InternetNZ

ANNUAL REPORT

2017-18

At InternetNZ, we believe the Internet can help create a better New Zealand and a better world. We work hard to promote the benefits and uses of the Internet and protect its potential and we provide critical Internet infrastructure as the home of .nz.

This has been an important and challenging year for our organisation. We have continued to deliver a range of projects that seek to enable better use of the Internet, and to protect its potential. We have continued to make available funding to help community ambitions online. We have continued to host unique events, and produce unique insights into what the Internet means in New Zealand. On top of that, we have reviewed how InternetNZ is structured and undertaken fundamental changes to our structure to unlock more of our potential as an organisation.

This Annual Report serves as our summary of the year that has been, and includes full detail of our annual financials.

As always, we welcome your thoughts and feedback on what we have done, and what we could do next together for the benefit of the Internet in New Zealand.

Highlights

NetHui

We hosted a national NetHui in Auckland, facilitating conversations about New Zealand's Internet.

Internet research

We undertook a nationwide survey to find out what New Zealanders think about the Internet.

Community grants

We awarded $700,000 through partnerships and grants to deliver better use of the Internet.

Internet policy

We wrote a position paper on copyright in New Zealand and held NetHui 2018 to explore copyright policy in New Zealand.

Internet access

We created an interactive online map that shows the digital divide in New Zealand.

Speaker series

We hosted more of our popular Speaker Series events on democracy, food and privacy.

President's report

Change. Adapt. Evolve. Respond.

These words are characteristic of the Internet and the impact it has on us every day. It continues to change our lives. All the time we have to process new information and knowledge. Based on how we adapt to the rapidly changing environment, we are compelled to evolve because if we don't, we will simply be left behind. We are responding to events as they happen, or we are changing behaviours because of activities we expect to happen. Nothing stays still.

This year has been significant for InternetNZ. It has been a year that could not have happened without the thoughts and perspectives of both members and staff. After many years council decided it was time to take a hard look at the way the organisation was structured and ask if we were best positioned to make the most of the great people we have in the organisation and to ensure we're doing the best job we can, as effectively as we can.

Ultimately, after a good quality conversation with people who care deeply about the open and uncapturable Internet for New Zealand, council adopted its plan to evolve the organisation – an arrangement we expect will allow us to make the next 20 years as good as the last 20 years.

I want to thank our staff, in particular, this year. You have done an admirable job despite the strains and stress a reorganisation inevitably produces. It is you that makes the difference every day. It is you that ensures .nz continues to run smoothly, and you are the ones who are helping create a better world through striving to make being globally connected a positive thing. Our community engagement has remained strong, and our policy work was of very high quality. Your high standards of work have all been managed while delivering a sound financial result.

I would also like to acknowledge the work of Richard Currey and David Farrar, who departed as Chairs of NZRS and DNCL respectively. Both have invested years of their time in to shaping the organisation and helping get it where it is today. It is with the support and work and perspectives of these two that we are now placed to evolve into the next phase of InternetNZ. I would also like to thank the former directors of these organisations – not only Adam, Lucy, Linda, David, Mark and Keith, but also all those who've put in time before them. We wouldn't be here without you.

On that note, there are two people that council would especially like to acknowledge – Debbie Monahan and Jay Daley. Debbie has been our fearless navigator as the Domain Name Commissioner for many years. This, combined with Jay's clear vision on what was needed to build a world-class registry service meant together the organisation now has rock solid foundations and core capability to build on. We definitely would not be here without your contribution. Thank you.

The organisation itself is now moving forward under the leadership of our Group Chief Executive, Jordan Carter. There is still work to do, and there always will be, but the council is confident that Jordan can drive the organisation ahead and I believe we are now better positioned to be able to respond, change and adapt to the increasing set of challenges that being globally connected presents.

Finally, my thanks to the council and in particular to Joy Liddicoat. I think it is the mix of councillors that we have which allows us to have robust and respectful conversations about the direction of the organisation as a whole. We have the members to thank for that mix. Long may that continue.

Jamie Baddeley
President

Chief Executive report

I am excited to be bringing this Annual Report to you in a period of change for the organisation. We have spent a large part of the last year preparing for and then implementing the organisational review, and from 15 January we got underway with the changes when I started in the Group Chief Executive role. It was very much a year of two halves.

Looking forward: we are building this new organisation from the firm foundations of InternetNZ and NZRS. We are looking to use our internal expertise and that of the local Internet community to be able to continue to deliver world-leading Internet infrastructure and services, and investing the profits from that work into our social good programmes be these policy, grants, partnerships or events. We aren't an NGO or a business: we are building a new social enterprise that is all about developing New Zealand's prospects in the Internet era.

The benefit that we get from these activities is a better world through a better Internet. How will we achieve this and what do we need to do differently this year?

First, we have to take stock and look at our strategy. We need to ask the question, how can we help the Internet create a better New Zealand, and tackle our most significant challenges? My instincts of two significant challenges are our future economic sustainability and dealing with the impact of climate change. The Internet can make a difference with both. To make sure everyone in New Zealand has the tools to tackle those issues, among so many others, closing the digital divide is a third obvious priority.

As an organisation, we can make a difference in all three areas, and we will. We also have some fantastic talent in our technology team that will allow us to be able to develop further products that harness the .nz registry. We can build on the products already there and the reputation of the team as world class, do new things and deliver more value. We are also lucky to be able to have a technical research team in house that can push the boundaries and assist us in making both our commercial products and our social projects as strong as possible through research-based decision making.

