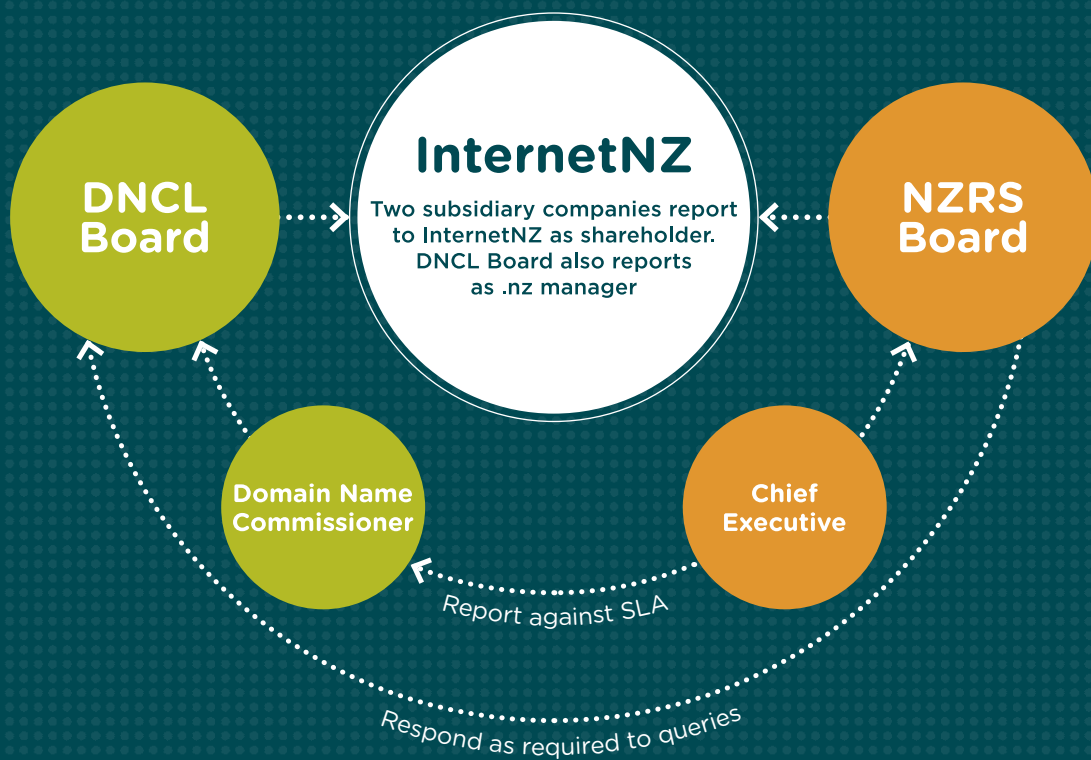


ANNUAL REPORT

2014-2015

An Overview: .nz Domain Name Space

Internet New Zealand Inc. (InternetNZ) manages the .nz domain name space. InternetNZ has established two subsidiary companies, Domain Name Commission Ltd (DNCL) and NZRS Limited (NZRS) – formerly known as .nz Registry Services – to carry out the day-to-day operations, leaving the InternetNZ Council to maintain a governance overview.



**The .nz domain name space is managed by
the Domain Name Commission Limited (DNCL).**

Level 9 Grand Arcade Tower
16 Willis Street, Wellington, 6011
P.O. Box 11-881, Wellington, 6142
Phone: +64 4 472 1600
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<http://dnc.org.nz>

Key Parties

DNCL

DNCL is a company wholly-owned by InternetNZ and has charitable status. DNCL is headed by the Domain Name Commissioner (DNC), and is responsible for the day-to-day oversight of the .nz domain name registration and management system, including:

- Effectively managing the .nz domain name space
- Developing policies and procedures for .nz
- Governing operational elements of the management of the .nz country code top level domain (ccTLD).

DNCL carries out this oversight role by:

- Authorising Registrars
- Developing policies under the direction of the DNCL Board, whose members are appointed by the InternetNZ Council
- Monitoring Registrar activities and their compliance with the .nz policies
- Handling complaints that arise in the operation of the .nz market
- Protecting the rights and relationships of all parties in the .nz market (Registrars, Registrants and Registry).

NZRS Limited

NZRS is responsible for the Register of domain names and the operation of the Domain Name System (DNS) in the .nz domain name space, including:

- Managing the .nz Register
- Ensuring the system is available to Registrars to effect domain name registrations and management of those names
- Managing the .nz DNS, by ensuring the .nz zone file is populated to various name servers, and that they operate to enable .nz domain names to be resolved at all times
- Monitoring performance and reporting to DNCL against standards specified in the Service Level Agreement
- Supporting DNCL by providing such information as is required to enable investigations or other actions to be completed, and to update details on the Register if directed by the DNC.

Funding for DNCL, including the costs of the Board, is by way of a management fee charged to NZRS.



Chair's Report

It has been my privilege to chair DNCL in a year which has seen one of the most significant changes to the .nz domain name space since it began in 1987.

DNCL has continued to build on its track record as administrator and manager of the .nz domain name space. This report highlights just some of the work produced during 2014 – 2015, the most notable being the project allowing registrations of .nz domain names direct at the Second Level.

Offering shorter, more representative .nz addresses, names direct at the Second Level has expanded registrant choice and helped future-proof New Zealand's domain name space for many years to come.

September's launch of .nz names direct at the Second Level followed an intensive public consultation and policy development process going back several years. I would like to acknowledge all the hard work that has gone into implementing and bringing this landmark project to a successful conclusion. It has been a lasting credit to those involved.

One of DNCL's core roles is to ensure that policies underpinning the .nz domain name space have the best interests of registrants and the local Internet community at heart. DNCL is also tasked with ensuring the registrar market is fair, effective and competitive. As always, this year DNCL has gone about these tasks with application, focus and commitment.

DNCL has also made strong contributions in many other areas including Internet security and stakeholder engagement initiatives.

I would like to thank and acknowledge the many people who have contributed to the achievements of this year; in particular, my fellow Board members. DNCL is fortunate to have such a talented and high performing set of Directors. This year we farewelled my predecessor Joy Liddicoat and Directors Mike Foley and Andy Linton after many years of sterling service. Two new Directors – Lucy Elwood and Adam Hunt – were appointed and Kenneth Johnston was reappointed.

I wish Mike, Joy and Andy all the best for the future and look forward to working with my Board colleagues and the wider InternetNZ team in 2015 – 2016 to progress another year's activity.

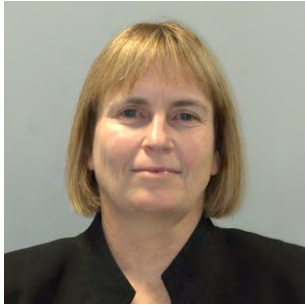
Special thanks, of course, are due to Domain Name Commissioner Debbie Monahan and her staff for their continued outstanding contribution to the work of DNCL and unwavering promotion and protection of .nz objectives. They have done an excellent job in a very challenging year.

Thanks to the firm stewardship and ongoing achievements of DNCL, I am confident that .nz will continue to be respected, rightly, as one of the world's leading country codes.

Thank you

A handwritten signature in black ink that reads "David Farrar".

David Farrar



Commissioner's Report

2014 – 2015 was a year of achievements, challenges and, most importantly, a time of change for the .nz domain name space.

Implementing registrations direct at the Second Level occupied a significant share of DNCL's time and resources this year. The project was no small feat, but registrants' ability to now also register names direct at .nz has proven to be a boon for choice; one that has positioned the .nz domain name space extremely well for the future.

Among other 'firsts', the project saw DNCL undertake its largest ever public-facing awareness campaign and reach out to a raft of new audiences. To get to that point, however, a considerable amount of groundwork was undertaken, with DNCL's policy thinking and community consultations starting back in 2012.

I commend the enthusiasm and positivity of DNCL staff from the project's early days to its finish. The project also would not have been possible without close collaboration with NZRS and I especially acknowledge their efforts throughout in implementing DNCL's policy into a highly effective technical solution.

