,644,168	2,625,066	-
TOTAL LIABILITIES		10,608,956	9,760,885	10,175,500	757,530
NET ASSETS		10,857,817	10,842,389	11,001,040	7,339,484
EQUITY					
Accumulated funds		10,857,817	10,842,389	11,001,040	7,339,484
TOTAL EQUITY		10,857,817	10,842,389	11,001,040	7,339,484

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

Internet New Zealand Incorporated

Statement of Changes in Net Assets
For the year ended 31 March 2019

	Group		Parent	
	2019	2018	2019	2018
	$	$	$	$
ACCUMULATED FUNDS				
Opening balance	10,842,389	9,975,338	7,339,484	6,386,107
Opening balance - NZRS			3,059,459	-
Surplus/(deficit) for the year	15,427	867,051	602,097	953,377
Other comprehensive revenue and expense	-	-	-	-
Total comprehensive revenue and expense	15,427	867,051	602,097	953,377
CLOSING BALANCE ACCUMULATED FUNDS	10,857,817	10,842,389	11,001,040	7,339,484
TOTAL EQUITY	10,857,817	10,842,389	11,001,040	7,339,484

CROWE HORWATH NEW ZEALAND

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

Internet New Zealand Incorporated

Statement of Cash Flows
For the year ended 31 March 2019

	Notes	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Cash flows from operating activities					
Cash was provided from/(applied to):					
Receipts from customers		11,125,532	11,174,076	11,323,514	736,432
Dividends received		-	-	-	4,728,236
Interest received		421,846	451,848	403,394	52,927
Payments to suppliers and employees		(10,050,929)	(9,879,307)	(9,826,899)	(4,430,681)
GST		(44,546)	20,637	(21,893)	4,697
Net cash from/(used in) operating activities	19	1,451,905	1,767,256	1,878,117	1,091,611
Cash flows from investing activities					
Cash was provided from/(applied to):					
Net proceeds from sale (purchase) of investments		(169,679)	(1,403,394)	(572,104)	(1,008,070)
Purchase of property, plant and equipment		(483,646)	(224,133)	(480,574)	(75,691)
Purchase of intangible assets		(43,963)	(283,354)	(43,963)	(12,590)
Net cash from/(used in) investing activities		(697,288)	(1,910,881)	(1,096,641)	(1,096,351)
Net increase/(decrease) in cash and cash equivalents		754,617	(143,625)	781,476	(4,740)
Cash and cash equivalents, beginning of the year		2,869,590	3,013,215	1,849,841	1,854,581
Cash and cash equivalents, beginning of the year - NZRS		-	-	544,647	-
Cash and cash equivalents at end of the year	8	3,624,207	2,869,590	3,175,964	1,849,841

Internet New Zealand Incorporated

Notes to the financial statements

1 Reporting entity

These financial statements comprise the consolidated financial statements of Internet New Zealand Incorporated ("InternetNZ") for the year ended 31 March 2019. Internet NZ merged with New Zealand Domain Name Registry (NZRS) as at 1 April 2018. Therefore the parent for 2019 is the merged entity of InternetNZ and NZRS (2018: Internet NZ).

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

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

2 Basis of preparation

(a) Statement of compliance

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

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

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

(b) Basis of measurement

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

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

(c) Presentation currency

The financial statements are presented in New Zealand dollars.

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

(d) Changes in accounting policies

During the year there was one change in accounting policies (2018: none). The policy in respect of fixed assets depreciation has changed during the year to permit the merged organisation to align to one depreciation policy after the merger. The change provides reliable, relevant information to users by ensuring one method of depreciation is used. This was a change for INZ from diminishing value used in 2018 to the straight line basis for the 2019 finacial year. The alignment and change in policy has reduced depreciation expense for the year by $10,006 compared to if it had been based on diminishing value.

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3 Summary of significant accounting policies

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

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

(a) Basis of consolidation

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

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

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

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

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

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

(b) Cash and cash equivalents

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

(c) Debtors and other receivables

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

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

(d) Creditors and other payables

Trade creditors and other payables are stated at cost.

(e) Property, plant and equipment

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

Additions and subsequent costs

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

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

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

Disposals

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

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(e) Property, plant and equipment (continued)

Depreciation

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

Furniture and Fittings	9.80 - 11.76 Years	Straight Line
Office equipment	1.49 - 9.80 Years	Straight Line
Computer hardware	1.49 - 5.71 years	Straight Line

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

(f) Intangible assets

Intangible assets acquired separately are initially recognised at cost.

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

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

Software	1 - 2.5 years	Straight Line
Trademarks	7 Years	Straight Line

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

Disposals

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

(g) Leased assets

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

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

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

(h) Provisions

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

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

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

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

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

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

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

Impairment losses are recognised immediately in surplus or deficit.

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

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

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

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

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

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

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

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

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

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(k) Financial instruments (continued)

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

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

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

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

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

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

Investments in managed funds are classified in this category.

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

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

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

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

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

Interest income
Interest income is recognised as it is earned.

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

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(m) Foreign currency translation

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

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

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

(n) Income tax

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

(o) Goods and Services Tax (GST)

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

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

4 Significant accounting judgements, estimates and assumptions

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

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

5 Capital management policy

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

6 Subsidiaries

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

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

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

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7(a) Operating expenses

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Amortisation of intangibles	277,824	344,436	272,312	31,200
Audit fees	23,768	24,364	19,268	4,864
Bad and doubtful debts	-	-	-	-
Depreciation of property, plant and equipment	336,072	221,870	322,483	52,215
Loss on disposal of property, plant and equipment	126,364	4,983	123,028	1,647
Operating lease payments	399,789	530,186	399,789	394,428
Wages, salaries and other employee costs	5,377,091	4,863,154	4,726,476	1,669,926
Other overheads and administration costs	5,007,523	4,480,668	5,278,184	2,413,036
Total operating expenses	11,548,430	10,469,661	11,141,539	4,567,316

7(b) Technology services

The group technological services expenses are $1,300,000 less than the parent technological services expenses due to the elimination of the management fee paid to Domain Name Commission Limited.

