



**ANNUAL REPORT
2012/13**

**NEW ZEALAND DOMAIN NAME REGISTRY LIMITED
(trading as .nz Registry Services)**

Annual Report
For the Year Ended 31st March 2013

Schedule of Contents

	Page
The Year in Review	1-6
Corporate Governance Statement	7-8
The NZRS Board	9
Directors' Report	11-12
Financial Statements	
- Statement of Comprehensive Income	13
- Statement of Changes in Equity	14
- Statement of Financial Position	15
- Statement of Cashflows	16-17
- Accounting Policies	18-23
- Notes to the Financial Statements	24-29
- Audit Report	30-31
Company Directory	32

THE YEAR IN REVIEW

Statistics

This year saw a significant increase in the rate of growth in domain names with 48,516 new domains being added, well above the budgeted 36,000.

During the 2012 - 2013 year, there was a significant increase to domain creates in September due to the opening of the second level domain, .kiwi.nz, a move that also pushed the total number of .nz registrations past 500,000. As a result the 12 month rolling average was within a band of 3,700 to 4,400. This was above the forecast figure of 3,000 average growth per month set in April 2012.

The growth rate for 2012 - 2013 was 11%, slightly above the 10.3% growth in 2011 - 2012 and still well below the average 20% growth seen in the seven years leading up to the global financial crisis.

	31 March 2013	31 March 2012	31 March 2011
Registrars connected to production (including DNCL)	82	79	76
Domain names	526,201	477,688	433,183
Net growth	48,516	44,505	39,689
Percent increase	11%	10.3%	10.1%

Financial Performance

As a result of greater than budgeted growth and tight cost control, profit was also above budget with a net surplus of \$3.121 million (2011 - 2012 \$3.031 million).

Dividends totalling \$3.829 million (2011 - 2012 \$3.325 million) were paid to the shareholder InternetNZ across the 2012 - 2013 year.

The domain name fee charged to Registrars was \$1.25 per month.

The company's balance sheet remained strong, with significant funds invested. The funds, derived predominantly from prepaid domain name fees, are conservatively invested under a low-risk investment strategy of rolling fixed-interest deposits spread across a number of registered banks, with the company's reserves therefore relatively well protected from the global financial crisis. Yields have remained modest to match the interest rates on offer and there has been no loss of capital.

Charitable Status

The company continues to meet the requirements for charitable status and incurred no liability for income tax on its earnings during 2012 - 2013.

Change in income recognition policy

Since inception it has been the policy of the company to recognise income at monthly, at the end of the month, for all domains active in that month. This policy has always meant that some income is recognised in one month for a service that spans that month and the following month. In discussion with the auditors we have agreed that this policy should change to recognise income exclusively in the month in which that service is provided. Our new policy addresses this by



introducing an end of year adjustment to the accounts, reducing recognised revenue and increasing deferred income and an adjustment to the accounts for the previous financial year.

The financial changes are explained in Note 16 to the accounts.

Progress towards the achievement of our Strategic Goals

The company's vision is:

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

This vision and the five strategic goals that follow from it provide the all-important focus for the company. Significant progress was made on delivering the key work items that support these goals.

Strategic Goal 1

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

This is our key strategic goal and we consider it a goal that cannot be compromised by any future developments. It is this imperative that has led to our strong focus on best practice processes, best practice controls and best practice technology.

The company's core operational systems performed well during the year, enabling achievement of the key metrics under the Service Level Agreement (SLA) with Domain Name Commission Limited (DNCL) in accordance with the relevant Operating Agreements (OA) between NZRS/INZ and DNCL/INZ, for all months.

Availability	SLA requirement	Number of months SLA requirement met
DNS	100	12

We completed our work on DNSSEC and it went live in a staged schedule to enable the early detection of problems. Only minor issues were found and the implementation went well and DNSSEC has continued to work well ever since. Adoption of DNSSEC remains low.

Building on our work of the previous year in implementing specialist data collection systems we successfully built a Hadoop cluster to enable the storage and analysis of large volumes of DNS data.

Strategic Goal 2

Deliver world-class registry services that continually improve.

The company's core registration system performed well again enabling achievement of the key metrics required by the SLA.

Availability	SLA requirement	Number of months SLA requirement met
SRS	99.90	12
WHOIS	99.90	12



Significant work was undertaken in our refresh of the SRS system resulting in the some key components being replaced and a major project begun to replace the core database replication system with an off-the-shelf package.

The new second level, .kiwi.nz, was launched this year resulting in a landrush of registrations at rates not previously encountered. Our planning for this proved adequate as the launch went well and registrars were able to register domains without any issue during the landrush period.

Strategic Goal 3

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

Our key contribution over this year was largely restricted to the financial with some collaboration around policy on global Internet governance. It is expected that our contribution will broaden rapidly over the next year.

Strategic Goal 4

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

Our briefing paper on Internet Measurement and Internet Research at the beginning of the year introduced a new area of focus for InternetNZ and led to the initiation of several projects. Collaboration on these initiatives continues.

Strategic Goal 5

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

Our recruitment of a Marketing and Channels Manager mid-way through the year was the culmination of a long series of discussions over the role of marketing in .nz and the start of a new phase in .nz development. A marketing strategy has been developed, based on evidence from independent research that we commissioned and underpinned with a set of principles that ensures that our strategy aligns with the ethos of InternetNZ as well as the specific requirements of the regulator. Feedback from registrars has been excellent with many commenting that this is a very welcome, if overdue, development.

