



Annual Report

2009-10



THE AUSTRALIAN **DOMAIN NAME** ADMINISTRATOR

.au Domain Administration Ltd
114 Cardigan Street
Carlton VIC 3053
Australia
www.auda.org.au
ACN 079 009 340

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Who we are

auDA is the administrator of the Domain Name System (DNS) in Australia.

The DNS is the technical system that seamlessly directs users to the website or service they expect when they enter an Internet address into their computer's browser.

Given it is used by millions of Australian businesses, organisations and individuals every day, auDA's role in ensuring this element of Australia's Internet infrastructure is stable and reliable, is of vital importance.

The core elements of our role are:

- developing and reviewing .au policies;
- enabling and enforcing regulatory compliance;
- maximising security and technical stability of the .au space;
- facilitating competition and consumer choice through the accreditation of .au registrars;
- engaging and educating .au stakeholders and the broader community; and
- facilitating consumer safeguards and effective dispute resolution mechanisms.

auDA operates under a non-profit, industry self-regulatory model.

Stakeholders from both the supply and demand side of the Internet industry are represented at the highest levels of our corporate governance structure and are consulted in the development and refinement of all of auDA's policies. auDA also works closely with the Australian Government, from whom we have received endorsement to perform our role.

We also acknowledge that .au is just one element of the Internet's vast international policy and management network. As such, we play an active role in representing the interests of .au in relevant fora such as the Internet Corporation for Assigned Names and Numbers (ICANN), the Internet Governance Forum (IGF) and the Internet Engineering Task Force (IETF).

Chair's statement



As we near the tenth anniversary of auDA's endorsement, by the Australian Government, as the appropriate body to administer the .au domain space, it seems an opportune time to take a step back and reflect upon the milestones of the last decade.

auDA, like many current country-code managers, was born from a collective realisation that the technically and academically-based, voluntary governance arrangements that had functioned so well during the Internet's formative years could not continue to do so in the face of exponential growth in demand from Australian businesses and end-users during the late 1990's.

The industry self-regulatory model under which auDA manages .au was developed through a rigorous - and, at times, arduous - process of consultation and negotiation between members of the Australian Internet community.

I joined the auDA Board in 2001 and have witnessed how the organisation, and the .au namespace, have survived and flourished during an almost inconceivable period of industry transformation.

Over the last decade, auDA has delivered a competitive marketplace for .au domain names - accrediting over 30 registrars, facilitating greater consumer choice, and setting the frameworks for continued growth (from 280 000 to 1.76 million names in eight years) in our national namespace. At the same time, we have developed and maintained a robust regulatory regime, ensuring appropriate protections for Australian businesses, rights-holders, domain registrants and end-users, alike.

auDA has also established an active profile in relevant international fora such as ICANN, the IGF and Asia-Pacific Top Level Domain Association (APTLD), to ensure the interests of the Australian Internet community are appropriately represented. auDA has also recently increased its commitment to reaching out to relevant stakeholders in order to better educate and inform them about who we are, what we do, and why our role is important.

Above all else, I believe auDA has been unfailing in its commitment to ensuring the ongoing stability and utility of .au. This includes the continual upgrading of in-house capabilities and redundancy mechanisms, and the strengthening of strategic external relationships.

All in all, it has been a remarkable ten years for .au, and I look forward to the opportunities and challenges that will be presented over the next decade.

The Hon Tony Staley AO

CEO's statement



I am pleased to present auDA's Annual Report, including audited financial statements, for 2009-10.

The last 12 months have proven challenging for all sectors of the Australian economy. In response to the lingering effects of the global financial crisis, financial forecasts have remained uncertain, credit and stock markets have contracted and consumer confidence and spending have plateaued.

And yet, in the face of these potentially negative influences, demand for domain names and growth in the .au namespace have remained strong, with the market reaching 1.76 million domain names by the end of FY2009-10.

This result represents an almost 25% increase on 2008-09, and is consistent with longer-term trends dating back to the introduction of competition to the .au space in 2002.

These strong figures reflect positively on auDA's efforts to establish and maintain .au as an example of best practice in Internet governance, and a space that is competitive, open, stable and reliable, while also offering appropriate protections for domain registrants and end users.

It is now ten years since I joined auDA – at a time when it was a new organisation with limited funding, recently established structure, uncertain future, and none of the policy frameworks that help guide our operations today. Shortly after I began as CEO, Jo Lim joined the organisation and is now our Chief Operations and Policy Officer.

Over the ensuing ten years, we have taken on additional staff and built our capabilities, expanded our membership and provided appropriate levels of stewardship in the face of growing demand.

As auDA enters into its second decade of operations, the organisation – much like the Internet itself – is moving from a period of establishment and rapid growth and change, to a phase of maturation and consolidation. With the assistance of the auDA Board, we have undertaken an extensive process of planning and organisational realignment, building upon the goals outlined in auDA's 2008-10 Strategic Plan.

auDA has absorbed responsibility for the management of Community Geographic Domain Names (CGDNs) from its subsidiary entity, auCD, and with the resultant addition of two staff, we are now a team of ten. We have developed an updated 2010-12 Strategic Plan and refined our operating structure into three main units – Regulatory, Security and Outreach.

- The regulatory group remains responsible for the core aspects of auDA's operations – reviewing and developing relevant policy, strengthening industry regulation and improving complaints management and dispute resolution.
- The security group manages strategic initiatives to enhance the security and stability of the .au space and auDA's own systems. These include the implementation of IPv6 and DNSSEC, the management of the .au servers, updating of security contingency plans and internal security reviews.
- The outreach group manages auDA's engagement with stakeholder groups such as industry, government, community and international organisations. It also coordinates a range of projects such as the auDA Foundation, the Australia and NZ Internet Best Practice Awards and CGDNs.

I am confident that these refined organisational arrangements will ensure that auDA remains a positive example of the benefits of an industry self-regulatory model, and is ready and able to respond to the growing needs of the Australian Internet community and the challenges of the next ten years.

Chris Disspain

The Hon Tony Staley AO—Chair



Tony Staley has been independent Chair of the auDA Board since 2001. He spent a decade in the Australian Parliament, including three years as Minister for Post and Telecommunications before pursuing a career in the private sector. He has been Chairman or Director of a variety of companies and organisations, including Mitsubishi Motors, Ogilvy and Mather, Alexander Stenhouse, National Museum of Australia, Playbox Theatre, the Telecommunications Industry Ombudsman Council, the Liberal Party of Australia, Energy and Water Ombudsman Board, Partners in Performance International and the Co-operative Research Centre's Association.

Tony graduated in law and political science from the University of Melbourne, where he also lectured in Australian Government.

Kimberley Heitman—Deputy Chair

Kimberley Heitman is the University Lawyer and Director of Legal Services at the University of Western Australia and has worked in the higher education sector for ten years. Kim was a founding Board Member of auDA and has been Deputy Chair since 2002, serving on several standing committees and panels.

