


# 2016-2017



Annual  
Report



 InternetNZ

# 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 (DNCL) 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 2016/17 year was a big success for us at InternetNZ. Our team has expanded even further giving us the opportunity to do a lot more work towards creating a better world through a better Internet.

We held our first NetHui Roadtrip where we visited Nelson, South Auckland and Rotorua to spark conversation in the regions. We also held four Speaker Series events throughout the year discussing important issues for Internet users in New Zealand.

We awarded \$600,000 in community funding for people and businesses working hard to deliver greater or better use of the Internet. We also gave

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

Our issues team had some big wins by helping to shape the Intelligence and Security Bill and the review of the Telecommunications Act.

We commissioned research into what Kiwis think of the Internet and we will continue this research annually to help measure our objectives and trends.

We have built an ambitious activity plan for 2017/18 that builds on this success and allows us to continue improving the Internet for all users.





# PRESIDENT'S REPORT

Thank you for supporting InternetNZ and the work we do.

Firstly, I would like to thank the staff and the senior leaders of the organisation for their efforts over the year. I am pleased to say that it has been another good year for the organisation – there have been some challenges, but through robust and open dialogue with the local Internet community, I believe we arrived at the right place in the end. Our outreach work has also allowed us to better understand the key issues for the local Internet community and our policy work has helped that feedback find a voice.

Council has continued to work well together and has continued to provide good advice, guidance and direction to Jordan and his team.

I would like to take this opportunity to thank the councillors for their work and commitment and again I will note the efforts of the Grants Committee in particular.

My thanks to Joy Liddicoat as Vice President, to Richard Currey as Chair of NZRS and to David Farrar as Chair of DNCL. Your work and perspectives over the year (and years!) are appreciated.

By the time you read this report you will know that Council has been doing a lot of thinking about the future of the organisation,

what challenges lie ahead for the open and uncapturable Internet and that we have been considering carefully how we organise ourselves to move forward in the future.

As I write this, it is unclear to me what the outcomes of our recent discussions will be but I am hopeful we have had a good robust conversation and it has been good for the organisation, and good for our people, our staff, the folks that make InternetNZ happen everyday.

As highlighted last year, I, along with Council have spent a considerable amount of time thinking about what the future holds for our organisation, and what it holds for the millions of people connected to each other through the Internet. The question is always how can we make the world a better place by openly and freely communicating with each other? I have also been reflecting on the objectives of the society and what elements of those objectives need our special attention in these times, and the times ahead.

I, like many others, am deeply concerned with recent trends of barriers going up and ideas that are counter to a more deeply connected and tolerant world. I consider the good work that Jordan and his team have done bringing a focus to trust and security aspects of that better world. We have a very long way to go to bring balance back into this aspect.

# PRESIDENT'S REPORT

## In all the work we do, we are guided by the Objects set out in our Constitution:

To promote the competitive provision of Internet access, services and facilities in an open and uncaptureable environment.

To develop, maintain, evolve, and disseminate standards for the Internet and its inter-networking technologies and applications.

To develop, maintain, evolve and disseminate effective administrative processes for the operation of the Internet in New Zealand.

To promote and conduct education and research related to the Internet and inter-networking.

To coordinate activities at a national level pertaining to good management of centralised systems and resources which facilitate the development of the Internet, including but not limited to the Domain Name System.

To collect and disseminate information related to the Internet and inter-networking, including histories and archives.

To develop and maintain formal and informal relationships with the international Internet community, including the Internet Society.

To represent the common interests of the wider New Zealand Internet community both nationally and internationally.

To promote widely and generally available access to the Internet.

To liaise with other organisations, New Zealand Government authorities, and the general public for coordination, collaboration, and education in effecting the above objects.

Over the years the office of InternetNZ has also done a great job in pursuing the objective that there should be "...competitive provision of Internet access, services and facilities..." – and we've seen some of that realised in the various telecommunications policies, initiatives and investments made by the Governments of the day.

One of the other core objectives of the society is to educate people about the Internet, it's virtues, it's vices, its strengths and its weaknesses – and how to deal with them. The reality is that in a deeply connected world we are really learning about each other and how to live alongside each other in relative peace.

In the 20+ years of the organisation's existence we have created a stable mature organisation that has never dropped the ball when it comes to a responsibility we took on very early. I am proud and privileged to currently lead an organisation that has reliably kept the lights on for .nz for decades. I would like to acknowledge all the work of others in achieving that. And I would like to offer my personal commitment alongside Council's commitment to continuing that.

But as I consider what lies ahead for the Internet, the open Web, and the ability to communicate with anyone in the world in any way you want, I think again about the objectives of the society. I believe we, as an organisation, need a renewed focus – not only on keeping .nz running really well – but also on the important objectives of education, of openness, of representation, of evolving standards and practices, and of enabling others to do the same.

As it always has, the Internet has evolved somewhat chaotically and we currently find ourselves in a place where, for example, one of our youngest people's greatest concerns are about being secure online. As is often the way, when security is threatened barriers go up and open communication suffers.



## PRESIDENT'S REPORT

It doesn't need to be that way. I believe it is time the organisation rallied to protect the ideals of the society – of openness and uncaptureability. I believe we need a renewed focus on educating, training, collaborating and working with the local Internet community and our peers offshore to ensure the barriers don't go up on the Internet. We need to look at putting substantial programmes in place to ensure our young people are no longer concerned about security on the Internet but are masters of it and can deal with it.

We also need to look a lot more closely at the good work of the Electronic Frontier Foundation and we need to be passionate and bold and unprepared to let the global network be constrained.

We need to focus more on making sure that another core objective of the society has the focus it needs. That access to the Internet itself is not a barrier to our people participating. New Zealand has done well in this respect with our fibre programmes – but fibre to the door does not guarantee access. We must continue working with 20/20 Trust, and organisations like them, to ensure that everyone from every socio-economic bracket is provided an opportunity to connect and learn.

