



The day-to-day management of the .nz domain name space is the responsibility of the Domain Name Commission Limited. This report highlights some of the work done during the 2011-12 financial year.

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Chair's Report

Welcome to the 2011-2012 annual report for Domain Name Commission Ltd. I am pleased to summarise the work of the Commission and to thank all those who have contributed to another successful year.

DNCL is a charitable company wholly-owned by InternetNZ (Internet New Zealand Inc). The Board of Directors comprises David Farrar, Michael Foley (appointed as the representative of the InternetNZ Council), Kenneth Johnston, Andy Linton and myself as Chair. I would like to thank all of the Directors for their contributions to the governance of DNCL, especially as it has been such a busy year. As a Board, we are committed to transparency and accountability when carrying out our governance role. Our meetings are advertised to InternetNZ members who are encouraged to attend. The Board met five times throughout the year and all minutes were published on the DNC website.

There has been a significant focus on .nz policy work throughout the year. All .nz policies are on a regular cycle for review and this year three policies have been through the full review process. A highlight was the leadership taken by DNCL in undertaking cutting edge work among ccTLDs to lay the policy foundations for the implementation of Domain Name System Security Extensions, (DNSSEC). The .nz zone has been signed, and the second level domains are scheduled to be signed in the first part of the new financial year. This policy foundation and the roll-out of DNSSEC into the .nz zone will help to improve the security of the .nz space for our Internet community.

In addition we have expanded services to Registrants, providing a new service, the "Registrant Info Search". This service has been used by a number of companies seeking confirmation of the domain names held by their organisation. We have also strengthened our work on compliance and security by actively supporting the development of the New Zealand Internet Task Force through the work of Paul McKittrick, the Chair of the Task Force and DNCL's Manager of Compliance and Security.

The Domain Name Commissioner and her staff contributed to the work of the InternetNZ throughout the year including participating in the dot String working group and convening an InternetNZ Group on Security. DNCL has a special oversight role in relation to NZRS delivery of shared registry services. I place a high value on a good working relationship with the NZRS Board and have sought to develop and strengthen this relationship throughout the year. I look forward to our joint spirit of cooperation continuing in 2012-2013.

Finally I would once again like to thank Debbie Monahan, the Domain Name Commissioner, and her staff for their work in support of the Domain Name Commission, and for ensuring that the .nz domain name space operates so effectively.



Joy Liddicoat
Chair, Domain Name Commission Ltd

DNC Report

The regular review of the .nz policies continued, with three policies being reviewed over the year. These were: the Zone Transfer Policy, the Registering Managing and Cancelling Domain Names Policy and the .nz Dispute Resolution Service (DRS) Policy. One significant change following the reviews was an increase in the level of fees payable to Experts under the DRS. In the almost six years since the service was launched fees for referral to an Expert or for an Appeal had not changed. With this review the fees were increased by approximately 10%. Expert referral fees and Appeal fees are passed in their entirety to the Experts, so changes in fees are budget-neutral to DNCL. Minor changes to definitions were also made within the policy.


In addition to the regular cycle of policy reviews, we began the policy work required for the implementation of Domain Name System Security Extensions (DNSSEC), laying down a framework of interlinked policy sections primarily to cover issues around the transfer of a signed domain name from one registrar to another. It was important to us that this framework was in place before the technical aspects of DNSSEC went live, so that we were in a position to protect registrants when changes were required. As a result of this work, and after consultation, amendments were made to four policies: the Privacy Policy, Registering, Managing and Cancelling Domain Names Policy, the Roles and Responsibilities Policy, and the Whois Policy.

During the year, we added a new Registrant Info Service that enables a search of the .nz register by registrant name. The search is limited to two situations. The first is where a registrant requests a search to find a list of all names registered to them. The second is where Complainants who wish to use the .nz Dispute Resolution Service wish to search for a list of domain names registered to the respondent in their proposed .nz domain name dispute.

We continue to receive requests from companies for authorisation as a .nz Registrar to operate within the .nz space. We now have 78 authorised registrars offering services to registrants with a few other companies authorised but not yet connected to the system. DNCL was involved in assisting registrants when one registrar was the subject of a targeted and systematic hacking attack that resulted in their systems being brought down. DNCL assisted customers affected by giving advice and guidance and also in providing UDAs on request to allow domain names to be transferred. Another .nz registrar subsequently bought the assets of the affected registrar allowing all services to be restored.

Our close relationship with NZRS and their team continued throughout the year. Our policy work on DNSSEC has been supported by the technical work that they have done to bring this project to the .nz space. Their assistance with registrar matters is always appreciated and makes the smooth running of the DNCL services easier. It would also be impossible for us to effectively administer our dispute resolution service, for example, without their input in applying locks to the domain names and processing Expert-ordered transfers.

My thanks go to Joy Liddicoat, the very able Chair of DNCL, and all the members of the DNCL Board who have worked so hard to support me in my role. The guidance of the Board is invaluable. I'd also like to thank my team of staff who have worked hard during the year to contribute to the success of the office.



Debbie Monahan
Domain Name Commissioner

The Year in Review

Domain Name Growth for 2011-2012 Year

Domain name growth continued strongly during the year, with a total increase of 40,505 names. This growth rate, although the third highest to date, is still slightly below that experienced in the lead up to the 2009 recession. The pattern of new registrations has remained similar to that of previous years, with the lowest rates of growth occurring in those months with several public holidays, and the highest rates in March, May and June. Growth has stabilised at around 3,700 names per month. The highest level of growth for the year was seen in May 2011, when net growth of 4,688 names was recorded.

Policy Reviews

Three existing policies were reviewed over the year, as noted above in the DNC report. We also began the background policy work for our major project for the coming year, the proposal to open up the .nz space to allow registrations at the second level.

As with all our consultations, each review involves actively seeking feedback on the policy from the community of interest. All submissions received are published on our website.

.nz Security Strategy

A .nz Security Strategy has been developed to complement the DNCL .nz Strategy. In the context of .nz, security is defined as the ongoing availability of the DNS and SRS, the continued integrity of the information held in the DNS and SRS, and the absolute confidentiality of registrants and registrars information.

The goal of the strategy is that “.nz is a trusted and responsible ccTLD in the area of cyber security”. Within this goal four strategies have been defined:

- Ensure that .nz policies contain adequate security and resiliency measures and remain relevant
- Ensure .nz plays its part in the security and resiliency of the Internet in New Zealand
- Ensure .nz fulfils its obligations to the wider Internet security ecosystem
- Ensure that DNCL has an effective internal approach to security

DNSSEC

DNSSEC has been developed to improve the security of the DNS and provide increased protection for activities such as browsing the Internet and email. DNSSEC is in the process of being rolled out internationally. DNSSEC provides authentication and integrity to the DNS this through the use of public key cryptography to digitally sign DNS data. DNSSEC-capable resolvers are able to verify whether the data contained in a DNS response comes from an authoritative DNS server and has not been altered. In 2011 a series of policy changes came into effect to pave the way for the .nz implementation of DNSSEC. .nz was signed in late 2011, and the .nz 2LDs will be signed in the second half of 2012.