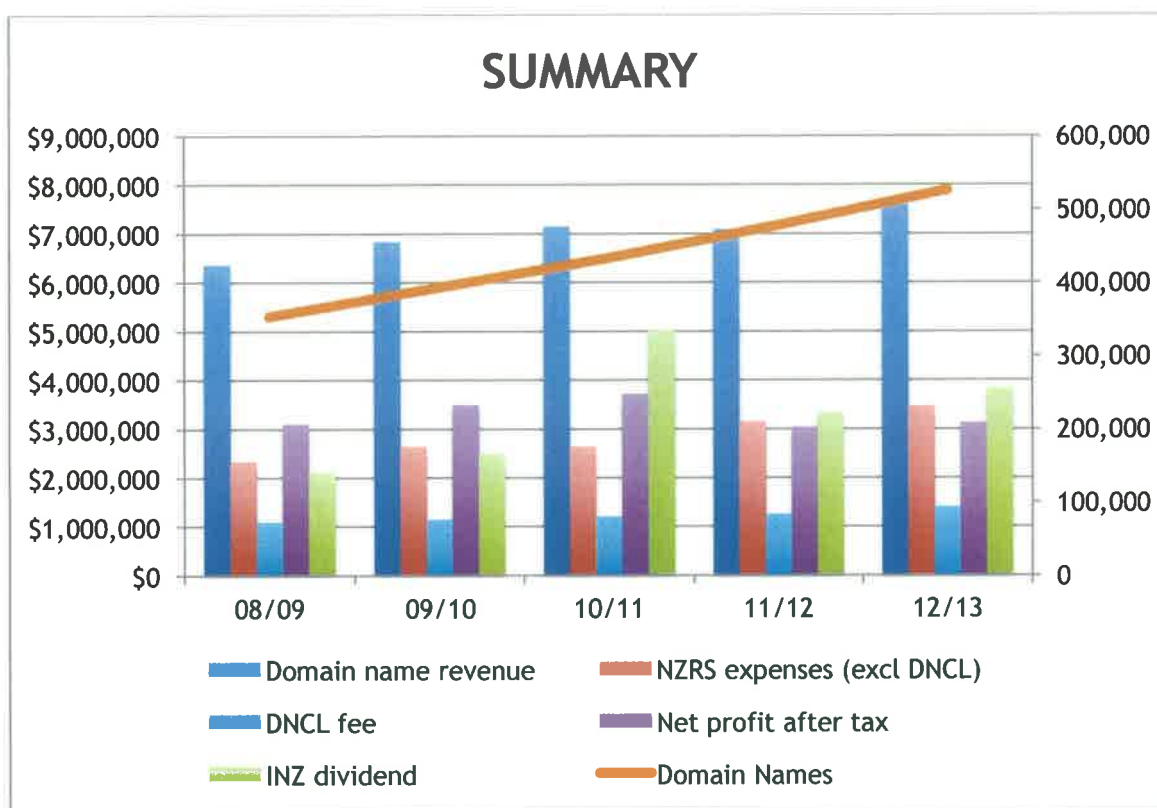
People and relationships

NZRS has enjoyed good working relationships with both InternetNZ and DNCL, at both governance and operational levels.

There were changes at Board level during the year. At the 2012 AGM long standing director Donna Hiser retired and Mark Vivian, an independent director, was appointed at that time.

History and trends

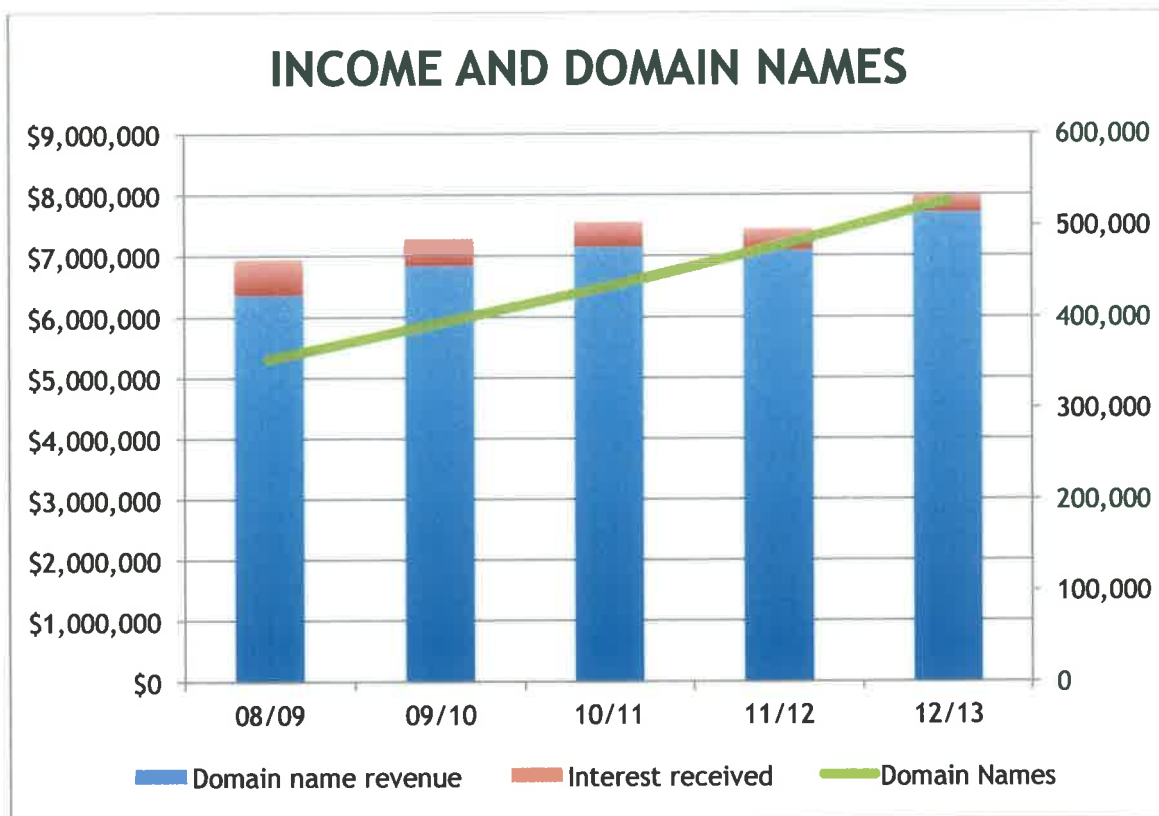
NZRS commenced managing the domain name registry for .nz in October 2002 and each of the subsequent years has seen year-on-year growth in domain names, company revenue and dividends paid to the shareholder. This has been achieved alongside reducing domain name fees.



