

# Independent Auditor's Report

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To the Directors of Domain Name Commission Ltd

## Report on the Audit of the General Purpose Financial Report

### Opinion

We have audited the general purpose financial report of Domain Name Commission Ltd which comprise:

- a. the financial statements set out on pages 14 to 33, which comprise the statement of financial position as at 31 March 2024, and the statement of comprehensive revenue and expense, statement of changes in net assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies; and
- b. the statement of service performance on page 2 to 13;

In our opinion, the accompanying general purpose financial report presents fairly, in all material respects:

- a. the financial position of the Entity as at 31 March 2024 and its financial performance and cash flows for the year then ended; and
- b. the service performance for the year ended 31 March 2024 in accordance with the Entity's service performance criteria

in accordance with the Public Benefit Entity Standards issued by the New Zealand Accounting Standards Board.

### Basis for Opinion

We conducted our audit of the financial statements in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and the audit of the service performance information in accordance the International Standard on Assurance Engagements (New Zealand) (ISAE (NZ)) 3000 (Revised) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the General Purpose Financial Report* section of our report. We are independent of the Entity in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

### Other information Other than the General Purpose Financial Reports and Auditor's Report thereon

The Directors are responsible for the other information. The other information comprises information referred to in website links included in the statement of service performance, but does not include the general purpose financial report and our auditor's report thereon.

Our opinion on the general purpose financial report does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the general purpose financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the general purpose financial report, or our

knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the General Purpose Financial Report**

The Directors are responsible on behalf of the Entity for:

- (a) the preparation and fair presentation of the financial statements and statement of service performance in accordance with Public Benefit Entity Standards issued by the New Zealand Accounting Standards Board;
- (b) service performance criteria that are suitable in order to prepare service performance information in accordance with Public Benefit Entity Standards; and
- (c) such internal control as the Directors determine is necessary to enable the preparation of the financial statements and the statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the general purpose consolidated financial report, the Directors on behalf of the Entity are responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the Audit of the General Purpose Financial Report**

Our objectives are to obtain reasonable assurance about whether the general purpose financial report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the general purpose financial report.

As part of an audit in accordance with ISAs (NZ) and ISAE (NZ) 3000 (Revised), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

**Restriction on use of our report**

This report is made solely to the Directors of Domain Name Commission Ltd, as a body. Our audit work has been undertaken so that we might state to the Directors of Domain Name Commission Ltd, as a body, those matters which 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 Domain Name Commission Ltd and its Directors, as a body, for our audit work, for this report or for the opinion we have formed.

**Grant Thornton New Zealand Audit Limited****B Kennerley****Partner****WELLINGTON****26 June 2024**

# Domain Name Commission Limited

Financial Statements and Statement of Service  
Performance

For the year ended 31 March 2024

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# Domain Name Commission Limited

Statement of Service Performance

For the year ended 31 March 2024

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## Who we are?

The Domain Name Commission Limited (DNC) regulates the .nz domain name space. Certain functions and powers are vested to us under the .nz Rules<sup>1</sup> relating to the oversight and enforcement of the .nz Rules, the accreditation of registrars, and the provision of a Dispute Resolution Service (among other things).

We have been appointed by InternetNZ | Ipurangi Aotearoa to manage aspects of the .nz domain name space. The terms and conditions under which those functions and powers are performed are set out in the Operating Agreement between the two parties.

The .nz domain name space has circa 747,256 domain names and 74 registrars. Domain names are key to having an effective digital presence. It is important to Aotearoa New Zealand that a trusted and secure scheme of registration and renewal is in place and that domain name holders can rely on the continued control of their domain names through a reliable domain name licensing system. It is paramount that the .nz Rules are enforced, and that all participants in the .nz domain name space are aware of their roles and responsibilities.

## Why do we exist?

Our purpose is to be a fair, independent, and accessible regulator who provides trusted oversight of the .nz domain name space and an excellent Dispute Resolution Service. Our strategic intent is to promote and protect the rights of domain name holders by enforcing our contractual and .nz Rules framework. We also have a role in developing and monitoring a competitive registrar market. We aim to keep .nz fair for everyone.

