Agenda for a meeting of the InternetNZ Council

Friday, 2 August 2013
Level 9 Grand Arcade Tower, 16 Willis St, Wellington

Start	Item	Person	Page number
10am	**Council and CE alone time** - Welcome and greeting for new Councillors - Discussion of governance role	Frank March	-
10.30am	**Apologies** **Declaration of Councillor interests** **Agenda consideration - in committee items**	Frank March	5
10.30am	**Workshop – Identity Review** - Presentation by Mark Blackham	Jordan Carter	11
12.00pm	**Presentation – peering exchanges etc**	Jamie Baddeley	-
12.30pm	**Lunch**		
1.00pm	**Subsidiaries – DNCL and NZRS** - Alone time (Chairs, CE and Council - confidential) - Group Risk Register (Confidential) - Joint .nz 4th Quarter Report - Joint .nz 1st Quarter Report - DNCL 4th Quarter Report - DNCL 1st quarter **(Late paper)** - NZRS 4th Quarter Report - NZRS 1st Quarter Report - NZRS Statement of Goals	Michael Foley *(tbc)* Debbie Monahan Richard Currey Jay Daley	 16 24 33 *Late paper* 36 47 55
1.20pm	**Strategic Planning**	Jordan Carter	71
1.45pm	**DNCL Board Appointment**	Frank March	-
2.00pm	**Community Funding Review** - Presentation by Murray Bain	Jordan Carter	79
2.30pm	**Council meetings for the year (planning cycle)**	Frank March	95
2.45pm	**Break**		
3.00pm	**Chief Executive's Report** - CE's report and priorities for next quarter - Operations Update - Policy Advisory Group / PDP update	Jordan Carter	 99 105 113
3.40pm	**Partnerships Report** - 2020 Trust Update - Creative Commons	Jordan Carter	115
3.50pm	**Group Financials Report**	Jordan Carter	123
4.00pm	**Consent agenda items** a. Ratification of minutes: 10 May 2013 b. Outstanding action points c. E-votes ratification d. Grants Update e. Membership update	Frank March	 178 186 188 191 196
4.10pm	**Other business** Meeting feedback	Frank March	
4.20pm	**Meeting ends**		

Annotated Agenda for a meeting of the InternetNZ Council
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12.30pm	**Lunch**		
1.00pm	**Subsidiaries – DNCL and NZRS** - Alone time (Chairs, CE and Council - confidential) - Group Risk Register (Confidential) - Joint .nz 4th Quarter Report - Joint .nz 1st Quarter Report - DNCL 4th Quarter Report - DNCL 1st quarter *(Late paper)* - NZRS 4th Quarter Report - NZRS 1st Quarter Report - NZRS Statement of Goals *THAT .nz fourth quarter report be received.* *THAT the DNCL fourth quarter report be received.* *THAT the NZRS fourth quarter report be received.* *THAT the NZRS first quarter report be received.* *THAT NZRS Statement of Directions and Goals be received.*	Michael Foley *(tbc)* Debbie Monahan Richard Currey Jay Daley	 16 24 33 *Late paper* 36 47 55
1.20pm	**Strategic Planning** *THAT Council receive the paper from the Chief Executive on Strategic Planning.* *THAT Council agree to the strategic retreat as set out in the proposal, to be held on 14-16 September 2013, with venue to be agreed.* *THAT Council direct the President and Chief Executive to engage with the Chairs and Chief Executives of the subsidiaries as to the role they will play in the retreat.* *THAT Council adopt the Vision, Mission and Values set out in the paper as elements of InternetNZ's strategy, for consultation with members in March, and agree to review these again at its next meeting.*	Jordan Carter	71
1.45pm	**DNCL Board Appointment**	Frank March	-

2.00pm	**Community Funding Review**	Jordan Carter	79
	- Presentation by Murray Bain		
	THAT Council receive the report from Murray Bain on InternetNZ's community funding system.		
	THAT Council ask the Chief Executive to implement the findings of the review, with resources required for this being drawn from existing budgets.		
	THAT Council be provided with a draft high-level strategy for Community Funding for 2014 and beyond at the October 2013 meeting.		
2.30pm	**Council meetings for the year (planning cycle)**	Frank March	95
	THAT Council note the planning cycle for its work in the coming year, while acknowledging that further adjustments may be needed to bring it into alignment with a group-wide planning cycle.		
	THAT Council adopt the tentative dates for Council meetings in 2014 set out in the paper, and notes that these will be checked against public and school holidays, with any changes being set out for adoption at the October meeting.		
2.45pm	**Break**		
3.00pm	**Chief Executive's Report**	Jordan Carter	
	- CE's report and priorities for next quarter		99
	- Operations Update		105
	- Policy Advisory Group / PDP update		113
	THAT Council receives the CE's Report.		
3.40pm	**Partnerships Report**	Jordan Carter	115
	- 2020 Trust Update		
	- Creative Commons		
3.50pm	**Group Financials Report**	Jordan Carter	123
	THAT Council receive the 2012/13 March financial report from the Chief Executive.		
	THAT Council receive the quarter ending June 2013 financial report from the Chief Executive.		
4.00pm	**Consent agenda items**	Frank March	
	THAT the minutes of the meeting held on 10 May 2013 be received and adopted as a true and correct record, and THAT the following reports be received:		
	a. Ratification of minutes: 10 May 2013		178
	b. Outstanding action points		186
	c. E-votes ratification		188
	d. Grants Update		191
	e. Membership update		196
4.10pm	**Other business**	Frank March	
	Meeting feedback		
4.20pm	**Meeting ends**		

Declaration of Interest

InternetNZ

INTERNETNZ COUNCILLOR REGISTER OF INTERESTS

Officers and Councillors are required to register any interests, commercial, political or organisational, which they believe may be relevant to the perception of their conduct as a Councillor or Officer. Officers and Councillors are, however, still required to declare a Conflict of Interest, or an Interest, and have that recorded in the Minutes.

Officers and Councillors receive the following annual honoraria:

Honoraria

President - $30,000
Vice President - $18,750
Councillor - $15,000

Name: Frank March
Position: President, InternetNZ
Term: AGM 2012 - AGM 2015
Declaration Date: 21 March 2007, updated 25 July 2011

Interests:

- Holds two .nz domain name registrations
- Member of NZ Association of Scientists
- Employed by the NZ Government (Ministry of Economic Development), consequently:
- NZ representative on the Governmental Advisory Committee of ICANN
- Technical advisor to the Trans Pacific Partnership negotiators for the Telecommunications and Ecommerce Chapters
- Member of IPv6 Steering Group and administration team
- Member of the Institute of Directors
- Officer's Honorarium for InternetNZ

Name: Jamie Baddeley
Position: Vice President, InternetNZ
Term: AGM 2012 - AGM 2015
Declaration Date: 28 August 2007, updated 3 November 2012

Interests:

- Owner and Director of Viewpoint Consulting Ltd
- Viewpoint Consulting Ltd is a shareholder of FX Networks Ltd
- Registrant of vpc.co.nz, is.org.nz, internetstandards.org.nz
- Member of the New Zealand IPv6 Steering Group
- NZNOG Trustee
- Officer's Honorarium for InternetNZ

Name: Donald Clark
Position: Councillor, InternetNZ
Term: AGM 2011 - AGM 2014
Declaration Date: 20 April 2009, updated 20 May 2013

Interests:

- Holds several .nz domain name registrations
- Councillor's Honorarium for InternetNZ
- Employee of Google

Name: Neil James
Position: Councillor, InternetNZ
Term: AGM 2013 - AGM 2016
Declaration Date: 28 August 2008, updated 22 November 2011

Interests:

- Fellow of IITP
- Councillor's Honorarium for InternetNZ

Name: Hamish MacEwan
Position: Councillor, InternetNZ
Term: AGM 2012 - AGM 2015
Declaration Date: 24 August 2007; updated 27 September 2011

Interests:

- Self-employed Open ICT consultant
- Registrant of sundry .nz domains
- Councillor's Honorarium for InternetNZ

Name: Brenda Wallace
Position: Councillor, InternetNZ
Term: AGM 2012 - AGM 2015; updated 14 June 2013

Interests:

- Full time contractor at Weta Digital
- Member of Green Party of Aotearoa New Zealand
- A gazillion .nz domain names
- Organiser of Girl Geek Dinners Wellington
- Member and volunteer for Tech Liberty

Name: Nat Torkington
Position: Councillor, InternetNZ
Term: AGM 2011 - AGM 2014
Declaration Date: 1 October 2009, updated 17 October 2011

Interests:

- Kiwi Foo Conference organiser
- Member of the advisory board to the Government Information Systems group within the Department of Internal Affairs
- Member of the Industry Advisory Board of the Auckland Bioengineering Institute
- Founder of Open New Zealand
- Sits on the Library Information Advisory Commission
- Blogger for O'Reilly Media
- Past consultant for Telecom New Zealand on innovation, and may continue to do so in the future
- Advisor to the American cloud computing startup Opscode
- Advisor to Spotlight Reports, NZ-based web startup
- Director, Silverstripe
- Director, He Hononga Software Ltd.
- .nz, .com, .org, .cn, .us, .me domain registrant
- Advisor to PHP Fog
- Advisor to 77 Pieces
- Director, GNAT Limited
- Councillor's Honorarium for InternetNZ

Name: Michael Wallmannsberger
Position: Councillor, InternetNZ
Term: AGM 2011 - AGM 2014
Declaration Date: 31 July 2006, updated 24 June 2013

Interests:

- Employee of ASB Bank Limited
- Member of the New Zealand Labour Party.
- .nz domain name registrant
- Member of the Standards Council
- Shareholder/Director, Wallmannsberger Ltd
- Director of .nz Registry Services
- Councillor's Honorarium for InternetNZ
- Board Chair at OUTLine New Zealand Incorporated
- Member of the Board of the New Zealand Chapter of the Cloud Security Alliance (Cloud Security Alliance New Zealand Chapter Incorporated)

Name: Lance Wiggs
Position: Councillor, InternetNZ
Term: AGM 2013 - AGM 2016
Declaration Date: 9 August 2010, updated 23 July 2013

Interests:

- Director and shareholder in several NZ companies, generally operating online
- Direct and indirect owner of various .nz domain names (<40)
- Director of Lance Wiggs Capital Management
- Director, and, through LWCM, Manager of Punakaiki Fund Limited
- Member of two Return on Science Investment Committees
- Better By Capital provider for NZTE
- Member of the Institute of Directors
- Member of NZCS / Institute of IT Professionals

Name: Dave Moskovitz
Position: Councillor, InternetNZ
Term: AGM 2011 - AGM 2014
Declaration Date: 9 August 2010, updated 23 July 2013

Interests:

- Registrant of .nz, .com, .org, .pe domains
- **Board memberships:**
- Think Tank Consulting Limited
- WebFund Limited
- Hyperstart Limited
- Golden Ticket Limited
- MusicHype Inc.
- Publons Limited
- Expander Limited
- SWNZ Limited
- **Shareholdings (all of the above, plus):**
- Lightning Lab 2013
- WIP APP Limited
- Learn Coach Limited
- Ponoko Limited
- Celsias Limited
- 8interactive Limited
- Admin Innovations Limited
- DIY Father Limited
- Smaratshow Limited
- Small holdings in numerous publicly listed companies
- **Non-profit Activity:**
- Global Facilitator
- Startup Weekend (Trustee)
- Pacific Internet Partners (Trustee)
- Think Tank Charitable Trust (Co-Chair)
- Wellington Council of Christians and Jews
- **Other memberships:**
- NZ Open Source Society
- NZ Rise
- Royal Society
- Registered marriage celebrant
- Councillor's Honorarium for InternetNZ

Name: Richard Wood
Position: Councillor, InternetNZ
Term: AGM 2013 - AGM 2016
Declaration Date: 15 July 2013

Interests:

- Holds .nz and .net domain name registrations
- Employee and shareholder of Xero Limited
- Member of ISOC, PICISOC and Pacific Internet Partnership Inc.
- Councillor's Honorarium for InternetNZ

Name: Amber Craig
Position: Councillor, InternetNZ
Term: AGM 2013 - AGM 2016
Declaration Date: 18 July 2013

Interests:

- Organiser of Girl Geek Dinners Wellington
- Consultant and organiser of some corporate unconferences
- Holds .nz domain name registrations
- Employee of Westpac NZ
- Councillor's Honorarium for InternetNZ

Identity Review Workshop

Identity Review update + Workshop

Author:	Jordan Carter
Purpose of paper:	To update Council on the review and précis the workshop with Mark Blackham

Council agreed to commence a review of InternetNZ's identity at its meeting on 10 May 2013. I have been progressing this review with assistance from Mark Blackham from Blackland PR.

The phases that were agreed for the review are attached as Appendix 1.

A summarized outcome from Phase 1 (market comparison) forms the basis of today's workshop. It is attached following this paper.

The aim of the workshop is to provoke discussion and debate among Council members in a way that will help clarify InternetNZ's identity – either as it is or as we might wish to see it develop. I anticipate an interesting conversation.

Phase 2 (stakeholder analysis) is in train, with Colmar Brunton having been commissioned, and survey and stakeholder interview materials being prepared. We expect to be in the field early next month and can provide a report to Council electronically end August or start of September, most likely.

Phases 3 and 4 will be progressed in conjunction with the Strategic Planning process, and Phase 5 follows at the appropriate time.

Jordan Carter
Chief Executive

25 July 2013

Appendix 1: Identity Review stages

1. Market comparison: Compare and contrast InternetNZ with similar organisations in other sectors, to gain a sense of how they interpret and pursue their mandates.	• Desk Research • Discussion session • Report on best match and lessons for change
2. Stakeholder analysis: Market research. What do audiences think InternetNZ does?	• Desk examination of existing research / or run research if necessary • Report conclusions related to identity and purpose
3. Review vision, purpose and values (vision for future, area of business, points of difference): What was meant? Are these still relevant? Can they be better expressed?	• Desk analysis of existing vision, purpose and values • Discussion session of relevance, encoded meaning, and options for clearer expression • Produce amended vision, purpose and values
4. Review the unique strategy being deployed to reach the vision	• Desk analysis of existing business strategy. Use existing measures to assess success. Analyse theoretical chance of success. Compare to strategies of similar organisations. • Discussion session • Produce amended strategy

5. Identity guide	• Produce a succinct identity guide to the identity of InternetNZ.
	    o Objectives
	    o Audiences
	    o Brand definition (vision / purpose)
	    o Core messages
	    o Language
	    o Behaviour
	    o Communication principles

How others do our job

Purpose

To help InternetNZ clarify its identity, we examined how other people organise and present themselves when doing jobs similar to InternetNZ.

What is the job?

Task	Internet NZ	Similar examples
Technical management of a field of endeavour and enterprise	Tasked to subsidiary NZRS and Domain Commission.	CIRA, Nominet.au, Domain Administration Ltd (auDA)
Organise the field as a profession (development of skills, cooperation and policies)	NetHui etc	New Zealand Medical Association (NZMA), Retirement Villages Association (RVA)
Advocate for the advantage and interests of those in the field	Policy development, grant system	GPNZ, Business NZ, Minerals NZ, Petroleum Exploration and Production Assoc. of NZ
Campaign for a defined view on role and regulation, that's different from current status	Public commentary, policy input	Greenpeace, TUANZ, TechLiberty, InternetSociety

Insights from how others work

- **Technical roles are critical**. Internet organisations are necessary for the internet to run. Technical products, or certifying / vetting / rule-setting roles, are usually essential roles (the industry would stop, or public interest needs them). This is the source of their relevance, and their power as an organiser, leader and influencer.

- **Source of incomes dictate purpose**. The internet groups receive their income from domain users, and orientate themselves to operation of the internet. Sector-representatives receive most of their income from member fees, and orientate work to members' interests. Special interest advocacy require a lot of time on communications with members (for donations and advocacy clout).

- **Self-appointed and accepted authorities** are enabled latitude to exercise influence. Those who act as if they have power, and demonstrate that they wield it, are granted even more power.

- **Members give power (by weight of numbers and their social clout)** but only if they are serviced and engaged, so they regard themselves as members, expect it to represent their shared interests, but also expect to be have their interests defined, expanded and informed by the organisation.

- **Advocacy** works best the more focused it is on particular outcomes. Advocates can fulfill technical roles, yet also press particular interests. Members generally have an active role in the organization (usually through board and advisory committees). For example, the Retirement Villages Association

produces an operational code for members, and negotiates this with government agencies, yet contributes to government policy development and to public debate by advancing its members interests.

- **Campaigning** requires active or supportive members, and public attention, and /or a 'moral authority', and freedom from obligation or responsibility. Campaigners therefore don't have institutional roles, but they can use their members and expertise as leverage onto formal policy forming institutions.

.nz 4th Quarter Report

.nz Quarterly Report
Fourth Quarter ended 31 March 2013

Introduction

This is the final 'joint' .nz quarterly report for the 2012/13 financial year. Council is asked for feedback on this report and what changes, if any, Council would like to see for reports for the upcoming year. It is the intention of DNCL and NZRS to continue to provide a joint report to prevent the ongoing duplication of .nz information. There is nothing in this report that is confidential.

1.   Environment

a)   ICANN

There was no formal ICANN meeting over the quarter, with the next one set for April 2013 in Beijing. New gTLDs continue to be a major topic of discussion and activity in between meetings and this was seen over the quarter with ICANN undertaking a consultation on the issue of closed generics. More on this consultation in the "New gTLDs" section below.

Another topic that is progressing through the development process is the amendments to the Registrar Accreditation Agreement (RAA) and a consultation on the latest version was undertaken - http://www.icann.org/en/news/public-comment/proposed-raa-07mar13-en.htm. We have not commented specifically on the content of the RAA or the proposed changes but we are monitoring what is going on and will contribute if we consider it necessary and appropriate to do so.

b)   New gTLDs

The issue of generic words being 'closed' as top level domains is one that we believe is contrary to the TLD principles that we have adopted. NZRS and DNCL joined with InternetNZ in writing a submission to ICANN in response to their request for comments as to whether specific requirements should be attached to applications for closed generic TLDs such as .music, .beauty etc (http://www.icann.org/en/news/public-comment/closed-generic-05feb13-en.htm).

This submission can be seen at http://forum.icann.org/lists/comments-closed-generic-05feb13/pdfJqgGy619Ra.pdf. No decision on this matter has been published to date.

c)   Security

Planning proceeded for a one-day training course for Law Enforcement (not just Police but wider government agencies as well) covering Internet governance, structure of domain names and getting information from domain names, Regional Internet Registries and getting information relating to IP addresses. APNIC have confirmed their involvement and it is expected the first one will be held in the first quarter of the next financial year.

2.   Activities

a)   .nz Promotion and Marketing

Positive feedback continued to be received for the infographic designed to highlight 10 years of .nz as a shared registry system. This is online at http://dnc.org.nz/story/infographic. A number of people, including registrars, have requested a printed version of this.

Ten years of the SRS was also the focus of two functions held in March to mark the declaration of .nz as a competitive market. Guests at both the Auckland and Wellington events included registrars and those who helped contribute to the success of the changes made to the .nz domain name space back in 2002.

Work is well underway on the development of a .nz marketing website that is intended to help potential registrants understand the value of a domain name and choose .nz as that domain. The site will highlight the benefits of a .nz domain name and will also provide information in respect of setting up websites, using domain names for business and marketing and other subjects.

b)   Registrations at the Second Level proposal

Additional work was undertaken on the proposal to allow registrations at the second level. This included an analysis of the "conflicted names", a summary of meetings held with some of those who made submissions, a review of international events, and the identification of possible changes to the initial proposal to address some of the concerns raised in the submissions.

At their March meeting, the DNCL Board discussed the information and agreed to proceed to a second consultation on the proposal. It was considered there was sufficient support of, and benefit in, the proposal for it to proceed to another public comment period, particularly with the changes that will be made to try and mitigate some of the concerns expressed. This second consultation will likely start at the end of May and continue for a two month period.

c)   DNSSEC

Last quarter saw the completion of the DNSSEC implementation with the final second levels signed. Promoting DNSSEC amongst registrars, and the development of DNSSEC resources, are ongoing aspects of work for both NZRS and DNCL. Strategies will be discussed over the following quarters to increase the number of registrars offering DNSSEC services, and also promoting the benefits to registrants. At the time of this report, two .nz registrars had the "DNSSEC Friendly" status and four registrars could handle DS Records. Registrars are contacted regularly to check their status.

d)   SRS Architectural review

NZRS continued their architectural review of the SRS with extensive planning around switching from our own database replication system to a modern, off-the-shelf replication product. This project will continue for the rest of the year.

e)   Infrastructure

In the fourth quarter, NZRS worked on the following key infrastructure projects:

• Completed the establishment of a disaster recovery (DR) NZRS website, mail server and office servers located in a DR location in Auckland.

- The Hadoop data analysis cluster for analysing .nz traffic went live. No immediate results are expected from this as sufficient data needs to be collected first.

- The scheduled refresh of the hardware at the Albany (primary) SRS site was carried out.

- Work began on moving the secondary SRS from the Catalyst offices to the Avalon data centre.
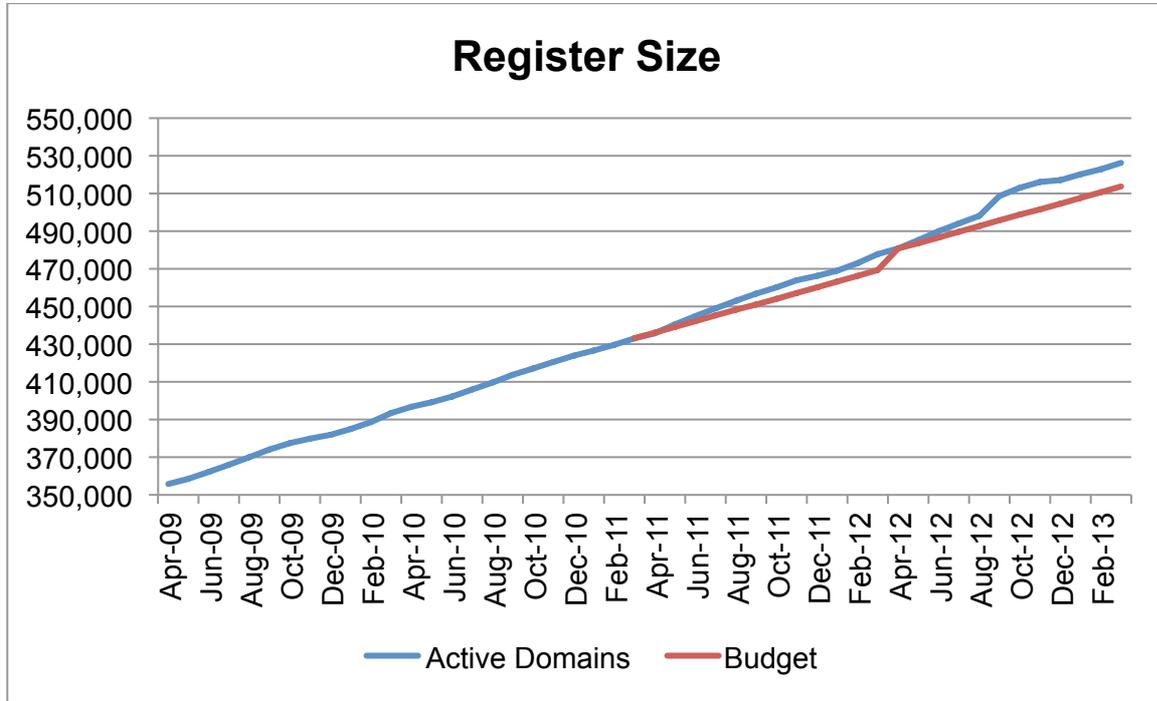
f)   International Engagement

- DNCL staff attended the APTLD in Singapore in February

- DNCL staff attended the APRICOT meeting in March

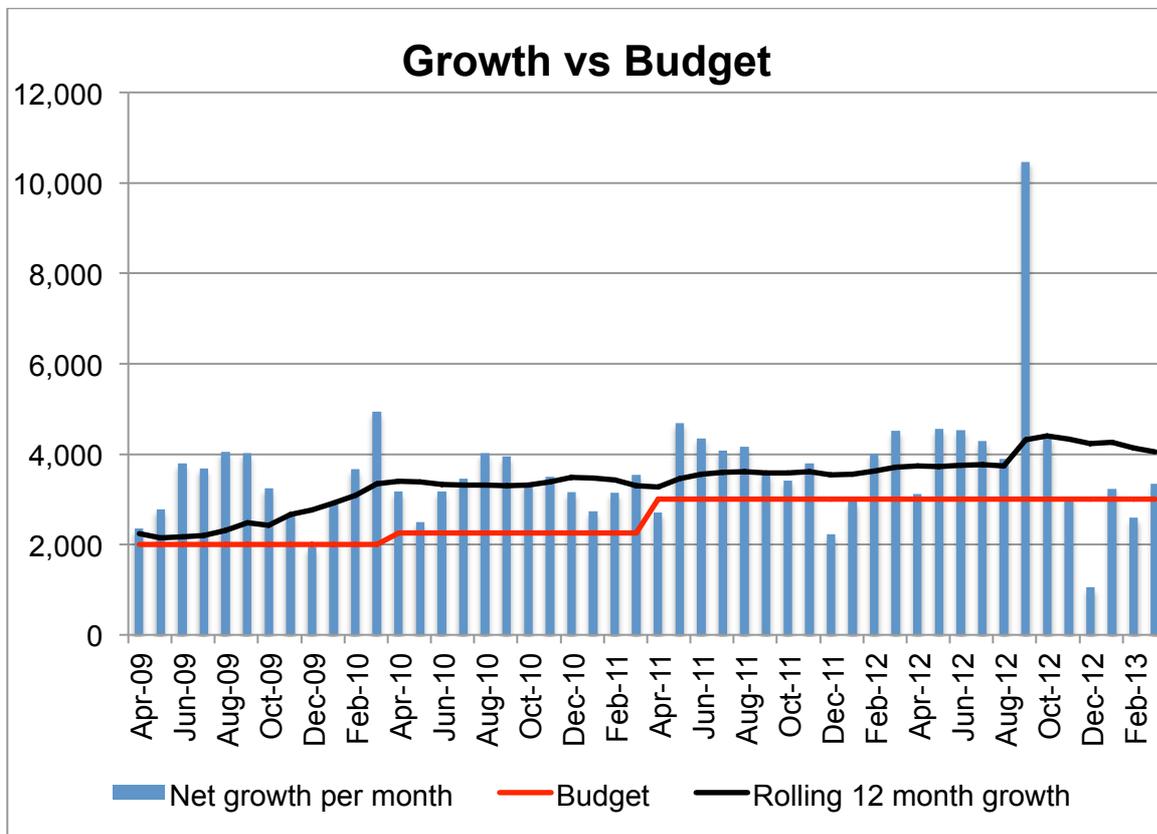## 3.   Statistics

a)   Domain Names

The size of the register against NZRS budgeted growth is shown in the chart below:

Register Size

The actual growth against NZRS budgeted growth is shown in the chart below:

Growth vs Budget

The average term (average number of months a domain is registered/renewed for) is shown in the chart below:

Average Domain Name Term (month)
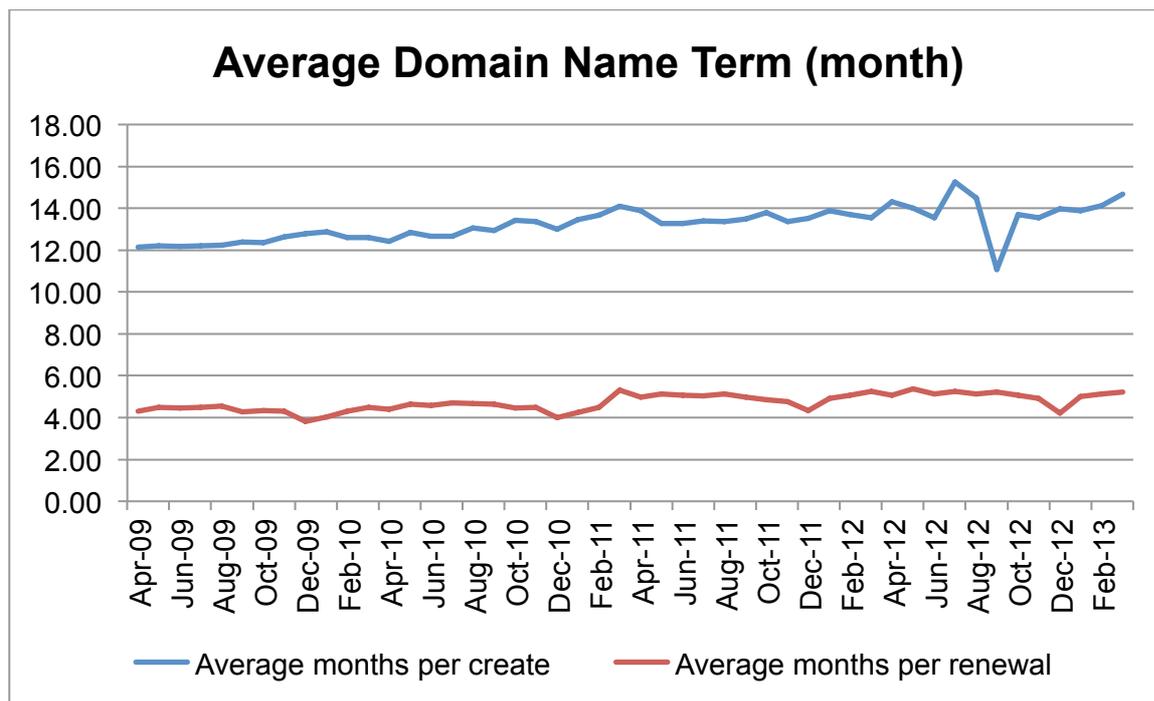
The breakdown of domain name growth by second level domain is noted in the table below:

	31 Jan 13	28 Feb 13	31 Mar 13
.ac	1,997	1,992	1,997
.co	445,651	447,886	450,912
.cri	13	13	13
.geek	1,219	1,220	1,216
.gen	1,409	1,401	1,398
.govt	1,114	1,117	1,118
.health	160	164	166
.iwi	77	78	78
.kiwi.nz	8,079	8,253	8,409
.maori	1,148	1,158	1,162
.mil	36	36	34
.net	28,560	28,653	28,784
.org	27,486	27,560	27,591
.parliament	9	9	9
.school	3,303	3,315	3,314
Total	**520,261**	**522,855**	**526,201**
Growth over previous month	3,224	2,594	3,346
Variance against NZRS budget	224	-406	346

Over the quarter, .nz domain names have increased from 517,037 to 526,201, a net increase of 9,164 or 1.8%. This compares with a growth of 11,496 (2.4%) in the same quarter last year.

b)   Registrars

Registrars authorised	84
Registrars connected	82

Number connected during the quarter: Nil
Number authorised during the quarter: Nil
Number de-authorised during the quarter: Nil

At the end of the quarter there were 82 authorised registrars in production (including the DNC registrar). The following chart shows the change in the number of registrar over the last three years:

The following chart shows the spread of registrars across the level of domain name registrations:
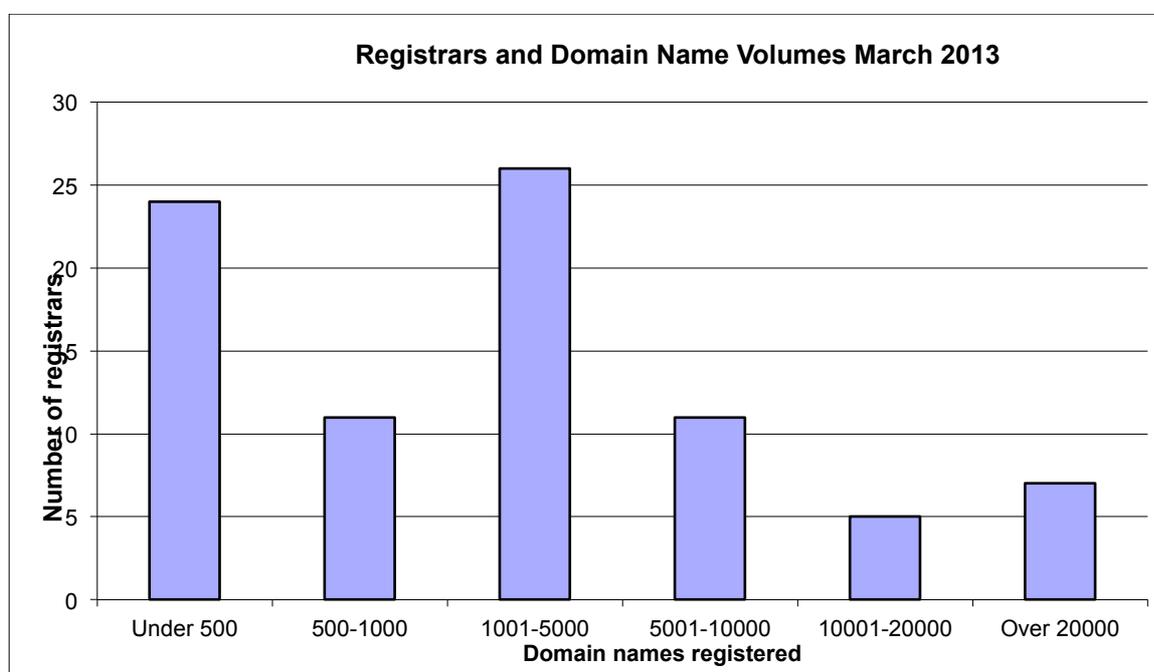
The following chart shows the number of authorised registrars connected to the SRS:
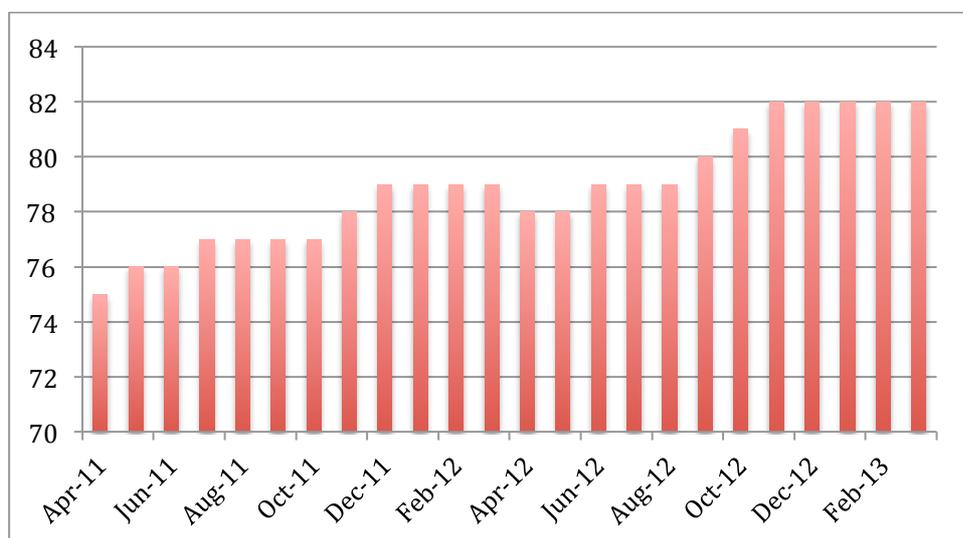
c)   Registry Performance

SLA targets achieved for January, February and March 2013.

