



DOMAIN

• **NAME** •
COMMISSION

nz

ANNUAL REPORT 2017-18

Welcome to the Domain Name Commission 2018 Annual report. It has been a year of change for the Commission and we look forward to sharing those changes with you (in our report.)

The Domain Name Commission regulates the .nz domain name space – helping individuals with their .nz online presence. We want people, businesses and communities to have a trusted and distinctively New Zealand online presence.

Chairs Report

This report is my as Chair of the Domain Name Commission Limited Board. There have been a lot of firsts and much change throughout the last 12 months. From a Board perspective, the obvious one is the number of directors dropping from five to three. I thank the three outgoing board members Kenneth Johnston and Dave Moskovitz and particularly chair, David Farrar for their service to DNCL and the broader group over many years. Their contribution has been vital to the success of the Commission. I am also pleased we have retained the skills of Lucy Elwood and Adam Hunt on the board going forward into our new format.

The most visible change in the past year has been Debbie Monahan, our first commissioner, stepping down. Debbie's stewardship of the Office of the Domain Name Commissioner and then of the Domain Name Commission Limited has built a formidable legacy and leaves big shoes to fill. Debbie's work has left us with a robust policy framework and a well-regarded office in the industry, and a track record of sound stewardship of the .nz domain name space. I thank Debbie for all of her work and dedication to the group over such a long time.

There were other staff changes during the year which saw the introduction of a flatter structure. The Organisational review also means that DNCL is no longer responsible for Policy creation and can focus more strongly on its pure compliance and regulatory functions. Skills that new Commissioner Brent Carey brings strongly to the role.

Other skills that Brent brings and that we as an organisation need to focus on are around building new relationships with those organisations that also sit in our space both nationally and internationally. We will also build a strong and positive working relationship with the new policy function in InternetNZ to ensure the inclusion of the practical, working realities of any policy decisions at the formulation stage of policy review and change.

All of these points that we are aiming for will be both influenced by and improved on by the report back from the independent review that David Pickens is currently undertaking of the operation of the Domain Name Commission. I look forward to what David Pickens comes back with and to work through those findings.

I imagine the next year will be a busy and productive year and I am looking forward to working with Commissioner Brent and his talented team, to further the Commission and the Internet Community in NZ.

Jordan Carter

Director and Chair

Commissioner's Report

Debbie Monahan's term as New Zealand's first Domain Name Commissioner ended on 9 March 2018. Debbie was responsible for establishing the office and building its reputation. She set and maintained high standards and ensured that the .nz domain name market was competitive, healthy and respected. Debbie has laid the foundations of the Office.

I must now enhance Debbie's achievements and lead the Office into the future. It is incumbent on me to secure our place as a leading example of a self-regulator for the domain name industry.

In some ways, 2017-18 has been a good year for the .nz country code top-level domain. The market saw more than 700,000 domain names in the .nz space. Of these, approximately 134,000 were registrations at the second level.

On 28 March 2018, for the first time in .nz's history, .nz registrants not using their domain name in significant trade were given a privacy option.

Attaching new enforceable standards to personal information means changes to how .nz Registrars and resellers share and store registrant information. It will take time for this change to mature and for us to assess its impacts.

Within the limits of its resources, the Domain Name Commissioner's five-person office does its best to fulfil its responsibilities, in particular, to respond to enquiries, enforce policy standards, resolve disputes and to apply independent scrutiny. However, it is essential that each .nz Registrar and reseller focus on the proper application of the .nz policy framework. Their constructive approach to ensuring NZ remains a distinctive and trusted top-level country code will serve New Zealand well.

Looking to the future, I am enthusiastic about approaching my diverse roles as an industry self-regulator. At times it will be necessary for me to be consultative and conciliatory but also to take seriously any complaint handling and enforcement functions as and where appropriate.

Fewer than 22 formal disputes were administered through the Dispute Resolution Service this year, even though enquiries came thick and fast. Several factors probably produced this result most notably a lack of public awareness of the existence of the service and the cost of the service potentially being a barrier to individuals and small businesses.

Looking ahead, New Zealand will increasingly be required to deal transparently with two major issues affecting domain names: domain name abuse and domain name disputes. They are common international issues, and we should be outward looking to find ways to deal with them.

Domain name abuse is growing as an issue. In the domain name space, it is a current term to describe the abuse that is happening with domain name infrastructure and with domain name registration records.

In a trusted domain name space it is essential that people are whom they say they are. This honesty and transparency are critical to many commercial and administrative actions online, especially where parties do not necessarily meet in person.

The domain name system is an accompaniment to the digital economy and e-commerce. Pretending to be a made up person, or to be some other person, is often a prelude to crime. It is, therefore, no surprise that domain name abuse is troubling to law enforcement agencies. It troubles top-level domain managers too. There is perhaps no simple solution but in 2018-2019 we must involve others in workable solutions for how to tackle domain name infrastructure and registration abuse.

In 2018-19 my office together with InternetNZ, will be reviewing the Dispute Resolution Service. This review is the first significant review of the service in a decade. Taking time to evaluate our service will mean that the DRS can continue to be a contemporary, simple and fair service for all involved in the .nz space.

My thanks to many who assisted the Office in its work in 2017/18, both from within government and internationally. The efforts of the Cyber Emergency Response Team, in particular, are appreciated. My Australian and international counterparts continued to assist with shared issues.

I wish to acknowledge the continued hard work of the staff at the Domain Name Commission. This year has been challenging for them. Beginning in late 2016 and ending in October 2017 staff faced many months of uncertainty while InternetNZ conducted its organisational review. Coupled with that was the Domain Name Commission's internal restructuring which removed a layer of middle management and added more accountability to their roles. In spite of this staff remained professional and committed and I thank them for their hard work and dedication.