The principles guiding the management of .nz include:

- .nz infrastructure must be dependable and secure, and .nz be trusted.
- Everybody should be able to observe, participate, innovate and enjoy the benefits of .nz.
- .nz should serve and benefit New Zealand and reflect and be responsive to our diverse social, cultural and ethnic environment.
- .nz should enable New Zealand to grow and develop it should help people, businesses and organisations connect, create, innovate and grow.

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<sup>1</sup> means the rules that bind all participants in .nz domain name space; current version dated 31 March 2023 and as may be amended from time to time:

<https://internetnz.nz/assets/Archives/v2-.nz-Rules-effective-31-March-2023.pdf>



## What do we aim to do?

We carry out the following functions:

- Oversee the .nz market to ensure compliance of registrars, resellers, and domain name holders with the .nz Rules;
- Enforce the .nz Rules;
- Authorise and remove registrar authorisations;
- Provide a dispute resolution service for .nz domain names;
- Provide a customer services function to attempt to resolve queries from the public regarding the .nz domain name space and its operation;
- Investigate and resolve complaints regarding registrars;
- Publish information and reports related to our functions;
- Maintain an understanding of the competitiveness of the .nz market;
- Participate as part of the InternetNZ Group in relevant international forums and events to share knowledge and skills and keep up to date with emerging issues.

## Customer services enquiry management

Providing great customer service and resolving enquiries is core to our role in promoting and protecting the rights of domain name holders. We aim to resolve each enquiry in a fair and timely manner. We ensure we prioritise enquiries that may impact the ability to use a domain name.

The types of enquiries we receive include requests for action to be taken against .nz domain names, questions relating to the rights of domain name holders, information on the generation of authorisation codes, and how to transfer or update domain names.

We also maintain a dedicated website and ensure it is accessible to all. We invest significantly in our website and monitor its use continuously. We are also available via email and phone as well as a Chatbot that enables some enquiries to be answered 24/7.

## The measure of success — enquiry management

We operate an accessible customer service function. We respond to enquiries and requests for assistance across several channels. With respect to our email channel, we strive to continually improve our average rating, as well as the



percentage of 5-star reviews year on year. 1 star = very poor, 2 star = poor, 3 star = neither good nor bad, 4 star = good, 5 star = very good.

We aim to respond to initial enquiries within 48 hours, 80% of the time. Over the last year, the average per month was 92%.

## Results — enquiry management

		<b>FY 23/24</b>	<b>FY 22/23</b>
1a.	Number of email enquiries received. Note: this excludes email enquiries received from authorised registrars.	1,512	1,366
1b.	Number of inbound phone calls	1,546	2,073
	Number of outbound phone calls	1,058	920
1c.	Number of enquiries made to the website Dot Chatbot	2,200	2,600
1d.	Number of enquires answered by our website Dot Chatbot without human assistance	920	987
1.d1	Number of conversations with Dot Chatbot	705	Not reported on
1e.	Customer ratings on closing email enquiries	Average rating of 3.8/5 stars (157 surveys completed).  55.5% are 5 stars, 15% are 4 stars, 6.5% are 3 stars, 8% are 2 stars, and 15% are 1 star.	Average rating 3.7/5 stars (124 surveys completed)

## Trends and analysis — enquiry management

All customers are provided the opportunity to provide feedback on their experience with us when their correspondence is resolved via an automated email from our ticketing system. Some selected examples of customer service feedback are included below:





Positive feedback	Constructive feedback
Extremely helpful first response with links and also very quick to respond. We felt we were in good hands and greatly appreciated their professional & knowledgeable assistance.	You need to fix it for me. I can't understand your process.
Fantastic service, super helpful and friendly. Couldn't ask for a better service.	You provided me with little information and no direct help for my problem, about the same as ICANN!
[Staff member] was amazing on the phone. When I called and explained what the issue was she guided me through what the DNC would need and how to log my complaint and made what is a stressful situation, into something that would be easily dealt with and a gave me peace of mind that the DNC would do everything that they can to hopefully get my domains names back for me! Can't fault your level of care, commitment and customer support/service!	The NZ domain ownership change process is antiquated and you are not holding registrars responsible for: <ol style="list-style-type: none"> <li>1. allowing online transfers (some only do mail, and it never actually processes),</li> <li>2. having online transfer process change within an SLA eg 5 business days. My last transfer took 6 weeks and over 20 email follow ups!!</li> </ol>

At times we receive enquiries that fall outside of our enforcement powers in the .nz Rules. Examples of these include takedown requests of domain names due to the use or content posted on the website they resolve to.