Admitted to legal practice in 1982, he is a barrister and solicitor, Director and consultant. Kim lectures and consults on Internet regulation, e-commerce and risk management and is the Central/Western Convener of the Society of University Lawyers. Kim is married with five children and resides in Perth.



Air Vice-Marshal Julie Hammer AM, CSC— Independent Director



Air Vice-Marshal Julie Hammer, an electronics engineer, served in the Royal Australian Air Force for over 28 years in the fields of aircraft maintenance, technical intelligence, electronic warfare, and information and communications technology systems.

She acted as the Chief Information Officer for Defence for the year prior to her retirement. She holds a Bachelor of Science with Honours in Physics, a Masters degree in Aero Systems Engineering, a Graduate Diploma in Strategic Studies and a Doctor of Engineering Honoris Causa. She was National President of Engineers Australia throughout 2008 and has been a Director of auDA since April 2007.

Graham McDonald—Independent Director

Graham McDonald has practiced law for 40 years. He has been a Presidential Member of the Federal Administrative Appeals Tribunal for the last 20 years during which time he has also served as the inaugural Australian Banking Ombudsman and as Chairman of the Superannuation Complaints Tribunal. Graham has extensive experience as a partner in legal firms, as a barrister and has held a number of State and Federal Government appointments.



Marty Drill—Supply Class Director



Marty Drill has been a Director of the auDA Board for nearly four years. He is passionate about the industry and the Internet. Marty was a Director of Domain Candy, an accredited registrar, for eight years and sold his interest in the business in 2009. Marty is the CEO of Get Started, one of Melbourne's premier web design firms, a company he established in 1999.

Marty has several years experience as a Director, including being on the Board of the online fruit and vegetable business Eatfresh and the investment company Opportunity Junkies. Marty is passionate about giving back to the community and is a Director of the charity sponsorship website Online Giving.

Amin Kroll—Supply Class Director

With much experience in the web services industry in Australia, Amin Kroll was appointed to the auDA Board in October 2007 and is now serving in his second term. Amin is General Manager of Hostway Corporation in Australia and within that role is part of the Executive Lead Team. He has broad international experience also spearheading the establishment of an operation in Ho Chi Minh City, Vietnam.

Previously the founder and CEO of IntaServe Pty Ltd (since acquired by Hostway), Amin has an Executive MBA from the Macquarie Graduate School of Management and has represented Australia internationally (Under 21) for Team European Handball.



Cheryl Langdon-Orr—Demand Class Director



Cheryl was elected to the auDA Board for a third term of office in the Demand Class stakeholder category in October 2008. Previously, she worked on several auDA policy advisory panels, and is currently serving a third term as Chair of the ICANN At-Large Advisory Committee (ALAC).

Cheryl represents the Internet Society of Australia (ISOC-AU) as an ICANN accredited At-Large Structure in ICANN's Asia Pacific Regional At-Large Organisation (APRALO) and APRALO in the ALAC, until late 2011.

As Chair of the ALAC, Cheryl was also appointed to serve on the first Affirmation of Commitment's Review Team for ICANN looking at Accountability and Transparency.

George Pongas—Supply Class Director

George Pongas has been involved with the Australian domain industry since 2003. During this time he has managed seven accredited registrars, formerly holding the position as CEO at Domain8 and Domain Candy, and more recently Business Development Manager for Fabulous.com.au.

George is an active and visible industry member, having participated on auDA panels, as well as attending a number of international ICANN conferences.

Recently appointed as .au Services Manager at AusRegistry (the .au second level domain (2LD) registry operator), George will continue to apply his commercial sensibility, and extensive industry experience to ensure the delivery of a valuable Supply Class perspective for the Australian domain industry.



Joshua Rowe—Demand Class Director



Josh Rowe is an active participant in the debate of Australian and global domain name governance, with over 18 years experience with the Internet and domain name issues.

Josh has recently completed post graduate research on the usability of domain names and is a staunch consumer advocate within the Australian domain name industry.

Currently working with Australia Post to manage the corporation's development of its digital strategy, Josh is focused on ways to best use the Internet to improve Australia Post's business.

Rosemary Sinclair—Demand Class Director

Rosemary Sinclair is the Managing Director of the Australian Telecommunications Users Group (ATUG), a self-funded not-for-profit organisation focused on communications service issues affecting business and government organisations.

In addition to her role on the auDA Board, Rosemary has also participated in an extensive range of committees, councils and organisations, including the Australian Government's National Broadband Development Group, Teleworking Taskforce, and Broadband Advisory Group, the Australian Communications Industry Forum and the National ICT Industry Alliance. Rosemary is also a Council Member of ICANN's Generic Names Supporting Organisation.

Rosemary studied arts and law at the University of Sydney before going on to complete a Bachelor of Business and her Masters in Commerce from the University of NSW.



Dwayne Varey—Supply Class Director

Dwayne Varey has over 12 years experience as an electrician/electronics technician within the Australian Defence Force and a further ten years experience in the hosting, Internet and telecommunications industries. Dwayne has worked under many management roles with Westnet and iiNet.

Currently Dwayne is the Operations Manager at iiNet Ltd and has been on the auDA Board as a Supply Class Member since October 2008.



Chris Disspain—CEO and Director



Chris was appointed CEO of auDA in October 2000. Under his guidance, auDA has become self-funding, introduced competition into the domain name market in .au, simplified the policy regime and introduced an industry code of practice.

Chris is the Chair of ICANN's Country Code Name Supporting Organisation, a body that represents the interests of and sets global policy and best practice for country code top level domains.

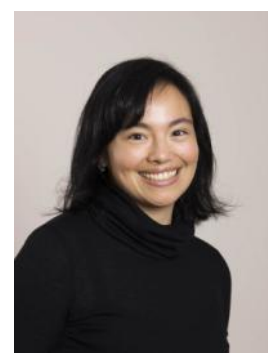
He is also a member of the UN's Secretary General's IGF Multi-stakeholder Advisory Group.

Jo Lim—Chief Operations and Policy Officer and Company Secretary

Jo Lim is auDA's Company Secretary and Chief Operations and Policy Officer. She has been with auDA since 2001, and is currently responsible for managing auDA's regulatory activities, including policy development and review, industry regulation, complaints management and dispute resolution.

Jo has previous experience in government policy work on communications and IT issues, including a stint as ministerial adviser. She was involved in a number of key policy initiatives, including online content regulation and government electronic service delivery.