Brent Carey

Domain Name Commissioner

ABOUT US

Our Role

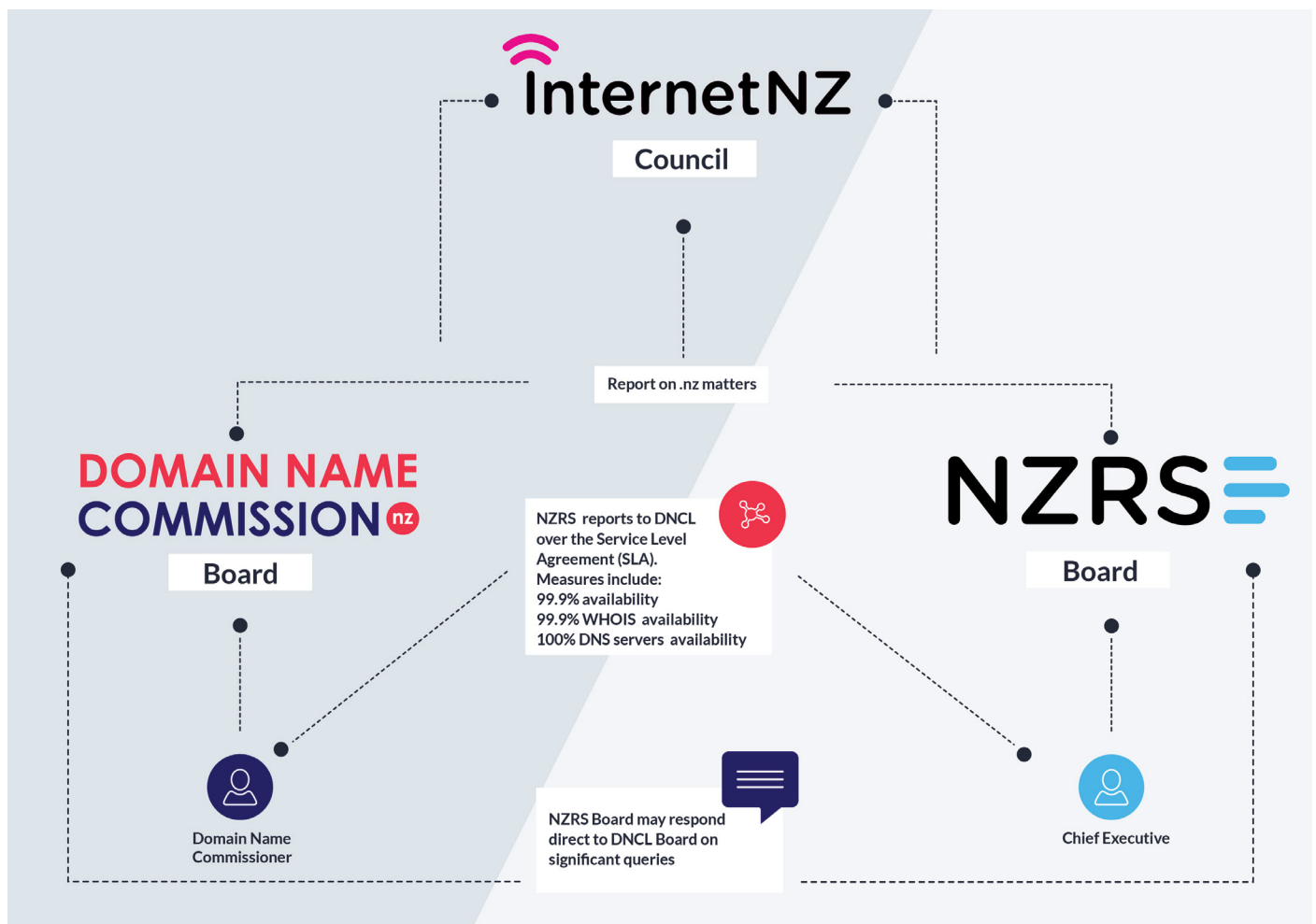
The Domain Name Commission is responsible for regulating the .nz domain name space – helping individuals with their .nz online presence.

We want people, businesses and communities to have a trusted and distinctively New Zealand online presence.

Our Services:

- authorising service providers to manage .nz domain names for end users
- monitoring the health & competitiveness of the .nz market
- ensuring .nz policy compliance for domain name service providers and domain name users
- handling any enquiries relating to .nz domain names
- administering an independent Dispute Resolution Service

The Domain Name Space



Key Parties

Domain Name Commission

Wholly owned by InternetNZ and has charitable status. Headed by the Domain Name Commissioner for day to day oversight of the .nz domain name space.

NZRS Limited (Until 31 March 2018)

Responsible for the register of domain names and the operation of the domain name system (DNS).

Our Team

Flat Structure

There were many changes to staffing at the Domain Name Commission in 2017-18. Following an internal re-alignment process to move to a flatter structure, the two senior Managers of policy and security left the Domain Name Commission.

New Commissioner

Three months later, the Domain Commission made several other staffing changes in response to InternetNZ's reorganisation. Debbie Monahan, the inaugural Commissioner, departed from the Domain Name Commission, a move foreshadowed during InternetNZ's consultation on its proposed structure.

New Focus

The communications and business services functions were also disestablished in favour of a shared services model to be performed by InternetNZ and outsourced service providers.

These changes mean that the Commission's structure moving forward will comprise of four Full-Time Equivalents working across enquiries, dispute management, compliance and regulatory functions with plans to add a further 1 FTE to its enquiries area. These changes will result in an Office focused on market regulation, awareness and education, policy enforcement and dispute management.

Training, Learning and Development

The domain name industry is a niche environment. It is essential that staff have access to a program of innovation and continuous improvement to stay relevant.

In 2017-18 a capability matrix was developed jointly with staff and a training program rolled out.

This year we focused on having all staff attend the "Successful Client Communication" workshop, a course arranged through the Dispute Investigators Group. In 2018-19 the team will be better able to pursue their learning needs online and through our revised learning and development program.

Our Year

DNCL has been preparing for a period of change throughout the year. The year saw a restructure that aligned all of the functions under a Chief Operating and Policy Officer role. This shift came as the DNCL readied itself for .nz policy making responsibilities moving to InternetNZ.

The office has also had some significant wins including working with affected registrants to release 6,675 conflicted names. DNCL also rolled out a privacy option for individual registrants allowing them to withhold certain registration details from public display on the .nz query service (formally the WHOIS.)

Along with the privacy changes, the DNCL collaborated with NZRS Limited on risks identified around use of the Port 43 WHOIS service. After consultation with users of the Port 43 WHOIS, the DNCL implemented security changes to the output of the Port 43 WHOIS that were designed to protect registrants and the register itself.

Disputes and the Dispute Resolution Service (DRS)

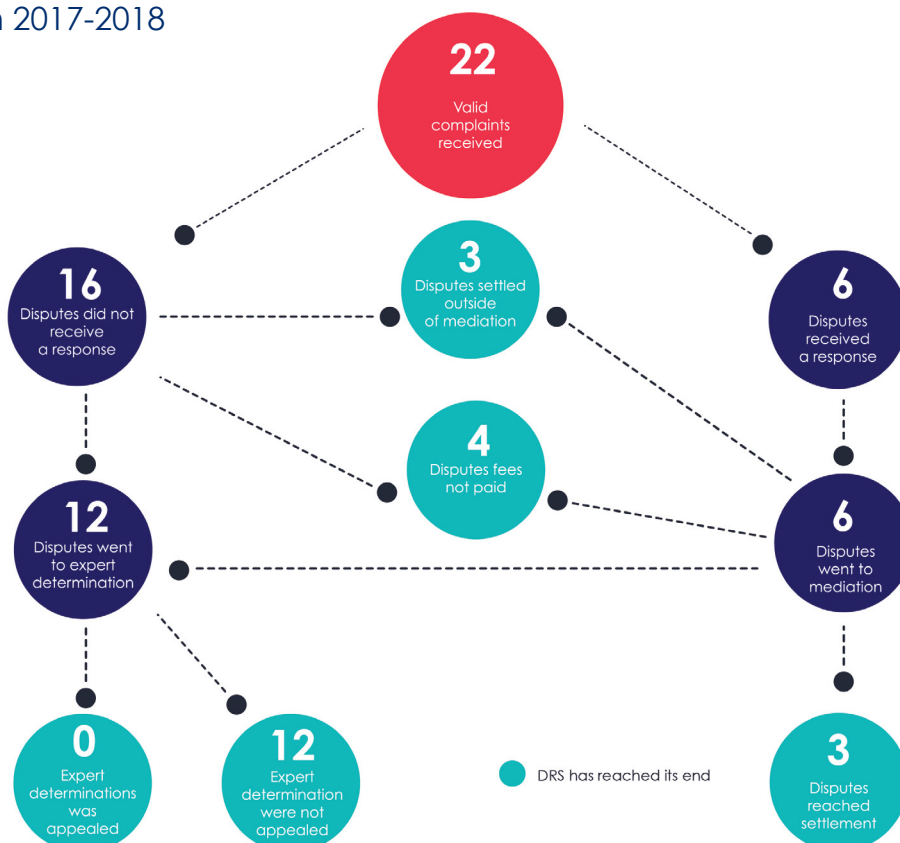
As part of the Domain Name Commission's role of helping individuals with their .nz online presence, we handle and resolve a number of disputes.

