Domain Name Commission Limited

Financial Statements
For the year ended 31 March 2022

Domain Name Commission Limited

Contents

Domain Name Commission Limited

Statement of Comprehensive Revenue and Expense
For the year ended 31 March 2022

	Notes	2022 $	2021 $
OPERATING ACTIVITIES			
Exchange revenue			
Authorisation Fees		15,000	12,000
DRS Complaint Fees		16,000	20,000
Management Fees		1,726,099	1,449,699
Other Income		119,048	46,612
Total Exchange Revenue		1,876,147	1,528,311
Total Operating Revenue		1,876,147	1,528,311
Operating expenses			
Audit Fees		5,240	4,500
Board Expenses		7,968	6,681
Communications		122,113	58,621
Compliance		48,078	55,666
Depreciation	**9**	10,654	7,710
Amortisation	**10**	55,925	16,761
Directors Fees	**13**	24,000	33,000
Disputes Resolution Service		57,409	50,532
DNC Registrar Activities		9,994	8,473
International Memberships and Conferences		(6,778)	26,011
Legal Expenses		5,276	114,492
Office and Administration		354,723	315,168
Personnel and Staff	**12**	1,010,981	782,610
Professional Services		11,794	15,814
Projects		118,705	35,324
Total Operating Expenses		1,836,082	1,531,363
Surplus/(Deficit) from Operating Activities		40,066	(3,052)
INVESTING ACTIVITIES			
Interest Income on Term Deposits		7,377	15,096
Surplus/(Deficit) from Investing Activity		7,377	15,096
SURPLUS/(DEFICIT) FOR THE YEAR		47,443	12,044
Other Comprehensive Revenue/(Expenses)		-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR		47,443	12,044

These financial statements have been authorised for issue by the Board.

Director ______________________ Date ____________

Director ______________________ Date ____________

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

Domain Name Commission Limited

Statement of Financial Position
As at 31 March 2022

	Notes	2022 $	2021 $
ASSETS			
Current			
Cash and Cash Equivalents	**6**	237,867	142,025
Other Financial Assets	**7**	671,024	779,005
Trade Debtors and Other Receivables	**8**	75,097	130,714
Total Current Assets		983,988	1,051,744
Non-current			
Property, Plant and Equipment	**9**	10,311	17,379
Intangible Assets	**10**	185,835	205,247
Total Non-Current Assets		196,146	222,626
TOTAL ASSETS		1,180,134	1,274,370
LIABILITIES			
Current			
Trade Creditors and Other Payables	**11**	158,788	324,120
Employee Entitlements		94,742	71,089
Total Current Liabilities		253,530	395,209
TOTAL LIABILITIES		253,530	395,209
NET ASSETS		926,604	879,161
EQUITY			
Share Capital		580,000	580,000
Accumulated Funds		346,604	299,161
TOTAL EQUITY		926,604	879,161

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

Domain Name Commission Limited

Statement of Changes in Net Assets
For the year ended 31 March 2022

	2022	2021
	$	$
SHARE CAPITAL		
Opening Balance	580,000	580,000
CLOSING BALANCE SHARE CAPITAL	580,000	580,000
ACCUMULATED FUNDS		
Opening Balance	299,161	287,117
Surplus/(Deficit) for the Year	47,443	12,044
Other Comprehensive Revenue and Expense	-	-
Total Comprehensive Revenue and Expense	47,443	12,044
CLOSING BALANCE ACCUMULATED FUNDS	346,604	299,161
TOTAL EQUITY	926,604	879,161

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

Domain Name Commission Limited

Statement of Cash Flows
For the year ended 31 March 2022

	Notes	2022 $	2021 $
Cash Flows from Operating Activities			
Cash was Provided from/(Applied to):			
Receipts from Customers		1,876,147	1,472,518
Interest Received		6,839	14,119
Payments to Suppliers and Employees		(1,889,925)	(1,299,941)
Net GST Received (Paid)		34,900	(7,866)
Net Cash From/(Used In) Operating Activities	**15**	27,960	178,830
Cash Flows from Investing Activities			
Cash was Provided from/(Applied to):			
Purchase of Property, Plant and Equipment		(3,586)	(15,392)
Purchase of Intangible Assets		(36,513)	(194,229)
Net Movement in Short-Term Deposits		107,981	(49,545)
Net Cash From/(Used In) Investing Activities		67,882	(259,166)
Net Increase/(Decrease) in Cash and Cash Equivalents		72,189	(80,336)
Cash and Cash Equivalents at the Beginning of the Year		142,025	222,361
Cash and Cash Equivalents At End of the Year	**6**	237,867	142,025

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

Notes to the financial statements

1 Reporting entity

These financial statements comprise the financial statements of Domain Name Commission Limited (the 'Company') for the year ended 31 March 2022.