Of course, many other notable activities happened this year. A fuller picture is contained in the pages of this report, but here are a few tasters:

- DNCL has overseen a strong level of growth in the .nz domain name space – growth largely influenced by the change allowing registrations direct at the Second Level
- DNCL has continued with its everyday work of monitoring a competitive registrar market and making sure that .nz domain name disputes are dealt with promptly and fairly through the Dispute Resolution Service (DRS)
- DNCL has undertaken various reviews and consultations as part of its ongoing policy development process, and has also this year undertaken swift and effective action to safeguard the rights of a number of registrants affected by a reseller's errant registration practices
- DNCL has built on the close relationships it has with a range of government and industry bodies, and has kept up its engagement at international forums including ICANN and APTLD. These are valuable opportunities for DNCL to expand others' knowledge of the .nz domain name space, keep abreast of global Internet policy developments and collaborate with international peers.

I thank my staff and Board for the hard work and support they've shown each other through what has been an extremely busy year. It is with great optimism and sense of purpose that I look forward to next year.

As a team, we are committed to delivering a high level of service. Coupled with our expertise and integrity there is no doubt we are more than prepared for the opportunities and challenges that lie ahead.

Thank you

Debbie Monahan

Registrations Direct at the Second Level

At 1pm on 30 September 2014 a new choice for .nz was launched when the existing family of 15 Second Levels was joined by shorter, simpler names direct at the Second Level – e.g. anyname.nz.

This was by far the most significant piece of work undertaken by DNCL recently and followed an extensive programme of public consultation and preparatory work dating back to 2012. With a sound policy approach in place, this year DNCL set about implementing and promoting the change.

The ability to register names direct at the Second Level made the creation of new Second Level categories (2LDs) largely redundant, so one of DNCL's first steps this year was to set a closing date of 30 April 2014 for any new 2LD applications. This date came and went with no applications received.

Another important precursor step was taken early in the year when the WHOIS was updated to show which names Direct at the Second Level would have 'Preferential Registration or Reservation' (PRR) status, which would have 'Conflicted' status, which would have 'Prohibited' status and which would have 'Available' status. Shortly after, in June 2014, a public consultation was held on the important role UDAs would play in reserving or lodging a preference for a conflicted name direct at the Second Level.

About anyname.nz

Anyname.nz was the place for registrants with preferential rights to learn about the change and, from launch at 1pm 30 September 2014, take action on their options.

Anyname.nz was put together with clarity and readability topmost in mind. It featured a wealth of educational information as well as overview videos narrated by an animated character called 'Any'.

Any enjoyed a prominent online presence throughout the entire project. An infographic featuring *Any* sat front and centre of anyname.nz and was designed for existing registrants to easily check their eligibility and options. *Any* also featured heavily on the websites and marketing collateral of many authorised .nz registrars.

Importantly, anyname.nz served a functional purpose. It was where, from launch, eligible registrants could reserve the shorter version of their name or lodge a conflict preference. Over the course of the project, many thousands of existing registrants visited anyname.nz to do exactly that.

With these building blocks in place, the 1pm, 30 September 2014 launch for registrations direct at the Second Level was announced in July 2014. DNCL's dedicated online resource for the change – anyname.nz – also went live.

Anyname.nz was the first registration of a .nz name direct at the Second Level. As notified as part of DNCL's third public consultation, anyname.nz was registered to showcase what the new, shorter names would look like.

Promotion began in earnest from July 2014, with existing registrants the key target audience. Registrars' efforts were critical in getting news of the change out to affected registrants. Many registrars embraced the project by running their own sweeping advertising and registrant awareness campaigns. DNCL kept in close touch with all .nz registrars throughout – assisting with registrant communications where required.

The vast majority of existing registrants had what was called Preferential Registration or Reservation (PRR). This meant they had six months from launch to register or reserve the shorter version of their name direct at the Second Level before anyone else could. Other registrants had a Conflicted name. This meant the shorter version of their name existed in more than one Second Level, and all would need to agree at anyname.nz who might get the shorter version.



The launch arrived with a surge of interest at 1pm 30 September 2014. There was a short period of degraded SRS performance in the first hour, which NZRS attributed to a combination of load, system constraints, events and transactions hitting the database. That technical issue was quickly resolved however and by day's end on 30 September 2014 thousands of names direct at Second Level had been registered and reserved.

A SRS validation issue was discovered post-launch, allowing a small number of names to be incorrectly registered by some registrants without preferential rights. Once detected by NZRS, the validation bug was immediately corrected and DNCL was notified. After verification by DNCL with the registrants involved that the registrations were made in error, the registrations were cancelled.

Importantly, registrants with PRR had six months from launch – until 1pm, 30 March 2015 – to exercise their preferential rights. A key focus was therefore to ensure that all affected registrants knew what their options were and how to take action before the close off date. This was achieved in a three-pronged fashion.

- DNCL worked closely with authorised .nz registrars – supplying them with a comprehensive suite of communications material for on-sending to affected registrants. The majority of registrars did a great job of proactively communicating throughout the project. There were however a small number of registrars who did not contact their affected registrants directly and took up DNCL's offer to undertake these registrant communications itself
- Two wide ranging advertising campaigns targeting existing registrants were undertaken by DNCL during the six months from launch. Media releases were produced and distributed at each major milestone, with news of the change well covered by media. Public notices urging affected registrants to take action on their preferential registration or reservation rights were also placed
- Considerable outreach with trade, professional and membership associations was undertaken. Over 100 organisations were twice contacted and asked to disseminate information about the change and reminders about the end of the preferential registration and reservation period through their communications and marketing channels.

Conflicted Names Direct at the Second Level

There remain a large number of .nz domain names with 'Conflicted' status. A Conflicted name is one that has been registered in at least two Second Levels. For example, one registrant may hold anyone.org.nz while another may hold anyone.school.nz.

All conflicted parties have an opportunity to have their say on who might get the shorter name direct at the Second Level. Until all the conflicted parties agree (by lodging their preference for the shorter name at anyone.dnc.org.nz), the shorter name will be unavailable for registration, indefinitely.

After two years of operation, DNCL will undertake a general review of registrations direct at the Second Level. This will include policy relating to conflicted and reserved names, and is expected to form an important part of DNCL's work programme for the 2016 – 2017 year.

DNCL is proud to report that from launch at 1pm, 30 September 2014 to the end of the preferential registration and reservation period at 1pm, 30 March 2015, tens of thousands of .nz registrants took the opportunity to register or reserve the shorter version of their name direct at the Second Level.