We have rightly spent a lot of our time focussed on making sure that .nz is run and managed properly. After more than 20 years, we have developed the policies, processes and knowledge to do that well and to continue to do that well. I believe it is now 'baked in' to the organisation. For the next 20 years I would like to see us use all of our resources in the best way so we can truly realise our society's broader objectives.

I would like us to do more work for the public good. To not only represent but also take action for "...the common interests of the wider New Zealand Internet community both nationally and internationally..."

InternetNZ is in a privileged position to be able to actually do something about this. Now is the time we start thinking deeply about our objectives and how we organise ourselves to make them have an impact.

My dear friend Andy Linton recently retreated from being actively involved in Internet activity. I sense that in part it was because of some dismay at how the 'experiment' he was involved with and was a part of starting so many years ago has not turned out the way he expected or hoped for. I think, like me, he had hoped for the global communications network to bring us together – but instead we see ever increasing signs of weaponisation, surveillance and other negative uses. We need to double our efforts on turning that around. We need to double our efforts in making the world a better place through having, using, creating and caring for a better Internet.

I believe that is what our society and our organisation is here to do.

Thank you.

**Jamie Baddeley**  
**President**



# CHIEF EXECUTIVE'S REPORT

**2016/17 was a big year for InternetNZ. Following on from the successful 20th anniversary celebrations in 2015, we consolidated our work across three key focus areas, maintained and expanded our community engagement and funding, and experimented with new campaigns and ways of working with and for the Internet community.**

It's a pleasure to be sharing this annual report with you. InternetNZ is a unique organisation: we know about the opportunities the Internet offers and can help share knowledge about that with you and with the public. We understand many of the challenges and can help people find a way through.

What drives me in this job, and our team more broadly, is that there are still some people missing out: from access to the Internet, or the skills to use it, or in knowing how to manage some of the risks an online life presents.

That's why I get out of bed each day – to make a difference. I hope you feel similarly! It is this energy that drove a big year of work last year, and that inspires the work we have started for 2017/18.

Last year was a big year: we developed and ran with a sharper focus on three main areas of interest: access to the Internet, use of the Internet and security and trust online. It's a simple list but that is our judgement about where the most important challenges for the Internet lie.

In these areas we did some work on policy matters (e.g. copyright, communications regulation), and on engaging the public (e.g. the secure messaging campaign). Coupled with a bigger focus on engagement, through for example the Speaker Series events and a round of regional NetHui, it is safe to say that last year we reached more New Zealanders than before. Our community funding through grants and partnerships also lifted towards our 2020 target of putting \$1 million a year back into the community.

We also celebrated a milestone in the global Internet environment, with the United States relinquishing its contractual links with global domain name policy organisation ICANN. Kiwis played a big role in the change, and it was very good to have that matter completed before the United States election held last November.

Overall, it's a good record and you can find more info about the specifics through this report.

Some other areas saw less progress, and in part they inform our plan for the coming year.

## CHIEF EXECUTIVE'S REPORT



We did research into how membership works at InternetNZ and the findings have been very useful for us. There's a major job to do to build a more relevant and useful membership offering – not to demand huge amounts of work or involvement from members, but to make sure that what we do offer matches how people communicate and want to get involved. That's important work for the 2017/18 year ahead.

Another change this coming year is to be crisper about what we're trying to achieve through our work. Good intentions help but being direct about what we want to achieve helps you hold us to account for how well we did. That'll be easier to see in our 2017/18 plan and how we report to you next year.

2017 will also see the return of the well-liked national NetHui, in Auckland in November. It's a critical platform bringing the Internet community together and this year's theme – Trust and Freedom on the Internet – goes to the heart of some of the challenges we face as an Internet community. If people cannot live their online lives in confidence that they have some control over their personal information, and knowing they can freely express their views, the Internet isn't delivering to its potential.

We'll carry on with our Speaker Series into a second year, and be working to improve our engagement across the whole Internet community.

We will work to lift the profile of our partnerships with other organisations (a new partnership with the NZ Centre for ICT Law is on the cards), and with the recipients of our community grants. The gains from those investments will be bigger when we share the stories more widely.

Our work this year continues tackling the challenging issues in our focus areas. In access: digital divides and communications law. In use: showcasing creative Internet uses, and paying attention to copyright modernisation. In trust: working out the drivers of online trust, and encouraging the use of stronger sign-in tech for online services through multi-factor authentication. You can find the details in our plan for the year at [internetnz.nz/plans](http://internetnz.nz/plans). I welcome your feedback on our priorities and what we are doing.

Our engagement with the Māori Internet community is still on the agenda. Council members and staff are building knowledge in Te Ao Māori in order to successfully plan an engagement and outreach approach.

In doing all this work I want to thank our team. Some of my colleagues have taken time out this year to start families, and so we have enjoyed new colleagues joining on a temporary basis. Congrats to Ellen and Maria, and thank you to Vanisa and Kim for helping us out! I also welcome Gertrud in our community team and Sarah in our communications team, as well as Laura and Maryann who joined our operations team during the course of the year. Thank you to you all for the work you do for InternetNZ.

Finally, a thanks to the Council. They are a diverse, patient and insightful group of governors. They serve as solid stewards, and have been supportive and challenging in all the right ways. Jamie, Joy and the rest, thank you for the work you do for InternetNZ.

**Jordan Carter**  
**Chief Executive**



# HIGHLIGHT

## Research: Kiwis thoughts and attitudes to the Internet

In 2016, we commissioned market research company UMR to conduct research on Kiwis' thoughts and attitudes to the Internet. In-depth focus groups and over the phone surveys were carried out to find out how we use the Internet and our hopes and fears of it.