Jo was also a member of the taskforce that drafted the *Telecommunications Act 1997*, to facilitate open competition in the Australian telecommunications market.



auDA staff

Chris Disspain - Chief Executive Officer

Jenelle Backman - Public Affairs Officer

Lujia Chen - Policy Officer

Leonie Dunbar - General Manager, Registrar and CGDN Services

Jo Lim - Chief Operations and Policy Officer

Adam King - Technology Officer

Jacki O'Sullivan - Executive Assistant to the CEO

Elsbeth Ross - General Manager, auDA Foundation and Awards

Vanessa Stanford - Policy Compliance Officer

Paul Szyndler - General Manager, Public Affairs

The .au marketplace

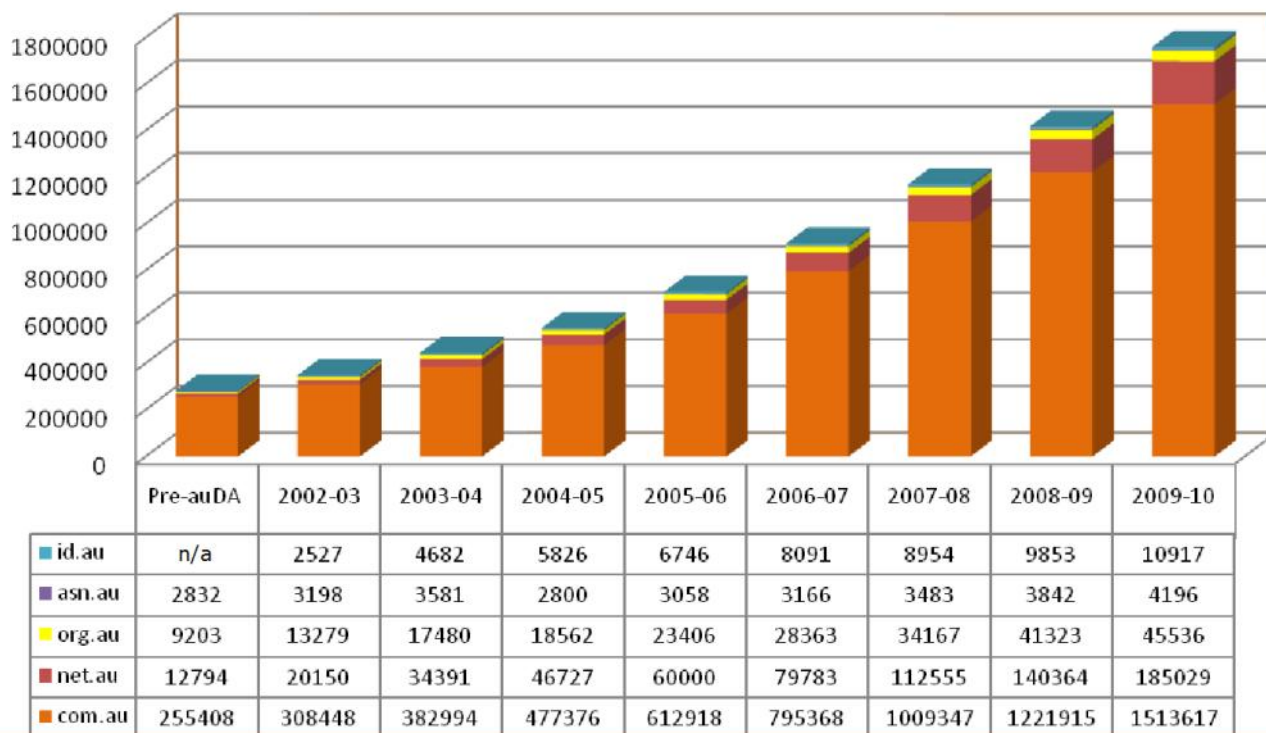
In 2002, prior to auDA's introduction of a new domain name regime and policy rules, approximately 280 000 domain names were registered in .au.

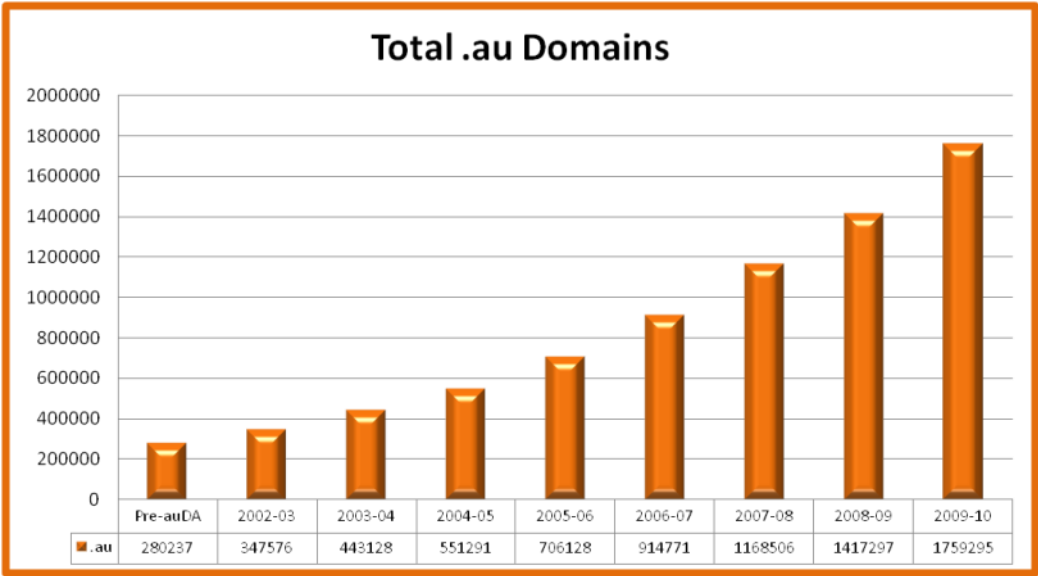
This figure includes the com.au, net.au, org.au, asn.au, and id.au second level domains (2LDs).

Since then, the number of registered names has risen consistently, reaching over 1.76 million by the end of FY2009-10.

By far the largest proportion (86%) of registrations are in com.au, though net.au has experienced steady growth over the last eight years (4.5% in 2002 to 10.5% in 2010).

