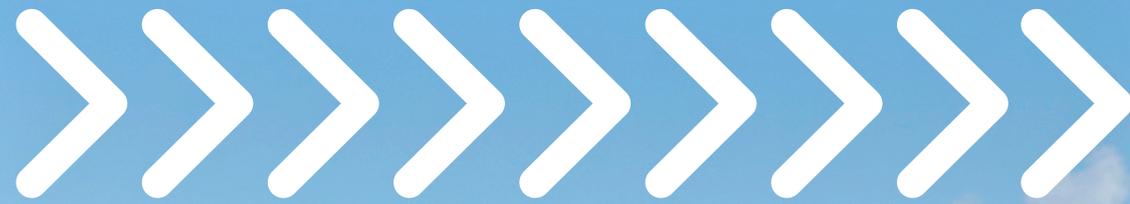


2015-2016 <<<<



Annual Report



# OVERVIEW



**InternetNZ's vision is for a better world through a better Internet. We promote the Internet's benefits. We protect its potential. And we focus on advancing an open and uncaptureable Internet for New Zealand.**

We provide a voice for the Internet in New Zealand and work on behalf of all Internet users across the country.

We are the designated manager for the .nz Internet domain. And through this role we represent New Zealand at a global level.

InternetNZ is a non-profit and open membership incorporated society, overseen by a council elected by members. We have two wholly owned subsidiaries that ensure that .nz is run effectively and fairly - the Domain Name Commission (DNC) develops and enforces policies for the .nz domain name space, and .nz Registry Services (NZRS) maintains and publishes the register of .nz names and operates the Domain Name System for .nz.

We provide community funding to promote research and the discovery of ways to improve the Internet. We inform people about the Internet and we ensure it is well understood by those making decisions that help shape it.

Every year we bring the Internet community together at events like NetHui to share wisdom and best practice on the state of the Internet.

Be a member of InternetNZ and be part of the Internet community. You can keep a close watch on the latest tech and telecommunications developments and network with other like-minded people at cool events. Being a member of InternetNZ only costs \$21 per year. Find out more at [internetnz.nz/join](http://internetnz.nz/join).

The 2015/16 year was a big success for us at InternetNZ. We recruited some great talent that has made it possible to do a lot more work in making a better world through a better Internet.

We held a highly successful NetHui for New Zealanders and hosted over 50 economies at APRICOT 2016. We held many other networking events that engaged the Internet community, members and our key stakeholders.

We awarded \$500,000 in community grants for people and businesses that are working hard to deliver greater or better use of the Internet. And

we gave nearly \$50,000 in sponsorship money to events that shared our vision and passion of advancing the Internet.

We pulled off some big wins in the Issues Programme. Particularly that of TPP negotiations of the IP chapter, securing a CERT for New Zealand and helping to shape Government policy of all things Internet related.

We want to run with this momentum, and as such, we have a comprehensive activity plan for 2016/17 that builds on this success and allows us to continue improving the Internet for all users.



# PRESIDENT'S REPORT

## Tempus fugit. Once again.

Twelve months ago, on the cusp of our 20 year anniversary, I outlined that the organisation was spending some time thinking about how it best positions itself for the next 20 years. After an exhaustive process, and with the help of our membership over the last year, I believe we've taken the first steps in the right direction. We've signed an MoU with a key stakeholder, our community engagement and support is continuing to grow, we've launched a broadband map for the country and we've had a significant influence on the way the Internet is governed globally.

Let's think about Rough Consensus and Running Code. This is an old phrase from the early days of the development of the Internet. To me, this means that it's better that things work quickly, and even imperfectly, as long as we're committed to constantly improving how things work and we're committed to the right result in the long run. I'm reminded of this phrase as I reflect on the year's efforts.

As I consider the year ahead, I would like to remind everyone who is involved with InternetNZ and the Internet for NZ of that phrase. As those involved who care about development and use of the Internet grow larger in number, we must

recognise that finding perfect consensus will become more difficult. But as long as we all constantly seek to improve what we develop using our *best efforts*, the Internet will evolve in the right way. We must seek improvement of the Internet and it deserves our *best efforts*. I certainly value the perspective of members and I hope the efforts of Council, myself and staff in the coming years will continue to support that.

We all still have a part to play in achieving that.

You will find our organisation once again, in a good place – both figuratively and literally.

From my perspective, the milestones for the year were engagement process and relatively recent Council resolutions on a sustainable set of business development policies for the group. That puts us on a path to explore new avenues and how we could further build our community grants programme.

Our Chief Executives also worked very well together to realise a memorandum of understanding with the Ministry of Business, Innovation and Employment. We are certain that it is the first public/private agreement to recognise both the standards of the Internet Engineering Taskforce and the work of Keith Davidson. This

# PRESIDENT'S REPORT

MoU finally recognises the way we've been working with both the public and private sector, and the public at large, for a number of years.

Our international engagement has been focused on the IANA transition, participation in the ccNSO and maintaining a world-class registry. Jordan completed his sterling efforts internationally – helping with a plan to transition US Government control of a key aspect of the Internet to a far broader global multi-stakeholder group which InternetNZ is part of. Debbie has stepped up to another part of that group – representing us at what is known as the ccNSO – or the 'country names' specific part of ICANN. She fills the formidable shoes of Keith Davidson. Our ccNSO work will continue well, I'm sure.

NZRS released an impressive improvement to our shared understanding of broadband in New Zealand with the Broadband Map. They've made it really easy to understand where the best place to live is. This is a great piece of work which I expect we will all build on.

Council's direction helped realise a good place for InternetNZ, NZRS and DNCL – which we expect will foster an even better shared culture amongst our team. If you haven't stopped by for one of our community events at our new office yet, please do.

It is in that environment that Jordan and his team have continually increased the energy and passion, about the part they play in the Internet for New Zealand, alongside their colleagues in NZRS and DNCL. Working better together is a focus for Jordan.

I am also particularly pleased with the recent development of dotNews – communicating the work of InternetNZ to members and also the wider public. We all have a stake in the Internet in New Zealand and the more people that know about what we do the better. InternetNZ is working to increase our reach, who we represent and how effectively we do that. This will be a key issue in the years to come.

I have been blessed with another year of having a fine set of councillors around me. Our decision making has been robust, considerate and measured. And I think we've all enjoyed it. I firmly believe that has happened because of the diverse set of perspectives we have around the table. I'd particularly like to recognise Brenda Wallace and her efforts with others in helping us get there.