	08/09	09/10	10/11	11/12	12/13
Domain name revenue	\$6,361	\$6,840	\$7,152	\$7,086	\$7,703
Expenses	\$3,626	\$3,968	\$3,841	\$4,413	\$4,869
Net profit after tax	\$3,096	\$3,490	\$3,710	\$3,031	\$3,121
Dividend	\$2,112	\$2,490	\$5,010	\$3,325	\$3,829
DNCL fee	\$1,096	\$1,150	\$1,208	\$1,260	\$1,411
Domain names	353	393	433	477	526

All figures are in 000s

NZRS receives interest income on funds invested, with the majority of these funds representing prepaid domain name fees. .nz policy provides for registrants to register domain names for terms ranging from one month to 120 months. The average term as at 31st March 2013 was 13.88 months for new domain names, an increase over last year (13.53) and 5.05 months for renewals. Despite very few registrants opting for terms approaching the maximum 10 years, the increasing number of domain names does result in the amount of prepaid domain name fees increasing each year.

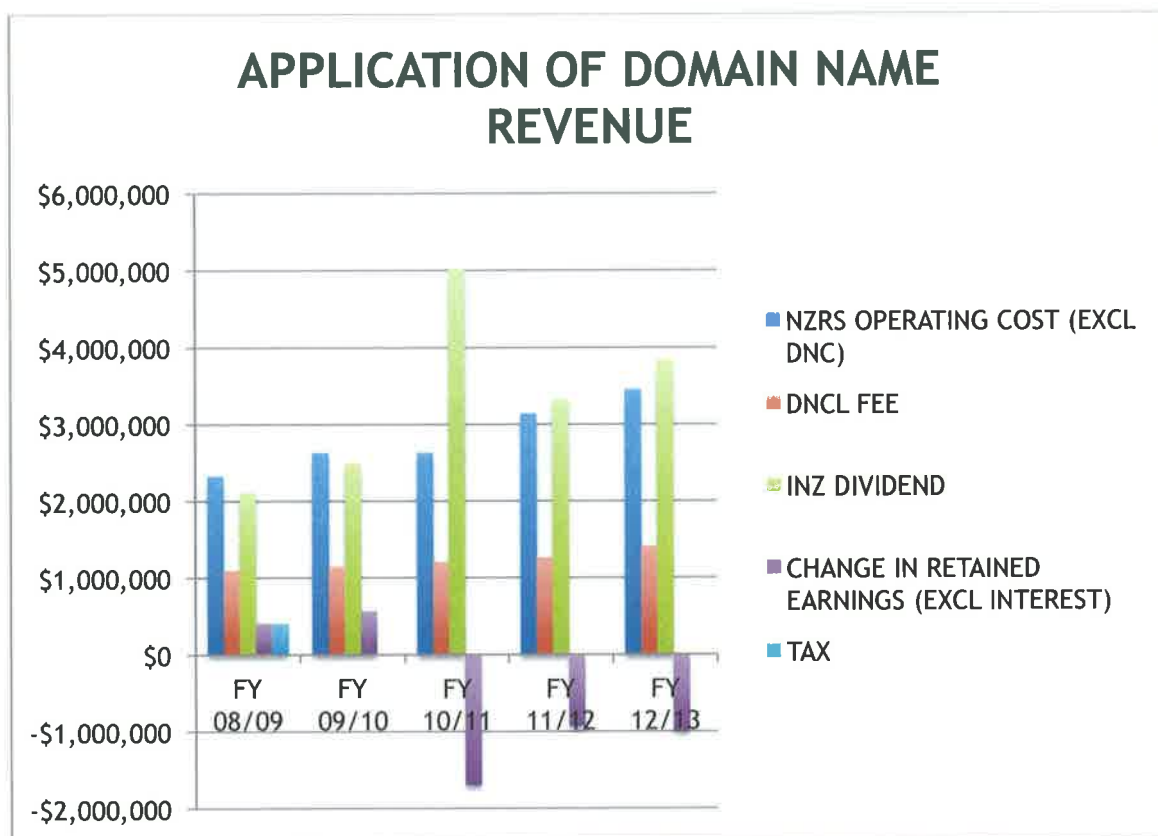


	08/09	09/10	10/11	11/12	12/13
Domain name revenue	\$6,361	\$6,840	\$7,152	\$7,086	\$7,703
Interest received	\$578	\$433	\$398	\$347	\$287
Domain names	353	393	433	477	526

