

annual report
2007-2008



InternetNZ (the Internet Society of New Zealand Inc) is an open membership, incorporated society, established to promote and protect the Internet in New Zealand. It has overall responsibility for the .nz domain name space, and is an advocate for the interests of Internet users and domain name registrants in New Zealand and overseas.



Level 9 Exchange Place, 5-7 Willeston Street. PO Box 11-881. Wellington 6142. New Zealand.

Freephone: 0800 101 151. Phone: +64 4 472 1600. Fax: +64 4 495 2115.

<http://www.internetnz.net.nz/>

contents

President's Report	2-3	The Internet in New Zealand	17-19
Executive Director's Report	4-5	InternetNZ Directory 2007-2008	20-21
InternetNZ Overview	6-7	Treasurer's Report	22
The Year's Highlights	8-9	Audit Report	23
Strategies	11	Financial Statements	24-27
Strategy Reports	12-16		

08

president's report



InternetNZ completed another memorable year in 2007-2008, building on past successes in the public policy arena and continuing to work broadly to protect and promote the Internet in New Zealand.

The Society is now recognised as a primary contact point for advice on connectivity and other Internet-related matters, by government, industry and sibling organisations. This was amply demonstrated by the leading role we played leading up to the operational separation of Telecom, one of many great outcomes achieved by InternetNZ last year.

In the area of connectivity, with our goal of ubiquitous fibre to the home, we are only just starting to see real action. We have put in much effort, and will continue to strive towards this goal. Our gain of four places towards Australia in the OECD broadband table is encouraging.

Three-quarters of the way through my first year as President, I look with satisfaction on what has been achieved as the Structural Review is converted to action.

The Structural Review is the first major internal change for InternetNZ since the Shared Registry implementation in 2002. Many of the components of the Review required little effort and were completed seamlessly.

The main structural change was to move the Executive Director's operation to report to a separate board. This board is the Executive Board and is chaired by Paul Swain. We welcome Paul as our newest Board Chair and look forward to welcoming his new board members.

I acknowledge the valuable contribution made to the Society by Frank March, Michael Wallmannsberger, Chris Streatfield and Sam Sargeant, who have served with me on the Executive Committee. The Executive Committee is being disbanded as a result of the Structural Review of InternetNZ.

The hard work and dedication of these members, providing oversight of InternetNZ between council meetings, has resulted in a range of tangible outcomes over the past year.

To provide for the development of multiple new business operations and to formalise the common delivery of services, a Shared Services Unit has been established, reporting to the Executive Board. Sila Auva'a from Starfish Consulting has been retained to manage the transition.

Council has approved the registration of the Digital Opportunities Trust (DOT).

.nz Registry Services (NZRS) was only slightly affected by the Structural Review as it had already been set up under a model which is now reflected in the other units. Aply chaired by Anne Urlwin, NZRS continues to be rock solid.

To fit the new structure, the Domain Name

Commissioner's office has morphed into Domain Name Commission Ltd. The .nz Oversight Committee has been disbanded, and a board formed to replace it. Richard Curry continues as Chair, ensuring the smooth launch of the new company.

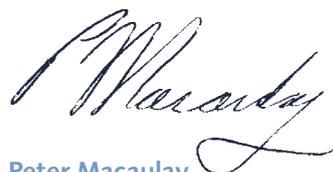
With the separation of InternetNZ into business units, we are planning to revisit the planning of our international representation, to ensure we gain the maximum benefit from our travel spend.

Our international role continues to include advocacy and strengthening of technical and business relationships at a range of global bodies including ICANN, APTLD, APNIC and the Internet Governance Forum.

I commend the InternetNZ Council on the quality of governance it has given the Society over the past year. Thanks to its efforts, InternetNZ continues to mature as an organisation, and is developing a strong and healthy corporate culture.

As ubiquitous connectivity, or 'netness', becomes an integral part of more aspects of life, InternetNZ must evolve to ensure that new challenges are accepted, issues confronted and good things encouraged.

Our job is far from done.



Peter Macaulay
President





08 executive director's report



Another year of hard work has paid off for InternetNZ, with a huge range of activity in the public and technical policy areas successfully completed, and a complex process of structural change being implemented across the organisation.

Other sections of this annual report outline in detail the work in both technical and public policy areas. Key highlights for me have included the final, successful implementation of the operational separation of Telecom, and background work towards the formation of a Computer Emergency Response Team (CERT) for New Zealand.

This policy focus is key to attaining the mission of InternetNZ: protecting and promoting the Internet for all New Zealanders.

Getting our policy principles adopted by government relies on good relationships with government and Parliament, with the public service, with sibling organisations across the industry, with major and minor commercial ventures, and with local government. Much of our effort is in building and maintaining useful and trusted relationships with these stakeholders, which has been largely accomplished to good effect.

Supporting that work has been the implementation of a new financial and reporting system during the year, which is substantially improving the flow of accurate and relevant information to Council. We finished the financial year with actual income and expenditure being very close to the budget approved by members at the July 2007 AGM.

The communications improvements introduced last year have kept Members and external stakeholders informed on the wide array of work the Society does. Next year we will review what is provided to members and seek ideas for further improvements.