SRS, DNS and Whois availability is noted in the table below:

System	SLA %	Jan-13	Feb-13	Mar-13
SRS	99.90%	100.00	99.96	100.00
DNS	100%	100.00	100.00	100.00
Whois	99.90%	100.00	100.00	100.00

Joy Liddicoat
Chair, DNCL

Richard Currey
Chair, NZRS

.nz 1st Quarter Report

.nz Quarterly Report
First Quarter ended 30 June 2013

Introduction

This is the first 'joint' .nz quarterly report for the 2013/14 financial year. Council is asked for feedback on this report and what changes, if any, Council would like to see for reports for the upcoming year. It is the intention of DNCL and NZRS to continue to provide a joint report to prevent the ongoing duplication of .nz information. There is nothing in this report that is confidential.

1.   Environment

a)   ICANN

ICANN 46 was held in Beijing in April. New gTLDs continue to be a major topic of discussion at ICANN meetings, and also of many aspects of the work done by ICANN in between meetings. The Beijing meeting reflected that with a significant amount of meeting time given over to update the ICANN community on the implementation process and policy developments.

The opening ceremony was unusual for the contrast between the rhetoric from ICANN, very much about strengthening multi-stakeholderism, and the actions of giving governments an increasing role to override community views. The Chinese minister was very keen to suggest that Chinese participation (i.e. control) in ICANN and global Internet structures should be proportionate to the Chinese population. It was surprising to see some support for this from the ICANN CE who announced the opening of a local ICANN office in Beijing.

One of the expected outputs of the Beijing meeting was the GAC advice to the ICANN Board on the new gTLD applications. After much discussion, and we understand some level of disagreement between members, the GAC delivered their communiqué at the last possible moment for discussion at the Thursday Public Forum where one of the items on the agenda was the GAC new gTLD advice. The GAC communiqué for Beijing is online at https://gacweb.icann.org/download/attachments/27132037/Beijing%20Communique%20april2013_Final.pdf?version=1&modificationDate=1365666376000&api=v2.

The GAC advice contains recommendations, in the form of 'safeguards' that are of concern to those who promote a multi-stakeholder approach to Internet governance. As examples the GAC is advising:

- Protection for International Governmental Organisations by having their names and acronyms reserved in every new TLD. The view of the GAC here is

  "IGOs perform an important global public mission with public funds, they are the creations of government under international law, and their names and acronyms warrant special protection in an expanded DNS."

- Any string that refers to any regulated or professional sector in any country should be operated in accordance with all local laws. In other words if one country regulates it

then the registry must partner with an appropriate industry trade association or regulator and only allow registrations that are allowed under that regulation, whatever country the registrant resides in. The GAC lists 385 new TLDs to whom these safeguards should apply including .game, .earth, .care, .cash, .bingo, .degree and .audio.

- Special protection should be put in place for a few TLDs to prevent them being used for cyber-bullying/harassment with the registry developing and policies policy around this. The TLDs affected are .fail, .gripe, .sucks and .wtf.

Since this GAC advice has been published, there have been many comments about the scope of it, particularly these safeguards, which have subsequently been the topic of an ICANN Board committee and public consultation http://www.icann.org/en/news/public-comment/gac-safeguard-advice-23apr13-en.htm. InternetNZ has made a submission which is published at http://forum.icann.org/lists/comments-gac-safeguard-advice-23apr13/msg00090.html.

DNSSEC is another ongoing subject with the implementation and uptake of DNSSEC the topic of a workshop that both the CE of NZRS and the DNC contributed to. The workshop covered a range of topics from basic implementation matters suitable for people unfamiliar with DNSSEC through to topics requiring an in-depth knowledge and understanding of the subject. The program for the day is at http://beijing46.icann.org/node/37125.

One of the more interesting themes emerging is that the technical problems created by new TLDs are much more of an issue than anyone thought. In particular SSL (web security) certificates have been issued for multiple domains that at that time did not exist and so no check of ownership took place. This becomes a problem if the registrant is not in control of all the SSL certificates issued for a new domain. It looks likely this will stop a new of new TLDs including .home and .corp.

b)   New gTLDs

There were no specific activities relating to new gTLDs that were untaken over the quarter. It was noted that the .kiwi application by Dot Kiwi Ltd passed its Initial Evaluation which means that it will continue through the implementation process and could be in place in the last quarter of the 2013 calendar year.

c)   Security

DNCL combined with APNIC to present a one day training course to a range of organisations in May. This course is designed to cover off things in more detail than the one hour presentation typically given. There is a larger focus around the IP address space, which is a key reason for DNCL inviting APNIC to be involved. APNIC were keen to contribute and covered their own costs of attendance. Feedback from participants, who ranged from NZ Police, DIA and NCSC, was positive and future courses are being planned. Places on these courses will be available to any person or organisation wanting to learn how to use the tools available to obtain information on IP addresses and domain names.

2.   Activities

a)   .nz Promotion and Marketing

A lot of hard work, primarily by NZRS' David Morrison, was rewarded with positive comments to the launch of the getyourselfonline.co.nz site. This website is the location to which potential registrants are encouraged to visit as various campaigns for .nz are developed. We will continue to test and understand visitor patterns and seek to improve engagement through to registrars. More content will be added, and refined, on an ongoing basis, in particular in the 'See the evidence' section. Almost all registrars have shown their support for this initiative by

providing logos and contact information for the site.

Channel management is progressing with most registrars having been visited personally and a marketing newsletter established that reaches 188 registrar marketing contacts.

b)   Registrations at the Second Level proposal

The second consultation on the proposal to allow registrations at the second level started on 31 May 2013 and continued through June with submissions closing on 31 July 2013. Changes have been made to the original proposal to address some of the concerns raised in submissions received during the first consultation round. The consultation paper and all submissions received can be seen at http://dnc.org.nz/second_level_proposal_c2. At the date of writing this report, 28 submissions had been received.

c)   DNSSEC

Five registrars are identified as 'handles DS records' with two of those meeting the criteria for "DNSSEC Friendly". Work is being done on identifying initiatives to improve the uptake of DNSSEC and this will be shared with Council when completed.

d)   SRS Architectural review

NZRS continued their architectural review of the SRS with work beginning on switching from our own database replication system to a modern, off-the-shelf replication product. This project will continue for the rest of the year.

e)   Infrastructure

In the this quarter, NZRS worked on the following key infrastructure projects:

- Completed the move of the secondary SRS site from Catalyst offices to our datacentre in Avalon.

- Build of the production .nz website.

f)   International Engagement

- DNCL and NZRS staff attended the ICANN meeting in Beijing, China in April

- DNCL staff attended the AusCERT meeting in May

- NZRS attended the CENTR Jamboree meeting in Amsterdam in June and attended five full day workshops between them. There were many examples of best practice and bad practice from which to learn. The five workshops were:

    o Admin. A key subject for discussion was the varying approaches to a registry/registrant lock service.

    o Research and Development.

    o Marketing. Again about 20 ccTLDs presented on recent experience, followed by a detailed session on crisis communications. We are one the few ccTLDs to have run a practise exercise.

    o Technical. We are instep with most of the European registries in what they are currently doing and the activity they are seeing.

    o Security. This contained a full and frank explanation from the .ie (Irish) registry on the recent successful hack of their systems with useful lessons shared.

g)   **Other matters**

*   Meetings of the DNCL Board were held in April and June. Minutes of these meetings are online at http://dnc.org.nz/content/Minutes_28_April_2013.html for April and http://dnc.org.nz/content/Minutes_27_June_2013.html for the June meeting.

*   NZRS detected a technical issue at the registry that allowed 17 IDN names to be registered contrary to the .nz policy as they contained various unusual symbols rather than the permitted alphanumeric characters. This was only possible where a single registrar sent unusually incorrect IDN registration information to the registry and the registry system failed to detect the error and incorrectly allowed the names to be registered. This resulted in domain names being able to be registered that did not meet the defined character set. NZRS have fixed the issue so these names are no longer able to be registered but there was an issue with how to handle the names already registered.

    The DNCL Board agreed with the DNC' s position that we should not permit names in the register that are against our policies and so the names should be cancelled. They also agreed it was fair for DNCL to offer the registrar a refund for the names involved given the circumstances.

    It was agreed that the wording of 4.2 of the RMC policy will be reviewed to make sure it is clear what characters are permitted. DNCL is still considering this IDN matter and will provide more information to Council at a later date.

*   The Manager of Security Policy represented InternetNZ on two Radio New Zealand interviews talking about security. http://www.radionz.co.nz/news/national/132496/govt-considers-new-'big-data'-hub and http://www.radionz.co.nz/news/national/132268/eqc-granted-injunction-over-leaked-email.

3. Statistics

a) Domain Names

The size of the register against NZRS budgeted growth is shown in the chart below:

Register Size

The actual growth against NZRS budgeted growth is shown in the chart below:

Growth vs Budget

The average term (average number of months a domain is registered/renewed for) is shown in the chart below:

Average Domain Name Term (month)

Legend: Average months per create — Average months per renewal
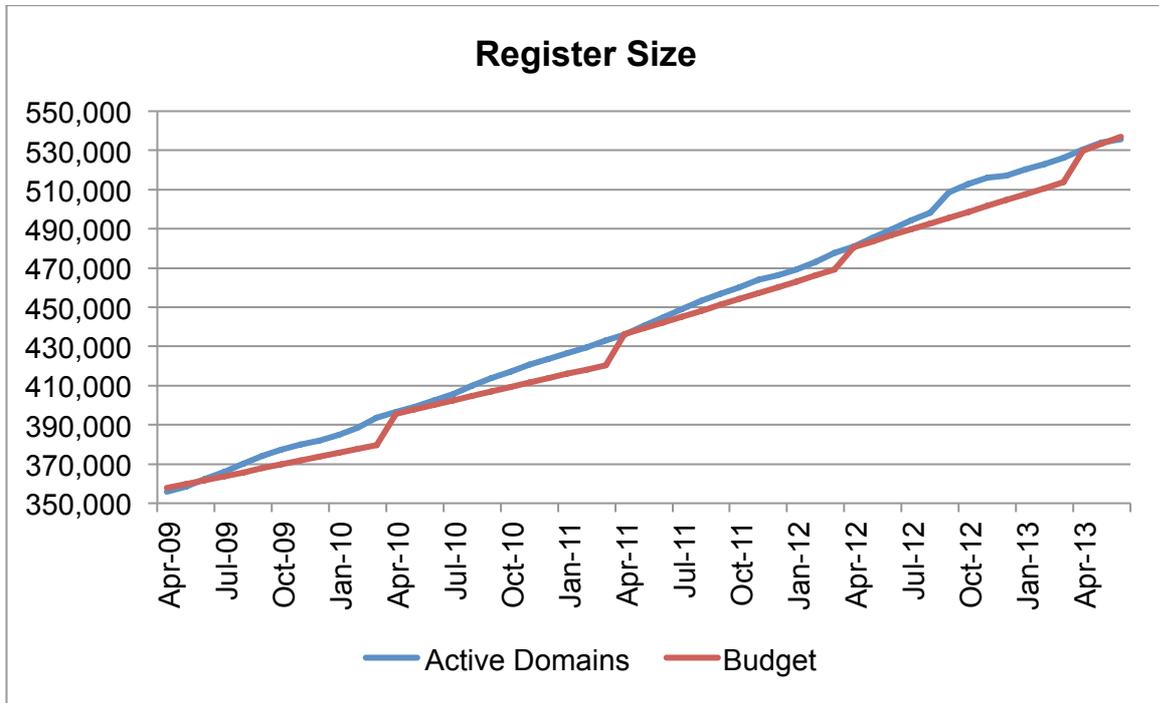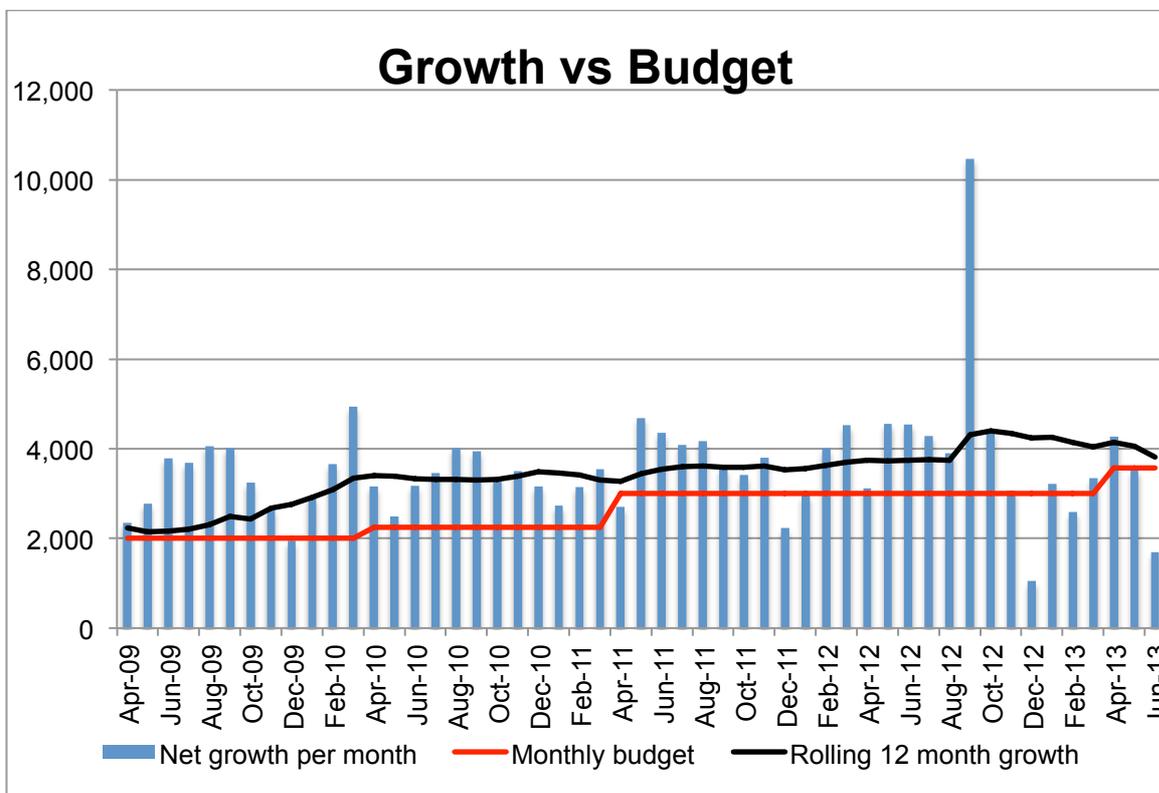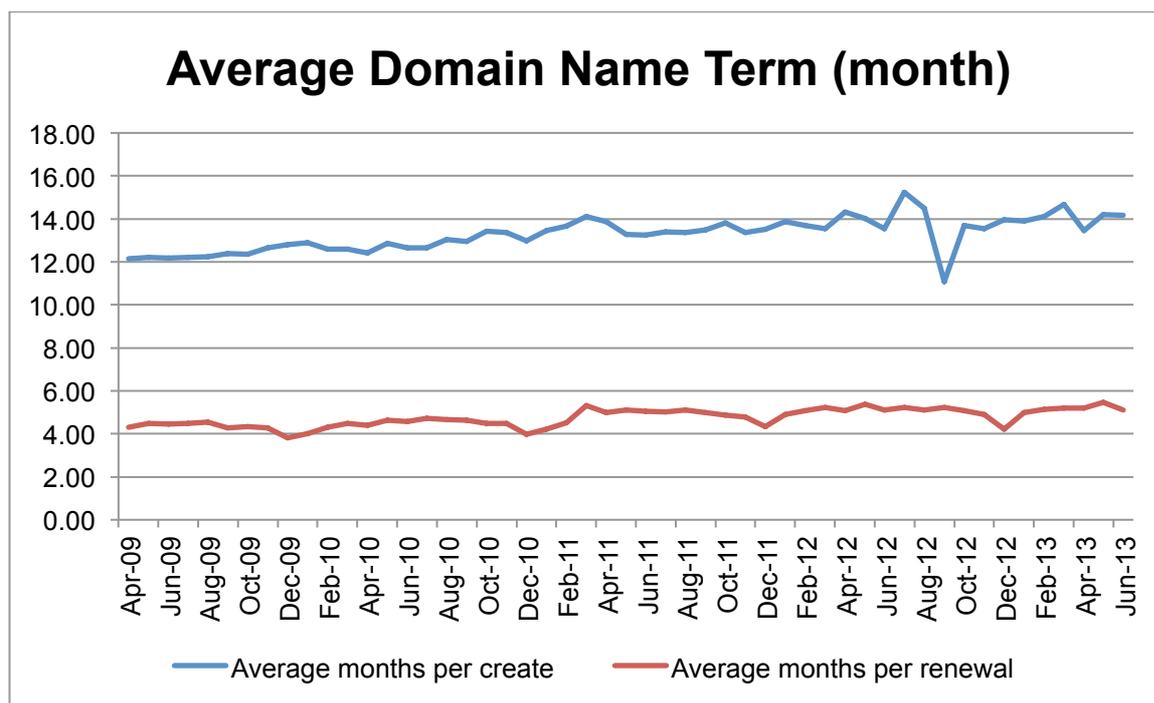
The breakdown of domain name growth by second level domain is noted in the table below:

	30 April 13	31 May 13	30 June 13
.ac	2,005	2,019	2,031
.co	454,768	457,741	459,070
.cri	12	12	12
.geek	1,231	1,226	1,239
.gen	1,394	1,383	1,383
.govt	1,119	1,122	1,125
.health	167	169	172
.iwi	79	78	82
.kiwi.nz	8,602	8,788	8,950
.maori	1,174	1,187	1,147
.mil	34	34	35
.net	28,958	29,096	29,229
.org	27,608	27,804	27,876
.parliament	9	10	10
.school	3,319	3,337	3,344
Total	**530,479**	**534,006**	**535,705**
Growth over previous month	4,278	3,572	1,699
Variance against NZRS budget	703	-48	-1876

Over the quarter, .nz domain names have increased from 526,201 to 535,705, a net increase of 9,504 or 1.8%. This compares with a growth of 12,207 (2.5%) in the same quarter last year.

b) Registrars

Registrars authorised	83
Registrars connected	81

Number connected during the quarter: Nil
Number authorised during the quarter: Nil
Number de-authorised during the quarter: One – de-authorised at the Registrar's request

At the end of the quarter there were 82 authorised registrars in production (including the DNC registrar). The following chart shows the change in the number of registrar over the last three years:

The following chart shows the spread of registrars across the level of domain name registrations:
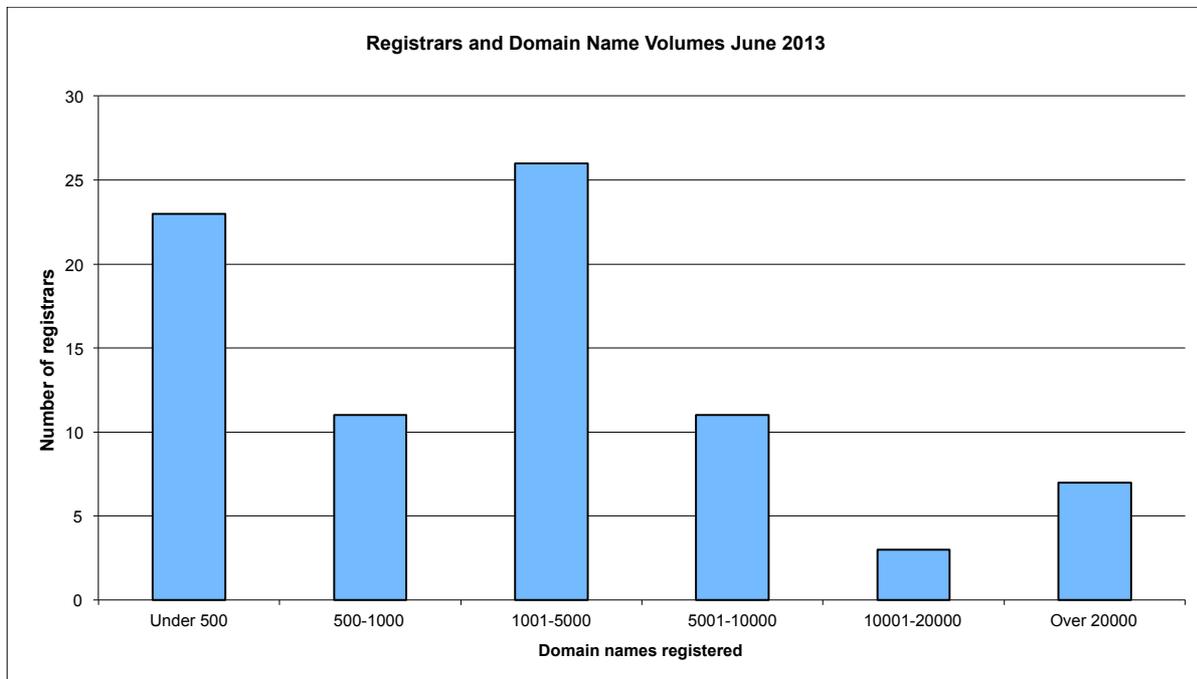
The following chart shows the number of authorised registrars connected to the SRS:
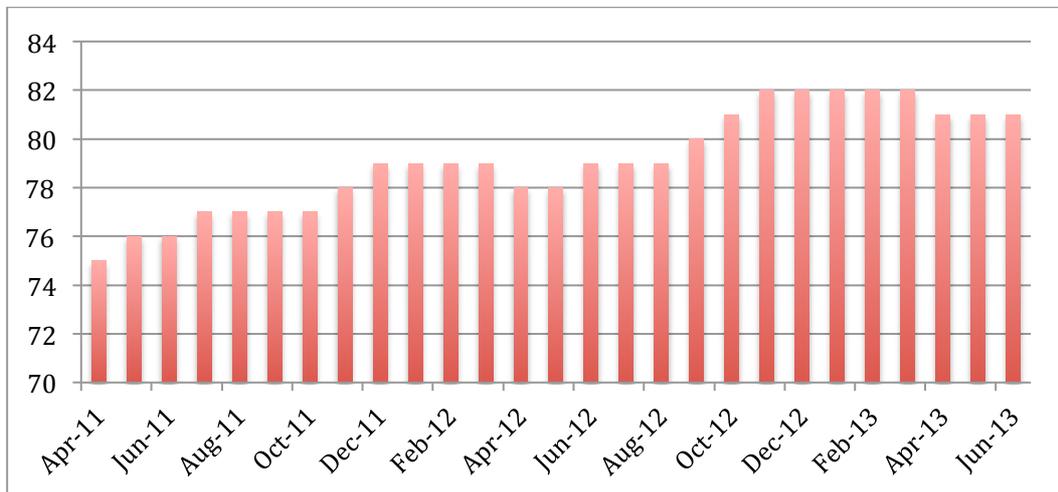
c) Registry Performance

SLA targets achieved for April, May and June 2013.

SRS, DNS and Whois availability is noted in the table below:

System	SLA %	Apr-13	May-13	Jun-13
SRS	99.90%	100.00	100.00	100.00
DNS	100%	100.00	100.00	100.00
Whois	99.90%	100.00	100.00	100.00

pp Michael Foley
Director, DNCL

Richard Currey
Chair, NZRS

DNCL 4th Quarter Report

May 2013

Dr Frank March
President
InternetNZ

Dear Frank

Fourth Quarter 2012/13 Financial report

As for the first three quarters reporting to Council, DNCL are reporting .nz activities in a joint Quarterly report with NZRS. This means that the financial reporting is all that remains to be reported to Council. As you are aware, the DNCL financials are not complicated and so I have included the Profit and Loss Statement in this letter. If Council requires any further information please let me know so I can include it in future reports.

Profit and Loss Statement
For Quarter ending 31 March 2013

	Jan - Mar 2013			Year-to-Date		
	Actual	**Budget**	**Variance**	**Actual**	**Budget**	**Variance**
INCOME						
Management Fees	352,800	352,800	0	1,411,200	1,411,200	0
Authorisation Fees	0	2,250	(2,250)	6,000	9,000	(3,000)
DRS Complaint Fees	2,000	9,000	(7,000)	26,000	36,000	(10,000)
Other Income	0	0	0	370	0	0
Interest Income	15,692	3,000	12,692	23,964	12,000	11,964
Total Income	**370,492**	**367,050**	**3,442**	**1,467,533**	**1,468,200**	**(667)**
EXPENSES						
Staff and Office Costs	210,271	217,536	7,265	751,615	772,945	21,330
Professional Services and Communications	49,443	58,751	9,308	90,659	220,750	130,091
Dispute Resolution Services	35,011	32,526	(2,485)	93,444	117,100	23,656
DNCL and DNC activities	24,605	48,777	24,172	115,186	195,100	79,914
International	31,074	40,000	8,926	216,728	246,000	29,272
Total Expenditure	**350,402**	**397,590**	**47,188**	**1,267,632**	**1,551,895**	**284,263**
Net Profit/Loss	**20,090**	**(30,540)**	**50,630**	**199,901**	**(83,695)**	**283,596**

Note: These are the unaudited figures for the financial year. The audited report will be provided to Council when it has been signed off.

A main reason for the underspending within DNCL was that the budget included a provision for a second consultation on the proposal to allow registrations at the second level. More research and information gathering was undertaken on various issues with the project meaning that the decision to proceed to a second consultation wasn't made until March 2013, meaning the expense of the

second consultation was not occurred in this financial year and provision has instead been made for the 2013/14 financial year. Legal expenses were also significantly under budget as no major investigations were undertaken over the year.

DNCL remains within the requirement of the Operating Agreement with InternetNZ in that the contingency held does not exceed 60% of the operational budget.

The Board of DNCL recommends that the Council of InternetNZ receives this report. Please do not hesitate to contact me if you have any questions.

Yours sincerely

Joy Liddicoat
Chair, DNCL

NZRS 4th Quarter Report

14 May 2013

Frank March
President
InternetNZ
PO Box 11 881
Wellington

Dear Frank

Re: 4th Quarter 2012 – 2013 Report

We enclose our fourth quarterly report of the 2012 - 2013 year; the quarter ended 31st March 2013. The report, which I submit on behalf of the Board, consists of the summarised management accounts and a commentary on financial, operational, and strategic issues in relation to the company's performance. There is nothing in the report that we regard as confidential.

This report meets the requirement of the Reporting Policy incorporated in the July 2008 INZ - NZRS Operating Agreement.

All reporting on .nz is found in our joint report with DNCL.

1. Financial

Enclosed are Statements of:

- Financial performance; and
- Financial position

These statements are based on our management accounts for the quarter.

At the November meeting of the NZRS board, a revised budget for the current financial year 2012-13 was adopted. A summary of this budget is provided and all reporting is against this revised budget.

The net profit before tax of $857,826 for the quarter was 20.5% above the budgeted $711,640.

Domain name growth was slightly above budget for the quarter (actual 9,164 versus budgeted 9,000). January's net growth was at 3,224, February's net growth at 2,594 and March's net growth at 3,346. Actual domain name fee income for the quarter was above budget by $102,582 (actual $2,021,781 versus budgeted $1,919,199).

Expenses for the quarter were $44,439 below budget (actual $1,235,150 versus budgeted $1,279,589) due mainly to timing and the strong NZ dollar.

During the quarter, a dividend of $795,000 was paid taking the total dividend paid so far to InternetNZ in the current financial year to $3,828,920.

The company's liquidity ratio was met.

3. Other Key Strategic and Operational Activities

a) Audit and Risk

During this quarter our annual security testing was completed by Insomnia Security. This looked at a number of NZRS system components including the web site, SRS registry application, DNSSEC host configurations and network penetration testing. Insomnia report that their testing has found that the reviewed components are primarily of a high security standard.

"Overall the primary SRS systems and application components were found to be of a high security standard. Underlying systems were found to be well firewalled and network segregated and common application flaws (such as XML injection) were found to be mitigated appropriately. Testing of the SRS service also included significant work to identify areas of the SRS where register and registrant messages maybe abused. None were identified during testing."

4. Service development

Work in this quarter has been on developing a set of opportunities to the briefing paper stage. We aim to share these more formally with Council over the next quarter. As part of this work the various elements of the Network Management Lab paper that were handed over to NZRS for consideration have been analysed and that analysis provided to InternetNZ for their decisions on the next steps.

Please do not hesitate to contact me if you have any queries.

Yours sincerely

Richard Currey
Chair

Appendix 1 – Summary analysis – Revised Mid year Budget

New Zealand Domain Name Registry Limited

BUDGETED STATEMENT OF FINANCIAL PERFORMANCE

	Mar-13	
	Original	Revised
	$	$
INCOME	7,781,157	8,001,631
DIRECT COSTS	2,787,011	2,789,329
GROSS PROFIT	4,994,146	5,212,302
OVERHEADS	1,594,887	1,588,313
OTHER COSTS	728,852	732,542
OPERATING PROFIT	2,670,407	2,891,447
NET PROFIT	2,670,407	2,891,447
INCOME TAX	0	0
PROFIT AFTER TAX	2,670,407	2,891,447
DIVIDEND ACCRUAL	-3,828,920	-3,828,920
RETAINED EARNINGS	-1,158,513	-937,473
CUMULATIVE	-1,158,513	-937,473

BUDGETED STATEMENT OF FINANCIAL POSITION

	Opening $	Original Mar-13 $	Revised Mar-13 $
FIXED ASSETS			
Software	2,018,143	2,378,143	2,408,143
Office Equipment	128,809	153,809	153,809
Computer Hardware	890,217	1,345,217	1,345,217
Accumulated Depreciation	-2,163,111	-2,891,963	-2,893,963
	874,058	985,206	1,013,206
INTANGIBLE ASSETS			
TradeMarks	10,698	10,698	50,698
Accumulated Depreciation	-10,698	-10,698	-12,388
	0	0	38,310
CURRENT ASSETS			
Bank	7,864,329	7,267,170	7,509,469
Trade Debtors	742,209	805,163	825,574
RWT Refund Due	0	0	0
Prepayments	52,557	52,557	52,557
Interest Receivable	149,937	149,937	149,937
	8,809,032	8,274,827	8,537,537
CREDITORS DUE WITHIN ONE YEAR			
Trade Creditors	250,973	293,597	294,599
Other Creditors	53,627	104,439	98,599
Deferred Income	5,356,466	5,998,486	6,111,304
Holiday and Sick Leave Accrued	38,029	38,029	38,029
	5,699,095	6,434,551	6,542,531
NET CURRENT ASSETS	3,109,937	1,840,276	1,995,006
TOTAL NET ASSETS	3,983,995	2,825,482	3,046,522
CAPITAL & RESERVES			
Share Capital	30,000	30,000	30,000
Reserves	3,953,995	2,795,482	3,016,522
	3,983,995	2,825,482	3,046,522
Liquidity (incl bus dev $400k)	125%	103%	105%
Surplus Cash over Required Liquidity	1,593,920	214,587	351,325

New Zealand Domain Name Registry Limited
Financial Statements
For the Quarter Ended 31st March 2013

Prepared By

Curtis McLean Limited
Chartered Accountants
Wellington   NZ

New Zealand Domain Name Registry Limited
Exclusion of Liability Statement
For the Quarter Ended 31st March 2013

We have compiled the Financial Statements comprising Statement of Financial Performance, Statement of Movements in Equity and Statement of Financial Position of New Zealand Domain Name Registry Limited for the period ended 31st March 2013.

A compilation is limited primarily to the collection, classification and summarisation of financial information supplied by the client. A compilation does not involve the verification of that information.

We have not carried out an audit or review engagement of the Financial Statements and therefore neither we nor any of our employees accept any responsibility for the accuracy of the material from which the Financial Statements have been prepared. Further, the Financial Statements have been prepared at the request of and for the purpose of the client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person.