This research provided us with a framework for our yearly planning, ensuring our focus areas are aligned with views of the public.

72% of respondents said they are concerned about threats to personal security posed by the Internet. This is

why security and privacy has been, and will continue to be, one of our main focus areas in 2017/18.

When asked what the main benefits of the Internet are 68% of respondents said access to information. That's why our focus on access to the Internet is so important, and why dealing with digital divides matters so much. Being able to access information - and to keep up with the rest of the country that can - is too important and is why all New Zealanders need to be able to connect.

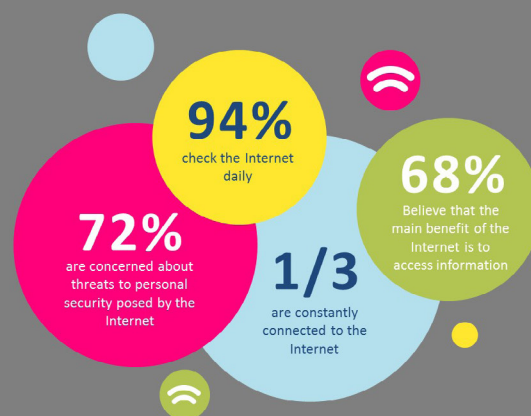
Our new focus area for 2017/18 will look at creative use of the Internet. We want to encourage and reward New Zealanders who are doing awesome things with the Internet. With 94% of New Zealanders checking the Internet at least once a day, and a third of Kiwis constantly connected online, there is plenty of scope for people to be innovative and creative.

We will continue to fund this research each year to build a useful resource and determine trends over time.

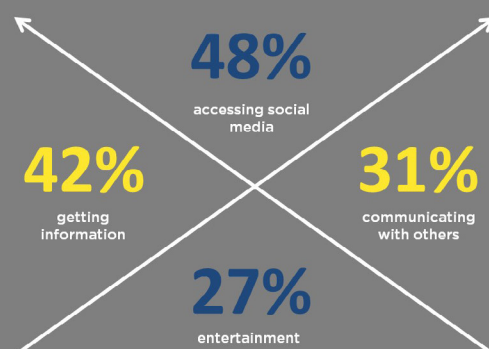
To see the results of the full 2016 survey, visit:  
[internetnz.nz/2016survey](http://internetnz.nz/2016survey)

### What do New Zealanders think of the Internet?

InternetNZ commissioned a phone survey and in-person focus groups to find out what New Zealanders think about the Internet and what matters most to them



New Zealanders are mainly using for the Internet for...



89%

believe the positives of using the Internet outweigh the negatives

# COMMUNITY

2016/17 was a successful year for the community programme, bringing wider reach and deeper connections with the Internet community in New Zealand through a new approach to NetHui, more collaborative events, community grants and sector partnerships.

## NetHui 2016: regional events

NetHui brings everybody and anybody that wants to talk about the Internet together. It's a community led event where the programme is created by the attendees and those within the Internet community.

The sixth annual NetHui took on a different format to previous years, adopting a road-trip style setup and visiting three locations across New Zealand.



We hosted one-day events in Nelson, South Auckland and Rotorua between 13 and 17 October 2016, encouraging a wider spread of participation from the regions. The events were overwhelmingly enjoyed by attendees, with the feedback survey showing 88.7% of respondents being either extremely or moderately satisfied, 74% being either extremely likely or very likely to recommend NetHui to a friend and 80% feeling that NetHui was excellently organised.

Overall, there were more than 300 registrations in total across the three locations. Registration was \$25 per attendee including morning tea, lunch, afternoon tea and complimentary coffee. The after function with nibbles and drinks was funded by both InternetNZ and external sponsorship funds.

## Speaker Series events

The InternetNZ Speaker Series in 2016/17 comprised four panel events:

- Death and the Internet - 9 June 2016
- Harassment and the Internet - 8 September 2016
- Things and the Internet - 8 December 2016
- Emergencies and the Internet - 9 March 2017

Each event explored a hot topic for Internet users in New Zealand, and brought subject matter experts together with community discussion. Events were livestreamed and recorded, and released as a resource along with advice and information relating to each topic. The events were well attended and popular with both members, stakeholders and the general public, as well as generating great social media content.



We will continue to hold similar events during 2017/18 that are aligned to our focus areas. See our website or follow us on social media for details.

## Partnerships

We continued to work with our strategic partner organisations who all do work aligned with our purpose and vision:

- AUT's Institute of Culture, Discourse and Communication
- Creative Commons Aotearoa
- Figure.NZ
- Netsafe
- 20/20 Trust (known as 2020 Communications Trust)

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

# COMMUNITY

## Community funding

For the period of the 2016/17 financial year, our budget for funding partners and grants was \$600,000. InternetNZ continued to provide regular funding rounds for Internet research, conference attendance and community projects.



Community funding has grown in popularity with more applications being submitted through our grant rounds.

### Community grants awarded this year included:

- Chris Hails for evaluating cyber security risk profiles that could help targeted or personalised risk interventions.
- Westland Rural Education Activities Programme Incorporated Society for establishing a WiFi Internet connection for families residing in South Westland Communities from Fox Glacier through Paringa and with priority to the whanau of Te Tauraka Waka a Maui Marae based in Bruce Bay.
- Prof Gillian Abel for a pilot study of how Internet is shaping the way commercial sex is practiced in New Zealand.
- Gather Workshops for giving young New Zealanders the opportunity to get hands on with tech, and encourage them to consider a career in the high growth tech sector by visiting as many rural and low-decile schools as possible.
- Linda Lew to attend the OpenCon which helps the next generation learn about open access, education and data. (12-14 November 2016, Washington, DC, USA).
- Dr Edgar Pacheco to attend the CONF-IRM 2017: Democratization and Participation: People's Roles in the Digital World (17-19 May 2017, Santiago, Chile).