Disputes regarding .nz domain names can centre on several different topics. These can include how to get a UDAI (an identifier) from a Registrar or a dispute about who should have a .nz domain name.

With all disputes, we recommend that the parties involved try to resolve it between themselves first. This way, there is already an open dialogue between the parties, and the Domain Name Commission can assist the parties in reaching a suitable outcome.

DNCL administers a Dispute Resolution Service for anyone who wants to dispute the rights to a .nz domain name. This free-to-file service is a convenient and cost-effective alternative to going to Court. The Domain Name Commission also covers the cost of the dispute to go to Mediation. An overview of the DRS is available [here](#)¹.

DRS Outcomes in 2017-2018



¹ <https://vimeo.com/167691914>

Users of the Service

	Rep Used	No Rep Used
Complainant	16	6
Respondent	2	20

40% of all participants using the DRS appointed a representative to assist in their case. A representative isn't necessarily a Lawyer; it could be someone with a technical understanding of domain names, or just someone that a person has asked to advocate on their behalf during the process.

	New Zealand	Top 3
Complainant	12	AUS (4), US(3), UK (2), China (1)
Respondent	13	China (5), Aus (2), India (1) Other (1)

A majority of both complainants and respondents are New Zealand based. This speaks to the .nz domain name space being for people, business and communities that wish to have a New Zealand online presence.

Issues in the Disputes

Of the disputes that were received this year, 6 of the parties had noted that there was some prior relationship between parties. Working together to try and resolve the domain name dispute helped to maintain some sort of ongoing relationship.

Transfer		Dismissed	
Identical or similar	9%	Identical or similar	10%
Unfair registration	9%	Registered mark	8%
Likely to confuse, mislead or deceive	7%	Rights	6%
Registered mark	7%	Unregistered mark	5%
Fair registration	5%	Identical	5%
		Descriptive	5%

Outcomes of Disputes

Dispute Outcomes	
Dispute Dismissed	3
Dispute Withdrawn	4
Mediated Settlement	3
Settlement outside of mediation	3
Transfer Ordered	9

Informal Mediation

There were a total of 6 disputes that went to mediation this year, half of which settled at mediation, while in the remainder of cases, the parties settled outside of mediation. The final two mediated cases were referred to an Expert for decision. In both cases the Expert determined that a transfer of the domain name between the parties should occur.

Total number of Mediations:	6
Settlements	3
Transfer Ordered	2
Settlement outside of mediation	1

Interesting points from the year that's been

In the DRS policy there is an allowance for a presumption of Unfair Registration, where a Respondent has had three or more determinations against them in the previous two years. This is currently the case with the respondent Zhu Xumei in relation to [Disputes 1242, 1252 and 1283](#)².

The Domain Name Commission also offers a service where parties who are planning on lodging a complaint via the DRS are able to apply for a search for any other domain name registered to the registrant of the disputed domain name. This means more second level domains may be able to included in the original complaint. The form for this service is called the WHO3 and can be found [here](#)³.

Complaints that don't meet policy requirements

Complaints that are submitted are verified to ensure that the necessary information has been provided. This is not the Domain Name Commission deciding that the complainant doesn't have rights, or that the registration is an unfair registration, it is ensuring that these arguments are actually made in the complaint.

The three biggest reasons why complaints do not meet policy requirements are the following:

1. The name/ mark that is listed as having rights in does not match the evidence that is provided
2. The complainant does not show the right they hold (and not a related third party), nor provide evidence of these.
3. The complainant does not show how the registration in the hands of the respondent is an 'unfair registration'

In 2018 the Commission plans to work with the New Zealand Law Society to deliver a webinar for legal practitioners to assist with the lodgement of domain name disputes.

²<https://dnc.org.nz/decisions>

³<https://www.dnc.org.nz/resources/forms>

Case Study

The Complainant, business A, was a competitor of business B in the construction industry. Business A lodged a complaint, regarding a domain name that business B was the registrant of. Business B submitted a response to the complaint that allowed the dispute to go to mediation. The mediator tried to resolve the dispute between the parties that had both appointed representatives to advocate for them.

Unfortunately, the Mediator and the parties were unable to come to an agreement. However, before fees were paid for the dispute to go to Expert Determination, the parties came to an agreement over the disputed domain name.

Points to note:

It is important that we encourage the parties try and initiate a dialogue themselves; not only can this help not only the mediator to try and resolve the dispute, but will also allow the parties to reach an agreed outcome themselves if mediation is unsuccessful.

Policy and Compliance

Enquiries

In January 2018 we made significant changes to the way we captured contacts and enquiries by implementing a new Service Desk system. This system has allowed us to track contacts and build an enquiry management system.

Our staff assess each contact as to the best way to handle the enquiry, for example, whether it should be dealt with by the Office, referred to the .nz Registrar for a reply or whether the question should be given to the another appropriate agency to handle.

In 2017/18 we received in excess of 2,000 enquiries, 15% more than the previous year. The increase was mostly due to more registrants contacting us this year with questions about how to resolve their conflicted domain name in a domain name conflict set.

The majority of these enquiries were by email. Queries include general requests about domain names the world over, matters outside the Domain Name Commission's .nz policy framework, and circumstances involving resellers of .nz domain names.

The easy to contact focus was not all online though. In 2017-18 the Domain Name Commission published its 0800 phone number on its website.

To support the expected increase in phone-based enquiries to the Commission, a program of work has commenced on upgrading telephony services and recruitment for additional enquiries staff.

Conflicted names

The Domain Name Commission handled many enquiries this year about our conflicted name process. A conflicted name is where equivalent names exist in more than one second level of .nz – with all registered before 30 May 2012. The Commission's conflicted name process enables conflicted registrants of a conflicted domain name to have their say on who (if anyone) might register name at the second level.

This year started with 14,677 conflicted names and ended up with 2,452.

The Commission's conflicted names communications strategy resulted in 4 notifications to registrants about the 18 October 2017 deadline to lodge a preference for the conflict set. The expiry of the deadline led to 6,024 preferences lodged.

Between October and December 2017 our Office, with the assistance of NZRS Ltd, managed the release to market of many previously conflicted domains that became available on a first-come, first-served basis. DNCL achieved the release through work the Office did with individual registrants to manage their domain name preferences.