The implementation of the Structural Review has had ongoing implications for InternetNZ. Under the new model, I will be working directly with what is now named the Executive Board, providing governance to my office in pursuing InternetNZ's advocacy and policy work. The Executive Board will report to Council on similar lines to the NZRS Board, and the Board of Domain Name Commission Ltd (explained elsewhere in this report). A Shared Services Unit has been established to provide common administrative services across the InternetNZ Group, and the SSU will report to the Executive Board.

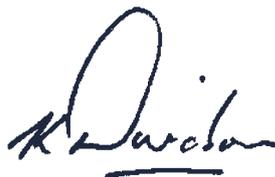
As always, our performance is reliant on the significant input and inspiration from our members combined

with the hard work of our small and dedicated staff. During the year I promoted Jordan Carter to the new position of Deputy Executive Director, recognising his contribution to the management of the organisation and ongoing immense work in the policy area.

In December 2007, InternetNZ also farewelled Isabel Carberry, who served long and well as Office Administrator in our Wellington office.

The work to secure the Internet's future will never be completed. I look forward to next year bringing an end to our structural reforms, implementing new and better planning and reporting systems, and developing new ways of working with members and stakeholders to improve our delivery of policy and technical advice that contributes to our objectives.

We will together drive an even sharper focus on delivering the strategic vision set out by the Council and members, keeping the Internet open and uncapturable.



Keith Davidson
Executive Director



08 internetnz overview



InternetNZ (the Internet Society of New Zealand Inc) is a non-profit non-government organisation that supports and encourages the coordinated and cooperative growth of the Internet in New Zealand.

We advocate that the Internet be available to everyone, everywhere, all of the time. The Society is democratically run, our members are key to the organisation, and active participation is welcome.

InternetNZ has a vision of an open and accessible Internet that benefits the wider community. Our key areas of work are in managing the .nz domain name space, in creating a sound public policy environment for the Internet and in nurturing innovation that supports the development of the Internet in New Zealand.

We are New Zealand's Internet representatives at a global level through our role in holding the delegation of the .nz country code top level domain (ccTLD).

We work internationally to help shape global Internet policies and initiatives.

Structural Review

As a trusted voice for the public in the Internet arena, InternetNZ has a responsibility to make sure it is governed and manages its resources as well as it can. After the successes of recent years, the InternetNZ Council decided to review InternetNZ's structure to see if any improvements could be made.

In last year's annual report, President Colin Jackson outlined the consideration of InternetNZ's structure that was then underway. A working group led by Roger Hicks, a Fellow of the Society, worked with consultants to review InternetNZ's structure. Last

year's AGM considered their report and agreed with the thrust of the changes proposed, which were to set up an independent governance structure for the Executive Director's office.

In its meetings at the end of 2007, Council adopted the new structure, and the first part of 2008 has seen work to implement it underway among staff and contractors. A Shared Services Unit is being set up to provide administrative services across the group. InternetNZ's Executive Committee is being replaced by an Executive Board chaired by Hon Paul Swain, a former Minister of Communications, and largely comprising independent external directors.

By the time of the 2008 AGM, Council expects the new structure to be largely bedded in, and a full report to the Members will be made.

.nz

The Domain Name Commission (DNC) is responsible for policy and administration of the .nz domain name space. As a result of the restructuring, a new subsidiary company, Domain Name Commission Ltd, came into being on 1 April 2008, taking on this responsibility. The operation will continue to be

referred to as the DNC. The functions of the .nz Oversight Committee, which oversaw its policy direction, are covered by the new company's board.

InternetNZ has a second subsidiary company, .nz Registry Services (NZRS), which operates the .nz domain name register.

The DNC and NZRS work in complementary roles to ensure the .nz domain name space is run effectively for all who use it.

The DNC ensures that the rights of .nz registrants are protected. It does this by maintaining the framework of policies and procedures that regulate the operation of the .nz register, and by encouraging a fair and competitive environment for registrars.

The DNC also administers a Dispute Resolution Service (DRS), which provides an alternative to the courts when disputes arise over who should be the registrant of a .nz domain name.

NZRS operates the register of .nz domain names and the Domain Name Service (DNS), which is maintained for high availability, accuracy and response times. These are managed and measured against a Service Level Agreement, which is reported on to the DNC.



08 the year's highlights



Anti-Spam

InternetNZ worked closely with the Department of Internal Affairs on the Unsolicited Electronic Messages Act 2007. We also participated on a working group to complete the ISP Spam Code of Practice and updated our online anti-spam resource at www.stopspam.org.nz. Both the Act and the Spam Code of Practice came into effect in September 2007. They are important tools in the war on spam, with the Code outlining a range of Internet Service Provider obligations regarding email spam, and the Act preventing New Zealand from becoming a haven for international spammers.

Cyberlaw Fellowship

InternetNZ's 2008 Research Fellow in Cyberlaw, Cynthia LaBerge, was appointed to the position in March. She follows on from last year's Fellow, Philip Greene, whose tenure ended in December 2007. December also saw the publication of 2006 Fellow Judit Bayer's research on ISP liability for third party content. The Cyberlaw Fellowship is a joint partnership between InternetNZ and Victoria University.

