ANNUAL REPORT
2013/14

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

Annual Report
For the Year Ended 31st March 2014

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THE YEAR IN REVIEW

Statistics

This year saw a significant decrease in the rate of growth in domain names with 23,580 new domains being added, well below the budgeted 33,450.

During the 2013 - 2014 year, the 12 month rolling average was within a band of 1,500 to 2,500. This was below the initial forecast of 3,575 average growth per month. This forecast was later revised downwards to 2,000 average growth per month, beginning in October, in response to adverse trading conditions.

The growth rate for 2013 - 2014 was 4.48%, below the 11% growth in 2012 - 2013. This halving of the growth rate follows a pattern set in a number of other ccTLDs the year before.

	31 March 2014	31 March 2013	31 March 2012
Registrars connected to production (including DNCL)	83	82	79
Domain names	549,781	526,201	477,688
Net growth	23,580	48,516	44,505
Percent increase	4.48%	11%	10.3%

Financial Performance

As a result of tight cost control and some expenditure being deferred, profit was also above budget with a net surplus of $3.101 million (2012 - 2013 $3.121 million).

Dividends totalling $2.559 million (2012 - 2013 $3.829 million) were paid to the shareholder InternetNZ across the 2013 - 2014 year.

The domain name fee charged to Registrars remained at $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 2013 - 2014.

Income recognition policy

At the end of the last financial year we changed our income recognition policy slightly to calculate on a daily rather than monthly basis. As last year was the first year for this change we applied a large correction to the end of year accounts to reflect the change. This year our income budgeting included this change in policy and only a minor correction was required at the end of the year to cover the difference between actual income and budgeted.

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.

One major strategic decision was taken that had an impact across all the strategic goals, which was to insource our previously outsourced technical operations and software development functions. The Board made the decision in September 2013 and plans were put in place for the contract to terminate in May 2014. These plans included the recruitment of several new staff including a dedicated Business Analyst/Project Manager, four system administrators and three developers. By the end of the financial year most of the staff had been recruited and preparations were well underway for the insourcing. The culture of the greatly expanded team has developed well and remains true to the core values of NZRS.

This decision also necessitated a search for new premises to house the increased numbers of staff. This search was initially conducted on the basis that the whole InternetNZ group would move but the options for that were limited and so the company moved by itself to L14 of our existing building, leaving DNCL and InternetNZ on L9. The transition to the new office was smooth and achieved at a much lower cost than had we been able to move as a group.

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

Our priority this year was to concentrate on improving our DNS behind the scenes rather than any new feature development. We completed two major projects over the year, the first was to build a complete test network for DNS allowing us to test software changes and replicate operational issues for controlled analysis. The second was to replace the configuration management system with a new improved system that integrates with our other systems

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

We continued our major project of rewriting core elements of the SRS system to provide a stable platform for the next ten years. This year we concentrated on the database replication system, replacing the custom system written at the start of the SRS with an off-the shelf (but still open source) solution that scales much better and eliminates the complex locking issues of the previous solution. The implementation of this new system went well with performance still comfortably within our SLA and we were quickly able to add a third datacentre for increased overall resilience.

Strategic Goal 3

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

Our key contribution over this year was financial through dividend payments. This year saw a notable step up in the level of collaboration with InternetNZ around the key areas of global Internet governance, technical policy strategy and other local policy issues such as Net Neutrality. It is expected that this collaborated will continue to grow and broaden 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.

Prior to this year this company has defined a pipeline for the exploration of business development opportunities, backed by a group policy for business development, and this year marked the first year of multiple opportunities progressing through the early stages of that pipeline. At the end of the year some of these opportunities were presented to Council and discussions continue about progressing those further.

As previously shared with Council, these opportunities focus on the two areas of core Internet services and data services around those.

This year also saw the creation of a technical research team of two staff with a wide-ranging remit including public benefit research, specialist technical research, data collection and analysis and business development research.

Strategic Goal 5

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

We began work jointly with DNCL and InternetNZ, on a .nz Framework that sets out the different roles for NZRS, DNCL and InternetNZ and how they apply to all of the elements of the overall .nz service. When complete this will form the basis on which work can begin to develop a long-term strategy for ,nz.