Looking back through the year I think the team can be incredibly proud of what they have achieved through what has been a tough time.

When you are facing a reorganisation, staff and team changes and your CEO is facing potential unemployment, it is hard to remain positive, professional and productive. I am incredibly humbled to have worked with a team that was all of those things and more. I thank them all.

Our community team funded $700,000 worth of grant applications through our programme of supporting both Internet research and projects, partnerships and learning through conference attendance.

Our policy team did some great work engaging the sector on copyright, through our position paper and the one day NetHui Copyright which is informing the copyright legislation review later in 2018.

NetHui and our Speaker Series are a testament to our events capability and in fact, to our whole team who rally together to make sure the hard conversations happen, the community is looking to the future of the Internet in New Zealand, and we are supporting those who what to tackle those problems.

Our technology team have continued to both run the critical services associated with .nz, keep developing them, and put hard work into new products during the course of a complicated year.

I am deeply grateful to everyone who has stood by the organisation through the year, and know that together we will all continue to take the new InternetNZ towards future success.

Finally, I would like to thank Debbie Monahan and Jay Daley for their support and hard work over the years and for sticking by us. Their contribution and impact has been huge, and we are grateful for this.

Let me close with thanks to our Council, and particularly Jamie Baddeley and Joy Liddicoat, for their support and guidance throughout the last year. It was a challenging year with a big workload for our governors, and their commitment to taking considered, careful decisions and responding to feedback from staff across the group has been instrumental in keeping things moving, through this year and beyond.

Jordan Carter
Chief Executive

About Us

Our role

InternetNZ is a non-profit, charitable open membership organisation with a vision of a better world through a better Internet.

Our mission is to promote the Internet's benefits and uses, and protect its potential. We do that work in a number of ways: we work on Internet policy and technology issues to help protect the open Internet; we support the development of the Internet community, through funding and events and forums for people to debate Internet issues.

Our members help shape our stance on Internet issues in line with our principles. They also help hold InternetNZ true to its values and keep the operation accountable (including electing the governing Council).

In a key role, InternetNZ serves the New Zealand community as the designated manager for the .nz country code top-level domain. This means we are the steward of .nz, responsible for its operation in the public interest and the interest of the local Internet community.

Councillors

InternetNZ is governed by a council of twelve who is elected by members. Currently the president is Jamie Baddeley. Councillors are required to register any interests, commercial, political or organisational, which they believe may be relevant to the perception of their conduct. You can read this in the register of interests[1].

Our councillors are listed here[2].

Staff

InternetNZ has 29 permanent staff[3] across six team units that deliver both the social good and commercial activities. These teams are:

- Commercial
- Technical Research
- Technical Services
- Organisational Services
- Policy
- Outreach and Engagement

1. https://internetnz.nz/council-register-interests
2. https://internetnz.nz/council
3. https://internetnz.nz/staff

Restructure of the InternetNZ group

In 2016 the Council initiated an organisational review of the InternetNZ group (InternetNZ, the Domain Name Commission and NZRS). Our current structure was designed in 2002 and then reexamined in 2008. The scale and impact of the Internet on society over the past decade has been enormous and is evolving rapidly – making our role as a voice for the local Internet community even more important. We have also matured significantly as a group during that time.

The review sought to understand whether we are still best setup to deliver on our vision in this changing environment.

The Council consulted on a proposed change to our organisational design in June 2017 which, if accepted, would have seen our three organisations merge to become one, governed by one Council. Employees, members and stakeholders were all welcome to provide feedback on these proposals. Input was received from a wide range of stakeholders and is available below, along with a summary of the feedback supplied.

In August 2017, the Council agreed to a revised proposal for a final round of consultation. This revised proposal took into account the well-considered feedback from staff and stakeholders during the first round. The changes between the revised and the original proposals reflected Council's assessment of that feedback. Council would like to thank those who provided feedback – it has helped them adapt and improve the overall plan.

The revised proposal was developed by a subgroup of Council (Jamie Baddeley, Joy Liddicoat, Keith Davidson and Dave Moskovitz) alongside Martin Jenkins, the management consultancy company that has been advising the Council throughout this process. The revised proposal has also had input from Richard Currey (Chair NZRS) and David Farrar (Chair DNCL).

The outcome of the proposal was that from 1 April 2018 all the work of InternetNZ and NZRS became streamlined under one banner; InternetNZ.

NZRS ceased to exist, and its people and services have merged with InternetNZ. The Domain Name Commission (DNCL) has focused in on its independent role overseeing the .nz domain name space and administering the .nz dispute resolution service. In the new structure, .nz policy development is now the responsibility of InternetNZ. DNCL now has a smaller Board consistent with its more focused role. InternetNZ will set up a new .nz policy committee to deal with .nz matters including policy, fees and commercial terms.

The rationale for all these changes is to simplify how Internet users work with us and to improve the effectiveness of our part in the governance and management of the Internet. You can read more here[4] on the background of this change.

We're all still acting for a better world through a better, open and uncapturable Internet.

4. https://internetnz.nz/organisational-review-consultation-2017

Submissions and publications

Here's some of our work from the last year that we are particularly proud of:

- Getting copyright right in the information age[5]
- State of the Internet Report 2017[6]
- Encryption: what it is and why it's important[7]
- Telecommunications (New Regulatory Framework) Amendment Bill A submission from InternetNZ[8]

Our year

Community

Our community programme works to further our mission of promoting the Internet's benefits and uses and protecting its potential. We do this by providing funding and community engagement opportunities.