The Commission's experience with conflicted names has now matured with the closure of the Preferential Registration Eligibility (PRE) period.

There was a substantial trend in new creates in .nz activity towards the later part of 2017, following the deadline to lodge a preference for a conflicted domain name, and subsequent removal of parties who had not done so. This saw a number of previously conflicted domain names released to the market which were subsequently registered.

Conflicted Names Conflict facilitation service

For the first time, likely due to lower numbers of domain names in the typical conflict set, demand rose for the DNCL's conflict facilitation service. The main takeaway here is that getting the parties in the conflict set to open a dialogue is critical to the resolution of the conflict set.

Complaints

When registrants contact us about an unresolved enquiry we may treat this as a complaint and notify the .nz authorised registrar that we have received a complaint against them.

This year we started work on a project to enhance the classification and categorisation of all contact with the office. This will allow the office to better understand the issues we handle as well as enhance future reporting.

In the 2017-18 year, the Domain Name Commissioner issued no sanctions against .nz authorised Registrars.

Policy formation and implementation

The 2017/18 fiscal year marks the conclusion of DNCL's dual responsibility for the .nz policy consultation framework and enforcement of that function. The separation of policy creation and enforcement transpired as a result of InternetNZ's organisational review. The stewardship of .nz policy will be divided up along the lines of creation and enforcement.

As a final act of DNCL-led policy creation, this year the Commission consulted the local .nz internet community about proposed changes to the WHOIS Port 43 protocol with the goal of improving the security of the .nz domain name space. DNCL also looked at an aspect of its dispute resolution services policy and administrative changes in all existing policies to give effect to the merger of NZRS and InternetNZ.

Consultation

We finalised the comprehensive review of the .nz WHOIS. The outcome of the review led to a revised policy around WHOIS and an Individual Registrant Privacy Option (IRPO) for domain name holders not in significant trade.

For our Port 43 consultation, the DNCL received seven submissions from individuals and private organisations. The outcome of the consultation was to reduce the amount of personal information about Registrants returned through a WHOIS Port 43 look-up, and to introduce a reCAPTCHA to the DNCL's web-based .nz query service.

The Commission also reviewed clause 4.3 of the Dispute Resolution Service policy in regard to whether it should keep or remove the provision. The Commission received 3 submissions and decided to keep the clause ahead of a planned end to end review of the Dispute Resolution Service policy in 2018.

There was no feedback received concerning the machinery of policy changes needed to give effect to the merger of NZRS and InternetNZ, so these changes to the policies will be given effect in 2018-2019.

Privacy

A significant amount of time in 2017-18 was devoted to the implementation of the Individual Registrant Privacy Option. Between 28 November 2017 and 28 March Registrars were able to voluntarily offer the service before it became mandatory.

Since the individual Registrant Privacy Option (RPO) became mandatory for all .nz Registrars to offer, the registrants of more than 7,000 domain names have taken up the offer to withhold their phone and address details. This has been a positive development. Consumers nowadays understand better the principles of only collecting and sharing the minimum amount of personal information required to get the best service, or where there are pressing public policy needs.

DNCL also plans to further enhance our approach to privacy with the commencement of the European General Data Protection Regulation (EU GDPR) on 25 May 2018 and the pending amendments to New Zealand's Privacy Act.

Regulatory Compliance and Enforcement

This year we commenced a program of work to strengthen the reputation of .nz as a safe and trusted country code top-level domain (ccTLD).

Information-led

Key to our regulatory approach is the practical use of information from different sources to inform decision-making about how to manage essential compliance with the .nz policy framework, terms of use, and contracts.

Information taken from our enquiry operations is supplemented by other sources, including de-identified information sharing among global ccTLD regulators, and from national regulators, law enforcement, and industry stakeholders as well as online forums and social media.

We also receive a large number of reports from members of the public about the .nz domain name space. We use these as an essential source of information that helps us assess risks and take action as appropriate, including passing on to other authorities.

Risk-based

Where possible, we aim to identify and treat risks before they lead to actual consumer harm.

Regulatory risks are market behaviours that:

- represent non-compliance with the .nz policy framework we regulate
- present potential or actual registrant harm
- have an impact on our ability to be an effective regulator
- require a regulatory response due to public concern.

We put our effort where it counts and target the areas of highest risk and harm. Risks can take many forms – for example, threats posed by:

- a particular product
- the conduct of an individual Registrar
- a new or emerging business practice, or

Outcome-focused compliance

We use a range of compliance tools, underpinned by a compliance strategy that ultimately seeks to influence market outcomes. We make decisions on compliance actions to achieve results that deter unlawful conduct and promote future compliance.

We take enforcement action to serve the public interest. We exercise discretion, focusing on measures that can bring beneficial outcomes to all consumers. We do not act on behalf of individuals to obtain redress.

Our key objective is voluntary compliance, so whenever possible, our engagements with business will be for compliance assistance and education.

Registration Abuse

Every day our Office continues to do business as usual, working to strengthen the integrity of the .nz domain name space in the area of registration abuse and the use of invalid registration details.

The validation of registration details falls under our mandate and is an integral part of how we work towards a trusted .nz domain name space.

The process is underpinned, first and foremost by the principles of natural justice and procedural fairness. However, this makes the process very labour-intensive, as it involves phone and email contact with the Registrant in question, as well as the sending of a physical letter.

In keeping with our commitment to keep the .nz domain name space open, neutral, safe and trusted, in October 2017 the Commission strengthened its approach to tackling invalid registration details in the .nz domain name space.

Domain Cancellations

In the six month period between (October and March 2018) the Domain Name Commission cancelled 103 domain names for incorrect or invalid registration details. These cancellations are in contrast to 2 domain name registration cancellations between April 2017 and September 2017.

We have also commenced a program of work to follow up domain names we are made aware of by CERT NZ or other trusted notifiers, and those brought to our attention by members of the public.

Trends

Over the last year, we have seen a steady upward trend in cancellations of non-compliant domain names for having invalid contact details, and as we solidify our thinking of processes when it comes to poor registration details, this number will only increase.

These cancellations occurred in the context of a broadening public debate around illegal and offensive content and infrastructure abuse involving increased cyber criminality and cyber warfare.

Invalid Registrations

The invalid registration details process is the only internal compliance and information security tool currently available to the Domain Name Commissioner. The only other useful tool for cancelling a domain name involves a party seeking an order from the High Court of New Zealand. In 2017-18 the Domain Name Commission was not named as a second defendant in any High Court proceedings involving domain name cancellations.

In 2018-19, with the community's increasing participation in the digital economy, it is clear that these types of issues will not stop happening Online. Such issues are worthy of a multi-stakeholder approach, and require greater cooperation by agencies with involvement in the .nz local internet community in order to solve them.

Independent Review

This year we began the first independent review of the Domain Name Commission's operations. The report is to be undertaken by David Pickens. The review is intended to assess the Domain Name Commission's operations against benchmarks for what it means to be a good regulator. Various stakeholders will be approached to contribute to the review. The review's findings will be made public, and a program of work will commence in 2019-20 to respond to the recommendations of the report.