Also in this year our marketing function took off with multiple initiative. The first of these was the launch of a landing site for those that want to learn more about why they need an online presence, why they need a domain name and why .nz is the domain they should choose (getyourselfonline.co.nz). This was followed by a number of campaigns and a successful inaugural registrar conference.

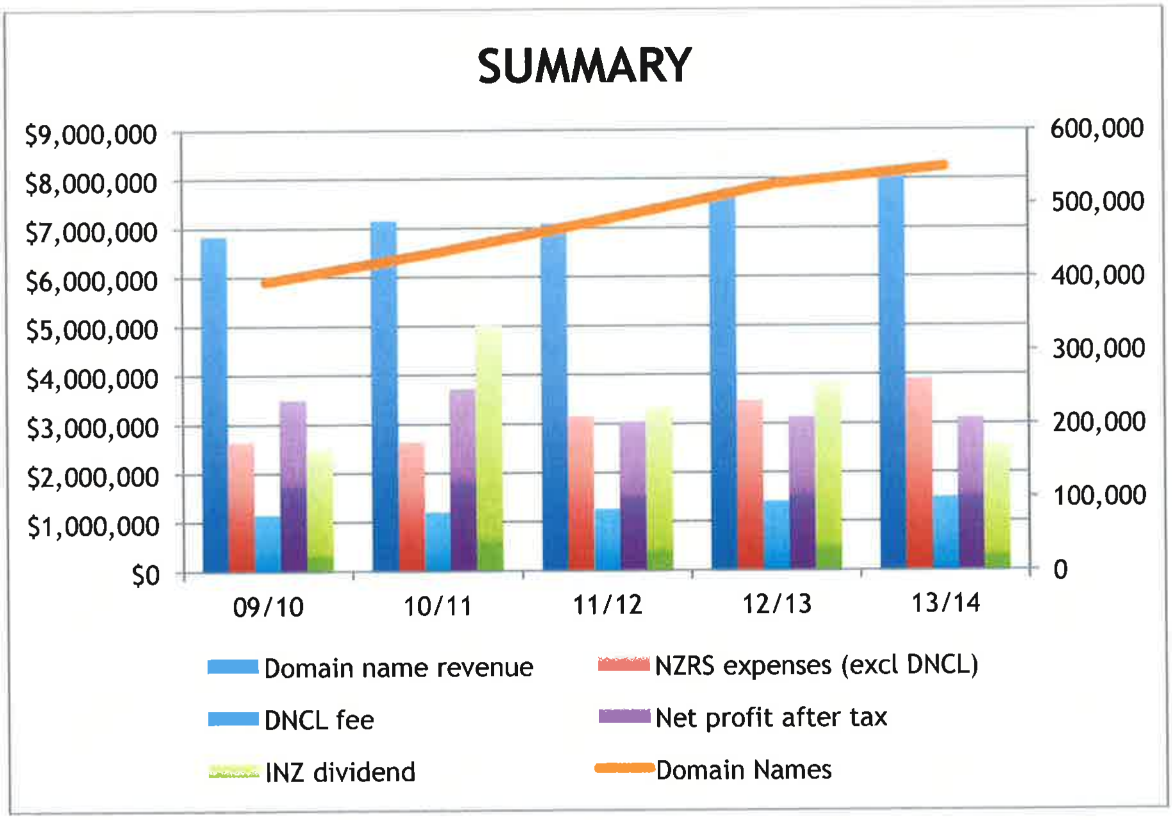
People and relationships

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

There were no changes at Board level during the year. At the 2013 AGM the three directors who retired by rotation were reappointed.

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.