Curtis McLean Limited
Chartered Accountants
Wellington   NZ

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New Zealand Domain Name Registry Limited
Statement of Financial Performance
For the Quarter Ended 31st March 2013

	This Quarter			Year to Date			Full Year	
	Actual	Budget	Variance	Actual	Budget	Variance	Budget	Last Year
Registry Fees	2,021,781	1,919,199	102,582	7,738,684	7,486,406	252,278	7,486,406	7,086,371
Less Direct Expenses								
DNC Management Fee	352,800	352,800	-	1,411,200	1,411,200	-	1,411,200	1,260,000
DNS Expenses	140,039	162,870	(22,832)	560,900	651,481	(90,581)	651,481	562,041
SRS Expenses	150,393	136,895	13,499	533,652	547,585	(13,933)	547,585	521,137
Other IT	58,591	43,170	15,421	212,277	176,745	35,532	176,745	172,329
Total Direct Expenses	701,823	695,735	6,088	2,718,029	2,787,011	(68,982)	2,787,011	2,515,507
Gross Profit	1,319,958	1,223,464	96,494	5,020,655	4,699,395	321,260	4,699,395	4,570,864
Less Other Expenses								
Depreciation & Amortisation	179,548	197,632	(18,084)	682,020	728,852	(46,832)	728,852	637,986
Overhead Expenses	353,779	386,222	(32,443)	1,469,555	1,594,887	(125,332)	1,594,887	1,260,104
Total Other Expenses	533,327	583,854	(50,527)	2,151,575	2,323,739	(172,164)	2,323,739	1,898,090
	786,631	639,610	147,021	2,869,080	2,375,656	493,424	2,375,656	2,672,774
Plus: Other Income								
Interest	71,195	72,030	(835)	287,526	294,751	(7,225)	294,751	347,504
Rental Lease Incentives Income	-	-	-	-	-	-	-	10,909
Net Profit Before Tax	857,826	711,640	146,186	3,156,606	2,670,407	486,199	2,670,407	3,031,187
Provision For Tax	-	-	-	-	-	-	-	-
Net Profit (Loss)	857,826	711,640	146,186	3,156,606	2,670,407	486,199	2,670,407	3,031,187

New Zealand Domain Name Registry Limited
Statement of Movements in Equity
For the Quarter Ended 31st March 2013

	This Year to Date	Last Year Full Year
Share Capital		
Opening Share Capital	30,000	30,000
Share Capital as at 31st March 2013	30,000	30,000
Retained Earnings		
Opening Retained Earnings	3,953,994	4,247,805
Plus:		
Net Tax Paid Profit (Loss) for Year	3,156,606	3,031,188
Less:		
Dividend Declared	3,828,920	3,324,999
Retained Earnings as at 31st March 2013	3,281,680	3,953,994
Equity as at 31st March 2013	$3,311,680	$3,983,994

These Financial Statements have not been reviewed or audited and should be read in conjunction with the attached Compilation Report

New Zealand Domain Name Registry Limited
Statement of Financial Position
As At 31st March 2013

| | End of Quarter | | | | End of Year | |
	Actual	Budget	Variance	LY Actual	Budget	LY Actual
Equity						
Share Capital	30,000	30,000	-	30,000	30,000	30,000
Retained Earnings	3,281,680	2,795,481	486,199	3,953,994	2,795,481	3,953,995
Total Equity	3,311,680	2,825,481	486,199	3,983,994	2,825,481	3,983,995
Liabilities:						
Creditors & Accruals	369,476	436,066	(66,591)	342,628	436,066	342,629
Deferred Income -						
Registry Fees	5,682,822	5,998,486	(315,664)	5,356,466	5,998,486	5,356,466
Total Liabitities	6,052,298	6,434,552	(382,255)	5,699,094	6,434,552	5,699,095
Funds Employed	9,363,978	9,260,033	103,944	9,683,088	9,260,033	9,683,090
Represented By:						
Current Assets						
Funds Held	7,423,866	7,267,170	156,696	7,864,329	7,267,170	7,864,330
Debtors & Prepayments	981,109	1,007,657	(26,548)	944,702	1,007,657	944,702
	8,404,975	8,274,827	130,148	8,809,031	8,274,827	8,809,032
Non Current Assets						
Fixed Assets	959,003	985,206	(26,204)	874,057	985,206	874,058
Total Non Current Assets	959,003	985,206	(26,204)	874,057	985,206	874,058
Total Assets	9,363,978	9,260,033	103,944	9,683,088	9,260,033	9,683,090

New Zealand Domain Name Registry Limited
Statement of Cash Flows
For the Quarter Ended 31 March 2013

	This Quarter			Year to Date				Full Year	
	Actual	Budget	Variance	Actual	Budget	Variance	Last Year (YTD)	Budget	LY Actual
Cash Flows From Operating Activities									
Cash Was Provided From:									
Registry Fees Received	2,030,926	2,386,920	-355,994	8,893,892	9,277,275	-383,383	8,193,008	9,277,275	8,193,008
Other Receipts	85,492	72,030	13,462	352,608	302,212	50,396	365,449	302,212	365,449
	2,116,418	2,458,950	-342,532	9,246,500	9,579,487	-332,987	8,558,456	9,579,487	8,558,457
Cash Was Distributed To:									
Payments to Suppliers and Employees	1,103,762	1,207,112	-103,350	4,635,642	4,931,267	-295,625	4,258,929	4,931,267	4,258,929
Net Taxation Paid (Refunded)		0	0	0	0	0	7,461	0	7,461
Net Dividend Paid	795,000	795,000	0	3,828,920	3,828,920	0	3,324,999	3,828,920	3,324,999
Net GST Paid	85,233	102,209	-16,976	314,176	530,959	-216,783	310,146	530,959	310,146
	1,983,995	2,104,321	-120,326	8,778,738	9,291,146	-512,408	7,901,534	9,291,146	7,901,534
Net Cashflows from Operating	132,423	354,629	-222,206	467,762	288,341	179,421	656,922	288,341	656,922
Cash Flows from Financing Activities									
Cash was Provided From:									
Share Capital	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
Cash was Distributed To:									
Repayment of Redeemable Preference Shares							0		-
Inland Revenue Use of Money Interest	0	0	0	0	0	0	0	0	0
Net Cash flows from Financing	0	0	0	0	0	0	0	0	-
Cash Flows from Investing Activities									
Cash was Provided From:									
Fitout Contribution	0	0	0	0	0	0	0	0	0
Cash was Distributed To:									
Purchase of Fixed Assets & Formation Expenses	199,634	241,500	-41,866	910,175	885,500	24,675	699,454	885,500	699,454
Net Cash flows from Investing Activities	-199,634	-241,500	41,866	-910,175	-885,500	-24,675	-699,454	-885,500	-699,454
Net Increase (Decrease) in Cash Held	-67,211	113,129	-180,340	-442,413	-597,159	154,746	-42,532	-597,159	-42,532
Plus Opening Cash Balance	7,489,126	7,154,041	335,085	7,864,329	7,864,329	0	7,906,861	7,864,329	7,906,861
Closing Cash Carried Forward	7,421,916	7,267,170	154,746	7,421,916	7,267,170	154,746	7,864,329	7,267,170	7,864,329
Closing Cash Comprises									
ASB Bank Cheque Account	414,633	-	-	414,633	-	-	523,059	0	523,059
ASB Bank Call Account	569,728	-	-	569,728	-	-	690,936	0	690,936
Term Deposits	6,437,556	-	-	6,437,556	-	-	6,650,335	0	6,650,335
Total Cash Held	7,421,916	7,267,170	154,746	7,421,916	7,267,170	154,746	7,864,329	7,267,170	7,864,329

NZRS 1st Quarter Report

20 July 2013

Frank March
President
InternetNZ
PO Box 11 881
Wellington

Dear Frank

Re: 1st Quarter 2013 – 2014 Report

We enclose our first quarterly report of the 2013 - 2014 year; the quarter ended 30th June 2013. The report, which I submit on behalf of the Board, consists of the summarised management accounts and a commentary on financial, operational, and strategic issues in relation to the company's performance. There is nothing in the report that we regard as confidential.

This report meets the requirement of the Reporting Policy incorporated in the July 2008 INZ - NZRS Operating Agreement.

All reporting on .nz is found in our joint report with DNCL.

1. Financial

Enclosed are Statements of:

- Financial performance; and
- Financial position

These statements are based on our management accounts for the quarter.

The net profit before tax of $867,461 for the quarter was 18% above the budgeted $735.584.

Domain name growth was slightly above budget for the quarter (actual 9,504 versus budgeted 9,000). April's net growth was at 4,278, May's net growth at 3,527 and June's net growth at 1,699. Actual domain name fee income for the quarter was above budget by $15,256 (actual $2,029,648 versus budgeted $2,014,392).

Expenses for the quarter were $47,343 below budget (actual $585,266 versus budgeted $632,609) due mainly to timing and the strong NZ dollar.

The company's liquidity ratio was met.

No dividends were paid during this quarter.

2. Other Key Strategic and Operational Activities

a) Audit and Risk

In this quarter we conducted a thorough security sweep of the offices looking for any form of surveillance device or signs of previously undetected intrusion. No issues were identified.

b) Technical research

NZRS has begun to establish a technical research team as agreed with Council. A briefing note has been supplied to InternetNZ and then on to members that sets out the purpose of this team and how it will operate. The feedback received so far has been unanimously positive.

3. Service development

Work in this quarter continues on developing a set of opportunities to the briefing paper stage.

We have conducted an analysis of the current NTP servers that shows that usage is well below the maximum threshold and so we are considering loosening the restrictions on use. Discussions are underway with a university regarding a specialised NTP server that they have developed and how this might be utilised or commercialised for our NTP network.

Please do not hesitate to contact me if you have any queries.

Yours sincerely

Richard Currey
Chair

New Zealand Domain Name Registry Limited
Financial Statements
For the Quarter Ended 30 June 2013

Prepared by

Curtis McLean Limited
Chartered Accountants
Wellington   NZ

New Zealand Domain Name Registry Limited
Financial Statements
For the Quarter Ended 30 June 2013

Statement of Financial Performance

Balance Sheet

Statement of Cash Flows

Profit & Loss

NZ Domain Name Registry Ltd
For the 3 months ended 30 June 2013

	Actual	Budget	Var NZD	Var %	YTD Actual	YTD Budget	Var NZD	Var %
Income								
Registry Fees	2,029,648	2,014,392	15,256▲	0.8%▲	2,029,648	2,014,392	15,256▲	0.8%▲
Total Income	**2,029,648**	**2,014,392**	**15,256**	**0.8%**	**2,029,648**	**2,014,392**	**15,256**	**0.8%**
Less Cost of Sales								
DNC Fee (348)	373,968	375,000	(1,032)▼	-0.3%▼	373,968	375,000	(1,032)▼	-0.3%▼
DNS Expenses	131,006	162,588	(31,582)▼	-19.4%▼	131,006	162,588	(31,582)▼	-19.4%▼
Other IT	30,476	48,519	(18,043)▼	-37.2%▼	30,476	48,519	(18,043)▼	-37.2%▼
SRS Expenses	114,631	138,816	(24,185)▼	-17.4%▼	114,631	138,816	(24,185)▼	-17.4%▼
Total Cost of Sales	**650,081**	**724,923**	**(74,842)**	**-10.3%**	**650,081**	**724,923**	**(74,842)**	**-10.3%**
Gross Profit	**1,379,567**	**1,289,469**	**90,098**	**7.0%**	**1,379,567**	**1,289,469**	**90,098**	**7.0%**
Less Operating Expenses								
Depreciation & Amortisation	184,127	184,127	-	0.0%	184,127	184,127	-	0.0%
Overhead Expenses	401,139	448,482	(47,343)▼	-10.6%▼	401,139	448,482	(47,343)▼	-10.6%▼
Total Operating Expenses	**585,266**	**632,609**	**(47,343)**	**-7.5%**	**585,266**	**632,609**	**(47,343)**	**-7.5%**
Operating Profit	**794,301**	**656,860**	**137,441**	**21.0%**	**794,301**	**656,860**	**137,441**	**21.0%**
Non-operating Income								
Interest Received (203)	73,160	78,724	(5,564)▼	-7.1%▼	73,160	78,724	(5,564)▼	-7.1%▼
Total Non-operating Income	**73,160**	**78,724**	**(5,564)**	**-7.1%**	**73,160**	**78,724**	**(5,564)**	**-7.1%**
Net Profit	**867,461**	**735,584**	**131,877**	**18.0%**	**867,461**	**735,584**	**131,877**	**18.0%**

These Financial Statements have not been reviewed or audited and should be read in conjunction with the attached Compilation Report

Balance Sheet

NZ Domain Name Registry Ltd
As at 30 June 2013

	30 Jun 2013	31 Mar 2013
Assets		
Bank		
Cash and Cash Equivalents	8,419,344	7,423,866
Total Bank	**8,419,344**	**7,423,866**
Current Assets		
Accounts Receivable	778,585	805,132
Credit Card - Prepayments (68701)	3,000	-
Interest Receivable (688)	104,407	81,410
Prepayments/Credits (687)	65,213	87,106
Resident Withholding Tax Deducted (684)	7,461	7,461
Total Current Assets	**958,666**	**981,108**
Fixed Assets		
Fixed Assets	946,012	959,003
Total Fixed Assets	**946,012**	**959,003**
Total Assets	**10,324,022**	**9,363,977**
Liabilities		
Current Liabilities		
Accounts Payable	256,547	314,201
Deferred Income - Registry Fees	5,856,735	5,682,822
GST	31,598	55,273
Rounding (860)	-	-
Total Current Liabilities	**6,144,881**	**6,052,296**
Non-Current Liabilities		
Deferred Income - Adjustment (81700)	327,195	327,195
Total Non-Current Liabilities	**327,195**	**327,195**
Total Liabilities	**6,472,076**	**6,379,491**
Net Assets	**3,851,946**	**2,984,485**
Equity		
30,000 Ordinary Shares (60100)	30,000	30,000
Current Year Earnings	867,461	3,121,803
Dividend Payment (483)	-	(3,828,920)
Retained Earnings (638)	2,954,485	3,661,602
Total Equity	**3,851,946**	**2,984,485**

These Financial Statements have not been reviewed or audited and should be read in conjunction with the attached Compilation Report

New Zealand Domain Name Registry Limited
Statement of Cash Flows
For the Quarter Ended 30 June 2013

	This Quarter			Year to Date				Full Year	
	Actual	Budget	Variance	Actual	Budget	Variance	Last Year (YTD)	Budget	LY Actual
Cash Flows From Operating Activities									
Cash Was Provided From:									
Registry Fees Received	2,457,401	2,478,467	(21,066)	2,457,401	2,478,467	(21,066)	2,242,335	10,255,784	8,893,892
Other Receipts	50,163	78,724	(28,561)	50,163	78,724	(28,561)	40,506	314,695	354,557
	2,507,564	2,557,191	(49,627)	2,507,564	2,557,191	(49,627)	2,282,841	10,570,479	9,248,449
Cash Was Distributed To:									
Payments to Suppliers and Employees	1,173,669	1,344,029	(170,360)	1,173,669	1,344,029	(170,360)	1,209,162	5,373,197	4,635,642
Net Taxation Paid	0	0	0	0	0	0	0	0	-
Net Dividend Paid	0	0	0	0	0	0	400,000	3,009,637	3,828,920
Net GST Paid	119,928	158,766	(38,838)	119,928	158,766	(38,838)	108,531	601,821	314,176
	1,293,597	1,502,795	(209,198)	1,293,597	1,502,795	(209,198)	1,717,693	8,984,655	8,778,738
Net Cashflows from Operating	1,213,967	1,054,396	159,571	1,213,967	1,054,396	159,571	565,148	1,585,824	469,710
Cash Flows from Financing Activities									
Cash was Provided From:									
Share Capital	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0		0	0
Cash was Distributed To:									
Repayment of Redeemable Preference Shares									
Inland Revenue Use of Money Interest	0	0	0	0	0	0	0	0	0
Net Cash flows from Financing	0	0	0	0	0	0	0	0	0
Cash Flows from Investing Activities									
Cash was Provided From:									
Fitout Contribution	0	0	0	0	0	0	0	0	0
Cash was Distributed To:									
Purchase of Fixed Assets & Formation Expenses	218,488	172,500	45,988	218,488	172,500	45,988	208,667	948,750	910,175
Net Cash flows from Investing Activities	(218,488)	(172,500)	(45,988)	(218,488)	(172,500)	(45,988)	(208,667)	(948,750)	(910,175)
Net Increase (Decrease) in Cash Held	995,479	881,896	113,583	995,479	881,896	113,583	356,481	637,074	(440,465)
Plus Opening Cash Balance	7,423,866	7,423,866	-0	7,423,866	7,423,866	-0	7,864,329	7,423,865	7,864,329
Closing Cash Carried Forward	8,419,344	8,305,762	113,582	8,419,344	8,305,762	113,582	8,220,810	8,060,940	7,423,865
Closing Cash Comprises									
ASB Bank Cheque Account	809,948	-	-	809,948	-	-	237,855	8,060,940	414,633
ASB Bank Call Account	1,121,930	-	-	1,121,930	-	-	1,843,094	-	569,728
Term Deposits	6,487,465	-	-	6,487,465	-	-	6,139,861	-	6,439,505
Total Cash Held	8,419,344	8,305,762	113,582	8,419,344	8,305,762	113,582	8,220,810	8,060,940	7,423,865

NZRS Statement of Goals

31 May 2013

Frank March
President
InternetNZ
PO Box 11881
Wellington

Dear Frank

Re: NZDNRL – Statement of Direction and Goals

As outlined to you in March 2013, NZRS noted it would provide to InternetNZ as shareholder, its final Statement of Direction and Goals, incorporating any changes arising at year-end. These changes have now been included in the enclosed Statement of Direction and Goals for the 3-year period 2013 - 2014 through 2015 - 2016.

In line with our policy of openness and transparency, we welcome the publication of this statement and do not require it to be treated as confidential.

I will be available to attend the InternetNZ Council meeting in August and respond to any comments or answer any questions that Council may have on the Statement of Direction and Goals.

Yours sincerely

Richard Currey
Chairman

Statement of
Direction and Goals

(incorporating strategy, key performance indicators and 3-year budgets)

for the 3 Years
2013 - 2014 to 2015 - 2016

June 2013

NZRS Statement of Direction and Goals

Contents

Introduction

This NZRS Statement of Direction and Goals has been prepared under the Planning and Reporting framework adopted by InternetNZ Council following the 2007 InternetNZ Structural Review. That framework provides for this Statement of Direction and Goals to include strategic direction, key performance indicators and 3-year budgets.

This Statement of Direction and Goals InternetNZ incorporates the expectations set out by InternetNZ in its Statement of Expectations.

This Statement of Direction and Goals is final. The budget has changed from that reported in the previous draft Statement of Direction and Goals to take into account the following factors:

- The end of year financial performance for the 2012-13 financial year. Growth in that year was higher than budgeted, and expenditure lower. This led to an increased profit than budgeted.

- The change in income recognition policy to meet the expectations of our auditors and the impact of that on liquidity.

- The decision by InternetNZ Council to keep the .nz domain name fee unchanged.

- The decision by the board to create a technical research team, which has received broad support from InternetNZ Council.

The Changed NZRS Operating Environment

The environment in which we operate is changing across a raft of fronts and our strategy for the coming year reflects that. There are several key factors that drive our strategy:

Global economic climate

The global economic climate continues to be very volatile with little scope for accurately predicting the future. However the indicators for NZ are currently good and attempts to restart the housing market have worked and may indicate a few years of growth before any serious attempt is made to tackle household and government debt.

Impact of new gTLDs

We have identified a number of competing scenarios for how new gTLDs will affect nz:

1. Left of the dot matters. Increased availability of TLDs leads to a levelling off of .nz growth as people get the left hand side they want in a TLD that is new to them.

2. Right of the dot matters. .nz becomes a premium brand in an otherwise commoditised market where too much choice puts people off.

3. .nz rides the wave. New TLDs means an increased awareness of domain names leading the overall market to grow and .nz to grow along with it.

4. .nz encounters stiff competition. New TLD promotions dominate advertising and registrar shelves and .nz is forced to compete in a very different market.

In addition to these undecided scenarios there are some outcomes that appear very likely:

- There will be lots of noise in the press and lots of campaigns by new TLDs. Some TLDs will be driven to advertise directly rather than rely on registrars, particularly if they will also be the sole registrar for the TLD.

- The variety of the way that domains are sold will increase. Some TLDs will have dynamic pricing (similar to license plates) direct from the registry, others will include the use of a specific website structure, mandated by the registry.

These developments are likely to lead, over time, to a change in registrant perceptions of how the domain name market operates and what the possible ways of using a domain name are.

Distribution model

Research shows that our channel includes thousands of resellers of our 80+ accredited registrars. This is many more than we had estimated previously. Many resellers act as trusted advisers to registrants, helping them to identify the right domain name. They also come in all forms from individual web designers to large law firms. Our channel management will focus on these resellers as well as the registrars for it to be as effective as possible.

International peers

The ccTLD community remains fairly stratified. At the top are the largest ccTLDs with a large and professional organisation operating the registry and a mix of regulatory arrangements. Just below them are the smaller but equally professional ccTLDs such as .nz, though with fewer resources they are unable to cover the same range of organisational functions as the larger ccTLDs (for example - a technical research team). Then there are the many smaller registries with sound commercial enterprises but a significantly underdeveloped policy and regulatory framework. And finally there are those ccTLDs that are still run as volunteer efforts or without professional oversight.

There are a number of developments that are changing this landscape:

- Many ccTLDs have an interest in new gTLDs blurring the previously clear distinctions between types of TLD. The impact on global TLD governance is yet to be felt.

- ICANN has a new, professional and capable CEO with a team to match. Many of the difficult or even previously intractable problems are being urgently addressed.

- Many ccTLDs have responded to the advent of new gTLDs by employing marketing staff and developing promotional programmes. This provides increased opportunities for knowledge sharing.

- The market of suppliers to TLDs has professionalised and grown rapidly to take advantage of the new gTLD programme. An increasing number of ccTLDs are taking advantage of this and outsourcing part of their operations or offering services to other TLDs.

Best practice in domain name registries

The domain name industry is a maturing market that has yet to develop formal benchmarks of quality assurance that can independently test for compliance with best practice. We have begun to take the lead within our industry to develop agreement on best practice and benchmarking, while in the interim relying on regular contact with international peers to enable informal assessment.

The implementation of DNSSEC marked another milestone in the development of a best practice registry. We have had the benefit of learning from the tribulations of early adopters while also being at the forefront of innovation ourselves. Our DNSSEC Practice Statement was ground breaking for a registry of our size and the consultation that went into it was world leading for any registry of any size.

NZRS is one of a small group of registries to implement a "big data" system to analyse the increasingly large volumes of traffic to our servers that we capture. Our systems see unique data and from an exceptionally wide number of sources in comparison to our size. This provides us with notable opportunities to increase our data capture and analysis and to mix this with other data sets to provide entirely new insights and services.

Cloud services

We continue to see a trend of businesses and individuals moving away from local IT equipment to cloud services. Our analysis of this trend and the impact on domain names is:

- The way people inside enterprises buy domain names is changing as less internal IT kit means less internal IT staff and so the trusted third parties that non-technical people use for advice when registering domain names are less likely to be found inside the enterprise.

- The nature of the customers is changing. The number of large cloud platforms is unlikely to be numerous as the requirements of datacentre power/cooling and uninterruptable Internet become a hurdle that cuts out smaller operators. Small cloud platforms will continue to operate but are increasingly likely to service niche markets only. It will become increasingly important for us to ensure that the larger cloud providers sell .nz as part of their domain name portfolio.

Social networking

This is increasingly becoming cloud services for the individual rather than a phenomenon in its own right. The implications for domain names are:

- Social networking has eliminated much of the demand for personal websites and so in turn reduced the chances of a surge in demand for domain names for naming personal sites.

- Portability and ownership of data do not seem to matter for social networking users and so domain names cannot be sold as part of a solution to this non-existent problem.

- Social networking is increasingly replacing email as a means of communication, which may have a detrimental impact on domain name sales.

- The huge danger is if a social networking site gets big enough that companies can operate entirely on that platform without any need for an external presence and so not need a domain name.

User experience

The IT industry as a whole is belatedly realising that a simple, consistent and tightly managed user experience can be far more profitable than given people lots of choice.

We are likely to see many new TLDs offer a domain name as part of a consistent and tightly managed service. For example, if anyone were to bid for dotPigeon (which nobody has) then they might offer the domain name as part of a package that includes a standard web site that must be used to host the domain. This site would offer limited visual customisation but be fully

geared up to serve the needs of pigeon fanciers offering a module for tracking racing times, a platform for third parties to sell special products such as high-performance feed and a trading/auction platform for those who specialise in breeding pigeons.

Offering an open, do-what-you-like TLD as we do may become a minority business model.

Apps

Increasingly apps are being used instead of web sites, particularly on mobile devices because they provide a better user experience. This move as it is currently unfolding is unlikely to have any adverse impact on domain names because:

- Developers need to support multiple app platforms and a website remains a good option for an overarching presence.

- Many apps now expect the Internet to be always-on and so access data remotely from a website rather than storing it locally. This also ensures that the data an app uses is always up to date and the same on all platforms and versions.

- In-app analytics remains weak, while the control of the app platform supplier is strong and so using a website backend provides app developers with better usage information while reducing the chance of app platform lock-in.

The question remains of what role apps should play in the NZRS service offering.

NZ Internet Infrastructure

One of the most important parts of a national Internet infrastructure is the peering fabric – where and how the various ISPs interconnect and exchange data. NZ has Internet peering exchanges (IXPs) in most major cities but they are significantly less important for interconnectivity between ISPs and interconnection between ISPs is not ubiquitous or consistent.

The impact on us of the current situation is that it notably increases the number of name servers that we need to run in order to ensure consistent and responsive access to all ISPs. We also run the risk of being seen as favouring some ISPs over others if we do not cover the whole market equally. Rather than implement an excessive number of name servers, we do not distribute them in a balanced fashion, and run the risks identified above.

Other areas of lack are the public services that we rely on others providing, which either do not exist or are unreliable. Examples that we have had to provide for ourselves and the wider community include PGP (cryptography) key servers or NTP (network time) servers, which did exist but had reliability issues.

While providing these services for ourselves comes at greater cost than if we used a service provided by someone else, this cloud does have a silver lining because it is within our mission to make those services public even if it costs us slightly more in higher administration costs.

NZRS Vision, Mission and Values

Vision:

> *Excellence in registry management through superior service and the innovative application of technology*.

Mission:

> *To provide robust, reliable registry services enabling people, entities and communities to access and gain increasing benefit from the internet*.

The Board, management and staff are committed to the following set of values in the way NZRS operates:

- ethical behaviour shown by professional practice with integrity
- excellence in service and systems through continuous improvement, technological innovation and understanding the customers
- independence of contribution, diversity of views
- commitment to leadership, innovation and an outward focus
- respect for fair competition in the market place through efficiency and transparency.

These values shape the culture of the company.

Strategic Goals

Our five strategic goals are to:

1. Deliver a world-class domain name service to registrars, their customers and all Internet users.
2. Deliver world-class registry services that continually improve.
3. Support InternetNZ through tangible contributions of income, governance and management resources, and expert knowledge.
4. Develop our services and technology within a long term evolutionary framework to meet the future needs of Internet users.
5. Deliver, in partnership with DNCL, a successful long-term strategy for .nz.

Key Priorities

NZRS continues its strong focus on it strategic goals by:

- Providing value for customers through a fast, robust, reliable, value for money service

- Respecting and protecting the rights and interests of the registrants

- Generating income to support the goals of the shareholder

- Utilising technology innovatively to provide a more cost effective, superior service

- Influencing the market and industry environment through partnerships with key stakeholders

- Keeping abreast of the market and industry developments in the technology sector to identify trends and growth opportunities

- Maintaining professional service-focused relationships.

Our annual cycle of external audit and review of systems, processes and entities remains core to our goals of world-class services. In this cycle we:

- Commission an annual wide-ranging sophisticated and independent security review and implement the recommendations. This includes the commissioning of real-world penetration tests across our production systems.

- Review all our internal policies and procedures, including the normal twice-yearly financial audits, against a wide range of sources of best practice.

- Conduct thorough risk reviews that feed directly into company strategy and budget planning cycle.

- Maintain a comprehensive disaster recovery plan that is both externally reviewed and tested in an annual exercise involving multiple suppliers and personnel.

Key work items for the coming year are aligned with our strategic goals:

1. *Deliver a world-class domain name service to registrars, their customers and all Internet users*:

    o   Build on our new data analysis cluster to provide greater visibility to registrars and their registrants of their traffic and overall DNS presence.

    o   Optimise the placement of .nz nameservers, which includes addressing issues of peering and international connectivity.

    o   Support an increased adoption of DNSSEC by registrars while improving our own DNSSEC infrastructure.

2. *Deliver world-class registry services that continually improve.*

    o   Finish the implementation of the SRS architectural review that futureproofs the SRS.

    o   Deliver a modernised web UI for registrars.

    o   Relocate the SRS infrastructure to mitigate against risks, including futureproofing for expected growth.

- o Work with DNCL on potential new .nz services for registrars that increase the protection of registrants.
- o Work, in conjunction with DNCL and international peers, on a maturity model for ccTLD registry operations.
- o Engage in the evolution of international technical standards for registries.

3. *Support InternetNZ through tangible contributions of income, governance and management resources, and expert knowledge*:

- o Follow through the existing business development pipeline with identified opportunities.
- o Support increased cooperation and collaboration on shared strategic planning with InternetNZ and DNCL.

4. *Develop our services and technology within a long term evolutionary framework to meet the future needs of Internet users*

- o Research how our data analysis cluster can be used to support InternetNZ policy outcomes and objects.
- o Conduct a minor refresh of our NTP service to address user requests for enhanced service.
- o Revisit third-party proposals for NZRS to become a gTLD registrar.

5. *Deliver, in partnership with DNCL, a successful long-term strategy for .nz:*

- o Work with DNCL to create a full strategy for .nz.
- o Continue to develop and implement a channel management strategy for registrars.
- o Using research as the basis for decision making, create a marketing strategy for .nz and a strong brand to support this.
- o Actively seek out best practice at the international level and share .nz best practice.

Key Performance Indicators and Budget Assumptions

Domain name growth

Growth varies significantly from month to month and so is best understood using a rolling 12-month average, which is the measure we aim to track for budgeting purposes. The following chart shows growth against budget:
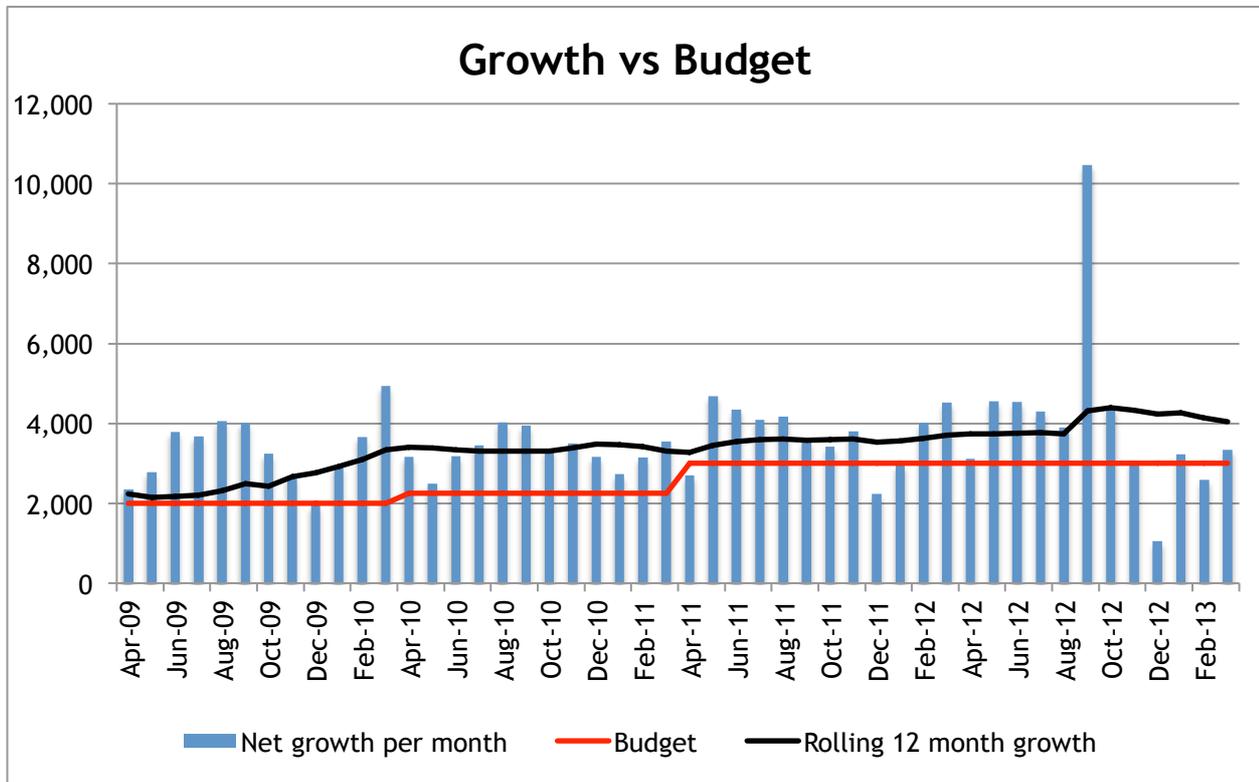
From analysis of current and past growth and the environmental factors detailed above, we forecast growth three years ahead, which is then incorporated into our budget. The following table shows our performance the current and previous years and the forecast for the following three years:

Net growth	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Monthly budget	3,000	3,000	3,575	3,575	3,575
Monthly actuals	3,708	4,043	-	-	-
Yearly total	44,505	48,516	42,900	42,900	42,900

System availability

NZRS's key performance targets for SRS and DNS systems availability are based on the current Service Level Agreement (SLA) with DNCL, which contains a suite of availability and response

times metrics. The company has consistently met the key metrics under the SLA and is committing to do so across this planning period. NZRS's key performance targets based on the main availability metrics under the SLA are:

- DNS availability: 100%

- SRS availability: 99.9%

- WHOIS availability: 99.9%

General assumptions

The following general assumptions are made for budgeting purposes:

- All financial amounts noted in budget exclude GST.

- The current dividend policy remains in place.

- NZRS pays no income tax as a consequence of our charitable status, which in turn is dependent on the charitable status of InternetNZ.

- NZRS continues to pay a management fee to Domain Name Commission Ltd.