Peering

InternetNZ commissioned a report in 2007 which examined the state of Internet peering and local interconnection in New Zealand. Amongst other findings, the report found that the cost of transit in New Zealand is high relative to that in comparable countries around the world. This appears to be a

significant driver of dissatisfaction around issues of interconnection, and many such issues might evaporate if the cost of transit were to reduce substantially. A period of public consultation followed, with three submissions received from industry. A peering website was also set up for discussion of issues raised in the report.

Sponsorships

In line with its goals, InternetNZ was pleased to support a variety of events and initiatives in 2007–2008, including the:

- Local Government New Zealand Broadband Forum in Wellington
- New Zealand Network Operators' Group annual conference in Dunedin
- Digital Summit event in Auckland
- New Zealand Wireless and Broadband Forum's Convergence Oceania events
- eRecycling Day in Wellington
- Inaugural New Zealand Open Source Awards in Wellington.

Submissions to Government

InternetNZ continued its interaction with government and Parliament on a range of legislative and regulatory issues relating to telecommunications. We invested significant time and effort in researching and filing a number of major submissions on Local Loop Unbundling (LLU), Telecom Operational Separation, the Telecommunications Service Obligations and, most recently, Radio Spectrum Auctions and Digital Broadcasting.

Telecommunications Regulation

Telecommunications regulation dominated InternetNZ's work in the public policy arena. We kept a watching brief on regulatory developments, filing several lengthy submissions relating to the operational separation of Telecom. The material our team delivered to the government made up a significant contribution to the legislative package and led to further amendments to Telecom's original plan for operational separation. Telecom was officially separated in late March, a move which should provide a robust framework for the future of broadband telecommunications in New Zealand.





08 strategies

1. Management of .nz

- 1.1. Ensure that the .nz DNS meets the needs of registrants.
- 1.2. Maintain a fair and competitive market for .nz registrars.
- 1.3. Ensure .nz is operated to industry best practice following 'industry best practice RFCs'.
- 1.4. Maintain effective policies for the .nz space.
- 1.5. Promote .nz objectives internationally.
- 1.6. Develop and maintain effective relationships with key government and other organisations in New Zealand.

2. Advocacy and Public Policy

Goal: a policy and regulatory environment that ensures the security and stability of the Internet

- 2.1. To influence the development of New Zealand Government ICT and telecommunications policy.
- 2.2. To facilitate best practice and industry self-regulation.
- 2.3. To further the implementation of the New Zealand Government's Digital Strategy.
- 2.4. To contribute to the global governance and policy framework for the Internet.
- 2.5. To preserve the Internet's interoperability and end-to-end principles.
- 2.6. To assist the development and capability of ICT in developing countries in Oceania.

3. Technical Development and Innovation

Goal: world-class Internet infrastructure and capability in New Zealand

- 3.1. To promote the development and adoption of next generation Internet technologies, applications and standards by industry and Government.
- 3.2. To further the security and stability of the Internet and promote the use of open technical standards and best practice.
- 3.3. Professional development of the Internet technical community.

4. Organisational Capability

Goal: an organisation capable of delivering the Society's Objectives and Strategic Plan

- 4.1. To ensure excellent governance of InternetNZ.
- 4.2. To support volunteers and members.
- 4.3. Reputation and external relations.
- 4.4. Maintaining institutional knowledge and staff capacity.

08 strategy reports



Management of .nz

ICANN – the Internet Corporation for Assigned Names and Numbers

InternetNZ has been a longtime supporter of ICANN – the private sector, non-governmental institution that coordinates the technical resources at the Internet's heart – the global DNS root. Our participation with ICANN is ongoing, with the Society signing an Exchange of Letters with ICANN in October 2007. The letters formalised our relationship with ICANN, meaning we officially recognise their role in coordinating the root services of the Internet, and they recognise our role as the ccTLD manager for .nz. 2007–2008 also saw InternetNZ continue its participation at ICANN meetings internationally – in Puerto Rico, Los Angeles and New Delhi.

Advocacy and Public Policy

Anti-Spam

Spam is one of the biggest nuisances in the online world. It clogs mailboxes, disrupts legitimate communication and often exposes Internet users to offensive material. In 2007–2008 InternetNZ worked with other industry groups in the ongoing battle against spam, supporting regulation, education and a code of practice for ISPs which outlines obligations of ISPs in respect of email spam. In addition, the New Zealand Government took steps to address spam through the Unsolicited Electronic Messages Act 2007. The Act, which applies to a variety of electronic message types, not just email, was strongly supported by InternetNZ. The importance of the Act was clearly illustrated in December 2007, when the Department of Internal Affairs raided a group of suspected spammers in Christchurch, sending a clear message that New Zealand-based spammers can no longer act with impunity.

Broadband/Fibre Campaign

InternetNZ regards broadband as critical infrastructure, and a basic requirement for ongoing economic growth. We are active in the campaign for better broadband for New Zealanders. Throughout the year we focused on methods of dealing with the existing copper loop and, more recently, on examining models for a fast and efficient national path to the rollout of open access fibre, including fibre-to-the-home. We proselytised the importance of fibre at several large telecommunications industry events and continue to develop policy work-streams in respect of fibre rollout.