Figure 1

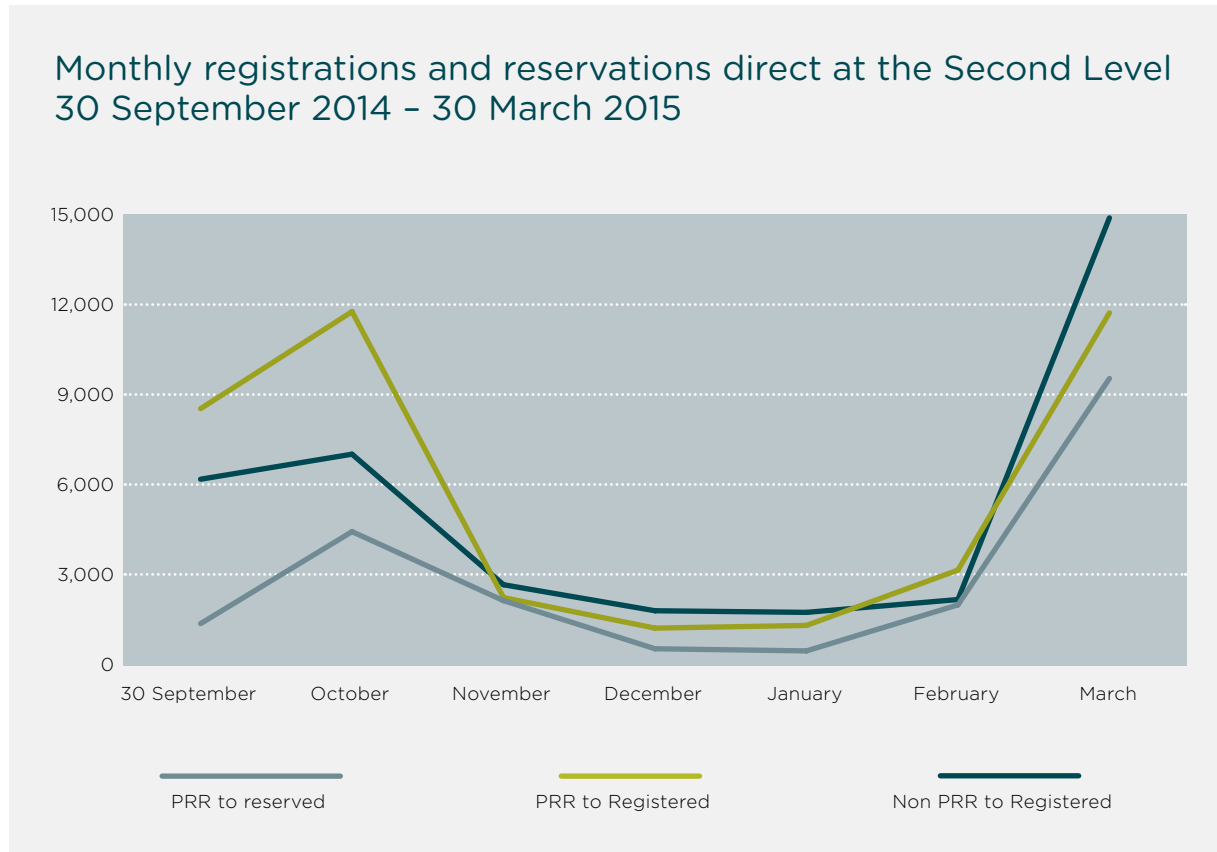
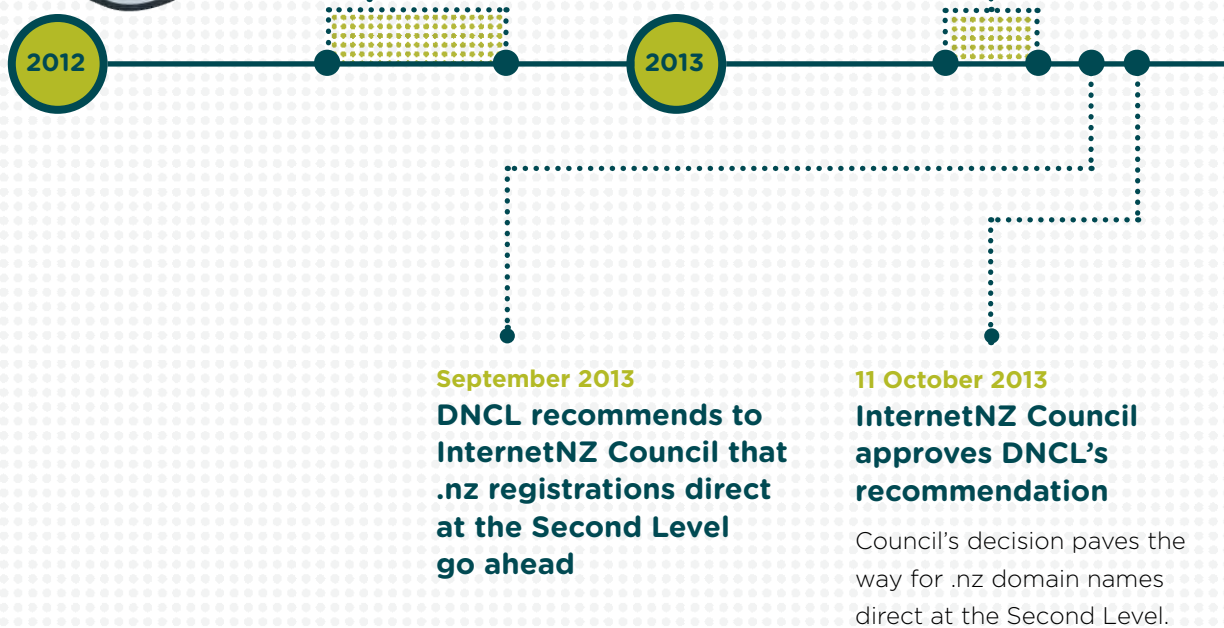


Figure 1 illustrates how those registrants who chose to exercise their preferential rights did so. During the six month preferential registration and reservation period approximately 39,896 registrants with PRR registered the shorter version of their name direct at the Second Level. Another 20,400 took action to reserve the shorter version of their name.

The heaviest reservation and registration activity by those with PRR corresponded with the opening and closing of the preferential registration and reservation period. This was a time of especially intense awareness communications by DNCL and .nz registrars – activity that also translated into a significant number of available names (those without PRR) being registered.

Registrations Direct at the Second Level - project timeline





11 February - 11 March 2014
DNCL holds third public consultation

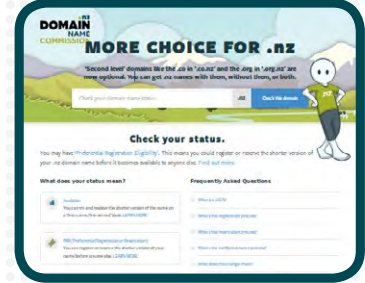
15 submissions received.

30 April 2014
Closing date for new 2LD applications

No applications were received.

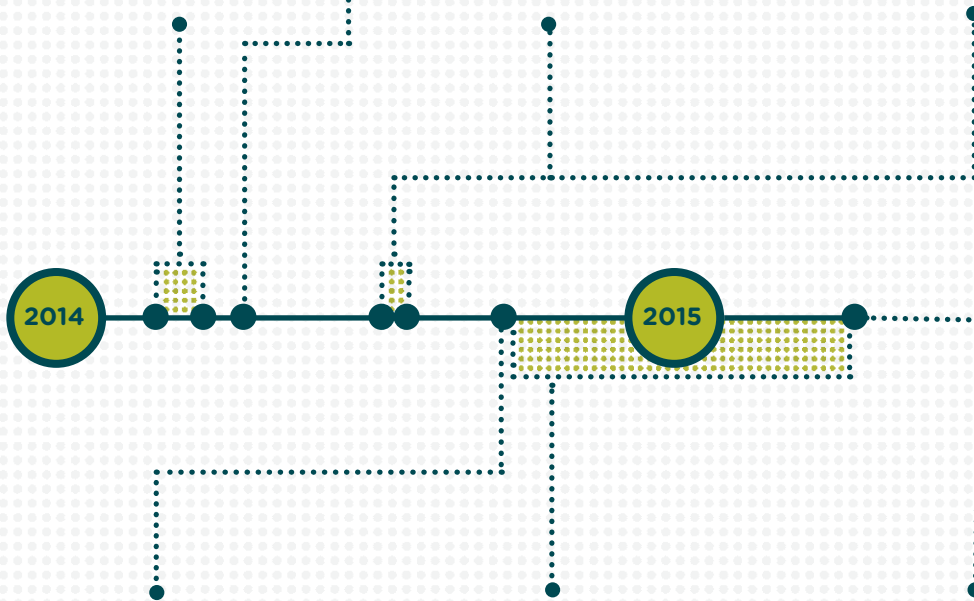
4 - 18 July 2014
DNCL holds public consultation on role of UDAs in registrations direct at the Second Level

3 submissions received.
 Function of UDAs extended to reserve a name at the second level, or specify a preference in the case of a conflicted domain name.



21 July 2014
Anyname.nz goes live

DNCL's online educational resource for registrants to learn about the change and, from launch, reserve or lodge a conflict preference.



1pm, 30 September 2014
Registrations direct at the Second Level go live

For the first time, shorter names direct at .nz can be registered - in addition to all existing registration choices.

1pm, 30 September 2014 - 1pm, 30 March 2015
Preferential Registration and Reservation (PRR) period

During the PRR period, eligible registrants were able to register or reserve the shorter version of their .nz domain name before anyone else could.

1pm, 30 March 2015
Preferential Registration and Reservation (PRR) period ends

All names with PRR that hadn't already been registered or reserved became generally available - on a first-come, first-served basis.

.nz activity

The .nz domain name space has special significance for many New Zealanders and countless other people around the world who identify with New Zealand – the country, the place.

Widely regarded as one of the safest, most secure and trusted of all country codes, .nz is held in high esteem. DNCL is committed to upholding and strengthening that reputation so New Zealand's domain name space continues to flourish and stay relevant well into the future.

This year, the .nz domain name space:

- Experienced robust net growth – largely driven by the change allowing shorter names to be registered direct at the Second Level. Figure 2 illustrates the increases associated with the opening and closing of the preferential registration and reservation period – in September 2014 and March 2015
- Saw a healthy level of domain name creates within other Second Levels. Figure 3 illustrates the numbers of .co.nz names created while registrations direct at the Second Level was underway – demonstrating that .co.nz remains a popular choice with registrants
- Enjoyed growth in the total number of .nz domain names registered (Figure 4); and experienced steady monthly renewal rates, underscoring the value that registrants see in .nz.