8 Cash and cash equivalents

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Cash at bank and in hand	3,508,099	2,754,063	3,095,193	1,769,474
Term deposits with maturities of three months or less	116,108	115,527	80,771	80,367
Cash and cash equivalents at end of the year	3,624,207	2,869,590	3,175,964	1,849,841

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

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

9 Trade debtors and other receivables

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Trade receivables	1,216,459	1,170,902	1,215,604	13,587
Accrued interest	44,260	50,421	41,971	19,639
GST receivable	-	-	-	60,935
Impairment allowance	-	-	-	-
Total trade debtors and other receivables	1,260,719	1,221,323	1,257,574	94,161

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

As at 31 March 2018 and 2019, all overdue receivables have been assessed for impairment and appropriate allowances made. All receivables are subject to credit risk exposure.

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10 Property, plant and equipment

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

Group 2019	Leasehold Improvements $	Furniture and fittings $	Computer hardware $	Office equipment $	Total $
Gross carrying amount					
Opening balance	1,498	273,173	2,489,790	454,131	3,218,592
Additions	-	46,068	381,479	15,083	442,630
Disposals in cuurent year			(874,719)	(2,524)	(877,243)
Disposals of fully amortised assets	-	-	(837,945)	-	(837,945)
Closing balance	1,498	319,241	1,158,605	466,690	1,946,034
Accumulated depreciation and impairment					
Opening balance	180	97,478	2,270,307	372,102	2,740,067
Current year depreciation	105	22,627	269,014	44,328	336,074
Depreciation written back on disposal			(861,322)	(344)	(861,666)
Amortisation written back on disposal	-	(14,567)	(837,945)	-	(852,512)
Closing balance	284	105,538	840,054	416,086	1,361,962
Carrying amount 31 March 2019	1,213	213,703	318,551	50,604	584,071

Group 2018	Leasehold Improvements $	Furniture and fittings $	Computer hardware $	Office equipment $	Total $
Gross carrying amount					
Opening balance	15,333	227,383	2,363,206	440,725	3,046,647
Additions	-	45,789	154,295	24,047	224,132
Disposals	(13,835)	-	(27,711)	(10,641)	(52,187)
Closing balance	1,498	273,173	2,489,790	454,131	3,218,592
Accumulated depreciation and impairment					
Opening balance	13,910	71,163	2,127,529	329,094	2,541,695
Current year depreciation	105	26,315	145,137	50,313	221,870
Depreciation written back on disposal	(13,835)	-	(2,358)	(7,305)	(23,498)
Closing balance	180	97,478	2,270,307	372,102	2,740,067
Carrying amount 31 March 2018	1,318	175,695	219,483	82,029	478,526

Internet New Zealand Incorporated

Notes to the financial statements

Property, Plant and Equipment (continued)

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

Parent 2019	Leasehold Improvements $	Furniture and fittings $	Computer hardware $	Office equipment $	Total $
Gross carrying amount					
Opening balance	-	273,172	139,381	61,284	473,837
Opening balance - NZRS	1,498	-	2,350,409	310,020	2,661,927
Additions	-	46,068	381,479	12,011	439,558
Disposals	-	-	(874,719)	(2,524)	(877,243)
Closing balance	1,498	319,240	1,996,550	380,791	2,698,080
Accumulated depreciation and impairment					
Opening balance	-	97,478	95,721	42,598	235,798
Opening balance - NZRS	180	-	2,174,587	266,920	2,441,687
Current year depreciation	105	22,627	269,013	30,738	322,483
Depreciation written back on disposal	-	(14,567)	(861,322)	(344)	(876,233)
Closing balance	285	105,539	1,677,999	339,912	2,123,735
Carrying amount 31 March 2019	1,213	213,701	318,552	40,879	574,345

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

Capital commitments
As at 31 March 2019 the Parent and Group have no contractual commitments to acquire property, plant and equipment.

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Internet New Zealand Incorporated

Notes to the financial statements

11 Intangible assets

Movements for each class of intangible assets are as follows:

Group 2019	Software $	Trademarks $	Total $
Gross carrying amount			
Opening balance	4,157,240	10,698	4,167,938
Additions	85,579	-	85,579
Disposals in current year	(2,545,641)		(2,545,641)
Disposals of fully ammortised assets post merger	379,200	-	379,200
Closing balance	2,076,378	10,698	2,087,076
Accumulated amortisation and impairment			
Opening balance	3,722,748	10,698	3,733,446
Current year amortisation	277,825	-	277,825
Amortisation written back on disposal	(2,423,024)		(2,423,024)
Amortisation written back on disposals assets post merger	379,200	-	379,200
Closing balance	1,956,749	10,698	1,967,447
Carrying amount 31 March 2019	119,629	-	119,629

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

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Internet New Zealand Incorporated

Notes to the financial statements

Intangible assets (continued)

Movements for each class of intangible assets are as follows:

Parent 2019	Software $	Trademarks $	Total $
Gross carrying amount			
Opening balance	237,109	-	237,109
Opening balance - NZRS	3,798,127	10,698	3,808,825
Additions	85,579	-	85,579
Disposals	(2,545,641)	-	(2,545,641)
Closing balance	1,575,174	10,698	1,585,872
Accumulated amortisation and impairment			
Opening balance	182,758	-	182,758
Opening balance - NZRS	3,427,572	10,698	3,438,270
Current year amortisation	272,312	-	272,312
Amortisation written back on disposal	(2,423,024)	-	(2,423,024)
Closing balance	1,459,618	10,698	1,470,316
Carrying amount 31 March 2019	115,556	-	115,556

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

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12 Investments

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Loans and receivables				
Term deposits	12,448,500	12,454,306	12,082,425	2,287,628
Financial assets at fair value through surplus or deficit				
Managed Funds	3,062,825	2,887,340	3,062,825	2,887,340
Total Financial Assets	15,511,325	15,341,646	15,145,250	5,174,967

There is no impairment provision for investments.