We support New Zealanders who can shape the Internet's growth, development and use – including people from business, government, academia, technical and community-based organisations and the general public.

Our community programme includes funding of $700,000 in the past year going to community organisations and individuals through grants and strategic partnership funding. The programme also includes a range of community engagement work including events like NetHui, speaker series and the NZ Internet Research Forum. We also sponsor events and awards and provide other in-kind support to community organisations.

We plan to help New Zealanders be well developed, connected, collaborating and contributing as much as they can to the development of the Internet for our country.

Funding

Annually we have approximately $500,000 available for community grants. See what work our grants have funded at the link below.

InternetNZ judges funding applications based on the information provided and a standard due diligence process. We do not exercise any editorial or other after-the-fact judgment over the outcome of any research, project or conference presentation. Information provided is the responsibility of the author or project owner.

You can see what InternetNZ has funded on our website[9].

5. https://internetnz.nz/node/2175
6. https://internetnz.nz/state-internet-report-2017
7. https://internetnz.nz/publications/encryption-discussion-starter-and-position-paper
8. https://internetnz.nz/content/submission-telecommunications-new-regulatory-framework-amendment-bill
9. https://internetnz.nz/funding

Partnerships

We continued with our slate of excellent Strategic Partners. Our Strategic Partnerships are how we enshrine long lasting relationships with organisations that we share values, goals and objectives with. In the last financial year, these partners have been:

- NZ Work Research Institute
- Figure.NZ
- Creative Commons
- Centre for ICT Law
- 20/20 Trust
- Netsafe

We also provide in-kind support to a number of organisations that work in areas that are related to what we do, including:

- TUANZ
- NZITF
- NZNOG
- Ipv6 taskforce

Events

We host many Internet-related events throughout the year:

- NetHui brings the community together to discuss all things Internet-related.
- Speaker Series discusses important issues for Internet users in New Zealand.
- New Zealand Internet Research Forum (NZIRF) brings together people from a range of sectors involved with or interested in Internet research.

Below is a list of upcoming Internet-related events in New Zealand.

We have a code of conduct that we ask all attendees to adhere to at InternetNZ events. You can view this here[10].

NetHui

InternetNZ has helped bring the NetHui experience to New Zealanders interested in the future of the Internet since 2011 – they have been held in cities, towns and at your house via live streaming.

A NetHui is about discussions, not presentations – participants set topics and lead conversations amongst all of the attendees. While there are plenary sessions with keynote speakers to bring participants together at the beginning and end of each day, most of a NetHui is given over to breakout sessions, often with multiple sessions running concurrently. This format deliberately creates smaller groups, so more voices have the opportunity to be heard and participate.

10. https://internetnz.nz/guidelines-and-norms-code-conduct

A NetHui feels very different from most events. The collaborative conversations between participants draw often overlooked views and expertise. People share their own experiences as well as their knowledge, so it is rare for a NetHui session to end without everyone feeling like there was the opportunity to learn something new – even if they were experts in the topic when the session started.

NetHui 2017

NetHui 2017 took place on 9-10 November at the Aotea Centre in Auckland.450 people gathered in Auckland to explore the theme of 'Trust and Freedom on the Internet' at the 2017 NetHui event. You can view the content from this event on the NetHui website here[11].

NetHui in 2018

We also held a special NetHui in 2018. NetHui Copyright which took place on 12 March 2018 at Te Papa in Wellington and focused solely on copyright issues. Videos from the keynote, discussion sessions, and closing panel are available on website here[12].

There will be more NetHui events in 2018 however these will happen later in the year.

Speaker Series

InternetNZ Speaker Series events are about exploring topical issues for the Internet community in New Zealand. For each of the events below, click on the links to see the recording of the live streaming of the event. The Speaker Series events we held this year were:

- Democracy and the Internet[13]
- Food and the Internet[14]
- Privacy and the Internet[15]

New Zealand Internet Research Forum (NZIRF)

The NZIRF is organised by InternetNZ in collaboration with the research community. The forum brings together people from a range of sectors involved with or interested in Internet research. Attendees share perspectives, discuss potential collaborations and most importantly help build a research network community that benefits New Zealanders.

The 2017 NZIRF was held the day before NetHui on 8 November in the same location in Auckland. 102 people registered for the event.

11. https://2017.nethui.nz/
12. https://2018.nethui.nz/copyright/programme
13. https://internetnz.nz/event/democracy-and-internet
14. https://internetnz.nz/event/food-and-internet
15. https://internetnz.nz/event/privacy-and-internet

Issues

The issues team gained a new member as we welcomed Nicola Brown to InternetNZ. Nicola works on projects that support a better Internet across our focus areas of access, trust and creative potential.

The issues team worked on a number of projects across our three focus areas. They also responded to policy decisions coming from the Government and wider international tech issues with opinions and advice to better the Internet for New Zealanders.

Access

Digital divides map

We teamed up with our strategic partner 20/20 Trust to build an interactive map of New Zealand that shows the divides across the country for Internet access, use, skill and social deprivation.

This is the first tool that shines light on the digital divides in New Zealand, allows you to see the different types of digital divides that affect our communities and enables you to find information about what support is out there in communities to address digital divides.

The map was launched in September 2017 and can be found at digitaldivide.nz[16].