Figure 2

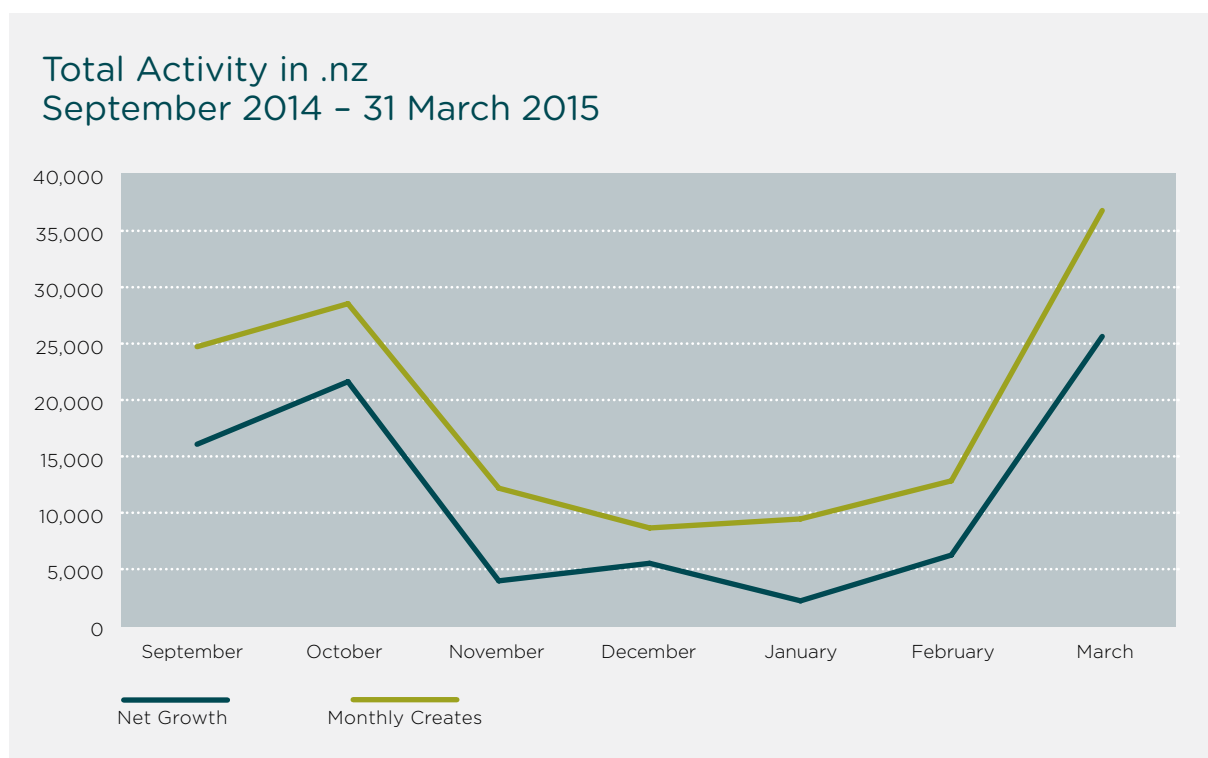


Figure 3

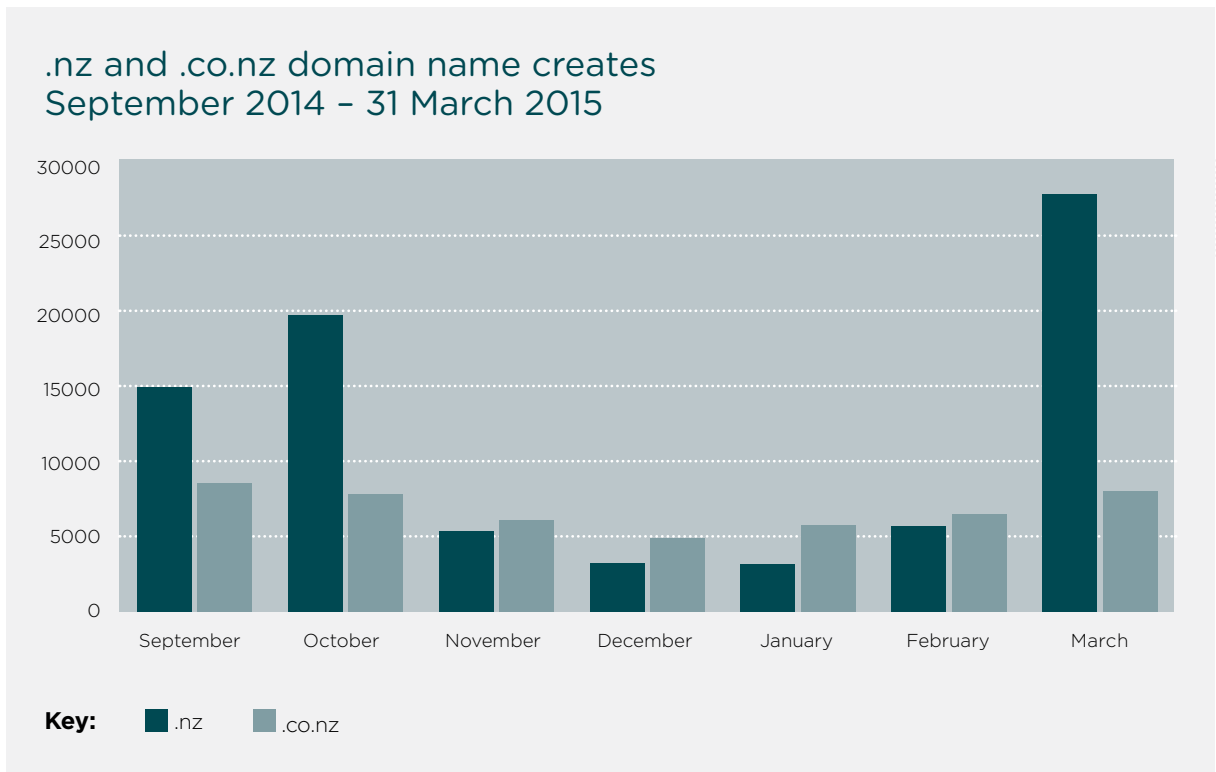
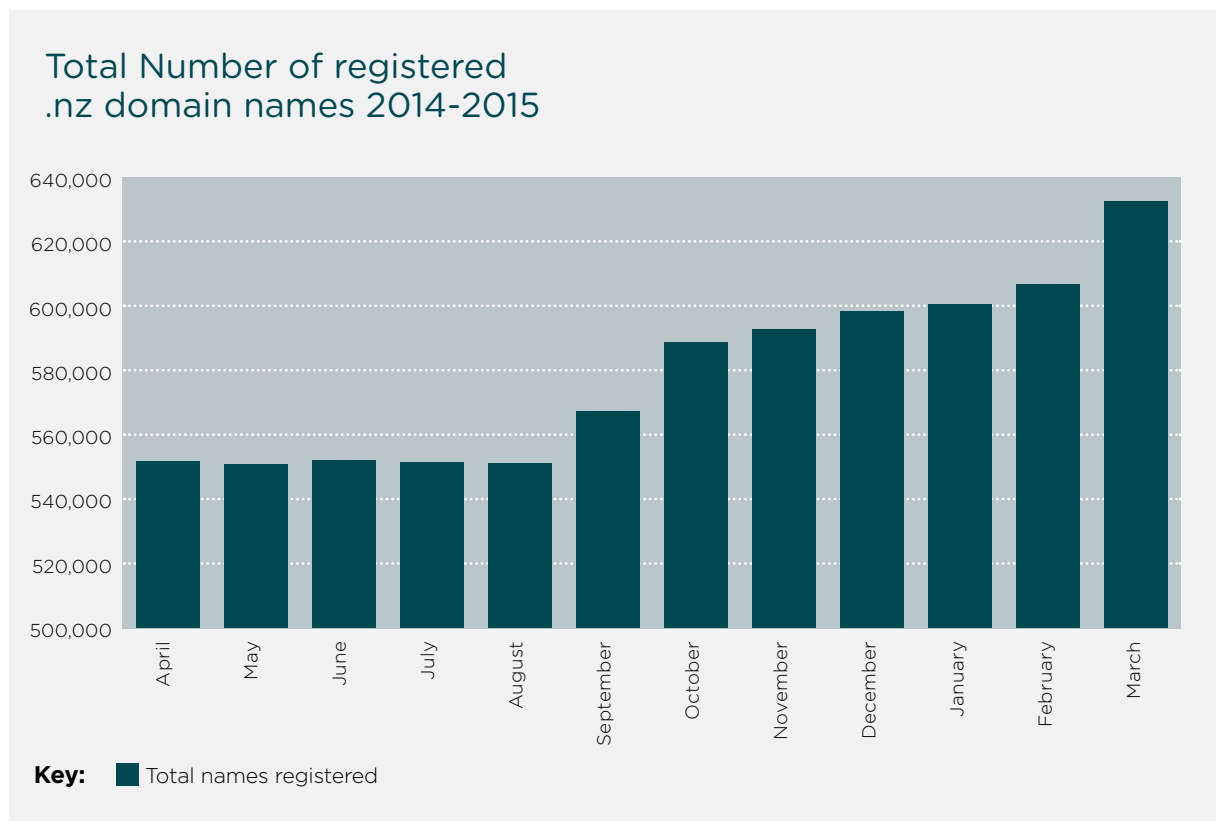