We also receive enquiries where the domain name holder expects us to act on the issue they are experiencing (such as reinstating a domain name on their behalf or changing the registration information). These examples are actions that the registrars are ultimately responsible for so we will recommend customers reach out to their registrar in the first instance, or where they have, we will follow up directly with the registrar.

In the current period, 37 responses received 1– or 2–star reviews (out of five). Upon review, common themes include the issues described above and the use of confusing terminology. We regularly review our template responses to ensure that Plain English Guidelines are followed.



## Dispute resolution service

Providing a dispute resolution service is one of our core functions in the Operating Agreement.

At times, parties disagree about who the domain name holder of a .nz domain name should be (the dispute resolution service also applies to sub-domains). These disagreements are referred to as complaints and are governed by the .nz Dispute Resolution Service Policy, the current version is 4.2 (DRS Policy).

The process enables a complaint to be filed and for each party to provide documentation and evidence to support their case. A third-party mediator is appointed (and paid for by us) to provide Informal mediation services to the parties. If Informal mediation is unsuccessful, the complainant can apply for (at their cost) an independent expert to determine who should have the domain name.

All decisions are published for transparency and along with selected case [summaries can be found via our website](#).

## Measure of success — dispute resolution service

We provide dispute resolution services to facilitate a low-cost option to dispute resolution compared to litigation. We aim to meet the timelines in the DRS Policy and provide administration services in a timely manner. The key indicator we measure is the time taken to issue a decision following fees being received.

## Results — dispute resolution service

		<b>FY 23/24</b>	<b>FY 22/23</b>
2a.	Number of decisions filed.	23	7
2a1	Number of appeals filed.	1	0
2b.	Number of decisions issued within 3 months of fees being paid.	23 (100%)	7 (100%)
2b1.	Number of informal mediations commenced.	10	5
2c.	Number of informal mediations commenced where settlement was	3 of 10	1 of 5



	achieved.		
2d.	The number of conflicted domain names that went to mediation and settled in the reporting period. Note: we ceased providing the service in November 2022.	N/A	6 of 13

## Case study — dispute resolution

The DRS Policy provides parties to a complaint a right of appeal of any decision. We processed an appeal for a complaint involving the domain names tai-ping.co.nz and tai-ping.nz. The parties involved in this complaint were family members who had a joint business in Auckland. The expert determined that the complainant did have rights to the domain name and that the mark was identical to or sufficiently similar to the domain names. When it came to the unfair registration aspect of the decision, the expert noted that the complainant had not discharged the burden of establishing that the respondent's use of the domain names has been unfair. The expert dismissed the complaint.

The complainant filed an appeal against the original decision. The appeal panel considered the appeal based on a full review of all the documents available. This included the documents made available to the expert, the decision, the appeal notice, and the response to appeal. The appeal panel noted that it was necessary to underline the legal relationships and scope of the intellectual property and the license between the parties. This was to ensure that the necessary groundwork made it possible to consider whether this was an Unfair Registration in terms of the DRS Policy.

The appeal panel concluded that the respondent has no answer to the complainant's case that the registration of the domain names was/is an unfair registration. The appeal was allowed, and the domain names in dispute were transferred to the complainant.

## Compliance and enforcement

Domain name holders are required under the .nz Rules to ensure their registration details are accurate, complete and kept up to date. We may request domain name holders verify their identity within a timeframe detailed in any request. Where verification is not completed we may suspend the domain name.



We check whether a domain name holder is contactable at the details that they provided on the .nz register and that they are either an identifiable individual over the age of 18 or a lawfully constituted entity. We refer to this as the data validation process.

We also have a membership with the Internet Watch Foundation (IWF) working to combat Child Sexual Abuse Material (CSAM). Reported URLs are referred by us to the Department of Internal Affairs under our partnership arrangement for investigation and any necessary regulatory and criminal action (such as takedown orders). More [information about the IWF](#) can be found on their website.