I'd like to make mention of a few Council members that have chaired Council committees in particular. Firstly I'd like to recognise the work of Kelly Buehler – Kelly has thrown herself at opportunities to help the organisation, serving on a number of committees and working groups over the year. I'd also like to note the efforts of Amber Craig and Richard Wood. Your contributions are certainly valued by me. Richard has chaired our Grants Committee this year which continues to be a very demanding role. Looking forward, I'm hoping that Amber will be able to step up and chair our Audit and Risk Committee.

Finally, I'd like to make special mention of Neil James. This is the last time you'll see Neil on the Council of InternetNZ. After many many years of fighting the good fight for the Internet in New Zealand, Neil has decided it's time that he hang up his ones and zeros, and spend more time enjoying the sun in Central Otago. Neil the contribution you've made, the wisdom and care you brought, will be very much missed. Thank you for everything.

In closing, another good year. We're heading in the right direction, we're always looking for improvements and I couldn't have done it without the help of Joy Liddicoat as Vice President, Richard Currey as Chair of NZRS and David Farrar as Chair of DNCL – and of course your Council of InternetNZ.

Thank you.

**Jamie Baddeley**  
**President**



# CHIEF EXECUTIVE'S REPORT

**In this year's report I want to reflect on successes of the year, and on challenges ahead of us in 2016-17. By "us" I don't only mean the staff or Council or members at InternetNZ. I also mean the bigger group of people who are interested in the Internet and the future it is helping to shape.**

Let me start with celebrating some successes. Around 200 people took part in the 20th anniversary celebrations at functions in Auckland and Wellington late last year. It was a chance to reflect on how far we've come, and to recognise that there's still a role for our organisation – albeit a different one from that established in 1995. The wide array of people who attended shows the depth of InternetNZ's connections across the Internet community.

Another success I'd point to is a steadily growing and maturing staff and contractor team that is able to deliver more. In the period covered by this report, we created three new roles: Ben Creet and James Ting-Edwards joined the Internet Issues team and Nicole Skews-Poole joined the Community team. These people have added to the depth and capacity of our staff team, and I'm excited to see this team delivering even more in the coming year.

In another innovation, we've introduced three new Focus Areas to bring greater clarity to what we do in our work. Access, Use and Security are the three areas. Those are where we see the biggest

challenges to the Internet and where we can make a difference. For the first time it's easy for us – and hopefully for you – to be clear about InternetNZ's priorities.

Internationally, plans to transition the United States out of its special role, in relation to global domain name policy, were agreed in March and sent to the U.S. for their consideration. We played a key role in those plans being of high quality. There's an echo at home, where ongoing work to update Government recognition of InternetNZ's role was completed just before this report went to press, with a new MoU signed between InternetNZ and the Ministry of Business, Innovation and Employment. Also on the International circuit, we were proud to host a successful APRICOT event in Auckland in February (look it up!) which achieved great registrations and a modest financial surplus.

I won't repeat the extensive record of work done that the rest of the Annual Report covers. I will thank all those who took part and note some other team changes. Aside from the new arrivals noted above, I'd like to thank Keith Davidson for his extensive service to InternetNZ. He finished his role

## CHIEF EXECUTIVE'S REPORT



as our International Director on 31 March, after many years of work and distinguished achievements here and overseas. David Cormack left the role of Comms Lead and was replaced by Megan Baker; Marian Donaldson left the team and Clare Denny was on board for a few months to help improve our operations.

### To 2016-17 and beyond

The challenge of Internet infrastructure in New Zealand is moving down the list of priorities for us. Extensive public and private sector investments mean we are no longer laggards. The final major task is the regulatory framework post 2020, where getting the balance right will see sharp prices for broadband but ongoing investment in networks.

Learning to make the best of this infrastructure, in an era when ever-more devices and “things” are coming online, is our national challenge. The research we did with the Innovation Partnership last year showed a many-billion-dollar gain if the average firm made as good use of Internet services and opportunities as the best do. We can work with others to help share how the Internet can help.

With that increasing use and connection come concerns with privacy and security. The Internet is an inherently open infrastructure. It started out that way and in the early days didn't affect all that many people. Today it retains that core openness, but affects almost everyone. Combined with the advances in data analysis, and the personalisation of uses (remember the pre-smartphone era?), the challenges are to equip people with the tools to control their privacy and their data in a world where we retain the platform for innovation the open Internet represents.

Add in new approaches to NetHui, an expanded speaker series, more community funding, some nascent success in developing new products and services, and the areas remaining for me to mention are few, but important:

- We will be lifting our communications profile over the year, recruiting a new comms person to join Megan and I will be taking a more outward-focused approach to my role as Chief Executive.
- Our engagement with the Māori Internet community needs building, and a Council group is working with staff to plan an engagement and outreach approach.
- As we approach the 500 members mark, with a target of 1000 by the end of next year, the tools and approaches we used for engaging members when we were a small organisation don't always suit. Staff and Council are working together on ways to shift this, with incremental changes already made and more to come over the year.

I'd like to close by thanking the whole staff and contractor team, the Council and our members and supporters. InternetNZ plays a special role in bringing the Internet community together. The work we all do matters most because of how we do it: working together.

Sure, things come up from time to time that call on us all to compromise. But we manage it, and in doing so, we are all contributing to a better world through a better Internet – and that matters as much for New Zealand as it ever has.

Thank you! And here's to a wonderful 2016 and 2017.

**Jordan Carter**  
Chief Executive

# WORK HIGHLIGHTS

## APRICOT 2016

In February this year we had the pleasure of hosting APRICOT 2016 – the Asia-Pacific Internet conference.

APRICOT is the premier event in the Internet industry, and draws many of the world's best Internet engineers and operators from over 50 countries to teach, present network and listen to world-class conference speakers and academia.

It was held in Auckland over a two week period and we are very pleased with the successfulness of the event.

New Zealand is a long way to come for some people but we saw over 550 delegates, 53 different economies represented and 18,228 minutes of APRICOT viewed via the live stream.

It's been a long quest for InternetNZ to host this event for the New Zealand technical community. We first bid way back in 2005. Being able to host this year, eleven years later, was a real pleasure.

New Zealanders were able to attend this international Internet conference right in their backyard. Having 127 New Zealand based attendees – all able to share and learn best practice from people across the world – was a real highlight.

Thank you to everyone who came along to APRICOT and to all the wonderful sponsors who made the event possible.



# COMMUNITY PROGRAMME

**2015-16 saw a fruitful year of supporting and working with New Zealand's Internet community through funding and engagement events.**

## NetHui 2015

NetHui 2015 was held at Sky City Convention Centre in July and the theme was "The Internet is Everybody's business." Over 500 members of New Zealand's Internet community attended and the event was held alongside a Global Internet Society event called 'InterCommunity' - which brought together hubs around the world to discuss Internet issues.