Telecommunications Act Review

InternetNZ supports better Internet access for all New Zealanders, meaning further coverage and faster services at fair prices. Through the Telecommunications Act Review, the Government is designing the future framework for regulating telecommunications services in New Zealand. We keep a close eye on this process to support our vision for better Internet and to represent the interests and concerns of the New Zealand Internet users.

Our latest submission went to the Government in February 2018. Overall, we strongly support the Government's framework and want it to become law. We do however see some opportunities to define some elements of the Bill and these recommendations are stated in our submission. More information about this submission, and past submissions regarding the Act here[17].

Trust

Two factor authentication

In February 2018 we released a series of resources to help New Zealanders understand why using two factor authentication is so important – and step by step instructions on how to set it up. Our message – turning on 2-factor protects your accounts by adding a second step to log in. It's easy for you to use, but makes it hard for anyone else to use your identity or get your data.

We wanted to produce material that made a real difference to Kiwis – by helping them be secure online. We produced a video and infographics and spread the word via social media.

You can check out the resources here[18].

16. http://digitaldivide.nz/

17. https://internetnz.nz/telecommunications-act-review

18. https://internetnz.nz/2factor

Use

Copyright

As the key law saying how New Zealanders can use, access, and share information, copyright has big effects on the ways we use and benefit from the Internet. That's why we wrote a position paper titled 'Getting copyright right in the information age,' which we released in February 2018.

It highlights key issues where our current copyright law may not fully enable the benefits of the Internet like cloud computing, text-and-data-mining, and online platforms where New Zealanders express themselves.

You can read more about our copyright – including this paper – here[19].

Analog regulation, digital world

Launched during Nethui 2017, James Ting-Edwards from the Issues team co-authored a report with Eric Crampton from the New Zealand Initiative titled 'Analog Regulation, Digital World.' The report looks at the ongoing regulatory challenge of keeping up with the pace of technological change, and examines areas where New Zealand is doing well, and those where we can do better. You can view the report here[20].

Optimistic futures

In February 2018, InternetNZ partnered with Victoria University of Wellington's School of Government and the Department of Internal Affairs' Service Innovation Lab. We jointly hosted a free half day event between the Digital Nations conference and the government-only Digital Five Ministerial Summit in Wellington.

For more information visit optimisticfutures.nz[21].

International

ICANN and the Domain Name System

The Domain Name System (DNS) is coordinated at the global level by an organisation called ICANN - the Internet Corporation for Assigned Names and Numbers. ICANN brings together people and organisations interested in the DNS to make global policies that have an impact on the generic Top Level Domains (think names ending in .com). These policies might have a future impact on how we operate .nz for New Zealand.

Registries that run domains, registrars that sell them to the public, businesses that use the Internet, civil society activists and government officials all get together at ICANN's meetings, which move around the world three times a year. Besides shaping policy, it's the best chance to meet with other organisations, that like us, run ccTLDs (country code top level domains). We find out how they are developing and we share best practice with each other.

19.https://internetnz.nz/issue/creative-copyright

20. https://nzinitiative.org.nz/reports-and-media/reports/analog-regulation-digital-world/

21. https://www.optimisticfutures.nz/

In the past year, we have continued to ensure that the New Zealand perspective is included in these debates, and made our contribution to running the global Internet, through our attendance at:

- ICANN61[22] in San Juan (10-15 March 2018)
- ICANN60[23] in Abu Dhabi (28 October - 3 November 2017)
- ICANN59[24] in Johannesburg (26-29 June 2017)

In addition to this, our staff and appointees sit on many committees and reference groups that work with the international Internet community to support the work of these organisations.

Internet governance

As well as the Internet Corporation for Assigned Names and Numbers (ICANN), there are a few other processes we keep an eye on:

- **The Internet Governance Forum** is a United Nations sponsored event that has happened every year since 2005. We send staff to this to experience the world-wide debates about all things Internet related (almost every topic under the sun is there), and to share what we learn at NetHui with a broader audience. There are spin off regional and national Internet Governance Forums which we try to get along to as well - the Australia and Pacific versions first among them.

- **The International Telecommunications Union** or ITU is a very old United Nations body that has survived into the Internet age. Some countries do not support the "multi-stakeholder" leadership of Internet policy represented by groups like ICANN and the Internet Governance Forum, and would like to control the Internet's development through government-only institutions. We follow discussion at the ITU and argue that it should stick within its area of expertise, and not expand its scope.

- **The Organisation for Economic Co-operation and Development (OECD)** has an active Internet policy discussion through one of its committees. We try and keep across that work, though we do not participate very actively.

While our international commitment represents a small part of what we do, it is important. No country is on its own in the global Internet. We have a responsibility as a respected participant to help shape an Internet that can build the better world we stand for as an organisation.

22. https://meetings.icann.org/en/sanjuan61

23. https://meetings.icann.org/en/abudhabi60

24. https://meetings.icann.org/en/johannesburg59

Our future

2017-18 is the final year of the InternetNZ organisational structure that was. As a result of the changes we have made through our organisational review process, we are looking forward with a new structure and way of working. Our immediate plans for the next year are summarised in our Plan for 2018-19, which is available on our website. In 2018-19 we will be reviewing our strategy and confirming our longer-term direction.

2018 is different

This is a big year for the organisation, being the first year where the old InternetNZ and NZRS are merging together. Drawing on the strengths of both NZRS and InternetNZ, we are working to build a new organisation that can serve the local Internet community reliably and effectively. In this year, we are managing competing demands that haven't faced the group before:

- maintenance of critical business-as-usual activity
- completing the merger and developing our new operating model, our team and our culture
- reassigning some functions from Domain Name Commission Ltd to InternetNZ
- a review of the group's strategy.