More information about our community funding can be found at [internetnz.nz/community-grants](http://internetnz.nz/community-grants)

## Sponsorship

In 2016/17 InternetNZ continued sponsoring community awards and events including:

- Intelligent Community Forum Co-Founder John Jung Whanganu public event
- Rural Connectivity symposium
- NZ Cyber Security Challenge
- Gather Unconference
- Kiwi PyCon 2016
- The Prize for academic achievement in COML 307 (Law of E-commerce)
- GovHack hackathon
- National Digital Forum
- FLINT launch event
- NetSquared Unconference
- The Great Southern Unconference
- MobileTech 2017
- Kiwi Foo Camp 2017
- TechHub

## NZ Internet Research Forum 2016

Following on from the second NZ Internet Research Forum (NZIRF) held in Auckland in February 2016, we began investigating the development of an online community space for Internet researchers. Four consultation sessions were held in Auckland, Hamilton, Wellington and Christchurch to brainstorm the development of this online platform, in the lead up to the 2017 NZIRF event, which will be held the day before NetHui 2017 on 8 November in Auckland.





## ISSUES

The Issues team has had a very busy, enjoyable and successful year. Not only have we delivered to all of the substantive commitments in our activity plan, we've also delivered another suite of work responding to issues that have emerged during the year.

The team has been just as focused on 'how' we work as on 'what' we do. One of our goals for 2016-17 was professionalism, in terms of delivering to a committed timetable of high quality outputs. We also strove to include more perspectives,

inputs and ideas from the wider Internet community through outreach and discussion.

And finally, we've worked more closely with our communications colleagues in developing new ways of getting our messages out, and thus achieving more visibility, understanding and impact in our work.

### Access focus area: Telecommunications Act Review

We've participated throughout the Telecommunications Act review process as it is vitally important to ensuring fair pricing for great infrastructure. It's necessary now to contemplate how the industry is changing due to fibre being rolled out, and what regulatory regime is necessary post-2020 to balance the range of interests.

We were quite bold in the advice we provided to Government on this. We've called on them to realise the value and potential of fibre investment by being ambitious in the performance targets that are set for the likes of Chorus and the local fibre companies. We've encouraged what is effectively a deregulation of the copper network to allow costs to fall as they lie, and to encourage both uptake and innovation of new and better technology. Our position has been to ensure that the right incentives are in place for investment whilst also encouraging better performance and services at fair prices.

We were really proud to see that the vast majority of our ideas have been accepted by the Government. We're also pleased with the interactions we've had from other stakeholders – including participants in the industry – about how we have balanced the various interests at play.

This work will continue in 2017/18. We expect to see legislation in Parliament on amending the Telecommunications Act in accordance with these submissions and this process during the next year.



## ISSUES

### **Trust focus area: security and privacy**

We've continued to work across online security and privacy issues this year, as part of our work to help New Zealanders maintain trust and confidence on the Internet.

A big focus of our work in this area is continuing to monitor government surveillance online, and participate in any relevant processes that define how that may be taking place. We responded to the Independent Review of Intelligence and Security from late 2016 with our own analysis and discussion, titled *Intelligence and Security in a Free Society*. We followed that by participating throughout the legislative process for the Intelligence and Security Bill, advocating for a stronger definition of intelligence activity, fair use of warrants and reduction of any potential "drift net" style surveillance online.

While we are pleased with the impact we had in improving this legislation, we still have a long way to go on these issues. We signed on to the Electronic Frontier Foundation's Game Plan for Ending Global Mass Surveillance – a deliberately global campaign that seeks to address the global challenges that face the Internet in responding to government surveillance activities.

Finally, further to our work on this game plan, we were pleased to launch our new campaign and resources on private messaging. This provided easy, consumer level guidance to the range of tools they have at their disposal to secure and encrypt their private communications from prying eyes of all kinds. We were pleased that nearly 80,000 New Zealanders saw our private messaging video online.



## ISSUES

### Use focus area: copyright for innovation

In the past year we've focussed on protecting the potential of the Internet through our involvement on curbing the Trans-Pacific Partnership (TPP) as well as pushing for change to allow more of that potential to be realised.

Our involvement with the TPP was through regular meetings, discussion and participation with Ministry of Foreign Affairs and Trade and Ministry of Business, Innovation and Employment officials to ensure that our concerns were heard. We are pleased that our officials maintained a risk-minimising approach to this part of the negotiations – it wasn't a large part of New Zealand's focus, but our Government understood what was at risk and worked to deflect many of what other trading partners wanted around intellectual property provisions. We continued this work through our presence and submissions on the legislative processes accompanying the TPP. Of course, much of this appears to be for naught; given the results of the US Presidential Election, the TPP is unlikely to proceed at least in its current form. Likewise, all of the enabling legislation drops away as it is specifically related to the TPP in this current form.

If, or when this comes back, we will continue to work for an open Internet in such discussions. In that spirit, we are keeping our eye on the Regional Comprehensive Economic Partnership (RCEP) and we hosted a panel discussion for trade representatives during the negotiating round held in Auckland in April 2016.



Finally, we've also had the pleasure of hosting a delegation of esteemed copyright experts to New Zealand; including Michael Geist, Peter Jaszi and Meredith Jacob. We were pleased that nearly 100 people joined us as we explored the potential of fair use and copyright reform.

We will be continuing our work on copyright, and in particular fair use, in 2017/18 because of the large amount of potential, innovation and creativity that may still be enabled for New Zealanders using the Internet.