Managed funds

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

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

13 Total unspent funds held

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Total unspent funds held:				
Cash and cash equivalents	3,624,207	2,869,590	3,175,964	1,849,841
Investments	15,511,325	15,341,646	15,145,250	5,174,967
Total unspent funds held	19,135,532	18,211,236	18,321,214	7,024,808
The total unspent funds are held by:				
Internet New Zealand Incorporated	18,321,214	7,024,808	18,321,214	7,024,808
Domain Name Commission Limited	814,319	1,243,602	-	-
NZRS Limited	-	9,942,826	-	-
Total unspent funds held	19,135,532	18,211,236	18,321,214	7,024,808
Represented by:				
Funds held but not yet spent	10,630,840	9,729,432	9,816,522	7,024,808
Deferred revenue	8,504,692	8,481,804	8,504,692	-
Total unspent funds held	19,135,532	18,211,236	18,321,214	7,024,808

14 Trade creditors and other payables

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Trade creditors	905,280	921,191	717,046	290,670
GST payable	29,913	74,458	25,629	-
Other accruals	765,095	-	565,980	312,081
Total trade creditors and other payables	1,700,288	995,649	1,308,655	602,752

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

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Notes to the financial statements

15 Deferred revenue

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Current	5,879,625	5,837,636	5,879,625	-
Non-current	2,625,066	2,644,168	2,625,066	-
Total deferred revenue	8,504,692	8,481,804	8,504,692	-

Registry fees received by InternetNZ Limited are recognised as revenue on a straight line basis over the period of registration which ranges from 1 to 10 years. Registry fee receipts received for periods subsequent to balance date are treated as deferred revenue.

16 Employee entitlements

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Annual leave entitlements	372,644	263,643	332,572	137,005
Liability for long-service leave	31,333	19,789	29,581	17,773
Total employee entitlements	403,977	283,432	362,153	154,778

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

During the year the number of employees who received remuneration greater than $100,000 is 17 (2018: 16)

17 Operating leases

Operating leases are held for premises used for office space.

	Group 2019 $	Group 2018 $	Parent 2019 $	Parent 2018 $
Non-cancellable operating leases are payable as follows:				
Less than one year	364,590	380,835	364,590	380,835
Between one and five years	1,328,400	1,360,890	1,328,400	1,360,890
More than five years	138,375	470,475	138,375	470,475
Total operating lease commitment	1,831,365	2,212,200	1,831,365	2,212,200

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18 Related party transactions

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

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

Transactions between Parent and subsidiaries

Internet New Zealand Incorporated (InternetNZ) owns 100% of the share capital in its subsidiaries:

2019

- Domain Name Commission Limited (DNCL).

2018

- NZRS Limited (NZRS); and
- Domain Name Commission Limited (DNCL).

InternetNZ received no dividends declared and paid by NZRS during the year (2018: $4,728,236).

DNCL paid management fees to InternetNZ during the year of $227,232 (2018: NZRS $212,256 and DNCL $187,235).

Other related party transactions

There were no other related party transactions (2018: Innovation Partnership Membership Fees of $40,000. InternetNZ is a trustee of the Innovation Partnership Trust and Outreach and Engagement Director Andrew Cushen represents InternetNZ in this role and is also the Innovation Partnership Trust Treasurer. Andrew Cushen was not a party to the council resolution vote to become a trustee of the Innovation partnership Trust).

Key management compensation

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

Key management personnel compensation includes the following expenses:	Group		Parent	
	2019	2018	2019	2018
	$	$	$	$
Directors fee, salaries and other short-term employee benefits	1,703,261	2,620,966	1,490,511	978,217
Total remuneration	1,703,261	2,620,966	1,490,511	978,217
Number of persons recognised as key management personnel	22	34	19	17

18 Financial instruments

(a) Carrying value of financial instruments

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

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

(b) Classification of financial instruments

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

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

19 Reconciliation of cash flows from operating activities

	Group		Parent	
	2019	2018	2019	2018
	$	$	$	$
Surplus/(deficit) for the year	15,427	867,051	602,097	953,377
Add/(deduct) non-cash items				
Depreciation, amortisation and impairment	613,896	566,306	594,795	83,415
Fair value movements on financial instruments through surplus or deficit	-	-	-	-
Bad and doubtful debt expenses	-	-	-	-
Other non-cash items	-	-	-	-
Add/(deduct) movements classified as investing activities				
(Gain)/loss on disposal of property, plant and equipment	123,029	4,983	123,029	1,647
Add/(deduct) movements in working capital				
(Increase)/decrease in trade debtors and other receivables	(39,395)	121,465	(39,617)	(3,098)
(Increase)/decrease in GST receivable	(44,545)	20,636	(21,892)	4,697
(Increase)/decrease in prepayments	(109,126)	7,002	(109,126)	(30,427)
Increase/(decrease) in trade creditors and other payables	749,185	29,050	598,998	103,944
Increase/(decrease) in employee entitlements	120,545	(16,256)	106,945	(21,944)
Increase/(decrease) in deferred revenue	22,889	167,019	22,889	-
Net cash flows from/ (used in) operating activities	1,451,905	1,767,256	1,878,117	1,091,611

20 Contingent assets and contingent liabilities

The Parent and Group have no contingent assets or continent liabilities (2018: None).

21 Events after the reporting period

There were no significant events after the balance date for 2019 (2018: After the balance date, on the 1st of April 2018, Internet NZ merged with NZRS Limited with all assets and liabilities transferred as an in-specie distribution to Internet NZ as the 100% shareholder of NZRS Limited).

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Crowe Horwath
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INDEPENDENT AUDITOR'S REPORT

To the Members of Internet New Zealand Incorporated

Opinion

We have audited the consolidated financial statements of Internet New Zealand Incorporated and its controlled entities (the "Group") on pages 1 to 19, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in net assets/equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Responsibilities of the Councillors for the Consolidated Financial Statements

The Councillors are responsible on behalf of the entity for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board, and for such internal control as the Councillors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Councillors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Crowe Horwath

Crowe Horwath New Zealand Audit Partnership
CHARTERED ACCOUNTANTS

1 July 2019

InternetNZ

Council – March 2019

FOR DECISION

2019/20 Plan

Author: Jordan Carter, Group Chief Executive

Purpose of paper: To seek Council Decision on the Key Goals 2019/20

Introduction

This document sets out InternetNZ's draft plan for the 2019/20 year. It is provided to Council for approval at the 29 March 2019 meeting.