### Measure of success — compliance and enforcement

We have two levels of validation of registration information, standard and urgent.

The criteria for urgent validations is when the domain name is allegedly being used for high harm (such as financial services-related phishing or CSAM). We endeavor to have the registration data validated for these within seven days.

All other referrals to us are treated as standard. We aim to close data validation referrals within two weeks of their reporting, 80 per cent of the time.

### Results — compliance and enforcement

		<b>FY 23/24</b>	<b>FY 22/23</b>
3a.	Domain names entered the data validation process.	1,038	289
3b.	Domain names not validated and suspended by us.	856	186
3c.	Number of urgent validations and average time taken from referral to suspension. Note: The increase in the average time taken was due to a delayed suspension over a weekend.	7 71:31 hrs	12 52:18 hrs
3d.	Internet Watch Foundation URL reports actioned relating to CSAM on .nz domain names. Note: we did not report on domain name numbers in FY 22/23.	607 (5 domain names)	584



## Data validation case study

Off the back of our engagement with registrars when data validation suspensions are undertaken, one registrar proactively reviewed its domain name holders and referred 113 additional domain names to us that matched certain registration information similarities to the previously suspended domain names. We then put these through our validation process, which resulted in the suspension of all 113 domain names.

## Market participants and market health

An incorporated body can apply to us to become a registrar. We will assess the application and approve it if the relevant criteria are met.

We may remove a registrar's authorisation in certain circumstances, including when they leave the .nz market. We will ensure that a registrar's domain name holders are adequately informed if the management of their domain name is transferring to another registrar.

We publish a list of all registrars and their contact details. We also detail some of the service offerings provided by each registrar so potential domain name holders can select a registrar that offers the services they require.

We monitor significant changes to the ownership and control of registrars to ensure that there is still competition in the .nz market and that registrars have been authorised to operate in the .nz domain name space.

We also monitor and assess any complaints about registrars to ensure they are complying with the .nz Rules. We scan for potential issues that might indicate the potential failure of a registrar that needs closer oversight.

There were 74 registrars in the .nz domain name space at the end of the financial year and one application for authorisation under assessment.

## Measure of success — market participants and market health

We obtain external reporting twice a year to measure the average retail price of .nz domain names.



A market with a Herfindahl-Hirschman Index (HHI)<sup>2</sup> of less than 1,500 is considered a competitive marketplace, an HHI of 1,500 to 2,500 is moderately concentrated, and an HHI of 2,500 or greater is highly concentrated.

In addition, we seek to minimise barriers for registrars to enter the .nz market by setting the minimum standards and eligibility criteria no higher than necessary to ensure .nz is secure and trusted and to maintain a competitive and stable market for registrars.

We want to ensure domain name holders have a variety of registrars to choose from and that no one registrar has dominance which creates increased risk to the .nz market should a failure occur.

## Results — market participants and market health

		<b>FY 23/24</b>	<b>FY 22/23</b>
4a.	Number of new registrars authorised.	3	4
4b.	Number of registrars de-registered.	2	5
4c.	We publish market data in our annual report.	Annual Report July 2024	Annual Report July 2023
4d.	The registrar market concentration figure by reference to HHI.	1,028	997

## Outreach and engagement

We engage in various ways with registrars. We regularly respond to issues we observe and resolve issues for domain name holders. We educate our community on expectations and obligations and recent DRS Policy decisions through our newsletters.

We also regularly meet with registrars for operational purposes, other country code top-level domain (ccTLD) managers, as well as other New Zealand regulators, and key referral partners.

<sup>2</sup>

<https://www.investopedia.com/terms/h/hhi.asp>[https://en.wikipedia.org/wiki/Herfindahl%E2%80%93Hirschman\\_index](https://en.wikipedia.org/wiki/Herfindahl%E2%80%93Hirschman_index)



We participate in various national and international conferences to share knowledge and skills and to identify current or emerging risks, to meet with Registrars, vendors and peer ccTLDs. The staff contribute actively to the Asia Pacific Top Level Domain Name Association (APTLD), the Association of European country code top-level domain name registries (CENTR) and The Internet Corporation for Assigned Names and Numbers (ICANN) activities.