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

The Company is a Public Benefit Entity (PBE) as its primary objective is to provide goods or services to the community for social benefit rather than for a financial return.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with public benefit entity international public sector accounting standards (PBE IPSAS) and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for public sector entities. For the Purpose of complying with NZ GAAP, the Company is a public benefit public sector entity and is eligible to Tier 2 public sector PBE IPSAS on the basis that it does not have public accountability and is not defined as large.

The Company has elected to report in accordance with Tier 2 public sector PBE accounting standards apart from note 15 and, in doing so, has taken advantage of all applicable reduced disclosure regime (RDR) disclosure concessions.

(b) Basis of measurement

The financial statements have been prepared on a historical costs basis.

The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

During the past two years the global pandemic has impacted the business. Revenue has not been impacted in the current year. (2021: None).

(c) Presentation currency

The financial statements are presented in New Zealand dollars.

All numbers are rounded to the nearest dollar ($), except when otherwise stated.

(d) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

3 Summary of significant accounting policies

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

(a) Property, plant and equipment

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

Additions and subsequent costs

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

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

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

Disposals

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

Depreciation

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

Office equipment	13.0% - 67%	SL

The residual value, useful life, and depreciation methods of property, plant and equipment are reassessed annually.

(b) Intangible assets

Intangible assets acquired separately are initially recognised at cost.

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

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

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

Software	48% - 50%	SL

Residual values and useful lives are assessed at each reporting date.

Disposals

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

(c) Leased assets

Leases, where the Company assumes substantially all the risks and rewards incidental to ownership of the leased assets, are classified as finance leases. All other leases are classified as operating leases.

Lease payments on finance leases are apportioned between finance charges and the reduction of the lease obligation so as to achieve a constant rate of interest (the effective interest rate) on the remaining balance of the liability. Finance charges are charged directly against the surplus or deficit, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

Payments made under operating leases are recognised in the surplus or deficit 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. Associated costs, such as maintenance and insurance, are expensed as incurred.

(d) Provisions

A provision is recognised for a liability when the settlement amount or timing is uncertain, when there is a present legal or constructive obligation as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate of the potential settlement can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material. The increase in the provision due to the passage of time is recognised as an interest expense.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(e) Employee entitlements

Employee benefits, previously earned from past services, that the Company expects to be settled within 12 months of the reporting date, are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to the reporting date and annual leave earned, but not yet taken, at the reporting date.

(f) Impairment of non-financial assets

At each reporting date, the Company assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs. An asset's or CGU's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use.

Where the carrying amount of an asset or the CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised immediately in surplus or deficit.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus or deficit.

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

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

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

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

Derecognition of financial instruments

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

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

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

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

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

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

Subsequent measurement of financial liabilities
Trade payables and other borrowings are subsequently measured at amortised cost using the effective interest method.

(h) Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and revenue can be reliably measured. Revenue is measured at the fair value of consideration received.

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as the principal or agent in a revenue transaction. In an agency relationship, only the portion of revenue earned on the Company's own account is recognised as gross revenue in the Statement of Comprehensive Revenue and Expense.

The following specific recognition criteria must be met before revenue is recognised:

Rendering of services

Revenue from services rendered is recognised in the accounting periods in which the services are provided.

Interest income

Interest income is recognised as it is earned.

(i) Expenses

Expenses are recognised in the accounting period in which the services or goods are received.

(j) Income tax

Due to its charitable status, the Company is exempt from income tax.

(k) Goods and Services Tax (GST)

All amounts in these financial statements are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the Inland Revenue (IR) is included as part of receivables or payables in the Statement of Financial Position.

4 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with PBE standard requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Where material, information on significant judgements, estimates and assumptions is provided in the relevant accounting policy or provided in the relevant note disclosure.

The estimates and underlying assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Estimates are subject to ongoing review and actual results may differ from these estimates. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in future years affected.

5 Capital management policy

The Company's capital is its equity, being the net assets represented by retained earnings and other equity reserves. The primary objectives of the Company's capital management policy is to ensure adequate capital reserves are maintained in order to support its activities. The Company manages its capital structure and makes adjustment to it, in light of changes to funding requirements. To maintain or adjust the capital structure, budgetary discretionary expenditure is reduced to avoid the need for external borrowings.

6 Cash and cash equivalents

	2022	2021
	$	$
Cash at bank and on hand	237,867	142,025
Cash and cash equivalents	237,867	142,025

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

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

7 Other financial assets

	2022	2021
	$	$
Term deposits	671,024	779,005
Total other financial assets	671,024	779,005

All the term deposits for the year are between 6 and 12 months and interest rates varies between 1.6% to 2.5%.