Domain Names by 2LD – Monthly Count to 31 March 2012

2LD	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11
ac	1,878	1,885	1,884	1,851	1,864	1,875	1,908	1,903	1,911	1914	1,921	1,934
.co	377,510	381,615	385,459	389,282	392,913	396,018	398,841	402,233	404,175	406,827	410,365	414,389
.cri	13	13	13	13	13	13	13	13	13	13	13	13
.geek	1,062	1,073	1,078	1,074	1,075	1,086	1,121	1,116	1,118	1,124	1,138	1,142
.gen	1,343	1,353	1,361	1,346	1,358	1,370	1,403	1,390	1,388	1,385	1,394	1,386
.govt	1,098	1,100	1,085	1,089	1,091	1,097	1,097	1,099	1,105	1,107	1,111	1,114
.health	131	132	134	138	139	141	144	145	145	145	145	145
.iwi	76	74	77	78	76	76	76	76	77	77	78	78
.maori	620	632	646	638	636	642	669	677	663	660	666	678
.mil	33	33	33	33	33	33	33	33	33	33	33	33
.net	24,258	24,574	24,867	25,040	25,312	25,526	25,781	26,060	26,224	26,465	26,746	27,023
.org	24,761	24,978	25,167	25,288	25,511	25,689	25,859	25,992	26,111	26,159	26,300	26,475
.parliament	7	7	8	8	8	8	8	8	8	8	8	8
.school	3,098	3,107	3,117	3,136	3,151	3,170	3,207	3,215	3,221	3,237	3,248	3,270
Total	435,888	440,576	444,929	449,014	453,180	456,744	460,160	463,960	466,192	469,154	473,166	477,688

Dispute Resolution Service (DRS)

About the DRS

The Dispute Resolution Service (DRS) provides an alternative to the Courts in situations where two parties are in dispute over who the registrant of a .nz domain name should be. Administered by the Domain Name Commission, the independent service operates using online forms. Users submit information electronically, and back their submission with signed hard copies and annexes of supporting documentation. These annexes can include any type of supporting material - publications, photographs, formal documents, copies of invoices etc. Our role as the administrators of the service is to process the information in a timely manner, passing it between the parties as appropriate.

Statistics and information are published on our website, and a brochure, entitled *A service for resolving .nz disputes*, is available at www.dnc.org.nz/brochures to provide an overview of the service.

Statistics

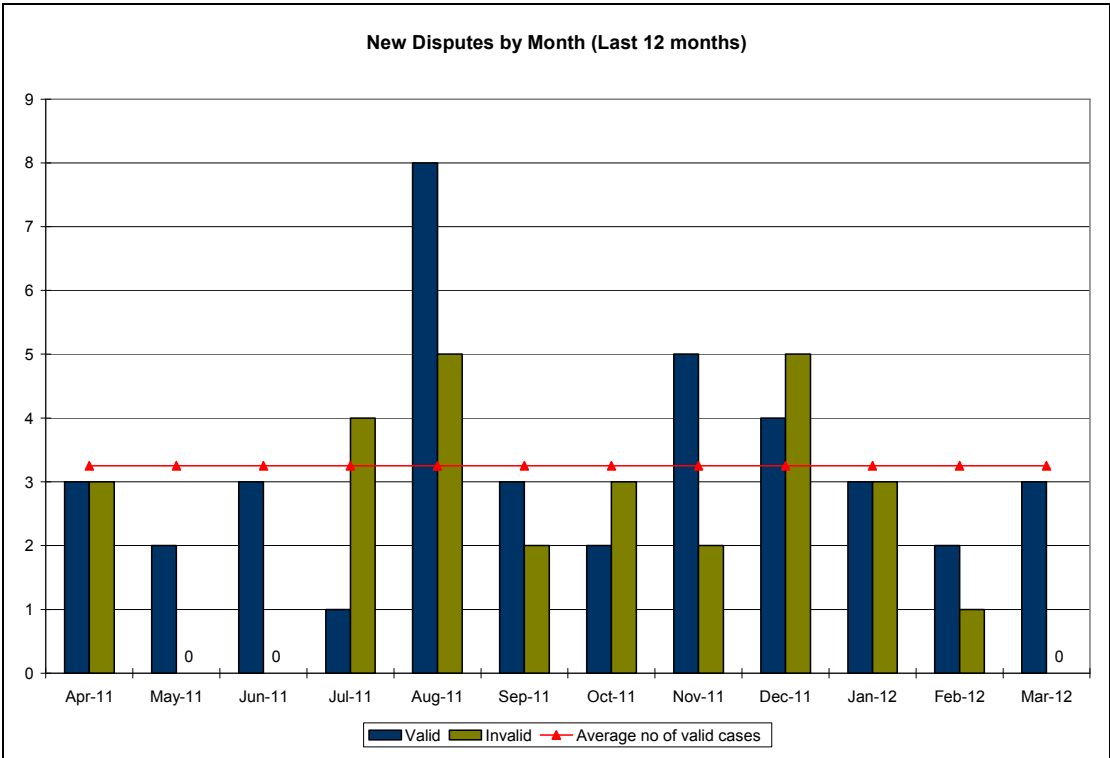
A total of 67 complaints were submitted over the financial year, with only 39 of these being valid (58%). The remainder were ruled invalid for a range of reasons including them not involving a .nz domain name, or the Complainant not completing both aspects required for a complaint (rights in a name and that the current registration is unfair).