Our organisation is dedicated to helping New Zealanders harness the power of the Internet. We are the home and guardian of .nz – providing the infrastructure, security and support to keep it humming. We use the funding from the sale of .nz domain names to support the development of New Zealand's Internet through policy, community grants, research and events. Our mission is an Internet that is open, secure, and for all New Zealanders.

In 2018 we developed a new strategic framework that defines our purpose and sets out our work across three key areas - openness, security & trust, and Internet for all. Within those areas, and within the types of work we do, we have set clear goals to guide us over the next twelve to eighteen months.

The goals were adopted by Council in February. This 2019/20 plan sets out how we will go about achieving those goals in the coming financial year.

The first section sets out the five key goals, what they mean, how we will measure them, and the key projects that InternetNZ will deliver in order to bring them about.

These five goals are our strategic goals, and are to be measured at 30 September 2020. So, this Plan covers our activity against the goals in the 2019/20 business year, and these goals will again feature as they are, or with transparent amendments, in next year's plan.

The fourth goal, on openness and our response to the Christchurch attacks, is new.

We propose Council adopt it as a draft, and seek further input on it. It relates to how the organisation should respond to the Christchurch mosques terrorist attacks on the Muslim community. More engagement with members and stakeholders to define our response is required, and the goal should be finalised at the May meeting.

The second section of this Plan highlights some capability and capacity projects we will deliver in the coming year to change and grow our organisation.

The third section shares information about other important projects that support our work - more of a “business as usual” section.

I am proud of the change to our planning approach set out in this document. Instead of recounting our work by function, we are clear about the goals we are pursuing and what we’ll do to achieve them.

To achieve this, this isn’t a document that sets out all of the work that we do. It is designed to highlight the key work we are doing and to be a meaningful document for Council to approve, thereby guiding and shaping our efforts.

It also gives members and stakeholders a useful guide to key aspects of our planned work.

Finally: most of this plan was prepared before the 15 March 2019 terrorist attacks. Our hearts are broken for the loss of life and the impact of these attacks on the Muslim community. The events have shaken all New Zealanders.

There will be changes in many areas of our lives as the country works through its response.

Jordan Carter
Group Chief Executive

22 March 2019

Section 1: Key Goals

<table>
<tr><td colspan="4">Goal 1: To fund increased public good investment, drive higher sustainable growth in registrations of .nz domain names. Lead - Commercial Director.</td></tr>
<tr><td colspan="2">Rationale -
InternetNZ’s ability to do its work is financed by .nz. The use of .nz domain names is a key way we help New Zealanders harness the power of the Internet.

Setting a goal about growth will focus our attention on understanding how to make .nz more valuable to more people, and work out how we can inspire our channel partners to encourage registrations.

Sustainability means that we want incremental improvement in outcomes that is sustained over time, not a quick lift followed by a quick drop.

Achieving this goal will grow income from our key product faster, allowing further public good investment sooner.

Strategic alignment
WHY: Purpose.
WHAT: Operate an excellent .nz ccTLD for Aotearoa New Zealand.
HOW: Various.</td><td colspan="2">Measures
increased revenue from domain name registrations (4+% year on year)
increased numbers of domain name creates
increased proportion of domain names are renewed
average registration and renewal terms increase</td></tr>
<tr><td>Priority Projects</td><td colspan="2">Explanation</td><td>Timeframe</td></tr>
<tr><td>.nz website</td><td colspan="2">Initially this project will deliver a tactical 1-2 page marketing site for .nz to support .nz marketing campaigns. All .nz and registry content will eventually be folded into the larger website project for InternetNZ/.nz that will serve the needs of Registrars and Registrants.</td><td>Q1-Q2</td></tr>
<tr><td>Marketing</td><td colspan="2">Two approaches - with the channel (registrars) and to the public (potential registrants). The goal is to influence increase in registrations of domains and market share in NZ. Adopt international best practice for registrar marketing engagement. Evidence- and experiment-based to learn what levers can be used to impact growth.</td><td>All year</td></tr>
</table>

Registry Front End replacement	Replace the SRS frontend with a modern load balancer architecture, and replace our EPP system which is currently close to capacity. This project will improve the reliability of the registry service, and tackle capacity constraints with the existing EPP system which need to be addressed as we focus on growth.	Q2-Q3
Domain Sophistication Index	This project will collect a series of elements for a domain and build a score that will reflect the level of sophistication of use of the domain. This will enhance our understanding of sustainable domain name attributes and provide measures by which to assess marketing activity.	Q1-Q2

Goal 2: Modernise and improve the policy and security environment for .nz, consistent with our aim of being a globally excellent ccTLD.

Lead - Group CEO.

<table>
<tr>
<td>
Rationale -
This goal is about practical and necessary improvements to the .nz policy and security environment, continuing the ongoing evolution of the .nz domain name space.

Our strategy process identified security and stability as a threat to realising our purpose and to our ccTLD responsibilities. A security improvement programme for InternetNZ and .nz flows from this.

Refreshing the .nz policy framework through a community review process, and clearly separating policy from process, will improve its quality and usability and ensure it is responsive to the public's needs.

Strategic alignment
WHY: Purpose.
WHAT: Operate an excellent .nz ccTLD for Aotearoa New Zealand.
HOW: Various.
</td>
<td>
Measures

Progress to agreed milestones as documented in comprehensive review
our cyber security investment and practice is improved on 18/19 baselines, consistent with our role and the threats posed by our environment
all high priority risks identified in the 2019 risk register review are sufficiently mitigated
work with registrars to develop and implement improved security covering

at least 80% of the market
registrars of high-profile domain names

</td>
</tr>
</table>

Priority Projects	Explanation	Timeframe
.nz Policy review	A comprehensive review to modernise the policy framework for the .nz domain name space has been signed off by Council and work will continue throughout the financial year.	Q1 2019/20 to Q2 2020/2021
.nz security assessment	Work with registrars to develop a shared understanding of the risks that .nz faces and how we can work together to mitigate these.	Q1-Q2
Risk review	Following a recently updated threat assessment, compile and respond to a new risk register for the group. This area is a major part of updating our approach to risk	Q1

	management across the Group.	
Domain Abuse Detection	Joint work with DNCL to early detect signs that a domain is being registered or being used for some kind of abuse. Current scope is set around detection of potential phishing, Command and Control domains used for malware and fake web shops.	Q1
Security project implementation.	A set of projects to deliver enhanced security for .nz (inside InternetNZ), responding to the updated threat assessment and risk register.	All year

<table>
<tr><td colspan="3">

Goal 3. InternetNZ will have two new non-.nz services, validated through our new business processes, delivering annual recurring revenue and each on a path to profitability.
Lead - Commercial Director.