Copyright

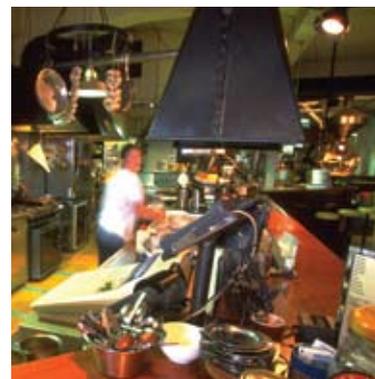
InternetNZ lobbied hard for changes to the Copyright (New Technologies and Performers' Rights) Amendment Bill, which went to a parliamentary select committee in mid-2007. InternetNZ submitted on various aspects of the Bill, including ISP liability, notice-and-takedown, format shifting and technological protection measures. While there were improvements made, legalising of format shifting was incomplete and a US-style notice-and-takedown regime for ISPs was introduced. InternetNZ regards the Act as inadequate. It does not fully grasp the nature of technologies such as the Internet and digital media. Parliament has missed an opportunity to bring its copyright law fully into the modern age.

Cyberlaw Fellowship

The Cyberlaw Fellowship – a joint project funded by InternetNZ and Victoria's Law Faculty – successfully entered its third year. Cynthia LaBerge has been appointed as the 2008 Cyberlaw Fellow. She will work in the area of privacy law, focusing on gaps in the law regarding government access to private data, and the degree to which threats to national security override New Zealanders' right to privacy. The first Cyberlaw Fellow was Hungarian Judit Bayer, who spent 2006 researching issues relating to ISP liability for third party content. Her work has now been published as a Victoria University working paper. The 2007 Cyberlaw Fellow was US citizen Philip Greene, whose area of research was Internet governance. A review of the first two years was set for May/June 2008.

Internet Patents

InternetNZ continues to provide funding to a patent monitoring service – the IPWATCH database (<http://ipwatch.internetnz.net/>) – where members can be notified of and view Internet-related patent applications.



08 strategy reports continued



NetSafe

InternetNZ has a strategic partnership with NetSafe – the Internet Safety Group of New Zealand. The partnership is an important investment in the future of the Internet in New Zealand. We fully support NetSafe's efforts to improve safety in the cyber-world, as New Zealanders benefit substantially from its direct services to children, adult consumers and businesses, and its involvement with educational, government organisations and community groups, as well as its global thought-leadership.

Pacific Internet Partnership

The Pacific Internet Partnership (PIP) is a consortium of independent organisations – InternetNZ, UNESCO New Zealand and the UNDP – that share resources to help improve technical IT skills in Pacific Island countries. In 2007–2008, we provided travel subsidies for Pacific Island-based technical people to attend the PICISOC PACINET meeting in August 2007, and the NZNOG conference in January 2008.

Parliamentary Internet Caucus

Two Parliamentary Internet Caucus events were held in 2007–2008 covering the topics of Cybersafety and Internet Governance. The Parliamentary Internet Caucus, which brings together Members of Parliament to discuss and learn about technology issues, is co-chaired by Labour's David Cunliffe and National's Maurice Williamson. InternetNZ provides support and assistance in identifying suitable speakers. Further events are planned for 2008.

Rural Broadband

There are strong signs of a broadband divide in rural and remote New Zealand, which InternetNZ believes should be urgently addressed. Our October 2007 submission on the Ministry of Economic Development's TSO discussion paper explored a range of background issues in rural broadband and sketched out some suggested approaches and initiatives for moving forward. We continue to take the lead in considering rural broadband policy options, participating with other stakeholders on a Rural Broadband Working Party to develop a realistic and achievable policy framework for FTTX/high speed rollout in rural areas. Work is expected to be ongoing in 2008-2009.

Other

InternetNZ advanced several other advocacy and public policy projects in 2007-2008. These include Digital Communities, a multi-organisation ICT economic transformation initiative for regional economic and community development; and a book on the history of the Internet, due for publication in 2008.



Technical Development and Innovation

ENUM

Most countries, including New Zealand, are yet to run trials or work towards full permanent deployment of ENUM – a technical standard that unifies the telephone numbering system with the Internet domain name system. Following the commissioning of a report in 2005 that made recommendations relating to a New Zealand trial, InternetNZ intends ramping up its activity in this space in 2008-2009.

IPv6

InternetNZ continues to educate the telecommunications industry, ISPs, corporate sector and home Internet users on IPv6 – a technological protocol that allows for a vast expansion in the number of Internet addresses compared with the IPv4 protocol. In 2007, we hosted an intensive five-day workshop, that covered a range of technical issues relating to IPv6. The workshop provided an excellent opportunity for people to get hands-on IPv6 experience from two well-regarded international experts. Our focus remains on presenting good quality public information. Several events are planned for 2008 including an IPv6 hui, and further technical workshops.



08 strategy reports continued

NZCERT

As more New Zealanders connect to the Internet, our vulnerability to cyber-threats such as computer viruses, worms, Trojans and malicious software increases. CERTs (Computer Emergency Response Teams) aim to ameliorate these risks by acting as a national focal-point for computer security incident reporting and response. InternetNZ continues to push for the establishment of an NZCERT, with the aim of improving New Zealand's computer emergency response capability.