### Emerging issues: the Internet of things

We picked up a new piece of work over and above our focus area commitments on the Internet of Things (IoT). IoT has the potential to fundamentally change the way the Internet is used and constructed. It also has the potential to dramatically increase the amount of traffic and endpoints on the networks. And finally, IoT may enable new uses, innovations, opportunities and potential as more devices and “things” are connected online and as more control and information follows.



IoT also raises new challenges in personal data management too. IoT can also be seen as the “Internet of You.” After all, these things are sharing information about us, our businesses and our ideas. So how do we secure this information and ensure it is managed appropriately?

We hosted a discussion alongside TUANZ at the 2016 ITX conference exploring these issues, with dozens of attendees contributing their thoughts, ideas and challenges. As a result of that discussion, we prepared our discussion starter document on IoT in New Zealand, and reached out to the wider Internet community for their advice, ideas and input. We will be finalising this document with our recommendations in the first quarter of the next activity plan year.

We've also signed on as a founding member of the IoT Alliance; a multistakeholder group designed to facilitate discussion and lead New Zealand toward realising some of the benefits and potential of IoT. We will continue with this group next year too.



## SUBMISSIONS AND PUBLICATIONS

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

- [Submission on the Post-2020 Telco Framework](#)
- [Section 30 R Review of Chorus UBA Service](#)
- [Telecommunications \(Property Access and other Matters\) Amendment Bill](#)
- [Submission on New Zealand Intelligence and Security Bill](#)
- [Commerce Commission Section 9A Backhaul Study](#)
- [Telecommunications Review](#)
- [Vodafone Sky Clearance Application Submission](#)
- [Trans-Pacific Partnership Agreement Amendment Bill](#)
- [Cross-submission: Section 30R Review of the UBA Standard Terms Determination](#)
- [Towards a World Without Mass Surveillance](#)
- [Intelligence and Security in a Free Society - An InternetNZ Briefing](#)

## INTERNATIONAL

This year saw an important milestone in private sector leadership of the global Domain Name System. After eighteen years of preparation, the last contractual links between ICANN (the global domain policy body) and the United States Government came to an end. This milestone happened a little over two years after the United States announced it would relinquish its contract, and the global Internet community rolled up its sleeves and did the work to develop the right mix of accountability and governance structures to allow the transition to happen.



Kiwis played an important role. Chief Executives across the InternetNZ group were involved in the debate through participation at ICANN meetings, and former InternetNZ chief (and current Council member) Keith Davidson was one of the global Internet representatives OK'ing the final plans.

For InternetNZ, validating our own multistakeholder approach and applying the lessons we have learned at the global level helps reinforce our approach to managing .nz. It has also helped make sure that the global Domain Name System is less open to capture, and more obliged to serve the stakeholders who use and run it, than would have been the case. In both cases, it's a win for New Zealand.



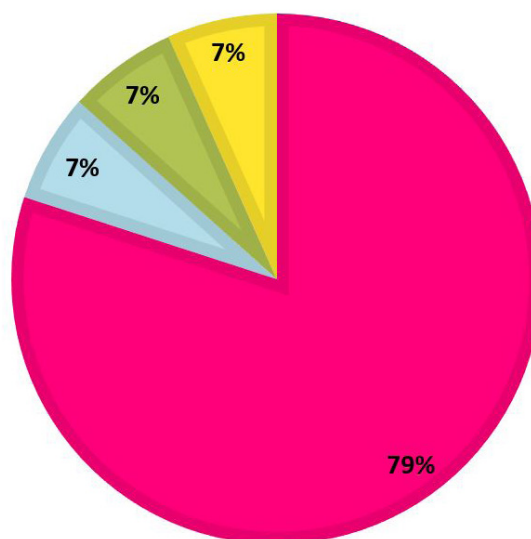
## DIVERSITY OF STAFF



This year InternetNZ undertook a diversity survey of all staff. We intend to carry out this same survey for each future annual report. This report includes all staff that were employed on the last day of the 2016/17 financial year.

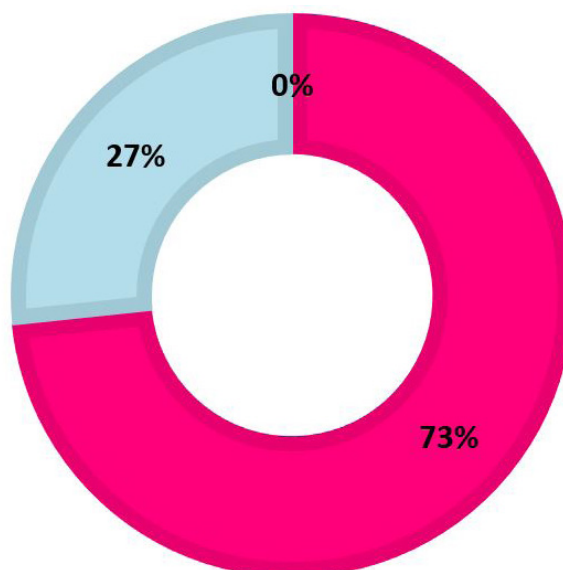
### InternetNZ staff ethnicity diversity

■ New Zealand European   ■ Indian  
■ European   ■ Filipino



### InternetNZ staff gender diversity

■ Female   ■ Male  
■ Prefer not to say



## THE UPCOMING YEAR

### FOCUS AREAS AND KEY PROJECTS

#### ACCESS TO THE INTERNET

Mapping digital divides to help close them

Influencing telecommunications regulation for fair prices and great broadband

#### TRUST ON THE INTERNET

Encouraging the use of two factor authentication

Developing and using a framework for improving online trust

#### CREATIVE USE OF THE INTERNET

Shaping copyright policy to protect creative potential

Encouraging and rewarding creative use of the Internet

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

Expanding community funding **from \$600k to \$700k**



Delivering the 'classic' **national NetHui** in November that people know and love



Continuing the increasingly popular **Speaker Series** with a range of Internet related topics