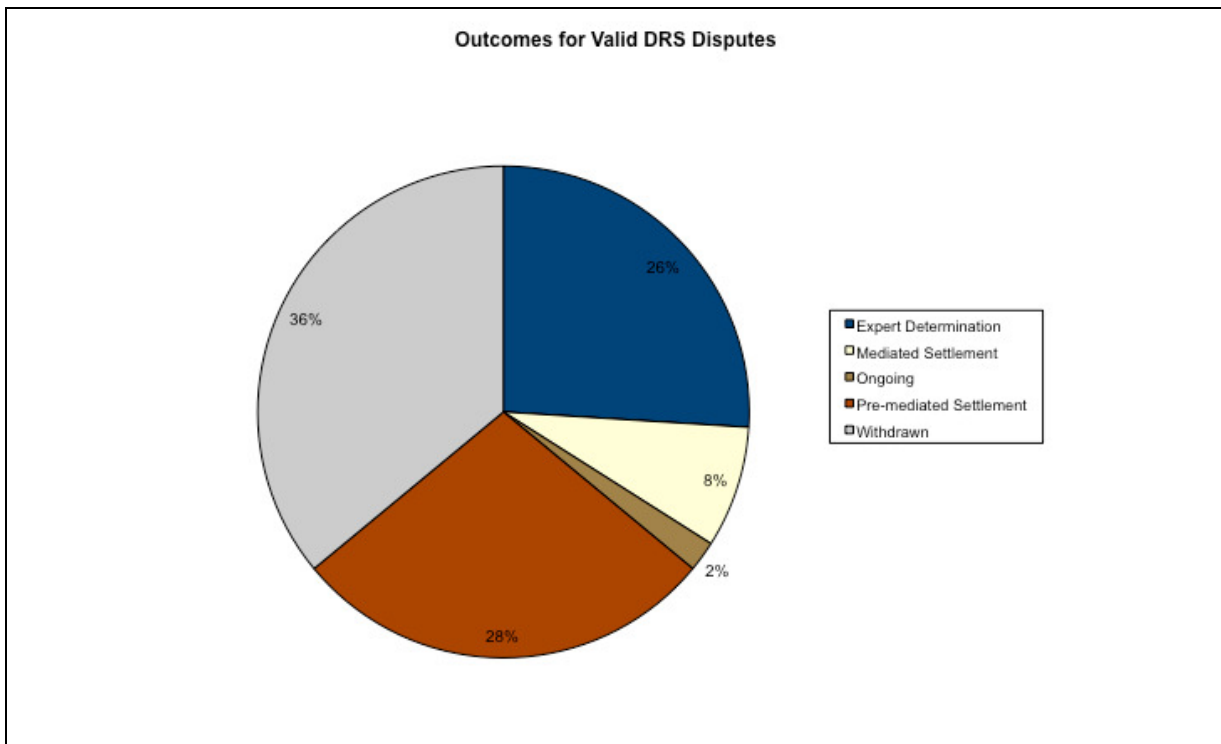
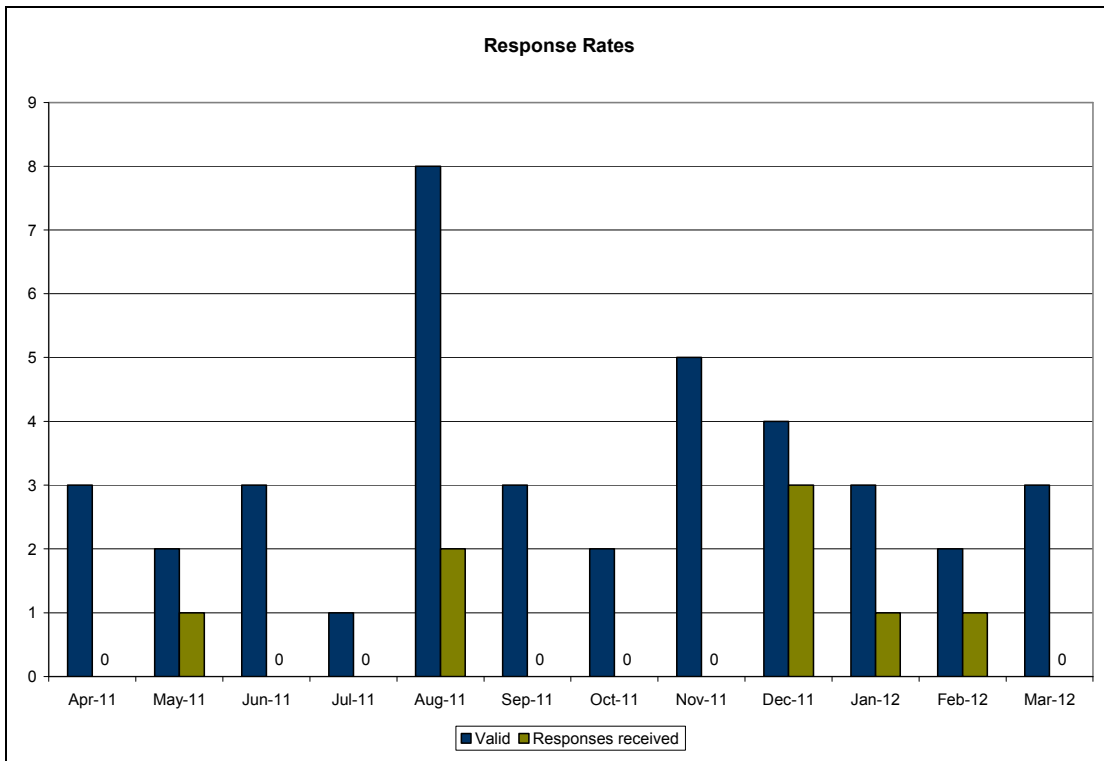
Of the 39 that proceeded, a response was received in 8 cases (20%) meaning that these complaints proceeded to an informal mediation step where 3 were successfully resolved. Ten cases in total were referred to an Expert for a determination, including two of the five cases that remained unresolved after mediation. One of those previously unresolved disputes resulted in a transfer, the other remained with its original registrant. Overall, 80% of the disputes referred to an Expert led to a transfer, with only two complaints being dismissed throughout the year.

Decisions

Expert determinations are published on our website at www.dnc.org.nz/drs-decisions, and are implemented if no appeal is received. No requests for an appeal were received during this financial year - since the inception of the system in 2006, only one determination has been appealed.

Two of the complaints that were referred to an Expert for a determination raised new questions in relation to the way that the .nz Dispute Resolution Service operates. In the dispute over the domain name onsale.co.nz, the respondent questioned whether the service was being appropriately used when the dispute was, in his view, a contract matter. The complaint was dismissed, but soon after the determination was received the domain name changed hands from the respondent to the complainant. In the dispute over the domain name allphones.co.nz, the current registrant questioned the jurisdiction of the Expert assigned to determine the case. This dispute was determined in favour of the complainant and although the respondent indicated that an appeal may have been forthcoming, one was not lodged. In both disputes the .nz DRS was found to be the appropriate service to use to consider the complaint.





Registrars

Authorised Registrars Connected to the SRS

As at 31 March 2012, 78 organisations were authorised by the DNC as .nz registrars. Of those 78 organisations, four had not yet connected to the Shared Registry System.



This logo can be used by authorised registrars, enabling them to be clearly identified by potential registrants as an organisation that has been authorised by the Domain Name Commissioner as a .nz registrar. A full list of all authorised .nz registrars can be seen at www.dnc.org.nz/registrars. Most registrars display this logo on their websites, with a link to the DNC website at www.dnc.org.nz.

Registrar Advisory Group

Registrars are an integral part of the .nz framework – they are the key public face of the SRS for registrants. To make sure the needs of registrars are accounted for in decision making, there is a Registrar Advisory Group (RAG), providing a direct input from registrars to the Domain Name Commission and NZRS. The current RAG group comprises Quintin Russ (SiteName), Lee Miller (Net24, etc), Maria Brosnan (FeeParking, etc), Glen Eustace (GodZone), Peter Mott (Swizzle), and Richard Clark (Red Spider).

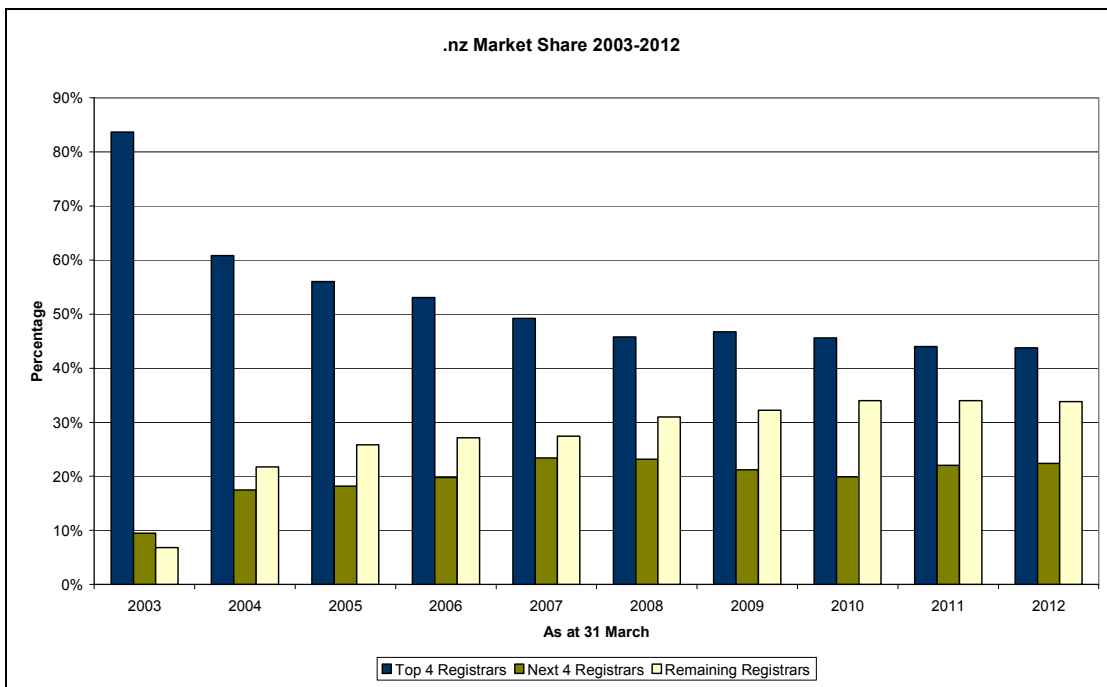
Market Share

Throughout the year, the DNC Office has continued to publish .nz market share statistics. The publication does not present the market share for each individual registrar but rather the figures for the top four registrars, the next four registrars, and the remaining registrars connected to the SRS.