NZNOG

InternetNZ is a strong supporter and sponsor of the New Zealand Network Operators' Group (NZNOG) conference, where network operators from around the country gather for exchange of technical information, and industry networking. The Group met in Dunedin in January, with over 100 people attending. A recurring theme this year was the transition to IPv6. Tutorials were also held on Border Gateway Protocol (BGP) techniques and on Layer 7 issues relating to network and ISP operations. InternetNZ Executive Director Keith Davidson and Public Policy Chair David Farrar gave presentations on Peering, Copyright and Operational Separation.

Other

InternetNZ advanced several other technical development and innovation projects in 2007–2008. These include an Industry Best Practice Programme, which aims to document recognised best practices in the Internet area; and Broadband Measurement, which would see the introduction of a broadband measurement tool that grades a variety of network/technical quality-of-service metrics across ISPs. We have also been working towards developing a business case for a Certificate Authority for New Zealand.

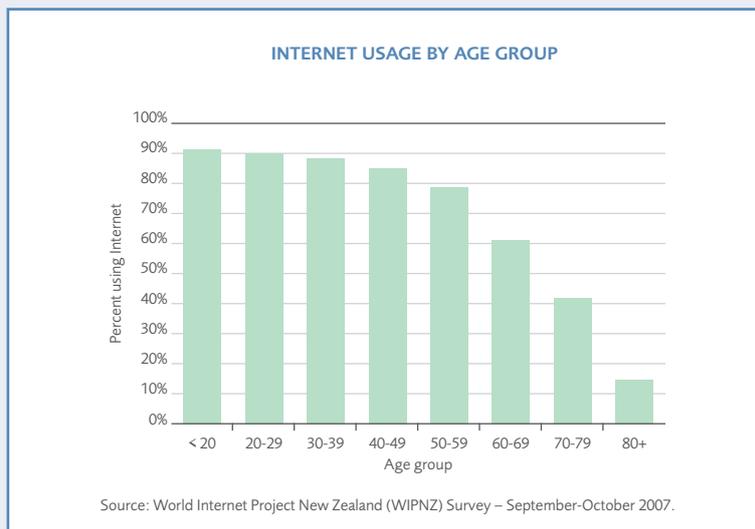
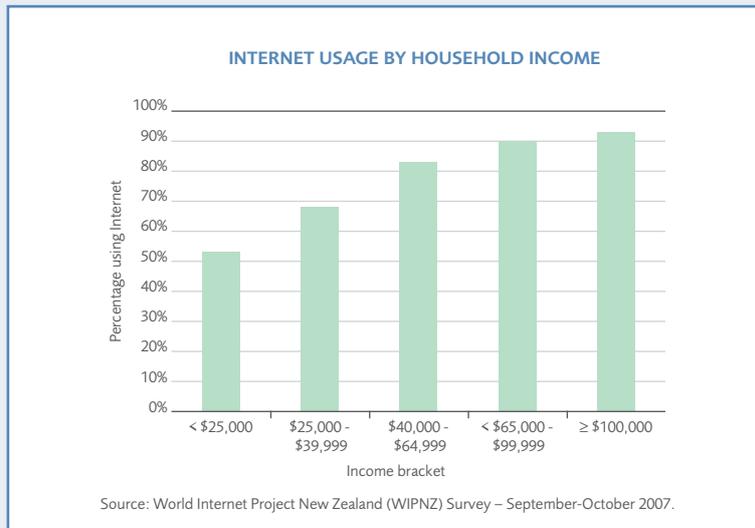
Organisational Capability

APTLD – the Asia Pacific Top Level Domain Association

APTLD is the association for country code top level domain (ccTLD) managers in the Asia Pacific region. As manager of the .nz domain InternetNZ is a member and, in 2007–2008, provided APTLD with Secretariat support services. Representatives from InternetNZ attended all major APTLD meetings in 2007–2008, with Executive Director Keith Davidson elected Vice-Chair at its February meeting in Taipei, Taiwan. We continue to actively engage with APTLD, gaining valuable information regarding technological and operational issues of domain name registries in the Asia Pacific region.