All figures are in 000s

Interest income will continue to be a feature of NZRS's overall revenue as long as the company receives prepaid domain name fees under the .nz policy. NZRS manages these funds under company policies (Liquidity, Treasury, Reserves and Dividend) that recognise the legal, commercial and fiduciary obligations to maintain those funds and invest them in a prudent manner.

NZRS's costs - both variable and fixed - have risen over the years. Some of these increases are related to growth and general inflation (e.g. personnel numbers and costs, outsourced technical support costs) while others represent investments in the company's strategic goals (e.g. investment in the continued development of DNS). NZRS has not paid income tax for the 2009-2010, 2010 - 2011, 2011-2012 and 2012 - 2013 years as a result of our charitable status.



	08/09	09/10	10/11	11/12	12/13
Expenses (excl DNCL)	\$2,331	\$2,632	\$2,631	\$3,153	\$3,458
DNCL fee	\$1,096	\$1,150	\$1,207	\$1,260	\$1,411
INZ dividend	\$2,112	\$2,490	\$5,010	\$3,325	\$3,829
Change in retained earnings (excl interest)	\$404	\$567	(\$1,697)	(\$641)	(994)
Tax	\$411	\$0	\$0	\$0	\$0

All figures are in 000s

Outlook

NZRS's budget for 2013 - 2014 is predicated on a rate of growth in domain names of 3,575 per month, slightly below the average rate achieved for the 2012 - 2013 year. The company believes this realistically reflects the current economic environment and outlook.

NZRS has a number of major plans for 2013 - 2014, which will make a significant improvement to the services provided for registrars and all Internet users. These will include major marketing campaigns for .nz and the implementation of a new web site for registrars.

NZRS Corporate Governance Statement

The Role of the Board

The Board's role is to effectively represent and promote the interests of the shareholder with a view to adding long-term value to the company while respecting the interests of a wide range of stakeholders within the context of the company's ownership and the shareholder's objectives.

The Board is responsible for the overall direction and control of the company's activities, and its key responsibilities include the following:

- Establishment of goals and strategies with associated business plans
- Monitoring company performance against budget and other performance measures
- Ensuring integrity in reporting
- Communications with the shareholder on a regular basis through an annual Company Plan, Annual Report and quarterly reporting, and other reporting as requested by the shareholder
- Implementation of policies to enhance company performance
- Identifying and managing business risks, including statutory compliance
- Ensuring appropriate internal controls and the quality and independence of the external audit function
- Monitoring management and its performance, including Chief Executive appointment, review, development, succession planning and delegations
- Fostering a company culture that requires directors, management and every staff member to adhere to high standards of ethics and corporate behaviour.

Board Structure

The directors of New Zealand Domain Name Registry Ltd are appointed by the shareholder Internet New Zealand Incorporated. Each year directors retire by rotation and may, if they so desire, make themselves available for re-appointment. Board membership currently consists of five non-executive directors.

Board Operations and Policies

The New Zealand Domain Name Registry Ltd Board meets regularly and policies are in place to ensure these meetings are subject to formal agendas and reporting procedures.

The Board has adopted a Governance Policy, incorporating the following Good Governance Principles which collectively document the Board's role and responsibilities, and deal with principles and processes associated with independence and conflicts of interest, Board committees and procedures, reporting and disclosure, risk management, and relationships with the shareholder and stakeholders.

Good Governance Principles

1. Ethical Standards

The directors of the company observe and foster high ethical standards.

2. Board Composition and Performance

The Board works with the shareholder to ensure there is a balance of independence, skills, knowledge, experience and perspectives among directors so that the Board works effectively.

The Board seeks, in conjunction with its shareholder, to maintain a balance of directors with complementary skills and business experience and who will contribute to the Board in a positive



and constructive manner, while acting with the highest levels of integrity and professionalism. Newly appointed directors undergo an induction process which includes the provision of all relevant documentation.

Directors are encouraged to belong to appropriate professional organisations and to participate in ongoing training and development relevant to their governance responsibilities.

3. Board Committees

The Board utilises committees where this enhances its effectiveness in key areas while retaining board responsibility.

The Board has formally constituted one standing Board Committee:

Audit and Risk Assessment Committee - membership consists of all Board members. The Committee is regulated by approved Terms of Reference that address membership, functions and responsibilities, authorities and reporting procedures. The Committee is chaired by a director who is not the Board Chair. The Committee monitors the company's risk management processes, oversees the findings of the company's external auditors and reviews undertaken by other professional advisers, and monitors the company's legislative compliance.

4. Reporting and Disclosure

The Board demands integrity both in financial reporting and in the timeliness and balance of disclosure on the company's affairs.

5. Remuneration

The Board has an objective of the remuneration of directors being transparent, fair and reasonable.

6. Risk Management

The Board regularly verifies that the company has appropriate processes that identify and manage potential and relevant risks.