Total .au Second Level Domains

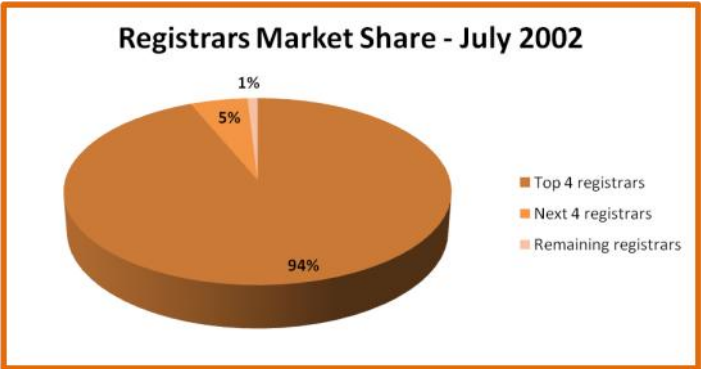
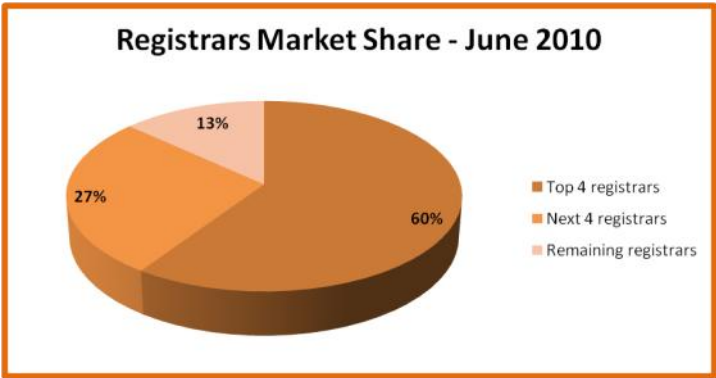




Market share

As of 30 June 2010, there were 31 auDA accredited registrars.

Of these, the four largest account for approximately 59.5% of .au names, with the next four holding 27.2% of the market.



This contrasts sharply with the market situation in July 2002, when there were only 12 accredited registrars.

Of these, the largest four held 93.6% of the market in .au names.

Regulatory

The regulatory group is responsible for the core aspects of auDA's operations – reviewing and developing relevant policy, strengthening industry regulation and improving complaints management and dispute resolution. Some of the regulatory group's highlights for 2009-10 include:

New 2LDs Advisory Panel

auDA relies upon the voluntary contributions of members of the Australian Internet community through advisory panels, committees, and other consultative groups to help it develop policies and practices that are appropriate for the Australian environment, and responsive to user needs.

In October 2009, auDA launched a policy process to consider potential new 2LDs in .au, and the reactivation of the dormant conf.au and info.au 2LDs. auDA issued a Call for Proposals and invited people with an interest in Australian domain name industry issues to nominate for the New 2LDs Advisory Panel.

The purpose of the New 2LDs Advisory Panel was to:

- evaluate proposals for new second level domains (2LDs) in .au;
- consider proposals for the reactivation of conf.au and info.au; and
- provide recommendations to the auDA Board, following a public consultation process.

The Panel was appointed by the auDA Board in December 2009. The Panel was chaired by Mr Derek Whitehead from the Swinburne University of Technology, who has generously contributed his time and expertise as a participant and Chair of several auDA policy processes for over ten years. The Panel's members were:

| | |
|--|---|
| David Cake, Electronic Frontiers Australia | Sally Foreman, Davies Collison Cave |
| Kim Heitman, auDA Board Director | Andrew Lonsdale, Distribute IT Pty Ltd |
| Kimberley Lowton, NetRegistry Pty Ltd | Graham McDonald, auDA Board Director |
| George Pongas, auDA Board Director | Holly Raiche, Internet Society of Australia |
| Tristan Kathage, DBCDE (observer) | |

auDA received two formal submissions for new 2LDs (blog.au and event.au), two for conf.au and one for info.au. In addition, auDA staff submitted three proposals for info.au. The Panel released a Discussion Paper in April 2010, inviting general comments and sharing the Panel's initial views on the proposals received. Seven formal submissions and 63 online survey responses were received.

The Panel released a series of draft recommendations in June 2010. After the end of the financial year the Panel delivered its final recommendations to the auDA Board.

Domain Renewal, Expiry and Deletion Policy Review

In August 2009, auDA undertook a review of its Domain Renewal, Expiry and Deletion Policy (2006-07).

The policy outlines rules such as grace periods for domain name refunds, the timeframes in which registrants may renew their domain names, and schedules and processes for the expiry and deletion of .au domain names.

The policy applies to the open 2LDs (asn.au, com.au, id.au, net.au, org.au) and the community geographic 2LDs (act.au, qld.au, nsw.au, nt.au, sa.au, tas.au, vic.au, wa.au).

The majority of the 36 submissions received during public consultations in August and September focussed upon three issues raised by auDA:

- whether the current 30 day pending delete period for expired domain names (i.e. where the registrant has not renewed their domain name) is appropriate;
- whether the current 'domain purge' procedure (i.e. where domain names are purged from the registry at a random time between 10.30am and 5.00pm AEST on the next business day after the pending delete period ends) is effective; and
- what action (if any) auDA should take in relation to unofficial domain drop lists, and the domain-catching services being provided by some accredited registrars and other industry participants.

At the conclusion of the review, it was determined that auDA would:

- retain the current 30 day pending delete period for expired names;
- implement a fixed domain purge time and to publish that time. This change was proposed on technical grounds and to level the playing field when it comes to registering expired domain names; and
- publish an official, authoritative domain drop list. The list would be updated daily and would include the exact date and time that domain names will become available for registration.

The new policy and process were introduced on 18 April 2010.

auDRP

The .au Dispute Resolution Process (auDRP) is designed to provide a cheaper, speedier alternative to litigation for the resolution of disputes between the registrant of a .au domain name and a party with competing rights in the domain name. The auDRP was drafted by auDA's Dispute Resolution Working Group and commenced on 1 August 2002.

For the 12 months to June 2010, 62 disputes were lodged with the auDRP providers. Of these, 26 were found in favour of the complainant and the domain names were ordered to be transferred. In a market of 1.76 million names, this translates to approximately one dispute per 28 000 names and a successful challenge once in every 68 000 registrations.

Complaints

For the six months to June 2010, auDA received 881 total complaints. Of these, 309 were general inquiries lodged through an online form. A further 77 were domain creation date requests. 368 were about .au domain names or registrants and 120 were about industry issues such as the services provided by registrars or resellers.

Throughout the year, auDA also designed and implemented a number of improvements to complaint management systems and processes, resulting in only 16 open complaints at the conclusion of the six month period.

.au Registry

AusRegistry Pty Ltd is the registry operator for the open 2LDs, community geographic 2LDs, and two closed 2LDs (edu.au and gov.au). AusRegistry was appointed the 2LD registry operator through open tender processes held in 2001 and 2005. In February 2009, AusRegistry's licence was extended until 2014.

Registry highlights for 2009-10 included:

- Domain Name Registry Software version 12 was released on 18 April 2010. Key changes included a standardised domain name purge time and daily purged names list, and the added capability for registrants to synchronise the expiry dates of their domain names.
- Active industry participation and policy input, including significant contributions to auDA's Domain Renewal, Expiry and Deletion Policy Review and New 2LDs Advisory Panel.
- Collaboration with auDA on DNSSEC implementation planning.
- Several registrar cross-sell campaigns during the period. Overall, results for the campaigns were significant with over 30 000 new .au names registered.

Registrars

As at 30 June 2010, auDA had accredited 31 organisations as registrars, to provide services in .au to people who want to register a new domain name, renew their existing domain name, or make changes to their domain name record.