As the number of registrars connected to the SRS has increased over the past five years, changes have also occurred in the .nz registrar market share. Gradually the market share of the top four registrars has been decreasing, while the market share of the remaining registrars has been increasing. Variations in the membership of each group often shows as a slight change in the market share pattern. The graph below illustrates these changes. During the year, the composition of the top four registrars changed showing that the .nz domain name market is truly competitive.

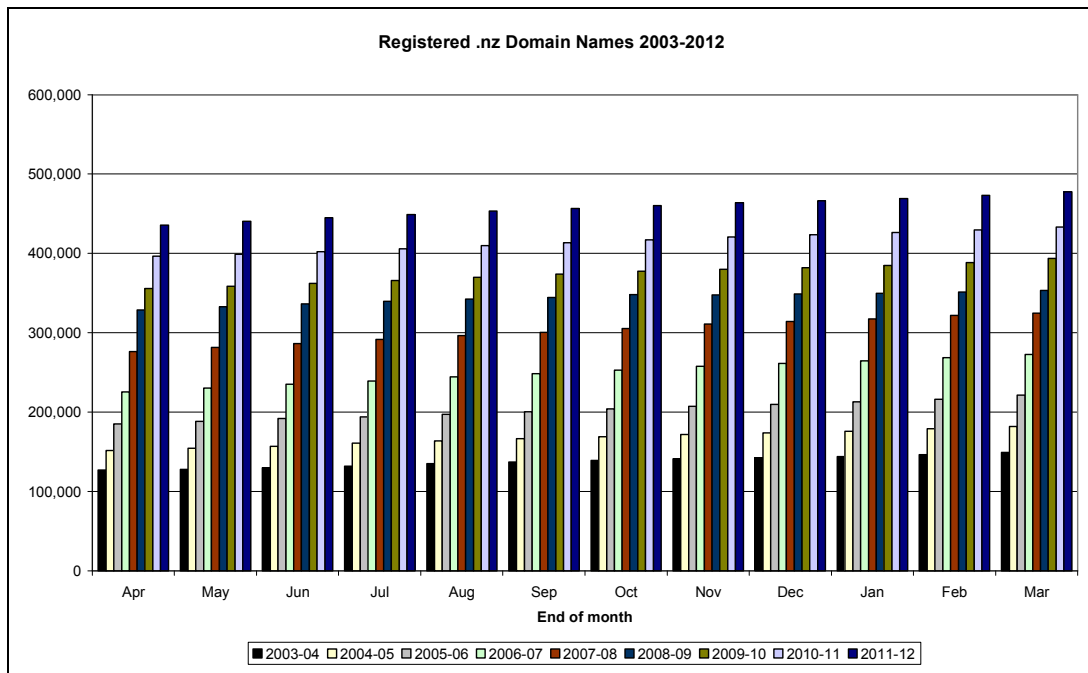
.nz Market Share Statistics

Month	Top 4 Registrars (%)	Next 4 Registrars (%)	Remaining Registrars (%)	No. of Remaining Registrars
April 11	43.7	22.2	34.1	68
May 11	43.7	22.2	34.1	69
June 11	43.9	22.2	33.9	69
July 11	44.0	22.2	33.8	69
August 11	44.0	22.3	33.7	69
September 11	43.7	22.4	33.9	70
October 11	43.6	22.4	34.0	70
November 11	43.6	22.4	34.0	70
December 11	43.5	22.5	34.0	71
January 12	43.5	22.6	33.9	71
February 12	43.8	22.3	33.9	71
March 12	43.8	22.4	33.8	70