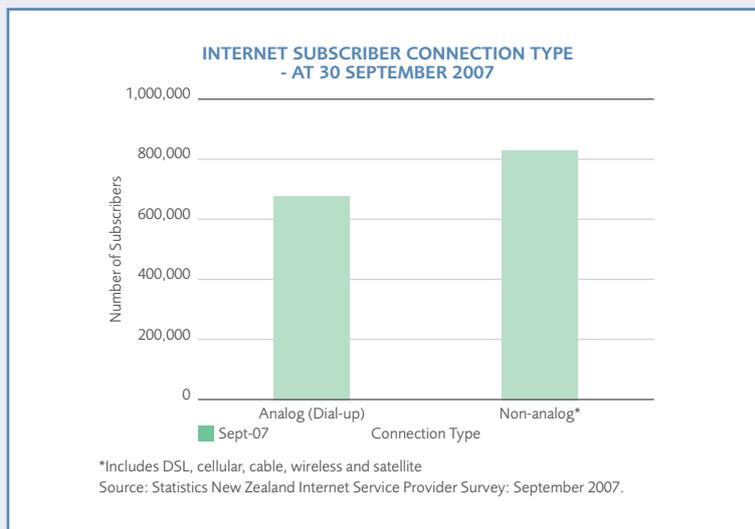
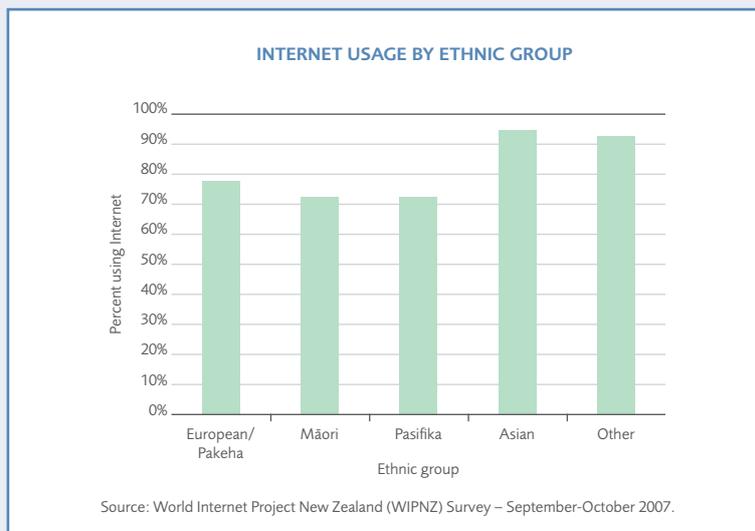


08 the internet in new zealand

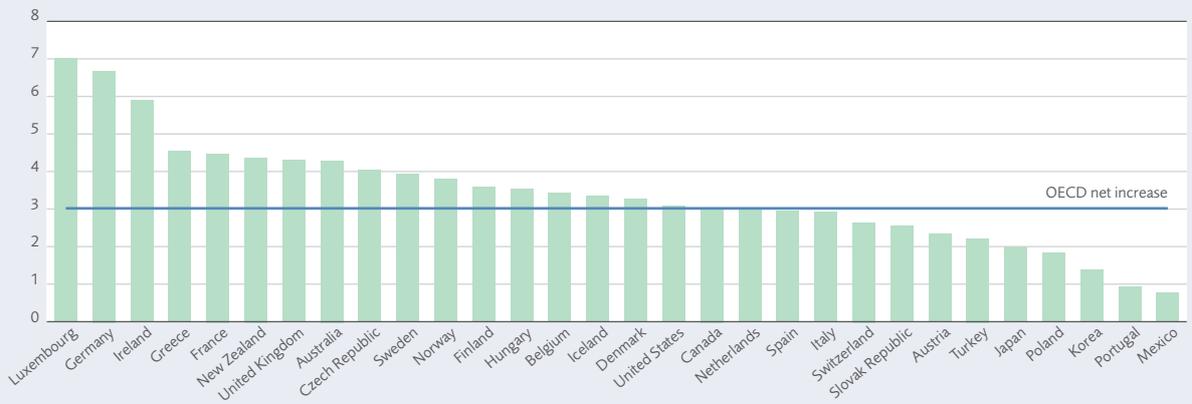


08 the internet in new zealand

continued

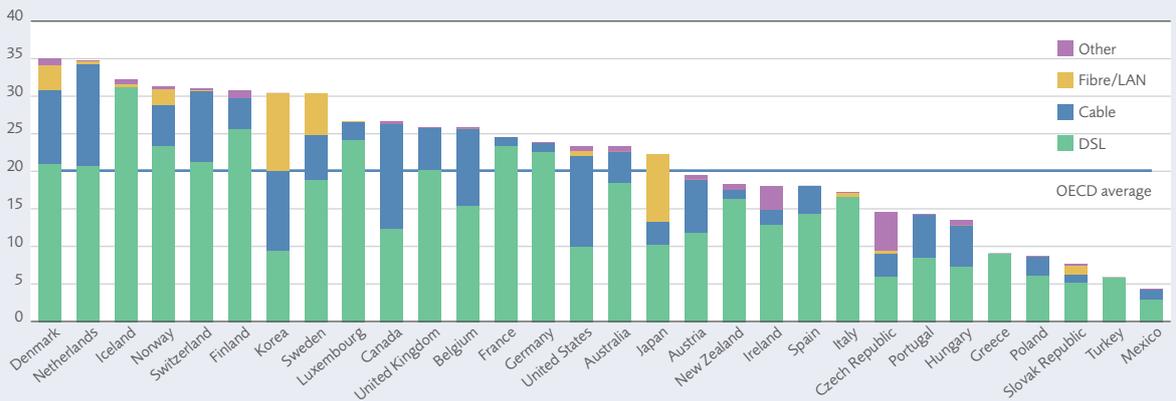


OECD BROADBAND PENETRATION (PER 100 INHABITANTS) NET INCREASE 2006-2007, BY COUNTRY



Source: OECD.

OECD BROADBAND SUBSCRIBERS PER 100 INHABITANTS, BY TECHNOLOGY, DECEMBER 2007



Source: OECD.