In addition, 4541 resellers had been notified to auDA. Much like registrars, resellers provide customer sales and services in .au, buying domain names and managing records for their customers. However, resellers are not directly accredited or approved by auDA, and operate under a contractual agreement with their registrar.



The auDA Accredited Registrar logo was designed to assist registrants in clearly identifying an organisation that has been authorised by auDA to be a .au registrar.

Bottle Domains

As an industry regulator with contractually-based enforcement powers, auDA occasionally faces litigation arising from disputes regarding our actions.

In April 2009, auDA decided to terminate the registrar accreditation of Australian Style Pty Ltd (t/a Bottle Domains). This action was taken following notification from the Australian Federal Police of a security incident which affected Bottle Domains' customers and the discovery of an earlier security incident. auDA's decision was based upon several breaches of Bottle Domains' Registrar Agreement - namely failure to notify auDA of the initial security incident, failure to alert customers and failure to take appropriate remedial security action. The termination was suspended pending the conclusion of legal proceedings.

On 25 September 2009, the Supreme Court of Victoria found in favour of auDA. On 23 July 2010, the Court of Appeal of the Supreme Court of Victoria dismissed Bottle Domains' appeal in proceedings against auDA and, on 26 July 2010, accreditation termination was recommenced. In its decision, the Court of Appeal recognised the importance of the system governing domain name allocation and use in Australia. It also recognised the importance of the .au DNS as a public resource to be administered in the public interest, and endorsed the approach taken auDA.

At all times, the security, stability and integrity of the .au domain space and the protection of registrants are auDA's highest priorities and this was reflected in the action taken against Bottle Domains.

Outreach

The outreach group manages auDA's engagement with stakeholder groups such as industry, government, community and international organisations. Some of the outreach group's highlights for 2009-10 include:

auDA Foundation

The auDA Foundation is a charitable fund established in 2005 to support Australian communities through the provision of grants for eligible Internet related projects. Typically, grants of between \$5000 and \$20 000 are given every year.

The Foundation has four Board Members who are responsible for its oversight and decide how to distribute the funds. They are Greg Watson (Chair), Craig Ng (Partner Maddocks), John Higgins (Partner Hayes Knight) and Chris Disspain (CEO auDA). The Board aims to achieve a balanced portfolio of funded projects that complement each other in terms of aims, geographic spread and target group.

The Foundation funds projects that enhance the utility of the Internet by supporting:

- the provision of open scholarships and prize funds to encourage and reward academic and applied excellence;
- the funding of pure and applied research including academic positions and the publication of results for the benefit of the Australian community;
- the funding of community demonstration projects and the publication of results for the benefit of the Australian community; and
- the funding of public education and awareness initiatives through all relevant mediums and institutions.

Grant recipients have included academic research bodies, not-for-profit organisations, PhD scholarships, community groups, local councils and charities from metropolitan, regional and rural areas in all states in Australia.

Since its establishment, the Foundation has conducted four funding rounds and 55 projects have been awarded funding totalling nearly \$1 million. In 2009, 12 projects were funded to a total value of just over \$200 000.

From 1 July 2010, \$0.25 from every com.au and net.au renewal and registration will be made to the auDA Foundation.

Projects funded by the auDA Foundation include:

auDA Foundation Alzheimer's Australia Vic Dementia Risk Reduction e-Learning Project

Alzheimer's Australia Vic is a charitable institution that provides support, counselling and education to people with dementia, their families and carers.

The Risk Reduction e-Learning project developed a web-based e-learning resource for general practitioners, allied health professionals and the general community on the evidence and lifestyle strategies to reduce one's risk of developing dementia.

The website explains how to adopt a 'brain healthy lifestyle' with Mind your Mind, Alzheimer's Australia's dementia risk reduction program. The seven Mind your Mind signposts describe the modifiable risk factors for dementia, the evidence for their association with dementia risk, practical advice on strategies for risk reduction and links to community resources that can assist people to adopt risk reduction activities.

"The project outcomes have achieved all our aims ... and this would not have been possible without the generous support of auDA, which we appreciate enormously".

Dr Maree Farrow, Research Fellow, Alzheimer's Australia Vic

Playgroup Australia Inc — Web 2.0 Generation Y Project

Playgroup Australia is the peak body who represents more than 105 000 families and 145 000 children at 8500 playgroup sessions every week. Its purpose is to lobby and promote playgroup participation for all families with young children. It advocates learning through play and the role of playgroups as an integral part of the early childhood experience.

The Generation Y project is a national initiative aimed at teenage and young parents, who are under-represented as participants in early childhood settings such as community groups and over-represented in the population of families at risk of social isolation and disadvantage.

The site educates Generation Y parents about play and playgroup in an accessible and engaging way. It conveys a message that a playgroup is easy to join and welcoming to young parents. It taps into social media channels favoured by Generation Y, thus spreading the 'viral reach' of the key messages.

"The Generation Y project has been one of our major projects over the 2008-09 and 2009-10 financial years. It has met all our expectations. On behalf of Playgroup Australia and our members I want to warmly thank auDA Foundation for supporting and enabling this important project to be implemented".

Arna Presland, Marketing Manager, Playgroup Australia

Deaf Children Australia – Youth Online Project

Deaf Children Australia is a not-for-profit organisation and has been representing the needs of Deaf and hard of hearing children and their families for 145 years. The Youth Online service provides Deaf and hard-of-hearing children with online access to a qualified youth counsellor to help them work through any day-to-day issues affecting their life such as relationships, schooling, bullying, mental health or finding access to these types of services.

The Youth Online service has positively affected Deaf youth by minimising their experience of isolation, providing access to culturally appropriate counselling services, developing a sense of community belonging and providing a vital forum for the sharing of information, strategies and concerns.

“The grant so generously provided by your organisation has been instrumental in helping us secure full funding to undertake our Victorian pilot for this vital early intervention wellbeing initiative”.

Margherita Riccioni, Manager, Grants & Foundations, Deaf Children Australia

University of South Australia’s Institute for Telecommunications Research (ITR)

The ITR specialises in research and technology development for satellite communications, wireless communications fundamentals and telecommunications networks. The funded project aimed to improve Internet performance through the analysis of the synchronised behaviour of Transmission Control Protocol (TCP) traffic, also providing a research training opportunity for postgraduate students.

The project’s achievements included:

- publication of a high-quality research paper, ‘A Step towards Understanding Loss Synchronisation between Concurrent TCP Flows’;
- development of a network measurement tool that can be used to analyse the characteristics of Internet traffic such as loss behaviours and delay properties (in particular TCP flows); and
- creation of a test bed to collect traffic traces over one of Intelsat’s GEO satellites (IS2).