Financial key performance indicators

NZRS's financial performance indicators relate to each year's domain name fee revenue, net profit after tax, dividend to InternetNZ, retained earnings, capital expenditure and liquidity ratio maintenance. These are shown in the table below:

$'000s	Actual 2012 – 2013	Budget 2013 – 2014	Budget 2014 – 2015	Budget 2015 – 2016
Domain name fee revenue	7,703	8,251	8,869	9,879
Other income	287	314	346	386
DNCL fee	1,411	1,500	1,545	1,591
Expenses (excl DNCL)	3,458	4,166	4,684	5,212
Net Profit	3,121	3,009	3,324	3,715
Dividend	(3,829)	(3,009)	(3,183)	(3,474)
Retained earnings	(707)	156	140	241
Capital expenditure	920	900	927	955
Liquidity ratio (31-Mar)	107%	102%	102%	104%

Appendix 1 – Budgets for the 3 Years to 31st March 2016

New Zealand Domain Name Registry Limited
BUDGETED STATEMENT OF FINANCIAL PERFORMANCE

	13 - 14 $	14 - 15 $	15 - 16 $	Total $
INCOME	8,566,640	9,216,102	9,879,618	27,662,360
DIRECT COSTS	2,899,685	2,986,674	3,076,275	8,962,634
GROSS PROFIT	5,666,955	6,229,428	6,803,343	18,699,726
OVERHEADS	1,894,159	2,048,297	2,109,853	6,052,309
OTHER COSTS	763,003	856,889	977,776	2,597,668
OPERATING PROFIT	3,009,793	3,324,242	3,715,714	10,049,749
NET PROFIT	3,009,793	3,324,242	3,715,714	10,049,749
INCOME TAX	0	0	0	0
PROFIT AFTER TAX	3,009,793	3,324,242	3,715,714	10,049,749
DIVIDEND ACCRUAL	-3,009,637	-3,183,765	-3,474,687	-9,668,089
RETAINED EARNINGS	156	140,477	241,027	381,660
CUMULATIVE	156	140,633	381,660	381,660

New Zealand Domain Name Registry Limited
BUDGETED STATEMENT OF FINANCIAL POSITION

	Opening	13 - 14	14 - 15	15 - 16
	$	$	$	$
FIXED ASSETS				
Software	2,699,580	3,209,580	3,735,780	4,278,666
Office Equipment	183,146	233,146	283,146	333,146
Computer Hardware	900,837	1,240,837	1,591,637	1,953,561
Accumulated Depreciation	-2,824,560	-3,587,563	-4,444,452	-5,422,228
	959,003	1,096,000	1,166,111	1,143,145
INTANGIBLE ASSETS				
TradeMarks and Brand	10,698	10,698	10,698	10,698
Accumulated Depreciation	-10,698	-10,698	-10,698	-10,698
	0	0	0	0
CURRENT ASSETS				
Bank	7,423,866	8,060,940	8,910,404	10,033,527
Trade Debtors	812,593	892,518	960,012	1,027,505
Prepayments	87,106	87,106	87,106	87,106
Interest Receivable	81,410	81,410	81,410	81,410
	8,404,975	9,121,974	10,038,932	11,229,548
CREDITORS DUE WITHIN ONE YEAR				
Trade Creditors	263,994	319,441	329,141	339,098
Other Creditors	55,273	118,037	132,237	146,311
Deferred Income	6,010,017	6,745,646	7,568,338	8,470,930
Holiday and Sick Leave Accrued	50,208	50,208	50,208	50,208
	6,379,492	7,233,332	8,079,924	9,006,547
NET CURRENT ASSETS	2,025,483	1,888,642	1,959,008	2,223,001
CREDITORS DUE AFTER ONE YEAR	0	0	0	0
TOTAL NET ASSETS	2,984,486	2,984,642	3,125,119	3,366,146
CAPITAL & RESERVES				
Share Capital	30,000	30,000	30,000	30,000
Reserves	2,954,486	2,954,642	3,095,119	3,336,146
	2,984,486	2,984,642	3,125,119	3,366,146
Liquidity (incl bus dev $400k)	107%	102%	102%	104%
Surplus Cash over Required Liquidity	459,637	183,765	174,687	359,172

New Zealand Domain Name Registry Limited
BUDGETED CASHFLOW

	13 - 14	14 - 15	15 - 16	Total
	$	$	$	$
RECEIPTS				
Income	10,255,784	11,078,142	11,888,063	33,221,989
Other Income	314,695	346,937	386,073	1,047,705
	10,570,479	11,425,079	12,274,136	34,269,694
PAYMENTS				
Invoiced Costs	263,994	0	0	263,994
Direct Costs	3,189,436	3,417,852	3,520,384	10,127,672
Overheads	1,919,767	2,175,734	2,241,164	6,336,665
Fixed Asset Purchases	948,750	1,063,468	1,095,365	3,107,583
Other Assets/Liab's Out	3,611,458	3,918,561	4,294,100	11,824,119
	9,933,405	10,575,615	11,151,013	31,660,033
NET CASH FLOW	637,074	849,464	1,123,123	2,609,661
OPENING BANK	7,423,866	8,060,940	8,910,404	7,423,866
CLOSING BANK	8,060,940	8,910,404	10,033,527	10,033,527

Strategic Planning

Strategic Planning Approach 2013

Author: Jordan Carter, Chief Executive

Purpose: To set out how strategic planning should occur in 2013.

Introduction

This paper sets out the background to strategic planning in the second half of 2013; argues that the time is right for a full review of InternetNZ's strategy; notes the relationship of existing work with this process; sets out the proposed approach; and shares a draft proposal for a strategy retreat planned for mid-September.

Background

In the absence of a contemporary strategic framework for InternetNZ, and following some progress towards such in late 2012, the Council adopted an interim framework based on status quo approaches at its meeting in March 2013. A copy of that framework is attached at Appendix 2.

Council recognised at that time that a full reconsideration of InternetNZ's strategy is due, and indicated it planned to do this in 2013. That is why an interim framework was deemed appropriate back in March.

Since then, the Council has agreed to commence a members-driven review of InternetNZ's Objects, and a review of InternetNZ's identity is also under way, with a discussion of the latter featuring at this Council meeting.

This paper draws these threads together and sets out my proposal for the focus of strategic planning, as well as for how it be achieved: at a Council retreat in mid-September.

The focus of strategy work this year

It is time for a full reconsideration of InternetNZ's strategy. The factors suggesting the need for this include the following:

- An extended period since the last full review of strategy
- Increasing pressure for a wider ambit for InternetNZ
- A lack of recent consideration at Council level of the means InternetNZ uses in achieving its goals
- The appointment of a new Chief Executive with a different outlook to the preceding CE

As such, my advice is that this year, the organisation's fundamentals are on the table and up for discussion:

- Vision
- Mission
- Values
- Goals
- Approach

The conclusions that Council reaches would then be the material that members are engaged about in sessions late in the month or early in October.

Related work

There are two related strands of work where things that affect our strategy are being considered:

- The Objects review
- The Identity review

The Objects should be part of the discussion at the retreat, and then flow into consultation with the membership at the same series of meetings in late September – early October.

The discussion of the Identity review at this meeting will help Councillors' thinking as we move to a more strategic discussion next month. In addition, the information about stakeholder views will be available in advance of the retreat, and will provide valuable context for the discussion.

Approach

Critical to successful strategic work is good preparation, good information, good facilitation, and some detachment from day-to-day concerns. This understanding guides the approach which is as follows:

- A residential retreat for Councillors and other participants
- Independent facilitation and note-keeping
- Information in preparation, in advance, that stimulates and informs
- Proper time to do the job thoroughly

The proposal I have prepared is intended to give effect to this.

Involving the subsidiaries in an appropriate way is important. Preparatory material should include environment scan and other material prepared by DNCL and NZRS to feed into the discussion and debate.

InternetNZ Council is the peak governing body in the group, and so the first day of the retreat is Council and the Chief Executive along with the facilitator/s and note taker/s, and any key external speakers if required.

The second day should incorporate CEs and Chairs, and if appropriate other Board members, from the subsidiaries. This is to ensure that the clarity around vision, mission and so on is arrived at before the roles of various units – InternetNZ, NZRS and DNCL – in bringing them about becomes the focus.

Proposal

See attached draft at Appendix 1. The proposal sets out the objectives of the Retreat and how it will proceed at a high level.

Recommendations

THAT Council receive the paper from the Chief Executive on Strategic Planning.

THAT Council agree to the strategic retreat as set out in the attached Proposal, to be held on 14-16 September 2013, with venue to be agreed.

THAT Council direct the President and Chief Executive to engage with the Chairs and Chief Executives of the subsidiaries as to the role they will play in the retreat.

Jordan Carter

25 July 2013

Attached: Appendix 1 – Proposal for Strategic Retreat

Appendix 2 – Strategy paper from Feb 2013

Appendix 1: Strategic Retreat Proposal

InternetNZ's Councillors and others should retreat in September 2013 to chart a new strategy for the organisation.

Dates: Sat 14 – Mon 16 September 2013

Purpose: To establish InternetNZ's strategy for 2014-2016.

Secondary purposes:
- To progress the Objects review
- To test and validate the .nz Strategy and the International Strategy
- To develop relationships within Council, and between InternetNZ and subsidiaries
- To improve mutual understanding with subsidiaries as to their role in delivering InternetNZ strategy

Proposed approach:
- Comprehensive, thorough strategy focus, so the hard work is done
- Residential and outside Wellington, so distractions are minimised (see below)
- Independent facilitation and note-taking, so all can participate fully (suggest Murray Bain)
- High quality internal and external inputs, so thinking is based on good information (see below)
- Mix of work and rest time, so thinking is balanced with reflection to best effect

Phases:
- Phase 1 - environmental scan & assessment
    - Environment and trends scan
    - Objects conversation, identity review sharing
    - Test vision and mission and values
    - Measure up InternetNZ's approach today
- Phase 2 - strategy building
    - Validate / change vision, mission, values
    - Generate strategic goals
    - Prioritise strategic goals
- Phase 3 - expanding the circle
    - Discussions with subsidiaries on their role in delivering the goals
    - Test and validate .nz and international strategies
    - Wrap up

Participants:

Phases 1 & 2	*Phase 3*
- Council members - Chief executive - Selected external participants/speakers if required	- Council members - Chief executive - Subsidiary Chairs and CEs (+ boards tbc)

High level runsheet:

Sat 14 September	*Sun 15 September*
- Arrivals (mid afternoon) - Phase 1 (one session) - Dinner	- Phase 2 (two sessions) - Activity (3-7pm) - Dinner (incl Phase 3)
Mon 16 September - Phase 3 (two sessions) - Departure lunch - Travel to Wellington / home	Tue 17th – ANZIAs
Wed 18th – AU/NZ Internet Governance event (or may be 17th)	

Papers: (draft list)
- Environment scan and trends analysis
- Implications analysis of the environment
- InternetNZ status assessment
- Objectives review material
- Identity review progress
- Proposed vision / mission for discussion (tbc)
- Proposed strategic goals for discussion (tbc)
- Draft .nz strategy
- Draft international strategy

Possible Venues:
- Queenstown (most out-of-day-to-day, moderate cost, wide range of facilities)
- Wairarapa (closest access, lower cost, modest range of facilities)
- Central North Island (less accessible, unknown cost, unknown range of facilities)
- Hamner (less accessible, unknown cost, unknown range of facilities)

My preference, subject to cost of specific options being reasonable, is Queenstown: the range of activities is broad, it is remote and unusual environment which can assist with the task, and there are plenty of options for facilities.

Planning 3: Draft Strategy

Author:	Jordan Carter
Purpose of paper:	Agree key components of InternetNZ Strategy

Introduction

This paper lays out the core status quo founding components of InternetNZ's current strategy: the vision, mission and values of the organisation. The status quo represented here is in need of review. It is not necessarily that it is wrong: rather, InternetNZ has not done a serious assessment of its overall strategic approach for some years.

The interim period with an Acting CE is not necessarily the right time to do that review, but it does need to be done in 2013. The planning process accounts for this, as set out in Planning 1.

Context

The Internet universe is changing rapidly, as it has always done. InternetNZ's strategic positioning is based on decisions that emerged in the middle of the 2000s. There is an obvious mis-match between these two realities.

That said, the overall perspective the organisation has maintained has served it well, and still has relevance today. The unknown is the degree of relevance it has in the near and medium-term future. That is why the suggestion of a full review is on the table.

Proposed approach

Instead of attempting a re-evaluation of this framework now, this paper recommends recommitting to the status quo to allow the operating team to proceed with some confidence in the short term.

The salient level of detail and drive for InternetNZ in next year is set out in Planning 4: the goals and transformations paper, articulating what should be the core of discussion and debate at this meeting. They have a more direct impact on what the operating team does in the short term than this draft Strategy.

Proposed Strategy: Core Elements

We recommend to the Council the following:

Vision
The Internet is open and uncapturable.

Mission
As kaitiaki, to protect and promote the Internet for New Zealand.

Goals
Set out in Planning 4: Goals and Transformations

Strategic Transformations
Set out in Planning 4: Goals and Transformations

Values
Beliefs that underpin how InternetNZ should work to achieve its mission. Values drive our culture and provide a framework in which decisions are made.

Openness, Inclusion and Transparency: *InternetNZ will undertake its work in ways that allow all stakeholders to participate and contribute on any matter related to the vision. It will be open, consistent with its vision.*

Principles based: *InternetNZ seeks to advance its objects in a principled way – all of our work relates back to principles that give effect to our objects.*

Stewardship: *InternetNZ, as custodian of the .nz domain name space, will manage it in the public interest.*

Integrity and Trustworthiness: *InternetNZ will be a reliable, trusted partner and participant in the Internet community. All our actions are in accordance with good ethics and community responsibility.*

Can-do: *InternetNZ's operations will be managed in a manner that supports achievement and success for InternetNZ and for the community as a whole.*

Recommendation

THAT Council **adopt** the Vision, Mission and Values set out in this paper as elements of InternetNZ's strategy, for consultation with members in March, and agree to review these again at its next meeting.

Jordan Carter
Chief Executive (Acting)

19 February 2013

Community Funding Review

Community Funding Review

Author:	Jordan Carter
Purpose of paper:	To update Council on the review and précis Murray Bain's report

Council agreed to review InternetNZ's community funding earlier this year.

My original intention was that there be an internally conducted review. However, NetHui commitments meant that progress was not on schedule, and the importance of progressing the review meant a different approach was required.

Ellen and I decided to commission Murray Bain to conduct the review from an external standpoint. His Review Report is attached, and he will attend the meeting to present the report and elicit feedback and discussion on it.

Murray consulted with staff and with members of the Grants Committee in preparing this report, as well as drawing on his own extensive experience of funding and investment systems.

Following the discussion at Council, we will identify the resource requirements of implementing the agreed approach (as set out in Murray's report, or as amended following our discussion), and developing the systems he sets out.

The next step is to begin work on the overarching strategy that will guide community funding in the future, and we aim to be able to discuss this with Council at the October meeting.

Recommendations

THAT Council receive the report from Murray Bain on InternetNZ's community funding system.

THAT Council ask the Chief Executive to implement the findings of the review, with resources required for this being drawn from existing budgets.

THAT Council be provided with a draft high-level strategy for Community Funding for 2014 and beyond at the October 2013 meeting.

Jordan Carter
Chief Executive
25 July 2013

Bain & Associates

InternetNZ Community Funding Review

Background:

The drivers for this review are outlined in the Council Meeting paper of 22nd Feb 2013 (authors: J Carter and E Strickland) which highlights that there have been a number of relatively ad-hoc changes made to the model over recent times and that there is now a comparatively large amount of money being paid to grant recipients (c$500,000 pa). The paper notes that there is now a need for an "over-arching documented framework guiding the approach to community funding" and that "a coherent shared transparent picture of what InternetNZ is trying to achieve" is also required.

The paper also identified three areas of risk – reputational, process and effectiveness – that will potentially come into play in the event that the objectives and operating framework are not established and implemented.

This review has been asked to look at the current model, identify the characteristics of a sound Community Funding programme and make recommendations for changes where appropriate. It has not been charged with looking at payment processes – these are covered by the audit process and have not been considered in the preparation of this report.

Executive Overview:

The interviews with Council members and staff have identified common themes that would sensibly be expected to arise from having a funding programme go through this degree of change and growth over a relatively short period. There is a desire across all interviewees that commonsense changes be made to address the areas of risk identified in the February council paper.

This review identifies changes that fall into four broad categories:

    A. Establishing clear objectives and criteria.
    B. Making the process more efficient, effective and transparent.
    C. Increasing the knowledge and the visibility of what the funding is achieving.
    D. Increasing the internal focus of the Society on the Community Funding programme.

Collectively these broad categories, and the specific recommendations outlined below, will address the issues raised in the February Council report and provide a coherent framework for this function going ahead. The framework needs to:

1. provide a clear signal to everyone – both inside and outside the organisation - as to why the Society is spending its money to fund these activities and what it expects in return,
2. provide a basis and process for allocating the Society's financial resources to best achieving its priorities,
3. ensure that the money gets to recipients that are the most worthy in terms of the particular objectives the Society has with respect to that funding,
4. see that the funding processes work efficiently for everyone – again both inside and outside the organisation,

5. ensure that the recipients use the money to achieve what they said they would in their application,
6. allow for appropriate flexibility to handle changing requirements,
7. all while ensuring that InternetNZ's reputation is enhanced.

It may seem obvious but as a starting principle it's important to keep focused on the outcomes achieved from the money being granted rather than seeing it through an input funding lens. In other words the Society should be clear that it wants to see results from all the community funding it carries out. This attitude underpins the approach recommended below.

Specific recommendations:

A. Establishing clear objectives and criteria.
1. Align InternetNZ's overarching objectives and the overall objectives of the community funding programme.
2. Clarify the different categories of grants to be made and set clear criteria for each that aligns with InternetNZ's objectives.
3. Build priority areas for grants into strategic and business plans, and budgets.

B. Making the process more efficient, effective and transparent.
1. In making community grants for projects and conference attendance run funding "rounds" that compare applications against other applications to find the best. Ensure these are widely advertised as to objectives, criteria and timing.
2. Plan the funding rounds as part of the annual business planning and budget process in terms of objectives, criteria, size and timing.
3. Negotiate the funding for strategic partners agreeing specific output requirements and outcome objectives.
4. Shift the funding for sponsorship of events etc into a separate sponsorship budget that sits outside Community Funding.
5. Use standardised assessment processes that are consistent and transparent for all funding decisions.
6. Have staff screen out applications that are outside the criteria and advise the Grants Committee at a macro level.
7. Use the staff and management of InternetNZ to provide additional information to the Grants Committee around each valid grant application. Consider having management provide a justified recommendation on each.
8. Take steps to increase the degrees of separation between those who assess applications and those who approve them.

C. Increasing the knowledge and the visibility of what the funding is achieving.
1. Where appropriate put conditions on significant grants that will increase the chances of them being successful – e.g. co-funding, right skill mix, milestone based reporting.
2. Monitor the results of grants and ensure these are taken into account in future grant applications.
3. Ensure Council receives, and actions, regular reports on the outcomes and trends of grant programmes and significant individual grants.

D. Increasing the commitment to and focus of the Society on the Community Funding programme.
1. Document all processes fully into an Operating Manual.
2. Reassess the internal decision making delegations.
3. Establish an enduring process to ensure an appropriate mix of skills on the Grants Committee.
4. Review the resourcing requirements and responsibilities/accountabilities within InternetNZ to ensure the recommendations can be successfully implemented.

Section A

How does the Society currently fund and manage its community funding programme

Currently the Society is investing its money in four main funding programmes:

1. Projects

    Objectives

    The first of these programmes funds projects, some of which target community benefit - where the community can be either a geographical community e.g. the Cannons Creek Wi-Fi project, or the wider Internet community e.g. the production of open sourced software. Other projects target research that addresses policy, legal or technical issues. At an overview level all of these targeted areas appear to be consistent with the Society's objectives.

    Funding process

    Historically these grants have been made through an "on-demand" application and approval process with decisions based on the extent to which the application meets the objectives of InternetNZ. There has been no standardised assessment process in place.

    Sign off on these on-demand grants is with the Grants Committee for grants of up to $5,000 and to the full Council for grants over $5,000.

    Recently the concept of having a grant "round" has been introduced where applications are called for through a public process and are rated against each other to see who gets funded – a "contest of ideas".

    So far there has been one grant round a year with a fixed amount of money allocated to it and with a targeted theme e.g. Christchurch. To date the rounds have been decided on during the year – not forming part of the business planning process directly.

    In the latest funding round a set of assessment criteria has been introduced. This has not yet been codified as a standard way of operating for the organisation.

    Sign off on these "round" grants in terms of objective and funds available is by the Council on the recommendation of the Grants Committee.

    For all grant assessments there is limited information, apart from the contents on the application form, available on a systematic basis to the Grants Committee e.g. about previous applications and any results obtained.

2. Funding for individuals attending conferences

    Objectives

    The second area involves funding individuals for attendance at conferences.

    There is clearly a benefit to the individual from this happening - the question is how does the wider NZ Internet

community benefit from it? There are some requirements that can be established at the time of making the grant and subsequently enforced to ensure that this happens to at least some degree. Arguably there is an added benefit if the individual is presenting a paper in that there is value in NZ's image as being a leading country in this area being enhanced.

Funding process

Funding decisions in this area are carried out on an "on demand" basis as the applications are received.

The applications are assessed against the objectives of the Society. There are no detailed criteria nor any systematic method of scoring the applications.

There is limited information available to the Grants Committee around previous applications and report quality etc in respect of the applicant.

Determining value

Reports are expected from the recipients and some are received. There is some, but not consistent, follow up on those that have not completed reports.

When received they are published on the net as there is a perceived value to others in the reports from these conferences.

3. Funding for strategic partners carrying out activities aligned with and supporting the objectives of the Society.

Objectives

This longer term (targeted to be 3 years) funding is partly driven by the need to see key organisations able to survive in a tough funding environment and partly because of what they deliver on behalf of the Society.

These two drivers are two sides of the same coin and under the principle above it's important that the Society sets expectations around the funding that these organisations get – "there's no such thing as a free lunch".

Funding process

The contractual arrangements will vary depending on the counter-party but all agreements will be reached on a negotiated basis. There are currently some sponsorship arrangements with strategic partners that are funded through separately.

These should be incorporated in the contractual arrangement so that visibility of funding is clear and expectations can be set as part of the negotiation process.

There are some relationships that are contractually clear but others that still need to be put to bed. It's been well planned that all contracts expire in the early part of 2014 and any required changes can then be made across the full set.

Ensuring value

InternetNZ has an important role to play in ensuring that key organisations involved in the area are working together with a basis of mutual respect and support. As the leader and key funder in the Internet space it's important that you are respected and set expectations around behaviours.

Expectation setting, monitoring and reporting is currently variable - both within the agreements and at this early stage the operational practice.

4. Sponsorship funding for events.

Objectives

The purpose of sponsorship is generally to benefit both parties – one by their receiving funding and the other by enhancing their awareness and image in society. As such it has a specific event focus and can often include "in-kind", as well as funding, support.

By its nature there is therefore a difference between sponsorship funding and grants funding and it more commonly forms part of normal budgeted operational expenditure.

Overlaps with the funding for strategic partners also occurs. It may well be better for that to be incorporated in the strategic partner funding as an explicit output requirement.

Section B

Establishing clear objectives, priorities and criteria

Objectives

While the Society's objectives form the basis for the community funding programme there is a requirement for a greater level of detail to allow funding processes to be targeted appropriately.

A recent funding round has provided an interesting challenge when Grants Committee members intuitively felt that a project in a particular area should be funded but that it was not covered under the objectives of the Society.

The Society's objectives rightly govern the areas where funding can be spent but in light of the above it's timely to carry out the planned review of the objectives.

While these issues are being addressed it would make sense for InternetNZ to look at whether the four funding areas outlined below cover everything that should be funded.

Other areas to be considered might include scholarships for study for outstanding young individuals and awards for outstanding contributions. In addition there might be benefit in specifically targeting Internet education and usage in some sub-groups in society e.g. growing number of elderly, those with physical disabilities etc.

Priority setting and planning

With the objectives clear, priorities then need to be set in terms of areas to be researched, areas where strategic partnerships are required, areas where conference attendance is important and so on. Ideally these will be set from a strategic perspective on a 3-5 year horizon and reviewed annually as part of the organisation's strategic planning process.

The main way the Society gives effect to its priorities is through their translation into its expenditure budget. In terms of control over total expenditure on community funding there is a clear budget set annually at an aggregate level.

Once priorities have been decided a sensible step will be to establish budgets at the next level to support those.

There is also currently no strategy in place which determines the priority to be given to different community funding categories e.g. projects, conference attendance, strategic partners etc. This needs to be looked at over a 3-5 year timeframe to ensure the appropriate balance of priorities is being maintained.

While this section focuses on the need to determine priorities and translate these through into budget allocation there may well also be a need to leave funds available for new ideas that are outside current priorities.

Retaining some degree of flexibility in determining funding priorities is essential.

Funding criteria and rules

Historically (now being addressed) there has also been a lack of documented criteria for each funding process – whether it is a funding round or an on-demand process. This has led to:

- A degree of confusion for potential applicants as to what is specifically being sought by InternetNZ.
- Difficulty for the organisation in weeding out non-complying applications efficiently and transparently at an early stage.
- The risk of inconsistent decision-making over time as Grants Committee membership changes and "corporate memory" is lost.
- A risk of decisions being unduly influenced by individual preferences and the "power of the personality".

The following set of criteria was used for the recent funding round and provides a good starting base.

1. InternetNZ Objects - the project cleaves to one or more of InternetNZ's Objects.
2. Cost / benefit - the amount of funding sought from InternetNZ will be commensurate with the community benefits achieved by the project.
3. Community acceptance - there will be sufficient community support for the project.
4. Community well-being - the project will enhance the well-being of the wider community.
5. Implementation - the project can be carried out effectively. And that there is a commitment and adequate authority to implement.
6. Other funding – there is a reasonable likelihood that other funding needed to carry out the project will be secured.
7. Strength of team - the project team are the right people to do the job.
8. Geographic scope - the project, if focused locally, can be scaled to be national or international.

Criteria should be weighted according to the objectives of the particular funding process – for example a community project will probably have a higher weighting on community support than a research project or a conference. Determining the criteria weightings helps clarify what the Society is seeking from the funding in this area.

Supporting a set of criteria like this is a requirement for some guidelines that provide clarity both internally and externally. For example:

- Community acceptance - does an application that can demonstrate community financial support rank higher than one that doesn't?
- Cost/benefit – does a small number of disadvantaged people benefiting outweigh a larger number of less disadvantaged people?
- Community well-being – do the elderly matter more, less or the same as children? What if schools are providing Internet education better than Grey Power?

Section C

Process to ensure the funding goes to the best applications

Decision making process

With changes to the whole funding model having been introduced over the last year or two there are some straightforward actions that can assist in making sure the best proposals receive InternetNZ funding.

In some areas the introduction of funding "rounds" is a good step forward. Receiving applications on an on-demand basis means that each application is being measured against a set of criteria to make a pass/fail decision. There is no comparison available to determine whether this is better than any previous or upcoming funding application.

A key determinant of success becomes how early in the financial year the bid comes in before the money runs out.

A funding round sets aside a fixed amount of money and then sees applications being ranked against each other. Using this approach the Council can determine which programmes are to be funded in this year and how much money is to be allocated to each, avoiding the "first in, first served" issue.

Funding rounds can be targeted and run with whatever frequency best meets the requirements of practicability for applicants and the Society. For example, a research project round might be run annually with some specific areas of research targeted in it (and some space for other ideas), while a conference attendance round might be held quarterly.

Because funding rounds are time bound communication about them is important to avoid the risk that those "in the know" will increasingly become the recipients.

Currently there are some developing concerns about repeat applications for conference attendance. Because it's an important principle that there should be equal access to the grants widely across internet users communication of funding rounds needs particular emphasis.

In addition each funding category requires a set of rules around issues like the frequency with which bids will be accepted from one organisation or individual, whether co-funding is required or not, reporting requirements etc. Having these spelled out allows for consistency of decision making and clarity of expectations for potential applicants.

Assessment process

A standard assessment system requires consistency of information requirements, expert assessment, detailed weighted criteria and a standard scoring system.

Important principles here are that the information on which grant decisions are made, the criteria used to select and the scoring system used for assessing should be transparent within the organisation and that the role of the Council should be to ensure the integrity of each process a

Currently the on-demand approval process sees an assessment carried out by Committee members against the objectives of the organisation. Either individual scoring systems are used or applications are simply rated yes/no – there is no standardised scoring method.

Where a funding round process is held applications are ranked against each other. In recent times Committee members have trialled assessing applications using a standardised scoring system. This has not as yet been reviewed and brought to Council for approval.

For funding rounds to work well requires a proper assessment and scoring system which, as far as possible, eliminates personal biases and provides a transparent process. One such assessment and scoring system has been trialled in a funding round this year and I suggest this should now be refined and implemented as a standard.

Other options for consideration:

- Although significant expertise sits around the Committee table, there may be occasions when external advice would be valuable. This should be considered not only in the context of specialist expertise but also in situations where an application may be sensitive or contentious. Under these conditions the ability of the Society to separate its assessment and approval functions, and demonstrate it has done so, may be important.
- There can frequently be significant added value in having management assess and score applications as part of the process. This allows the Committee to take more of an overview approach, challenging management to justify their scoring and recommendation. The CE would sign off on all recommendations coming to the Committee.

Contracting process

Each grant should be appropriately contracted – very simply in the case of small grants, more detailed for projects and quite sophisticated for strategic partnerships. Grants should be conditional on the contract being signed and no money paid until that happens. The levers that the Society has over the recipients diminishes markedly once the money is paid out so everything should be tidy ahead of that. The contract should set reporting and output requirements at the least and for the larger grants will extend into milestones and perhaps tranching of payments.

Contracting sends a signal that receiving funding from the Society is a privilege, not a right, that it's to be taken seriously and that there is something expected back.

Naturally some will claim that this is bureaucracy gone mad – but there are ways it can be made simple and it should be thought of as being in the same mould as software manufacturers requiring users to actively tick a box to say they understand the conditions of sale. Given that the cash flow is in the opposite direction it can hardly be claimed to be unreasonable.

Process summary

- Plan the funding rounds from the start of the year
- Shift all project funding into annual investment rounds
- Shift all conference attendance funding into quarterly rounds
- Establish a standard assessment scoring system

- Determine the funding for each category through the budget process
- Shift the strategic funding away from the grants
- Establish contracts for each grant that spells out expectations

Role clarity

Sound funding approval systems have three roles that are required to be carried out:

1. Process management - including information gathering and communication internally and externally.
2. Expertise to assess the quality of the proposals and make recommendations based on the criteria.
3. Decision-makers who maintain a strategic oversight, ensure that the process is fair and equitable and that the quality of information on which the assessments were based is high and then reach a decision taking all factors into account.

Keeping appropriate separation between these roles maintains the integrity of the process and reduces organisational risk.

The current process sees the Grants Committee being asked to fill the roles of information gathering and assessment against criteria. The role of final decision maker for all significant decisions does rest with the Council based on the recommendations of the Grants Committee. The oversight over the process is arguably also the Council's although it's unclear whether they have the tools or clarity of accountability to effectively exercise it.

Blurring of accountability does create potential risks to the organisation in terms of process integrity.

Information quality

Currently the Grants Committee generally considers applications based on the detail in the application together with any additional knowledge held by Committee members. There is limited additional information sought from staff.

Staff frequently do have additional information which could assist the Committee in its decision making – for example information in respect of the number and performance of past applications and grants, attitudes of the applicants to the Society etc.

It's important to ensure that, in addition to what is stated on the application form, as much information as possible about any funding applicant and their application is taken into account by the Committee.

Additional information should be gathered by InternetNZ staff and made available to all the decision makers. Sensibly the larger the proposed grant the more effort should be directed at this task.

For these larger grants staff should prepare a set of comments under each criteria heading together with any other information they have available. This should be carried out on a formal basis and staff should be available for questioning by the Committee in the meeting.

Irrespective of grant size it should be the responsibility of the staff to ensure any risks associated with an applicant or project are highlighted to all Committee members.

Bain & Associates

Some specific standard additional information from staff should include:
   a. Past history of applications
   b. Performance of past grants
   c. Information related to criteria

Efficiency

Staff already provide a limited form of filtering of applications based on compliance with the Society's Objectives. Once the criteria are finalised this role could be extended and formalised.

The Committee should be advised as to the rate at which declines are occurring and any trends in that regard.

In the event of there being an application, the decline of which could generate any risk for the Society, the rule should be that staff refer these to the Committee.

Approvals

The approval documentation flow appears tight with appropriate delegated authorities being followed and documents being signed before any payments take place.

However documentation of the rationale behind some of the decisions does appear light, sometimes being restricted to an email flow simply saying "yes" or "no" or "agree". Given that there are probity issues here in terms of accountability to members it will be sensible to formalise to some degree here.

This review explicitly excludes any evaluation of the controls around the approval and payment processes. I am advised that the auditors look carefully at the process through sampling and other control review procedures.

Section D

Outcomes

As custodians of the Society's funds it's important for the Council to seek results from all forms of community funding and to know how well that funding is achieving its objectives.

The current situation is:

- There is intended to be reporting occurring for all grants funding – projects and conference attendance. There is a record kept as to whether this happens. When reports are received they are posted on the Society's website.
- There is some follow up action taken for reports not received but it is somewhat ad-hoc rather than systematic.
- There is no requirement from Council for reporting or analysis as to the overall effectiveness of the grants programme or for details about individual grants.
- There is no visible linkage between the grants programme and the marketing of the Society in terms of its reputation and importance to the NZ internet ecosystem.
- There is also no systematic performance review in terms of those organisations funded by the Society through the Strategic Partner programme – although this programme is in its infancy.

As a principle the Council needs to send messages both internally and externally that this is important. It should receive regular reports on major grants and an overall analysis of what's being achieved from the whole programme. It should also ensure that there are clear expectations at the time a grant is being made including requiring milestone reports at key points for major grants (especially strategic partner funding).

There are a number of other actions that can be taken that will enhance the focus on outcomes:

1. Focus on achieving co-funding wherever practicable and particularly where there are visible, short term benefits available to an individual or community.
2. Include past performance in the criteria for future grants.
3. Establish a regular monitoring programme.
4. Establish a regular publicity programme around successful grant outcomes.
5. Review the structure and operation of the Community Funding programme at least two yearly.

Section E

Internal Focus

There is a widespread view across the organisation that the community funding area needs "tidying up" and this section identifies some issues not addressed elsewhere.

1. There is generally little documentation around community funding and much is dependent on what people are carrying in their heads. Staff turnover has seen a significant loss of corporate memory. An Operating Manual needs to be created and maintained.

2. With the appointment of a permanent CEO with significant experience in the organisation there is the opportunity for funding delegations to be reviewed.

3. The Grants Committee requires a range of skills and carries a fair share of the reputational risk of the organisation. From a future proofing perspective it may be timely to review the process by which this Committee is appointed to ensure it takes account of the need for an appropriate mix of skills and experience.

4. Making the changes referred to throughout this document will require there to be clear accountabilities built into job descriptions and job sizes. There will also be a resourcing impact arising which may be met either by reprioritising existing work or adding new resource but in either case requires addressing.