Engagement

The DNCL engages with the local internet community including registrars, Government and other industry professionals as well as the everyday New Zealanders who access our services. Our relationships with all of these groups benefit and strengthen the .nz domain name space.

.nz Awareness

The Domain Name Commission's awareness work has two distinct audiences. First, the staff of .nz authorised Registrars covered by .nz policies and any resellers that may be working in the space. Second, the broader internet community.

Registrars, resellers and registrants both need to be aware of their responsibilities under the .nz policy framework concerning the management of .nz domain names. The latter need to be mindful that they have responsibilities in relation to their registration records.

Publications and Media Interaction

In the last year, the engagement from the DNCL has experienced a shift with a more substantial number of media enquiries and active media work around the Individual Registrant Privacy Option, the incoming Commissioner and the Port 43 WHOIS changes. All of these opportunities presented a chance for us to further educate around different areas in .nz and about the Commission itself.

Registrar Advisory Group

The Registrar Advisory Group is an elected group of .nz authorised registrars who represent the .nz Registrar community. It mainly operates online during the year through a group list.

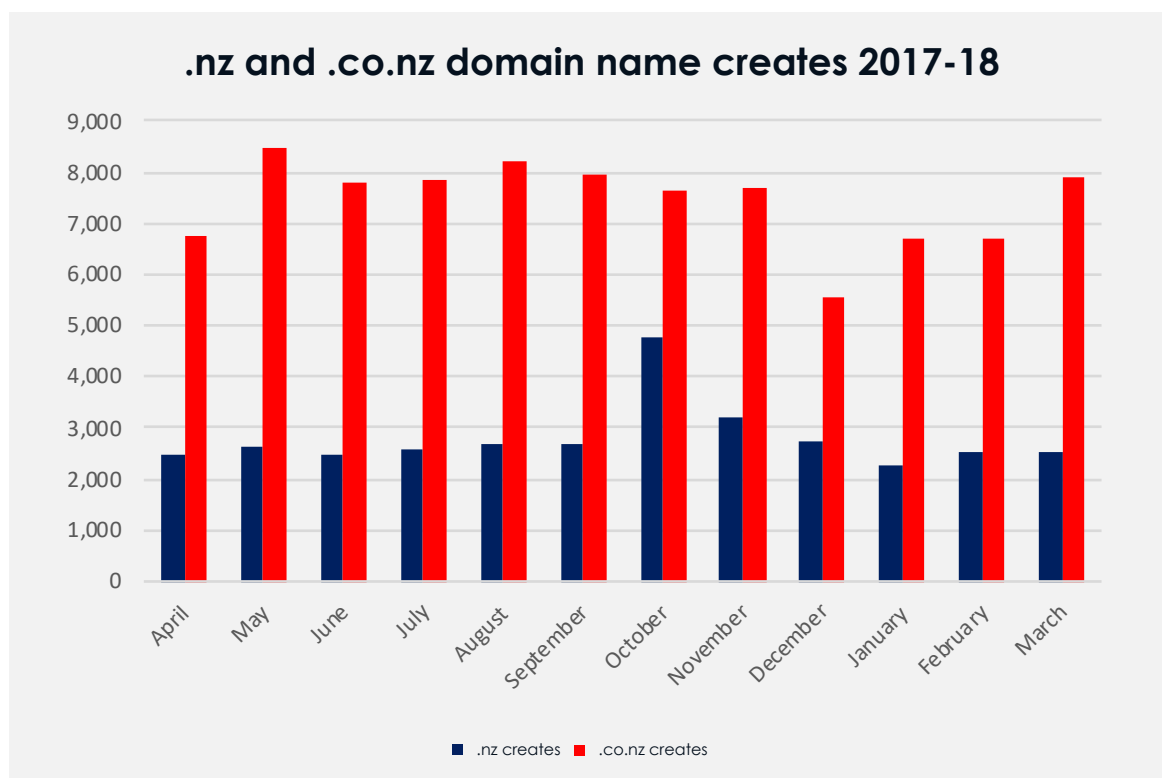
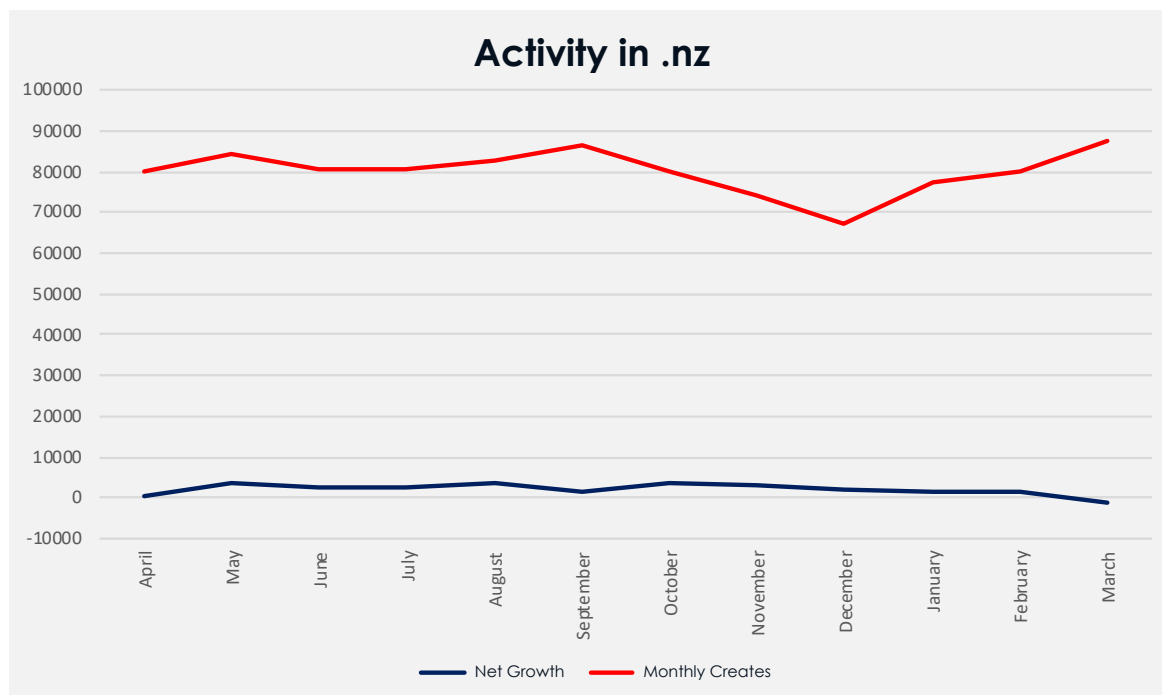
The advisory group assists with the implementation and promotion of the .nz policy framework. One face-to-face meeting occurred during 2017-18, subjects covered included Terms and Conditions, General Data Privacy Regulation and Privacy options of Registrars. The advisory group has also agreed to meet quarterly to help further lift engagement.