“The auDA Foundation is acknowledged, in accordance with IEEE publication guidelines. The paper is available on IEEE Xplore, a well known digital library in the research community. This has significantly increased the visibility of the paper and thus the visibility of auDA Foundation in the community of Internet research”.

Comment from Final Report

Australia and New Zealand Internet Best Practice Awards

In 2009, in association with Internet NZ, auDA convened the inaugural Australia and New Zealand Internet Best Practice Awards.

The Awards recognise organisations, businesses, groups and individuals that have embraced the challenge of making the Internet a more secure, open, accessible and diverse place for all users. The Awards are based upon the four main themes of the UNs' IGF, the global multi-stakeholder forum for policy discussions on Internet governance.

The categories, winners and highly commended entries for 2009 were:

Security – initiatives that are at the forefront of developing solutions to security threats and building trust and confidence in the online environment.

Winner: Hector's World Limited

Openness – initiatives that enable Internet users to benefit from increased access to online materials, knowledge or information.

Winner: Australasian Legal Information Institute

Highly commended: NSW Rape Crisis Centre

Access – initiatives that aim to combat the digital divide, facilitating access for groups such as the elderly, disabled or socially disadvantaged.

Winner: The Deaf Society of New South Wales

Highly commended: Deaf Aotearoa

Diversity – initiatives that encourage expressions of cultural diversity and identity, including the promotion of multilingualism and indigenous cultures online.

Winner: Vicnet – State Library of Victoria

Highly commended: Australian Communications Exchange

A wide range of innovative and creative entries were received, covering a tremendously diverse range of projects including the promotion of children's health, preservation of indigenous cultures, delivery of Government programs, and the provision of services for people living with a disability.

However, despite their different goals and areas of focus, all applicants shared an inspirational commitment to harnessing the opportunities presented by the Internet to improve the lives of Australians and New Zealanders.



Hector's World™



NSW Rape Crisis Centre
Working Against Sexual Violence



**State Library
of Victoria**
Vicnet



Community Geographic Domain Names

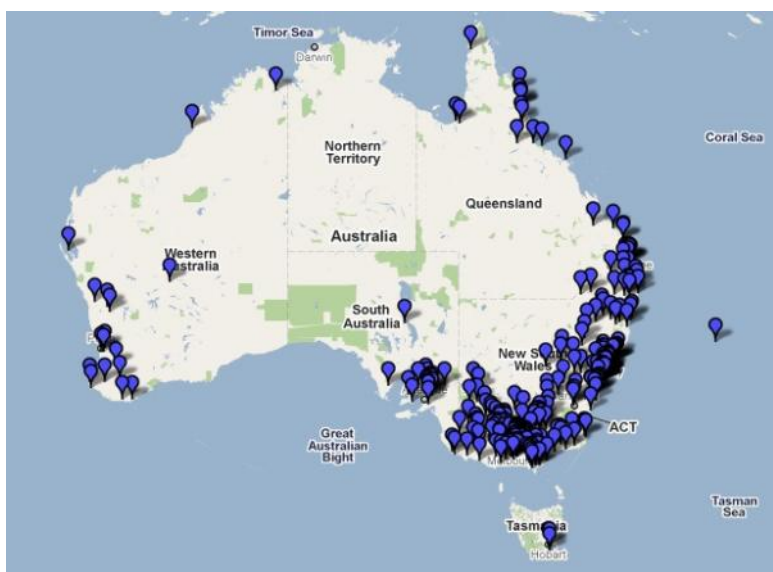
Introduced in 2006, Community Geographic Domain Names (CGDNs) are a special series of easy to remember, locality-based domain names, reserved for use by communities throughout Australia.



These names are much like a postal address and include the town/suburb name, state/territory name and our country code. For example: www.broome.wa.au, www.lobethal.sa.au or www.carlton.vic.au.

To be eligible for a CGDN, applicants must be a legally registered not-for-profit organisation or a special committee of local council that broadly represent their local community.

In just over four years, there has been a total of 170 CGDN registrations from across Australia, including 77 applications in 2009-10. In addition to these applications, over 540 communities indicated that they will apply or have registered their interest in their CGDN.



Map of CGDNs that are live or under construction

In general, communities use their CGDNs to develop community websites that contain such features as event calendars, community and business directories, community information and local news.

CGDNs have also been used to facilitate engagement with youth, promote tourism, and to give a voice to relevant local issues.

Community Site in a Box

CSIAB was created as an 'off-the-shelf' easy-to-use website building content management system including free hosting.

In order to make the process of creating a website as easy and affordable as possible, CSIAB was made available for free until 30 June 2010.

65% of CGDN applicants opted to use CSIAB.

Mirboo North, in Victoria, used their website to keep the community informed during the devastating bushfire season in early 2009 with hits increasing seven-fold as community members used the site to access local and relevant emergency information.

Buderim, in Queensland, used their community site to drive the process and seek pledges of support for establishing their own community bank.

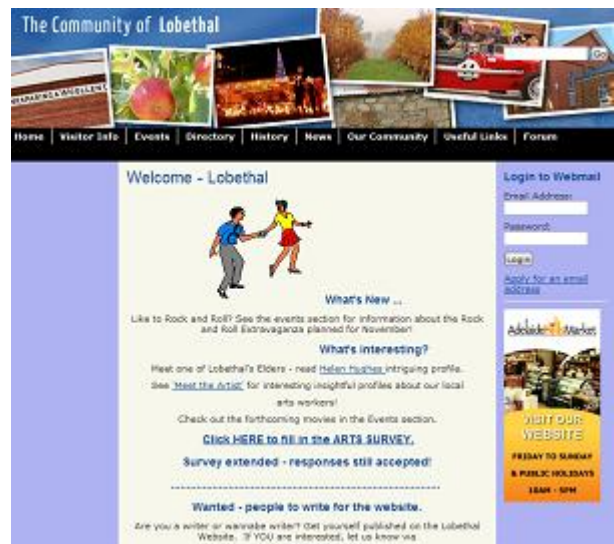
In 2006, in order to facilitate the uptake of CGDNs, auDA established .au Community Domains Pty Ltd, a not-for-profit company acting as trustee of the .au Community Domains Trust (auCD).

auCD's activities were funded from the proceeds of auDA's 2005 commercial geographic domain names ballot.

The auDA Board has decided to wind up the auCD company, however auDA will continue to support the initiative within their operations, as part of its community engagement and education activities.



www.carlton.vic.au



www.lobethal.sa.au

Security

The security group manages strategic initiatives to enhance the security and stability of the .au space and auDA's own systems. These include the implementation of IPv6 and DNSSEC, the management of the .au servers, updating of security contingency plans and internal security reviews.

Throughout 2009-10, auDA undertook a number of projects as part of its efforts to continually improve the resiliency and redundancy of the .au DNS infrastructure.