Keynote Speaker Kathryn Brown, Chief Executive of the global Internet Society, talked about the launch of the organisation's 2015 Global Internet Report - which focused on the growth and impact of the mobile Internet.

There were breakout sessions on a broad range of Internet topics and issues ranging from rural broadband to culture online.

During NetHui, the 2020 Trust launched their Digital Inclusion Map. It is designed to map all digital inclusion projects throughout the country, in order to support local authorities with a better understanding of the digital inclusion world, as well as facilitating more collaboration in the sector.

For the first time, NetHui used captioning for livestream and had a Code of Conduct team, which helped support an inclusive and accessible event for the Internet community. Feedback sought from attendees showed that it was highly enjoyed and valued by participants.

## Speaker event: Sex and the Internet

InternetNZ took on a hot topic at a speaker event in November 2015: Sex and the Internet.

A panel of speakers included:

- Jessica Ducey - A sexuality educator and host of the Sex and the Internet NetHui barcamp
- Dr Andrew Jack - Chief Censor, Office of Film and Literature Classification
- Martin Cocker - Executive Director of NetSafe
- Joy Liddicoat - Assistant Commissioner of the Privacy Commission
- Brendan Malone from Focus on the Family.

The panel discussed sexual rights, community building, education, safety, privacy and censorship followed by questions from the audience.



It was a hugely popular event and one that had a great amount of feedback and social media activity.

On the back of this success, we are continuing to hold similar events and have organised a speaker series - of three events - for 2016. See our website for details.

## Partnerships

We have been working with our strategic partnership organisations who all do work aligned with our purpose and vision:

- Auckland University's Institute of Culture, Discourse and Communication
- Creative Commons Aotearoa
- Figure.NZ (previously Wiki New Zealand)
- Netsafe
- 2020 Communications Trust

We also support and collaborate with the New Zealand Internet Task Force and TUANZ in their activities which align with our objects and work.

# COMMUNITY PROGRAMME

## Community funding

For the period of the 2015-16 financial year, our budget for funding partners and grants was \$500,000. InternetNZ established regular funding rounds for Internet research, conference attendance and community projects.



Community funding continues to be one of the most important functions that InternetNZ performs and with the establishment of a regular set of rounds and timetables, it is expected that these will grow in popularity.

Community grants awarded this year included:

- **The National Collective of Independent Women's Refuges for 'RefugeOnline'** - an accessible online presence which encourages clients to seek help online as a first port of call
- **Kiwicon** for the provision of its ninth New Zealand Information Security (infosec) community conference, run in Wellington on 10-11 December 2015
- **Karaitiana Taiuru** for detailed analysis of the 18 Maori ICT groups detailing their structure, who they are, their purpose and history
- **Dr Aniket Mahanti** for a study of the content sharing dynamics in the piracy ecosystem using Internet measurements and to gauge the online media consumption characteristics of New Zealanders through a survey
- **Lorraine Williamson** to attend the ISTE Conference 2016 (26-29 June 2016, Denver, USA)
- **Bronwyn Holloway-Smith** to attend SubOptic 2016 (18-21 April 2016, Dubai, United Arab Emirates).

## Sponsorship

In 2015-16 InternetNZ was proud to sponsor the following community awards and events:

- World Summit Awards
- New Zealand Discourse Conference
- MOA Awards Taranaki
- MobileTech 2016
- Distance Education Association of New Zealand Conference 2016
- Kiwi Foo Camp 2016
- World Summit Awards
- iSANZ Awards
- National Digital Forum
- The Victoria University Foundation InternetNZ Prize
- Australian and New Zealand Communication Association Conference 2015
- Identity Conference 2015
- The Prize for academic achievement in COML 307 (Law of E-commerce)
- Rural Connectivity Symposium.

## NZ Internet Research Forum 2016

The second NZ Internet Research Forum (NZIRF) was held in Auckland in February 2016, following the inaugural event in early 2015.



The event was a productive and engaging two days of Internet research, supported by a programme committee of academics and researchers from around New Zealand. Participants included people from government, NZIRF and academia.

A plan for online information sharing and potential interest for local, smaller meet-ups is to be explored and another forum is planned in late 2017.

## ISSUES PROGRAMME

Our work in the Internet Issues Programme in 2015-16 was split between our internal focus, in building a fantastic team of action-oriented leaders, and external in delivering an ever higher quality of insight, analysis and commentary. All were aligned toward our strategic goal of being an authority on Internet issues in New Zealand.

In May, we were pleased to introduce Senior Advisor Ben Creet to the team. Ben had previously worked at a wide range of government departments on policy matters; most recently at the Department of Internal Affairs, supporting the Government Chief Information Officer. He is also a

passionate member of the NZ Internet Task Force.

We also hired James Ting-Edwards as our Issues Advisor. James has a legal background, previously working in Intellectual Property practice. James is a keen philosopher who has been academically active in exploring the practice of effective altruism.

Both Ben and James have been excellent additions to our team.

A few selected highlights of our work in the last year are featured below.

### Computer Emergency Response Team (CERT)

At InternetNZ, we've been advocating for a CERT since 2005. Our focus in 2015-16 was to try and make something happen. We put a lot of effort behind the New Zealand Internet Task Force's work in terms of establishing such a function for New Zealand and we played a leading role in bringing the parties together to do so.



Subsequent to this push, the Government announced that they are providing \$20 million over four years to fund the building of a Computer Emergency Response Team (CERT) function for New Zealand – CERTNZ – as part of the Government's Cyber Security Strategy.

From what we can tell so far, CERTNZ will measure up quite well against our criteria, as researched in our previous work in 2014. It will deal with and triage a wide range of cyber incidents and the Government is clearly seeking out multi-stakeholder views from across New Zealand through the new Advisory Board.

We'll be keeping an eye on things from here. We have a positive and productive relationship with the National Cyber Policy Office and the Ministry of Business, Innovation and Employment who are responsible for shepherding the CERT into being. We are also working regularly with them to help make the CERT serve the interests of the wider Internet community.

### Trans-Pacific Partnership (TPP)

The TPP was the source of a lot of concern and attention during 2015-16. InternetNZ has long worked alongside a number of other technology organisations, collaborating with the negotiators of this text to try and ensure that New Zealand's interests, with regard to the Internet and technology, are protected and enhanced.

Our focus in 2015-16 was to respond to the final text. To analyse and interpret it, to understand what it means for the New Zealand Internet community and to determine what we need to do next to protect the uses of the Internet in New Zealand.