7. Auditors

The Board ensures the quality and integrity of the external audit process.

8. Shareholder Relations

The Board fosters a constructive relationship with the shareholder InternetNZ, ensures it understands their objectives and encourages them to engage with the company in an appropriate manner.

9. Stakeholder Interests

The Board respects the interests of the company's wide range of stakeholders within the context of the company's ownership, its fundamental purpose and its role in managing a key component of New Zealand's infrastructure.



Back row left to right: Chief Executive Jay Daley, Directors - David Wright and Michael Wallmannsberger.
Front row left to right: Directors - Mark Vivian, Richard Currey and Doug Mercer.

The NZRS Board

Richard Currey (Chairman)

Richard has held senior Treasury roles managing portfolios of \$2bn+ for a number of banks and was Auckland Manager of a global information provider. In 1997 Richard started a successful website and multimedia company specialising in e-commerce and database driven solutions. Since 2007, Richard has worked on a number of assignments focusing on project and strategic management. Richard was a Board member of DNCL for eight years and Chair for two.

Doug Mercer (Chair, Audit & Risk Assessment Committee)

Doug recently retired from a fulltime career of nearly thirty years in the IT industry. He has held Senior Management positions and for much of his career provided Project Management consultancy to a wide range of Companies and Government Departments. In 2002, Doug was the Project Manager responsible for implementing the Shared Registry System currently operated by NZRS.

Michael Wallmannsberger

Michael is an IT Security Consultant in the banking sector and has previously held Internet and e-commerce related roles in banking, local government and the government sector. He is a member of the InternetNZ Council, having served as Secretary and Treasurer, and a member of the Standards Council.

David Wright

David is a professional company director and business consultant. He has held Chief Executive and senior management positions in the primary production, transport and electricity sectors across both the private and state sectors. His previous appointments include Director of the Land Transport Safety Authority, a role that included oversight of New Zealand's motor vehicle and driver licence registries. His current governance roles include Chair of West Coast Energy PTY Ltd, Deputy Chair NZ Blood Service and Director of Workbridge Incorporated.

Mark Vivian

Mark is a partner with MOVAC, the Wellington-based venture capital firm. He has created and grown successful businesses in New Zealand, the United Kingdom and the United States, and experienced two highly successful IPOs on the NASDAQ and London Stock Exchange. Mark has also founded an award-winning venture to harness New Zealand's expat community and worked with New Zealand businesses to access global markets. He has held senior management positions with an iconic New Zealand business, managing commercial contracts worth more than \$US500 million. Mark is currently chair of Zeosoft, director of Roof Safe Systems Ltd and Global Career Link, and is a Trustee of the Young Enterprise Trust and Sport Wellington.

New Zealand Domain Name Registry Limited
Annual Report
For the Year Ended 31st March 2013

Prepared By

Curtis McLean Limited
Chartered Accountants
Wellington NZ



New Zealand Domain Name Registry Limited
Directors' Report
For the Year Ended 31st March 2013

Financial Result

The Net Profit for the year, after taxation, was \$3,121,803 (2012 \$3,031,188).

	2013	2012
Retained Earnings as at 1 April 2012	3,661,603	3,955,414
Net Profit After Tax	3,121,803	3,031,188
Dividend Declared	(3,828,920)	(3,324,999)
Retained Earnings as at 31 March 2013	\$2,954,486	\$3,661,603

Dividend

Dividends of \$3,828,920 were declared and paid for the year ended 31st March 2013 (2012 \$3,324,999).

Remuneration of Directors

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

	2013	2012
Directors' Fees		
Richard Currey	28,800	24,000
Donna Hiser (Resigned July 2012 AGM)	4,200	19,200
Douglas Mercer	21,600	21,600
Michael Wallmannsberger	14,400	14,400
David Wright	14,400	14,400
Mark Vivian (Appointed July 2012 AGM)	10,200	-
	\$93,600	\$93,600

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.

New Zealand Domain Name Registry Limited
Directors' Report (Continued)
For the Year Ended 31st March 2013

Interests Register

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

Share Dealings

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

No changes have occurred since Balance Date.

General

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

For and on Behalf of the Board

 **Director**

 **Director**

7/6/13 **Date**



New Zealand Domain Name Registry Limited
Statement of Comprehensive Income
For the Year Ended 31st March 2013

	Note	2013 \$	2012 \$
Registry Fees		7,703,881	7,086,371
Operating Expenses			
Amortisation		569,047	441,821
Audit Fees		9,100	12,325
Depreciation	4	112,973	196,165
Directors' Fees		93,600	93,600
DNC Management Fee	13	1,411,200	1,260,000
Loss on Fixed Asset Disposal		1,380	5,660
Employee Remuneration	14	758,949	612,785
Other Expenses	1	1,913,355	1,791,240
		4,869,604	4,413,596
Surplus/(Deficit) from Operations		2,834,277	2,672,775
Plus Other Income/(Expenses)			
Interest Revenue		287,526	347,504
Sundry Income		-	10,909
		3,121,803	3,031,188
Surplus/(Deficit) for the Year			
Other Comprehensive Income		-	-
Total Comprehensive Income for the Year		\$3,121,803	\$3,031,188