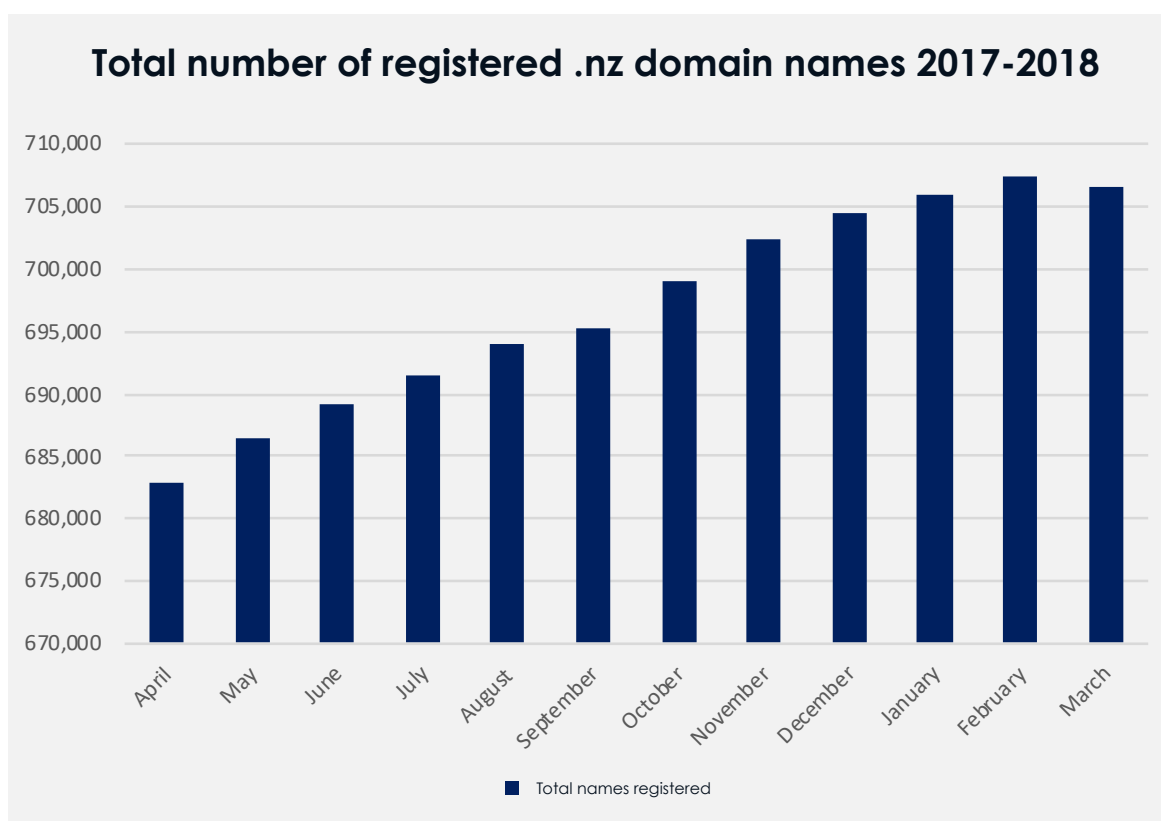
.nz Policy Training

This year the Office joined in with the NZRS trial of Zoom as a platform to deliver short information sessions on topics of interest to staff of .nz authorised Registrars. One of the most popular information sessions provided through the program was material produced and delivered by our Support Analyst on the Individual Registrant Privacy Option. We have plans to work on our approach to e-learning as part of our compliance program for 2019-2022.

.nz Activity

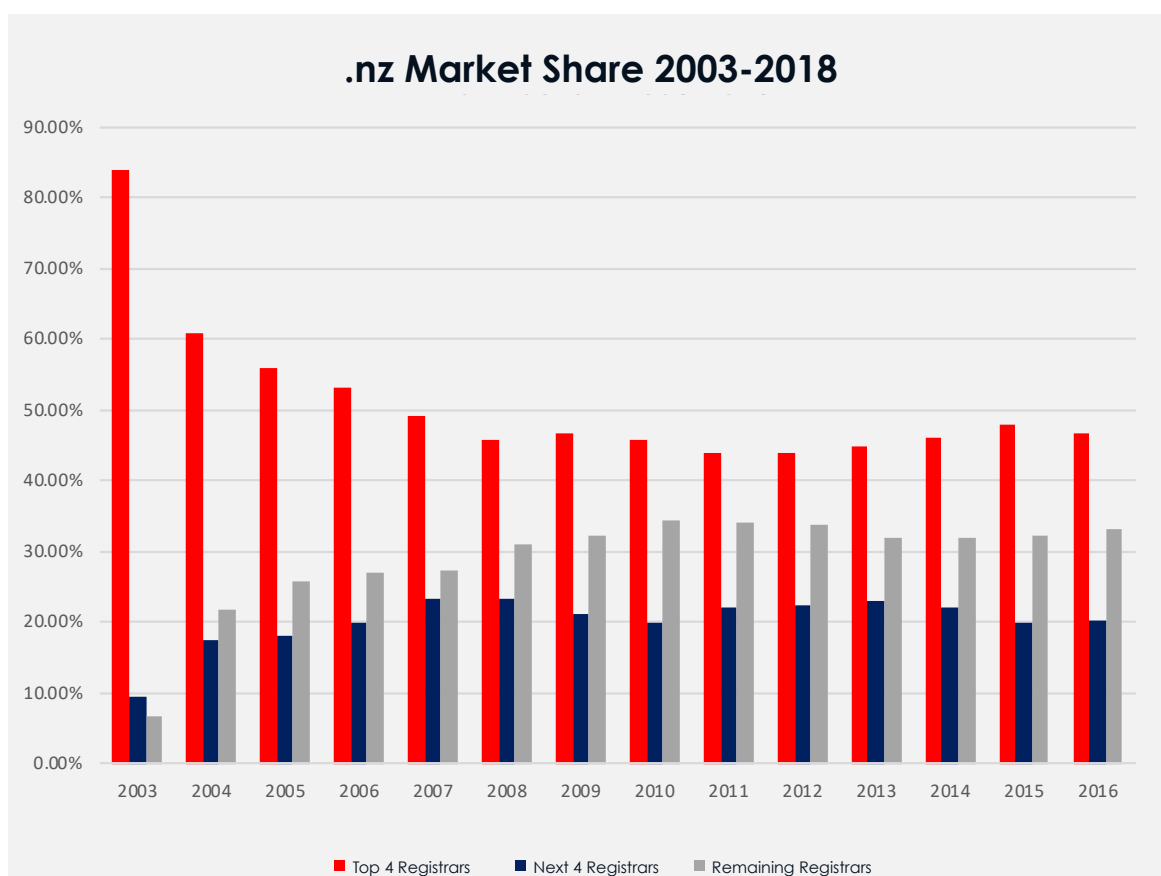
With over 700,000 domain names in the .nz space, it is good to see that .nz domains are continuing to be a trusted choice for registrants. There's more choice than ever when it comes to domain names, and the trust and confidence that registrants put in .nz means it continues to grow.