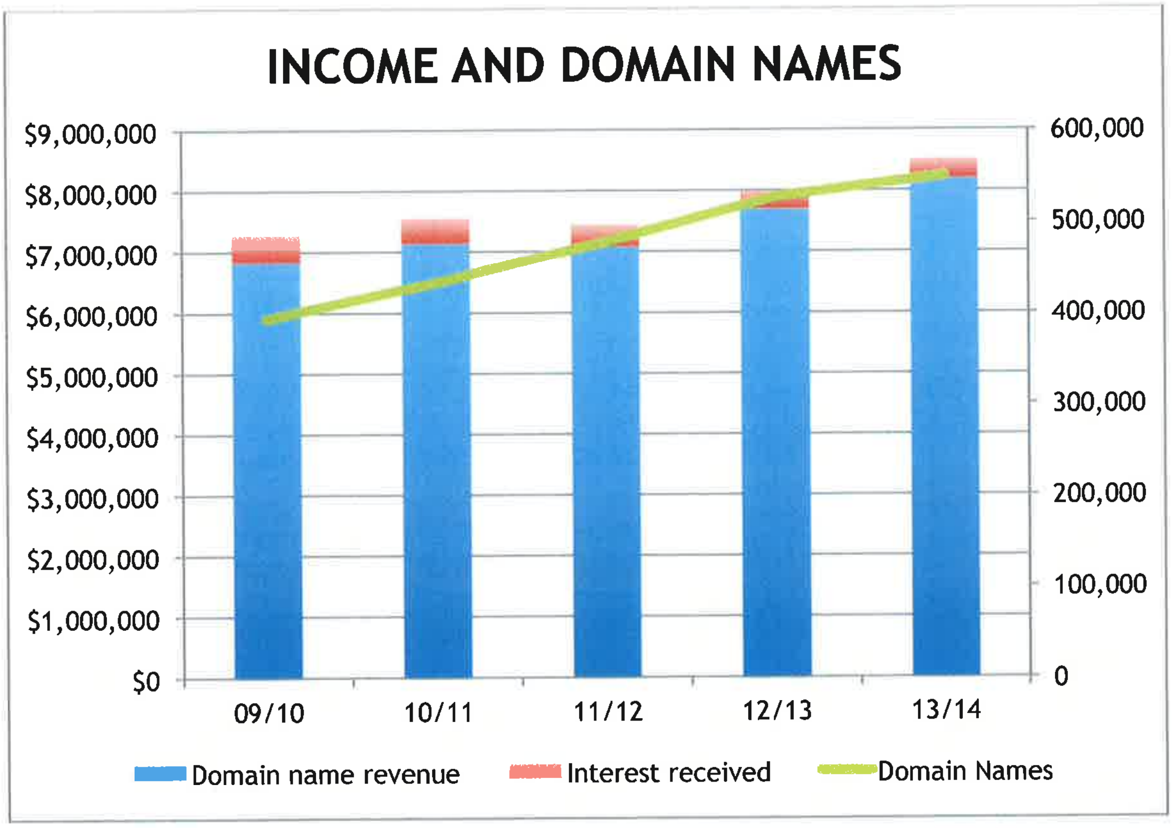


	09/10	10/11	11/12	12/13	13/14
Domain name revenue	$6,840	$7,152	$7,086	$7,703	$8,195
Expenses	$3,968	$3,841	$4,413	$4,869	$5,396
Net profit after tax	$3,490	$3,710	$3,031	$3,121	$3,101
Dividend	$2,490	$5,010	$3,325	$3,829	$2,560
DNCL fee	$1,150	$1,208	$1,260	$1,411	$1,496
Domain names	393	433	477	526	549

All figures are in 000s

The main factors for the increase in expenses in this year were the introduction of a technical research team and the step up in our marketing activities.

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 2014 was 14.16 months for new domain names, and 5.33 months for renewals. The increasing number of domain names results in the amount of prepaid domain name fees increasing each year.