We were delighted that James was invited to co-author a chapter on the Intellectual Property and Information Technology sections of the Expert Paper series commissioned by the New Zealand Law Foundation and the New Zealand Public Service Association. This provides the community with detailed, expert analysis of this agreement and its implications for New Zealand law.

We also maintained regular contact with the Government officials now responsible for implementing this agreement and have provided further submissions on how we think these provisions should be translated into law during 2016.

# ISSUES PROGRAMME

## Telecommunications Act, pricing and convergence

We had a big year working on a number of inter-related issues around pricing and access to the Internet in New Zealand. These had a legislative or regulatory focus and were most important in order to balance the interests between investors, competition and the user.



We continued our campaign of advocating for **fair pricing for copper** based access services to the Commerce Commission. Unfortunately, this didn't end as we would have liked, with the Commerce Commission authorising a price increase for these copper based technologies in December 2015. That said, our work has laid the foundation for more discussions about the right settings for the Telecommunications Act itself, and how we appropriately reward investors for building infrastructure without exposing the users to ever higher costs.

We provided our thoughts on the first stages of the **Telecommunications Act review**. We argue that above all else, the competition settings based in New Zealand telecommunications has led to lower prices, better services and increased choice for New Zealanders – and that this is a relatively fine legacy for legislation. Whatever we do next, we must seek to enhance the long-term benefits to the end-user. This is the number one way we will deliver better, more affordable broadband to New Zealanders. We expect this particular debate will continue well into 2016.

We also provided our input into a number of other consultations related to the Government's **Convergence Review**. This work seeks to align the Government's thinking in a number of areas related to the Internet in New Zealand. It resulted in us putting our thoughts together in a submission on how to best charge Goods and Services Taxes online, the regulation of content standards and the overall integration of Internet thinking in New Zealand law.

## Innovation Partnership

The Innovation Partnership is a group of organisations with a vision for New Zealand where...our children are educated to succeed in a digital world, our economy is driven by digital innovations and our government is digitally capable and accessible.



InternetNZ is proud to work alongside these organisations as we explore some of the great opportunities for New Zealand in using the Internet.

In 2015-16 the Partnership released its latest report - *Data Driven Innovation in New Zealand*. The Internet is an enabler of sharing massively more information that we can use to make decisions – but how we use that data effectively is a new challenge for us in New Zealand. This report found that:

*Data driven innovation benefits business, consumers, government and taxpayers. But New Zealand is just getting started. We estimate that data driven innovation could easily deliver \$4.5 billion in benefits within five years with higher uptake from business and government.*

*Whether we seize this opportunity and harness the potential of the data revolution is up to us. The government can also offer encouragement with smart regulation, support for open data initiatives and by demonstrating practical benefits of data driven innovation. This report sets out the challenges ahead and points the way forward to a data driven future that fuels growth and creates value for all New Zealanders.*

InternetNZ believes strongly in the work the Innovations Partnership is doing and we will continue to be a working member of the Partnership into the future. We have recently become one of the Trustees of the new Innovation Partnership Trust.

## SUBMISSIONS AND PUBLICATIONS

Over the year, we have released the following submissions and publications. All of these are available on our website.

- Intelligence and Security in a Free Society – an InternetNZ briefing
- Implementing the TPP IP Chapter – a submission on the MBIE consultation
- TPPA Select Committee Examination – a submission to the Foreign Affairs, Defence and Trade Committee
- National Cyber Security Strategy 2015 – an InternetNZ briefing
- Scoping an Internet Law Observatory for NZ – an InternetNZ briefing
- Regulating Communications for the Future – a submission on the review of the Telecommunications Act
- Content Regulation in a Converged World – a submission
- Exploring Digital Convergence – a submission
- GST: Cross-border Services, Intangibles and Goods – a submission
- IANA Stewardship Transition – comments in response to the Proposal to Transition the Stewardship of the IANA Functions
- ICANN Accountability – second draft proposal
- Independent Review of Intelligence and Security – a submission
- Further Draft Pricing Determination for Chorus' Unbundled Copper Local Loop and Unbundled Bitstream Access Services – a submission
- Land Access for Telecommunications – a submission
- UFB, RBI and Mobile Blackspot Registrations of Interest – a submission
- Network Neutrality – an InternetNZ discussion document
- ICANN Accountability – first draft proposal
- Submission to the Commerce Select Committee on three Petitions.



# THE UPCOMING YEAR

## New focus areas and key projects

We spent the start of the 2016-17 financial year finalising our activity plan and key priorities for the year ahead. This includes the ongoing work we're doing in the community, grants rounds and policy work within our issues and international programmes. The point of difference this year is the addition of three new focus areas - Access, Use and Identity. Each of these focus areas has two key projects that have been designed so we can make the most impact in these areas.

### ACCESS TO THE INTERNET

Mapping and solving digital divides  
Internet infrastructure - the Telco Act review

### USE OF THE INTERNET FOR EVERYONE'S BENEFIT

Protecting creative potential - the Copyright Act review  
Sharing stories about innovative Internet use

### IDENTITY, PRIVACY AND SECURITY IN THE INTERNET AGE

Controlling your data online  
Improving the security of data online

## In the coming year, our focus will also be on the following areas of work:



Expanded community funding for grants and partnerships **(up by 20% to \$600k)**.



New approach to NetHui - **three regional events** in 2016 and a classic national event in 2017.



Leading the creation of an **Oceania School of Internet Governance** for the region.



Ongoing baseline work in our Issues, Community and International Programmes. **Doing the basics right** in order to better New Zealand's Internet.



**Boosting our communications** and operations capacity, while keeping costs down, to improve our community outreach to all stakeholders, members and the general public.

You can find more detail about our activity plan on our website at [www.internetnz.nz](http://www.internetnz.nz)

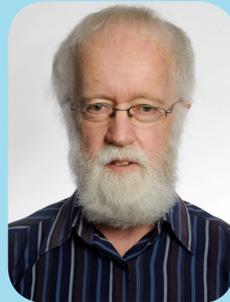
# INTERNETNZ COUNCILLORS



**Jamie Baddeley**  
President



**Joy Liddicoat**  
Vice President



**Neil James**  
Term Ends AGM 2016



**Richard Wood**  
Term Ends AGM 2016



**Amber Craig**  
Term Ends AGM 2016



**Kelly Buehler**  
Term Ends AGM 2016



**Sarah Lee**  
Term Ends AGM 2017



**Dave Moskovitz**  
Term Ends AGM 2017



**Rochelle Furneaux**  
Term Ends AGM 2017



**Hayden Glass**  
Term Ends AGM 2017



**Brenda Wallace**  
Term Ends AGM 2018



**Richard Hulse**  
Term Ends AGM 2018

# FINANCIAL REPORTS

## INDEPENDENT AUDITOR'S REPORT

To the Members of Internet New Zealand Incorporated

**Report on the Financial Statements**

We have audited the financial statements of Internet New Zealand Limited on pages 1 to 19, which comprise the statement of financial position as at 31 March 2016, the statement of comprehensive revenue and expenses, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Councillors' Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

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

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

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

*Opinion*

In our opinion, the financial statements on pages 1 to 19 present fairly, in all material respects, the financial position of Internet New Zealand Incorporated as at 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards with Reduced Disclosure Regime.