### Measure of success — outreach and engagement

Increase our knowledge and skills and identify best practices. We aim to build mutually beneficial relationships with our peer ccTLDs, engage with our international based registrars and vendors. Increase our ability to benchmark our regulatory activities by engaging with our international counterparts.

We aim to maintain or increase our external publications year on year.

### Results — outreach and engagement

		<b>FY 23/24</b>	<b>FY 22/23</b>
5a.	Number of newsletters published. Note: We moved from monthly to quarterly newsletters during the period.	6	11
5b.	Number of subscribers to our newsletter is maintained or increased. Note: Up 3.1% on last year.	1,422	1,379
5c.	Number of informative blogs published. Note: we published a podcast about Online Dispute Resolution which is included in the FY23/24 figure.	4	8
5d.	Conferences or forums attended in person	4	3
5e.	Conferences or forums attended online	4	Not reported on.

### Judgements

The decisions about what service performance information to present were made in consultation with the key management personnel and consultation with the entity’s Board. Other regulators’ reporting was referred to as a resource and for



comparison — i.e. the Commerce Commission’s annual report (statement of contribution and measures for remediating harmful behaviors).

An analysis of our key activities significantly influenced the judgements about what to report on. These key activities correspond to our functions set out in the Operating Agreement with InternetNZ and the .nz Rules.

This report focuses on the key services delivered and measures performance by quantitative measures, such as the number of services provided, qualitative descriptions, and feedback from the people we provide services to.

This report includes new items not reported on in the previous financial year as we continue to review and refine our regulatory processes and reporting capabilities.





# Domain Name Commission Limited

## Statement of Comprehensive Revenue and Expense

For the year ended 31 March 2024

	Notes	2024 \$	2023 \$
<b>OPERATING ACTIVITIES</b>			
<b>Exchange revenue</b>			
Authorisation Fees		15,000	9,000
DRS Complaint Fees		56,400	16,000
Management Fees		1,635,000	1,650,000
Other Income		-	59,526
<b>Total Exchange Revenue</b>		<b>1,706,400</b>	<b>1,734,526</b>
<b>Total Operating Revenue</b>		<b>1,706,400</b>	<b>1,734,526</b>
<b>Operating expenses</b>			
Audit Fees		10,200	9,100
Board Expenses		10,478	10,430
Communications		75,175	100,539
Compliance		55,092	50,820
Depreciation	9	4,199	7,518
Amortisation	10	54,386	46,037
Directors Fees	13	35,470	35,468
Disputes Resolution Service		94,400	58,413
Moderators		7,130	2,727
DNC Registrar Activities		9,491	8,200
International Memberships and Conferences		52,490	25,863
Legal Expenses		26,714	28,829
Office and Administration		349,142	356,451
Personnel and Staff	12	858,717	1,060,959
Professional Services		2,847	5,921
Projects		4,125	2,000
<b>Total Operating Expenses</b>		<b>1,650,056</b>	<b>1,809,276</b>
<b>Surplus/(Deficit) from Operating Activities</b>		<b>56,344</b>	<b>(74,750)</b>
<b>INVESTING ACTIVITIES</b>			
Interest Income on Term Deposits		38,679	18,969
<b>Surplus/(Deficit) from Investing Activity</b>		<b>38,679</b>	<b>18,969</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>95,023</b>	<b>(55,781)</b>
Other Comprehensive Revenue/(Expenses)		-	-
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR</b>		<b>95,023</b>	<b>(55,781)</b>



# Domain Name Commission Limited

Statement of Financial Position

As at 31 March 2024

		Notes	
		2024	2023
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and Cash Equivalents	6	170,362	210,499
Other Financial Assets	7	708,985	686,376
Trade Debtors and Other Receivables	8	56,930	43,968
<b>Total Current Assets</b>		<b>936,277</b>	<b>940,843</b>
<b>Non-current</b>			
Property, Plant and Equipment	9	7,770	6,358
Intangible Assets	10	152,039	184,967
<b>Total Non-Current Assets</b>		<b>159,808</b>	<b>191,325</b>
<b>TOTAL ASSETS</b>		<b>1,096,085</b>	<b>1,132,168</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade Creditors and Other Payables	11	89,437	181,455
Employee Entitlements		40,802	79,888
<b>Total Current Liabilities</b>		<b>130,239</b>	<b>261,343</b>
<b>TOTAL LIABILITIES</b>		<b>130,239</b>	<b>261,343</b>
<b>NET ASSETS</b>		<b>965,846</b>	<b>870,824</b>
<b>EQUITY</b>			
Share Capital		580,000	580,000
Accumulated Funds		385,846	290,824
<b>TOTAL EQUITY</b>		<b>965,846</b>	<b>870,824</b>