</td></tr>
<tr><td colspan="2">

Rationale -
By successfully developing new products and services aimed at making a profit, we can use the income to help more people harness the power of the Internet in new ways.

In so doing we can improve our financial resilience and devote further resources to public good investment.

A rigorous approach to product development will drive success in this goal.

Strategic alignment
WHY: Any of the WHYs - openness, security, for all.
WHAT: Non-.nz commercial activity.
HOW: Great org capability, financial sustainability.

</td><td>

Measures
• business processes that generate a pipeline of ideas, and develop these in reasonable timeframes, are established and operating
• two new services are planned, built, launched and have earned first sale revenue
• each new service has reached net profit within 24 months of first sale

</td></tr>
<tr><td>Priority Projects</td><td>Explanation</td><td>Timeframe</td></tr>
<tr><td>Innovation Pipeline</td><td>The innovation pipeline is how we filter and test business ideas. This iteratively proves a product is worth more investment of time as it proceeds through the pipeline, winnowing out ideas without a prospect of success.</td><td>Q1-Q4</td></tr>
<tr><td>New product 1(TBC DNS F/W)</td><td>Business Case, Build, Marketing, Launch and operation of a new service.</td><td>Q1-Q2</td></tr>
<tr><td>New product 2</td><td>Business Case, Build, Marketing, Launch and operation of a new service.</td><td>Q2-Q4</td></tr>
<tr><td>ANZSIC Classification of the Register</td><td>This initiative aims to refresh at least once a month the industry classification of domain names. It will support a better understanding of the register to support product development thinking.</td><td>Q1-Q2</td></tr>
</table>

Goal 4: Support community safety, inclusion and wellbeing in New Zealand while ensuring that the essential openness of the Internet's governance, technology and architecture is taken into account.

Lead - Outreach & Engagement Director

Rationale -	Measures
The terrorist attack on the Muslim community in Christchurch in March 2019 has brought into sharp focus how the Internet can be a force for harm. However, through this horrendous time, the Internet remained a force for good as well. As the country responds to the attacks, there will be policy debates in several areas. In those that touch on the Internet, a clear understanding of those elements of Internet openness that matter most to the Internet's potential will be an important part of getting policy change right. No other organisation understands what Internet openness means as well as us. We have a duty to the country to offer that expertise in this time, and to foster broad-based discussion on how we support community wellbeing in an online world. *Strategic alignment* WHY: Openness WHAT: Inform and influence, Support the Internet community HOW: Ecosystem player; insight, evidence and analysis.	• InternetNZ is seen to appropriately contribute to policy debates in this area. • Essential elements of Internet openness are defined and their dimensions explained. • We convene broadly based discussion of how to support safety, inclusion and wellbeing that takes account of the essential elements of the Internet's openness.

Priority Projects	Explanation	Timeframe
Christchurch terrorism response	Following the Christchurch mosques terrorist attack, InternetNZ will engage in Internet policy debates that will be part of the country's response to these events, and conduct or commission relevant research. The topics this will include will develop over the coming months.	All year
Define/Explain Internet Openness	Research, develop and release our understanding of the essential elements of Internet openness - how they are defined and what their dimensions are.	Q1-Q2
NetHui 2019	Openness as a theme of NetHui, and use this as a	Q3

	space to discuss and engage stakeholders.	
Colmar Brunton Research 2019	Incorporate questions about Internet openness or other topics that arise from work in this area into our regular market research work.	Q3-Q4
IGF Stream	Engage in preparatory processes for IGF and APRIGF and AUIGF, as well as IGF national and regional initiatives work. Submit and work on sessions as appropriate. Attend. Supporting NZG Internet Governance work.	Q2-Q3
Community funding	Grants funding on soliciting ideas and research on related topics.	TBA

Goal 5: InternetNZ will collaborate with others to identify, agree and effect significant progress on four interventions to bridge different digital divides (motivation, access, trust, skills).
Lead - Policy Director.

Rationale -
Significant digital divides block people from being able to realise their potential, given how much of life now happens online.

We want to influence significant action on closing digital divides by others, so that resources far greater than we can deploy are helping to meet the challenge.

We also understand that working out what will work best will take patient collaboration and shared understanding, so that will ground our approach.

Strategic alignment
WHY: Internet for all
WHAT: Inform and influence
HOW: Ecosystem player; insight, evidence and analysis.

Measures

- demonstrated collaboration with key stakeholders and these stakeholders acknowledge a leading role.
- progress through interventions cover a range of drivers of digital divides and of communities facing them.
- the impact is of an adequately extensive scale, which can be judged by, for example:
    - new funding of $20m per year is being invested in digital divides initiatives.
    - 50,000 people are on track to benefit each year from these new initiatives.

Priority Projects	Explanation	Timeframe
Government Engagement	Exercise influence with officials and politicians, through public and private means, to help secure the overall goal.	Q1-Q3
Outcomes and Evaluation Framework	Review the Government outcomes and evaluation framework when it is released, and take action as appropriate to influence better approach. Also clarify our own approach to monitoring and evaluation for this goal related to this.	Q1-Q2
Collaboration with Community organisations	Create 'architecture of collaboration' with community organisations - link with impact BaU work in O&E.	Q1-Q2
Community access collaboration	Working with network providers to support and collaborate on their initiatives for lower socioeconomic groups (Spark Jump, Chorus/Housing, N4L conversations).	Q1-Q2

Community Funding / strategic philanthropy	Devote a share of community funding resources to this goal.	Q3-Q4

Capability

This section sets out projects and people changes that will reinforce our capability.