08 internetnz directory 2007-2008

The Council



Peter Macaulay

President 2007 – 2009
Council 2005 – 2007
Executive Director 2002 – 2005



Liz Butterfield

Council 2007 – 2009



Frank March

Vice-President 2007 – 2009
Secretary 1997 – 2001
Council 1994 – 1997, 2006 – 2007



Stewart Fleming

Council 2007 – 2009



Chris Streatfield

Secretary 2006 – 2008
Treasurer 2002 – 2006
Council 2001 – 2002



Michael Foley

Council 2007 – 2009



Michael Wallmannsberger

Treasurer 2006 – 2008
Secretary 2003 – 2006
Council 2002 – 2003



Hamish MacEwan

Council 2007 – 2009



Jamie Baddeley

Council 2006 – 2008



Jonny Martin

Council 2006 – 2008



Carl Penwarden

Council 2007 – 2008



Sam Sargeant

Council 2006 – 2008



Judy Speight

Council 2006 – 2009



Scott Bartlett

Council 2007 – 2008
(resigned 2008)



Michael Sutton

Council 2003 – 2007
(resigned 2007)

Senior Staff

Keith Davidson – Executive Director

Jordan Carter – Deputy Executive Director

Debbie Monahan – Domain Name Commissioner

Fellows of the Society

Joe Abley

Nevil Brownlee

Liz Butterfield

Rex Croft

Mark Davies

Roger Hicks

Jim Higgins

Dr John Hine

John Houlker

Neil James

Andy Linton

Dr Frank March

Richard Naylor

Donald Neal

John Vorstermans

Standing Committees

Audit and Risk Committee

Executive Committee

Public Policy Committee

.nz Oversight Committee

Technical Policy Committee

Task Forces and Working Groups

Anti-Spam Task Force

NZCERT Task Force

ENUM Task Force

Peering Task Force

Digital Opportunities Trust Task Force

Patent Advisory Group

Structural Review Task Force

08 treasurer's report



Last year, after a decade of rapid growth, a structural review identified a number of organisational changes to prepare InternetNZ for the challenges and opportunities that undoubtedly lie ahead. This year has seen ongoing investment in the implementation of those changes. As well, regulatory reform has continued to place significant demands on the Society in its Internet advocacy role.

Despite these challenges and changes, we finished the year with prudent reserves in the Council's account and NZRS in a strong financial position. It's difficult to know what the future holds for InternetNZ. For certain, it will be exciting. The Council feels that it is wise to adopt a conservative position and keep a little of our powder dry for the unexpected.

Our key achievement this year has been improving the integrity, timeliness and quality of our financial reporting and control systems. Regular financial reporting to the Council has been overhauled and I am pleased to welcome our new accountant, Curtis McLean, whose role in this achievement has been significant.

Looking forward, the Society has made an application to the Charities Commission for charitable status. The Commission has indicated that it will approve InternetNZ's application upon confirmation that a minor technical amendment to the constitution has been passed by this year's AGM.

Obtaining charitable status for InternetNZ provides us with the most efficient model for delivering the Society's outputs and the best outcomes for New Zealanders. The financial benefits of becoming a charity, once the registration process is complete, will be in the order of \$1 million per annum. No decisions have yet been made about how these funds will be employed. A thorough analysis of InternetNZ's position and long term viability will need to be undertaken in the forthcoming year to support our future financial decision making.

We will continue to look to leverage our funds through initiatives such as the proposed Digital Opportunities Foundation, which will seek funding from outside the InternetNZ group for charitable purposes that benefit the Internet.

InternetNZ is maturing and is now an organisation of significant influence and responsibility. Along with that comes an obligation to carefully manage risk and opportunity. We must keep in mind the long term financial viability of the Society and the net benefits we provide to New Zealanders. In the long-term, it is the Council's objective to reduce its reliance on revenue from the operation of the .nz register to maintain the Society's finances. Being open to growth, innovation and opportunity must be a priority for future Councils.

A handwritten signature in black ink, appearing to read 'Michael Wallmannsberger', written in a cursive style.

Michael Wallmannsberger
Treasurer, InternetNZ

To the Members and Stakeholders of The Internet Society of New Zealand Incorporated and its subsidiaries

We have audited the financial report on pages 2 to 16. The financial report provides information about the past financial performance of The Internet Society of New Zealand Incorporated and its subsidiaries (the Society and Group) and their financial position as at 31 March 2008. This information is stated in accordance with the accounting policies set out on pages 7 to 10.

Council's Responsibilities

The Council is responsible for the preparation of a financial report which fairly reflects the financial position of the Society and Group as at 31 March 2008 and the results of operations for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express to you an independent opinion on the financial report presented by the Council.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgements made by the Council in the preparation of the financial report; and
- whether the accounting policies are appropriate to the Society and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial report.

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

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion the financial report on pages 2 to 16 fairly reflects the financial position of the Society and Group and the results of operations for the year ended on that date.

Our audit was completed on 23 June 2008 and our unqualified opinion is expressed as at that date.



GRANT THORNTON
WELLINGTON
24 June 2008

Page number references in this report refer to the full financial statements.