# Domain Name Commission Limited

Statement of Changes in Net Assets  
For the year ended 31 March 2024

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<b>SHARE CAPITAL</b>		
Opening Balance	580,000	580,000
<b>CLOSING BALANCE SHARE CAPITAL</b>	<b>580,000</b>	<b>580,000</b>
<b>ACCUMULATED FUNDS</b>		
Opening Balance	290,824	346,604
Surplus/(Deficit) for the Year	95,023	(55,781)
Other Comprehensive Revenue and Expense	-	-
Total Comprehensive Revenue and Expense	95,023	(55,781)
<b>CLOSING BALANCE ACCUMULATED FUNDS</b>	<b>385,846</b>	<b>290,824</b>
<b>TOTAL EQUITY</b>	<b>965,846</b>	<b>870,824</b>



# Domain Name Commission Limited

Statement of Cash Flows  
For the year ended 31 March 2024

		Notes	
		2024	2023
		\$	\$
<b>Cash Flows from Operating Activities</b>			
Cash was Provided from/(Applied to):			
Receipts from Customers		1,703,298	1,738,151
Interest Received		23,272	15,635
Payments to Suppliers and Employees		(1,717,899)	(1,703,389)
Net GST Received (Paid)		871	(13,680)
<b>Net Cash From/(Used In) Operating Activities</b>	<b>15</b>	9,541	36,717
<b>Cash Flows from Investing Activities</b>			
Cash was Provided from/(Applied to):			
Purchase of Property, Plant and Equipment		(5,609)	(3,565)
Purchase of Intangible Assets		(21,459)	(45,168)
Net Movement in Short-Term Deposits		(22,609)	(15,352)
<b>Net Cash From/(Used In) Investing Activities</b>		(49,678)	(64,085)
Net Increase/(Decrease) in Cash and Cash Equivalents		(40,137)	(27,368)
Cash and Cash Equivalents at the Beginning of the Year		210,499	237,867
<b>Cash and Cash Equivalents At End of the Year</b>	<b>6</b>	170,362	210,499

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

  
\_\_\_\_\_  
Director

26/06/2024  
\_\_\_\_\_  
Date

Mel Hewitson  
\_\_\_\_\_  
Director

26/06/2024  
\_\_\_\_\_  
Date

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



# Domain Name Commission Limited

## 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 2024.

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 board 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 Board 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.



# Domain Name Commission Limited

## Notes to the Financial Statements

### **(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 have been applied consistently to all years presented in these financial statements.

### **(a) Property, plant and equipment**

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

#### **Additions and subsequent costs**

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

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

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



# Domain Name Commission Limited

## Notes to the Financial Statements

### Disposals

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

### Depreciation

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

Office equipment 13.0% - 41% 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% - 100% SL

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



# Domain Name Commission Limited

## Notes to the Financial Statements

### 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





# Domain Name Commission Limited

## Notes to the Financial Statements

### **(d) Provisions (continued)**

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.



# Domain Name Commission Limited

## Notes to the Financial Statements

### **(f) Impairment of non-financial assets (continued)**

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**

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instruments.

The Company derecognises a financial asset or part of a group of similar financial assets when the rights to receive cash flows from the asset have expired or are waived, or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either;

- the Company has transferred substantially all the risks and rewards of the asset; or
- the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.



# Domain Name Commission Limited

## Notes to the Financial Statements

### **Financial assets**

Financial assets within the scope of the PBE IPSAS 41 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, fair value through other comprehensive revenue and expenses or amortised cost. The classifications of the financial assets are determined at initial recognition.