Figure 4



Dispute Resolution Service (DRS)

Administered by DNCL, the DRS is a free-to-file resolution service that can be used when someone wants to dispute the rights to a .nz domain name. It is an independent, online service that provides a convenient and affordable alternative to the court system.

How does it work?

A complainant must show on the balance of probabilities that they have rights to a name that is identical or similar to the domain name in dispute and that the current registration is unfair.

The early stages of the DRS are free. If disputes can be resolved by mediation, then there is no cost. If complainants want their disputes to be determined by an Expert – for example if mediation has not led to a resolution, or if the current Registrant does not respond to a complaint – then a fee is charged.

Sub-domains direct at the Second Level

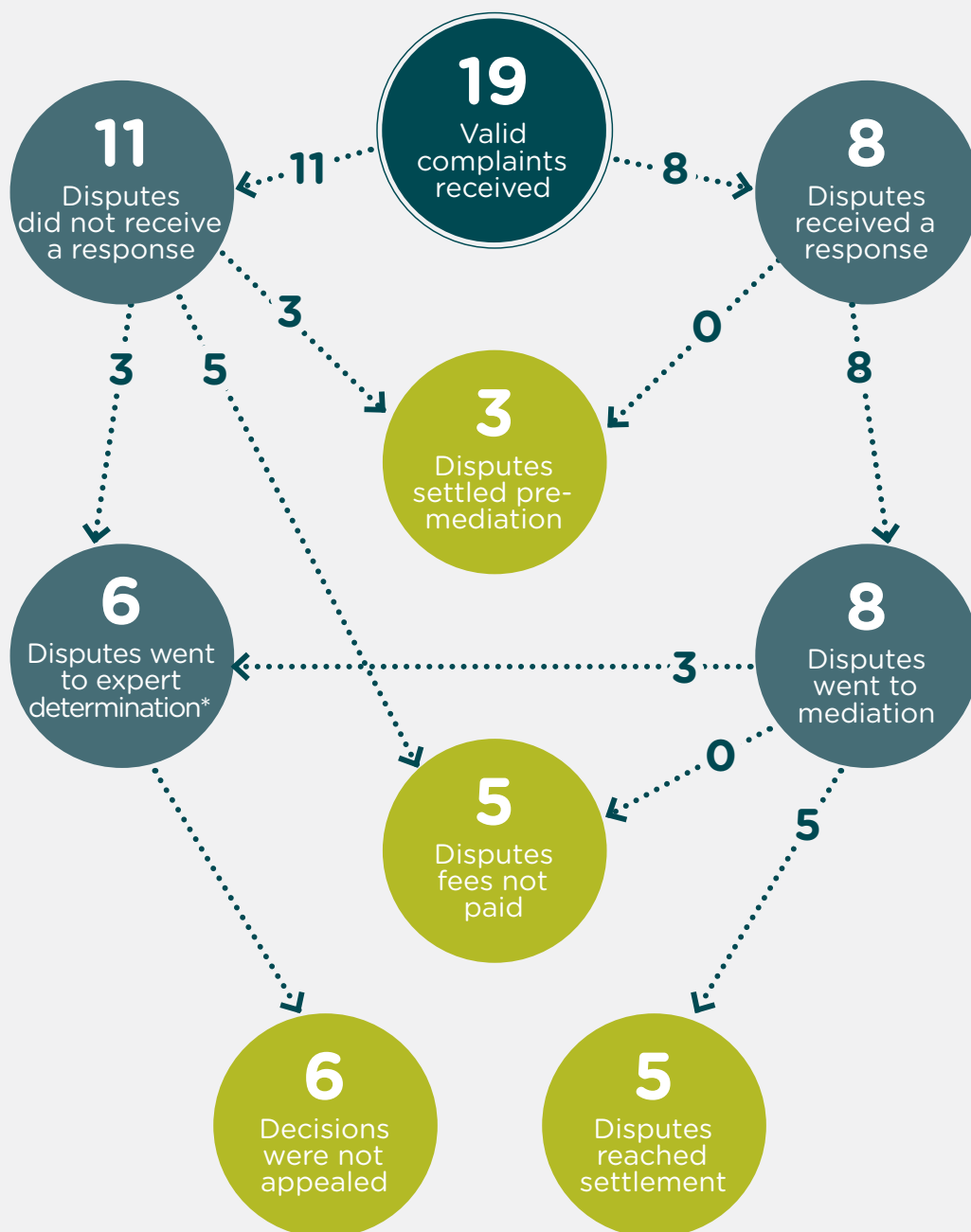
When the change allowing registrations direct at the Second Level was launched the DRS was extended to also include disputes over sub-domains attached to names direct at the Second Level – but only where the domain name registered at the Second Level is a generic term.

A sub-domain is an extension to the left of a domain name. For example, in the domain name `anyname.shop.nz`, 'anyname' is a sub-domain of the domain name 'shop.nz'. Use of the DRS for sub-domains is limited to situations where the actual domain name used is a generic term – for example `shop.nz`, `toy.nz`, `cleaner.nz`, `lawyers.nz`, `wellington.nz`, etc.

As at the end of this year, no disputes over sub-domains had been lodged.

DRS outcomes in 2014-2015

● DRS has reached its end.



* of the six expert determinations, one case was dismissed. In five cases, the domain names were transferred.

Policy and compliance

One of DNCL's core roles is to develop and maintain the .nz policy framework – ensuring it is effective, efficient and meets the needs of registrants, registrars and the local Internet community.

This year was extremely busy from a policy and compliance perspective, involving business-as-usual policy reviews and action taken to protect thousands of registrants who had had domain names incorrectly registered by a .nz Reseller.

Three existing policies – the Dispute Resolution Policy, the Disputes and Complaints Policy and the Investigations and Inquiries Policy – were publicly consulted on this year as part of DNCL's ongoing programme of policy reviews. None underwent changes.

To support the launch of registrations direct at the Second Level, DNCL also consulted on changes relating to the use of UDAs (Unique Domain Authentication Identifiers), with associated policies undergoing minor wording changes.

The biggest issue from a policy perspective, however, saw DNCL proactively work to remedy problems experienced by many .nz customers of a Christchurch-based company trading as 24/7 Hosting. Early in the year, following mounting complaints, 24/7 Hosting was found in breach of a number of .nz policies. They were, for example, receiving money for 12 month renewal of domain names but only renewing names for one month. 24/7 Hosting was also registering domain names under their own name or a generic title (and in many cases, email address) rather than in the registrants' name.

24/7 Hosting's errant registration practices were serious enough for DNCL to undertake an investigation and subsequent mitigation action. This started in May 2014 with DNCL issuing a public warning that garnered significant media coverage and public visibility of the issue. DNCL worked closely with Voyager Internet (the authorised Registrar used by 24/7 Hosting) over the following months to help affected registrants regain control of their domain names. Throughout, Voyager Internet's professional and highly responsive approach helped minimise problems being experienced by affected registrants.

Unfortunately, efforts to contact 24/7 Hosting during this time proved mostly futile, and in August 2014 DNCL directed Voyager Internet to advise all registrants in its 24/7 Hosting reseller account that they would need to transfer to a new registrar or face having their name cancelled. By this time, thanks to DNCL and Voyager Internet's proactive efforts, a large number of affected registrants had already moved away from 24/7 Hosting.