We anticipate there will be adjustments to this plan in the course of the year, as the new insights and collaborations arising from the merger are applied to our work. We will be aiming to do a six-month review and adjustment leading up to 1 October to incorporate new insights and priorities. The year ahead will see ongoing change. We are excited to be working on this, and in working with our key stakeholders to build an organisation that can serve New Zealanders well.

Here's to a successful 2018!

Jordan Carter
Chief Executive

Building the capability of the new InternetNZ

Realising the potential of our new structure

The Plan for 2018/19 includes a separate section, as a major component of our deliverables for this financial year, to continue to build the new InternetNZ following the organisational review process of 2017.

We are guided in implementation by the following goals:

- At the end of phase 1 (April) - We have discussed and designed a large part of our new organisation together; have a single shared identity and have laid the foundations for the rest of this process.
- At the end of phase 2 (July) - We will have a fully functioning team capable of fully delivering to our current strategy, with role clarity for everyone. We will have started defining what we could be in the future.

- At the end of phase 3 (December) - We will be clear about why we exist as an organisation, and as well as our members, audiences and stakeholders we'll have clarity about how all of our work is connected with that purpose.
- At the end of phase 4 (2019) - We will have successfully built the new InternetNZ. We will be trying new ideas and constantly refining and improving, armed by the clarity of our new strategy.

Following highlights of our plans for this year in each area of our work

Technical research

Goals for 2018/19

We aim to use innovative methods to collect and analyse data that can be of great value for our community, within New Zealand and across other ccTLDs as well. We plan to cover three main areas:

- understanding the composition of the .nz register by implementing new insights
- take a closer look at the New Zealand's Internet inner structure with regular data collections
- make the .nz namespace better by analysing the quality of domain names.

The technical research team is committed to make their knowledge, code and data openly available whenever it is possible.

Key projects for 2018/19

- industry coding of domains
- domain retention prediction
- domain popularity algorithm
- Internet topology maps.

Outreach and Engagement

Goals for 2018/19

This year we will be working to build this new function at InternetNZ while also delivering events and engagement with our members, stakeholders and the wider public. We will be taking the NetHui Roadtrip back out around New Zealand and engaging new parts of the Internet community in discussions about what potential and projects they see for the Internet in New Zealand.

We'll provide $800,000 in funding via grants rounds and partnerships to help people deliver projects and research on what matters to them.

We'll review and revitalise the InternetNZ brand in line with our new strategy and complete the overhaul of the membership experience at InternetNZ.

Key projects for 2018/19

- brand framework
- Nethui 2018
- community grants.

Policy

Goals for 2018/19

The policy team will be working to explore and address some of the big opportunities and challenges for the Internet in New Zealand. We will participate in the wide range of legislation and policy developments across the Internet and telecommunications space, domestic and international, which are anticipated in the coming year. We will continue to explore and communicate with New Zealanders about Internet issues with the discussion paper process and we will build engagement with members of Parliament through the Parliamentary Internet Forum.

We will continue work on three focus areas – access, trust and creative potential – as project work, listed below. Delivery of a State of the Internet Report and the development of a new .nz Policy Framework are also planned. Finally, we will begin some initial investigation into how the Internet can help deal with the environmental challenges the country, and the world, are facing.

Key projects for 2018/19

- focus area work – access, trust and creative potential of the Internet
- 2018 State of the Internet Report
- .nz policy framework development.

Commercial

Goals for 2018/19

This year will be the first year that InternetNZ has had a dedicated commercial function, incorporating this responsibility from NZRS as part of the merger.

- review and plan our efforts
- make sure we are marketing and selling the range of solutions and products that we have already developed
- review our commercial activities in line with the new strategy for the new InternetNZ.

We will continue our approach of effective channel management and engagement of our customers, including through the annual Registrar Conference. By the end of this year, we will be able to confidently step forward in developing the commercial interests of InternetNZ, both in terms of core product development of domain names, and also into new products and services.

Key projects for 2018/19

- market intelligence framework
- consolidate the .nz online presence
- marketing lesser known services.

Organisational Services

Goals for 2018/19

Organisational services will be focused on building new processes, procedures and tools to support the new InternetNZ – while also providing all those services at the same time. This team will be responsible for supporting activities across the organisation, and for realising the potential, the opportunities and the savings from building the new InternetNZ. This will be done through careful financial management, and through proactively redesigning services as required to support the new functional teams of InternetNZ.

Key projects for 2018/19

- human resources function
- integrating business systems
- new planning and reporting.

Technology Services

Goals for 2018/19

One of our core functions is the operation of the Shared Registry System and the authoritative DNS infrastructure for .nz. This infrastructure is necessary to enable .nz domain names to work and consequently has to be available 100% of the time to ensure that there is never a time when .nz domain names cannot be used.

Maintaining critical infrastructure 24 hours a day, 7 days a week is never easy and the technical services team will be focused on delivering and developing our world class registry system, maintaining other existing systems and delivering new products and services for InternetNZ.

We will deliver this through sound project management, continuous improvement programmes, ongoing innovation and development, threat assessments, risk management, capacity planning, robust software delivery and quality assurance.

Key projects for 2018/19

- .nz dashboard
- registrar portal new features
- additional .nz DNS anycast site
- Broadband Map.