The Company classifies its financial assets as financial assets at amortised cost.

### **Amortised cost**

Financial assets are classified in this category if they are held in order to collect their contractual cash flows, and their contractual cash flows are solely payments of principal and interest.

The Company's financial assets carried at amortised cost are cash and cash equivalents, short term investments, investments and receivables from exchange transactions.

Financial assets carried at amortised cost are initially recognised at fair value plus directly attributable transaction costs and are thereafter carried at amortised cost using the effective interest method, less provision for impairment.

### **Impairment of financial assets**

The provision for impairment of receivables is determined by applying a simplified approach to measuring expected credit losses, which calculates a lifetime expected loss allowance. To measure expected credit losses, receivables are grouped based on shared credit risk characteristics and days past due. An expected loss rate is then applied to each of these groups; these loss rates are based on historical loss rates, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of counterparties to settle receivables. Impairment on receivables is recognised in a separate provision account, with the loss being recognised in surplus or deficit. On confirmation that a receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.



# Domain Name Commission Limited

## Notes to the Financial Statements

### **Impairment of financial assets (continued)**

The entity assesses at the end of reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Impairment provision for other financial assets are recognised based on a forward looking expected credit loss model.

The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those financial assets where the credit risk has not increased significantly since initial recognition, twelve month expected credit losses, along with gross interest income, are recognised. For those financial assets for which credit risk has increased significantly, lifetime expected credit losses, along with gross interest income, are recognised. For those financial assets that are determined to be credit impaired, lifetime expected credit losses, along with interest income on a net basis, are recognised.

### **Financial Liabilities**

The Company's financial liabilities include trade and other creditors (excluding GST and PAYE) and employee entitlements.

All financial liabilities are initially recognised at fair value (plus transaction cost for financial liabilities not at fair value through surplus or deficit) and are measured subsequently at amortised cost using the effective interest method. The entity holds no financial liabilities at fair value through surplus or deficit.



# Domain Name Commission Limited

## Notes to the Financial Statements

### **(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.



# Domain Name Commission Limited

## Notes to the Financial Statements

### **(k) Goods and Services Tax (GST) (continued)**

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.



# Domain Name Commission Limited

## Notes to the Financial Statements

### 6. Cash and cash equivalents

	2024	2023
	\$	\$
Cash at bank and on hand	170,362	210,499
<b>Cash and cash equivalents</b>	<b>170,362</b>	<b>210,499</b>

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

All the term deposits for the year are between 6 and 12 months and interest rates varies between 2.50% and 6.10%.

	2024	2023
	\$	\$
Term deposits	708,985	686,376
<b>Total other financial assets</b>	<b>708,985</b>	<b>686,376</b>

### 8. Trade debtors and other receivables

	2024	2023
	\$	\$
Accounts Receivable	6,400	3,298
Prepayments	29,373	34,920
Interest receivable	21,157	5,750
<b>Total trade and other receivables</b>	<b>56,930</b>	<b>43,968</b>

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



# Domain Name Commission Limited

## Notes to the Financial Statements

### 9. Property, plant and equipment

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

<b>2024</b>	<b>Office equipment \$</b>	<b>Total \$</b>
<b>Gross carrying amount</b>		
Opening balance	69,208	69,208
Additions	5,609	5,609
Disposals	-	-
Closing balance	74,817	74,817
<b>Accumulated depreciation and impairment</b>		
Opening balance	62,849	62,849
Depreciation for the year	4,199	4,199
Impairment charge for the year	-	-
Depreciation written back on disposal	-	-
Closing balance	67,048	67,048
<b>Carrying amount 31 March 2024</b>	<b>7,770</b>	<b>7,770</b>

<b>2023</b>	<b>Office equipment \$</b>	<b>Total \$</b>
<b>Gross carrying amount</b>		
Opening balance	65,643	65,643
Additions	3,565	3,565
Disposals	-	-
Closing balance	69,208	69,208
<b>Accumulated depreciation and impairment</b>		
Opening balance	55,331	55,331
Current year depreciation	7,518	7,518
Impairment charge for the year	-	-
Depreciation written back on disposal	-	-
Closing balance	62,849	62,849
<b>Carrying amount 31 March 2023</b>	<b>6,358</b>	<b>6,358</b>

#### Capital commitments

As at balance date the Company had no capital commitments (2023: None).