- auDA continued to strengthen its own DNS services, building upon the establishment of a European name server cluster in 2008-09 with the deployment of a cluster in North America. This brings the total number of auDA owned-and-operated sites to four, all of which are listed as authoritative with the Internet Assigned Numbers Authority (IANA).
- auDA is also currently reviewing traffic requirements. This will ensure sufficient redundancy levels are maintained and secondary providers continue to be utilised effectively. auDA currently has a pool of 18 servers to choose from across various platforms and multiple networks.
- auDA has performed testing with the anycast protocol and has an implementation plan that will be submitted to auDA's independent Security and Stability Advisory Committee for review.

Financial Report

.au Domain Administration Limited

[A Company Limited by Guarantee]

079 009 340

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2010**

**Meagher Howard & Wright
Certified Practising Accountants**

**Suite 505
55 Grafton Street
BONDI JUNCTION NSW 2022**

DIRECTORS' REPORT

Your directors submit the financial accounts of the company for the year ended 30 June 2010.

Directors

The names of the directors who held office during the year, and attendance at meetings are:

| | Eligible | Attended | Apologies |
|--|----------|----------|-----------|
| Tony STALEY | 6 | 5 | 1 |
| Kimberley HEITMAN (Deputy Chair) | 6 | 6 | 0 |
| Cheryl LANGDON-ORR | 6 | 6 | 0 |
| Joshua ROWE | 6 | 6 | 0 |
| Julie HAMMER | 6 | 6 | 0 |
| Marty DRILL | 6 | 6 | 0 |
| Chris DISSPAIN | 6 | 6 | 0 |
| Amin KROLL | 6 | 5 | 1 |
| Tony STEVEN (Resigned 19/10/2009) | 2 | 2 | 0 |
| Alex WOERNDE (Resigned 19/10/2009) | 2 | 2 | 0 |
| Graham MCDONALD | 6 | 6 | 0 |
| Dwayne VAREY | 6 | 6 | 0 |
| Rosemary SINCLAIR (Appointed 20/10/2009) | 4 | 3 | 1 |
| George PONGAS (Appointed 20/10/2009) | 4 | 3 | 1 |

The Hon Tony Staley AO - Chair

Tony Staley has been independent Chair of the auDA Board since 2001.

He spent a decade in the Australian Parliament, including three years as Minister for Post and Telecommunications before pursuing a career in the private sector. He has been Chairman or Director of a variety of companies and organisations, including Mitsubishi Motors, Ogilvy and Mather, Alexander Stenhouse, National Museum of Australia, Playbox Theatre, the Telecommunications Industry Ombudsman Council, the Liberal Party of Australia, Energy and Water Ombudsman Board, Partners in Performance International and the Co-operative Research Centre's Association.

Mr. Staley graduated in law and political science from the University of Melbourne, where he also lectured in Australian Government.

Kimberley Heitman - Deputy Chair

Kimberley Heitman is the University Lawyer and Director of Legal Services at the University of Western Australia, and has worked in the higher education sector for 10 years. Kimberley was a founding Board Member of auDA and has been Deputy Chair since 2002, serving on several standing committees and panels.

Admitted to legal practice in 1982, he is a barrister and solicitor, Director and consultant. Kimberley lectures and consults on Internet regulation, e-commerce and risk management and is the Central/Western Convenor of the Society of University Lawyers. Kimberley is married with five children and resides in Perth.

Air Vice-Marshal Julie Hammer AM, CSC

Air Vice-Marshal Julie Hammer, an Electronics Engineer, served in the Royal Australian Air Force for over 28 years in the fields of aircraft maintenance, technical intelligence, electronic warfare, and information and communications technology systems.

She acted as the Chief Information Officer for Defence for the year prior to her retirement. She holds a Bachelor of Science with Honours in Physics, a Masters degree in Aerosystems Engineering, a Graduate Diploma in Strategic Studies and a Doctor of Engineering Honoris Causa. She was National President of Engineers Australia throughout 2008 and has been a Director of auDA since April 2007.

Graham McDonald

Graham McDonald has practiced law for 40 years. He has been a Presidential Member of the Federal Administrative Appeals Tribunal for the last 20 years during which time he has also served as the inaugural Australian Banking Ombudsman and as Chairman of the Superannuation Complaints Tribunal. Graham has extensive experience as a partner in legal firms, as a barrister and has held a number of State and Federal Government appointments.

Marty Drill

Marty Drill has been a Director of the auDA Board for nearly four years. He is passionate about the industry and the Internet. Marty was a Director of Domain Candy, an accredited registrar, for eight years and sold his interest in the business in 2009. Marty is the CEO of Get Started, one of Melbourne's premier web design firms, a company he established in 1999.

Marty has several years experience as a Director, including being on the Board of the online fruit and vegetable business Eatfresh and the investment company Opportunity Junkies. Marty is passionate about giving back to the community and is a Director of the charity sponsorship website Online Giving.

Amin Kroll

With much experience in the web services industry in Australia, Amin Kroll was appointed to the auDA Board in October 2007 and is now serving in his second term. Amin is General Manager of Hostway Corporation in Australia and within that role is part of the Executive Lead Team. He has broad international experience also spearheading the establishment of an operation in Ho Chi Minh City, Vietnam.

Previously the founder and CEO of IntaServe Pty Ltd (since acquired by Hostway), Amin has an Executive MBA from the *Macquarie Graduate School of Management* and has represented Australia internationally (Under 21) for Team European Handball.

Cheryl Langdon-Orr

Cheryl was elected to the auDA Board for a third term of office in the Demand Class stakeholder category in October 2008. Previously, she worked on several auDA Policy Advisory Panels, and is currently serving a third term as Chair of the ICANN At-Large Advisory Committee (ALAC).

Cheryl represents the Internet Society of Australia (ISOC-AU) as an ICANN accredited At-Large Structure (ALS) in ICANN's Asia Pacific Regional At-Large Organisation (APRALO) and APRALO in the ALAC, until late 2011.

As Chair of the ALAC, Cheryl was also appointed to serve on the first Affirmation of Commitment's Review Team for ICANN looking at Accountability and Transparency.

George Pongas

George Pongas has been involved with the Australian domain industry since 2003. During this time he has managed seven accredited registrars, formally holding the position as CEO at Domain8 and Domain Candy, and more recently Business Development Manager for Fabulous.com.au.

George is an active and visible industry member, having participated on auDA Panels, as well as attending a number of international ICANN conferences.

Recently appointed as .au Services Manager at AusRegistry (the .au ccTLD Registry Operator), George will continue to apply his commercial sensibility, and extensive industry experience to ensure the delivery of a valuable Supply Class perspective for the Australian domain industry.

Joshua Rowe

Josh Rowe is an active participant in the debate of Australian and global domain name governance, with over 18 years experience with the Internet and domain name issues. Josh has recently completed post graduate research on the usability of domain names and is a staunch consumer advocate within the Australian domain name industry.