2018/19 activity plan

You can read in more detail about our plan for the upcoming year here[25] .

25. https://internetnz.nz/sites/default/files/INZ_Activity_Plan_2018-19.pdf

Crowe Horwath
PART OF FINDEX

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INDEPENDENT AUDITOR'S REPORT

To the Council of Internet New Zealand Incorporated

Opinion

We have audited the financial statements of Internet New Zealand Incorporated (the "Society") on pages 1 to 19, which comprise the statement of financial position as at 31 March 2018, 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 Internet New Zealand Incorporated as at 31 March 2018, and its financial performance and cash flows for the year then ended, in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of 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, Internet New Zealand Incorporated.

Responsibilities of the Councillors for the Financial Statements

Those charged with governance are responsible on behalf of Internet New Zealand Incorporated for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board, and for such internal control as those charged with governance 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, those charged with governance 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 those charged with governance either intend to liquidate the Society 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

Crowe Horwath.
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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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society'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 the councillors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society 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 the councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Crowe Horwath

Crowe Horwath New Zealand Audit Partnership

CHARTERED ACCOUNTANTS

28 June 2018

Internet New Zealand Incorporated

Consolidated Financial Statements
For the year ended 31 March 2018

Internet New Zealand Incorporated

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Internet New Zealand Incorporated

Statement of Comprehensive Revenue and Expense
For the year ended 31 March 2018

	Notes	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
OPERATING ACTIVITIES					
Exchange revenue					
Registry fees		10,504,127	10,058,081	-	-
Other income		174,025	118,055	486,340	400,769
Total exchange revenue		10,678,152	10,176,136	486,340	400,769
Non-exchange Revenue - Grants		-	42,844	-	42,844
Total operating revenue		10,678,152	10,218,980	486,340	443,613
Operating expenses					
Registry services		3,525,306	3,407,240	-	-
Domain Name Commission		1,738,890	1,559,917	-	-
Community engagement		550,626	368,369	550,626	368,369
Community funding		756,815	755,706	756,815	755,706
Communications/Outreach		210,413	191,270	210,413	191,270
Governance and members		700,670	522,552	681,170	490,927
International engagements		110,754	104,777	110,754	104,777
International events		-	41,526	-	41,526
Internet issues		558,392	816,734	558,392	816,734
Other overhead and administrative expenses		2,317,794	2,277,590	1,699,145	1,579,026
Total operating expenses	7	10,469,661	10,045,681	4,567,316	4,348,335
Surplus/(deficit) from operating activities		208,491	173,299	(4,080,976)	(3,904,722)
INVESTING ACTIVITIES					
Dividend income		-	-	4,728,236	4,334,136
Interest income on term deposits		415,744	383,722	63,302	48,021
Fair value gains/(losses) on managed funds		242,816	215,337	242,816	215,337
Surplus/(deficit) from investing activities		658,560	599,059	5,034,353	4,597,495
SURPLUS/(DEFICIT) FOR THE YEAR		867,051	772,358	953,377	692,773
Other comprehensive revenue and expense		-	-	-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR		867,051	772,358	953,377	692,773

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

President 22/6/18.
Date

Joy Liddicoat
Vice President 22/6/18
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 2018

	Notes	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
ASSETS					
Current					
Cash and cash equivalents	8	2,869,590	3,013,215	1,849,841	1,854,581
Trade debtors and other receivables	9	1,221,323	1,342,789	94,161	95,760
Prepayments		257,697	264,698	75,654	45,226
Investments	12	15,341,646	13,938,252	5,174,967	4,166,897
Total current assets		19,690,256	18,558,955	7,194,623	6,162,464
Non-current					
Property, plant and equipment	10	478,526	504,953	238,040	216,211
Intangible assets	11	434,492	471,868	54,351	72,961
Investment in subsidiary	6	-	-	610,000	610,000
Total non-current assets		913,018	976,821	902,391	899,173
TOTAL ASSETS		20,603,274	19,535,776	8,097,014	7,061,637
LIABILITIES					
Current					
Trade creditors and other payables	14	995,649	945,964	602,752	542,695
Employee entitlements	16	283,432	299,688	154,778	132,835
Deferred revenue - current	15	5,837,636	5,641,750	-	-
Total current-liabilities		7,116,717	6,887,402	757,530	675,530
Non-current					
Deferred revenue - non current	15	2,644,168	2,673,035	-	-
Total non-current liabilities		2,644,168	2,673,035	-	-
TOTAL LIABILITIES		9,760,885	9,560,438	757,530	675,530
NET ASSETS		10,842,389	9,975,338	7,339,484	6,386,107
EQUITY					
Accumulated funds		10,842,389	9,975,338	7,339,484	6,386,107
TOTAL EQUITY		10,842,389	9,975,338	7,339,484	6,386,107

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 2018

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
ACCUMULATED FUNDS				
Opening balance	9,975,338	9,202,980	6,386,107	5,693,334
Surplus/(deficit) for the year	867,051	772,358	953,377	692,773
Other comprehensive revenue and expense	-	-	-	-
Total comprehensive revenue and expense	867,051	772,358	953,377	692,773
CLOSING BALANCE ACCUMULATED FUNDS	10,842,389	9,975,338	7,339,484	6,386,107
TOTAL EQUITY	10,842,389	9,975,338	7,339,484	6,386,107