Council meeting for the year
(planning cycle)

InternetNZ Planning Cycle and Meeting Schedule to end of 2014

Author:	Jordan Carter
Purpose of paper:	To set out the planning cycle for Council and schedule meetings in 2014

Introduction

This paper sets out the planning cycle for InternetNZ in draft form (Table 1) for Council's information and feedback. By setting out the key decisions required within each meeting, Councillors along with staff and subsidiaries will have a clear set of expectations around which they can shape their work. Council itself will have a clear, predicable agenda for its cycle of meetings.

This paper also sets out a draft schedule for internal InternetNZ meetings for the period through to December 2014 (Table 2), and for context matches these against known significant external meetings (both domestic and international). The schedule has been adopted with known operational requirements in mind that will affect staff resources in delivering the inputs required as part of the planning cycle.

Please note: the development of a group planning cycle is still under way, and the three CEs will aim to present this to the next Council meeting. This will ensure the three units' planning cycles are harmonised and consistent.

The Planning Cycle

In the following table we set out the proposed high-level tasks that Council needs to fulfil at each of its regular meetings in the annual cycle. These are divided into categories. The categories are designed as follows:

Strategy – related to Council's role in developing InternetNZ strategy.

Members – related to engagement with InternetNZ members.

Planning – related to planning and implementation issues.

Subsidiaries – related to the ownership of InternetNZ subsidiaries NZRS and DNCL.

Budget – related to the budgeting process.

Table 1: InternetNZ Council – Planning Cycle

Meeting	Category	Item
August	Strategy	• Decide scope and form of strategic planning • Affirm .nz and International strategies (usual timetable)
(September)	Strategy	• Strategic planning retreat

Meeting	Category	Item
[September]	Members	Strategic Engagement
October	Strategy	• Agree strategic goals/direction post member engagement • Affirm .nz and International strategies (2013)
	Planning	• Six-month review of Business Plan
December	Budget	• Agree budget strategy & envelope for following year
	Planning	• Discuss initial thinking re business plan for following year
	Subsidiaries	• Agree Statements of Expectations
[Feb/March]	Members	Planning Engagement
March/April	Budget	• Sign off budget for following year
	Planning	• Sign off draft Business Plan for following year
	Subsidiaries	• Agree appointment requirements / panel for Boards • Receive draft Statements of Direction and Goals
June	Strategy	• Review previous financial year outcomes
	Subsidiaries	• Make required appointments to Boards
(July)	Members	AGM

Besides the above, there are standing items at each Council meeting:
- Operational and financial reports
- Reviews of governance level policies
- Discussions on topical issues

On a less regular cycle (less than yearly or occasionally) Council needs to consider:
- Operating agreements with subsidiaries
- Significant changes to .nz policies

Not yet scheduled are matters related to:
- CE performance review

Councillors should note that compared with the planning framework adopted in February:
- Member engagement and Council in Feb/Mar are back to the historic pattern, with member engagement preceding the Council's sign off of the resultant draft Business Plan – a more genuine engagement strategy.
- Strategic Planning has moved from October to September.

Schedule for 2013 and 2014

The table below sets out key internal meetings (Council, members, NetHui) proposed for 2013 and 2014 (insofar as these can be known at the present time). It also shows known external meetings (mainly Internet Governance related) as these provide some constraints on options for internal meeting scheduling. Staff availability was taken into account in developing this proposed schedule.

We have not yet considered clashes with official public, school and university holidays. There is a general preference of avoiding clashes with known holidays, and to avoid creating unnecessary congestion points for staff workflows. A revised schedule to take account of these will be prepared after initial consideration.

Dates for 2013 should be considered relatively fixed, while dates for 2014 are more flexible.

Table 2: Schedule of significant internal & external in 2013/14

Draft 1

Month	Date	Internal	External
2013			
Aug	Fri 2 Tue 20-Fri 30	Council – meeting	APNIC (China)
Sep	Wed 4-Fri 6 Sat 14-Mon 16 Tue 17 Wed 25-Mon 1	Council – Strategic retreat Members – Strategic engagement	APrIGF (Korea) ANZIAs (Wellington)
Oct	Fri 11th Wed 16-Thu 17 Mon 21-Fri 25	Council – meeting (Auckland)	AU IGF (Melbourne) IGF (Indonesia)
Nov	Sun 17-Thu 21		ICANN 48 (Argentina)
Dec	Fri 13	Council – meeting + Xmas	
2014			
Jan	Mon 27-Fri 31		NZNOG (Nelson)
Feb	Mon 17-Fri 28		APRICOT (Thailand) IGF MAG (TBC)
Mar	Mon 10-Fri 14 Sun 23-Thu 27	Members – Planning Engagement	ICANN 49 (Singapore)
Apr	Fri 4th	Council – meeting	
May			IGF MAG (TBC)
Jun	Fri 6th Sun 22-Thu 26	Council – meeting	ICANN 50 (London)
Jul		NetHui 2014 2014 AGM	
Aug	Fri 8th	Council – meeting	
Sep	Sat 13-Mon 15	Council – Strategic retreat Members – Strategic engagement	ANZIAs (Australia)
Oct	Fri 10th Sun 12-Thu 16 20th – 7 Nov	Council – meeting	ICANN 51 (Los Angeles) ITU Plenipot 2014 (Korea)
Nov	20 Oct – 7th		ITU Plenipot 2014 (Korea)
Dec	Fri 12th	Council – meeting + Xmas	

Recommendations

THAT Council note the planning cycle for its work in the coming year, while acknowledging that further adjustments may be needed to bring it into alignment with a group-wide planning cycle.

THAT Council adopt the tentative dates for Council meetings in 2014 set out above, and notes that these will be checked against public and school holidays, with any changes being set out for adoption at the October meeting.

Jordan Carter
Chief Executive
25 July 2013

Chief Executive's Report

Chief Executive's Report

Author:	Jordan Carter
Purpose of paper:	Report of the Chief Executive to 2 August 2013

Introduction

In opening this report, I should note that this is my first as permanent Chief Executive. I would like to thank the Council for the chance to serve the organisation in this role. I am aware of the responsibility it entails and the opportunity it brings; I hope to meet both challenges to your satisfaction in the coming years.

This report conveys critical risks or other risks Council should be aware of, my priorities in the period since the May Council meeting, planned priorities for the period from now until the end of October, and a number of staffing and contractor issues. A final section includes a series of brief updates, on the following:

- NetHui
- Governance-level policies & international strategy development
- Auckland premises
- Website Information Architecture review
- ANZIAs
- Internal policies

Separate papers are attached that form part of the Chief Executive's report, but where separate papers are clearer:

A -   Operations Update to 2 August 2013 (whole team)
B -   Policy Advisory Group and PDP refresh (Susan Chalmers)

The financial report for the eleven months to 28 February 2013 follows these papers.

As always, feedback from Councillors or members on the content of this report is very welcome.

1:   Critical Risks / Other Risks

There are no critical risks to advise the Council of at the reporting date.

2:   Recent Priorities

Operating team
The work that has been done by the operating team is summarised in the attached Operations Update. Of particular note have been the following matters:
- Producing NetHui 2013
- 2013 AGM and Council elections
- Completing the 2012/13 financial audit
- Dealing with the GCSB and Telco interception law reform agenda
- Attendance at the WSIS+10 and WTFP in Geneva, and ICANN 47 in Durban
- Continuing work on the information architecture review of the website

Chief Executive
Since the last meeting of the Council, and aside from general work, I have been focused on the following issues, generally in descending priority order:
- Ensuring the execution of NetHui 2013 in a successful manner
- Recruiting a new Communications Lead to replace Campbell Gardiner
- Translating the Business Plan into work plans for all staff and contractors
- Ongoing stakeholder outreach and relationship building
- Progressing the identity and community funding reviews
- Initial thinking on strategic planning in the second half of the year
- Developing a partnership on economic research with Google
- Induction of new Councillors
- Continuing work on a coherent international engagement strategy
- Finalising plans for Auckland premises
- Attending the FOSI summit in Melbourne and the ACCC Regulatory Conference in Brisbane

Planned priorities noted in the previous report that did not receive any attention include:

Area not progressed	Explanation
Developing the internal operating policies framework.	Some progress made but NetHui pressure restricted this.
Review of Objects	Not yet commenced, for initiation later in this year.
Assessment of the operating team's capacity to deliver the planned work programme.	This is ongoing with no conclusions yet reached.

3:   Priorities for the next three months

For the period from the end of July until the end of October, the following main priorities are being pursued.

Operating Team
- Successful execution of the ANZIAs in Wellington in September

- Detailed work plans arising from the Business Plan completed
- GCSB and TICS legislation follow through continues
- Ongoing involvement in the Telecommunications Act review
- Participation in Internet Governance events in Australia & Indonesia in October
- Implementing the Community Funding review findings
- Preparation of inputs for Strategic Planning
- Complete phases 2-4 of InternetNZ identity review
- Planning for NetHui South
- Arrangement of member engagement on Objects and strategic matters in September/October

Items not completed since last report but still outstanding; include:
- New ways for members to engage with policy work at InternetNZ
- Review of InternetNZ Objects

Chief Executive
The following are the areas that I will focus on as CE from now until the end of October, subject to necessary changes in focus arising from events and to feedback from Council at this meeting.

The first priority is to successfully reorient my approach from that of an Acting Chief Executive to that of someone in the permanent role. This requires time for reflection and adjustment that hasn't been possible due to NetHui. Items which follow are in rough priority order:

- Preparing for and executing the Council's strategic planning process
- Inducting our new Communications Lead
- Broader work around team alignment, culture and ways of working to improve outputs and contentment
- Assessing the capacity of the operating team to deliver the business plan
- Launching our new Auckland premises and associated partnerships
- Transitioning into my role as lead InternetNZ spokesperson
- Working with the other CEs to bring Council a suite of internal policies in October
- Pursue the Objects review
- Developing our relationships with Strategic Partners and with TUANZ
- Understanding and incorporating my KPAs into the workplan

I particularly welcome Council feedback on my priorities.

4:   Staffing and Contractor matters

Campbell Gardiner resigned from InternetNZ in June 2013, to take up a new position with ACC. Campbell will be missed by the team – his institutional knowledge and high work rate

are keenly felt in his absence! A consequence is that a number of related tasks are on hold while the role is vacant.

A recruitment process started as soon as Campbell advised of his departure. Negotiations are under way with a preferred candidate, with an announcement likely before the Council meeting on 2 August.

Ellen Strickland will be on leave and study leave for the month of August 2013, progressing her PhD thesis which is due in December.

5:   Updates

NetHui

Krystal reports on this in the operating report. I regard the event as a success based on attendance and feedback so far. We are debriefing comprehensively and this will feed into how we develop NetHui 2014. October's meeting will see a conversation about that.

Governance-level policies and international strategy development

Progress on both fronts was held up by the challenges of producing NetHui. On governance-level policies, the three CEs have developed a framework and are drafting papers but these are not ready for Council at this meeting. They will be presented for the October meeting. On international strategy, the difficulty has been the array of travel various staff undertake and my own distraction into day-to-day work. This too will be presented soon: preferably to the Strategy Retreat, but otherwise to the October eeting.

Auckland premises

A lease has been signed and fitout is under way at new premises in Auckland Central. Details will be shared with Council at the meeting on 2 August. The arrangement is within the cost limits imposed at the May meeting and the space will be useful for us as well as other Internet community organisations.

Website Information Architecture Review

Work on this review has slowed down due to Campbell's departure and due to the recent earthquakes in the capital region. We will be seeing concept wireframes from Optimal in the next couple of weeks and finalisation of the review should be done shortly after. The next step will be to decide implementation plans. The new Communications Lead will advance this work.

ANZIAs

The logistics side is settled, with the event at Te Papa on 17 September. The outstanding questions are who to invite, and liaison is ongoing with AUDA about this. The event promises to be an outstanding one. We have now to proceed with plans for an Internet Governance related event around the ANZIAs, which I will report on verbally at the Council meeting.

Internal policies

I have made some progress here, with a draft staff HR manual and code of conduct currently with staff for feedback. A health and safety manual is also in development. Professional advice is being sought when required. Other internal policies will be considered in August, with a report back to Council at the next meeting.

6:   Other matters

- The sequence of ongoing earthquakes in Wellington from Friday 19 July (with the largest on Sunday 21 July at 5.09pm) did not damage InternetNZ premises or, largely equipment. It has however provided a timely reminder that the organisation is based in a city which faces serious seismic risks.
- We will review our business continuity planning, and the adequacy of provisions and supplies for emergency situations, in light of what happened.

Jordan Carter
Chief Executive (Acting)
26 July 2013

Operations Update

Author:	Operations Team
Purpose of paper:	Share work done by team members 11 May – 2 August 2013

Introduction

This paper is now separate to the CE's report and gives a snapshot of what team members are focused on – primarily for the period since the last Council meeting.

This is presented by team member, in no particular order.

Reg Hammond

Commerce Commission UBA Submission
The Commission setting the regulated price for the copper UCLL and UBA services - as it must under the Act, has been the prompt for the Government to bring forward the review of the Act and regulatory policy. The latest stage in the Commission's process was the UBA price determination conference on June 12/13. We presented in conjunction with TUANZ and ConsumerNZ. The conference was notable for the unanimity of opinion between user organisations and RSPs that the Commission's draft UBA price was "about right" in contrast to Chorus which is seeking a significantly higher regulated copper price - ostensibly in order to cross-subsidise the UFB fibre rollout and make UFB comparatively more attractive to end users. The Commission's determination is due in mid-August.

UBA Price meeting between the TCF and Government
Minister, Amy Adams, met with the TCF Chief Executives Group in order to discuss whether there was a way through the impasse created by low regulated copper prices and sluggish take up of UFB fibre. News broke during the UBA Conference that during the meeting Chorus had rejected a ~$14.00 figure suggested by RSPs as it was insufficient (for comparison the Commission's draft calculation was $8.93). Our coalition group read a prepared statement at the summing up of the UBA Conference expressing our concern on hearing of the meeting and the influence it may have on the regulatory review and the Commission's determination process. We are continuing to seek answers to a number of questions, mostly to the TCF.

Review of the Telecommunications Act
The Government has brought forward a fundamental review of the telecommunications regulatory policy framework scheduled for 2016. The first step in the review, a discussion document (DD) proposed for mid-June has been delayed and is now expected in August. The coalition with TUANZ and ConsumerNZ is now meeting weekly and seeking to influence the content of the DD. To this end meetings have taken place with Minister Amy Adams, MBIE officials, the Commerce Commission and RSPs. We have published a number of blogs which have been widely publicised. Our efforts continue to be concentrated upon getting the Government to be explicit about their reasons for the review. Without a clear explanation of either a problem to be solved or a change of policy objective

the dangers are that a political "compromise" position will be imposed by the Government that will see copper users effectively paying for Chorus' unjustified losses through increased charges.

Chorus End User Terms

We are dissatisfied with the Chorus End User Terms (EUTs) and have attempted to negotiate with Chorus to get them improved. Chorus have made some minor adjustments but we consider they should make more. Given the length of time that has passed since we first raised these concerns we have now given them an indication that if they do not address the remaining issues, we will raise our concerns with the Commerce Commission Fair Trading Branch.

Review of the TSO

MBIE has recently released its TSO discussion document. Initial impressions are that it is focussed upon the existing TSO to provide basic voice services rather than extending it to include a broadband component. We will be working with PAG to determine our approach to responding to the discussion document.

Digital Dividend Auction

The Government issued a proposal covering its intended auction process and seeking comments on the proposal. The proposal had picked up on suggestions InternetNZ and others had made during earlier consultation rounds. InternetNZ made a further submission indicating that the government could go further in imposing implementation requirements in return for reduced auction revenue. Subsequently, Maori has launched a treaty claim relating to the spectrum - this is likely to delay the auction process.

Dean Pemberton

APRICOT 2016.

Dean and Krystal are looking at what further planning may be required in the near term timeframe. Dean will meet with APIA Board members in Xi'an in August.

APNIC Public Policy Advisory Committee (PPAC)

Dean is holding discussions with other PPAC sub-committee members around the formation of a charter for the PPAC meetings. InternetNZ's involvement is intended to help prevent the PPAC simply becoming another broad based IGF-type event, but rather ensure it stays focused on APNIC's domain.

APNIC Policy-SIG

Dean is working with Izumi Okutani on a policy proposal to clarify certain clauses within the APNIC PDP. A draft will be sent to the Policy-SIG mailing list shortly with the intention that the final proposal be presented at the APNIC36 meeting in Xi'an in August. The final proposal has been submitted.

Dean is also co-authoring Izumi's proposal to reduce the operating requirements for an APNIC SIG which has had no policy proposals for subsequent meetings (currently the state of play for the NIR-SIG). This proposal would effectively hibernate the SIG but still allow it to become active is policy proposals were to be lodged.

InTAC

A full de-brief and capture of the outputs of the InTAC conference is to be conducted.

Krystal Waine

NetHui:
NetHui 2013 was held 8-10 July, and initial feedback is positive. Currently conducting a survey to get more specific feedback about the programme and organisation of the event. From an operational point of view NetHui ran smoothly, with over 600 people attending the main hui and associated events. Initial findings indicate there as over an 80% attendance from those who registered. A survey has been sent out to participants and responses are being collected for a full analysis.
Full debrief for this is currently being prepared.

NetHui South:
Initial research into Christchurch venues currently underway. Date still to be decided, possibly November or February.

ANZIAS
The event side is all running to schedule.

NZNOG 2014
Initial planning underway.

APRICOT 2016
AUT have been approached for hosting the workshops components. Currently investigating options for social events should the bid succeed.

Ellen Strickland

NetHui 2013
Programme work, including community events and involvement, in NetHui 2013 was the major focus of my work since the last Council meeting. Feedback processes and follow-up on outcomes, working with wider community, members, council and staff, are underway. Also I am now working with the team on linking and feeding of NZ community input into the appropriate regional and global Internet Governance mechanisms. IGF Bali Fellowships process was announced at NetHui and the (up to four) fellows who will be attending in Bali will be selected and notified in early August.

Strategic Partnerships
Management of strategic partnerships continues, with regular operational meetings and collaboration. Strategic Partnership Update paper presented to council for information separately.

ICCAN Durban47
Attended first ICANN meeting in person and attended sessions with a focus on gaining a general understanding of the organisation and constituencies, with a particular focus on understanding the At Large Community as InternetNZ is an At Large Structure. In Durban, I also attended one day of a week-long Africa Internet Governance School, convened by APC with Google sponsorship, which was held just prior to ICANN. I attended to be a panelist on multi-stakeholder approaches to national and regional Internet Governance, where I spoke on New Zealand's NetHui experience and also the Pacific Islands regional processes, which I am involved in. I also met with IGF regional and national initiatives coordinators about plans for input into IGF Bali from events such as NetHui, which is related to the IGF fellowships.

Other Collaboration and Community Work
Have had a range of meetings with organisations, projects and people on potentially aligned issues or projects, and I work with Jordan and the team on identifying and agreeing appropriate options for collaboration and engagement.

- Operational engagement and event sponsorship for TechEx Wanganui and the Auckland based Moxie Sessions was agreed and implemented.
- Sponsorship of the National Debating Championships, to be held in August at Parliament, has been agreed. This will see Internet Policy issues as the topic of debate finale, as well as recognition and involvement as the sponsor.
- Current ongoing potential collaboration discussions include with:
  - o VUW SDN team (John Hine, Andy Linton et al),
  - o WWW Foundation Web Index, and
  - o Auckland CIty Council (Accelerating Auckland Innovation Showcase).

I am also involved in Community Funding Review going forward, working with Jordan and external review input.

Susan Chalmers

World Telecommunications Policy Forum 2013
Along with Keith Davidson, joined New Zealand delegation to ITU World Telecommunications Policy Forum (WTPF-13), led by Nicola Treolar MBIE (Geneva, 13 to 16 May); provided support to delegation as needed; observed UN/ITU format, procedures, etc., met with various stakeholder representatives. The focus of the meeting was to discuss six opinions, appended to the Secretary General's report for the meeting. The opinions were prepared by a multistakeholder Independent Experts Group (IEG). A seventh opinion was introduced. Very basically, this opinion, known colloquially as "the Brazilian Proposal", touches upon the Government's role in multistakeholderism. The opinion was not adopted but ongoing discussions are taking place in fora at the ITU, and it will be addressed at the IGF.

World Summit on the Information Society Forum 2013 (14 to 17 May).
Attended sessions, participated in discussions, and participated on the ISOC panel *To be or not to be identified - Hamlet's quandary in the Internet era.*
http://www.wsis.org/forum/agenda/agenda.html?se=105. This meeting flows on from the WSIS event held in Paris earlier this year, which I attended along with my colleague Ellen. The WSIS Forum was one of the few outstanding meetings before the WSIS +10 Review, which will occur in 2015.

Internet Governance
Attended first MAG meeting in Geneva the following week. Worked with colleagues to understand the environment, observed the environment, gathered context, met other MAG members, offered suggestions for the IGF at the MAG meeting, on record; co-facilitated a panel selection session; currently considering all of the above in context of InternetNZ's draft international outcomes; working with Keith, Ellen and outside stakeholders on the idea of a meeting at the IGF that focuses on bringing together representatives from various national, sub-regional and regional IGFs, to share information and best practices, at the IGF; working with fellow MAG members to organise IGF information in an easy to navigate format on a website other than the IGF's website (which needs a lot of work) for better visibility of the IGF, Internet policy, in general; participated in MAG phone calls; working as an organiser of one panel and a participant of another (WIPO organised, http://www.intgovforum.org/cms/view-proposals (No 59). Other panel is in conjunction with ISOC, IFLA and CCIA it will be an Oxford-style debate examining whether a multistakeholder or multilateral forum is better for the development of Internet copyright policy.

Trans Pacific Partnership, FairDeal Coalition
Participated in NZ launch of www.ourfairdeal.org remotely from Geneva; launch hosted at INZ with great help of INZ staff (Campbell, Maria, Mary) and NZ FairDeal members, moderated by Paul Brislen TUANZ, statements from RNZFB, CFF, Consumer, INZ, EFF, OpenMedia, Scoop media there to cover the event; organised FairDeal meetup at NetHui; participating in ongoing meetings/activities of int'l group; following Malaysian round; OIA'd Cabinet paper on TPP being reason for delay of NZ's 2013 copyright review; worked with FairDeal members to organise a response to the paper; considering next steps for local coalition, keeping in mind how the bigger coalition is likely going to evolve.

Cyberbullying Bill
Met with officials from the Ministry of Justice to discuss the content and structure of the potential bill in light of its impact on Internet intermediaries, legal and jurisprudential considerations, jurisdiction issues and practical limitations; discussed possibility of mandatory technical reports on takedown orders under the regime, which would be collected and made public; worked to conceptualise best practices for officials and judges on how judicial orders should be directed under the proposed regime, with great help of colleague Dean Pemberton (draft outstanding); contributed on INZ's behalf in relevant NetHui discussion session.

TICS & GCSB Submissions
Worked with team to finalise position papers on TICS and GCSB, to deliver select committee submission, all tasks appended thereto, including some media work; worked with other stakeholders to edit clips from the NetHui GCSB panel to share through social media to advance debate on the legislation; met with various other stakeholders to discuss.

Parliamentary Internet Forum
Organised second forum session at Parliament with staff (Krystal, Maria) and MPs from National, Labour, Green and NZ First parties. Session featured Martin Cocker and Barry Brailey - a discussion cybersafety and security. Attendance was sparse (early days). Perhaps as a result, conversation was very frank, and many good questions were asked.

NetHui 2013
Organised the Wellington City Council Day 1 workshop with the help of WCC, FairDeal meet up, GCSB panel, Parliamentary Internet Forum panel, co-facilitated session on copyright, participated in discussions and provided support as requested in assisting with the organisation of the event.

PAG
Introduced proposed changes to PAG engagement structure at PAG meeting. Overall support of the model and many good suggestions made for an INZ policy development process – note this is covered elsewhere in the CE's report; trialling Loomio as potential new venue for PAG working group discussions & beginning trial with INZ response to the TSO Discussion Document, led by Reg Hammond.

Mary Tovey

Prepare and produce financial reports for INZ and DNCL, deliver to Curtis McLean for the consolidated quarterly June report

Update Cash flow module with budgets and actuals for April-June

Prepare and produce INZ financial status report Y/E and QE June for Council papers.
Update Budget paper for Council papers

Minutes of last audit and risk meeting to be circulated.
Update Admin policies for council documentation
Contact banks, add new signatories.
Update Charities Commission new councillors and trustees for IPv6.

DNCL
Consolidating DNCL payroll files.
Contact banks to make changes to bank signing authorities

NZITF
Preparing NZITF account in Xero for year end.
Preparing Annual report for auditors.

NetHui Sponsorship Invoicing.
Follow-up outstanding sponsorship invoicing Chorus.
Reconcile Eventbright payment against registrations

Maria Reyes

Office support
Providing support to Jordan for the recruitment of the Communications Lead position by organising interviews and getting in touch with applicants to provide updates regarding their applications and answering to queries regarding the role.

Have also provided admin support by liaising with the private secretaries of the MPs involved in the Parliamentary Internet Forum committee to arrange a time to meet with Susan to discuss the next PIF session in September.

Membership
Data clean-up of the mailing list after the membership renewals and removed expired members from the list.

Council Support
Update the Council page on the website and add the new Councillors to the list.

Liaise with the new Councillors regarding their Induction.

Manage and monitor the Evotes and assist Jordan with collating agenda papers for the August Council meeting.

Grants
Processing Grant applications, liaising with the Grants Committee, doing follow-ups for any pending applications, and getting in touch with applicants to provide updates on their application.

Monitor grant applications by keeping an up-to-date spreadsheet of all applications received and the decisions/discussion made by the Committee.

Keith Davidson

ISOC

The CEO Recruitment Committee at ISOC has finalised the Position Description / Person Requirement documentation for the ISOC CEO role and have hired an HR firm to receive applications. Last weeks Economist magazine has the initial advertisements for the position, at http://jobs.economist.com/job/4912/chief-executive-officer/.

The ISOC Board elections have concluded and the new board is scheduled to meet by teleconference on 22 July and face to face in conjunction with the IETF meeting in Berlin in the first week of August. The major discussion items are CEO Recruitment, Acceptance of new bylaws for ISOC, and Strategic Planning

ICANN

I am presently attending the ICANN Durban meeting, and my main focus is on the following issues:
- as vice chair of the ccNSO, on the ccTLD activities over recent months
- as chair of the Framework of Interpretation Working Group, in aspects of developing the colour and depth of policies applicable to the delegation and redelegation of ccTLDs
- as a member of the ICANN Meetings Strategy Working Group, to set the agenda and methodologies of ICANN meetings from 2015 into the future.
- I conducted a poll of ccNSO members on aspects of ICANN meetings covering issues such as frequency of ICANN meetings, duration, geographic locations etc.
- as a member of the ccNSO Finance Working Group, to work on the basis of a formula to establish the appropriate fee structures for ccTLD financial contributions to ICANN
- as a panelist for a panel discussion on "Cross Regional Capacity Building Initiatives" to discuss InternetNZ's inputs and support into the Pacific IGF and the Asia Pacific Regional IGF initiatives

International Telecommunications Union

I attended the ITU World Telecommunications Policy Forum (WTPF) in Geneva from 13 - 17 May along with Susan Chalmers, as part of the NZ Government delegation to this meeting. My attendance was also as a member of the Independent Experts Group (IEG) who had drafted the 6 opinions which were considered and adopted by the ITU at this meeting. This meeting was held under a general multistakeholder ethos with business members, IEG members and civil society representatives being given equal participation rights. It was critical to the ITU that this meeting be a success after the debacle of the WCIT in Dubai last December, and the bitter acrimony that was exhibited during Dubai was largely dispelled for the WTPF. So despite the niceties of this meeting, the unresolved issues will rear up again, probably culminating at the ITU Plenipotentiary meeting in 2014. But the ITU is to be congratulated for opening up to more appropriate and relevant methodologies in dealing with Internet issues. The ITU Secretary General has also agreed that formerly very private groups such as their Council Working Group (CWG) will be required to conduct their business in more open and transparent ways in future.

Other Activities
- Continuing participation in fortnightly calls of the organising committee of the Asia Pacific Regional IGF.
- Attended parts of Nethui and moderated the politicians panel which discussed aspects of Internet impact on politicians and their parties.
- Continuing work with Ellen Strickland on the Pacific IGF initiative, where we were hoping to be able to facilitate the 2nd Pacific IGF in Tonga in September, which has not been possible to confirm, so are looking to convene this event for 2014, and run some IGF training and agenda building sessions as part of the PacINET meeting in Tonga in September.

A "refresh" of the InternetNZ Policy Advisory Group

Author:	Susan Chalmers
Purpose of paper:	Note to Council on InternetNZ's Policy Programme: A "PAG Refresh" and a PDP

The PAG is due for a refresh; InternetNZ can do better to effectively engage the Internet community in a multistakeholder policy development programme that produces outputs which are both high in quality and widely supported. Attendees of the PAG Welcome meeting on 18 July participated in the first steps of the PAG refresh by discussing a proposed new structure for PAG engagement. They were supportive of the proposal.

This structure would see INZ's policy work organised into a number (likely 5 or 6) of Policy Portfolios. Nestled within each Portfolio would be any given number of Working Groups, created ad hoc to focus on specific proactive or reactive policy projects. An "Internet Access" Portfolio, for example, would include work on the Telecommunications Service Obligations, the Telecommunications Act Review, spectrum allocation, or Unbundled Bitstream Access (UBA) Pricing.

Each Working Group would have its own discussion channel, be it an email list or otherwise. (For example, we will be trailing Loomio (loomio.org) on a few projects to see if it would be a good fit.) Draft work would be sent to the entire PAG list for comment before finalisation. The PAG list would remain an open channel for free discussion.

In lieu of monthly meetings there would be quarterly PAG "Plenaries" - two or three-hour events hosted by InternetNZ, wherein Working Groups would present their projects to the wider community for educational and discussion purposes.
 Each Working Group would have a lead, which will normally be staff, though there may be occasions under which non-Staff will lead a working group. The Working Group leads would coordinate with the Policy Lead to develop the quarterly PAG plenary programmes.

A policy development process for InternetNZ's Policy Programme
As with InternetNZ's policy principles, the organisation has always had a policy development process - it's just never been formalised. The time has come to develop a policy development process for InternetNZ's policy programme. A PDP would enable staff to plan policy initiatives more effectively, encourage more efficient use of resources, provide a set of basic expectations for contributors to policy projects, and reinforce our own messages about transparency and openness.

Work on the PDP will start shortly, beginning with internal discussion and followed by meaningful external consultation and engagement with INZ members on the document. The end result will be a lightweight, easy-to-understand, and approachable PDP that will provide a greater degree of consistency of approach to our policy work and, if all goes to plan, a better policy programme overall.

Susan Chalmers
Policy Lead
25 July 2013

Partnerships Report

Strategic Partnerships Update

Author: Ellen Strickland, Collaboration and Community Lead

Purpose of paper: Strategic Partnerships Update

This paper contains a brief update on Strategic Partnerships.

NetSafe

Martin and I have been meeting monthly, with regular communication between organisations on relevant issues including:

Discussing progress of and public debate on the Harmful Digital Communications proposal.

The NetSafe team was involved with NetHui, including hosting Auckland facilitator training at the NetSafe offices, being a Community Supporter of NetHui and facilitating sessions and speaking at the JumpStart Day.

Martin from NetSafe was a speaker at the Parliamentary Internet Forum in June.

Operational joint team meeting deferred due to team availability and now planned for just before August Council meeting.

2020 Communications Trust

Laurence and I have been meeting monthly, with regular communication between organisations.

Report for 2020 and InternetNZ partnership attached.

Creative Commons Aotearoa NZ

Matt and I have been meeting monthly, with regular communication between organisations.

Report from CCANZ on progress on Partnership goals attached.

CCANZ also supported NetHui as a Community Supporter and held a meet-up at NetHui which was well attended.

Institute of Culture, Discourse and Communication, AUT

Partnership finalised, signed and media release sent out.

Philippa and I have been meeting monthly with regular communication between organisations.

Worked together on Internet Research Day at NetHui, with Philippa acting on organising committee for the workshop and Allen Bell being on the panel of that workshop.

Have discussed ongoing WIP development and a milestone/progress update is expected soon, as WIP is currently preparing to go to field.

Ellen Strickland

Collaboration & Community Lead

25 July 2013

Strategic Partnership Progress Report – 1 August 2013

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Partnership Achievements

A strategic partnership agreement was signed between the 2020 Communications Trust and InternetNZ on 27 March 2013. The agreement required that governance and operational groups be established and that goals and measures be developed no later than 30 June 2013. To date:

- Operational Group met on 30 April and will meet again shortly.
- Governance Group met on 14 May 2013
- Draft Partnership Goals and Measures were presented by the Operational Group and were agreed by the Governance Group at 14 May 2013 meeting
- Laurence and Ellen are meeting monthly

Progress against Partnership Goals and Measures

	Goal	Measures	Progress
1	2020 Computers in Homes (CiH) coordinators understand key Internet issues and are able to discuss these confidently in their communities.	Number of internet issue professional development sessions held at National Computers in Homes Coordinator Group (NCCG) hui. Number of briefs provided by CiH coordinators to relevant stakeholder groups	Number of PD Sessions held (23 May 2013) = 1 Ellen attended the quarterly NCCG meeting of Computers in Homes coordinators, held in Porirua on 23-24 May. Issues discussed included Digital Inclusion and the NetHui programme, including the role of 2020 community voices and perspective in the multi-stakeholder event.
2	InternetNZ policy and other work is strengthened with practical examples of community internet challenges.	Barriers to the uptake and use of the internet are identified and catalogued. Number of examples of community internet challenges that are included in InternetNZ policy work.	It is planned that a member of the Policy Team will attend the next NCCG meeting in Napier (August 27-28) to follow up the discussion at NetHui about wireless community hubs and the TSO Review. Examples from coordinators given in discussion in NetHui sessions are also available as a resource for the policy work.
3	2020 stakeholder communities engage in InternetNZ events and platforms	Number of community participants in NetHui Number of community entrants in ANZIA Awards	20 representatives from Computers in Homes (Auckland, Gisborne, Hawkes Bay, Wanganui, Manawatu/Horowhenua, Christchurch, Wellington, Dunedin and the Wairarapa) attended NetHui in Wellington and engaged actively in the sessions. 2020 hosted a successful digital inclusion meetup at NetHui (attended by over 70 people) to hear digital inclusion success stories and discuss ways to expand these to other areas. Trustees Laurence Millar and Michael Howden, and Contracts Director, Laurence Zwimpfer, facilitated NetHui sessions.