Shortly after, 24/7 Hosting ceased trading and, in September 2014, an authorised .nz Registrar acquired some 24/7 Hosting assets including a residual number of .nz registrants. DNCL required the Registrar taking over management of these registrant's names to update all registrant contact details to comply with .nz policies. This was done, with, ultimately, only a small number of names being cancelled.

In the wake of the 24/7 Hosting issue, DNCL ran a public consultation on extra provisions for .nz registrars concerning .nz domain name resellers. That consultation resulted in the Roles and Responsibilities (RAR) Policy being bolstered to include extra measures .nz registrars and DNCL can now use with non-complying resellers.

Engagement

DNCL places great importance on engaging with organisations who are also involved with or have an abiding interest in the .nz domain name space.

This year DNCL built on the productive and collaborative relationships it has with a range of outside organisations – including .nz registrars, New Zealand professional associations and trade bodies, media, government agencies, and peers in the Internet governance community.

The largest piece of external outreach this year involved the registrations direct at the Second Level project. To help spread knowledge and understanding of the change, DNCL involved itself closely with the .nz Registrar community and cultivated new contacts with media and a plethora of trade bodies and professional associations. Engagement with these bodies was especially successful and DNCL is hopeful the networks developed as part of this project will prove useful with future .nz outreach initiatives.

From a policy perspective, regular engagement was undertaken with government administrative agencies, including Ministry of Business, Innovation and Employment. DNCL also engaged with government on important cyber security initiatives – notably with the National Cyber Policy Office (NCPO). As in previous years, DNCL continued to add value from a cyber security perspective through its involvement with the New Zealand Internet Task Force (NZITF).

This year saw DNCL connect with some new audiences, including the Intellectual Property Society of Australia and NZ (IPSANZ). The interplay of domain names and ‘intellectual property’ can be a delicate one and DNCL took the opportunity to raise their awareness of .nz policies including, for example, the .nz Dispute Resolution Service (DRS). Other, DNCL-led workshops were run during the year, including overview presentations for the Department of Internal Affairs and Ministry of Business, Innovation and Employment.

DNCL also this year committed to a valuable piece of knowledge sharing with a Pacific neighbour by hosting, in-office, a representative from Vanuatu’s Telecommunications & Radiocommunications Regulator (TRR). Embedded in DNCL’s team for two weeks, the representative learned how .nz is operated and regulated. Staff from DNCL, in turn, took away useful insights into the .vu country code.

From an international perspective, DNCL remains an active participant in a number of Internet governance bodies – including ICANN, APTLD and APNIC. These forums are important, necessary platforms for DNCL to engage with its international peers and contribute to industry-wide discussions on a range of new and emerging ccTLD challenges and issues.

Security

Thanks to the robustness of .nz's policy settings the .nz domain name space experiences extremely low levels of malicious activity compared with other TLDs. In the face of ever growing cyber threats, keeping it secure is a strategic imperative for DNCL.

Trusted information sharing is the axis on which DNCL's security activity revolves, and this year DNCL built on the strong information sharing partnerships it has with registrars and government and industry security bodies.

Locally, DNCL continues to engage in a proactive and responsive way where security issues are concerned. Working closely with .nz registrars to identify and address new and emerging security threats and concerns when they arise has been, and will remain, a focus.

As in previous years, DNCL has taken proactive steps to share its security knowledge, which this year included running a well-attended training session for Investigators, Law Enforcement, Regulators and relevant Justice Sector staff relating to Domain Names and the Internet.

DNCL also organised and participated in a workshop for staff from the National Cyber Policy Office (NCPO) and policy advisors from government enforcement agencies. The workshop covered off, among other subjects, DNS basics and Internet security.

DNCL front-footed security issues more publicly this year by participating in the Security and Privacy panel at InternetNZ's Nethui South conference and playing an active role at Massey University's Cybercrime and Trustworthy Computing Conference. Other contributions included active participation in the New Zealand Internet Task Force (NZITF) - sharing security best practice and information.

Internationally, DNCL has maintained a presence at security forums including the Multi-lateral Network Security Information Exchange (MNSIE). The Asia Pacific Regional Internet Governance Forum (APRIGF) was another important global forum, with DNCL taking the lead in running a Justice Sector workshop covering the Internet, Investigations and authoritative data sources.

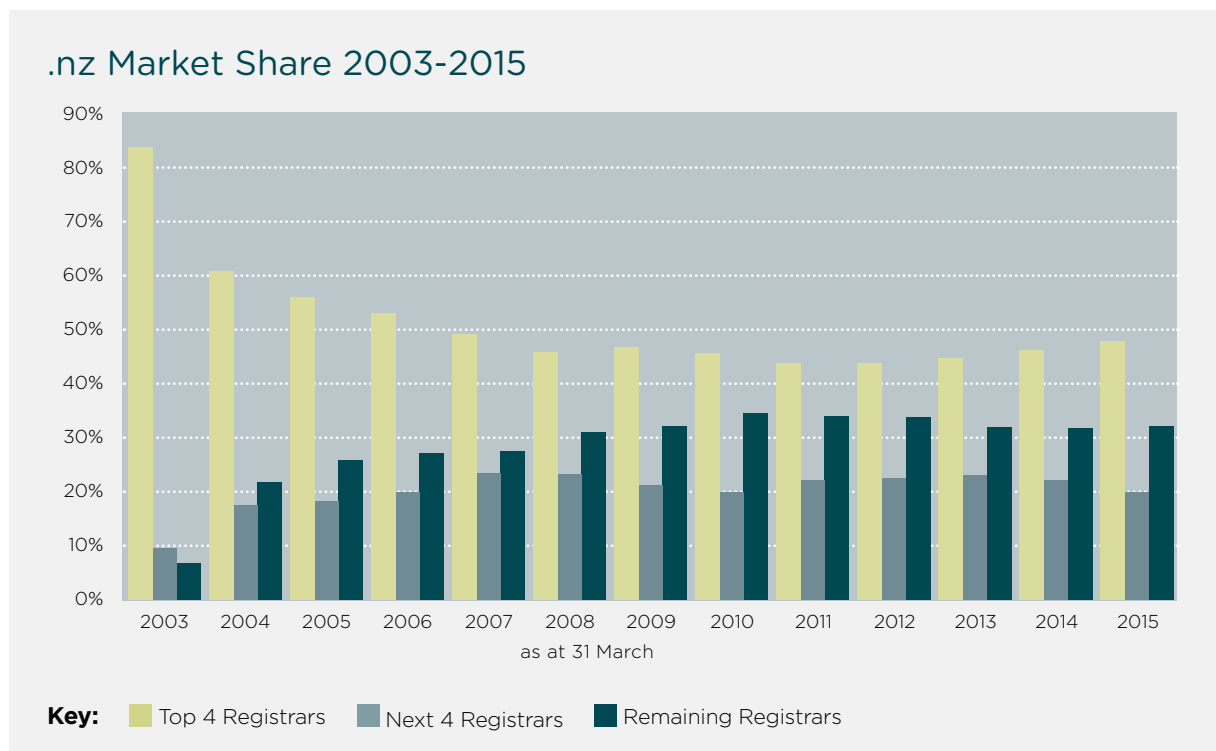
DNCL believes security efforts like these are helping make a positive impact on New Zealand's wider cyber security posture and fully intends keeping up its focus on security as a key priority.

Registrars and market share

As at 31 March 2015, there were 88 authorised .nz Registrars. Of these, 84 were connected to the Shared Registry System (SRS).

The graph below illustrates how the market share of Registrars has changed since the SRS was first introduced. There has been a relatively even market share spread from the late 2000s – with the Top 4 Registrars combined accounting for just under 50% of all registered .nz domain names. The Next 4 combined have just over 30%, with 'Remaining Registrars' making up the difference.

The market share split illustrates the continuing health and competitiveness of the .nz Registrar market. There is no dominant player and the large number of Registrars and breadth of product offerings mean registrants continue to be spoiled for choice when it comes to registering .nz domain names.