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 2018

	Notes	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Cash flows from operating activities					
Cash was provided from/(applied to):					
Receipts from customers		11,174,076	10,787,332	736,432	873,254
Dividends received		-	-	4,728,236	4,334,136
Interest received		451,848	418,993	52,927	42,962
Payments to suppliers and employees		(9,879,307)	(9,330,451)	(4,430,681)	(4,161,186)
GST		20,637	(16,170)	4,697	(27,106)
Net cash from/(used in) operating activities	19	1,767,256	1,859,704	1,091,611	1,062,060
Cash flows from investing activities					
Cash was provided from/(applied to):					
Net proceeds from sale (purchase) of investments		(1,403,394)	(3,566,100)	(1,008,070)	(426,396)
Purchase of property, plant and equipment		(224,133)	(280,794)	(75,691)	(80,351)
Purchase of intangible assets		(283,354)	(388,445)	(12,590)	(20,936)
Net cash from/(used in) investing activities		(1,910,881)	(4,235,339)	(1,096,351)	(527,683)
Net increase/(decrease) in cash and cash equivalents		(143,625)	(2,375,635)	(4,740)	534,377
Cash and cash equivalents, beginning of the year		3,013,215	5,388,851	1,854,581	1,320,204
Cash and cash equivalents at end of the year	8	2,869,590	3,013,215	1,849,841	1,854,581

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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 2018.

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

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

2 Basis of preparation

(a) Statement of compliance

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

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

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

(b) Basis of measurement

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

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

(c) Presentation currency

The financial statements are presented in New Zealand dollars.

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

(d) Changes in accounting policies

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

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.

(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:

Software	40.0 - 50.0%	Straight Line
Trademarks	7 Years	Straight Line

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

Disposals

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

(g) Leased assets

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

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

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

(h) Provisions

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

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

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

(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.

(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.

(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.

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7 Operating expenses

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

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Amortisation of intangibles	344,436	396,156	31,200	41,512
Audit fees	24,364	39,075	4,864	7,450
Bad and doubtful debts	-	-	-	-
Depreciation of property, plant and equipment	221,870	242,381	52,215	41,835
Donations	-	-	-	-
Loss on disposal of property, plant and equipment	4,983	69,129	1,647	-
Operating lease payments	530,186	531,893	394,428	388,518
Wages, salaries and other employee costs	4,863,154	4,405,978	1,669,926	1,567,298
Other overheads and administration costs	4,480,668	4,361,068	2,413,036	2,301,721
Total operating expenses	10,469,661	10,045,681	4,567,316	4,348,335

8 Cash and cash equivalents

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Cash at bank and in hand	2,754,063	2,713,215	1,769,474	1,554,581
Term deposits with maturities of three months or less	115,527	300,000	80,367	300,000
Cash and cash equivalents at end of the year	2,869,590	3,013,215	1,849,841	1,854,581

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 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Trade receivables	1,170,902	1,256,264	13,587	20,863
Accrued interest	50,421	86,525	19,639	9,265
GST receivable	-	-	60,935	65,632
Impairment allowance	-	-	-	-
Total trade debtors and other receivables	1,221,323	1,342,789	94,161	95,760

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 2017 and 2018, 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 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Opening balance	-	-	-	-
Amounts written off	-	-	-	-
Impairment losses recognised in the year	-	-	-	-
Impairment losses reversed in the year	-	-	-	-
Closing balance	-	-	-	-

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 2018	Leasehold Improvements $	Furniture and fittings $	Computer hardware $	Office equipment $	Total $
Gross carrying amount					
Opening balance	15,333	227,383	2,363,206	440,725	3,046,647
Additions	-	45,789	154,295	24,047	224,132
Disposals	(13,835)	-	(27,711)	(10,641)	(52,187)
Closing balance	1,498	273,173	2,489,790	454,131	3,218,592
Accumulated depreciation and impairment					
Opening balance	13,910	71,163	2,127,529	329,094	2,541,695
Current year depreciation	105	26,315	145,137	50,313	221,870
Impairment charge for the year	-	-	-	-	-
Depreciation written back on disposal	- 13,835	-	(2,358)	(7,305)	(23,498)
Closing balance	180	97,478	2,270,307	372,102	2,740,066
Carrying amount 31 March 2018	1,318	175,695	219,483	82,029	478,526

Group 2017	Leasehold Improvements $	Furniture and fittings $	Computer hardware $	Office equipment $	Total $
Gross carrying amount					
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
Accumulated depreciation and impairment					
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
Carrying amount 31 March 2017	1,423	156,220	235,678	111,631	504,953

Property, Plant and Equipment (continued)

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

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

Parent 2017	Leasehold Improvements $	Furniture and fittings $	Computer hardware $	Office equipment $	Total $
Gross carrying amount					
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
Accumulated depreciation and impairment					
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
Carrying amount 31 March 2017	-	156,220	33,901	26,090	216,211

Capital commitments
As at 31 March 2018 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 2018	Software $	Trademarks $	Total $
Gross carrying amount			
Opening balance	3,850,180	10,698	3,860,878
Additions	307,060	-	307,060
Disposals	-	-	0
Closing balance	4,157,240	10,698	4,167,938
Accumulated amortisation and impairment			
Opening balance	3,378,312	10,698	3,389,010
Current year amortisation	344,436	-	344,436
Amortisation written back on disposal	-	-	-
Closing balance	3,722,748	10,698	3,733,446
Carrying amount 31 March 2018	434,492	-	434,492

Group 2017	Software $	Trademarks $	Total $
Gross carrying amount			
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
Accumulated amortisation and impairment			
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
Carrying amount 31 March 2017	471,868	-	471,868

Intangible assets (continued)

Movements for each class of intangible assets are as follows:

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

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

12 Investments

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Loans and receivables				
Term deposits	12,454,306	11,283,051	2,287,628	1,511,696
Financial assets at fair value through surplus or deficit				
Managed Funds	2,887,340	2,655,201	2,887,340	2,655,201
Total Financial Assets	15,341,646	13,938,252	5,174,967	4,166,897

There is no impairment provision for investments.