Crowe Horwath New Zealand Audit Partnership  
CHARTERED ACCOUNTANTS  
23 June 2016

# **Internet New Zealand Incorporated**

Consolidated Financial Statements

For the year ended 31 March 2016

# Internet New Zealand Incorporated

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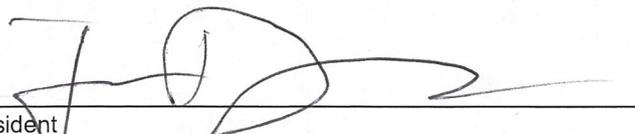
# Internet New Zealand Incorporated

## Statement of Comprehensive Revenue and Expense For the year ended 31 March 2016



	Notes	Group		Parent	
		2016 \$	2015 \$	2016 \$	2015 \$
<b>OPERATING ACTIVITIES</b>					
<b>Exchange revenue</b>					
Registry fees		9,809,894	8,711,828	-	-
Other income		751,412	113,195	1,040,118	310,115
<b>Total exchange revenue</b>		<b>10,561,306</b>	<b>8,825,023</b>	<b>1,040,118</b>	<b>310,115</b>
Non-exchange Revenue		-	-	-	-
<b>Total operating revenue</b>		<b>10,561,306</b>	<b>8,825,023</b>	<b>1,040,118</b>	<b>310,115</b>
<b>Operating expenses</b>					
Registry services		3,576,777	3,504,609	-	-
Domain Name Commission		1,630,753	1,805,155	-	-
Community engagement		347,946	353,058	347,946	353,058
Community funding		766,439	639,533	766,439	639,533
Governance and members		368,622	438,082	358,846	421,467
International engagements		172,158	396,622	172,158	396,622
International events		650,764	51,265	650,764	51,265
Internet issues		673,097	607,696	673,097	607,696
Other overhead and administrative expenses		2,575,027	2,312,541	1,831,166	1,422,009
<b>Total operating expenses</b>	<b>7</b>	<b>10,761,583</b>	<b>10,108,561</b>	<b>4,800,415</b>	<b>3,891,650</b>
<b>Surplus/(deficit) from operating activities</b>		<b>(200,277)</b>	<b>(1,283,538)</b>	<b>(3,760,297)</b>	<b>(3,581,535)</b>
<b>INVESTING ACTIVITIES</b>					
Dividend income		-	-	4,170,058	2,755,776
Interest income on term deposits		432,921	448,853	43,494	97,491
Fair value gains/(losses) on managed funds		78,149	314,772	78,149	314,772
<b>Surplus/(deficit) from investing activities</b>	<b>12</b>	<b>511,070</b>	<b>763,625</b>	<b>4,291,700</b>	<b>3,168,039</b>
<b>SURPLUS/ (DEFICIT) FOR THE YEAR</b>		<b>310,793</b>	<b>(519,913)</b>	<b>531,403</b>	<b>(413,496)</b>
Other comprehensive revenue and expense		-	-	-	-
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR</b>		<b>310,793</b>	<b>(519,913)</b>	<b>531,403</b>	<b>(413,496)</b>

These financial statements have been authorised for issue by the Council on 23 June 2016.

  
 President

23/6/16.  
 Date

  
 Vice President

23/6/16  
 Date

# Internet New Zealand Incorporated

## Statement of Financial Position As at 31 March 2016



	Notes	Group		Parent	
		2016	2015	2016	2015
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current</b>					
Cash and cash equivalents	8	5,388,851	2,806,118	1,320,204	176,978
Trade debtors and other receivables	9	1,433,746	1,625,288	277,899	90,969
Prepayments		145,214	187,758	33,573	73,373
Investments	12	10,372,153	11,750,633	3,740,501	4,401,017
<b>Total current assets</b>		<b>17,339,963</b>	<b>16,369,797</b>	<b>5,372,177</b>	<b>4,742,337</b>
<b>Non-current</b>					
Property, plant and equipment	10	529,795	740,984	177,690	250,745
Intangible assets	11	515,322	787,716	93,538	140,912
Investment in subsidiary	6	-	-	610,000	610,000
<b>Total non-current assets</b>		<b>1,045,116</b>	<b>1,528,700</b>	<b>881,227</b>	<b>1,001,657</b>
<b>TOTAL ASSETS</b>		<b>18,385,079</b>	<b>17,898,497</b>	<b>6,253,404</b>	<b>5,743,994</b>
<b>LIABILITIES</b>					
<b>Current</b>					
Trade creditors and other payables	14	918,656	1,034,099	457,357	511,285
Employee entitlements	16	245,929	225,136	102,713	70,778
Deferred revenue - current	15	5,356,094	5,533,052	-	-
<b>Total current-liabilities</b>		<b>6,520,680</b>	<b>6,792,287</b>	<b>560,070</b>	<b>582,063</b>
<b>Non-current</b>					
Deferred revenue - non current	15	2,661,418	2,214,023	-	-
<b>Total non-current liabilities</b>		<b>2,661,418</b>	<b>2,214,023</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>9,182,099</b>	<b>9,006,310</b>	<b>560,070</b>	<b>582,063</b>
<b>NET ASSETS</b>		<b>9,202,980</b>	<b>8,892,187</b>	<b>5,693,334</b>	<b>5,161,931</b>
<b>EQUITY</b>					
Accumulated funds		9,202,980	8,892,187	5,693,334	5,161,931
<b>TOTAL EQUITY</b>		<b>9,202,980</b>	<b>8,892,187</b>	<b>5,693,334</b>	<b>5,161,931</b>