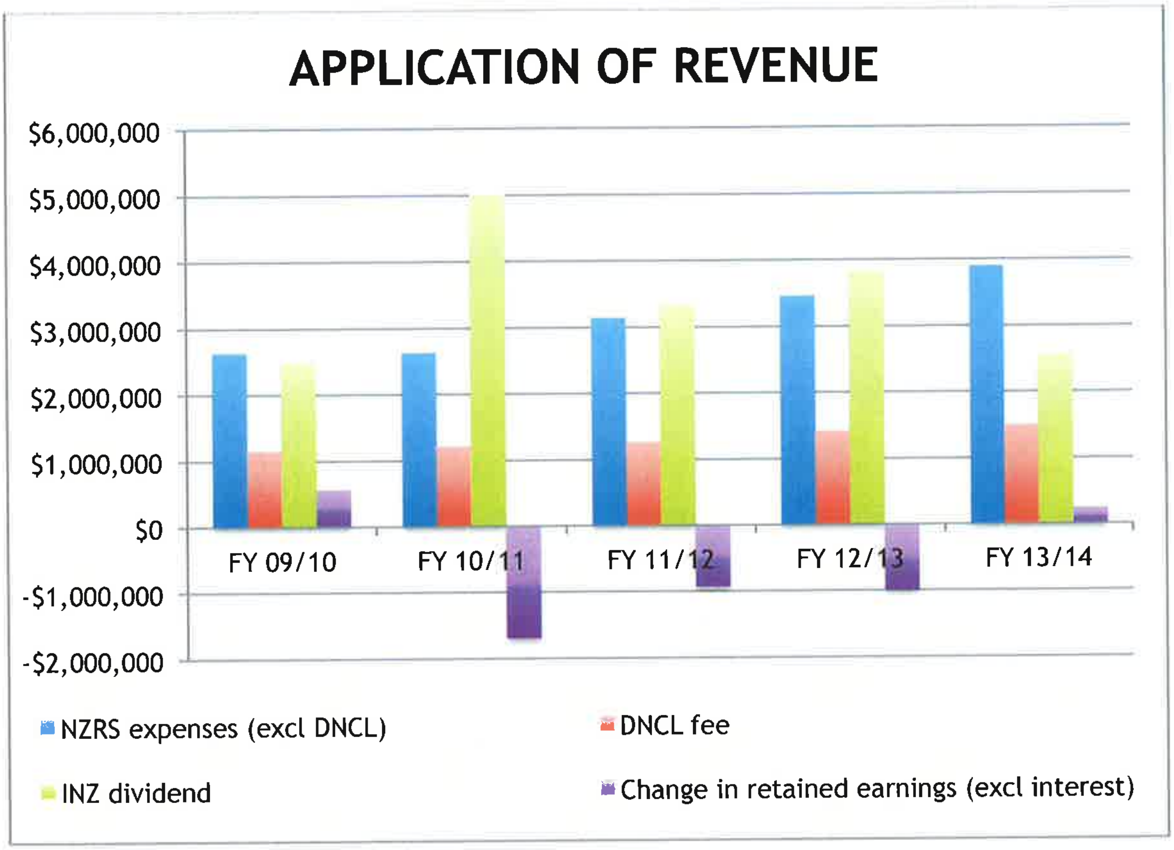


	09/10	10/11	11/12	12/13	13/14
Domain name revenue	$6,840	$7,152	$7,086	$7,703	$8,195
Interest received	$433	$398	$347	$287	$303
Domain names	393	433	477	526	549

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 has not paid income tax for the 2009-2010 through to 2013-2014 years as a result of our charitable status.



	09/10	10/11	11/12	12/13	13/14
Expenses (excl DNCL)	$2,632	$2,631	$3,153	$3,458	$3,900
DNCL fee	$1,150	$1,207	$1,260	$1,411	$1,495
INZ dividend	$2,490	$5,010	$3,325	$3,829	$2,560
Change in retained earnings (excl interest)	$567	($1,697)	($641)	(994)	$239
Tax	$0	$0	$0	$0	$0

All figures are in 000s

Outlook

The main factor in the outlook for 2014-15 is the decision by InternetNZ to accept the recommendation from DNCL to allow registrations directly at the second level. This will be the main focus of our development and operation teams over the coming year.

NZRS's budget for 2014 - 2015 is predicated on a rate of growth in domain names forecast in two halves, one forecast for the first six months of the financial year and one for the second half (as below), to cater for the expected launch of second level registration. The company believes this realistically reflects the current economic environment and outlook.