Managed funds

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

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

13 Total unspent funds held

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Total unspent funds held:				
Cash and cash equivalents	2,869,590	3,013,215	1,849,841	1,854,581
Investments	15,341,646	13,938,252	5,174,967	4,166,897
Total unspent funds held	18,211,236	16,951,468	7,024,808	6,021,478
The total unspent funds are held by:				
Internet New Zealand Incorporated	7,024,808	6,021,478	7,024,808	6,021,478
Domain Name Commission Limited	1,243,602	1,203,322	-	-
NZRS Limited	9,942,826	9,726,668	-	-
Total unspent funds held	18,211,236	16,951,468	7,024,808	6,021,478
Represented by:				
Funds held but not yet spent	9,729,432	8,636,683	7,024,808	6,021,478
Deferred revenue in NZRS Limited	8,481,804	8,314,785	-	-
Total unspent funds held	18,211,236	16,951,468	7,024,808	6,021,478

14 Trade creditors and other payables

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Trade creditors	921,191	892,142	290,670	270,554
GST payable	74,458	53,822	-	-
Other accruals	-	-	312,081	272,142
Total trade creditors and other payables	995,649	945,964	602,752	542,695

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

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15 Deferred revenue

	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Current	5,837,636	5,641,750	-	-
Non-current	2,644,168	2,673,035	-	-
Total deferred revenue	8,481,804	8,314,785	-	-

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 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Annual leave entitlements	263,643	281,386	137,005	119,125
Liability for long-service leave	19,789	18,302	17,773	13,710
Total employee entitlements	283,432	299,688	154,778	132,834

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 2018	Group 2017
$100,001-200,000	13	11
$200,001-300,000	1	2
$300,001+	2	1
Total	16	14

17 Operating leases

Operating leases are held for premises used for office space.

Non-cancellable operating leases are payable as follows:	Group 2018 $	Group 2017 $	Parent 2018 $	Parent 2017 $
Less than one year	380,835	380,835	380,835	380,835
Between one and five years	1,360,890	1,425,870	1,360,890	1,425,870
More than five years	470,475	802,575	470,475	802,575
Total operating lease commitment	2,212,200	2,609,280	2,212,200	2,609,280

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 $4,728,236 (2017: $4,334,136).

NZRS and DNCL paid management fees to InternetNZ during the year of $212,256 and $187,235 respectively (2017: $205,332 and $181,776).

Other related party transactions

Innovation Partnership Membership Fees of $40,000, InternetNZ is a trustee of the Innovation Partnership Trust and Outreach and Engagement Director Andrew Cushen represents InternetNZ in this role and is also the Innovation Partnership Trust Treasurer. Andrew Cushen was not a party to the council resolution vote to become a trustee of the Innovation partnership Trust.

Key management compensation

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

Key management personnel compensation includes the following expenses:	Group		Parent	
	2018	**2017**	**2018**	**2017**
	$	$	$	$
Directors fee, salaries and other short-term employee benefits	2,620,966	2,360,751	978,217	954,422
Total remuneration	2,620,966	2,360,751	978,217	954,422
Number of persons recognised as key management personnel	34	33	17	17

18 Financial instruments

(a) Carrying value of financial instruments

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

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

(b) Classification of financial instruments

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

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

19 Reconciliation of cash flows from operating activities

	Group		Parent	
	2018	2017	2018	2017
	$	$	$	$
Surplus/(deficit) for the year	867,051	772,358	953,377	692,773
Add/(deduct) non-cash items				
Depreciation, amortisation and impairment	566,306	638,537	83,415	83,347
Fair value movements on financial instruments through surplus or deficit	-	-	-	-
Bad and doubtful debt expenses	-	-	-	-
Other non-cash items	-	-	-	-
Add/(deduct) movements classified as investing activities				
(Gain)/loss on disposal of property, plant and equipment	4,983	98,995	1,647	-
Add/(deduct) movements in working capital				
(Increase)/decrease in trade debtors and other receivables	121,465	90,957	(3,098)	209,245
(Increase)/decrease in GST receivable	20,636	(16,171)	4,697	(27,106)
(Increase)/decrease in prepayments	7,002	(119,484)	(30,427)	(11,654)
Increase/(decrease) in trade creditors and other payables	29,050	43,478	103,944	115,455
Increase/(decrease) in employee entitlements	(16,256)	53,759	(21,944)	-
Increase/(decrease) in deferred revenue	167,019	297,273	-	-
Net cash flows from/ (used in) operating activities	1,767,256	1,859,704	1,091,611	1,062,060

20 Contingent assets and contingent liabilities

The Parent and Group have no contingent assets or continent liabilities (2017: None).

21 Events after the reporting period

After the balance date, on the 1st of April 2018, Internet NZ merged with NZRS Limited with all assets and liabilities transferred as an in-specie distribution to Internet NZ as the 100% shareholder of NZRS Limited (2017: None).