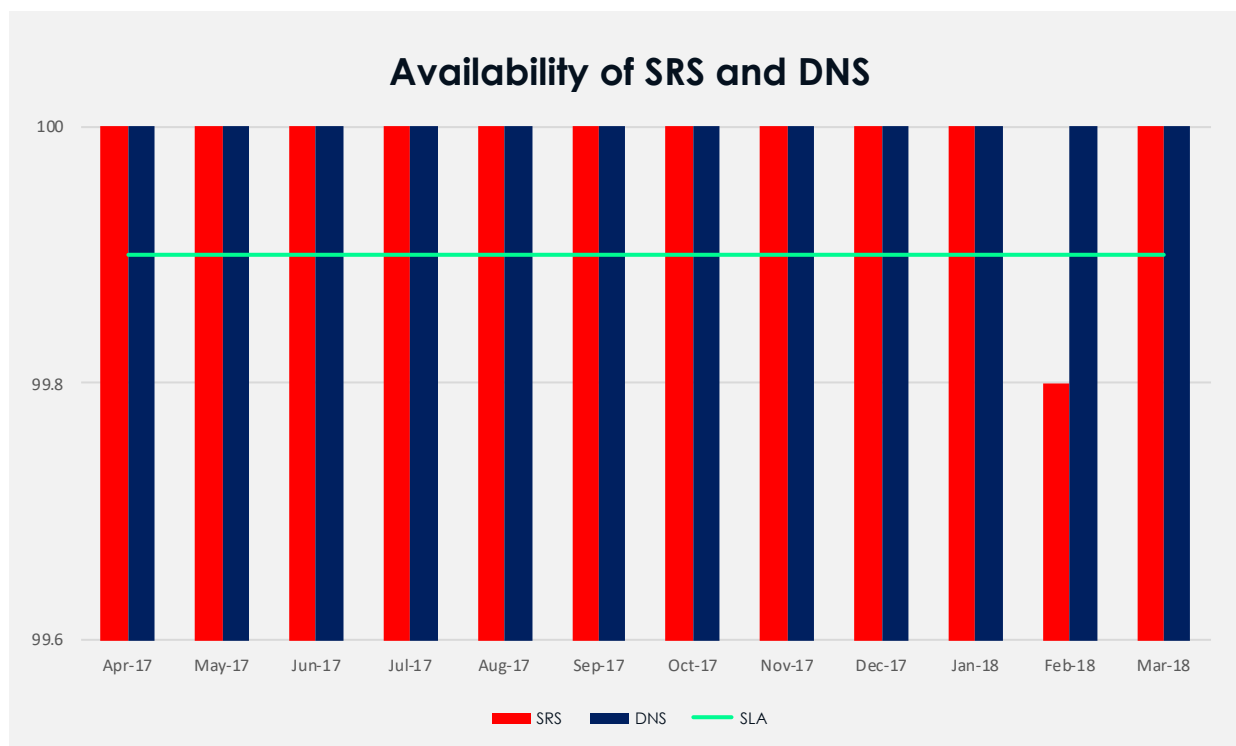


Registrars and Market Share

One way to support a competitive environment is to ensure that there is sufficient choice for consumers. .nz enjoys a strong, stable and fair market.



Oversight of NZRS and the SRS



SRS Response Times

Average Response Times (Seconds)

	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	SLA
Domain Details	0.02	0.02	0.02	0.02	0.02	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.5
Domain Update	0.28	0.23	0.21	0.27	0.22	0.24	0.22	0.21	0.2	0.2	0.2	0.27	0.8
Domain Create	0.31	0.3	0.23	0.32	0.32	0.32	0.21	0.32	0.29	0.33	0.31	0.32	0.8
Get Messages	0.12	0.11	0.1	0.1	0.11	0.11	0.12	0.12	0.09	0.12	0.11	0.09	0.5
Whois	0.11	0.1	0.11	0.11	0.11	0.1	0.1	0.09	0.09	0.09	0.1	0.09	0.5
UDAI Valid Query	0.11	0.1	0.1	0.1	0.1	0.1	0.09	0.1	0.1	0.09	0.09	0.1	0.5

Our Future

The DNCL will continue to focus on its independent role overseeing the .nz domain name space and administering the .nz Dispute Resolution Service.

At the strategy level, it will be necessary for the DNCL Board to develop a new strategic framework to replace the current work plan which ends in 2018. It will also be essential to link the strategy to InternetNZ's overall strategy. The Commission is embracing its digital future through enhancements to the website, a move to an HTML e-newsletter, a digital annual report and a brand refresh.

Technology and People

In 2018-19 the Commission will also work towards a future enriched by technology. There will be enhancements to our enquiry ticketing system, new enquiries management workflows added to the Dispute Resolution Service CMS, e-learning and a formal review of the Dispute Resolutions Service with a view toward digital-first options.

We will also look to increase the number of resources that aim to assist and educate on the .nz domain name space both physically and through our website and social media channels.

The established but growing popularity and effectiveness of our enquiry management system for .nz registrants will see more resourcing for our first contact enquiries. In 2018-19 one FTE Enquiries Officer will join the Commission.

Compliance Development

In 2018-19 the Domain Name Commission will also be developing its Compliance program for 2019 -2022 in consultation with the Registrar Advisory Group. The program will recognise the need to proactively engage our regulated community to ensure they understand their responsibilities and the need to ensure trust and security in the .nz domain name space.

There is a significant program of work arising out of the transfer of the .nz policy creation function to InternetNZ and the move to a shared organisational services model for business services.

Review

We will also have the results from our first independent review of the Commission and a program of work to implement arising out of that review.

Our journey of telling our story better has begun. A brand refresh has commenced signifying our commitment to raising awareness and doing more outreach work with stakeholders and participants in the .nz market. In the immediate term, we plan to improve collaboration and information-sharing with relevant cyber-security agencies to ensure the robustness of .nz. There will be a domain name forum towards the end of 2018 with a likely focus on domain name abuse and how best to tackle it in a multi-stakeholder environment.

Further afield, the Domain Name Commission will continue to coordinate its international engagement with InternetNZ. The Asia Pacific region being a key geographic area for us to foster opportunities for collaboration on domain name operational issues like dispute resolution, second level registrations and legal compliance.

We will continue to evolve, to simplify, be meaningful, and deliver value in what we do.

INDEPENDENT AUDITOR'S REPORT

To the Directors of Domain Name Commission Limited

Opinion

We have audited the financial statements of Domain Name Commission Limited (the "Company") on pages 1 to 14, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Domain Name Commission Limited as at 31 March 2018, and its financial performance and cash flows for the year then ended, in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Domain Name Commission Limited in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Domain Name Commission Limited.

Responsibilities of Directors for the Financial Statements

Those charged with governance are responsible on behalf of the Domain Name Commission Limited for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can

arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Crowe Horwath New Zealand Audit Partnership

CHARTERED ACCOUNTANTS

28 June 2018

Domain Name Commission Limited

Financial Statements
For the year ended 31 March 2018

Domain Name Commission Limited

Contents

	Page
Statement of Comprehensive Revenue and Expense	1
Statement of Financial Position	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to the Financial Statements	5-14

Domain Name Commission Limited

Statement of Financial Position As at 31 March 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current			
Cash and cash equivalents	6	475,102	460,876
Other financial assets	7	768,500	742,446
Trade debtors and other receivables	8	42,337	8,161
Total current assets		1,285,940	1,211,483
Non-current			
Property, plant and equipment	9	20,244	19,286
Intangible assets	10	9,586	28,207
Total non-current assets		29,830	47,493
TOTAL ASSETS		1,315,770	1,258,976
LIABILITIES			
Current			
Trade creditors and other payables	11	292,323	192,571
Total current liabilities		292,323	192,571
TOTAL LIABILITIES		292,323	192,571
NET ASSETS		1,023,447	1,066,405
EQUITY			
Accumulated funds		1,023,447	1,066,405
TOTAL EQUITY		1,023,447	1,066,405

These financial statements should be read in conjunction with the notes to the financial statements.