Net Growth	2014-15
Monthly budget H1	1,000
Monthly budget H2	13,000
Monthly budget	7,000
Yearly budget	84,000

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 and Shareholder of Roof Safe Systems, Director and Shareholder of 1Above Limited, Director of New Ground Media, a Trustee of the Young Enterprise Trust, and a Trustee of Sport Wellington.

New Zealand Domain Name Registry Limited
Annual Report
For the Year Ended 31st March 2014

Prepared By

Deloitte
Wellington NZ

New Zealand Domain Name Registry Limited
Directors' Report
For the Year Ended 31st March 2014

Financial Result

The Net Profit for the year, after taxation, was $3,101,480 (2013 $3,121,803).

	2014	2013
Retained Earnings as at 1 April 2013	2,954,486	3,661,603
Net Profit After Tax	3,101,480	3,121,803
Dividend Declared	(2,559,637)	(3,828,920)
Retained Earnings as at 31 March 2014	**$3,496,329**	**$2,954,486**

Dividend

Dividends of $2,559,637 were declared and paid for the year ended 31st March 2014 (2013 $3,828,920).

Remuneration of Directors

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

Directors' Fees	2014	2013
Richard Currey	39,000	28,800
Donna Hiser (Resigned July 2012 AGM)		4,200
Douglas Mercer	29,250	21,600
Michael Wallmannsberger	19,500	14,400
David Wright	19,500	14,400
Mark Vivian (Appointed July 2012 AGM)	19,500	10,200
	$126,750	**$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 2014

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**

16/6/14 **Date**

New Zealand Domain Name Registry Limited
Statement of Comprehensive Income
For the Year Ended 31st March 2014

	Note		2014 $	2013 $
Registry Fees			8,194,983	7,703,881
Operating Expenses				
Amortisation		338,674		304,253
Audit Fees		13,330		9,100
Depreciation	4	358,095		377,767
Directors' Fees		126,750		93,600
DNC Management Fee	13	1,495,872		1,411,200
Loss on Fixed Asset Disposal		-		1,380
Employee Remuneration	14	960,916		758,949
Other Expenses	1	2,102,419		1,913,355
Total Operating Expenses			5,396,056	4,869,604
Surplus/(Deficit) from Operations			2,798,927	2,834,277
Plus Other Income/(Expenses)				
Interest Revenue			302,553	287,526
Surplus/(Deficit) for the Year			3,101,480	3,121,803
Other Comprehensive Income			-	-
Total Comprehensive Income for the Year			$3,101,480	$3,121,803

Total Comprehensive Income is attributable to the Shareholders of the Company

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New Zealand Domain Name Registry Limited
Statement of Changes in Equity
For the Year Ended 31st March 2014

			2014 $	2013 $
Share Capital				
Opening Share Capital		30,000		30,000
Share Capital as at 31st March 2014			30,000	30,000
Retained Earnings				
Opening Retained Earnings		2,954,486		3,661,603
Transactions with Owners				
Dividend Declared	15	2,559,637		3,828,920
		394,849		(167,317)
Total Comprehensive Income for the Year				
Surplus/(Deficit) for the Year		3,101,480		3,121,803
		3,101,480		3,121,803
Retained Earnings as at 31st March 2014			3,496,329	2,954,486
Equity as at 31st March 2014			$3,526,329	$2,984,486

New Zealand Domain Name Registry Limited
Statement of Financial Position
As At 31st March 2014

	Note		2014 $	2013 $
Current Assets				
Cash and Cash Equivalents		870,692		984,361
Short Term Deposits	2	7,228,880		6,439,505
Trade Debtors and Other Receivables	3	1,105,142		981,109
Total Current Assets			9,204,714	8,404,975
Property, Plant & Equipment	4		565,843	587,564
Intangible Assets	5		523,547	371,440
Total Assets			10,294,104	9,363,979
Less Liabilities:				
Current Liabilities				
Deferred Income - Current	7	4,609,054		4,371,415
Trade Creditors and Other Payables	6	410,213		369,475
Total Current Liabilities		5,019,267		4,740,890
Non-Current Liabilities				
Deferred Income - Non Current	7	1,748,508		1,638,602
Total Liabilities			6,767,775	6,379,492
Net Book Value of Assets			$3,526,329	$2,984,487
Represented by:				
Total Equity			$3,526,329	$2,984,486