Total Comprehensive Income is attributable to the Shareholders of the Company

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

		2013 \$	2012 \$
Share Capital			
Opening Share Capital		30,000	30,000
Share Capital as at 31st March 2013		<u>30,000</u>	<u>30,000</u>
Retained Earnings			
Opening Retained Earnings		3,661,603	3,955,414
Transactions with Owners			
Dividend Declared	15	3,828,920	3,324,999
		<u>(167,317)</u>	<u>630,415</u>
Total Comprehensive Income for the Year			
Surplus/(Deficit) for the Year		3,121,803	3,031,188
		<u>3,121,803</u>	<u>3,031,188</u>
Retained Earnings as at 31st March 2013		<u>2,954,486</u>	<u>3,661,603</u>
Equity as at 31st March 2013		<u>\$2,984,486</u>	<u>\$3,691,603</u>






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

	Note	2013 \$	2012 \$
Current Assets			
Cash and Cash Equivalents		984,361	1,213,995
Short Term Deposits	2	6,439,505	6,650,334
Trade Debtors and Other Receivables	3	981,109	944,703
Total Current Assets		8,404,975	8,809,032
Property, Plant & Equipment	4	140,171	171,313
Intangible Assets	5	818,832	702,745
Total Assets		9,363,978	9,683,090
Less Liabilities:			
Current Liabilities			
Deferred Income - Current	7	4,371,415	4,046,689
Trade Creditors and Other Payables	6	369,475	342,629
Total Current Liabilities		4,740,890	4,389,318
Non-Current Liabilities			
Deferred Income - Non Current	7	1,638,602	1,602,169
Total Liabilities		6,379,492	5,991,487
Net Book Value of Assets		\$2,984,486	\$3,691,603
Represented by:			
Total Equity		\$2,984,486	\$3,691,603

For and on Behalf of the Board


 _____ Director


 _____ Director

7/6/13 Date



New Zealand Domain Name Registry Limited
Statement of Cashflows
For the Year Ended 31st March 2013

	2013	2012
	\$	\$
Cashflows From Operating Activities		
Cash was Provided From:		
Net Receipts from Customers	7,994,656	7,356,156
Net GST Received	1,646	3,421
Interest Received	356,053	366,792
	<hr/>	<hr/>
	8,352,355	7,726,369
Cash was Distributed To:		
Net Payments to Suppliers & Employees	4,196,933	3,766,625
Payment of Income Tax	-	7,461
	<hr/>	<hr/>
	4,196,933	3,774,086
Net Cashflows from Operating	<hr/>	<hr/>
	4,155,422	3,952,283
Cashflows from Financing Activities		
Cash was Distributed To:		
Dividend Paid	3,828,920	3,324,999
	<hr/>	<hr/>
Net Cashflows from Financing	(3,828,920)	(3,324,999)
Cashflows from Investing Activities		
Cash was Distributed To:		
Purchase of Fixed Assets	81,831	51,219
Purchase & Development of Intangibles	685,134	618,597
	<hr/>	<hr/>
Net Cashflows from Investing	(766,965)	(669,816)
Net Increase (Decrease) in Cash and Cash Equivalents	<hr/>	<hr/>
	(440,463)	(42,532)
Plus Opening Cash Balance	7,864,329	7,906,861
	<hr/>	<hr/>
Closing Cash and Cash Equivalents	\$7,423,866	\$7,864,329
Closing Cash and Cash Equivalents Comprises		
Cash at Bank	984,361	1,213,995
Short Term Deposits	6,439,505	6,650,334
	<hr/>	<hr/>
	\$7,423,866	\$7,864,329
	<hr/>	<hr/>



New Zealand Domain Name Registry Limited
Statement of Cashflows (Continued)
For the Year Ended 31st March 2013

	2013	2012
	\$	\$
Operating Activity Cashflow Reconciliation		
Surplus/(Deficit) for the Year	3,121,803	3,031,188
Plus:		
Depreciation & Amortisation	682,020	637,986
Increase in GST Payable	1,646	3,421
Increase in Employee Entitlements	12,179	1,997
Increase in Trade Creditors and Other Payables	13,021	17,645
Decrease in Trade Debtors and Other Receivables		60,246
Increase in Deferred Income	361,159	209,539
Decrease in Interest Receivable	68,527	19,287
	1,138,552	950,121
	4,260,355	3,981,309
Less:		
Increase in Tax Refund Due	-	7,461
Increase in Trade Debtors and Other Receivables	70,384	-
Increase in Prepayments	34,549	21,565
	104,933	29,026
Net Cashflow from Operating Activities	\$4,155,422	\$3,952,283



Accounting Policies
For the Year Ended 31st March 2013



Reporting entity

New Zealand Domain Name Registry Limited (the "Company") is a company incorporated and domiciled in New Zealand under the Companies Act 1993.

The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and the financial statements comply with that Act.

The Company was registered with the Charities Commission on the 19th August 2008.

The Company operates in one segment, with the main activity being the operation of the .nz Domain Name Shared Registry System in one primary geographical segment, New Zealand.

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

The financial statements of the Company are for the year ended 31 March 2013. The financial statements were authorised for issue by the Board of Directors on 7 June 2013.

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. In the current and comparative financial period all financial assets and liabilities have been carried at historical cost.

Presentation Currency

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

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumption 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.

Changes to Accounting Policies

There has been no significant change in accounting policies in the current reporting period.