Projects

To work effectively as an organisation, InternetNZ retains and grows the capability of outstanding people. The domains in which we do this are set out in the Strategic Framework. In 2019/20, there are some projects we will complete to improve our capability.

Project	Explanation/Deliverable
Website Redevelopment	Develop a new single web platform (common infrastructure for our websites) and launch our sites on it.
Community Funding Changes	Bed in the changes made to community funding in the previous FY (aligning funding with our strategic framework). $895k is set aside for funding in 2019/20.
Partnership Slate	Building and maintaining a slate of organisations with which we have partnerships and agreed projects - funding can be involved.
NetHui 2019	NetHui will be proceeding in 2019, with the approach to be checked against post-Christchurch requirements.
Project Support Resourcing	The project is based on supporting the organisation to develop Project methodologies that will allow efficiency in projects, clear reporting and measurement of success.
Office Refurbishment	This project is to ensure we have a environment that is fit for purpose for our new organisation and will allow us to work and grow effectively over the coming years.
Instrumentation implementation	Replacement for Cacti and monitoring dashboard augmentation for key IT systems.
Skills Transfer Programme	Show-and-tell presentations to introduce concepts and ideas to the staff about "Numerical Literacy and Descriptive Statistics", "Data Visualization good practices" and "Text Analysis".
Maori Internet Community engagement	Building on the Council's work last year, identifying and developing relationships with key organisations and individuals in the Māori Internet Community to inform shared objectives and understanding of our work in relation to Te Ao Māori.
Te Ao Maori	Building on Council's work last year, and the outcomes of the Engagement work in the previous goal, a new staged plan for

	changing and developing how InternetNZ works in relation to Te Ao Maori will be developed, with implementation beginning immediately.
Te Reo Maori	Analyse and select some content to be translated and presented on line in Te Reo.

People

As set out in the high level budget summary, we are proposing some personnel increases that will either see us more adequately resource existing work, or introduce expanded capability to do new things.

The main areas are:

Area	Info
Security	Create new security-focused roles to provide focused leadership on security practice in the group, and to be a more capable advocate for security issues in community discussion.
Technology Services	Create two new roles - a new sysadmin and a new tester - to respond to existing demand and ensure that new product development demands can be catered for.
Outreach and Engagement	Budgets already include resource for a membership-focused role, but that has not yet been filled. It will be in 2019/20. In addition, an additional 0.5 FTE in communications staffing is proposed.
Commercial	New capacity will be required in the commercial team to manage our portfolio of products and to sell them.
Research	Add a Data Engineer to help build solid data collections and workflows that will provide evidence to support the strategic goals.

Other changes within existing resources are assessed during the year as the organisation and our environment evolve. A current organisational chart is published from time to time.

Ongoing Business Projects

This section sets out elements of our ongoing work, sometimes called “business as usual” - we have selected those projects that are top of our BAU priorities and that may be of public or Council interest.

Project	Explanation/Deliverable
Broadband Map Ongoing Product Development	Development of current service offering to maintain relevance and grow revenue. Consists of site rebuild, process improvement, new layers, deepening and widen map data for a range of stakeholders.
Risk Review and Register Update	Fresh view of the risk profile of INZ Group based on the new organisation and the changing environment.
Audit Tender Process	Project Manage the RFP and selection process of new Auditors.
Public Policy Engagement	Ongoing engagement in public policy which relates to our new strategic framework.
Emerging Issues Scanning and Analysis	Ongoing scanning and analysis on emerging Internet issues which relate to our strategic framework.
International Coordination	Implementing processes and information sharing to maximise impact of international engagement.
Government Relations	Programme of meetings and events to engage parliamentarians and government officials.
Hadoop Cluster Review	The Hadoop cluster is over 5 years old and it's running on the last year of maintenance contract. We will review provision and replace it or develop an alternative solution.
Improvements to zone scan collection	Extend the existing zone scan to add new features.
Hardware Replacement	As part of our hardware refresh and replacement cycle a router (ic-gw (iconz-gw) and possibly 2 switches are due to be replaced this year. A number of monitoring servers (AMP) also need to be replaced.
Opendnssec upgrade	Upgrade the DNSSEC software to the latest version.
Backup Implementation	Replacement for current SRS tape backup systems.

2019/20 Plan: Execution and Management

Once adopted, this Plan will be made public-facing and published on the website, with a one-page summary also created.

In terms of execution, we anticipate that all of the projects in the Goals and Capability sections of this plan will be delivered, and that there will be capacity in our teams and in the budget to also deliver the Ongoing Business Projects, respond to changes and developments, and carry on the day to day work of the organisation.

The Senior Leadership Team will manage contention in people resources and assure that all our work remains focused on the Goals, on our critical services and infrastructure, and that we stay within the agreed budget limits set out in the 2019/20 Budget.

Recommendation:

1. THAT Council receive this 2019/20 Plan and authorises the Chief Executive to proceed to implementation.

2. THAT Council note the proposal to consult members and stakeholders further on the goal, measures and projects for Goal 4, with a view to receiving an updated final version for agreement at the May 2019 meeting.

Jordan Carter
Group Chief Executive

22 March 2019

InternetNZ

Council – March 2019

FOR DECISION

Budget Paper 2019/20

Author:	Jordan Carter, Group Chief Executive and Catherine Fenwick, Organisational Services Director.
Purpose of paper:	To set out the strategy, summary and detail of the proposed 2019/20 Budget and seek Council Approval.

Introduction

This paper sets out the strategy for the 2019/20 Budget, the background information regarding that budget, and proposes for Council's agreement a budget along with associated notes. It should be read alongside the 2019/20 Plan.

1. Budget Strategy 2019/20

This proposed 2019/20 Budget is based on the following key points:

- An assumption of 3% increase in.nz domain name registrations.
- Income from new products starting to come on stream during the financial year.
- Resources and Investment focused on Goal related projects as detailed in the Plan.
- Investing new resources in security and marketing, and being clearer about the resources devoted to product development.
- Careful balancing of operational resources in maintaining our core work as we focus on the new strategic goal projects.
- Building capability across the organisation to support the new goals-focused projects approach and to allow us to work more effectively.
- Maintaining cost controls and taking a prudent approach to assessing our operating model & reducing costs where possible.