	Goal	Measures	Progress
4	The development of quality research evidence on the digital/internet divide is supported	Assess existing data and identify gaps. Research programme prepared and mechanisms for obtaining reliable data reviewed Engage with the Department of Statistics and other relevant researchers	Ellen and Laurence met on the ICT in Schools research project which 2020 runs and discussed data and content. 2020 has commissioned Statistics New Zealand to provide some further analysis of the 20102 Household ICT Survey on the regional digital disconnect, as an interim measure until Census 2013 data becomes available in December 2013. 2020 is also developing a funding proposal for the Lottery Research Committee to provide multi-year research into education achievement by Computers in Homes families. 2020 is discussing with NZIER a research initiative that mirrors recent studies in the UK quantifying the economic cost to households of not being online.
5	Robust indicators are identified for measuring digital inclusion.	Indicators are identified for: ● Affordable access for all to the internet ● Digital skills for all ● Digital inclusion for all ● Digital competence for all	2020 is meeting with Statistics New Zealand in August to review indicators.

Other 2020 Communications Trust Updates

Despite an extensive communications campaign, the Trust was disappointed to miss out on sustainable Computers in Homes funding in the May 2013 Budget. However, this was turned around on 2 July when Ministers Parata (Education), Kaye (Associate Education) and Goodhew (Community and Voluntary) jointly announced that funding for 2013-14 would be retained at the same level as the last two years ($3M per annum, supporting 1500 families). A commitment was also made by Ministers to ensure the programme continues in future years. The Ministry of Education also renewed a Computers in Homes contract to support a further 100 refugee families in 2013-14; this programme is now in its 10th year.

The Library-based Stepping UP digital literacy programme is going from strength to strength. The programme is now being delivered on an ongoing basis in five Lower Hutt libraries. During term 3 (August-October), the programme is being extended to four new local authority areas - Kapiti, Palmerston North, Whangarei and Tauranga.

The KiwiSkills digital literacy programme was successfully promoted at TechEx 2013, held in Wanganui from 21-23 June. The promotion involved continuous live challenges using the online ICDL test engine. This is to be repeated at the Gisborne TechXpo on 8-9 August, where Trust Chair Laurence Millar has also been invited as a guest speaker.

2020 Trustee Hazel Jennings has been appointed to the NZQA ICT Qualifications Review Working Group for Level 1-2 qualifications. Our goal is to ensure that the KiwiSkills ICDL programme which is currently assessed at Level 2 on the qualifications framework retains this status and becomes more widely recognised as a cost-effective digital literacy training programme.

Contracts Director, Laurence Zwimpfer, has been appointed to Minister Kaye's 21st Century Learning Reference Group. This will provide an opportunity to help shape the implementation of recommendations from the Education Select Committee's 21st Century Learning Inquiry, chaired by Nikki Kaye in 2012.

InternetNZ Strategic Partnership:
Brief Update from Creative Commons Aotearoa New Zealand
1 April to 30 June 2013

Summary

After the first three months of this partnership, CCANZ is looking on track to achieve all of its targets for the year 1 April 2013 to 31 March 2014. We have delivered 50% of targeted workshops, and have firm plans to have resources printed by the end of September.

Workshops

CCANZ has agreed to provide at least thirty tailored open licensing workshop, twenty in the compulsory education sector and ten in the research sector. CCANZ has also agreed to make fifteen regional trips and attend at least five conferences.

As of June 30: CCANZ has provided twelve open education workshops and three open research workshops. CCANZ has made two regional trips—to Hamilton and Auckland—with a third Christchurch trip cancelled due to weather. CCANZ is booked to present at the SLANZA (School Libraries), Digital Technologies and ULearn conferences.

By 30 September: CCANZ will have provided at least ten more open education workshops and two open research workshops. We have plans to travel to Tauranga, Dunedin, Nelson, Auckland and Christchurch. Matt will also be travelling to Argentina for the global CC summit at the end of August, where he will present on both the development of OERs in the New Zealand context and open education policy.

Resources

CCANZ agreed to design, print and distribute at least 2000 'Introduction to Open Research' brochures, 2000 'Copyright and Open Licensing for Researchers' booklets; and 5000 'Creative Commons Policies in Schools' brochures.

As of June 30: both the 'Open Licensing for Researchers' booklet and 'CC Policies in Schools' brochure have been drafted. Winter internships with CCANZ for students in design and humanities/law were advertised in late June, with applications closing July 10.

By 30 September: CCANZ will have printed both the Open Research booklet and the CC policies brochure. Depending on the productivity of our interns, we should also have an Open Research brochure produced.

Events

CCANZ has agreed to organise two half-day open education events for school leaders in Auckland and Wellington.

These workshops are planned for late November and February and March 2014. The events will likely be held at the Royal Society of New Zealand and the Auckland branch of the National Library's Services to Schools.

ENDS

Group Financials

Financial Report: to 31 March 2013

Author: Jordan Carter, Chief Executive

Purpose of Paper: To provide an update on the financial performance of InternetNZ

Commentary to the Accounts

As at March 2013, InternetNZ had a surplus of $480,285, against a budgeted surplus of $416,072, reflecting a variance of $64,213. Detailed commentary on variances follows.

As reported in the February financial report to Council the expected outcome for March 2013 on a P&L basis was income of $3.716m, expenditure of $3.236m, and an overall surplus of $480,000. Actuals came in as reported. As reported cash at 31 March was $5.534m.

There follow a number of attachments with further information for Council:

- A - The profit and loss statement
- B - A chart showing net income, actual against budget
- C - The balance sheet
- D - Information about the spread of assets across institutions
- E - A chart showing cash in bank, actual against forecast
- F - The cash flow forecast to March 2013.

Income variances

As reported in the December financial report, earlier in 2012/13, there was a mis-classification of dividend income. Essentially the wash-over dividend payment from NZRS for the 2011/12 year was classified as separate from operating income. Instead, the payment should have been recognised as operating income, and as such an adjustment was made to the January accounts, with this change reflected in reports presented since January.

As a consequence of this change, and an increase in interest received, income is reporting above budget by $194,953.

For the avoidance of doubt, the operational team now treats all dividend payments from NZRS – the regular three payments plus any additional dividend paid in the following year – as operating income.

Expenditure variances

Major areas of difference are:

- Remuneration is over budget by $179k, as predicted in the February report, due to the increased demand for contractors following the resignation of the Chief Executive.

- Operating costs are $36k under budget, across accountancy, general office expenses, meeting costs, subscriptions, telecommunications and workstreams. Additionally, the following budget lines are over budget; consultants, legal fees, international travel and national travel.

- Sponsorship expenditure is under budget by $13k, as reported throughout the year timing bought expenditure and budget into line.

Other Expected Major Budget Variances
There are currently no other known major budget variances expected.

Condensed Income and Expenditure Report
Actual v Budget
As at 31 March 2013

	YTD Actual $	YTD Budget $	Variance $
Income – total	**3,716,606**	**3,521,653**	**194,953**
Expenditure			
SSU	*95,131	*112,505	-17,374
Council & Members	230,844	258,750	-27,906
INZ Operations	1,835,604	1,614,326	221,278
Work Streams	587,312	620,000	-32,688
Grants	487,429	500,000	-12,571
Expenditure - total	**3,236,320**	**3,105,581**	**130,729**
Net Income	**-480,285**	**-416,072**	**64,213**

* Disestablished in May, consolidated into INZ Operations from 1 June
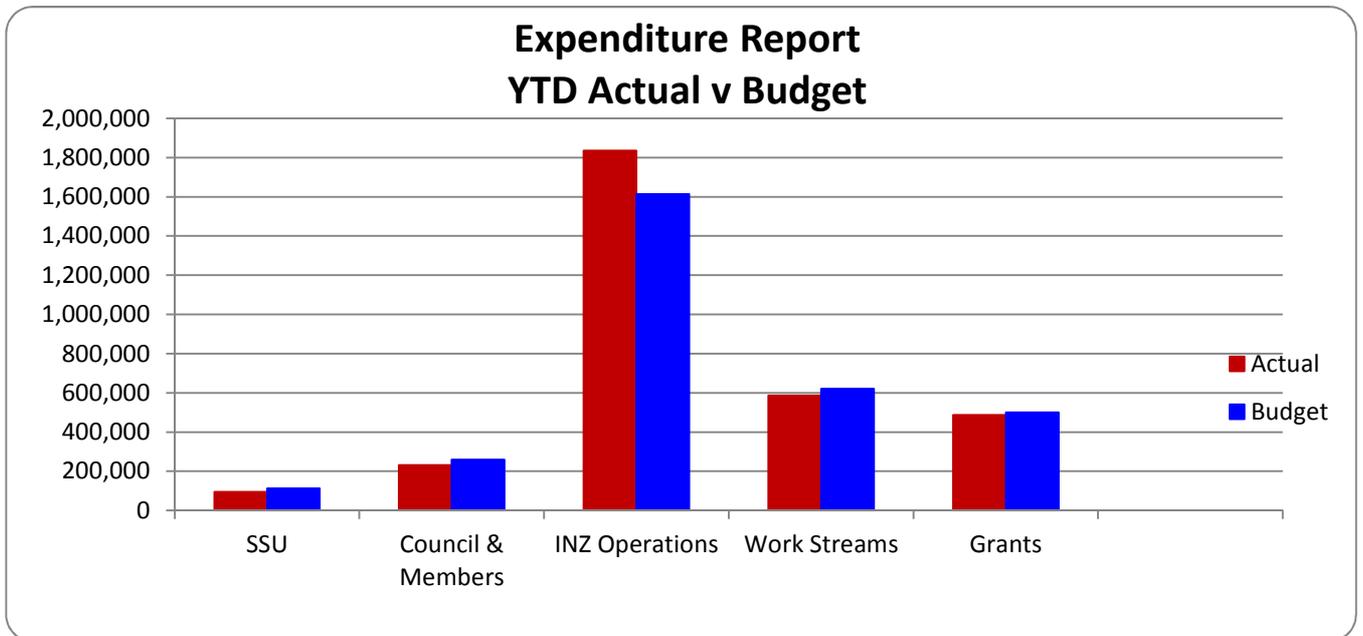
I recommend:

    A) That Council receive the 2012/13 March financial report from the Chief Executive.

Jordan Carter

Chief Executive

25 July 2013

InternetNZ
Profit and Loss Statement
As at 31 March 2013

	Apr '12 - Mar 13	Budget	$ Over Budget
Ordinary Income/Expense			
Income			
500 · Operating Income			
530 · SSU Recharge	202,020.00	202,023.00	-3.00
542 · Membership - Corporate	6,300.00	4,500.00	1,800.00
546 · Membership - Individual	7,686.57	4,500.00	3,186.57
Total 500 · Operating Income	216,006.57	211,023.00	4,983.57
570 · Sundry Income	14,282.00	0.00	14,282.00
580 · Investment Income			
583 · Dividends	3,428,920.00	3,277,630.00	151,290.00
586 · Interest	57,396.93	33,000.00	24,396.93
Total 580 · Investment Income	3,486,316.93	3,310,630.00	175,686.93
Total Income	3,716,605.50	3,521,653.00	194,952.50
Expense			
600 · Remuneration			
601 · ACC Levy	2,248.32	6,500.00	-4,251.68
625 · Miscellaneous Staff Costs	1,166.91	4,000.00	-2,833.09
630 · Recruitment	9,047.52	18,000.00	-8,952.48
635 · Staff Training	11,547.24	16,000.00	-4,452.76
651 · Wages & Salaries			
651-01 · Kiwi Saver - Employer Cont	19,874.00	24,931.00	-5,057.00
651 · Wages & Salaries - Other	767,543.31	698,275.00	69,268.31
Total 651 · Wages & Salaries	787,417.31	723,206.00	64,211.31
653 · Wages - Casual & Temporary	12,774.39	5,750.00	7,024.39
654 · Wages - Contractors	399,093.86	271,250.00	127,843.86
655 · Contracted Technical Services	40,332.07	40,000.00	332.07
Total 600 · Remuneration	1,263,627.62	1,084,706.00	178,921.62
800 · Operating Expenses			
801 · Accountancy Fees	19,034.75	30,000.00	-10,965.25
805 · Advertising & Marketing	10,804.25	13,000.00	-2,195.75
808 · Audit Fees	5,300.00	7,500.00	-2,200.00
809 · Bank Charges	1,362.98	1,600.00	-237.02
811 · Conferences	11,564.85	10,225.00	1,339.85
813 · Consultants	34,351.00	16,000.00	18,351.00
816 · Depreciation	56,062.61	60,000.00	-3,937.39
817 · Domain Names	331.95	1,000.00	-668.05
820 · General Office Expenses	19,168.01	50,090.00	-30,921.99
822 · Governance Training	10,320.44	12,000.00	-1,679.56
824 · Honoraria	120,150.00	120,150.00	0.00
826 · Legal Fees	39,703.75	20,000.00	19,703.75
829 · Meeting Costs	33,458.93	58,610.00	-25,151.07

835 · Postages & Couriers	3,676.14	4,000.00	-323.86
851 · Repairs and Maintenance	6,975.03	8,000.00	-1,024.97
853 · R & M - Software	2,559.99	1,000.00	1,559.99
855 · Printing & Stationery	20,419.03	21,000.00	-580.97
860 · Subscriptions	27,610.66	25,000.00	2,610.66
870 · Telecommunications	61,526.34	80,000.00	-18,473.66
872 · Travel & Accom - International	143,908.30	117,800.00	26,108.30
873 · Travel & Accom - National	88,747.22	63,400.00	25,347.22
885 · Web Site Updates & Hosting	7,834.68	8,000.00	-165.32
899 · Workstream	587,312.43	620,000.00	-32,687.57
Total 800 · Operating Expenses	1,312,183.34	1,348,375.00	-36,191.66
900 · Overheads			
915 · Cleaning Costs	10,655.11	11,000.00	-344.89
933 · Electricity	14,437.22	14,000.00	437.22
950 · Insurance	9,950.28	9,200.00	750.28
975 · Rent Paid	137,100.00	137,100.00	0.00
980 · Security	937.87	1,200.00	-262.13
Total 900 · Overheads	173,080.48	172,500.00	580.48
995 · Other Items			
857 · Sponsorship	487,429.14	500,000.00	-12,570.86
Total 995 · Other Items	487,429.14	500,000.00	-12,570.86
Total Expense	3,236,320.58	3,105,581.00	130,739.58
Net Ordinary Income	**480,284.92**	**416,072.00**	**64,212.92**
Other Income/Expense			
Other Income			
1000 · Special Dividends			
1001 · Special Dividends Received	400,000.00	400,000.00	0.00
1010 · Special Dividends - Interest	158,256.89	139,000.00	19,256.89
Total 1000 · Special Dividends	558,256.89	539,000.00	19,256.89
Total Other Income	558,256.89	539,000.00	19,256.89
Other Expense			
1900 · Special Dividend Exp-Overhead			
1935 · Specl Div-Christchurch Funding	338,014.54	460,000.00	-121,985.46
Total 1900 · Special Dividend Exp-Overhead	338,014.54	460,000.00	-121,985.46
Total Other Expense	338,014.54	460,000.00	-121,985.46
Net Other Income	220,242.35	79,000.00	141,242.35
Net Income	**700,527.27**	**495,072.00**	**205,455.27**

Attachment B

Net Income
YTD Actual/YTD Budget
(excluding special dividends)

Attachment C
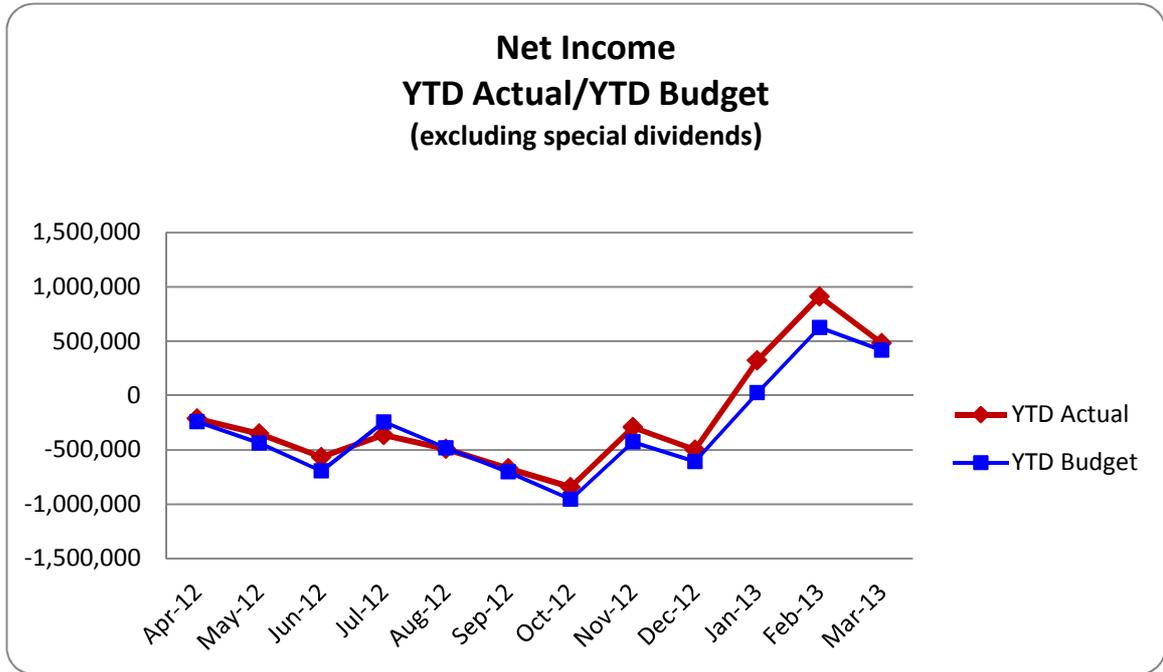
InternetNZ
Balance Sheet
As at 31 March 2013

	Mar 31, 13
ASSETS	
Current Assets	
Cheque/Savings/Term Deposits	
Total Cheque/Savings/	1,958,180.92
Term Deposits-Special Dividends	
Total · Term Deposits-Special Dividends	3,575,346.89
Petty Cash	400.00
Total Cash	5,533,927.81
Other Current Assets	256,473.12
Total Other Current Assets	256,473.12
Total Current Assets	5,790,400.93
Fixed Assets	
Total Fixed Assets	283,844.28
Other Assets	
Ordinary Share Capital	30,000.00
Shares in DNCL	580,000.00
Loan - Hectors World Ltd	162,243.93
Impairment Prov Hector's World	-162,244.00
Total Other Assets	609,999.93
TOTAL ASSETS	**6,684,245.14**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Total Accounts Payable	331,058.66
Other Current Liabilities	
Accruals	115,005.07
Lease Incentives	36,892.54
Payroll Liabilities	10,196.04
Total Other Current Liabilities	162,093.65
Total Current Liabilities	493,152.31
Total Liabilities	493,152.31
Equity	
Retained Earnings	5,490,565.56
Net Income	700,527.27
Total Equity	6,191,092.83
TOTAL LIABILITIES & EQUITY	**6,684,245.14**

Attachment D: Spread of assets across institutions

Special Dividend Investment Information

Date	Bank	Term	Amount
11/11/2011	ASB	24 months	404,316
02/12/2011	Kiwibank	24 months	621,909
05/12/2011	Kiwibank	24 months	250,000
16/01/2012	ANZ	18 months	154,934
25/05/2012	Westpac	12 months	400,000
27/07/2012	ANZ	12 months	100,000
27/07/2012	Westpac	6 months	255,298
30/06/2012	ASB	12 months	600,000
30/07/2012	Kiwibank	9 months	128,000
23/02/2013	BNZ	180 Days	81,761
29/01/2013	ANZ	63 Days	578,717
Total $			**3,574,935**

Note that $332,000 of special dividend funds were paid out to the rebuilding of Christchurch in April 2012.

InternetNZ Reserves Investment Information

Date	Bank	Term	Amount
07/02/2013	ANZ	12 months	189,485
02/03/2013	BNZ	189 Days	553,735
22/03/2013	Westpac	119 Days	249,988
Total $			**993,208**

Attachment E – Cash in Bank actual compared with forecast

Cash in Bank
Actual/Forecast
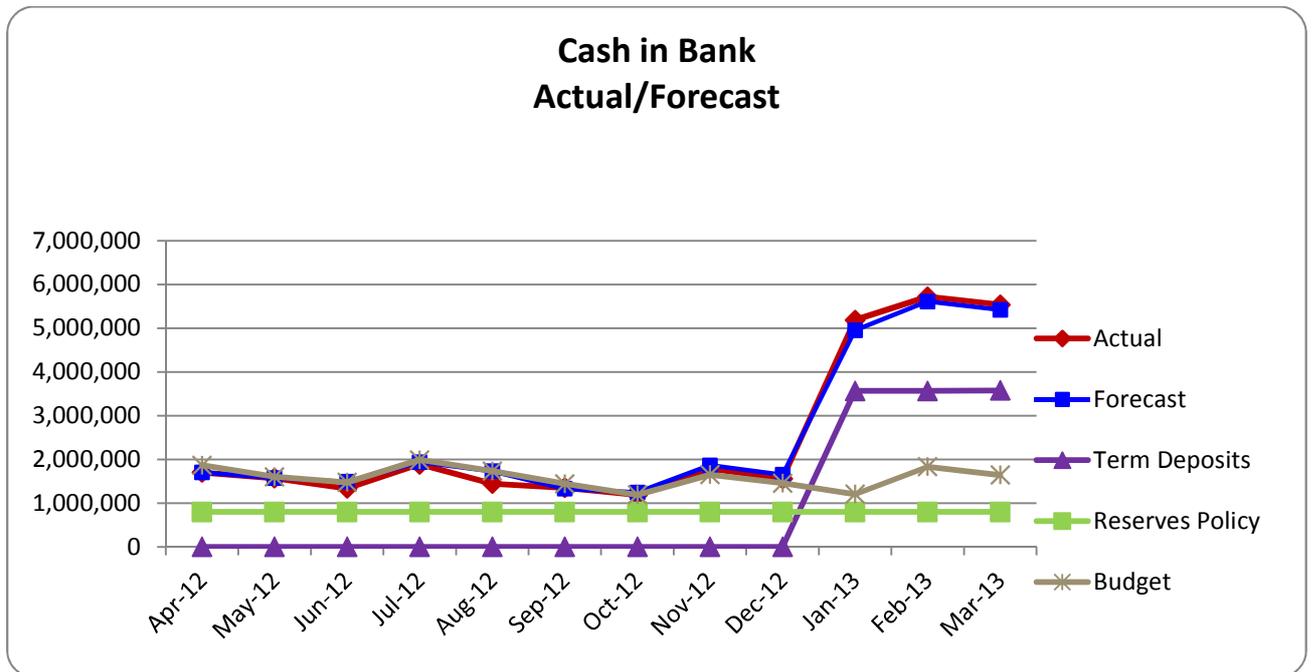
InternetNZ

Cash Flow Forecast

	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Total
RECEIPTS	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Invoiced Sales	709	26,982	36,540	23,858	27,287	12,945	40,657	18,747	28,317	51,722	35,233	204,692	507,689
Special Dividends	0	400,000	0	1,193,920	0	0	0	0	0	1,193,920	0	0	400,000
Sundry	0	0	0	0	0	0	0	0	0	0	0	17,827	17,827
Special Dividends Interest	1,899	0	2,028	2,159	86	4,875	0	0	0	40,115	0	104,947	156,109
Dividends	0	0	0	645,000	0	0	0	795,000	0	1,193,920	795,000	0	3,428,920
Interest	0	386	0	0	0	666	0	0	0	0	0	19,366	20,418
Interest Received	325	3,863	896	3,043	13,432	0	335	4,338	1,742	944	8,450	0	37,368
Special Dividend Term Deposits	641,718	0	0	0	0	0	0	0	0	3,879,895	1,761	0	4,523,374
Sundry Payables	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepayments	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Receivable	0	1,758	2,534	0	30,652	0	0	0	0	8,506	1,195	0	44,645
RWT Received	0	0	0	0	0	0	4,420	0	13,998	0	0	0	18,418
GST	0	42,211	0	91,990	0	78,054	36,303	3,833	0	47,130	989	34,126	334,636
	644,651	475,200	41,998	1,959,970	71,457	96,540	81,715	821,918	44,057	4,028,312	842,628	380,958	9,489,404
PAYMENTS													
Invoiced Costs	652,608	152,685	222,094	396,425	247,280	134,902	195,171	165,451	217,949	258,726	209,097	502,404	3,354,792
ACC Levies	0	0	0	0	0	2,585	0	0	0	0	0	0	2,585
Salary & Wages	32,313	37,678	35,454	51,793	32,720	35,309	39,998	40,518	40,479	140,431	31,636	46,143	564,472
Special Dividend Term Deposits	0	400,000	0	950,001	208,086	4,872	0	0	0	0	0	0	1,562,959
Sundry Payables	0	0	0	0	2,184	0	3,290	0	0	0	0	0	5,474
Prepayments	0	0	0	0	0	0	0	0	0	0		0	0
RWT	0	0	0	0	0	0	0	0	0	0	0	0	0
PAYE	5,741	15,461	12,401	13,562	21,623	11,361	7,974	16,869	12,535	4,913	68,542	15,254	206,236
GST	668	0	4,069	0	379	0	0	0	24	0	0	0	5,140
	691,330	605,824	274,018	1,411,781	512,272	189,029	246,433	222,838	270,987	404,070	309,275	563,801	5,701,658
NET CASH FLOW	-46,679	-130,624	-232,020	548,189	-440,815	-92,489	-164,718	599,080	-226,930	3,624,242	533,353	-182,843	3,787,746
OPENING BANK	1,746,181	1,699,502	1,568,878	1,336,858	1,885,047	1,444,232	1,351,743	1,187,025	1,786,105	1,559,175	5,183,417	5,716,770	1,746,181
CLOSING BANK	**1,699,502**	**1,568,878**	**1,336,858**	**1,885,047**	**1,444,232**	**1,351,743**	**1,187,025**	**1,786,105**	**1,559,175**	**5,183,417**	**5,716,770**	**5,533,927**	**5,533,927**

Bank Account Balances as per BS	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13
NBNZ Savings	26,217	527,434	278,330	703,635	314,892	235,558	35,892	700,974	502,579	353,523	304,419	805,400
NBNZ Current	211,455	17,630	34,714	27,635	61,752	48,597	83,545	114,361	85,826	295,152	867,753	159,533
ANZ Term Deposit	181,390	181,390	181,390	181,390	181,390	181,390	181,390	181,390	181,390	1,015,042	1,023,136	1,023,136
ASB Term Deposit	0	0	0	0	0	0	0	0	0	994,902	994,902	1,004,514
BNZ Term Deposit	600,000	500,000	500,000	500,000	541,812	541,812	541,812	541,812	541,812	622,025	623,786	635,710
Kiwibank Term Deposit	40	40	40	128,040	40	40	40	40	40	999,949	999,949	999,949
Westpac Term Deposit	680,000	341,984	341,984	343,947	343,947	343,947	343,947	247,128	247,128	902,426	902,426	905,286
Petty Cash	400	400	400	400	400	400	400	400	400	400	400	400
	1,699,502	1,568,878	1,336,858	1,885,047	1,444,232	1,351,743	1,187,025	1,786,105	1,559,175	5,183,418	5,716,770	5,533,928

Internet New Zealand Incorporated
Annual Report
For the Year Ended 31st March 2013

Prepared By

Curtis McLean Limited
Chartered Accountants
Wellington   NZ

Internet New Zealand Incorporated
Annual Report
For the Year Ended 31st March 2013

Schedule of Contents

Internet New Zealand Incorporated
Annual Report
For the Year Ended 31st March 2013

Financial Result

The Group Net Profit for the year, after taxation, was $191,126 (2012: $614,610).

	2013		2012	
	Group	Parent	Group	Parent
Retained Earnings as at 1 April	9,187,873	5,490,566	8,573,263	4,639,914
Net Profit (Loss) After Taxation	191,126	700,527	614,610	850,651
Retained Earnings as at 31st March	$9,378,999	$6,191,093	$9,187,873	$5,490,565

Dividend

Dividends of $3,828,920 were received from New Zealand Domain Name Registry Limited, a wholly owned company, for the year ended 31st March 2013 (2012: $3,324,999).

Remuneration of Council

During the year Council received the following remuneration:

Fees Paid

Frank March - President	18,000
Jamie Baddeley - Vice President	11,250
Neil James	9,900
Donald Clark	9,000
Michael Foley	9,000
Hamish MacEwan	9,000
Jonny Martin	9,000
Dave Moskovitz	9,000
Nathan Torkington	9,000
Michael Wallmannsberger	9,000
Lance Wiggs	9,000
Brenda Wallace	4,943
Don Christie	4,057
	$120,150

For and on Behalf of the Council
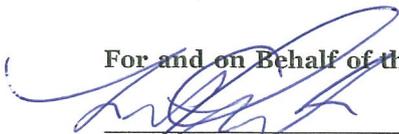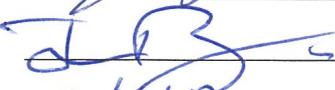
_____ President

_____ Vice President

14/6/13 . _____ Date

Internet New Zealand Incorporated
Statement of Comprehensive Income
For the Year Ended 31st March 2013

	Note	2013 Group	2013 Parent	2012 Group	2012 Parent
Operating Income					
Registry Fees		7,703,881	-	7,086,371	-
Other Income		60,638	230,288	93,007	242,409
		7,764,519	230,288	7,179,378	242,409
Less Operating Expenses					
Registry Services		1,929,855	-	1,806,361	-
Domain Name Commission		533,550	-	543,581	-
Public Policy		686,819	686,819	493,367	493,367
Society		928,550	928,550	933,371	933,371
Technical Leadership		611,061	611,061	437,664	437,664
Audit Fees		19,150	5,300	26,866	10,040
Employee Remuneration		2,171,740	811,427	1,918,562	720,192
Depreciation & Amortisation	3,4	744,697	56,063	704,237	61,286
Rent		137,100	137,100	137,100	137,100
Loss on Disposal of Fixed Assets		-	-	9,213	3,553
Total Operating Expenses		7,762,522	3,236,320	7,010,322	2,796,573
Surplus/(Deficit) from Operations		1,997	(3,006,032)	169,056	(2,554,164)
Plus Other Income/(Expenses)					
Dividend Income	7	-	3,828,920	-	3,324,999
Interest		527,144	215,654	545,931	180,194
Christchurch Rebuild		(338,015)	(338,015)	(100,377)	(100,377)
Surplus for the Year		191,126	700,527	614,610	850,652
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Year		$191,126	$700,527	$614,610	$850,652

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

The notes form part of the financial statements and should be read in conjunction with them

BDO

BDO WELLINGTON

Internet New Zealand Incorporated
Statement of Changes in Equity
For the Year Ended 31st March 2013

	Note	2013		2012	
		Group	Parent	Group	Parent
Retained Earnings					
Opening Retained Earnings		9,187,873	5,490,566	8,573,263	4,639,914
Total Comprehensive Income for the Year					
Surplus for the Year		191,126	700,527	614,610	850,651
Other Comprehensive Income		-	-	-	-
Retained Earnings as at 31st March		$9,378,999	$6,191,093	$9,187,873	$5,490,565

Internet New Zealand Incorporated
Statement of Financial Position
As At 31st March 2013

	Note	2013 Group	2013 Parent	2012 Group	2012 Parent
Current Assets					
Cash and Cash Equivalents	1	2,318,372	965,785	1,829,747	285,036
Other Financial Assets	1a	11,006,105	4,014,408	9,474,966	2,391,046
Trade Debtors and Other Receivables	2	1,251,117	256,473	1,112,635	155,346
Total Current Assets		14,575,594	5,236,666	12,417,348	2,831,428
Non Current Assets					
Other Financial Assets - Non Current	1a	553,735	553,735	2,092,271	2,092,271
Total Non Current Assets		553,735	553,735	2,092,271	2,092,271
Property, Plant & Equipment	3	394,789	246,175	458,802	282,012
Investments					
Shares in Subsidiaries	8	-	610,000	-	610,000
Total Investments		-	610,000	-	610,000
Intangible Assets	4	856,502	37,670	718,324	15,579
Total Assets		16,380,620	6,684,246	15,686,745	5,831,290
Less Liabilities:					
Current Liabilities					
Deferred Income- Current	10	4,371,415	-	4,046,689	-
Trade Creditors and Other Payables	5	991,604	493,153	850,014	340,724
Total Current Liabilities		5,363,019	493,153	4,896,703	340,724
Term Liabilities					
Deferred Income- Non Current	10	1,638,602	-	1,602,169	-
Total Liabilities		7,001,621	493,153	6,498,872	340,724
Net Assets		$9,378,999	$6,191,093	$9,187,873	$5,490,566

The notes form part of the financial statements and should be read in conjunction with them

BDO

BDO WELLINGTON

Internet New Zealand Incorporated
Statement of Financial Position
As At 31st March 2013

	2013		2012	
	Group	**Parent**	**Group**	**Parent**
Represented by:				
Total Equity	$9,378,999	$6,191,093	$9,187,873	$5,490,566

For and on Behalf of the Council

_____President

_____Vice President

14/6/13_____Date

BDO
BDO WELLINGTON

Internet New Zealand Incorporated
Statement of Cash Flows
For the Year Ended 31st March 2013

	Note	2013 Group	2013 Parent	2012 Group	2012 Parent
Cash Flows From Operating Activities					
Cash was Provided From					
Net Receipts from Customers		8,052,311	227,305	7,443,303	243,813
Receipt of Taxation		18,418	18,418	4,245	-
Dividend Received		-	3,828,920	-	3,324,999
Interest Received		547,237	168,169	550,894	163,922
Net GST Received		14,442	-	6,658	7,131
		8,632,408	4,242,812	8,005,100	3,739,865
Cash was Distributed To:					
Payments to Suppliers and Employees		7,302,146	3,404,749	6,424,452	2,871,593
Payment of Taxation		-	-	18,252	10,791
Net GST Paid		30,172	30,172	-	-
		7,332,318	3,434,921	6,442,704	2,882,384
Net Flows Operating Activities		1,300,090	807,891	1,562,396	857,481
Cash Flows From Investing					
Cash was Provided From:					
Net Withdrawal from Term Deposits		7,397	-	-	-
Cash was Distributed To:					
Net Investment in Term Deposits		-	84,826	610,588	1,034,927
Purchase of Fixed Assets & Intangibles		818,862	42,316	713,996	44,180
		818,862	127,142	1,324,584	1,079,107
Net Cash Flows From Investing Activities		(811,465)	(127,142)	(1,324,584)	(1,079,107)
Net Increase (Decrease) In Cash and Cash Equivalents		488,625	680,749	237,812	(221,626)
Add:Opening Cash and Cash Equivalents		1,829,747	285,036	1,591,935	506,662
Closing Cash and Cash Equivalents	1	2,318,372	$965,785	$1,829,747	$285,036

Internet New Zealand Incorporated
Statement of Cash Flows
For the Year Ended 31st March 2013

Operating Activity Cash Flow Reconciliation

	2013		2012	
	Group	Parent	Group	Parent
Surplus/(Deficit) for the Year	191,126	700,526	614,610	850,651
Add/(deduct) Non - cash items				
Depreciation	167,741	48,154	257,809	56,679
Amortisation	576,956	7,909	446,428	4,607
	744,697	56,063	704,237	61,286
Movement in working capital				
(increase)/decrease in receivables	(73,367)	(2,983)	65,295	1,404
(increase)/decrease in GST receivable	(15,730)	(30,172)	6,658	7,131
increase/(decrease) accounts payable	127,148	152,429	6,607	(20,063)
(increase)/decrease interest receivable	20,093	(47,485)	4,963	(16,272)
(increase)/decrease tax receivable	18,418	18,418	(14,007)	(10,791)
(increase)/decrease prepayments	(73,454)	(38,905)	(35,506)	(15,865)
increase/(decrease) deferred income	361,159	-	209,539	-
	364,267	51,302	243,549	(54,456)
Net Cash Flow from Operating Activities	$1,300,090	$807,891	$1,562,396	$857,481

Internet New Zealand Incorporated
Accounting Policies
For the Year Ended 31st March 2013

Significant Accounting Policies
These financial statements comprise the consolidated financial statements of Internet New Zealand
Incorporated ("INZ") for the year ended 31 March 2013. INZ is an incorporated society registered
under the Incorporated Societies Act 1908 and domiciled in New Zealand.