For and on Behalf of the Board

Director

Director

16/6/14 **Date**

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New Zealand Domain Name Registry Limited
Statement of Cashflows
For the Year Ended 31st March 2014

		2014 $	2013 $
Cashflows From Operating Activities			
Cash was Provided From:			
Net Receipts from Customers	8,398,389		7,994,656
Net GST Received			1,646
Interest Received	295,739		356,053
Income Tax Refunded	7,461		-
		8,701,589	8,352,355
Cash was Distributed To:			
Net GST Paid	69,217		-
Net Payments to Suppliers & Employees	4,569,874		4,196,933
		4,639,091	4,196,933
Net Cashflows from Operating		4,062,498	4,155,422
Cashflows from Financing Activities			
Cash was Distributed To:			
Dividend Paid	2,559,637		3,828,920
Net Cashflows from Financing		(2,559,637)	(3,828,920)
Cashflows from Investing Activities			
Cash was Distributed To:			
Purchase of Fixed Assets	336,375		529,223
Purchase & Development of Intangibles	490,780		237,742
Net Cashflows from Investing		(827,155)	(766,965)
Net Increase (Decrease) in Cash and Cash Equivalents		675,706	(440,463)
Plus Opening Cash Balance		7,423,866	7,864,329
Closing Cash and Cash Equivalents		$8,099,572	$7,423,866
Closing Cash and Cash Equivalents Comprises			
Cash at Bank		870,692	984,361
Short Term Deposits		7,228,880	6,439,505
		$8,099,572	$7,423,866

New Zealand Domain Name Registry Limited
Statement of Cashflows (Continued)
For the Year Ended 31st March 2014

Operating Activity Cashflow Reconciliation

		2014 $	2013 $
Surplus/(Deficit) for the Year		3,101,480	3,121,803
Plus:			
Depreciation & Amortisation	696,769		682,020
Increase in GST Payable	-		1,646
Decrease in Prepayments	19,459		-
Decrease in Income Tax Receivable	7,461		-
Increase in Employee Entitlements	22,775		12,179
Increase in Trade Creditors and Other Payables	87,179		13,021
Increase in Deferred Income	347,545		361,159
Decrease in Interest Receivable			68,527
		1,181,188	1,138,552
		4,282,668	4,260,355
Less:			
Increase in Trade Debtors and Other Receivables	144,139		70,384
Increase in Interest Receivable	6,814		-
Increase in Prepayments	-		34,549
Decrease in GST Payable	69,217		-
		220,170	104,933
Net Cashflow from Operating Activities		$4,062,498	$4,155,422

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Accounting Policies
For the Year Ended 31st March 2014

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 Services (Department of Internal Affairs) on 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 2014. The financial statements were authorised for issue by the Board of Directors on 16 June 2014.

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 2014

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%	SL
Computer Hardware	40.0%	-	48.0%	SL
Office Equipment	6.0%	-	67.0%	SL

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 2014

- 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	30.0% - 50%	SL

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 instruments fair value that are reported in profit or loss are included in the Statement of Comprehensive Income.

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

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

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

Accounting Policies
For the Year Ended 31st March 2014

- 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 account. 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 2014

- 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 2014

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.

Change in Comparatives
Prior year balances have been re-classified where applicable for comparability to current year balances.

New Zealand Domain Name Registry Limited
Notes To The Financial Statements
For the Year Ended 31st March 2014

1. Other Expenses

The balance of Other Expenses comprises the following items:

	2014 $	2013 $
Bad Debts Written Off	-	-
DNS Networking	185,506	197,193
SRS Maintenance	315,382	350,606
Other IT	167,195	212,276
Other Expenses	1,434,336	1,153,280
	$2,102,419	$1,913,355

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 2014	4.20%	$1,078,951
ANZ Banking Group	6 October 2014	3.85%	$396,660
ANZ Banking Group	3 December 2014	4.20%	$564,028
Bank of New Zealand	21 September 2014	4.61%	$1,328,055
KiwiBank	1 October 2014	4.10%	$609,487
TSB Bank	12 February 2015	4.10%	$1,012,224
TSB Bank	25 September 2014	4.15%	$510,375
Westpac	15 September 2014	4.70%	$799,578
Westpac	17 October 2014	3.80%	$927,521
			$7,228,880