08 financial statements

For the Year Ended 31st March 2008

Financial Result

The Group Net Profit for the year, after taxation, was \$590,928 (2007 \$656,153).

	2008		2007	
	PARENT	GROUP	PARENT	GROUP
Retained Earnings as at 1 April 2007	2,493,607	5,306,451	2,454,733	4,650,298
Net Profit (Loss) After Taxation	(159,900)	590,928	38,874	656,153
Retained Earnings as at 31st March 2008	\$2,333,707	\$5,897,379	\$2,493,607	\$5,306,451

Dividend

Dividends of \$1,700,000 were received from New Zealand Domain Name Registry Limited, a wholly owned company, for the year ended 31st March 2008 (2007 \$1,400,000).

Remuneration of Council

During the year Council received the following remuneration:

FEES PAID

Peter Macaulay - Chair	24,000
Jamie Baddeley	5,000
Scott Bartlett	5,000
Liz Butterfield	5,000
Stewart Fleming	5,000
Michael Foley	5,000
Hamish MacEwan	5,000
Frank March	12,000
Jonny Martin	5,000
Carl Penwarden	5,000
Sam Sargeant	5,000
Judy Speight	5,000
Chris Streatfield	12,000
Michael Wallmannsberger	12,000
	\$110,000

For and on Behalf of the Board



Secretary
Date



Treasurer
Date

The Notes form part of these Financial Statements and should be read in conjunction with them.

The Internet Society of New Zealand

income statement

For the Year Ended 31st March 2008

	NOTE	2008		2007	
		PARENT	GROUP	PARENT	GROUP
Management Fees		996,000	-	957,000	-
Registry Fees		-	6,072,686	-	5,300,694
Other Income		92,560	184,031	137,717	310,557
		1,088,560	6,256,717	1,094,717	5,611,251
Less Expenses					
Registry Services		-	1,423,371	-	1,260,373
Domain Name Commissioner					
Expenditure		622,790	622,790	508,548	512,569
Public Policy		503,576	503,576	625,180	625,180
Society		738,927	738,927	945,126	474,838
Technical Leadership		173,964	173,964	25,833	25,833
Audit Fees		8,250	22,645	8,736	18,712
Employee Remuneration		849,275	1,217,768	367,674	1,177,315
Depreciation & Amortisation		31,040	193,631	27,085	127,830
Rent		114,097	218,838	56,319	252,317
Total Expenses		3,041,919	5,115,510	2,564,501	4,474,967
Net Operating Profit		(1,953,359)	1,141,207	(1,469,784)	1,136,284
Plus:					
Dividend Income		1,700,000	-	1,400,000	-
Interest		93,459	661,109	108,658	514,330
Net Profit (Loss) Before Taxation		(159,900)	1,802,316	38,874	1,650,614
Less:					
Income Tax Expense	1	-	1,211,388	-	994,461
Net Profit (Loss) After Tax		(\$159,900)	\$590,928	\$38,874	\$656,153

The Notes form part of these Financial Statements and should be read in conjunction with them.

08 financial statements

For the Year Ended 31st March 2008

The Internet Society of New Zealand

statement of changes in equity

For the Year Ended 31st March 2008

	NOTE	PARENT	2008 GROUP	PARENT	2007 GROUP
Retained Earnings					
Opening Retained Earnings		2,493,607	5,306,451	2,454,733	4,650,298
Plus:					
Net Profit (Loss) After Taxation		(159,900)	590,928	38,874	656,153
Retained Earnings as at 31st March 2008		\$2,333,707	\$5,897,379	\$2,493,607	\$5,306,451

The Notes form part of these Financial Statements and should be read in conjunction with them.

The Internet Society of New Zealand

balance sheet

As At 31st March 2008

	NOTE	2008		2007	
		PARENT	GROUP	PARENT	GROUP
Current Assets					
Cash and Cash Equivalents	3	2,522,489	9,437,896	2,316,811	8,687,861
Redeemable Preference Shares		-	-	400,000	-
Other Current Assets	4	84,308	978,012	35,178	813,069
Total Current Assets		2,606,797	10,415,908	2,751,989	9,500,930
Property, Plant & Equipment	5	58,444	356,486	57,537	320,662
Investments					
Shares in Subsidiary		30,000	-	30,000	-
Total Investments		30,000	-	30,000	-
Intangible Assets	6	2,724	31,369	4,014	51,721
Total Assets		2,697,965	10,803,763	2,843,540	9,873,313
Less Liabilities:					
Current Liabilities					
Deferred Income - Current		-	3,024,184	-	1,083,758
Trade and Other Payables	7	364,258	681,631	341,669	669,601
Total Current Liabilities		364,258	3,705,815	341,669	1,753,359
Term Liabilities					
Deferred Income	8	-	1,200,569	8,264	2,813,503
Total Liabilities		364,258	4,906,384	349,933	4,566,862
Net Book Value of Assets		\$2,333,707	\$5,897,379	\$2,493,607	\$5,306,451
Represented by:					
Total Equity		\$2,333,707	\$5,897,379	\$2,493,607	\$5,306,451

For and on Behalf of the Board



Secretary
Date



Treasurer
Date

The Notes form part of these Financial Statements and should be read in conjunction with them.