# Domain Name Commission Limited

## Notes to the Financial Statements

### 10. Intangible assets

Movements for each class of intangible assets are as follows:

<b>2024</b>	<b>Software \$</b>	<b>Total \$</b>
<b>Gross carrying amount</b>		
Opening balance	319,128	319,128
Additions	21,459	21,459
Disposals	44,475	44,475
Closing balance	385,063	385,063
<b>Accumulated amortisation and impairment</b>		
Opening balance	134,161	134,161
Current year amortisation	54,386	54,386
Depreciation written back on disposals	44,475	44,475
Closing balance	233,022	233,022
<b>Carrying amount 31 March 2024</b>	<b>152,039</b>	<b>152,039</b>

<b>2023</b>	<b>Software \$</b>	<b>Total \$</b>
<b>Gross carrying amount</b>		
Opening balance	273,960	273,960
Additions	45,168	45,168
Disposals	-	-
Closing balance	319,128	319,128
<b>Accumulated amortisation and impairment</b>		
Opening balance	88,124	88,124
Current year amortisation	46,037	46,037
Closing balance	134,161	134,161
<b>Carrying amount 31 March 2023</b>	<b>184,967</b>	<b>184,967</b>



# Domain Name Commission Limited

## Notes to the Financial Statements

### 11. Trade creditors and other payables

	2024	2023
	\$	\$
Accounts payable	63,985	156,873
GST payable	25,452	24,582
<b>Total trade and other payables</b>	<b>89,437</b>	<b>181,455</b>

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

	2024	2023
	\$	\$
Salaries and wages	863,509	976,863
Other employment expenses	34,294	69,242
Increase (decrease) in personnel and staff expenses	(39,086)	14,854
<b>Total employee remuneration and expenses</b>	<b>858,717</b>	<b>1,060,959</b>

During the year there was four employees received remuneration greater than \$100,000 (2023: Four Employees).

### 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 \$1,635,000 (2023: \$1,650,000) from InternetNZ.

The Company paid administration fees of \$276,527 (2023: \$249,581) to InternetNZ.

The Company has trade debtors of \$0 (2023: \$3,298) owing from InternetNZ.

The Company has trade creditors of \$1,987.46 (2023: \$16,619) owing to InternetNZ.

The Company paid directors fees of \$35,470 (2023: \$24,000).



# Domain Name Commission Limited

## Notes to the Financial Statements

### Key management compensation

The Company have 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:

	2024 \$	2023 \$
Directors fees, key management salaries and other short term benefits	294,014	260,687
<b>Total remuneration</b>	294,014	260,687
<b>Number of persons recognised as key management personnel</b>	4	3

## 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.

	2024 \$	2023 \$
<b>Financial assets (amortised cost)</b>		
Cash and cash equivalents	170,362	210,499
Term deposits	708,985	686,376
Trade debtors	56,930	43,968
<b>Total financial assets</b>	936,277	940,843
<b>Financial liabilities (amortised cost)</b>		
Trade creditors	89,437	181,455
Employee entitlement	40,802	79,888
<b>Total financial liabilities</b>	130,239	261,343



# Domain Name Commission Limited

## Notes to the Financial Statements

### 15. Reconciliation of cash flows from operating activities

	2024 \$	2023 \$
Surplus/(deficit) for the year	95,023	(55,781)
<i>Add/(deduct) non-cash items</i>		
Depreciation, amortisation and impairment	58,585	53,555
<i>Add/(deduct) movements in working capital</i>		
(Increase)/decrease in trade debtors and other receivables	(18,509)	290
(Increase)/decrease in prepayments	5,547	30,840
Increase/(decrease) in trade creditors and other payables	(92,018)	22,668
Increase/(decrease) in employee entitlements	(39,086)	(14,856)
<b>Net cash flows from/ (used in) operating activities</b>	<b>9,541</b>	<b>36,717</b>

### 16. Contingent assets and contingent liabilities

The Company has no contingent assets or contingent liabilities (2023: None).

### 17. Events after the reporting period

There were no significant events after the balance date (2023: None).