Accounting Policies
For the Year Ended 31st March 2013

Significant accounting policies

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

- Cash and cash equivalents

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

- Financial Assets

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

- Property, plant and equipment

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

Additions

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

Disposals

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

Depreciation

Depreciation is charged on a diminishing value 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 -

Leasehold Improvements	11.4% - 31.2%	DV
Computer Hardware	31.2% - 60.0%	DV
Office Equipment	9.6% - 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.



Accounting Policies
For the Year Ended 31st March 2013

- Intangible Assets

All intangible assets are stated at cost less accumulated amortisation and any impairment.

All intangible assets held are assessed as having a finite useful life and amortised over their anticipated useful life. The principal rates to calculate amortisation are -

Trademarks	14.3%	SL
Software	48.0% - 60%	DV

The useful life of finite life intangible assets is examined on an annual basis and adjustment, where applicable, made on a prospective basis.

- 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.

Accounting Policies
For the Year Ended 31st March 2013

- 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.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

- 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.

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

- Foreign Currency Transactions

Transactions in foreign currencies that are settled in the accounting period translated at the settlement rate. Transactions in foreign currency that is not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.



Accounting Policies
For the Year Ended 31st March 2013

- Revenue

Rendering of services

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

Registry fees received are recognised as income over the period of the registration. Registry fee receipts received for periods subsequent to balance date are treated as deferred income.

Interest

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

Rental Income

Rental income arising from sub-lease agreement is accounted for on a straight line basis over the lease term.

- 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 and therefore is exempt from income tax effective from 19 August 2008 under Section CW41 & CW42 of the income tax act 2007.

- 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.

- Risk management objectives and policies

The Company has a series of policies to manage the risk associated with financial instruments. The Company is risk averse and seeks to minimise exposure from its treasury instruments. Policies have been established which do not allow any transactions that are speculative in nature to be entered into.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company receives services from suppliers located in the United States of America. The overseas entity issues invoices and is paid in United States Dollars. The Company therefore has a limited foreign exchange risk.



Accounting Policies
For the Year Ended 31st March 2013

Interest rate risk

Interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Company has no short or long term borrowings.

Credit Risk

Credit risk is the risk that a third party will default on its obligation to the Company, causing the Company to incur a loss. The Company does not require collateral or other security to support accounts receivable balances. The Company has no significant concentrations of credit risk, as it has a large number of credit customers. Management does not believe the Company is significantly exposed to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities.

Capital Management

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

New Zealand Domain Name Registry Limited
Notes To The Financial Statements
For the Year Ended 31st March 2013



1. Other Expenses

The balance of Other Expenses comprises the following items:

	2013	2012
	\$	\$
Bad Debts Written Off	-	-
DNS Networking	197,193	200,811
SRS Maintenance	350,606	352,803
Other IT	212,276	172,330
Other Expenses	1,153,280	1,065,296
	<u>\$1,913,355</u>	<u>\$1,791,240</u>

2. Other Financial Assets

The Company has the following funds invested in Term Deposits classified as other financial assets:

This Year

Entity	Maturity Date	Rate	Amount
ASB Bank	7 December 2013	4.25%	\$1,045,127
ANZ Banking Group	4 October 2013	4.38%	\$381,932
ANZ Banking Group	3 December 2013	4.30%	\$546,143
Bank of New Zealand	21 September 2013	4.61%	\$1,269,530
KiwiBank	2 April 2013	4.01%	\$574,530
TSB Bank	12 February 2014	4.20%	\$971,013
Westpac	18 October 2013	4.55%	\$888,153
Westpac	15 September 2014	4.70%	\$763,077
			<u>\$6,439,505</u>

Last Year

Entity	Maturity Date	Rate	Amount
ASB Bank	5 December 2012	4.50%	\$1,000,000
ANZ Banking Group	4 October 2012	4.40%	\$365,793
Bank of New Zealand	21 September 2012	4.45%	\$1,213,437
KiwiBank	2 April 2012	4.30%	\$550,719
KiwiBank	29 June 2012	4.00%	\$534,284
National Bank	3 December 2012	4.10%	\$519,184
TSB Bank	12 February 2013	4.35%	\$930,535
Westpac	13 September 2012	4.25%	\$715,122
Westpac	18 October 2012	4.60%	\$821,260
			<u>\$6,650,334</u>



New Zealand Domain Name Registry Limited
Notes To The Financial Statements
For the Year Ended 31st March 2013



3. Trade Debtors and Other Receivables

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

	2013	2012
	\$	\$
Interest Receivable	81,410	149,937
Resident Withholding Tax	7,461	7,461
Accounts Receivable	805,132	734,748
Pre-payments	87,106	52,557
	<u>\$981,109</u>	<u>\$944,703</u>

4. 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</u> <u>Valuation</u>	<u>Depreciation</u> <u>For Year</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Book Value</u> <u>This Year</u>
Computer Hardware	900,837	83,085	861,982	38,854
Office Equipment	183,146	29,888	81,830	101,316
	<u>\$1,083,983</u>	<u>\$112,973</u>	<u>\$943,812</u>	<u>\$140,170</u>

<u>Last Year</u>	<u>Cost or</u> <u>Valuation</u>	<u>Depreciation</u> <u>For Year</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Book Value</u> <u>Last Year</u>
Computer Hardware	890,217	175,403	789,018	101,199
Office Equipment	128,809	20,762	58,695	70,114
	<u>\$1,019,026</u>	<u>\$196,165</u>	<u>\$847,713</u>	<u>\$171,313</u>