Last 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
			$6,439,505

New Zealand Domain Name Registry Limited
Notes To The Financial Statements
For the Year Ended 31st March 2014

3. Trade Debtors and Other Receivables

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

	2014 $	2013 $
Interest Receivable	88,224	81,410
Resident Withholding Tax	-	7,461
Accounts Receivable	949,271	805,132
Pre-payments	67,647	87,106
	$1,105,142	$981,109

4. Property, Plant & Equipment

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

This Year	Cost or Valuation	Depreciation For Year	Accumulated Depreciation	Book Value This Year
Computer Hardware	1,816,397	313,990	1,410,487	405,910
Office Equipment	285,868	44,105	125,935	159,933
	$2,102,265	**$358,095**	**$1,536,422**	**$565,843**

Last Year	Cost or Valuation	Depreciation For Year	Accumulated Depreciation	Book Value Last Year
Computer Hardware	1,582,745	347,879	1,096,497	486,247
Office Equipment	183,146	29,888	81,830	101,316
	$1,765,891	**$377,767**	**$1,178,327**	**$587,563**

During the year there were fixed asset additions as follows:

Computer Hardware	$233,653	(2013 $466,846)
Office Equipment	$102,722	(2013 $62,377)

New Zealand Domain Name Registry Limited
Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2014

5. Intangible Assets

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

This Year	Cost or Valuation	Amortisation For Year	Accumulated Amortisation	Book Value This Year
Software	2,508,453	338,674	1,984,907	523,547
Trademark	10,698	-	10,698	-
	$2,519,151	**$338,674**	**$1,995,605**	**$523,547**

Last Year	Cost or Valuation	Amortisation For Year	Accumulated Amortisation	Book Value Last Year
Software	2,017,672	304,253	1,646,233	371,440
Trademark	10,698	-	10,698	-
	$2,028,370	**$304,253**	**$1,656,931**	**$371,440**

During the year there were additions of $490,780. (2013 $237,742)

6. Trade Creditors and Other Payables

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

	2014 $	2013 $
Accounts Payable	351,174	263,994
Holiday Pay Accrual	72,983	50,208
GST Payable	(13,944)	55,273
	$410,213	$369,475

7. Deferred Income

The Company has invoiced clients for $6,357,562 (2013 $6,010,017) in advance.

8. Issued Shares

The Company has 30,000 (2013: 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 2014

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 2014 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 2014. (2013 $Nil)

11. Commitments

As at balance date the Company had no commitments. (2013 $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. (2013: 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 $2,559,637 (2013 $3,828,920).

New Zealand Domain Name Registry Limited paid management fees of $75,051 (2013 $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 $1,495,872 (2013 $1,411,200) from the Company during the year.

New Zealand Domain Name Registry Limited
Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2014

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:

	2014 $	2013 $
Directors' Fees	126,750	93,600
Key Management	660,486	408,747

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

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

14. Employee Remuneration

	2014 $	2013 $
Salaries and Wages	916,626	733,377
Employer Contributions to Contribution Plans	21,515	13,393
Increase/(decrease) in Employee Entitlements	22,775	12,179
Total Employee Remuneration	$960,916	$758,949

During the year four (2013 three) employees received remuneration greater than $100,000.

15. Dividend Declared

During the year dividends of $2,559,637 ($85.32 per share) were declared. (2015 $3,828,920, $127.63 per share).

BDO WELLINGTON

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 28, which comprises the statement of financial position of the Company as at 31 March 2014, 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 28:

- 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 2014, 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

BDO Wellington
16 June 2014
Wellington
New Zealand

Company Directory
As At 31st March 2014

Directors	Douglas Mercer Richard Currey David Wright Michael Wallmannsberger Mark Vivian	
Ordinary Shares Issued		30,000
Held By	Internet New Zealand Incorporated	30,000
Accountants	Deloitte	
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	