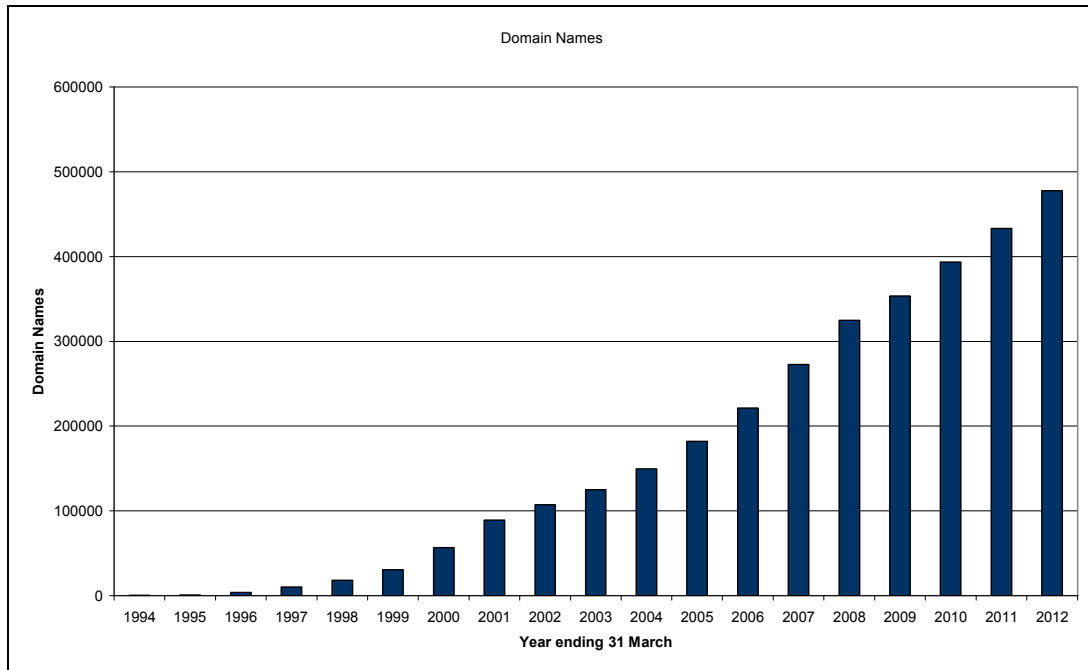
Registration Statistics

Registered .nz Domain Names 2003-2012

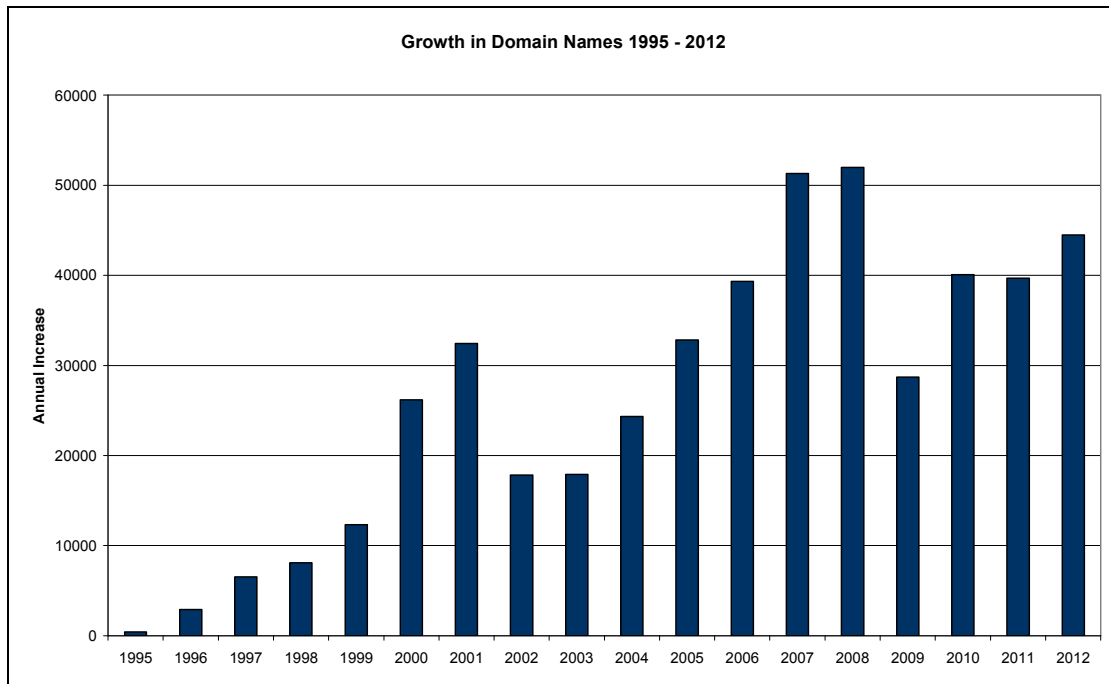


The total number of domain names has increased from 433,183 (at 31 March 2011) to 477,688 (at 31 March 2012) – a total growth of 44,505, or 10.3%. This year's growth rate is higher than the previous year's rate of 10.1% and is higher than the average of 35,315 since the SRS was established in 2002.

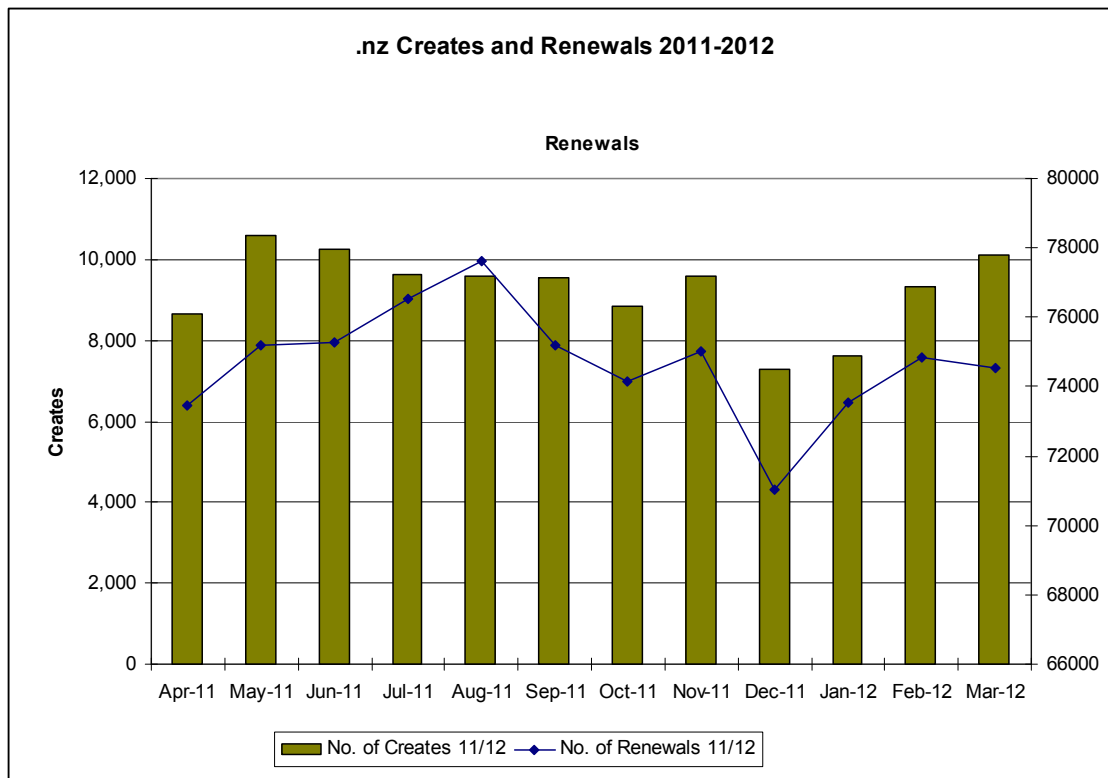
Overall size of .nz domain name space



Growth in Domain Names for .nz

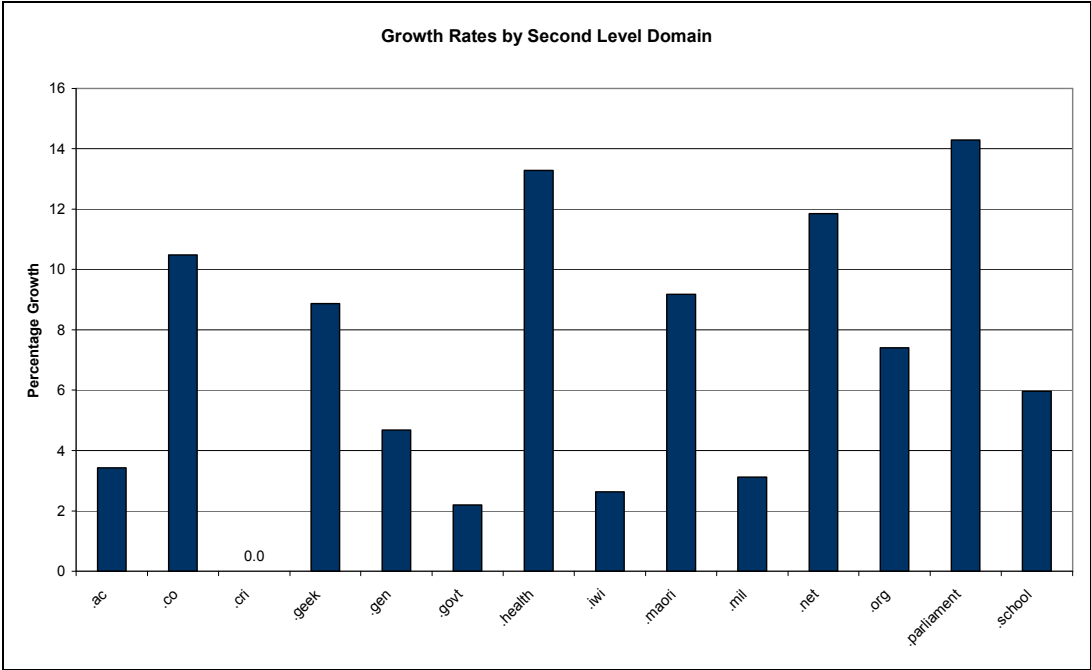


The rate of growth improved over the most recent year, to the third highest rate since records began. This year, 44,505 domain names were added, compared with the 39,689 added last year.