In this business year we have a clear strategic framework and well defined goals for the next 12 to 18 months based on all the work completed in 2018/19. This means that we are well placed to launch into the new year with a backlog of work to achieve our purpose.

To agree all our goals the team has come together and worked through the priority and high level resourcing required and while there is still some work to be done in a planning sense, we believe we are in in a good position to move the organisation's work to a new direction.

In closing, we note that this Budget was finalised for Council consideration less than a week after the Christchurch mosques terrorist attack on the Muslim community of 15 March 2019. The implications of those attacks and the way the country will respond in the coming months suggest unknown changes to our operating environment, some of which may have cost implications. We will bring these to Council's attention as they emerge, starting with an update at the May 2019 meeting.

2. 2019/20 Budget: Summary (incl 2018/19 year-end forecast)

This section shows the overall Budget proposal and includes comparisons to current year financial forecast and the initial draft Budget discussed in February. The subsequent section shows detail to support key expense lines and changes year to year.

The Financial information laid out below gives some clarity to the Council on:

- The slow growth rate in .nz domain name registrations and the effect on revenue
- Where our baseline costs are trending
- The investment and return on non-.nz products as we build new revenue streams
- The investment in new and enhanced capability to support our changing environment
- Clarity on one off costs that arise in this financial year.

In particular we draw attention to the fact that compared with the February budget draft, the forecast level of domain name registrations at 31 March is lower than anticipated. This means that the baseline of domain name registration revenue is lower than anticipated as at April 1 and that revenue in 2019/20 is also affected negatively.

The plan for the coming year accounts for this by setting a goal of more rapid growth, and that is incorporated in the assumptions for the budget below, but even achieving that level of growth will lead to lower income due to the lower starting point in terms of register size. The impact is approximately $300k.

Overall, for 2018/19, the year-end forecast is for an operating surplus of $523k, which is $184k ahead of the budgeted surplus of $337k.

For 2019/20 and out-years, the following items are drawn to your attention.

The DNCL Management Fee is incorporated in the budget as an expense line. This amounts to just over $1.3m in 2019/20.

Depreciation is now split to align with the revenue generating products/function and is therefore split over three areas, this will allow us to report on product costs and profitability.

Depreciation/Amortisation on .nz developments

Depreciation/Amortisation on new products

Depreciation on. operational items

We have included in the Budget a line called “Targeted Cost Efficiencies” (at the bottom of the table over the page). This amount ($300k) represents realistic savings we believe can be made through evolution of our operating model in various parts of the organisation (tying back to the last bullet point in the Budget Strategy section above).

This budget overall shows a $130k improvement on the expected year-end deficit compared with the February draft.

The table is overleaf.

Summary Level of Surplus/Deficit							
	Forecast	**Budget**	**February Draft**	**Final Proposed**		**Year 2**	**Year 3**
Description	**2018/19**	**2018/19**	**2019/20**	**2019/20**		**2020/21**	**2021/22**
.nz registrations	$10,602,000	$10,768,000	$11,150,000	$10,820,000		$11,144,600	$11,478,938
other income (e.g. Sponsorship, recharge)	$300,000	$310,000	$320,000	$324,700		$331,194	$337,818
Total Revenue	**$10,902,000**	**$11,078,000**	**$11,470,000**	**$11,144,700**		**$11,475,794**	**$11,816,756**
DNCL Fee	$1,320,000	$1,320,000	$1,320,000	$1,340,000		$1,340,000	$1,340,000
.nz direct Cost of Sales	$619,876	$633,876	$655,000	$655,768		$655,768	$655,768
Depreciation/Amortisation (Change to Accounting)	$0	$0	$0	$167,056		$207,056	$237,056
Employment	$4,476,658	$4,486,323	$4,744,000	$4,507,987.44		$4,643,227	$4,777,524
Operational	$1,496,599	$1,788,105	$1,585,000	$1,736,222		$1,736,222	$1,736,222
Policy	$89,344	$198,000	$145,000	$65,000		$65,000	$65,000
Governance	$329,600	$292,106	$340,000	$326,036		$326,036	$326,036
International	$285,730	$239,000	$230,000	$385,767		$385,767	$385,767
Communication	$66,000	$81,000	$135,000	$205,000		$205,000	$205,000
Funding	$890,000	$895,000	$900,000	$895,000		$895,000	$895,000
Engagement	$165,061	$196,000	$275,000	$260,000		$260,000	$260,000
Membership	$35,184	$27,500	$30,000	$5,000		$5,000	$5,000
Depreciation	$672,898	$678,284	$738,000	$401,640		$426,640	$436,640
Investment activity	-$450,752	-$576,000	-$550,000	-$580,113		-$580,113	-$580,113
Baseline expenditure	**$9,996,198**	**$10,259,194**	**$10,547,000**	**$10,370,364**		**$10,570,603**	**$10,744,900**
Surplus/Deficit pre New Products/New Capacity/One Offs	**$905,802**	**$818,806**	**$923,000**	**$774,336**		**$905,191**	**$1,071,856**
Non .nz Revenue	-$41,736	-$35,000	-$325,000	-$275,000		-$750,000	-$1,275,000
Non .nz Direct Costs	$99,584	$102,416	$421,000	$337,963		$500,000	$600,000
Innovation Pipeline /Design Sprints			$75,000	$75,000		$50,000	$50,000