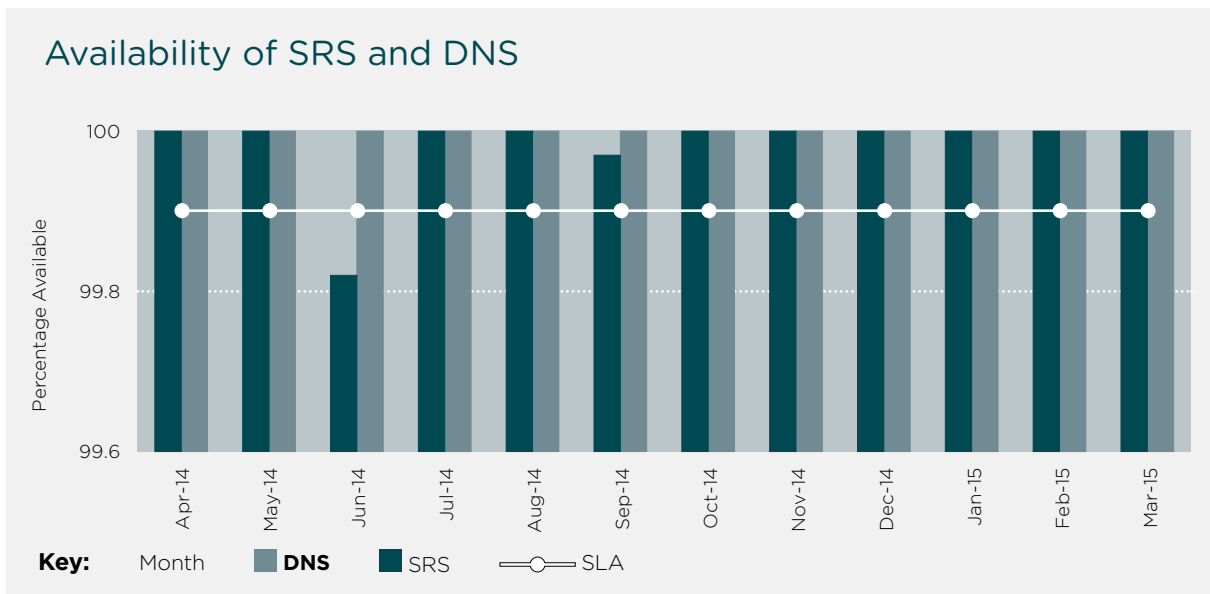


Oversight of NZRS and the SRS

Performance of NZRS Limited, in respect of its .nz technical services, is measured by way of a Service Level Agreement (SLA). 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 should not be affected by any DNS server planned outage.

The SLA requirement for DNS was met for all months. The SLA requirement for SRS was met for all months except June 2014 when a short outage occurred. This was the result of human error, with the Registry inputting an incorrect date for a scheduled SRS outage. This resulted in the scheduled outage occurring at the wrong time.



The SLA also has target times for key transactions within the SRS. Based on average responses times, these are classified as either 'Minimal', 'Good' or 'Excellent'. Across all categories, and for all months, this year the SRS performed to standards classified as either 'Excellent' or 'Good'.

SRS Average Response Times

Average Response time (seconds)	2014										2015		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Domain Details	0.06	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	
Domain Update	0.26	0.25	0.24	0.26	0.25	0.31	0.29	0.27	0.27	0.27	0.25	0.32	
Domain Create	0.33	0.32	0.28	0.26	0.33	0.28	0.22	0.35	0.4	0.34	0.35	0.28	
Get Messages	0.1	0.09	0.09	0.11	0.12	0.27	0.11	0.11	0.15	0.12	0.12	0.12	
WHOIS	0.09	0.08	0.08	0.09	0.08	0.1	0.09	0.11	0.1	0.11	0.12	0.1	
UDAI Valid Query	0.10	0.10	0.10	0.09	0.10	0.06	0.10	0.10	0.10	0.10	0.10	0.11	

More information about the SLA and these classifications can be found at: http://dnc.org.nz/content/SLA_8_August_2011.pdf

Looking Forward

DNCL's energies remain focused on developing and maintaining .nz policies that safeguard the .nz domain name space; ensuring it remains fair and equitable for the long term benefit of registrants, registrars and everyday Internet users alike.

Review activity will form a major component of next year's work. One of the major items, for example, will see the entire .nz policy framework reviewed to ensure it remains relevant to the current operation of .nz and is flexible enough to endure for another ten years or more. The Service Level Agreement DNCL has with the Registry is also set down for review; as is a first principles review of the WHOIS.

From a security perspective, trusted information sharing remains an area of focus, as well as investigating more opportunities for promoting and encouraging the uptake of DNSSEC. Alongside this, suitable .nz policy enhancements – including those with a security component – are always being considered.

As it has this year, the Conflicted Names Process continues into 2015–2016 – with DNCL offering facilitation to help registrants reach agreement, as required. The Conflicted Names Process – currently residing at anyname.nz – is to be integrated into a redeveloped DNCL website. The website redevelopment is also an opportunity for DNCL to investigate how information relating to the .nz Dispute Resolution Service (DRS) can be better presented online.

DNCL and NZRS will carry out a post-implementation review of the registrations direct at the Second Level project – identifying lessons learned from a general and technical perspective. DNCL also intends to start planning an approach for a review of the Conflicted Names Process and how to deal with reserved names Direct at the Second Level when these lapse in September 2016.

This all amounts to a full programme of work but, throughout, DNCL remains fully committed to managing the .nz domain name space in such a way that protects the rights and relationships of all parties involved.

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 as to who should be the registrant for a .nz name.
- 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.
- NZRS:** NZRS Limited – formerly known as .nz Registry Services – the organisation responsible for operating the .nz register. NZRS is wholly-owned by InternetNZ.
- 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. This is NZRS.
- 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: dnc.org.nz. In this example .org is at the second level. The .nz domain name space has several 2LDs to choose from.
- Sub-domain:** A sub-domain is an extension to the left of a domain name. For example, in the domain name anyone.shop.nz, 'anyone' is a sub-domain of the domain name 'shop.nz'.

FINANCIAL SECTION

Year Ended 31 March 2015

Prepared by Deloitte

Wellington, New Zealand

Domain Name Commission Limited
Annual Report
For the Year Ended 31st March 2015

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Domain Name Commission Limited
Directors' Report
For the Year Ended 31st March 2015

Financial Result

The Net Profit(Loss) for the year, after taxation, was (\$74,769) (2014 \$106,924).

	2015	2014
Retained (Losses) Earnings as at 1 April 2014	340,344	233,420
Net Profit (Loss) After Tax	(74,769)	106,924
Retained (Losses) Earnings as at 31 March 2015	\$265,575	\$340,344

Dividend

No dividends were declared or paid for the year ended 31st March 2015.

Remuneration of Directors

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

	2015	2014
Directors' Fees		
David Farrar	48,750	36,563
Joy Liddicoat (Term Ended August 2014)	7,675	29,250
Michael Foley (Term Ended August 2014)	6,500	21,938
Kenneth Johnston	19,500	19,500
Andrew Linton (Term Ended July 2014)	6,500	19,500
Dave Moskovitz	19,500	11,079
Adam Hunt (Appointed August 2014)	13,000	-
Lucy Elwood (Appointed August 2014)	11,605	-
	\$133,030	\$137,830

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 2015

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

D.P. Yorra Director

[Signature] Director

18/6/15 Date

Domain Name Commission Limited
Statement of Comprehensive Income
For the Year Ended 31st March 2015

	Note	2015 \$	2014 \$
Operating Income			
Authorisation Fees		9,000	18,000
DRS Complaint Fees		18,000	26,000
Management Fees		1,869,840	1,495,872
		<hr/>	<hr/>
Total Operating Income		1,896,840	1,539,872
Less Operating Expenses			
Audit Fees		5,250	5,840
Board Expenses		20,572	7,488
Communications		229,461	12,624
Amortisation	3	13,874	768
Depreciation	2	14,490	4,846
Directors Fees		133,030	137,830
Dispute Resolution Service		79,769	88,679
DNC Registrar Activities		74,796	82,890
International Memberships and Conferences		192,719	188,713
Office and Administration		191,998	154,273
Personnel and Staff	11	968,008	709,693
Professional Services		78,998	67,570
		<hr/>	<hr/>
Total Operating Expenses		2,002,965	1,461,214
Surplus from Operations		(106,125)	78,658
Plus Other Income			
Interest Revenue		31,356	28,266
		<hr/>	<hr/>
Surplus for the Year		(74,769)	106,924
Other Comprehensive Income			
		-	-
		<hr/>	<hr/>
Total Comprehensive Income for the Year		(\$74,769)	\$106,924
		<hr/>	<hr/>

Total Comprehensive Income is attributable to the Shareholders of the Company

Domain Name Commission Limited
Statement of Changes in Equity
For the Year Ended 31st March 2015