# Internet New Zealand Incorporated

## Statement of Changes in Net Assets For the year ended 31 March 2016



	Group		Parent	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>ACCUMULATED FUNDS</b>				
Opening balance	8,892,187	9,412,100	5,161,931	5,575,427
Surplus/(deficit) for the year	310,793	(519,913)	531,403	(413,496)
Other comprehensive revenue and expense	-	-	-	-
Total comprehensive revenue and expense	310,793	(519,913)	531,403	(413,496)
<b>CLOSING BALANCE ACCUMULATED FUNDS</b>	<b>9,202,980</b>	<b>8,892,187</b>	<b>5,693,334</b>	<b>5,161,931</b>
<b>TOTAL EQUITY</b>	<b>9,202,980</b>	<b>8,892,187</b>	<b>5,693,334</b>	<b>5,161,931</b>

# Internet New Zealand Incorporated

## Statement of Cash Flows

For the year ended 31 March 2016



	Notes	Group		Parent	
		2016 \$	2015 \$	2016 \$	2015 \$
Cash flows from operating activities					
<i>Cash was provided from/(applied to):</i>					
Receipts from customers		11,048,684	10,028,764	893,120	615,753
Dividends received		-	-	4,170,058	2,755,776
Interest received		416,511	462,606	51,034	113,180
Payments to suppliers and employees		(9,689,305)	(9,190,876)	(4,487,470)	(3,704,199)
GST		1,280	142,973	30,677	(3,293)
<b>Net cash from/(used in) operating activities</b>		<b>1,777,170</b>	<b>1,443,467</b>	<b>657,419</b>	<b>(222,783)</b>
Cash flows from investing activities					
<i>Cash was provided from/(applied to):</i>					
Net proceeds from sale of investments		1,378,479	562,396	660,516	109,889
Purchase of investments		-	-	-	-
Purchase of property, plant and equipment		(315,490)	(330,437)	(144,776)	(39,046)
Purchase of intangible assets		(257,426)	(641,860)	(29,933)	(102,737)
<b>Net cash from/(used in) investing activities</b>		<b>805,563</b>	<b>(409,901)</b>	<b>485,807</b>	<b>(31,894)</b>
Net increase/(decrease) in cash and cash equivalents		2,582,733	1,033,565	1,143,226	(254,678)
Cash and cash equivalents, beginning of the year		2,806,118	1,772,553	176,978	431,656
<b>Cash and cash equivalents at end of the year</b>	<b>8</b>	<b>5,388,851</b>	<b>2,806,118</b>	<b>1,320,204</b>	<b>176,978</b>



## 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 2016.

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 it 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) First-time adoption of PBE Financial Reporting Standards

This is the first set of financial statements of the Parent and Group presented in accordance with PBE Financial Reporting Standards. The Parent and Group has previously reported in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) applying differential reporting exemptions.

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

The net asset position and net surplus or deficit reported in the comparatives is consistent with previously authorised financial statements.

The impact of first-time adoption was limited to changes in presentation of the financial statements and amendments to note disclosures.

#### (e) Changes in accounting policies

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



## Notes to the financial statements

### 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.



## Notes to the financial statements

### (e) Property, plant and equipment (continued)

#### Depreciation

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

Furniture and Fittings	10.0 - 48.0%	DV
Office equipment	10.0 - 48.0%	DV
Computer hardware	18.0 - 50.0%	DV

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

### (f) Intangible assets

Intangible assets acquired separately are initially recognised at cost.

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

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

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

Trademarks	7 years	Straight Line
Software	50.00%	Diminishing Value

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

#### Disposals

Gains or losses on de-recognition 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.



## Notes to the financial statements

### (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 substantial all 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 least at each reporting date.



## Notes to the financial statements

### (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.



## Notes to the financial statements

### (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 the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognised as income or expenses in the period in which they arise.

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

### (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 Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

## 4 Significant accounting judgements, estimates and assumptions

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

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

## 5 Capital Management Policy

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

## 6 Subsidiaries

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

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

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

# Internet New Zealand Incorporated

## Notes to the financial statements



### 7 Operating expenses

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

	Group		Parent	
	2016	2015	2016	2015
	\$	\$	\$	\$
Amortisation of intangibles	529,058	461,204	-	27,281
Audit fees	14,306	25,615	4,530	9,000
Bad and doubtful debts	-	-	-	-
Depreciation of property, plant and equipment	299,496	452,023	32,433	53,700
Donations	-	-	-	-
Loss on disposal of property, plant and equipment	200,325	-	186,159	-
Operating lease payments	370,989	308,696	346,703	250,410
Wages, salaries and other employee costs	4,256,626	3,753,075	1,411,837	1,041,364
Other overheads and administration costs	5,090,783	5,107,948	2,818,753	2,509,896
<b>Total operating expenses</b>	<b>10,761,583</b>	<b>10,108,561</b>	<b>4,800,415</b>	<b>3,891,650</b>

### 8 Cash and cash equivalents

	Group		Parent	
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash at bank and in hand	3,537,360	2,806,118	1,320,204	176,978
Term deposits with maturities of three months or less	1,851,491	-	-	-
<b>Cash and cash equivalents at end of the year</b>	<b>5,388,851</b>	<b>2,806,118</b>	<b>1,320,204</b>	<b>176,978</b>

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		Parent	
	2016	2015	2016	2015
	\$	\$	\$	\$
Trade receivables	1,311,949	1,450,701	235,167	10,020
Accrued interest	121,797	105,385	4,207	11,747
GST receivable	-	69,202	38,525	69,202
Impairment allowance	-	-	-	-
<b>Total trade debtors and other receivables</b>	<b>1,433,746</b>	<b>1,625,288</b>	<b>277,899</b>	<b>90,969</b>

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 2015 and 2016, all overdue receivables have been assessed for impairment and appropriate allowances made. All receivables are subject to credit risk exposure.