The consolidated financial statements of INZ 31st March 2013 comprise INZ and its subsidiaries (together
referred to as the "Group"). The financial statements were authorised for issue by the Councillors
on 14 June 2013.

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

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

(a) Statement of compliance
These financial statements are prepared in compliance with New Zealand Generally Accepted Accounting
Practice (NZ GAAP) complying with New Zealand equivalents to International Financial Reporting Standards
(NZ IFRS) as appropriate for Public Benefit reporting entities applying differential reporting exemptions.

The Group qualifies for Differential Reporting because it is not publicly accountable and does not qualify
as a large entity as defined in the framework for Differential Reporting by the New Zealand Institute of
Chartered Accountants. The Group has taken advantage of all Differential Reporting Exemptions, except NZ
IAS 7 Statement of Cash Flows.

(b) Basis of preparation

Presentation Currency
The financial statements are presented in New Zealand dollars. They are prepared on a historical cost basis
except for investments which are stated at their fair value.

Use of estimates and judgements
The preparation of financial statements in conformity with NZ IFRSs requires management to make judgements,
estimates and assumptions that affect the application of policies and reported amounts of assets and
liabilities, income and expenses. The estimates and associated assumptions are based on historical
experience and various other factors that are believed to be reasonable under the circumstances, the results
of which form the basis of making the judgements about carrying values of assets and liabilities that are not
readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting
estimates are recognised in the period in which the estimate is revised if the revision affects only that
period, or in the period of the revision and future periods if the revision affects both current and future
periods.

Changes to Accounting Policies
There has been no significant change in accounting policies in the current reporting period.

Significant accounting policies
The accounting policies set out below have been applied consistently to all periods presented in these
consolidated financial statements.

The accounting policies have been consistently applied by Group entities.

Internet New Zealand Incorporated
Accounting Policies
For the Year Ended 31st March 2013

(c) Basis of Consolidation

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

In preparing the consolidated financial statements, all interentity balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(d) Employee entitlements

The provisions for employee entitlements to wages, salaries, annual leave and long service leave payments represent the amount for which there is a present obligation to pay resulting from employees' services provided up to balance date.

(e) Financial assets

Financial assets consist of cash, deposits and receivables. Upon recognition financial assets are recognised at fair value. Subsequent to intial recognition financial assets are classified as loans and receivables. Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are restated at amortised cost using the effective interest rate method.

(f) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

Cash and cash equivalents

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

(g) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise.

Internet New Zealand Incorporated
Accounting Policies
For the Year Ended 31st March 2013

(h) Goods and Services Tax

All amounts are shown exclusive of Goods and Services Tax (GST) except for trade debtors, receivables and payables that are stated inclusive of GST.

(i) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income immediately, unless the relevant asset is carried at a fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income immediately, unless the relevant asset is carried at a fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) Income Tax

The Group was registered as a charity under the Charities Act 2005 and therefore exempt from income tax under Section CW41 & CW42 of the Income Tax Act 2007 effective from when it was granted charitable status.

Internet New Zealand Inc is registered as a charity in terms of the Charities Act 2005 with effect from 30 June 2008. The wholly owned subsidiaries, New Zealand Domain Name Registry Limited and Domain Name Commission Limited were registered as charities in terms of the Charities Act 2005 with effect from 19 August 2008 and 10 October 2008 respectively.

Internet New Zealand Incorporated
Accounting Policies
For the Year Ended 31st March 2013

(k) Intangible assets

Trademarks
Trademarks are finite life tangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives of 7 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Software
Software is a finite life intangible asset and is recorded at cost less accumulated amortisation. Amortisation is charged on a diminishing value basis over the estimated useful life. Amortisation is charged to the Statement of Comprehensive Income. The principal rates used to calculate amortisation are -

Software   48.0 - 60.0% DV

(l) Leased assets
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Payables
Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(n) Property, plant and equipment

(i) Owned assets
Items of property, plant and equipment are stated at cost as deemed cost less accumulated depreciation and impairment losses, see accounting policy (i).

(ii) Leased assets
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses, see accounting policy (n). Lease payments are accounted for as described in accounting policy (l).

Internet New Zealand Incorporated
Accounting Policies
For the Year Ended 31st March 2013

(iii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income an expense as incurred.

(iv) Depreciation

Depreciation is charged on a diminishing value or straight line basis on all property, plant and equipment over the estimated useful life. Depreciation is charged to the Statement of Comprehensive Income. The principal rates used to calculate depreciation are -

Furniture & Fittings	10.0 - 48.0% DV
Office Equipment	15.6 - 80.4% DV
Computer Hardware	31.2 - 80.4% DV

(o) Provisions

Provisions are recognised when the consolidated entity has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(p) Expense Recognition

Expenses are recognised when expenses are incurred.

Grant expenditure is recognised when approved by Council.

(q) Revenue recognition

Rendering of services
Revenue from a contract to provide services is recognised when the services are performed.

Dividend and interest revenue
Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(r) Capital Management

The Group's capital is accumulated surpluses from trading. The Group manages its revenue, expenses, assets and liabilities prudently in order that the objectives of the ultimate charitable group are met. The Group has no external third party imposed capital management requirements.

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Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2013

	2013		2012	
	Group	**Parent**	**Group**	**Parent**

1. Cash and Cash Equivalents

	Group	Parent	Group	Parent
Cash on Hand	400	400	400	400
Cash at Banks	2,317,972	965,385	1,829,347	284,636
Total Cash and Equivalents	**2,318,372**	**965,785**	**1,829,747**	**285,036**

1a. Other Financial Assets

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

	Group	Parent	Group	Parent
Other Financial Assets	11,006,105	4,014,408	9,474,966	2,391,046
Other Financial Assets - Non Current	553,735	553,735	2,092,271	2,092,271
Total Other Financial Assets	**11,559,840**	**4,568,143**	**11,567,237**	**4,483,317**

The total funds of $13,878,212 held by the Group at 31 March 2013 comprised:

New Zealand Domain Name Registry Limited Deferred Income	$6,010,017
New Zealand Domain Name Registry Limited Retained Income	$1,413,849
Domain Name Commission Limited Retained Income	$920,418
Internet New Zealand Incorporated Retained Income	$5,533,928

The total retained income of $7,868,195 represents funds held but not yet spent.

2. Trade Debtors and Other Receivables

	Group	Parent	Group	Parent
Trade receivables	808,115	2,983	734,748	–
Interest Receivable	198,814	114,025	218,907	66,540
GST Receivable	73,596	73,596	43,424	43,424
Tax Receivable	7,461	–	25,879	18,418
Pre-payments	163,131	65,869	89,677	26,964
Total	**1,251,117**	**256,473**	**1,112,635**	**155,346**

Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2013

3. **Property, Plant & Equipment**

Parent

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

This Year	Cost or Valuation	Depreciation For Year	Accumulated Depreciation	Book Value This Year
Furniture & Fittings	371,929	32,397	148,167	223,762
Computer Hardware	225,025	13,062	207,293	17,732
Office Equipment	19,603	2,695	14,922	4,681
	$616,557	**$48,154**	**$370,382**	**$246,175**

Last Year	Cost or Valuation	Depreciation For Year	Accumulated Depreciation	Book Value Last Year
Furniture & Fittings	371,929	35,220	115,770	256,159
Computer Hardware	214,031	18,693	194,231	19,800
Office Equipment	18,282	2,766	12,227	6,054
	$604,242	**$56,679**	**$322,228**	**$282,013**

During the year there were fixed asset additions as follows:

Furniture & Fittings	$Nil	(2012 $23,154)
Computer Hardware	$10,995	(2012 $5,281)
Office Equipment	$1,321	(2012 $3,450)

Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2013

Group

This Year	Cost or Valuation	Depreciation For Year	Accumulated Depreciation	Book Value This Year
Furniture & Fittings	371,929	32,397	148,167	223,762
Office Equipment	225,637	39,197	111,197	114,440
Computer Hardware	1,125,862	96,147	1,069,275	56,587
	$1,723,428	**$167,741**	**$1,328,639**	**$394,789**

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

During the year there were fixed asset additions as follows:

Furniture & Fittings	$Nil	(2012	$23,154)
Computer Hardware	$31,761	(2012	$19,358)
Office Equipment	$73,279	(2012	$46,242)

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Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2013

4. **Intangible Assets**

Parent

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

This Year	Cost or Valuation	Amortisation For Year	Accumulated Amortisation	Book Value This Year
Software	102,147	7,909	64,477	37,670

Last Year	Cost or Valuation	Amortisation For Year	Accumulated Amortisation	Book Value Last Year
Software	72,147	4,607	56,568	15,579

During the year there were additions of $30,000 (2012: $15,857)

Group

This Year	Cost or Valuation	Amortisation For Year	Accumulated Amortisation	Book Value This Year
Software	2,801,727	576,956	1,945,225	856,502
Trademark	10,698	-	10,698	-
	$2,812,425	**$576,956**	**$1,955,923**	**$856,502**

Last Year	Cost or Valuation	Amortisation For Year	Accumulated Amortisation	Book Value Last Year
Software	2,090,290	446,428	1,371,966	718,324
Trademark	10,698	-	10,698	-
	$2,100,988	**$446,428**	**$1,382,664**	**$718,324**

During the year there were additions of $698,702 (2012 $634,447). The bulk of software purchased in 2013 relates to New Zealand Domain Name Registry Limited's continued updating and reinvestment in its core registry systems in line with its expected investment plan.

Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2013

	2013		2012	
	Group	Parent	Group	Parent
5. Trade Creditors and other Payables				
Trade Payables	748,995	408,134	627,391	246,155
GST Payable	76,526	-	62,083	-
Employee Benefits	129,190	48,126	109,365	43,394
Lease Incentives	36,893	36,893	51,175	51,175
	991,604	**493,153**	**850,014**	**340,724**

6. Financial Instruments

Credit Risk
Financial instruments which potentially subject the parent and group to credit risk
consist principally of bank balances and accounts receivable.

The parent and group has a credit policy which is used to manage this exposure to
credit risk. As part of this policy limits on exposures with counter parties have been
set and are monitored on a regular basis.

The parent and group performs credit evaluations on all customers requiring credit and
does not require collateral. The parent and group further minimises its credit exposure
by limiting the amount of surplus funds placed with any one financial institution at
any one time.

7. Related Party Disclosures

Transactions between Subsidiaries
Internet New Zealand Incorporated (INZ) owns 100% of New Zealand Domain Name Registry
Limited (NZDNRL) and Domain Name Commission Limited (DNCL).

INZ received dividends declared and paid by NZDNRL during the year totaling $3,828,920
(2012: $3,324,999).

NZDNRL and DNCL paid management fees to INZ during the year of $78,480 and $123,540
respectively (2012: $78,480 and $122,040).

Other Related Parties
Frank March, Donald Clark and Don Christie were all on the Council of INZ during the
year. They had a trading relationship with the Parent or Group as follows:

Council approved payment of $10,000 to Frank March for his role as acting Chief
Executive in January 2013.

Donald Clark is a Director of 1 through 8 Limited that provides consulting services.
During the year INZ paid 1 Through 8 Limited $13,726 for services (2012: $42,734).
Group $13,726 (2012:$42,734).

Don Christie is a Director of Catalyst IT Limited that provides IT services. During
the year INZ paid $15,130 for sponsorship of the NZ Open Source Awards and website
hosting and maintenance services (2012: $6,580). The Group paid a total of $1,126,583
to Catalyst IT Limited for IT Services (2012: $1,259,012).

Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2013

Key Management Personnel

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

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

8. Subsidiaries

Name of Entity	Country of Incorporation	2013	2012
Parent Entity			
Internet New Zealand Incorporated	New Zealand		
Subsidiaries			
New Zealand Domain Name Registry Limited	New Zealand	100%	100%
Domain Name Commission Limited	New Zealand	100%	100%

9. Operating Leases

	2013		2012	
	Group	Parent	Group	Parent
Less than one year	137,100	137,100	137,100	137,100
Between one and two years	137,100	137,100	137,100	137,100
Between three and five years	79,975	79,975	217,075	217,075
Total	354,175	354,175	491,275	491,275

Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2013

10. Deferred Income

The group through subsidiary NZDNRL has invoiced clients for $6,010,017 (2012 $5,648,858) in advance.

11. Contingent Liabilities and Commitments

At 31 March 2013 the Group had no contingent liabilities or commitments (2012: $Nil).

12. Hector's World Limited Loan

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

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

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

13. Events Subsequent to Balance Date

No events occurred subsequent to balance date that would have had a material effect on the financial statements (2012 Nil).

Internet New Zealand Incorporated
Notes To The Financial Statements
For the Year Ended 31st March 2013

14. Prior Period Adjustment

The below adjustment was made to deferred income and retained earnings of the Group as at 1 April 2011 which has a flow on effect to retained eanings as at 1 April 2012.

Retained Earnings Adjustment	1-Apr-12	1-Apr-11
Opening Retained Earnings - prior to adjustment	9,480,265	8,865,655
Adjustment to Deferred Income	292,392	292,392
Net Decrease in Retained Earnings	292,392	292,392
Opening Retained Earnings - after adjustment	9,187,873	8,573,263

	1-Apr-2012	
Deferred Income Adjustment	**Current**	**Non Current**
Deferred Income - prior to adjustment	3,809,086	1,547,380
Adjustment to Deferred Income	237,603	54,789
Deferred Income - after adjustment	4,046,689	1,602,169

The Group's revenue accounting policy is to recognise revenue over the period the service is provided. This policy has been refined and whereas in the past revenue was spread on a monthly basis, revenue is now spread on a daily basis. As on a daily spread revenue is recognised slightly later, this refinement has resulted in an increase in deferred income.

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

Report on the Financial Statements

We have audited the financial statements of Internet New Zealand Incorporated and group on pages 2 to 20, which comprise the consolidated and separate statements of financial position as at 31 March 2013, and the consolidated and separate statements of changes in equity, and statements of comprehensive income (single statement approach), and statements of cash flow's for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Council's Responsibility for the Financial Statements

The Council are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

BDO

Opinion

In our opinion, the financial statements on pages 2 to 20, present fairly, in all material respects, the financial position of Internet New Zealand Incorporated and group as at 31 March 2013, and its consolidated and separate financial performance and its cash flows for the year then ended in accordance with generally accepted accounting practice in New Zealand.

BDO Wellington
14 June 2013
50 Customhouse Quay
Wellington
New Zealand

Financial Report: to 30 June 2013

Author: Jordan Carter, Chief Executive

Purpose of Paper: To provide an update on the financial performance of InternetNZ

Commentary to the Accounts

As at June 2013, InternetNZ made a loss of $770,096, against a budgeted loss of $761,898, reflecting a variance of $8,199. Detailed commentary on variances follows.

There follow a number of attachments with further information for Council:

- A - The profit and loss statement
- B - A chart showing net income, actual against budget
- C - The balance sheet
- D - Information about the spread of assets across institutions
- E - A chart showing cash in bank, actual against forecast
- F - The cash flow forecast to March 2014.

Income variances

A small income variance exists, and may continue largely due to an even spread factor being used for interest income.

Expenditure variances

Major areas of difference are:

- Remuneration is over budget by $43k, due to recruitment costs for the new chief executive, staffing exit costs, contractor costs and rates relating to Chief Executive position.

- Operating costs are $17k under budget, across advertising, general office expenses, governance training, subscriptions, and work-streams. Additionally, the following budget lines are over budget; consultants, legal fees, meeting costs, R & M Software and national travel.

- Sponsorship expenditure is under budget by $16k, due to the budget being allocated as per expenditure last year, timing will rectify this.

Other Expected Major Budget Variances
Total recruitment costs are expected to be over budget by 30k, due to the Chief Executive and Communications lead recruitment.

Condensed Income and Expenditure Report
Actual v Budget
As at 30 June 2013

	YTD Actual $	YTD Budget $	Variance $
Income – total	**65,475**	**68,640**	**-3,165**
Expenditure			
Council & Members	18,602	36,273	-17,671
INZ Operations	572,236	511,742	60,488
Work Streams	153,597	175,100	-21,503
Grants	91,137	107,417	-16,280
Expenditure - total	**835,572**	**830,538**	**5,034**
Net Income	**770.097**	**761,898**	**8,199**
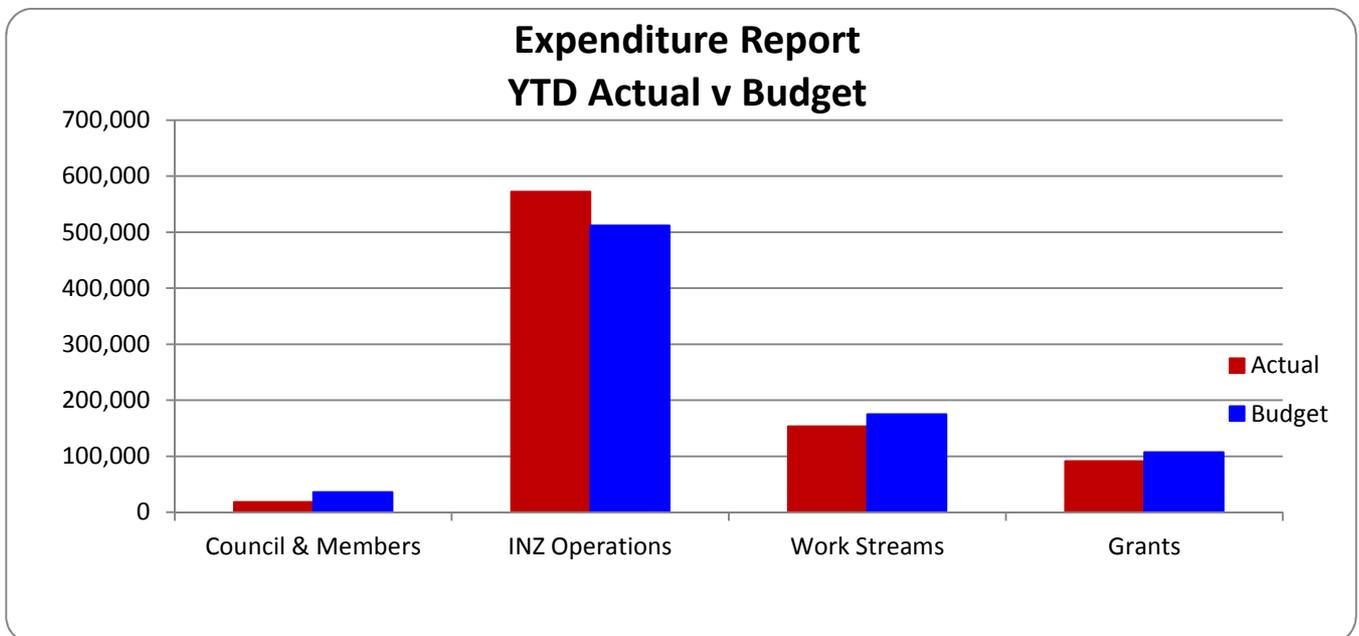
I recommend:

    A)   That Council receive the Q/E June 2013 financial report from the Chief Executive.

Jordan Carter

Chief Executive

25 July 2013

InternetNZ
Profit and Loss Statement
As at 30 June 2013

	Apr - Jun 13	Budget	$ Over Budget
Ordinary Income/Expense			
Income			
500 · Operating Income			
530 · Shared Group Services	51,810.00	51,810.00	0.00
542 · Membership - Corporate	2,700.00	3,580.00	-880.00
546 · Membership - Individual	3,472.07	3,500.00	-27.93
Total 500 · Operating Income	57,982.07	58,890.00	-907.93
580 · Investment Income			
586 · Interest	7,493.34	9,750.00	-2,256.66
Total 580 · Investment Income	7,493.34	9,750.00	-2,256.66
Total Income	65,475.41	68,640.00	-3,164.59
Expense			
600 · Remuneration			
625 · Miscellaneous Staff Costs	513.83	1,031.00	-517.17
630 · Recruitment	25,735.31	20,300.00	5,435.31
635 · Staff Training	194.78	4,128.00	-3,933.22
651 · Wages & Salaries			
651-01 · Kiwi Saver - Employer Cont	2,450.58	6,087.00	-3,636.42
651 · Wages & Salaries - Other	207,137.06	177,267.00	29,870.06
Total 651 · Wages & Salaries	209,587.64	183,354.00	26,233.64
653 · Wages - Casual & Temporary	5,127.77	4,650.00	477.77
654 · Wages - Contractors	74,404.69	65,010.00	9,394.69
655 · Contracted Technical Services	15,076.00	9,255.00	5,821.00
Total 600 · Remuneration	330,640.02	287,728.00	42,912.02
800 · Operating Expenses			
801 · Accountancy Fees	1,553.25	1,500.00	53.25
805 · Advertising & Marketing	773.48	3,348.00	-2,574.52
808 · Audit Fees	60.00	0.00	60.00
809 · Bank Charges	609.98	412.00	197.98
811 · Conferences	2,435.57	2,637.00	-201.43
813 · Consultants	5,434.78	4,115.00	1,319.78
816 · Depreciation	12,501.00	12,501.00	0.00
817 · Domain Names	337.00	350.00	-13.00
820 · General Office Expenses	4,840.74	11,137.00	-6,296.26
822 · Governance Training	433.05	2,000.00	-1,566.95
824 · Honoraria	10,012.50	10,012.00	0.50
826 · Legal Fees	12,903.00	5,863.50	7,039.50
829 · Meeting Costs	5,314.20	3,960.00	1,354.20
835 · Postages & Couriers	556.44	1,029.00	-472.56
851 · Repairs and Maintenance	1,776.50	2,061.00	-284.50
853 · R & M - Software	1,923.78	450.00	1,473.78

855 · Printing & Stationery	4,414.50	4,301.00	113.50
860 · Subscriptions	2,740.39	6,438.00	-3,697.61
870 · Telecommunications	16,712.55	15,750.00	962.55
872 · Travel & Accom - International	27,657.97	37,953.00	-10,295.03
873 · Travel & Accom - National	34,337.75	18,506.00	15,831.75
874 · Travel & Accom - Int'l Trans			
874-1 · ICANN	11,124.95	12,000.00	-875.05
874-5 · IGF	14,530.80	14,000.00	530.80
874-7 · ITU	11,855.19	11,000.00	855.19
Total 874 · Travel & Accom - Int'l Trans	37,510.94	37,000.00	510.94
885 · Web Site Updates & Hosting	7,047.01	5,589.00	1,458.01
899 · Workstream	153,596.68	175,100.00	-21,503.32
Total 800 · Operating Expenses	345,483.06	362,012.50	-16,529.44
900 · Overheads			
915 · Cleaning Costs	2,498.13	3,750.00	-1,251.87
933 · Electricity	3,707.69	4,425.00	-717.31
950 · Insurance	2,548.20	2,495.00	53.20
975 · Rent Paid	34,275.00	37,275.00	-3,000.00
980 · Security	282.48	435.00	-152.52
Total 900 · Overheads	43,311.50	48,380.00	-5,068.50
995 · Other Items			
857 · Sponsorship	116,136.96	132,417.00	-16,280.04
Total 995 · Other Items	116,136.96	132,417.00	-16,280.04
Total Expense	835,571.54	830,537.50	5,034.04
Net Ordinary Income	**-770,096.13**	**-761,897.50**	**-8,198.63**
Other Income/Expense			
Other Income			
1000 · Special Dividends			
1010 · Special Dividends - Interest	7,255.50	750.00	6,505.50
Total 1000 · Special Dividends	7,255.50	750.00	6,505.50
Total Other Income	7,255.50	750.00	6,505.50
Net Other Income	7,255.50	750.00	6,505.50
	-762,840.63	**-761,147.50**	**-1,693.13**

Attachment B

Net Income
YTD Actual/YTD Budget
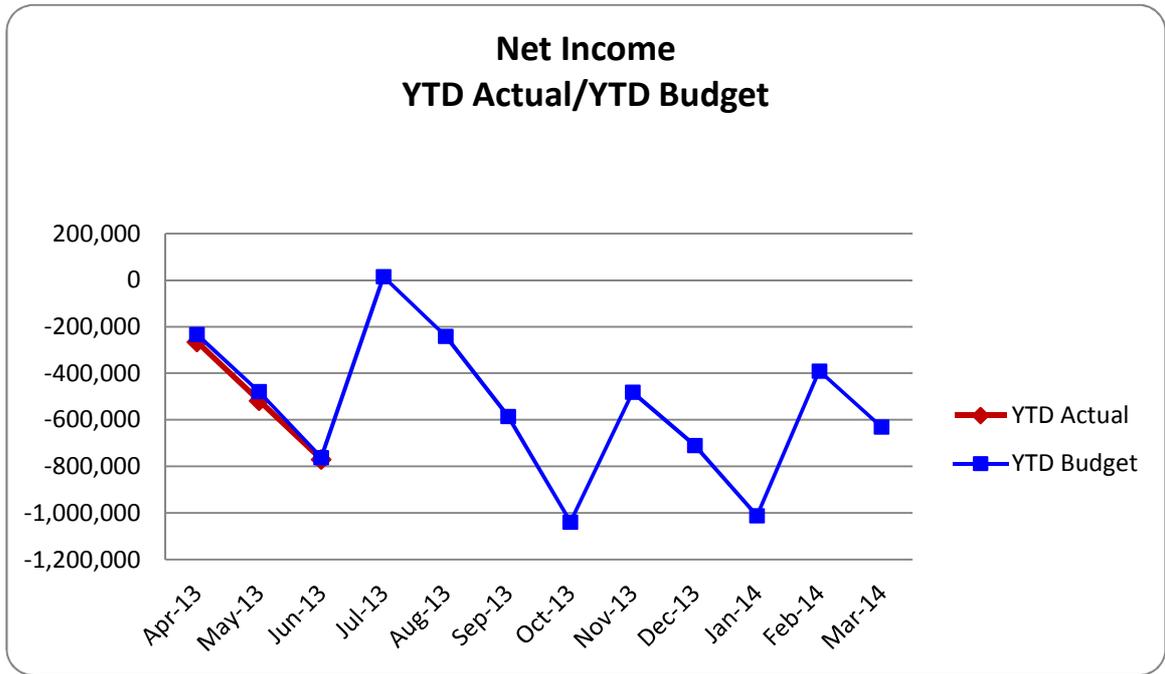
InternetNZ
Balance Sheet
As at 30 June 2013

	June 30, 13
ASSETS	
Current Assets	
Cheque/Savings/Term Deposits	
Total Cheque/Savings/	1,033,521.97
Term Deposits-Special Dividends	
Total · Term Deposits-Special Dividends	2,472,949.74
Petty Cash	400.00
Total Cash	3,506,871.71
Investment Funds	
GMI Investment	500,515.42
Milford Asset	502,113.53
Total Investment	1,002,628.95
Other Current Assets	275,476.65
Total Other Current Assets	275,476.65
Total Current Assets	4,784,977.31
Fixed Assets	
Total Fixed Assets	302,236.06
Other Assets	
Ordinary Share Capital	30,000.00
Shares in DNCL	580,000.00
Loan - Hectors World Ltd	162,243.93
Impairment Prov Hector's World	-162,244.00
Total Other Assets	609,999.93
TOTAL ASSETS	**5,697,213.30**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Total Accounts Payable	170,239.92
Other Current Liabilities	
Accruals	46,854.05
Lease Incentives	36,892.54
Payroll Liabilities	14,974.59
Total Other Current Liabilities	98,721.18
Total Current Liabilities	268,961.10
Total Liabilities	268,961.10
Equity	
Retained Earnings	6,191,092.83
Net Income	-762,840.63
Total Equity	5,428,252.20
TOTAL LIABILITIES & EQUITY	**5,697,213.30**

Attachment D: Spread of assets across institutions

Special Dividend Investment Information

Date	Bank	Term	Amount
11/11/2011	ASB	24 months	409,048
02/12/2011	Kiwibank	24 months	621,909
05/12/2011	Kiwibank	24 months	250,000
16/01/2012	ANZ	18 months	154,934
27/07/2012	ANZ	12 months	100,000
27/07/2012	Westpac	6 months	255,298
23/02/2013	BNZ	180 Days	81,761
30/06/2013	ASB	6 months	400,000
30/06/2013	ANZ	6 months	200,000
Total $			**2,472,950**

InternetNZ Reserves Investment Information

Date	Bank	Term	Amount
07/02/2013	ANZ	12 months	189,485
02/03/2013	BNZ	189 Days	553,735
22/03/2013	Westpac	119 Days	249,988
Total $			**993,208**

Investment Funds Information

Date	Managers	Amount
20/06/2013	GMI	500,000
20/06/2013	Milford	500,000
Total $		**1,000,000**

Attachment E – Cash in Bank/Invested actual compared with forecast
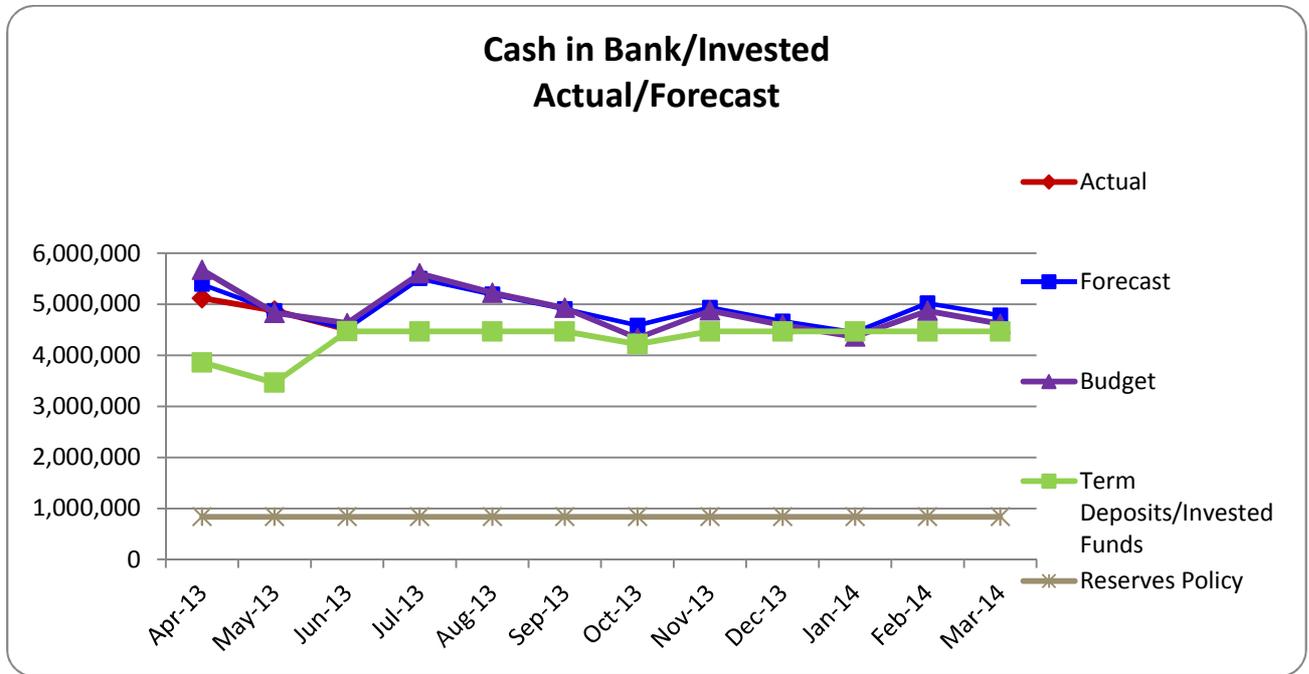
Cash in Bank/Invested
Actual/Forecast

Legend: Actual, Forecast, Budget, Term Deposits/Invested Funds, Reserves Policy

	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total
RECEIPTS	Actual	Actual	Actual	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Act/Proj.
Invoiced Sales	73,378	28,867	24,838	48,213	20,461	20,460	20,461	20,461	20,460	20,461	20,461	20,460	338,981
Special Dividends	0	0	0	0	0	0	0	0	0	0	0	0	0
Sundry	0	0	0	0	0	0	0	0	0	0	0	0	0
Special Dividends Interest	0	2,497	4,757	0	250	250	250	250	250	250	250	250	9,254
Dividends	0	0	0	1,201,318	0	0	0	850,000	0	0	850,000	0	2,901,318
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Received	3,162	2,399	1,933	3,341	4,446	3,708	2,697	2,729	2,833	2,238	2,676	3,087	35,249
Special Dividend Term Deposits	0	0	0	0	0	0	0	0	0	0	0	0	0
Sundry Payables	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepayments	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Receivable	6,977	14,655	2,605	0	0	0	0	0	0	0	0	0	24,237
RWT Received	0	0	0	0	0	0	0	0	0	0	0	0	0
GST	0	67,345	0	0	122,876	0	56,600	0	68,029	0	46,995	0	361,845
	83,517	115,763	34,133	1,252,872	148,033	24,418	80,008	873,440	91,572	22,949	920,382	23,797	3,670,884
PAYMENTS													
Invoiced Costs	434,308	285,278	335,009	170,240	391,939	250,776	341,160	464,011	274,224	175,441	291,894	203,373	3,617,653
ACC Levies	0	0	0	0	0	0	4,061	0	0	0	0	0	4,061
Salary & Wages	58,225	49,165	50,035	67,362	44,908	44,908	44,908	44,908	67,362	44,908	44,908	44,908	606,505
Investment Funds	0	0	0	0	0	0	0	0	0	0	0	0	0
Sundry Payables	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepayments	0	0	0	0	0	0	0	0	0	0	0	0	0
RWT	0	0	0	0	0	0	0	0	0	0	0	0	0
PAYE	5,784	25,215	14,820	23,348	17,726	14,182	14,180	14,182	17,726	17,726	14,182	14,180	193,251
GST	0	0	0	0	0	0	0	0	0	0	0	0	0
	498,317	359,658	399,864	260,950	454,573	309,866	404,309	523,101	359,312	238,075	350,984	262,461	4,421,470
NET CASH FLOW	-414,800	-243,895	-365,731	991,922	-306,540	-285,448	-324,301	350,339	-267,740	-215,126	569,398	-238,664	-750,586
OPENING BANK	5,533,927	5,119,127	4,875,232	4,509,501	5,501,423	5,194,883	4,909,435	4,585,134	4,935,473	4,667,733	4,452,607	5,022,005	5,533,927
CLOSING BANK	5,119,127	4,875,232	4,509,501	5,501,423	5,194,883	4,909,435	4,585,134	4,935,473	4,667,733	4,452,607	5,022,005	4,783,341	4,783,341

Bank Account Balances as per BS	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
NBNZ Savings	1,040,124	1,342,523	4,456									
NBNZ Current	216,765	70,501	35,514									
ANZ Term Deposit	444,418	444,418	644,418									
ASB Term Deposit	1,004,514	1,004,514	809,207									
BNZ Term Deposit	635,671	635,671	635,672									
Kiwibank Term Deposit	871,949	871,919	871,919									
Westpac Term Deposit	905,286	505,286	505,286									
Petty Cash	400	400	400									
Investment Funds	0	0	1,002,629									
	5,119,127	4,875,232	4,509,501	0	0	0	0	0	0	0	0	0

Internet New Zealand
Consolidated Financial Statements
For the Quarter Ended 30 June 2013

Internet New Zealand
Table of Contents
For the Quarter Ended 30 June 2013

Internet New Zealand
Exclusion of Liability Statement
For the Quarter Ended 30 June 2013

We have compiled the Financial Statements comprising Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position and Statement of Cash Flows of Internet New Zealand.