The number of new names registered was greater than for the same period the previous year in every month but August and December. The number of names renewed was similarly higher for all months except March. Domain name renewals were at their highest for the year at the end of August, when 77,604 names were renewed.

Growth Rate for 2LDs in .nz Domain Name Space 2011-2012



Percentage increases/decreases for .health.nz and .parliament.nz names appear large as the domain name spaces are small. This year, none of the second level domains have reduced in size; in comparison, last year .cri.nz numbers fell by 15%.

Oversight of NZRS

Performance of the registry company (.nz Registry Services – NZRS), in respect of its .nz services, is measured by way of a Service Level Agreement (SLA). The SLA was last revised in the 2009-2010 financial year.

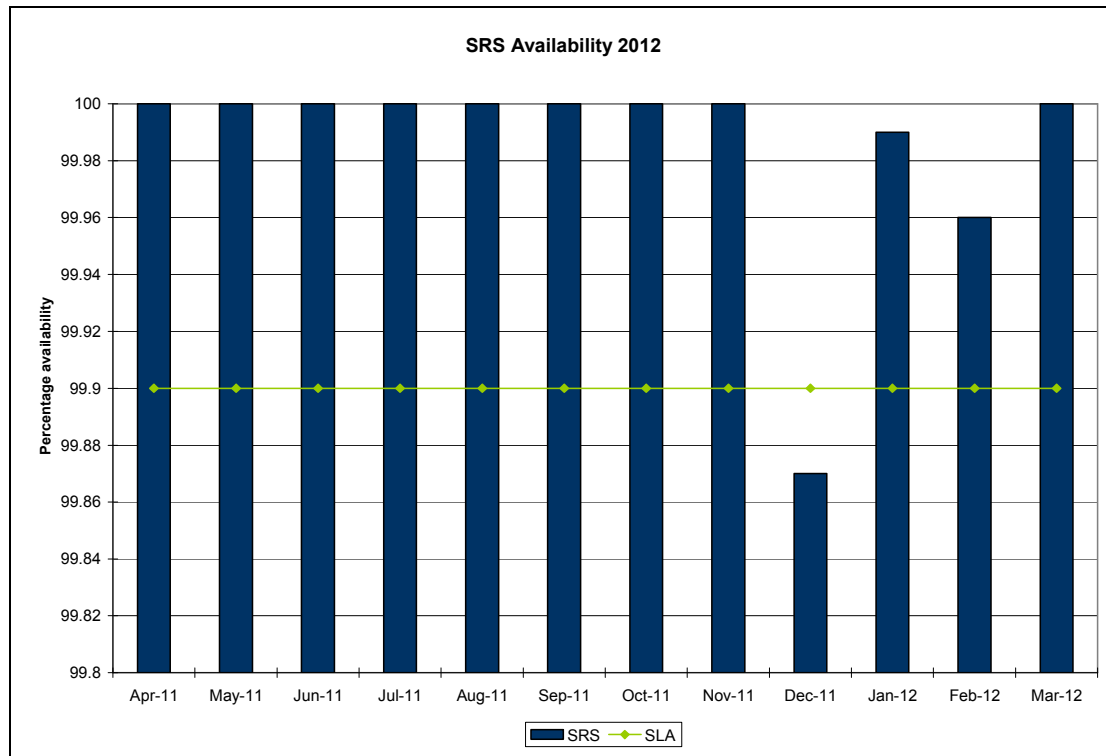
The SLA outlines the standard of service that is expected to be delivered by NZRS in managing the .nz register. It covers aspects including Register Performance, Register Management, and SRS/DNS reporting. The Service Level Standard targets specified in the SLA are measured and averaged over a calendar month.

Key targets outlined in the SLA include:

- 99.9% system availability of SRS
- 99.9% availability of WHOIS
- 100% availability of DNS servers - the DNS service should not be affected by any DNS server planned outage
- Specified average response times for key SRS transactions (see [below/next page] for SRS response times April 2011-March 2012).

Over the last year:

- SRS availability of 100% was achieved for 9 months of the year, and the SLA target was met for 11 months.
- DNS availability of 100% was achieved for all 12 months.



SRS Response Times April 2011-March 2012

Average Response time (Seconds)	SLA	Apr 11	May 11	Jun 11	Jul 11	Aug 11	Sep 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12
Domain Details	<0.50	0.01	0.02	0.01	0.02	0.01	0.02	0.01	0.02	0.01	0.02	0.01	0.01
Domain Update	<0.80	0.21	0.22	0.19	0.20	0.21	0.21	0.20	0.22	0.21	0.25	0.22	0.20
Domain Create	<0.80	0.25	0.29	0.25	0.25	0.25	0.24	0.23	0.25	0.25	0.30	0.25	0.23
Get Messages	<0.50	0.02	0.02	0.03	0.03	0.03	0.03	0.03	0.04	0.03	0.05	0.04	0.04
Whois	<0.50	0.04	0.05	0.06	0.06	0.05	0.05	0.05	0.05	0.06	0.06	0.04	0.04
UDAI Valid Query	<0.50	0.10	0.10	0.11	0.10	0.10	0.10	0.09	0.10	0.10	0.13	0.09	0.08

The table above shows the SRS response times recorded for the last 12 months. The response times are measured against the standard set in the SLA.

Terminology

- Board:** The governance body for Domain Name Commission Ltd, consisting of five members appointed by InternetNZ. One Board member is an InternetNZ Councillor.
- DNCL:** Domain Name Commission Limited, a company wholly-owned by InternetNZ, responsible for the day to day oversight of the .nz domain name registration and management system. It is headed by the Domain Name Commissioner (DNC).
- DRS:** Dispute Resolution Service. The .nz Dispute Resolution Service provides an alternative to Court action, giving parties another mechanism to resolve disputes which arise.
- IDN:** Internationalised Domain Name. Names that utilise characters beyond the standard characters of the letters a-z, digits 0-9 and the hyphen. .nz IDNs include the characters ā, ē, ī, ō and ū.
- InternetNZ:** The organisation authorised to manage the .nz domain name space. InternetNZ (Internet New Zealand Inc) established the Domain Name Commission to oversee the management of the .nz domain name space.
- Macron:** The character used in te reo to denote a long vowel, such as in the word Māori.
- NZRS:** New Zealand Domain Name Registry Limited, trading as .nz Registry Services, the organisation responsible for operating the .nz register. NZRS is wholly-owned by InternetNZ.
- RAG:** Registrar Advisory Group, set up to represent the collective interests of the Registrar community. Members of the RAG are nominated and elected by their peers.
- Register:** The authoritative record of .nz domain names, managed and operated by the registry.
- Registrant:** The person or entity who holds the right to use a domain name.
- Registrar:** An entity that has been authorised by the Domain Name Commission to register domain names on behalf of registrants.
- Registry:** The entity that operates the .nz domain name register, providing access to authorised registrars.
- Reseller:** An agent providing registration services through a registrar. Resellers have no official status in the .nz domain name space.
- SLA:** Service Level Agreement, an agreement between Domain Name Commission Limited and NZRS (the registry) which outlines the standard of service NZRS has to deliver in managing the register.
- SRS:** Shared Registry System, a single database for registering and maintaining domain names which is able to be accessed by authorised .nz registrars.
- 2LD:** Second Level Domain, a name at the second level of the .nz domain name hierarchy for example: internetnz.**.net**.nz. In this example **.net** is at the second level. The .nz domain name space has several 2LDs to choose from.