#### Impairment allowance

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

	Group		Parent	
	2016	2015	2016	2015
	\$	\$	\$	\$
Opening balance	-	-	-	-
Amounts written off	-	-	-	-
Impairment losses recognised in the year	-	-	-	-
Impairment losses reversed in the year	-	-	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



Notes to the financial statements

**10 Property, plant and equipment**

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

<b>Group 2016</b>	<b>Leasehold Improvements</b>	<b>Furniture and fittings</b>	<b>Computer hardware</b>	<b>Office equipment</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>					
Opening balance	76,218	434,178	2,228,133	424,453	3,162,982
Additions	623	102,618	154,961	57,288	315,490
Disposals	-	(350,914)	(203,833)	(85,736)	(640,483)
Closing balance	76,841	185,882	2,179,262	396,005	2,837,990
<b>Accumulated depreciation and impairment</b>					
Opening balance	6,574	211,941	1,948,115	255,368	2,421,998
Current year depreciation	7,260	14,125	190,262	87,849	299,496
Impairment charge for the year	-	-	-	-	-
Depreciation written back on disposal	-	(174,205)	(175,304)	(63,790)	(413,298)
Closing balance	13,834	51,861	1,963,073	279,427	2,308,195
<b>Carrying amount 31 March 2016</b>	<b>63,007</b>	<b>134,021</b>	<b>216,189</b>	<b>116,578</b>	<b>529,795</b>

<b>Group 2015</b>	<b>Leasehold Improvements</b>	<b>Furniture and fittings</b>	<b>Computer hardware</b>	<b>Office equipment</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>					
Opening balance	-	419,945	2,052,400	358,471	2,830,816
Additions	76,218	14,233	175,733	65,982	332,166
Disposals	-	-	-	-	-
Closing balance	76,218	434,178	2,228,133	424,453	3,162,982
<b>Accumulated depreciation and impairment</b>					
Opening balance	-	178,893	1,629,927	161,155	1,969,975
Current year depreciation	6,574	33,048	318,188	94,213	452,023
Impairment charge for the year	-	-	-	-	-
Depreciation written back on disposal	-	-	-	-	-
Closing balance	6,574	211,941	1,948,115	255,368	2,421,998
<b>Carrying amount 31 March 2015</b>	<b>69,644</b>	<b>222,237</b>	<b>280,018</b>	<b>169,085</b>	<b>740,984</b>

# 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 2016	Leasehold Improvements \$	Furniture and fittings \$	Computer hardware \$	Office equipment \$	Total \$
<b>Gross carrying amount</b>					
Opening balance	-	434,178	246,904	39,344	720,426
Additions	-	102,618	18,553	23,605	144,776
Disposals	-	(350,914)	(176,551)	(12,929)	(540,394)
Closing balance	-	185,882	88,906	50,020	324,808
<b>Accumulated depreciation and impairment</b>					
Opening balance	-	211,941	232,265	25,474	469,680
Current year depreciation	-	14,125	9,575	8,733	32,433
Impairment charge for the year	-	-	-	-	-
Depreciation written back on disposal	-	(174,205)	(170,757)	(10,035)	(354,996)
Closing balance	-	51,861	71,084	24,172	147,117
<b>Carrying amount 31 March 2016</b>	-	134,021	17,822	25,847	177,690

Parent 2015	Leasehold Improvements \$	Furniture and fittings \$	Computer hardware \$	Office equipment \$	Total \$
<b>Gross carrying amount</b>					
Opening balance	-	419,945	236,003	25,422	681,370
Additions	-	14,233	10,901	13,922	39,056
Disposals	-	-	-	-	-
Closing balance	-	434,178	246,904	39,344	720,426
<b>Accumulated depreciation and impairment</b>					
Opening balance	-	178,893	219,439	17,648	415,980
Current year depreciation	-	33,048	12,826	7,826	53,700
Impairment charge for the year	-	-	-	-	-
Depreciation written back on disposal	-	-	-	-	-
Closing balance	-	211,941	232,265	25,474	469,680
<b>Carrying amount 31 March 2015</b>	-	222,237	14,639	13,869	250,745

### Capital commitments

As at 31 March 2016 the Parent and Group have no contractual commitments to acquire property, plant and equipment.

# Internet New Zealand Incorporated

## Notes to the financial statements



### 11 Intangible assets

Movements for each class of intangible assets are as follows:

Group 2016	Software \$	Trademarks \$	Total \$
<b>Gross carrying amount</b>			
Opening balance	3,302,955	10,698	3,313,653
Additions	257,426	-	257,426
Disposals	(62,904)	-	(62,904)
Closing balance	3,497,477	10,698	3,508,175
<b>Accumulated amortisation and impairment</b>			
Opening balance	2,515,239	10,698	2,525,937
Current year amortisation	529,058	-	529,058
Amortisation written back on disposal	(62,141)	-	(62,141)
Closing balance	2,982,156	10,698	2,992,854
<b>Carrying amount 31 March 2016</b>	<b>515,322</b>	<b>-</b>	<b>515,322</b>

Group 2015	Software \$	Trademarks \$	Total \$
<b>Gross carrying amount</b>			
Opening balance	2,688,095	10,698	2,698,793
Additions	614,860	-	614,860
Disposals	-	-	-
Closing balance	3,302,955	10,698	3,313,653
<b>Accumulated amortisation and impairment</b>			
Opening balance	2,054,035	10,698	2,064,733
Current year amortisation	461,204	-	461,204
Closing balance	2,515,239	10,698	2,525,937
<b>Carrying amount 31 March 2015</b>	<b>787,716</b>	<b>-</b>	<b>787,716</b>

# Internet New Zealand Incorporated

## Notes to the financial statements



### Intangible assets (continued)

Movements for each class of intangible assets are as follows:

Parent 2016	Software \$	Total \$
<b>Gross carrying amount</b>		
Opening balance	236,553	236,553
Additions	29,933	29,933
Disposals	(62,904)	(62,904)
Closing balance	203,583	203,583
<b>Accumulated amortisation and impairment</b>		
Opening balance	95,641	95,641
Current year amortisation	76,546	76,546
Amortisation written back on disposal	(62,141)	(62,141)
Closing balance	110,045	110,045
<b>Carrying amount 31 March 2016</b>	<b>93,538</b>	<b>93,538</b>

Parent 2015	Software \$	Total \$
<b>Gross carrying amount</b>		
Opening balance	133,816	133,816
Additions	102,737	102,737
Disposals	-	-
Closing balance	236,553	236,553
<b>Accumulated amortisation and impairment</b>		
Opening balance	68,361	68,361
Current year amortisation	27,281	27,281
Amortisation written back on disposal	-	-
Closing balance	95,641	95,641
<b>Carrying amount 31 March 2015</b>	<b>140,912</b>	<b>140,912</b>

# Internet New Zealand Incorporated

## Notes to the financial statements



### 12 Investments

	Group		Parent	
	2016	2015	2016	2015
	\$	\$	\$	\$
<i>Loans and receivables</i>				
Term deposits	7,922,634	9,369,710	1,290,982	2,020,094
<i>Financial assets at fair value through surplus or deficit</i>				
Managed Funds	2,449,519	2,380,923	2,449,519	2,380,923
<b>Total Financial Assets</b>	<b>10,372,153</b>	<b>11,750,633</b>	<b>3,740,501</b>	<b>4,401,017</b>

There is no impairment provision for investments.