A compilation is limited primarily to the collection, classification and summarisation of financial information supplied by the client. A compilation does not involve the verification of that information.

We have not carried out an audit or review engagement of the Financial Statements and therefore neither we nor any of our employees accept any responsibility for the accuracy of the material from which the Financial Statements have been prepared. Further, the Financial Statements have been prepared at the request of and for the purpose of the client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person.

Curtis McLean Limited
Chartered Accountants
Wellington
23-Jul-13

Internet New Zealand
Consolidated Income Statement
For the Quarter Ended 30 June 2013

	Group		INZ		NZRS		DNCL	
	Qtr	YTD	Qtr	YTD	Qtr	YTD	Qtr	YTD
Income	2,042,820	2,042,820	57,982	57,982	2,029,648	2,029,648	380,968	380,968
Other Income	0	0	0	0	0	0	0	0
Dividends Received	0	0	0	0	0	0	0	0
Interest Received	89,272	89,272	14,749	14,749	73,160	73,160	1,363	1,363
Total Income	2,132,092	2,132,092	72,731	72,731	2,102,808	2,102,808	382,331	382,331
Less Expenses								
Direct Expenses	276,113	276,113	0	0	650,081	650,081	0	0
Other Expenses	1,643,349	1,643,349	835,572	835,572	585,266	585,266	274,321	274,321
Total Expenses	1,919,462	1,919,462	835,572	835,572	1,235,347	1,235,347	274,321	274,321
Net Profit (Loss) Before Tax	212,630	212,630	(762,841)	(762,841)	867,461	867,461	108,010	108,010
Less Provision for Tax	0	0	0	0	0	0	0	0
Net Profit (Loss) After Tax	212,630	212,630	(762,841)	(762,841)	867,461	867,461	108,010	108,010

Notes:

The income and expenditure lines for the individual entities do not add to the Group totals due to the following
intra-group entries being eliminated:
1. GSE paid by NZRS and DNCL to INZ
2. The DNCL fee paid by NZRS to DNCL
3. The dividend paid by NZRS to INZ

Internet New Zealand
Statement of Movements in Equity
For the Quarter Ended 30 June 2013

	Group		INZ		NZRS		DNCL	
	Qtr	YTD	Qtr	YTD	Qtr	YTD	Qtr	YTD
Opening Equity	9,378,997	9,378,997	6,191,093	6,191,093	2,954,485	2,954,485	233,419	233,419
Plus:								
Shares Subscribed	0	0	0	0	30,000	30,000	580,000	580,000
Net Profit (Loss) After Tax	212,630	212,630	(762,841)	(762,841)	867,461	867,461	108,010	108,010
Less:								
Dividend Paid	0	0	0	0	0	0	0	0
Closing Equity	9,591,627	9,591,627	5,428,252	5,428,252	3,851,946	3,851,946	921,429	921,429

Internet New Zealand
Balance Sheet
As at 30 June 2013

	Group	INZ	NZRS	DNCL
Current Assets				
Cash and Cash Equivalents	13,902,681	4,509,501	8,419,344	973,836
Other Current Assets	1,175,609	189,183	958,666	27,760
Total Current Assets	15,078,290	4,698,684	9,378,010	1,001,596
Property, Equipment & Software	1,255,980	302,236	946,012	7,732
Intangible Assets	0	0	0	0
Investments				
Shares and Loans	0	610,000	0	0
Total Assets	16,334,270	5,610,920	10,324,022	1,009,328
Less Liabilities:				
Deferred Income	6,183,930	0	6,183,930	0
Trade and Other Payables	558,713	182,668	288,146	87,899
Total Liabilities	6,742,643	182,668	6,472,076	87,899
Net Book Value of Assets	9,591,627	5,428,252	3,851,946	921,429
Represented By:				
Total Equity	9,591,627	5,428,252	3,851,946	921,429

Internet New Zealand
Statement of Cashflows
For the Quarter Ended 30 June 2013

	Group	
	Qtr	YTD
Cash Flows From Operating Activities		
Cash was provided from:		
Receipts from customers	2,216,733	2,216,733
Interest Received	89,272	89,272
Total Received	2,306,005	2,306,005
Cash was distributed to:		
Payments to Suppliers and Employees	1,729,375	1,729,375
Total Payments	1,729,375	1,729,375
Net Flows From Operating Activities	576,630	576,630
Cash Flows From Investing & Financing Activities		
Cash was distributed to:		
Purchase of Property, Equipment & Software	552,161	552,161
Advance to Hector's World	0	0
Net Cash Flows From Investing & Financing Activities	(552,161)	(552,161)
Net Increase Decrease in Cash & Cash Equivalents	24,469	24,469
Plus Opening Cash	13,878,212	13,878,212
Closing Cash Carried Forward	13,902,681	13,902,681
Closing Cash Comprises		
Cash & Cash Equivalents	13,902,681	13,902,681

Cash Flow Reconciliation

Net Profit (Loss) After Tax	212,630	212,630
Plus (Less) non cash items		
Depreciation	547,472	547,472
Subtotal	760,102	760,102
Movement in Working Capital		
(increase) decrease in receivables	75,508	75,508
increase (decrease) in payables	(432,893)	(432,893)
increase (decrease) in deferred income	173,913	173,913
Net Cash Flows From operations	576,630	576,630

These Financial Statements have not been reviewed or audited and should be read in conjunction with the attached Exclusion of Liability Statement

Consent agenda items:

Minutes of the last meeting:

10 May 2013

MINUTES OF COUNCIL MEETING

Status: Draft

Present: Frank March (President), Jamie Baddeley, Donald Clark, Michael Foley *(video)*, Neil James, Hamish MacEwan, Jonny Martin, Dave Moskovitz, Brenda Wallace, Nat Torkington, Michael Wallmannsberger, Lance Wiggs

In Attendance: Jordan Carter, Ellen Strickland *(video),* Campbell Gardiner, Maria Reyes (minute taker), Joy Liddicoat (DNCL Chair), Debbie Monahan (DNCL CE), Richard Currey (NZRS Chair) *(video)*, Jay Daley (NZRS CE), Sacha Dylan (INZ member) *(audio)*

Meeting Opened: The President formally opened the meeting at 11.19am

1. Apologies
There were no apologies received.

2. InternetNZ' identity
Jordan gave a brief summary of his Identity paper, noting that there is an internal incoherence about who InternetNZ is and what it does. The paper pertains to InternetNZ itself and not InternetNZ Group as a whole.

With respect to 'identity', there isn't currently internal alignment or a clear understanding of what stakeholders think of InternetNZ. A 5-stage review (including a market research phase) is proposed, as outlined in the paper.

It was noted that an Identity Review would feed into the overall planning cycle and also that the Objects Review could affect the Identity Review – these can't be blind to one another. However, it was also noted that these things are iterative and, given risks, there is a pressing need to explain 'who we are' right now. It was suggested that the Identity paper is a little inward-looking. It was generally agreed that an Identity Review would be useful. It would especially help prevent confusion over 'who' and 'what' InternetNZ is, which are organisational risks at present.

There was a short discussion around the funding for the review and it was agreed that half of the funding can come from the Workstream budget and the other half from reserve funds.

RN 046/13: That Council agree to a review of InternetNZ's identity, with the approach, phases, dates and budget limits set out in this paper.

(President / Cr Torkington)
CARRIED U

RN 047/13: That Council allocates $25,000 for new funding and $25,000 from the Workstream budget line for this review.

(Cr Torkington / Cr Moskovitz)
CARRIED U

3. Open Recursive Resolvers

Jay Daley gave an informational presentation on 'Open Recursive Resolvers', which is available online on the NZ Registry's website (www.nzrs.net.nz)

It was suggested that from an operational perspective, InternetNZ look at one or two of the name server/BCP38 issues arising from Jay's presentation with respect to ISP readiness.

Jay advised that he will give a similar presentation again at the August Council meeting. It was also suggested that he deliver the open recursive resolver presentation possibly at NetHui (InTAC).

Council took a break at 12.06pm and reconvened at 12.33pm

Sacha Dylan left the meeting at 12.06pm

4. InternetNZ Objects review

Jordan spoke to the Review of Objects paper, noting that it proposes a gentle pace for the review and doesn't presume any changes to the Objects will necessarily occur. The idea is that members will be asked if a conversation about an Objects review is desired and needed; analysing and canvassing the need. The timetable for an Objects Review can be long and spread out, and it ties into the Identity Review. It would be led by Jordan, Campbell and Ellen. There will be no additional resource needed as this will be done in-house.

There was a discussion on whether the Objects Review would involve a lot of work, with Jordan saying 'no' and that the capacity to think about core strategic issues is largely BAU. Council was receptive to the idea of an Objects Review, even suggesting it be done on a more regular basis – with slightly more emphasis on membership engagement with respect to the Objects. It was noted that the motive for exploring this area is, partly, the grants process/charitable status and this should be mentioned in the paper as it is closely linked.

It was suggested that the 'consequences' of any potential Objects change also be explored; and also that the Chair and CE speak with one or two other non-profit organisations to get a sense of how they deal with 'Objects' review issue.

Council also discussed the possible paths forward with respect to advising and consulting with members. Do we do this at NetHui or later in the year? It is not an either/or necessarily, as we can do both – with the issue gently broached at NetHui and followed up formally later.

Overall, the Council agreed with the approached as outlined in the paper.

RN 48/13:   That Council instigate a review of InternetNZ's Objects, with the approach set out in this paper, noting that staff will present a more detailed proposal for the review for online adoption by 1 June 2013.

<div align="right">

(President / Vice President)
CARRIED U

</div>

Council went into committee at 12.59-1.48pm.

Cr Clark left the meeting at 1.48pm.

Resolutions arising from the in-committee sessions are:

RN 49/13:   Council recommends that the subsidiaries proceed with the annual reporting for the 2013/14 financial year and maintain status quo with the current reporting of executive salaries, and regularise practice with DNCL.

<div align="right">

(President / Cr Clark)
Opposed: Cr Wiggs
CARRIED

</div>

RN 50/13:   That the subsidiaries and InternetNZ CE prepare a paper, in the interest of transparency, outlining future strategy in respect to reporting of executive salaries and other relevant issues that meets InternetNZ's legal requirements under the Companies Act, and responsibilities as a good employer.

<div align="right">

(President / Cr Wiggs)
CARRIED U

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AP 12/13:   Subsidiaries and CE to prepare a paper, in the interest of transparency, outlining future strategy in respect to reporting of executive salaries and other relevant issues that meet InternetNZ's legal requirements under the Companies Act, and responsibilities as a good employer – for discussion at the August Council meeting.

RN 51/13: That the .nz domain name fee remain at $1.25 per domain name, per month.

RN 52/13: That there not be any formal communication strategy to advise registrars and the internet community of the fee remaining at its current level.

(President / Cr MacEwan)
CARRIED U

It was also noted that NZRS has taken note of the need for a technical research capability.

5. Business Plan

Jordan gave a brief summary of the draft business plan and advised that it is a staff draft and still needs some work. The Plan sets out 'how we do work', 'community building', 'policy work' and 'platform for debate'. It features the goals that were adopted at the March Council meeting – work is organised around these goals and for each goal, around a number of transformations. There is a three-tier priority set for each bit of work. Goals 2-6 are externally focused. Goals 7-9 are internally focused. The members' goal is a little thin as further discussion with Council about this is desired.

After a long discussion a few suggestions raised were:
- That the 'economic impact' area of work seems to have been de-emphasised and more properly belongs in section 4. Also, perhaps reword it to 'over time, capture and track economic benefit of the Internet and include in the State of the Internet Report'.
- That the Parliamentary Internet Forum (PIF) live in Section 2. In addition, it was noted that there appears to be a focus/lean in the Business Plan towards 'Wellington' – it's not necessarily a bad thing, but just to be aware.
- To include a more easily understood explanation of 'open and uncapturable' and that the equity of access should be prioritised.
- That 4a – community investment review - should be completed this year.
- There ensued a brief discussion on telco-led vs Internet-led policy frameworks.

A question/concern was raised about 6b – i.e. the need for a Plain English guide to the NZ Internet; simplified and accessible for the common person. This had the support of Councillors, but should be broadened beyond just policies. The Website Information Architecture project and better 'story-telling' will help here.

There was a discussion around the level of priority for these activities, as there are a number of them that have been marked as a high priority and will be completed/advance on current resources in the year 2013/14. Council urged perhaps a re-prioritisation of projects as they do not want to see staff drowning in a sea of high priority projects. It was suggested that 4c become a 'B' and 7f should be corrected.

A question was raised regarding Section E whether this section should be fleshed out more. Jordan asked Council what, if anything, they wanted included here. It was felt that Councillor training should be recognised as part of the business planning, and Council self-evaluation. A brief discussion ensued about Councillors' training budget.

Council also discussed the role of the members and how much resource is involved and the President noted that this can be discussed further at the August Council meeting.

RN 53/13:   That Council adopt this draft Business Plan, noting the consultation process still to occur and noting that it will consider for online adoption a further draft of this Plan in early June 2013.

<div align="right">

(President / Vice President)
CARRIED U

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6. President's report

The President gave a brief summary of his report and highlighted the reappointment of Board Directors and also the final report from Ron Hamilton regarding the Council and Board remuneration.

AP 13/13:   The President to circulate the self-evaluation form to Council for completion.

AP 14/13:   CE to circulate the Governance manual and Policies to Council by the August Council meeting.

RN 54/13:   That the vacancies on the DNCL and NZRS Boards for non-Council Directorship be filled by rolling over existing Directors for new terms. In the case of the Council appointees, that these be rolled over for one year in the case of the NZRS Board and await the outcome of the AGM and Council elections for the DNCL Board.

<div align="right">

(President / Cr Torkington)
Abstain: Cr Wallmannsberger
CARRIED

</div>

RN 55/13:   That increases in Subsidiary Board Directors' fees recommended in the TBR (Ron Hamilton) report be agreed to.

<div align="right">

(President / Cr Moskovitz)
Abstain: Cr Wallmannsberger, Cr Foley
CARRIED

</div>

AP 15/13:   Cr Wallmannsberger to prepare a paper for members re Subsidiary Board remuneration (recommending the increases) and forward it to the President and CE for completion, and for Council to discuss prior to the AGM.

Council took a short break at 2.45pm and reconvened at 3.03pm.

7. Chief Executive's Report

Jordan gave a brief summary of his report and highlighted the events/activities and priorities for the next three months including Council elections, NetHui, ANZIAs planning, business planning, Telco Act Review, World Telco Policy Forum, etc.

A question was raised around the criteria for selecting the judges for the ANZIAs and in response, Campbell advised that the criteria for this year's awards have been refreshed and that potential judges should be familiar or are experts in the field relating to each category. More information will be published at the ANZIAs website.

Jordan also raised an issue on the matter of not having a second in command for the CE. There's a risk that if the CE is away for a longer period of time, there's no one who can step in and manage the operation.

Ellen Strickland joined the meeting (via VC) at 3.13pm.

Ellen gave an update on progress with the NetHui 2013 programme. She advised that Quinn Norton has been confirmed as the international keynote speaker and sessions will be updated next week.

There was a brief discussion around the Auckland premises and options are being explored. This is part of establishing a wider Auckland presence and assisting TUANZ, who would have a space in the office. It was suggested that a dedicated Auckland office be able to service a meeting of at least 15 people, including Council meetings. Concern was expressed by some over the cost of a direct office, as opposed to a shared office space. Most Councillors, however, are supportive of this plan.

RN 56/13: That an office be established in Auckland with a maximum operating expense (rent and all premises opex) of $50,000 per year ex GST, and $20,000 for the capital expenses.

(Cr Wiggs / Cr Foley)
CARRIED U

8. AUT Strategic Partnership

Ellen spoke to her paper and highlighted the key points on engaging a partnership with the Institute of Culture, Discourse and Communication, Auckland University of Technology (AUT). It's a partnership, with a component of the InternetNZ funding going to the World Internet Project (WIP).

Councillors are keen to see InternetNZ funding this on the basis that AUT research is openly provided via Creative Commons license. Councillors are keen to see InternetNZ having more input into the development of the WIP methodology and research questions. Brief line of questioning ensued about the outcomes of the WIP project – a value for the $40k spend and what long-term commitment AUT has secured for WIP.

The Council commended Ellen and Jordan for their work on this.

RN 57/13:   That Council receives the AUT Strategic Partnership paper.

RN 58/13:   That the Chief Executive be authorised to execute a strategic partnership agreement with the Institute of Culture, Discourse and Communication, Auckland University of Technology.

RN 59/13:   That Council approves a one year funding package as part of the strategic partnership for $40,000.

(President / Vice President)
CARRIED U

Jordan advised that Campbell has been proposed as the new Returning Officer for the Elections (replacing Susi Cosimo) and would like to seek Council's decision on this appointment.

RN 60/13:   That Campbell Gardiner be the Returning Officer for the 2013 Council elections, with Maria Reyes as Deputy Returning Officer.

(President / Cr Torkington)
CARRIED U

Jordan gave a number of updates for Council including the recent pen testing of InternetNZ's fixed and wireless networks, .nz branding work, and grace members.

Jordan raised an issue around the number of members who has not renewed their membership yet prior to the Elections. Due to the short period between the end of the Grace period and the timing for the elections, Jordan recommended that the 'Grace' members be allowed to vote for this year's elections. There was a discussion around the potential risk of this action but overall the Council was happy with this approach.

RN 61/13:   That Council receives the CE's Report.

RN 62/13:   That Council receives the 2012/13 February financial report from the Chief Executive.

(President / Vice President)
CARRIED U

9. Consent Agenda
RN 63/13:   That the minutes of the meeting held on 22 March 2013 be received and adopted as a true and correct record, and that the following reports be received:
   a. Ratification of minutes: 22 March 2013
   b. Outstanding action points
   c. E-votes ratification
   d. Grants update
   e. Membership updates
   f. 2020 Trust update

RN 64/13: That the new members be approved.

<div align="right">(President / Vice President)
CARRIED U</div>

10. Other Business

Councilors did a roundtable and gave a general feedback regarding the meeting. Some of the comments made were:

- It's important that the Council continues to meet using teleconference and an Auckland office is welcome.
- There was a good discussion. Papers were thoroughly prepared and got to the point quicker, which was appreciated.
- Issues with the video conferencing still need to be addressed. Those who are dialling-in via VC are experiencing delays and are therefore having trouble participating in the discussions.
- Good time management from the Chair.
- Inclusion of technical presentation from Jay was welcome.
- Impressive navigation of some difficult issues.
- Perhaps a clearer understanding of some of the Constitutional issues relating to remuneration, etc. is required.
- Positive feedback on the draft business plan.

AP 16/13: InternetNZ Staff to find other alternative software for video conferencing.

Cr Wallmannsberger left the meeting at 3.58pm.

It was noted that there will be two Special Council meetings, as follows:

- 14 June 2013 (afternoon), to discuss the shortlisting of candidates for the Chief Executive role.
- 7 July 2013 (evening), pre-meeting prior to AGM. Cr Torkington sends his apologies for this meeting as he will be away overseas at this time.

Next Meeting: The next scheduled Special Council meeting is 14 June 2013.
Meeting Closed: The meeting closed at 4.06pm

Signed as a true and correct record:

_____

Frank March, CHAIR

Action Point Register

	Action	Who	Status	Due by	Comment
December 2011					
AP 67/11	InternetNZ to consider becoming a member of the Maori Internet Society and encourage the Maori Internet Society to become a member of InternetNZ.	InternetNZ	In progress	May 2013 Council meeting	The Action Point is to be marked as 'for review in one year (May 2013)' - **Deferred to May 2014**
February 2013					
AP 08/13	Jordan to develop a policy regarding the use of the major events budget line, have it checked by the Investment Committee, and submitted to Council for discussion at the ~~March~~ August Council meeting.	CE	In progress	October Council meeting	For Ocotber Council meeting
May 2013					
AP 12/13	Subsidiaries and CE to prepare a paper, in the interest of transparency, outlining future strategy in respect to reporting of executive salaries and other relevant issues that meet InternetNZ's legal requirements under the Companies Act, and responsibilities as a good employer – for discussion at the August Council meeting.	INZ NZRS DNCL	In progress	October Council meeting	For October Council meeting
AP 13/13	The President to circulate the self-evaluation form to Council for completion.	President	Complete	August Council meeting	
AP 14/13	CE to circulate the Governance manual and Policies to Council by the August Council meeting.	CE	In progress	August Council meeting	
AP 15/13	Cr Wallmannsberger to prepare a paper for members re Subsidiary Board remuneration (recommending the increases) and forward it to the President and CE for completion, and for Council to discuss prior to the AGM.	CR Wallmannsberger	Complete	August Council meeting	
AP 16/13	InternetNZ Staff to find other alternative software for video conferencing.	InternetNZ Staff	In progress	August Council meeting	

Evote ratification

EVOTE RATIFICATION

Author:	Maria Reyes

There have been five e-votes conducted since the last Council Meeting:

Evote:		For:	Against:	Abstain:
60620131	THAT the grant application from Tamina Kelly (TLTC Enterprises PTY LTD) for $40000 to fund Comm-Clear, a world-wide interpreting platform (iOS Application) allowing people to connect to an Interpreter at the push of a button, be declined.	Neil James Lance Wiggs Brenda Wallace Dave Moskovitz Frank March Michael Foley Donald Clark Hamish MacEwan Nathan Torkington Michael Wallmannsberger Jamie Baddeley Jonny Martin		
60620132	THAT the grant application from Kane Milne (High Tech Youth Network) for $15000 (from a total budget of $55k) for the development of "The Haps" and online portal for the High Tech Youth Network be approved.	Brenda Wallace Dave Moskovitz Frank March Nathan Torkington Michael Wallmannsberger	Lance Wiggs Donald Clark Michael Foley Hamish MacEwan Neil James Jamie Baddeley Jonny Martin	
160620131	That the 2013/14 Budget be revised by increasing the provision for councillor remuneration from $132,000 to $185,000, leading to an overall increase in the total budget limit for InternetNZ from $3,402,000 to $3,455,000.	Michael Wallmannsberger Neil James Donald Clark Jamie Baddeley Hamish MacEwan Lance Wiggs Dave Moskovitz Nat Torkingtong Michael Foley Frank March Jonny Martin Brenda Wallance		

160620132	That the draft report on Councillor remuneration be adopted, and forwarded to members as part of the 2013 AGM papers.	Michael Wallmannsberger Neil James Donald Clark Jamie Baddeley Hamish MacEwan Lance Wiggs Dave Moskovitz Nat Torkingtong Michael Foley Frank March Jonny Martin Brenda Wallance		
110620132	THAT Don Stokes be approved as a Fellow of InternetNZ.	Jamie Baddeley Neil James Nat Torkington Michael Foley Donald Clark Frank March Brenda Wallace Michael Wallmannsberger Dave Moskovitz Lance Wiggs Hamish MacEwan Jonny Martin		

Recommendation: THAT the e-votes be ratified.

Grants report

Community Funding

Author:	Maria Reyes on behalf of Grants Committee
Purpose of Paper:	Information on community funding decisions

Decisions made by the Grants Committee since last Council meeting

Amount Requested	Applicant	Purpose	Decision	Amount Approved
$5,000	Wanganui District Council	To assist in funding TechEx 2013 - a free, three day technology expo that helps show the community what broadband and technology are all about.	Declined	
$36,000	TLTC Enterprises PTY LTD	Funding to support projets for Comm-Clear: A world – wide Interpreting platform (iOS Application) – allowing you to connect to an Interpreter at the push of a button.	Declined	
$4,700	Etuate Cocker	To support conference registration, accommodation and travel to attend ICICIS 2013 conference in Taiwan and present his paper entitled "Measurement of packet train arrival conditions in high latency networks".	Approved	$4,700

Amount Requested	Applicant	Purpose	Decision	Amount Approved
$5,000	Digital Humanities Group of Otago	Funding is sought to support a conference on the overlapping areas of copyright, privacy, and surveillance. The conference is designed to create an engaged, cross-disciplinary critical dialogue regarding the intensification of control and policing of internet usage, as its affects both commercial activity and democratic participation in New Zealand.	Approved	$5,000
$3,500	NZ Schizophrenia Research Group	Funding to build a website for the New Zealand Schizophrenia Research Group	Declined	
$5,000	Qiang Fu	(1) Funding to participate the 21st IEEE International Symposium on Modeling, Analysis and Simulation of Computer and Telecommunication Systems (MASCOTS 2013) to be held in San Francisco, USA, 14-16 August 2013. Qiang Fu will present a research paper at the conference; *and* (2) Visit On.Lab, a partnership between Stanford Uni. and UC Berkeley. On.Lab is the leader in developing open source SDN (Software Defined Networking) tools and platforms, with the goal of opening the Internet and cloud infrastructure for innovation.	Declined	
$5,000	KidZ WorkZ MinistrieZ	To purchase a vehicle and a trailer to transport ourselves and our equipment around the country to events.	Declined	

Amount Requested	Applicant	Purpose	Decision	Amount Approved
$4,000	Methodist Mission Southern	Funding to have a small transmitter situated on some land at Saddle Hill which will relay data between our Lookout Point site and Arahina.	Declined	
$2,000	Victoria University of Wellington	Sponsorship for THATCamp Wellington 2013	Approved	$2,000
$8,000	UN Youth New Zealand	Funding to attend The Hague International Model United Nations which the the largest Model United Nations event in the world	Declined	
$4,992	Qiang Fu	Funding to to participate the 16th ACM/IEEE International Conference on Modeling, Analysis and Simulation of Wireless and Mobile Systems (MSWiM 2013) to be held in Barcelona, Spain, November 3-8, 2013. We will present a research paper at the conference.	*Qiang has been advised that we are currently reviewing the funding process and that we'll get back to him in Sept regarding his application.*	
$10,000	Kiwicon Heavy Industries	Funding to assist with the remaining venue cost for the Kiwicon 2013 conference	*Adam has been advised that InternetNZ is interested to sponsor this event. InternetNZ staff to discuss option with them.*	

Amount Requested	Applicant	Purpose	Decision	Amount Approved
$2,000	Jonathan Brewer	Funding to attend the 8th Australian Network Operators Group 2013 Conference (AUSNOG13) in September 2013. Jonathan will give a talk in the main conference stream on using TV Whitespace for rural and remote telecommunications. The original research was sponsored by Internet New Zealand.	Approved	$2,000
$46,300	University of Auckland	Funding to investigate whether problems around the fibre optic cables & satellite links can be mitigated with cutting-edge technology from the emerging field of network coding	Pending	

Budget for 2013/14 financial year: $ 500,000

Balance of budget left: $ 84,300

Recommendation

That Council **note** the decisions made regarding community funding requests since the May Council meeting.

Membership report

INTERNETNZ MEMBERSHIP REPORT

Status: Final

Author: Maria Reyes

2013

	August 2013	**May 2013**	**February 2013**	**January 2013**
Fellows:	24	23	23	23
Individual:	239	257	242	237
Professional Individual:	72	80	71	69
Small Organisation:	22	25	27	26
Large Organisation:	5	8	7	7
Total Membership:	**362**	**393**	**370**	**362**

2012

	August 2012	**May 2012**	**February 2012**	**January 2012**
Fellows:	23	21	21	N/A
Individual:	212	164	193	N/A
Professional Individual:	65	51	61	N/A
Small Organisation:	25	16	27	N/A
Large Organisation:	6	6	8	N/A
Total Membership:	**331**	**258**	**310**	**N/A**

NetHui:
People were invited to show their interest in becoming an InternetNZ member when registering for NetHui. Out of the 153 registrants who sought information, 10 of them have joined so far.

Recommendation: THAT the new members be approved.

COUNCIL MINUTE TERMINOLOGY

Agree   "That Council agree…" this is usually followed with a specific decision, policy position or course of action.

Adopt   "That the report be adopted." When Council adopts a report or paper, it is accepting that the contents of the document, including any recommendations, are agreed with and become the InternetNZ position and action plan.

Amend   "That Council amend ……." This term is for a resolution that seeks to amend a proposed resolution, and should set out clearly what is to be deleted and what is to be added.

Receive   "That Council receive…" This is a neutral term which captures for the record that a report, document, proposal etc has been noted by the Council. It does not imply that any recommendations in the proposal are to be acted on: that would require "adoption" as well.

Glossary of Terminology	
2020	2020 Communications Trust
2TLD	Second Level Domain
3TLD	Third Level Domain
ACCC	Australian Competition & Consumer Commission
ACTA	Anti-Counterfeiting Trade Agreement
ANZIAs	Australia New Zealand Internet Awards
APEC	Asia-Pacific Economic Cooperation
APNIC	Asia Pacific Network Information Center (RIR for the Asia Pacific region)
APRICOT	Asia Pacific Regional Internet Conference on Operational Technologies
APTLD	Asia Pacific Top Level Domains Associations (organisation for ccTLD registries in Asia Pacific region
auDA	Australian Domain Authority (the .au, Australian equivalent of DNCL)
BIM	Brief to Incoming Minister
ccTLD	Country-Code Top Level Domain (such as .nz for New Zealand, .uk for United Kingdom)
CDMA	Code Division Multiple Access (server) (a means to transmit bits of information)
CFH	Crown Fibre Holdings
CIRA	Canadian Internet Registry Authority (operators of the .ca ccTLD)
DHB	District Health Boards
DIDO	Distributed-Input Distributed-Output. (wireless protocol system)
DNCL	Domain Name Commission Limited
DNS	Domain Name System
DNSSEC	DNS Security (adds security to the Domain Name System)
DSLAM	Digital subscriber line access multiplier
DRS	Dispute Resolution Service
FTTH	Fibre To The Home
GAC	Government Advisory Committee
GCSN	Greater Christchurch Schools Network Trust
GNSO	Generic Name Supporting Organisation (makes recommendations re gTLD to ICANN)
gTLD	Generic Top-Level Domain (such as .com / .edu)
IANA	Internet Assigned Numbers Authority
ICANN	Internet Corporation for Assigned Names and Numbers
IGF	Internet Governance Forum
ISOC	Internet Society
ISPANZ	Internet Service Provider Association of New Zealand
LFC	Local Fibre Company
MTR	Mobile Termination Rates
NCSG	Non-Commercial Stakeholders Group (committee under ICANN's GNSO)
NZNOG	New Zealand Network Operators Group
OFDM	Optical Frequency Division Multiplexing

Glossary of Terminology	
PIP	Pacific Internet Partners (group revived by Keith to help IGF)
RBI	Rural Broadband Initiative
RIR	Regional Internet Registry
STD	Standard Terms Determination
TCF	Telecommunications Carriers' Forum
TPP	Trans-Pacific Partnership
UFB	Ultra Fast Broadband
WSA	Wholesale Services Agreement