Domain Name Commission Limited
Annual Report
For the Year Ended 31st March 2012

Prepared By

Curtis McLean Limited
Chartered Accountants
Wellington NZ

Domain Name Commission Limited
Annual Report
For the Year Ended 31st March 2012

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Domain Name Commission Limited
Directors' Report
For the Year Ended 31st March 2012

Financial Result

The Net Profit for the year, after taxation, was \$57,770 (2011 \$103,578).

	2012	2011
Retained (Losses) Earnings as at 1 April 2011	(22,066)	(125,644)
Net Profit (Loss) After Tax	57,770	103,578
Dividend Declared	-	-
Retained (Losses) Earnings as at 31 March 2012	\$35,704	\$22,066

Dividend

No dividends were declared or paid for the year ended 31st March 2012.

Remuneration of Directors

During the year the Board of Directors received the following remuneration:

	2012	2011
Directors' Fees		
Richard Currey	-	3,000
David Farrar	14,400	6,000
Michael Foley	14,400	9,000
Kenneth Johnson	14,400	6,000
Joy Liddicoat	36,000	18,000
Andrew Linton	14,400	9,000
David Russell	-	3,000
	\$93,600	\$54,000

Directors' Information

There were no notices from directors of the company requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

Domain Name Commission Limited
Directors' Report (Continued)
For the Year Ended 31st March 2012

Interests Register

Entries have been made in the interests register during the year for the directors' remuneration disclosed in this report and directors and officers insurance paid by the company.

Share Dealings



No shares were purchased, sold or held either directly or indirectly by the directors during the year.

No changes have occurred since Balance Date.

General

No changes have been made to the main activities of the company since trading commenced.

For and on Behalf of the Board

 Director
 Director

7 June 2012 Date

Domain Name Commission Limited
Statement of Comprehensive Income
For the Year Ended 31st March 2012

	Note	2012 \$	2011 \$
Operating Income			
Authorisation Fees		9,500	15,025
DRS Complaint Fees		19,800	41,400
Management Fees		1,260,000	1,207,899
Sundry Income		-	759
		<hr/>	<hr/>
Total Operating Income		1,289,300	1,265,083
Less Operating Expenses			
Audit Fees		4,500	5,600
Board Expenses		10,794	25,680
Communications		78,749	62,153
Depreciation	1	4,965	1,226
Directors Fees		93,600	54,000
Dispute Resolution Service		75,906	117,767
DNC Registrar Activities		3,838	9,259
International Memberships and Conferences		197,287	209,003
Office and Administration		139,988	141,576
Personnel and Staff	9	585,585	492,086
Professional Services		65,459	59,488
		<hr/>	<hr/>
Total Operating Expenses		1,260,671	1,177,838
Surplus from Operations		28,629	87,245
Plus Other Income			
Interest Revenue		18,232	14,945
Lease Incentives		10,909	1,388
		<hr/>	<hr/>
Surplus for the Year		57,770	103,578
Other Comprehensive Income		-	-
		<hr/>	<hr/>
Total Comprehensive Income for the Year		\$57,770	\$103,578
		<hr/>	<hr/>

Total Comprehensive Income is attributable to the Shareholders of the Company



BDO WELLINGTON



Domain Name Commission Limited
Statement of Changes in Equity
For the Year Ended 31st March 2012

	2012	2011
	\$	\$
Share Capital		
Opening Share Capital	580,000	580,000
	<hr/>	<hr/>
Share Capital as at 31 March	580,000	580,000
Retained Earnings		
Opening Retained Earnings	(22,066)	(125,644)
Total Comprehensive Income for the Year		
Surplus for the Year	57,770	103,578
Other Comprehensive Income	-	-
	<hr/>	<hr/>
	35,704	(22,066)
	<hr/>	<hr/>
Retained Earnings as at 31st March	35,704	(22,066)
	<hr/>	<hr/>
Equity as at 31st March	<u>\$615,704</u>	<u>\$557,934</u>

Domain Name Commission Limited
Statement of Financial Position
As At 31st March 2012

	Note	2012 \$	2011 \$
Current Assets			
Cash and Cash Equivalents		330,716	370,263
Other Financial Assets		433,586	316,408
Trade Debtors and Other Receivables		12,586	24,348
		776,888	711,019
Total Current Assets		776,888	711,019
Property, Plant & Equipment	1	5,477	10,442
		782,365	721,461
Total Assets		782,365	721,461
Less Liabilities:			
Current Liabilities			
Trade Creditors and Other Payables	2	166,661	163,527
		166,661	163,527
Total Current Liabilities		166,661	163,527
Total Liabilities		166,661	163,527
		\$615,704	\$557,934
Net Assets		\$615,704	\$557,934
 Represented by:			
Total Equity		\$615,704	\$557,934

For and on Behalf of the Board

 Director
 Director

7 June 2012 Date

Domain Name Commission Limited
Statement of Cashflows
For the Year Ended 31st March 2012

	2012	2011
	\$	\$
Cashflows From Operating Activities		
Cash was Provided From:		
Net Receipts from Customers	1,303,854	1,271,554
Interest Received	20,180	10,833
Income Tax Received	4,245	
	1,328,279	1,282,387
Cash was Distributed To:		
Net GST Paid	3,894	1,760
Net Payments to Suppliers & Employees	1,246,754	1,194,065
	1,250,648	1,195,825
Net Cashflows from Operating	77,631	86,562
Cashflows from Financing Activities		
Cash was Provided From:		
Cashflows from Investing Activities		
Cash was Distributed To:		
Purchase of Property, Plant & Equipment	-	8,814
	-	(8,814)
Net Cashflows from Investing	-	(8,814)
Net Increase (Decrease) in Cash Held	77,631	77,748
Plus Opening Cash and Cash Equivalents	686,671	608,923
Closing Cash and Cash Equivalents	\$764,302	\$686,671
Closing Cash and Cash Equivalents Comprises		
Cheque Account	139,691	162,226
Savings Account	75,654	83,123
US\$ Account	115,371	124,914
Other Financial Assets (Term Deposits)	433,586	316,408
	\$764,302	\$686,671

Domain Name Commission Limited
Statement of Cashflows (Continued)
For the Year Ended 31st March 2012

	2012	2011
	\$	\$
Operating Activity Cashflow Reconciliation		
Surplus for the Year	57,770	103,578
Plus:		
Decrease in Interest Receivable	1,948	
Decrease in Income Tax Receivable	4,245	
Decrease in Pre-payments	1,924	
Increase in Trade Creditors and Other Payables	7,028	
Depreciation & Amortisation	4,965	1,226
Decrease in Trade Debtors and Other Receivables	3,645	7,280
Increase in GST Payable		2,154
	23,755	10,660
	81,525	114,238
Less:		
Decrease in GST Payable	3,894	-
Increase in Interest Receivable	-	4,112
Decrease in Employee Entitlements	-	7,233
Increase in Pre-payments	-	1,924
Decrease in Trade Creditors and Other Payables	-	14,407
	3,894	27,676
Net Cashflow from Operating Activities	\$77,631	\$86,562

Domain Name Commission Limited
Accounting Policies
For the Year Ended 31st March 2012

Reporting entity

Domain Name Commission Limited (the "Company") is a company incorporated and domiciled in New Zealand under the Companies Act 1993. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and the financial statements comply with that Act.

The principal activity of the company is to manage the .nz domain name space and to protect the interests and rights of everyone involved in using it.