Domain Name Commission Limited

Statement of Cash Flows For the year ended 31 March 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
<i>Cash was provided from/(applied to):</i>			
Receipts from customers		1,903,096	1,919,633
Interest received		26,905	21,642
Payments to suppliers and employees		(1,862,652)	(1,792,431)
Net GST received (paid)		416	7,360
Net cash from/(used in) operating activities	15	67,766	156,204
Cash flows from financing activity			
<i>Cash was applied to:</i>			
Dividend paid		-	-
Net cash from/(used in) financing activity		-	-
Cash flows from investing activities			
<i>Cash was provided from/(applied to):</i>			
Purchase of property, plant and equipment		(16,142)	(12,092)
Purchase of intangible assets		(11,343)	-
Net movement in short-term deposits		(26,054)	(120,525)
Net cash from/(used in) investing activities		(53,539)	(132,617)
Net increase/(decrease) in cash and cash equivalents		14,226	23,587
Cash and cash equivalents, beginning of the year		460,876	437,289
Cash and cash equivalents at end of the year	6	475,102	460,876

These financial statements should be read in conjunction with the notes to the financial statements.



Notes to the financial statements

3 Summary of significant accounting policies

The accounting policies of the Company have been applied consistently to all years presented in these financial statements.

(a) Property, plant and equipment

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

Additions and subsequent costs

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

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the acquisition date.

All repairs and maintenance expenditure is charged to surplus or deficit in the year in which the expense is incurred.

Disposals

A item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits or service potential are expected from its use. When an item of property, plant or equipment is disposed of, the gain or loss recognised in the surplus or deficit is calculated as the difference between the net sale proceeds and the carrying amount of the asset.

Depreciation

Depreciation is recognised as an expense in the reported surplus or deficit and measured on a straight line (SL) basis on all property, plant and equipment over the estimated useful life of the asset. The following depreciation rates have been applied:

Office equipment	13.0% - 67%	SL
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The residual value, useful life, and depreciation methods of property, plant and equipment are reassessed annually.

(b) Intangible assets

Intangible assets acquired separately are initially recognised at cost.

The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange.

Intangible assets acquired by the Company, that have finite useful lives, are measured at cost less accumulated amortisation and any impairment losses.

Intangible assets are amortised using the straight line method of amortisation using the following amortisation rates:

Software	48% - 50%	SL
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Residual values and useful lives are assessed at each reporting date.

Disposals

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

Domain Name Commission Limited

Notes to the financial statements

(g) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Financial instruments comprise trade debtors and other receivables, cash and cash equivalents, short term deposits and trade creditors and other payables.

Initial recognition and measurement

Financial assets and financial liabilities are recognised initially at fair value plus transaction costs attributable to the acquisition, except for those carried at fair value through surplus or deficit, which are measured at fair value.

Financial assets and financial liabilities are recognised when the reporting entity becomes a party to the contractual provisions of the financial instrument.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or if the Parent or Company transfers the financial asset to another party without retaining control or all substantial risks and rewards of the asset.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

All financial assets except for those classified as fair value through surplus or deficit are subject to review for impairment at minimum at each reporting date.

Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification, which is primarily determined by the purpose for which the financial assets were acquired. The Company has classified its financial assets as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Company's cash and cash equivalents, trade debtors and most other receivables fall into this category of financial instruments.

After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in Companies, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified Company.

Subsequent measurement of financial liabilities

Trade payables and other borrowings are subsequently measured at amortised cost using the effective interest method.

Domain Name Commission Limited

Notes to the financial statements

6 Cash and cash equivalents

	2018	2017
	\$	\$
Cash at bank and on hand	439,942	460,876
Term deposits with maturities of three months or less	35,160	-
Cash and cash equivalents at end of the year	475,102	460,876

The carrying amount of cash and cash equivalents approximates their fair value.

Cash at bank earns interest at floating rates on daily deposit balances.

7 Other financial assets

	2018	2017
	\$	\$
Term deposits	768,500	742,446
Total other financial assets	768,500	742,446

8 Trade debtors and other receivables

	2018	2017
	\$	\$
Accounts receivable	828	99
Prepayments	38,971	4,400
Interest receivable	2,538	3,661
Total trade and other receivables	42,337	8,161

Trade debtors and other receivables are non-interest bearing and receipt is normally on 30 days terms. Therefore the carrying value of trade debtors and other receivables approximates its fair value.

Domain Name Commission Limited

Notes to the financial statements

10 Intangible assets

Movements for each class of intangible assets are as follows:

	Software \$	Total \$
Gross carrying amount		
Opening balance	110,662	110,662
Additions	11,343	11,343
Disposals	-	-
Closing balance	122,005	122,005
Accumulated amortisation and impairment		
Opening balance	82,455	82,455
Current year amortisation	29,964	29,964
Closing balance	112,419	112,419
Carrying amount 31 March 2018	9,586	9,586

	Software \$	Total \$
Gross carrying amount		
Opening balance	110,662	110,662
Additions	-	-
Disposals	-	-
Closing balance	110,662	110,662
Accumulated amortisation and impairment		
Opening balance	42,511	42,511
Current year amortisation	39,943	39,943
Closing balance	82,455	82,455
Carrying amount 31 March 2017	28,207	28,207

11 Trade creditors and other payables

	2018 \$	2017 \$
Accounts payable	237,163	118,708
Annual leave owing	28,224	47,342
GST payable	26,936	26,521
Total trade and other payables	292,323	192,571

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

Domain Name Commission Limited

Notes to the financial statements

15 Reconciliation of cash flows from operating activities

	2018	2017
	\$	\$
Surplus/(deficit) for the year	(42,958)	146,147
<i>Add/(deduct) non-cash items</i>		
Depreciation, amortisation and impairment	41,812	48,867
Fair value movements on financial instruments through surplus or deficit	-	-
Bad and doubtful debt expenses	-	-
Other non-cash items	-	-
<i>Add/(deduct) movements classified as investing activities</i>		
(Gain)/loss on disposal of property, plant and equipment	3,336	-
<i>Add/(deduct) movements in working capital</i>		
(Increase)/decrease in trade debtors and other receivables	395	(1,991)
(Increase)/decrease in prepayments	(34,571)	(4,100)
Increase/(decrease) in trade creditors and other payables	118,871	(32,720)
Increase/(decrease) in employee entitlements	(19,118)	-
Net cash flows from/ (used in) operating activities	67,766	156,204

16 Contingent assets and contingent liabilities

The Company has no contingent assets or contingent liabilities (2017: None).

17 Events after the reporting period

There were no significant events after the balance date (2017: None).