		2015	2014
		\$	\$
Share Capital			
Opening Share Capital	580,000		580,000
Share Capital as at 31 March	<u>580,000</u>	580,000	<u>580,000</u>
Retained Earnings			
Opening Retained Earnings	340,344		233,420
Total Comprehensive Income for the Year			
Surplus for the Year	(74,769)		106,924
Other Comprehensive Income	-		-
	<u>265,575</u>		<u>340,344</u>
Retained Earnings as at 31st March		265,575	340,344
Equity as at 31st March		<u>\$845,575</u>	<u>\$920,344</u>

Domain Name Commission Limited
Statement of Financial Position
As At 31st March 2015

	Note	2015 \$	2014 \$
Current Assets			
Cash and Cash Equivalents		423,779	470,205
Other Financial Assets		595,924	573,243
Trade Debtors and Other Receivables	1	25,324	34,635
Total Current Assets		1,045,027	1,078,083
Property, Plant & Equipment	2	27,724	31,328
Intangible Assets	3	22,049	18,058
Total Assets		1,094,800	1,127,469
Less Liabilities:			
Current Liabilities			
Trade Creditors and Other Payables	4	249,225	207,125
Total Current Liabilities		249,225	207,125
Total Liabilities		249,225	207,125
Net Assets		\$845,575	\$920,344
 Represented by:			
Total Equity		\$845,575	\$920,344

For and on Behalf of the Board

D. J. Farrow Director

[Signature] Director

18/6/15 Date

Domain Name Commission Limited
Statement of Cashflows
For the Year Ended 31st March 2015

	2015	2014
	\$	\$
Cashflows From Operating Activities		
Cash was Provided From:		
Net Receipts from Customers	1,896,840	1,539,872
Interest Received	30,751	28,168
Net GST Received	10,866	
	<hr/>	<hr/>
	1,938,457	1,568,040
Cash was Distributed To:		
Net Payments to Suppliers & Employees	1,933,451	1,382,795
Net GST Paid	-	15,659
	<hr/>	<hr/>
	1,933,451	1,398,454
Net Cashflows from Operating	<hr/>	<hr/>
	5,006	169,586
Cashflows from Financing Activities		
Cash was Provided From:		
Cashflows from Investing Activities		
Cash was Distributed To:		
Purchase of Intangible & Fixed Assets	28,751	46,556
	<hr/>	<hr/>
Net Cashflows from Investing	(28,751)	(46,556)
Net Increase (Decrease) in Cash Held	<hr/>	<hr/>
Plus Opening Cash and Cash Equivalents	(23,745)	123,030
	1,043,448	920,418
	<hr/>	<hr/>
Closing Cash and Cash Equivalents	\$1,019,703	\$1,043,448
	<hr/>	<hr/>
Closing Cash and Cash Equivalents Comprises		
Cheque Account	68,664	78,626
Savings Account	232,446	285,125
US\$ Account	122,669	106,454
Other Financial Assets (Term Deposits)	595,924	573,243
	<hr/>	<hr/>
	\$1,019,703	\$1,043,448
	<hr/>	<hr/>

Domain Name Commission Limited
Statement of Cashflows (Continued)
For the Year Ended 31st March 2015

	2015 \$	2014 \$
Operating Activity Cashflow Reconciliation		
Surplus for the Year	(74,769)	106,924
Plus:		
Decrease in Pre-payments	9,916	
Increase in GST Payable	10,866	
Increase in Trade Creditors and Other Payables	31,234	93,807
Depreciation & Amortisation	28,364	5,614
	80,380	99,421
	5,611	206,345
Less:		
Decrease in GST Payable	-	15,659
Increase in Pre-payments	-	21,002
Decrease in Interest Receivable	605	98
	605	36,759
Net Cashflow from Operating Activities	\$5,006	\$169,586

Domain Name Commission Limited
Accounting Policies
For the Year Ended 31st March 2015

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 2013 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 2015.

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 (\$) rounded to the nearest dollar. 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 2015

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 restated 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	50.0% - 80.4%	SL
Office Equipment	13.0% - 60.0%	DV

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 2015

- 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 pay.

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 2015

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 2015

1. Trade and Other Receivables

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

	2015	2014
	\$	\$
Prepayments	21,242	31,158
Interest Receivable	4,082	3,477
	<u>\$25,324</u>	<u>\$34,635</u>

2. 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 2015</u>
Office Equipment	<u>61,505</u>	<u>14,490</u>	<u>33,782</u>	<u>27,724</u>
	<u>Cost or Valuation</u>	<u>Depreciation For Year</u>	<u>Accumulated Depreciation</u>	<u>Book Value Last Year</u>
Office Equipment	<u>50,619</u>	<u>4,846</u>	<u>19,291</u>	<u>31,328</u>

During the year there were fixed asset additions of \$10,886 (2014: \$27,731)

3. Intangible Assets

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

<u>This Year</u>	<u>Cost or Valuation</u>	<u>Amortisation For Year</u>	<u>Accumulated Amortisation</u>	<u>Book Value This Year</u>
Software	<u>36,690</u>	<u>13,874</u>	<u>14,641</u>	<u>22,049</u>
	<u>Cost or Valuation</u>	<u>Depreciation For Year</u>	<u>Accumulated Depreciation</u>	<u>Book Value Last Year</u>
Software	<u>18,826</u>	<u>768</u>	<u>768</u>	<u>18,058</u>

During the year there were fixed asset additions of \$17,865 (2014: \$18,826)

Domain Name Commission Limited
Notes To The Financial Statements
For the Year Ended 31st March 2015

4. Trade and Other Payables

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

	2015	2014
	\$	\$
Accounts Payable	173,049	155,232
Annual Leave Owing	59,717	46,300
GST Payable	16,459	5,593
	<hr/>	<hr/>
	249,225	207,125
	<hr/>	<hr/>

5. Issued Shares

The company has 1,000 fully paid ordinary shares. (2014: 1,000)

6. 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 2015 the values stated in the Financial Statements and the estimated fair value of the company's financial assets and liabilities are not materially different.

7. Contingent Liabilities

The company had no contingent liabilities as at 31st March 2015. (2014: Nil)

8. Commitments

As at balance date the company had no commitments. (2014: Nil)

9. Events Subsequent to Balance Date

No events occurred subsequent to balance date that would have had a material effect on the financial statements. (2014: None)

Domain Name Commission Limited
Notes To The Financial Statements
For the Year Ended 31st March 2015

10. Related Party Transactions

Domain Name Commission Limited paid lease and occupancy costs of \$164,196 (2014: \$127,080) to Internet New Zealand Incorporated the parent company.

Domain Name Commission Limited received management fees of \$1,869,840 (2014:\$1,495,872) from NZRS 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.

11. Employee Remuneration

	2015	2014
	\$	\$
Salaries and Wages	925,310	659,693
Other Employment Expenses	29,281	34,556
Increase/(decrease) in Employee Entitlements	13,417	15,444
	<hr/>	<hr/>
Total Employee Remuneration	\$968,008	\$709,693
	<hr/>	<hr/>

During the year there were three employees who received remuneration in excess of \$100,000. (2014: Two employees)



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 14, which comprise the statement of financial position as at 31 March 2015, and the statement of comprehensive income (single statement approach), statement of changes in equity 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 207 (B) 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 these financial statements in accordance with generally accepted accounting practice (GAAP) and New Zealand Equivalents to International Financial Reporting Standards applying Differential Reporting Exemptions 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 made by management, 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, Domain Name Commission Limited.

Opinion

In our opinion, the financial statements on pages 3 to 14 present fairly, in all material respects, the financial position of Domain Name Commission Limited as at 31 March 2015, and (of) their financial performance and cash flows for the year then ended in accordance with generally accepted accounting practice (GAAP) and New Zealand Equivalents to International Financial Reporting Standards applying Differential Reporting Exemptions.

BDO Wellington

BDO Wellington
18 June 2015
Wellington
New Zealand

Company Directory
As At 31st March 2015

Directors	Lucy Elwood David Farrar Adam Hunt Kenneth Johnston David Moskovitz	
Ordinary Shares Issued		<u>1,000</u>
Held By	Internet New Zealand Incorporated	1,000
Accountants	Deloitte	
Auditors	BDO Wellington	
Bankers	ANZ Bank of New Zealand Limited	
Legal Advisors	Izard Weston	
Registered Office	Level 13, 89 The Terrace, Wellington	
Company Number	2072182	