During the year there were fixed asset additions as follows:

Computer Hardware	\$20,766	(2012 \$14,077)
Office Equipment	\$62,377	(2012 \$42,792)

New Zealand Domain Name Registry Limited
Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2013



5. 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	2,699,580	569,047	1,880,748	818,833
Trademark	10,698	-	10,698	-
	<u>\$2,710,278</u>	<u>\$569,047</u>	<u>\$1,891,446</u>	<u>\$818,833</u>

<u>Last Year</u>	<u>Cost or Valuation</u>	<u>Amortisation For Year</u>	<u>Accumulated Amortisation</u>	<u>Book Value Last Year</u>
Software	2,018,143	441,821	1,315,398	702,745
Trademark	10,698	-	10,698	-
	<u>\$2,028,841</u>	<u>\$441,821</u>	<u>\$1,326,096</u>	<u>\$702,745</u>

During the year there were additions of \$668,702. (2012 \$618,600)

6. Trade Creditors and Other Payables

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

	2013	2012
	\$	\$
Accounts Payable	263,994	250,973
Holiday Pay Accrual	50,208	38,029
GST Payable	55,273	53,627
	<u>\$369,475</u>	<u>\$342,629</u>

7. Deferred Income

The Company has invoiced clients for \$6,010,017 (2012 \$5,648,858) in advance.

8. Issued Shares

The Company has 30,000 (2012: 30,000) fully paid ordinary shares. All shares have equal voting rights and rights to dividends.

New Zealand Domain Name Registry Limited
Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2013



9. 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 2013 the values stated in the Financial Statements and the estimated fair value of the Company's financial assets and liabilities are not materially different.

10. Contingent Liabilities

The Company had no contingent liabilities as at 31st March 2013. (2012 \$Nil)

11. Commitments

As at balance date the Company had no commitments. (2012 \$Nil)

12. Events Subsequent to Balance Date

No events occurred subsequent to balance date that would have had a material effect on the financial statements. (2012: None)

13. Related Party Transactions

Internet New Zealand Incorporated

Internet New Zealand Incorporated owns 100% of New Zealand Domain Name Registry Limited.

Dividends declared and paid by the Company during the year totalled \$3,828,920 (2012 \$3,324,999).

New Zealand Domain Name Registry Limited paid management fees of \$78,480 (2012 \$78,480) to Internet New Zealand Incorporated, parent company.

Domain Name Commission Limited

Domain Name Commission Limited, also owned 100% by Internet New Zealand Incorporated, is a related party to the Company and received management fees totalling \$1,411,200 (2012 \$1,260,000) from the Company during the year.

New Zealand Domain Name Registry Limited
Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2013



Key Management Personnel

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

Total employee benefit expenses in the Income Statement included remuneration for:

	2013	2012
	\$	\$
Directors' Fees	93,600	93,600
Key Management	408,747	369,700

Transactions with Related Parties are entered into on an arms length basis.

Other Related Parties

Don Christie was on the Council of Internet New Zealand, (the shareholder) but resigned at their AGM in July 2012. He is also a Director of Catalyst IT Limited that provides IT services. During the year the Company paid a total of \$1,111,453 to Catalyst IT Limited for IT Services.

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

14. Employee Remuneration

	2013	2012
	\$	\$
Salaries and Wages	733,377	599,770
Employer Contributions to Contribution Plans	13,393	11,018
Increase/(decrease) in Employee Entitlements	12,179	1,997
Total Employee Remuneration	<u>\$758,949</u>	<u>\$612,785</u>

During the year three (2012 two) employees received remuneration greater than \$100,000.

15. Dividend Declared

During the year dividends of \$3,828,920 (\$127.63 per share) were declared. (2012 \$3,324,999, \$110.83 per share).

New Zealand Domain Name Registry Limited
Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2013



16. Prior Period Adjustment

The below adjustment was made to retained earnings as at 1 April 2011 which has a flow on effect to retained earnings as at 1 April 2012.

Retained Earnings Adjustment	1-Apr-12	1-Apr-11
Opening Retained Earnings - prior to adjustment	3,953,995	4,247,806
Adjustment to Deferred Income	<u>292,392</u>	<u>292,392</u>
Net Decrease in Retained Earnings	292,392	292,392
Opening Retained Earnings - after adjustment	<u>3,661,603</u>	<u>3,955,414</u>

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

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

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of New Zealand Domain Name Registry Limited

Report on the Financial Statements

We have audited the financial statements of New Zealand Domain Name Registry Limited ("the Company") on pages 13 to 29, which comprises the statement of financial position of the Company as at 31 March 2013, the statement of changes in equity, statement of comprehensive income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements on pages 13 to 29:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of New Zealand Domain Name Registry Limited as at 31 March 2013, and its financial performance and cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

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



BDO Wellington
7 June 2013
Wellington
New Zealand

Company Directory
As At 31st March 2013

Directors	Douglas Mercer Richard Currey David Wright Michael Wallmannsberger Mark Vivian	
Ordinary Shares Issued		<u>30,000</u>
Held By	Internet New Zealand Incorporated	30,000
Accountants	Curtis McLean Limited	
Auditors	BDO Wellington	
Bankers	ASB Bank Limited	
Legal Advisors	Quigg Partners	
Registered Office	Level 7, The Bayleys Building, 28 Brandon Street, Wellington	
Company Number	1192313	