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

The financial statements of the Company are for the year ended 31 March 2012. The financial statements were authorised for issue by the Board of Directors on 7 June 2012.

Summary of accounting policies**- Basis of preparation****Statement of compliance**

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to Public Benefit Entities that qualify for and apply differential reporting concessions.

The Company 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 Company has taken advantage of all Differential Reporting Exemptions, except NZ IAS 7 Statement of Cash Flows.

Basis of measurement

The financial statements have been prepared on a historical basis, except for the financial assets and liabilities that have been measured at fair value to meet NZ IFRS requirements.

Presentation Currency

The financial statements are presented in New Zealand dollars (\$). This is the functional currency.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

Domain Name Commission Limited
Accounting Policies
For the Year Ended 31st March 2012

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 financial statements.

- 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.

- Financial Assets

Financial assets consist of cash, deposits and receivables. Upon recognition financial assets are recognised at fair value. Subsequent to initial 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 stated at amortised cost using the effective interest rate method.

- Property, plant and equipment

Property, plant and equipment are shown at cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Additions

The cost replacing part of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to the Company and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Comprehensive Income.

Depreciation

Depreciation is charged on a 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 -

Office Equipment	15.6%- 80.4%	SL
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Leased assets

Leases when the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. The assets acquired by way of finance lease are measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments as inception of the lease, less accumulated depreciation and impairment losses.

Domain Name Commission Limited
Accounting Policies
For the Year Ended 31st March 2012

- Receivables

Receivables are stated at their cost less impairment losses.

A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable.

Receivables with a short duration are not discounted.

- Financial Liabilities

The Company's financial liabilities include trade and other payables, which are measured at amortised cost using the effective interest rate method.

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the Statement of Comprehensive Income.

- Employee Entitlements

Employee entitlements that the Company expects to be settled within 12 months of balance date are measured at nominal value based on accrued entitlements at current rate of pays.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date and entitlements expected to be settled within 12 months.

The Company recognises a liability and an expense for bonuses where they are contractually obliged or where there is a past practice that has created a constructive obligation.

- Provisions

The Company recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

- Impairment

The carrying amounts of Company assets are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such indication exists, the assets recoverable amount is estimated. The recoverable amount is calculated as the present value of estimated future cash flows discounted at their original effective interest rate.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying value of assets and are recognised in the Statement of Comprehensive Income.

Domain Name Commission Limited
Accounting Policies
For the Year Ended 31st March 2012

Impairment losses are reversed when there is change in the estimates used to determine the recoverable amount.

- Revenue

Rendering of services

Revenue from a contract to provide services is recognised when the services are provided.

Interest

Revenue is recognised as the interest accrues to the net carrying amount of the financial asset using the effective interest rate method.

- Expenses

Operating lease payments

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

- Income Tax

The company was registered as a charity under the Charities Act 2005 with effect from 10 October 2008. Therefore the Company is exempt from income tax under section CW41 & CW42 of the Income Tax Act 2007 from the effective date onwards.

- GST

All amounts are shown exclusive of Goods and Service Tax (GST), except for receivables and payables that are stated inclusive of GST. When GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Domain Name Commission Limited
Notes To The Financial Statements
For the Year Ended 31st March 2012

1. Property, Plant & Equipment

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

<u>This Year</u>	<u>Cost or Valuation</u>	<u>Depreciation For Year</u>	<u>Accumulated Depreciation</u>	<u>Book Value 2012</u>
Office Equipment	13,307	4,965	7,830	5,477
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Last Year</u>	<u>Cost or Valuation</u>	<u>Depreciation For Year</u>	<u>Accumulated Depreciation</u>	<u>Book Value Last Year</u>
Office Equipment	13,307	1,226	2,865	10,442
	<hr/>	<hr/>	<hr/>	<hr/>

During the year there were no fixed asset additions (2011 \$8,814)

2. Trade and Other Payables

The balance of Trade and Other Payables comprises the following items:

	2012	2011
	\$	\$
Accounts Payable	130,263	114,435
Annual Leave Owing	27,942	25,833
GST Payable	8,456	12,350
Lease Incentives	-	10,909
	<hr/>	<hr/>
	\$166,661	\$163,527
	<hr/>	<hr/>

3. Issued Shares

The company has 1,000 fully paid ordinary shares. (2011 1,000)

4. Financial Instruments

Financial Instruments which potentially subject the company to credit risk principally consist of bank balances and accounts receivable.

In the normal course of its business the company incurs credit risk from trade and other debtors. The company has a credit policy which is used to manage these exposures. The company does not require any collateral or security to support financial instruments.

The company is not exposed to any specific currency or interest rate risk other than normal interest rate and currency movements on a daily basis in the market.

As at 31 March 2012 the values stated in the Financial Statements and the estimated fair value of the company's financial assets and liabilities are not materially different.

Domain Name Commission Limited
Notes To The Financial Statements
For the Year Ended 31st March 2012

5. Contingent Liabilities

The company had no contingent liabilities as at 31st March 2012. (2011 Nil)

6. Commitments

As at balance date the company had no commitments. (2011 Nil)

7. Events Subsequent to Balance Date

No events occurred subsequent to balance date that would have had a material effect on the financial statements. (2011 None)

8. Related Party Transactions

Domain Name Commission Limited paid lease and occupancy costs of \$122,040 (2011 rent of \$115,000) to Internet New Zealand Incorporated, parent company.

Domain Name Commission Limited received management fees of \$1,260,000 (2011 \$1,207,899) from New Zealand Domain Name Registry Limited a company 100% owned by Internet New Zealand Incorporated.

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.

9. Employee Remuneration

	2012	2011
	\$	\$
Salaries and Wages	573,130	492,718
Other Employment Expenses	12,455	6,601
Increase/(decrease) in Employee Entitlements	-	(7,233)
	<hr/>	<hr/>
Total Employee Remuneration	\$585,585	\$492,086
	<hr/>	<hr/>

During the year two employees received remuneration greater than \$100,000.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Domain Name Commission Limited

Report on the Financial Statements

We have audited the financial statements of Domain Name Commission Limited ("the Company") on pages 3 to 13, which comprises the statement of financial position of the Company as at 31 March 2012, the statement of changes in equity, statement of comprehensive income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's 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 Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors 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 of financial statements that give a true and fair view of the matters to which they relate 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, the Company.

Opinion

In our opinion, the financial statements on pages 3 to 13:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of Domain Name Commission Limited as at 31 March 2012, and its financial performance and cash flows for the year ended on that date.

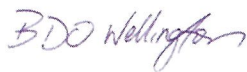
Other Matter

The financial statements of Domain Name Commission Limited for the year ended 31 March 2011 were audited by another auditor who expressed an unmodified opinion on those statements on 27 May 2011.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993 we report that:

- We have obtained all the information and explanations that we have required.
- In our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

A handwritten signature in blue ink, appearing to read 'BDO Wellington'.

BDO Wellington
7 June 2012
Wellington
New Zealand

Company Directory
As At 31st March 2012

Directors	David Farrar Michael Foley Kenneth Johnston Joy Liddicoat Andrew Linton	
Ordinary Shares Issued		<u>1,000</u>
Held By	Internet New Zealand Incorporated	1,000
Accountants	Curtis McLean Limited	
Auditors	BDO Wellington	
Bankers	The National Bank of New Zealand Limited	
Legal Advisors	Izard Weston	
Registered Office	Level 13, 89 The Terrace, Wellington	
Company Number	2072182	