Summary Level of Surplus/Deficit						
	Forecast	Budget	February Draft	Final Proposed	Year 2	Year 3
Non .nz Depreciation				$52,738	$125,000	$145,000
New Capacity - Commercial			$155,000	$140,374	$130,000	$135,000
Addition Legal cost - new agreements etc			$30,000	$30,000	$15,000	$15,000
New Capacity Tech Services (Dev/Testing)			$110,000	$100,000	$100,000	$100,000
New product Marketing			$50,000	$50,000	$50,000	$50,000
Total Non .nz Products	**-$57,848**	**-$67,416**	**-$516,000**	**-$511,074**	**-$220,000**	**$180,000**
Surplus/(deficit) after Non .nz Products	**$847,954**	**$751,390**	**$407,000**	**$263,262**	**$685,191**	**$1,251,856**
Marketing	$37,263	$104,000	$200,000	$205,000	$200,000	$205,000
New Capacity - Cyber security	$60,000	$60,000	$450,000	$434,512	$400,000	$405,000
New Capacity Tech Services			$110,000	$106,630	$90,000	$95,000
New Capacity - Tech Research			$70,000	$70,000	$70,000	$70,000
New Capacity - O&E (Comms and Engagement)		$0	$107,000	$145,802	$140,000	$145,000
Total New Products/Capacity	**$97,263**	**$164,000**	**$937,000**	**$961,944**	**$900,000**	**$920,000**
Surplus/(deficit) after New Products/Capacity	**$750,691**	**$587,390**	**-$530,000**	**-$698,682**	**-$214,809**	**$331,856**
One offs - .nz Policy Review	$78,000	$100,000	$300,000	$301,800		
One offs - branding	$150,000	$150,000	$100,000	$100,000		
Total One-Off Expenditure	**$228,000**	**$250,000**	**$400,000**	**$401,800**	**$0**	**$0**
Surplus/(deficit) after New Products/Capacity/One - Off	**$522,691**	**$337,390**	**-$930,000**	**-$1,100,482**	**-$214,809**	**$331,856**
Targeted Cost Efficiencies				**$300,000**	**$300,000**	**$300,000**
Surplus/Deficit	**$522,691**	**$337,390**	**-$930,000**	**-$800,482**	**$85,191**	**$631,856**
Total Income	**$11,394,488**	**$11,689,000**	**$12,345,000**	**$11,999,813**	**$12,805,907**	**$13,671,868**
Total expenditure	**$10,871,797**	**$11,351,610**	**$13,275,000**	**$12,800,295**	**$12,720,716**	**$13,040,013**

3. 2019/20 Budget: Breakdown by Goal/Project

As detailed in the **2019/20 Plan** paper, our work for the next 12-18 months is focused on the 5 agreed Goals. These goals will be the priority for the organisation and as such will receive a large amount of the budget's investment.

Detailed below is some of the larger items that will support us to achieve the Goal Outcomes by Projects.

Please note the financial detail here does not include the cost of current staff or operational costs but is direct costs this financial year to support the agreed workplan.

Additional Budget Allocation to Goal 1	$ Opex	$ Capex
Marketing Spend on .nz	$205,000	
Web Presence Project - incl .nz website	$50,000	$250,000
Registry Front End replacement	$10,000	$82,000
Total Goal 1	**$265,000**	**$332,000**

Additional Budget Allocation to Goal 2	$ Opex	$ Capex
.nz Policy review	$301,000	
Security Investment - Capability and assessments	$434,512	
Total Goal 2	**$735,512**	**$0**

Additional Budget Allocation to Goal 3	$ Opex	$ Capex
Innovation Pipeline	$75,000	$30,000
New product 1 (Deficit in Yr 1)	$110,701	$190,000
New Product 2 (Deficit in Yr 1)	$5,000	$170,000
Marketing / Legal for New Products	$80,000	
Additional Technical Resources	$100,000	
New Product Manager	$140,374	
Total Goal 3	**$511,075**	**$390,000**

Additional Budget Allocation to Goal 4	$ Opex	$ Capex
All cost assumed with current capability		
Total Goal 4	$0	$0

Additional Budget Allocation to Goal 5	$ Opex	$ Capex
All cost assumed with current capability		
Total Goal 5	$0	$0

Additional Capacity / BAU (Incl Positions not included Above)	$ Opex	$ Capex
Office Refurbishment	$20,000	$350,000
Project Support resourcing	$100,000	
Hadoop Cluster replacement	$25,000	$200,000
Broadband Map redevelopment	$10,000	$150,000
Te Reo Maori Engagement and Translation	$100,000	
New Capability Tech Services	$106,630	
New Capability Data Scientist	$70,000	
New Capacity Outreach and Engagement	$145,802	
Total Capacity /BAU Projects	**$577,432**	**$700,000**

4. Capital Expenditure Budget

The proposed capex budget is set out below. This is showing cash and capitalised salaries, divided into three categories:

- Baseline – to support business as usual operations.
- New product development – expenses to develop new products.
- Capacity – generally, one off capitalised expenditure that allow us to change our operating model or are irregular.

The table is overleaf.

Work Item	$ cash	Capitalised Salaries
Hadoop Cluster Replacement	$200,000	
SRS Backup implementation	$60,000	$8,000
EPP replacement Project		$64,000
Hardware Replacement - .nz	$30,000	$4,000
New/Replacement Laptops/Monitors/Phone	$64,428	
Registrar Portal Update		$40,000
SRS Frontend replacement		$18,000
Bastian Hosts (secure access points / DMZ)	$10,000	$5,000
RDAP - Registration Daya Access Protocol		$25,000
Centralised Logging		$28,000
Other Project	$17,232	$33,000
Total by Category	**$381,660**	**$225,000**
Total Baseline Investment	**$606,660**	
New Product Development - Product 1	$194,000	
New Product Development - Product 2	$170,000	
BBMap Development	$105,000	$45,000
Total by Category	**$469,000**	**$45,000**
Total Non .nz product Development Investment	**$514,000**	
Website Presence project	$250,000	
Fitout	$350,000	
Total by Category	**$600,000**	**$0**
Total Capacity Investment	**$600,000**	
Total by Category	**$1,450,660**	**$270,000**
Total Capital Investment	**$1,720,660**	

Recommendations:

1. THAT Council **receive** this paper and **agree** the strategy and high level composition of expenditure for the 2019/20 Budget.

2. THAT Council **approves** for 2019/20 an operational expenditure limit of $12.8m and capital expenditure limit of $1.73m.

3. THAT Council **note** the Revenue target of $12m, incorporating new product revenue of $275k in 2019/20.

Jordan Carter
Group Chief Executive

Catherine Fenwick
Organisational Services Director