Continuing our **annual research** on Kiwi's thoughts and attitudes to the Internet



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



# INTERNETNZ COUNCILLORS



**Jamie Baddeley**  
President



**Joy Liddicoat**  
Vice President



**Keith Davidson**  
Term Ends AGM 2019



**Richard Wood**  
Term Ends AGM 2019



**Amber Craig**  
Term Ends AGM 2019



**Kelly Buehler**  
Term Ends AGM 2019



**Sarah Lee**  
Term Ends AGM 2017



**Dave Moskowitz**  
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

# Internet New Zealand Incorporated

## Independent Auditor's Report to the Members of Internet New Zealand Incorporated

### Opinion

We have audited the financial statements of Internet New Zealand Incorporated on pages 1 to 19, which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Internet New Zealand Incorporated as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards 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 Financial Statements* section of our report. We are independent of the Internet New Zealand Incorporated 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, the Internet New Zealand Incorporated.

### Responsibilities of Councillors for the Financial Statements

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

In preparing the financial statements, Councillors are responsible for assessing the Society'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 Councillors either intend to liquidate the Internet New Zealand Incorporated or to cease operations, or have no realistic alternative but to do so.



## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 the auditor's 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 entity'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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 the audit.



**Crowe Horwath New Zealand Audit Partnership**

**CHARTERED ACCOUNTANTS**

29 June 2017



# **Internet New Zealand Incorporated**

Consolidated Financial Statements  
For the year ended 31 March 2017

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# Internet New Zealand Incorporated

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# Internet New Zealand Incorporated

## Statement of Comprehensive Revenue and Expense For the year ended 31 March 2017

	Notes	Group		Parent	
		2017	2016	2017	2016
		\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>					
<b>Exchange revenue</b>					
Registry fees		10,058,081	9,809,894	-	-
Other income		118,055	751,412	400,769	1,040,118
<b>Total exchange revenue</b>		10,176,136	10,561,306	400,769	1,040,118
Non-exchange Revenue - Grants		42,844	-	42,844	-
<b>Total operating revenue</b>		10,218,980	10,561,306	443,613	1,040,118
<b>Operating expenses</b>					
Registry services		3,407,240	3,576,777	-	-
Domain Name Commission		1,559,917	1,630,753	-	-
Community engagement		368,369	347,946	368,369	347,946
Community funding		755,706	766,439	755,706	766,439
Communications/Outreach		191,270	-	191,270	-
Governance and members		522,552	368,622	490,927	358,846
International engagements		104,777	172,158	104,777	172,158
International events		41,526	650,764	41,526	650,764
Internet issues		816,734	673,097	816,734	673,097
Other overhead and administrative expenses		2,277,590	2,575,027	1,579,026	1,831,166
<b>Total operating expenses</b>	7	10,045,681	10,761,583	4,348,335	4,800,415
<b>Surplus/(deficit) from operating activities</b>		173,299	(200,277)	(3,904,722)	(3,760,297)
<b>INVESTING ACTIVITIES</b>					
Dividend income		-	-	4,334,136	4,170,058
Interest income on term deposits		383,722	432,921	48,021	43,494
Fair value gains/(losses) on managed funds		215,337	78,149	215,337	78,149
<b>Surplus/(deficit) from investing activities</b>	12	599,059	511,070	4,597,495	4,291,700
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		772,358	310,793	692,773	531,403
Other comprehensive revenue and expense		-	-	-	-
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR</b>		772,358	310,793	692,773	531,403

These financial statements have been authorised for issue by the Council on 23/06/2017

  
\_\_\_\_\_  
President

23-6-2017.  
\_\_\_\_\_  
Date

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

23-6-2017  
\_\_\_\_\_  
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 2017

	Notes	Group		Parent	
		2017	2016	2017	2016
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current</b>					
Cash and cash equivalents	8	3,013,215	5,388,851	1,854,581	1,320,204
Trade debtors and other receivables	9	1,342,789	1,433,746	95,760	277,899
Prepayments		264,698	145,214	45,226	33,573
Investments	12	13,938,252	10,372,153	4,166,897	3,740,501
<b>Total current assets</b>		<b>18,558,955</b>	<b>17,339,963</b>	<b>6,162,464</b>	<b>5,372,177</b>
<b>Non-current</b>					
Property, plant and equipment	10	504,953	529,795	216,211	177,690
Intangible assets	11	471,868	515,322	72,961	93,538
Investment in subsidiary	6	-	-	610,000	610,000
<b>Total non-current assets</b>		<b>976,821</b>	<b>1,045,116</b>	<b>899,173</b>	<b>881,227</b>
<b>TOTAL ASSETS</b>		<b>19,535,776</b>	<b>18,385,079</b>	<b>7,061,637</b>	<b>6,253,404</b>
<b>LIABILITIES</b>					
<b>Current</b>					
Trade creditors and other payables	14	945,964	918,656	542,695	457,357
Employee entitlements	16	299,688	245,929	132,835	102,713
Deferred revenue - current	15	5,641,750	5,356,094	-	-
<b>Total current-liabilities</b>		<b>6,887,402</b>	<b>6,520,680</b>	<b>675,530</b>	<b>560,070</b>
<b>Non-current</b>					
Deferred revenue - non current	15	2,673,035	2,661,418	-	-
<b>Total non-current liabilities</b>		<b>2,673,035</b>	<b>2,661,418</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>9,560,438</b>	<b>9,182,099</b>	<b>675,530</b>	<b>560,070</b>
<b>NET ASSETS</b>		<b>9,975,338</b>	<b>9,202,980</b>	<b>6,386,107</b>	<b>5,693,334</b>
<b>EQUITY</b>					
Accumulated funds		9,975,338	9,202,980	6,386,107	5,693,334
<b>TOTAL EQUITY</b>		<b>9,975,338</b>	<b>9,202,980</b>	<b>6,386,107</b>	<b>5,693,334</b>