8 Trade debtors and other receivables

	2022	2021
	$	$
Accounts Receivable	6,922	56,450
Prepayments	65,760	72,388
Interest receivable	2,415	1,876
Total trade and other receivables	75,097	130,714

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

9 Property, plant and equipment

Movements for each class of property, plant and equipment are as follows:

2022	Office equipment $	Total $
Gross carrying amount		
Opening balance	62,057	62,057
Additions	3,586	3,586
Disposals	-	-
Closing balance	65,643	65,643
Accumulated depreciation and impairment		
Opening balance	44,677	44,677
Depreciation for the year	10,654	10,654
Impairment charge for the year	-	-
Depreciation written back on disposal	-	-
Closing balance	55,331	55,331
Carrying amount 31 March 2022	10,311	10,311

2021	Office equipment $	Total $
Gross carrying amount		
Opening balance	46,665	46,665
Additions	15,392	15,392
Disposals	-	-
Closing balance	62,057	62,057
Accumulated depreciation and impairment		
Opening balance	36,967	36,967
Current year depreciation	7,710	7,710
Impairment charge for the year	-	-
Depreciation written back on disposal	-	-
Closing balance	44,677	44,677
Carrying amount 31 March 2021	17,379	17,379

Capital commitments

As at balance date the Company had no capital commitments (2021: None).

10 Intangible assets

Movements for each class of intangible assets are as follows:

2022	**Software** $	**Total** $
Gross carrying amount		
Opening balance	237,446	237,446
Additions	36,514	36,514
Disposals	-	-
Closing balance	273,960	273,960
Accumulated amortisation and impairment		
Opening balance	32,199	32,199
Current year amortisation	55,925	55,925
Closing balance	88,124	88,124
Carrying amount 31 March 2022	185,835	185,835

2021	**Software** $	**Total** $
Gross carrying amount		
Opening balance	43,216	43,216
Additions	194,230	194,230
Disposals	-	-
Closing balance	237,446	237,446
Accumulated amortisation and impairment		
Opening balance	15,438	15,438
Current year amortisation	16,761	16,761
Closing balance	32,199	32,199
Carrying amount 31 March 2021	205,247	205,247

11 Trade creditors and other payables

	2022 $	**2021** $
Accounts payable	120,526	320,758
GST payable	38,262	3,362
Total trade and other payables	158,788	324,120

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

12 Personnel and staff expenses

	2022 $	2021 $
Salaries and wages	875,089	671,781
Other employment expenses	112,239	78,618
Increase (decrease) in personnel and staff expenses	23,653	32,212
Total employee remuneration and expenses	1,010,981	782,610

During the year there was one employee who received remuneration greater than $100,000 (2021:One Employee).

13 Related party transactions

Related party transactions arise when an entity or person(s) has the ability to significantly influence the financial and operating policies of the Company.

The Company has a related party relationship with any company under common control and its Key Management Personnel.

The Company received management fees of $1,726,099 (2021: $1,449,699) from InternetNZ.

The Company paid administration fees of $246,732 (2021: $236,611) to InternetNZ.

The Company has trade debtors of $6,922 (2021: $56,450) owing from InternetNZ.

The Company has trade creditors of $5,325 (2021: $41,823) owing to InternetNZ.

The Company paid directors fees of $24,000 (2021: $33,000).

Key management compensation

The Company has a related party relationship with its key management personnel. Key management personnel include directors and executive officers.

Key management personnel compensation includes the following expenses:

	2022 $	2021 $
Directors fees, key management salaries and other short term benefits	433,726	263,754
Total remuneration	433,726	263,754
Number of persons recognised as key management personnel	4	4

14 Financial instruments

(a) Carrying value of financial instruments

The carrying amounts of all material financial assets and liabilities are considered to be equivalent to fair value.

Fair value is the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

(b) Classification of financial instruments

All financial assets held by the Company classified as "loans and receivables" are carried at cost less accumulated impairment losses.

All financial liabilities held by the Company are carried at amortised cost using the effective interest rate method.

	2022 $	2021 $
Financial assets (loans and receivables)		
Cash and cash equivalents	237,867	142,025
Term deposits	671,024	779,005
Trade debtors	75,097	130,714
Total financial assets	983,988	1,051,744
Financial liabilities (amortised cost)		
Trade creditors	158,788	324,120
Employee entitlement	94,742	71,089
Total financial liabilities	253,530	395,209

15 Reconciliation of cash flows from operating activities

	2022 $	2021 $
Surplus/(deficit) for the year	47,443	12,044
Add/(deduct) non-cash items		
Depreciation, amortisation and impairment	66,579	24,471
Fair value movements on financial instruments through surplus or deficit	-	-
Bad and doubtful debt expenses	-	-
Other non-cash items	-	-
Add/(deduct) movements classified as investing activities		
(Gain)/loss on disposal of property, plant and equipment	-	-
Add/(deduct) movements in working capital		
(Increase)/decrease in trade debtors and other receivables	48,989	(56,770)
(Increase)/decrease in prepayments	6,628	1,639
Increase/(decrease) in trade creditors and other payables	(165,332)	165,234
Increase/(decrease) in employee entitlements	23,653	32,212
Net cash flows from/ (used in) operating activities	27,960	178,830

16 Contingent assets and contingent liabilities

The Company has no contingent assets or continent liabilities (2021: None).

17 Events after the reporting period

There were no significant events after the balance date (2021: None).

17 Comparatives

In order to be consistent with the current year we have reclassified items in the prior year for consistency.