#### Managed funds

InternetNZ holds managed funds with Milford Asset Management and Gareth Morgan Investments. 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		Parent	
	2016	2015	2016	2015
	\$	\$	\$	\$
Total unspent funds held:				
Cash and cash equivalents	5,388,851	2,806,118	1,320,204	176,978
Investments	10,372,153	11,750,633	3,740,501	4,401,017
<b>Total unspent funds held</b>	<b>15,761,004</b>	<b>14,556,751</b>	<b>5,060,705</b>	<b>4,577,995</b>
The total unspent funds are held by:				
Internet New Zealand Incorporated	5,060,705	4,577,995	5,060,705	4,577,995
Domain Name Commission Limited	1,059,210	1,019,703	-	-
NZRS Limited	9,641,089	8,959,053	-	-
<b>Total unspent funds held</b>	<b>15,761,004</b>	<b>14,556,751</b>	<b>5,060,705</b>	<b>4,577,995</b>
Represented by:				
Funds held but not yet spent	7,743,491	6,809,676	5,060,705	4,577,995
Deferred revenue in NZRS Limited	8,017,513	7,747,075	-	-
<b>Total unspent funds held</b>	<b>15,761,004</b>	<b>14,556,751</b>	<b>5,060,705</b>	<b>4,577,995</b>

### 14 Trade creditors and other payables

	Group		Parent	
	2016	2015	2016	2015
	\$	\$	\$	\$
Trade creditors	569,874	887,855	178,568	274,793
GST payable	69,993	137,914	-	-
Lease incentives	-	8,330	-	8,330
Other accruals	278,789	-	278,789	228,161
<b>Total trade creditors and other payables</b>	<b>918,656</b>	<b>1,034,099</b>	<b>457,357</b>	<b>511,285</b>

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

# Internet New Zealand Incorporated



## Notes to the financial statements

### 15 Deferred revenue

	Group		Parent	
	2016	2015	2016	2015
	\$	\$	\$	\$
Current	5,356,094	5,533,052	-	-
Non-current	2,661,418	2,214,023	-	-
<b>Total deferred revenue</b>	<b>8,017,513</b>	<b>7,747,075</b>	<b>-</b>	<b>-</b>

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

### 16 Employee entitlements

	Group		Parent	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Current</b>				
Annual leave entitlements	234,275	221,842	94,425	69,100
<b>Total</b>	<b>234,275</b>	<b>221,842</b>	<b>94,425</b>	<b>69,100</b>
<b>Non-current</b>				
Liability for long-service leave	11,654	3,294	8,288	1,678
<b>Total</b>	<b>11,654</b>	<b>3,294</b>	<b>8,288</b>	<b>1,678</b>

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

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

	Group	
	2016	2015
\$100,001-200,000	10	10
\$200,001-300,000	2	3
\$300,001-400,000	1	0
<b>Total</b>	<b>13</b>	<b>13</b>

### 17 Operating leases

Operating leases are held for premises used for office space.

*Non-cancellable operating leases are payable as follows:*

	Group		Parent	
	2016	2015	2016	2015
	\$	\$	\$	\$
Less than one year	362,494	159,566	362,494	159,566
Between one and five years	1,328,400	30,394	1,328,400	30,394
More than five years	1,494,450	-	1,494,450	-
<b>Total operating lease commitment</b>	<b>3,185,344</b>	<b>189,960</b>	<b>3,185,344</b>	<b>189,960</b>

# Internet New Zealand Incorporated

## Notes to the financial statements



### 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

#### Transactions between Parent and subsidiaries

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

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

InternetNZ received dividends declared and paid by NZRS during the year of \$4,170,058 (2015: \$2,755,776).

NZRS and DNCL paid management fees to InternetNZ during the year of \$145,509 and \$190,397 respectively (2015: \$59,724 and \$164,196).

#### Other related party transactions

Innovation Partnership - Membership fees of \$40,000 - InternetNZ is a trustee of the Innovation Partnership Trust and Deputy Chief Executive 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.

Figure.NZ - Funding of \$40,000 - Councillor Hayden Glass is the Chief Executive Officer of Figure.NZ which was a Strategic Partner of Internet NZ. Hayden recused himself from any discussions on strategic partners at Council.

Sapere Research Group - Internet NZ was a part funder of a project on the value of Data Driven Innovation - Councillor Hayden Glass is a consultant with Sapere Research Group and co-led the project along with an independent third party. The project was published in April 2015 and was an operational matter.

#### 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	
	2016	2015	2016	2015
	\$	\$	\$	\$
Salaries and other short-term employee benefits	2,332,429	2,210,114	867,789	789,455
<b>Total remuneration</b>	<b>2,332,429</b>	<b>2,210,114</b>	<b>867,789</b>	<b>789,455</b>
<b>Number of persons recognised as key management personnel</b>	<b>33</b>	<b>36</b>	<b>17</b>	<b>20</b>

# Internet New Zealand Incorporated



## Notes to the financial statements

### 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	
	2016	2015	2016	2015
	\$	\$	\$	\$
Surplus/(deficit) for the year	310,793	(519,913)	531,403	(413,496)
<i>Add/(deduct) non-cash items</i>				
Depreciation, amortisation and impairment	870,341	913,227	108,979	80,981
Fair value movements on financial instruments through surplus or deficit	-	-	-	-
Bad and doubtful debt expenses	-	-	-	-
Other non-cash items	-	-	-	-
<i>Add/(deduct) movements classified as investing activities</i>				
(Gain)/loss on disposal of property, plant and equipment	186,159	-	186,159	-
<i>Add/(deduct) movements in working capital</i>				
(Increase)/ decrease in trade debtors and other receivables	125,084	(486,791)	(217,606)	6,555
(Increase)/ decrease in GST receivable	(4,124)	142,973	30,677	(3,293)
(Increase)/ decrease in prepayments	42,503	12,650	39,800	28,230
Increase/ (decrease) in trade creditors and other payables	(44,104)	(66,583)	(53,929)	54,924
Increase/ (decrease) in employee entitlements	20,078	58,391	31,935	23,316
Increase/ (decrease) in deferred revenue	270,437	1,389,513	-	-
<b>Net cash flows from/ (used in) operating activities</b>	<b>1,777,170</b>	<b>1,443,467</b>	<b>657,419</b>	<b>(222,783)</b>

### 20 Contingent assets and contingent liabilities

The Parent and Group have no contingent assets or contingent liabilities (2015: None).

### 21 Events after the reporting period

There were no significant events after the balance date (2015: None)



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InternetNZ (Internet New Zealand Inc) is the open membership incorporated society, established to promote the Internet's benefits and uses, and protect its potential.

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

This report can be found on InternetNZ's website.



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