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 2017

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>ACCUMULATED FUNDS</b>				
Opening balance	9,202,980	8,892,187	5,693,334	5,161,931
Surplus/(deficit) for the year	772,358	310,793	692,773	531,403
Other comprehensive revenue and expense	-	-	-	-
Total comprehensive revenue and expense	772,358	310,793	692,773	531,403
<b>CLOSING BALANCE ACCUMULATED FUNDS</b>	<b>9,975,338</b>	<b>9,202,980</b>	<b>6,386,107</b>	<b>5,693,334</b>
<b>TOTAL EQUITY</b>	<b>9,975,338</b>	<b>9,202,980</b>	<b>6,386,107</b>	<b>5,693,334</b>

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 2017

	Notes	Group		Parent	
		2017	2016	2017	2016
		\$	\$	\$	\$
Cash flows from operating activities					
<i>Cash was provided from/(applied to):</i>					
Receipts from customers		10,787,332	11,048,684	873,254	893,120
Dividends received		-	-	4,334,136	4,170,058
Interest received		418,993	416,511	42,962	51,034
Payments to suppliers and employees		(9,330,451)	(9,689,305)	(4,161,186)	(4,487,470)
GST		(16,170)	1,280	(27,106)	30,677
<b>Net cash from/(used in) operating activities</b>	<b>19</b>	<b>1,859,704</b>	<b>1,777,170</b>	<b>1,062,060</b>	<b>657,419</b>
Cash flows from investing activities					
<i>Cash was provided from/(applied to):</i>					
Net proceeds from sale (purchase) of investments		(3,566,100)	1,378,479	(426,396)	660,516
Purchase of property, plant and equipment		(280,794)	(315,490)	(80,351)	(144,776)
Purchase of intangible assets		(388,445)	(257,426)	(20,936)	(29,933)
<b>Net cash from/(used in) investing activities</b>		<b>(4,235,339)</b>	<b>805,563</b>	<b>(527,683)</b>	<b>485,807</b>
Net increase/(decrease) in cash and cash equivalents		(2,375,635)	2,582,733	534,377	1,143,226
Cash and cash equivalents, beginning of the year		5,388,851	2,806,118	1,320,204	176,978
<b>Cash and cash equivalents at end of the year</b>	<b>8</b>	<b>3,013,215</b>	<b>5,388,851</b>	<b>1,854,581</b>	<b>1,320,204</b>

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



# 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 2017.

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) Changes in accounting policies

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



# Internet New Zealand Incorporated

## 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.





# Internet New Zealand Incorporated

## 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	5.0 - 67.0%	DV
Office equipment	10.0 - 50.0%	DV
Computer hardware	18.0 - 50.0%	DV

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

### (f) Intangible assets

Intangible assets acquired separately are initially recognised at cost.

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

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

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

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 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 or 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 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.





# Internet New Zealand Incorporated

## 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.



# Internet New Zealand Incorporated

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

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

### (n) Income tax

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

### (o) Goods and Services Tax (GST)

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

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

## 4 Significant accounting judgements, estimates and assumptions

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

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

## 5 Capital management policy

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

## 6 Subsidiaries

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

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

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





# 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	
	2017	2016	2017	2016
	\$	\$	\$	\$
Amortisation of intangibles	396,156	529,058	41,512	-
Audit fees	39,075	14,306	7,450	4,530
Bad and doubtful debts	-	-	-	-
Depreciation of property, plant and equipment	242,381	299,496	41,835	32,433
Donations	-	-	-	-
Loss on disposal of property, plant and equipment	69,129	200,325	-	186,159
Operating lease payments	531,893	370,989	388,518	346,703
Wages, salaries and other employee costs	4,405,978	4,256,626	1,567,298	1,411,837
Other overheads and administration costs	4,361,068	5,090,783	2,301,721	2,818,753
<b>Total operating expenses</b>	<b>10,045,681</b>	<b>10,761,583</b>	<b>4,348,335</b>	<b>4,800,415</b>

### 8 Cash and cash equivalents

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
Cash at bank and in hand	2,713,215	3,537,360	1,554,581	1,320,204
Term deposits with maturities of three months or less	300,000	1,851,491	300,000	-
<b>Cash and cash equivalents at end of the year</b>	<b>3,013,215</b>	<b>5,388,851</b>	<b>1,854,581</b>	<b>1,320,204</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	
	2017	2016	2017	2016
	\$	\$	\$	\$
Trade receivables	1,256,264	1,311,949	20,863	235,167
Accrued interest	86,525	121,797	9,265	4,207
GST receivable	-	-	65,632	38,525
Impairment allowance	-	-	-	-
<b>Total trade debtors and other receivables</b>	<b>1,342,789</b>	<b>1,433,746</b>	<b>95,760</b>	<b>277,899</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 2016 and 2017, 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	
	2017	2016	2017	2016
	\$	\$	\$	\$
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>



# Internet New Zealand Incorporated

## Notes to the financial statements

### 10 Property, plant and equipment

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

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

Group 2016	Leasehold Improvements \$	Furniture and fittings \$	Computer hardware \$	Office equipment \$	Total \$
<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>





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

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

### Capital commitments

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

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>



# Internet New Zealand Incorporated

## Notes to the financial statements

### Intangible assets (continued)

Movements for each class of intangible assets are as follows:

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

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>



# Internet New Zealand Incorporated

## Notes to the financial statements

### 12 Investments

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
<i>Loans and receivables</i>				
Term deposits	11,283,051	7,922,634	1,511,696	1,290,982
<i>Financial assets at fair value through surplus or deficit</i>				
Managed Funds	2,655,201	2,449,519	2,655,201	2,449,519
<b>Total Financial Assets</b>	<b>13,938,252</b>	<b>10,372,153</b>	<b>4,166,897</b>	<b>3,740,501</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	
	2017	2016	2017	2016
	\$	\$	\$	\$
Total unspent funds held:				
Cash and cash equivalents	3,013,215	5,388,851	1,854,581	1,320,204
Investments	13,938,252	10,372,153	4,166,897	3,740,501
<b>Total unspent funds held</b>	<b>16,951,468</b>	<b>15,761,004</b>	<b>6,021,478</b>	<b>5,060,705</b>
The total unspent funds are held by:				
Internet New Zealand Incorporated	6,021,478	5,060,705	6,021,478	5,060,705
Domain Name Commission Limited	1,203,322	1,059,210	-	-
NZRS Limited	9,726,668	9,641,089	-	-
<b>Total unspent funds held</b>	<b>16,951,468</b>	<b>15,761,004</b>	<b>6,021,478</b>	<b>5,060,705</b>
Represented by:				
Funds held but not yet spent	8,636,683	7,743,491	6,021,478	5,060,705
Deferred revenue in NZRS Limited	8,314,785	8,017,513	-	-
<b>Total unspent funds held</b>	<b>16,951,468</b>	<b>15,761,004</b>	<b>6,021,478</b>	<b>5,060,705</b>

### 14 Trade creditors and other payables

	Group		Parent	
	2017	2016	2017	2016
	\$	\$	\$	\$
Trade creditors	892,142	569,874	270,554	178,568
GST payable	53,822	69,993	-	-
Other accruals	-	278,789	272,142	278,789
<b>Total trade creditors and other payables</b>	<b>945,964</b>	<b>918,656</b>	<b>542,695</b>	<b>457,357</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	
	2017	2016	2017	2016
	\$	\$	\$	\$
Current	5,641,750	5,356,094	-	-
Non-current	2,673,035	2,661,418	-	-
<b>Total deferred revenue</b>	<b>8,314,785</b>	<b>8,017,513</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	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Current</b>				
Annual leave entitlements	281,386	234,275	119,125	94,425
<b>Total</b>	<b>281,386</b>	<b>234,275</b>	<b>119,125</b>	<b>94,425</b>
<b>Non-current</b>				
Liability for long-service leave	18,302	11,654	13,710	8,288
<b>Total</b>	<b>18,302</b>	<b>11,654</b>	<b>13,710</b>	<b>8,288</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	
	2017	2016
\$100,001-200,000	11	10
\$200,001-300,000	2	2
\$300,001-400,000	1	1
<b>Total</b>	<b>14</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	
	2017	2016	2017	2016
	\$	\$	\$	\$
Less than one year	380,835	362,494	380,835	362,494
Between one and five years	1,425,870	1,328,400	1,425,870	1,328,400
More than five years	802,575	1,494,450	802,575	1,494,450
<b>Total operating lease commitment</b>	<b>2,609,280</b>	<b>3,185,344</b>	<b>2,609,280</b>	<b>3,185,344</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 Personnel.

#### Transactions between Parent and subsidiaries

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

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

InternetNZ received dividends declared and paid by NZRS during the year of \$4,334,136 (2016: \$4,170,058).

NZRS and DNCL paid management fees to InternetNZ during the year of \$205,332 and \$181,776 respectively (2016: \$145,509 and \$190,397).

#### 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 \$50,000 - Councillor Hayden Glass is the COO of Figure.NZ which was a Strategic Partner of InternetNZ. Hayden recused himself from any discussions on strategic partners at Council.

2020 Communications - funding of \$90,000 - Councillor Sarah Lee is a contractor with 2020 Communications which is a Strategic Partner of InternetNZ. Sarah recused herself from any discussions about 2020 Communications at Council.

#### 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	
	2017	2016	2017	2016
	\$	\$	\$	\$
Salaries and other short-term employee benefits	2,360,751	2,332,429	954,422	867,789
<b>Total remuneration</b>	<b>2,360,751</b>	<b>2,332,429</b>	<b>954,422</b>	<b>867,789</b>
<b>Number of persons recognised as key management personnel</b>	<b>33</b>	<b>33</b>	<b>17</b>	<b>17</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	
	2017	2016	2017	2016
	\$	\$	\$	\$
Surplus/(deficit) for the year	772,358	310,793	692,773	531,403
<i>Add/(deduct) non-cash items</i>				
Depreciation, amortisation and impairment	638,537	870,341	83,347	108,979
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	98,995	186,159	-	186,159
<i>Add/(deduct) movements in working capital</i>				
(Increase)/decrease in trade debtors and other receivables	90,957	125,084	209,245	(217,606)
(Increase)/decrease in GST receivable	(16,171)	(4,124)	(27,106)	30,677
(Increase)/decrease in prepayments	(119,484)	42,503	(11,654)	39,800
Increase/(decrease) in trade creditors and other payables	43,478	(44,104)	85,333	(53,929)
Increase/(decrease) in employee entitlements	53,759	20,078	30,122	31,935
Increase/(decrease) in deferred revenue	297,273	270,437	-	-
<b>Net cash flows from/ (used in) operating activities</b>	<b>1,859,704</b>	<b>1,777,170</b>	<b>1,062,060</b>	<b>657,419</b>

### 20 Contingent assets and contingent liabilities

The Parent and Group have no contingent assets or contingent liabilities (2016: None).

### 21 Events after the reporting period

There were no significant events after the balance date (2016: None)





Level 11  
80 Boulcott Street  
Wellington 6011

P.O. Box 11-881  
Wellington 6142  
New Zealand

**Free phone:** 0800 101 151  
**Phone:** +64 4 472 1600

**[www.internetnz.nz](http://www.internetnz.nz)**

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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