Annual Report 2009-10

Currently working with Australia Post to manage the corporation's development of its digital strategy, Josh is focused on ways to best use the Internet to improve Australia Post's business.

Rosemary Sinclair

Rosemary Sinclair is the Managing Director of the Australian Telecommunications Users Group (ATUG), a self-funded not-for-profit organisation focused on communications service issues affecting business and government organisations.

In addition to her role on the auDA Board, Rosemary has also participated in an extensive range of committees, councils and organisations, including the Australian Government's National Broadband Development Group, Teleworking Taskforce, and Broadband Advisory Group, the Australian Communications Industry Forum and the National ICT Industry Alliance. Rosemary is also a Council Member of ICANN's Generic Names Supporting Organisation.

Rosemary studied arts and law at the University of Sydney before going on to complete a Bachelor of Business and her Masters in Commerce from the University of NSW.

Dwayne Varey

Dwayne Varey has over 12 years experience as an electrician/electronics technician within the Australian Defence Force and a further 10 years experience in the hosting, Internet and telecommunications industries. Dwayne has worked under many management roles with Westnet and iiNet.

Currently Dwayne is the Operations Manager at iiNet Ltd and has been on the auDA Board as a Supply Member since October 2008.

Chris Disspain

Chris was appointed CEO of auDA in October 2000. Under his guidance, auDA has become self-funding, introduced competition into the domain name market in .au, simplified the policy regime and introduced an industry code of practice.

Chris is the Chair of ICANN's Country Code Name Supporting Organisation, a body that represents the interests of and sets global policy and best practice for country code top level domains.

He is also a member of the United Nations Secretary General's Internet Governance Forum Multi-stakeholder Advisory Group.

Principal Activities

The principal activities of the company in the course of the year were:

Management of .au Domain name space.

No significant change in the nature of these activities occurred during the year.

The entity's short term objectives are:

- Ensure stability and security of Internet.
- Demonstrate the value and validity of the industry self-regulatory model.
- Maintain the .au brand as an indicator of quality to Australian consumers operating in a global marketplace.
- Development and monitoring of policy breaches in an ever more sophisticated environment.

The entity's long term objectives are:

- Managing risks associated with industry business failure.
- Managing the increase in demand for IPv6 addresses due to the global exhaustion of IPv4 address space.
- Maintain a structure that allows auDA to remain relevant to stakeholders in a changing industry environment.

To achieve these objectives, the entity has adopted the following strategies:

- Strengthen industry engagement by developing and implementing support services for registrars to make it easier for them to understand and meet their regulatory obligations.
- Through the auDA Foundation, to continue to promote education and research activities that will enhance the utility of the Internet for the benefit of the Australian community
- Participate in international Internet fora activities.
- Strengthen knowledge management and implement succession and capacity planning.

Members' Guarantee

In accordance with clause 7 of the Constitution of the company, each member has undertaken to contribute towards the assets of the company an amount of one hundred dollars (\$100) in the event the company is wound up whilst they are still a member or within one year after they cease to be a member. As at 30 June 2010, the company had 111 members.

Significant Changes in State of Affairs

No significant changes in the company's state of affairs occurred during the financial year, other than the return of .au Community Domain operations back into the company.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, in subsequent financial years.

Benefits under contracts with Directors

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company or a related body corporate with the director, a firm of which the director is a member or an entity in which the director has a substantial interest.

This statement excludes a benefit included in the aggregate amount of emoluments received, or due and receivable, by Directors as shown in the company's financial accounts for the financial year or the fixed salary of a full-time employee of the company or a related body corporate.

Indemnifying Officer or Auditor

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or of a related body corporate:

* indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer or auditor, including costs and expenses in successfully defending legal proceedings.

Signed in accordance with a resolution of the Board of Directors:

Director _____
Chris DISSPAIN

Director _____
Kimberley HEITMAN

Dated this _____ day of _____ 2010

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2010 has been received.

Signed in accordance with a resolution of the Board of Directors.

Director:

Dated this day of 2010

**COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

| | Note | 2010 | 2009 |
|--|----------|-------------|-------------|
| | | \$ | \$ |
| Revenue | 2 | 4,605,603 | 3,520,609 |
| Depreciation and amortisation expenses | | (151,574) | (107,474) |
| Employee benefits expenses | | (1,291,477) | (948,769) |
| Finance costs | | - | (13) |
| Other expenses | | (2,859,170) | (2,880,134) |
| Profit (Loss) for the year | | 303,382 | (415,781) |
| Retained earnings at the beginning of the financial year | | 3,915,756 | 4,331,537 |
| Profit attributable to members of the company | | 4,219,138 | 3,915,756 |

BALANCE SHEET AS AT 30 JUNE 2010

| | Note | 2010 | 2009 |
|----------------------------------|------|------------------|------------------|
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 4,102,975 | 3,971,731 |
| Trade and other receivables | 6 | 498,599 | 443,521 |
| Other current assets | 7 | 16,616 | 21,499 |
| TOTAL CURRENT ASSETS | | <u>4,618,190</u> | <u>4,436,751</u> |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | <u>383,234</u> | <u>288,615</u> |
| TOTAL NON-CURRENT ASSETS | | <u>383,234</u> | <u>288,615</u> |
| TOTAL ASSETS | | <u>5,001,424</u> | <u>4,725,366</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 9 | 543,564 | 711,869 |
| Provisions | 10 | <u>238,722</u> | <u>97,741</u> |
| TOTAL CURRENT LIABILITIES | | <u>782,286</u> | <u>809,610</u> |
| TOTAL LIABILITIES | | <u>782,286</u> | <u>809,610</u> |
| NET ASSETS | | <u>4,219,138</u> | <u>3,915,756</u> |
| EQUITY | | | |
| Retained earnings | 11 | <u>4,219,138</u> | <u>3,915,756</u> |
| TOTAL EQUITY | | <u>4,219,138</u> | <u>3,915,756</u> |

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010**

| | Retained Earnings | Reserves | Total |
|---------------------------------------|------------------------------|-----------------|------------------|
| | \$ | \$ | \$ |
| Balance at 30 June 2008 | 4,331,537 | - | 4,331,537 |
| Profit attributable to members | (415,781) | - | (415,781) |
| Balance at 30 June 2009 | 3,915,756 | - | 3,915,756 |
| Profit/(Loss) attributable to members | 303,382 | | 303,382 |
| Balance at 30 June 2010 | <u>4,219,138</u> | | <u>4,219,138</u> |

CASH FLOW STATEMENT AS AT 30 JUNE 2010

| | Note | 2010 | 2009 |
|--|------|------------------|------------------|
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from debtors | | 4,918,150 | 3,951,011 |
| Payments to suppliers and employees | | (4,654,552) | (4,298,398) |
| Interest received | | 113,839 | 188,164 |
| Interest paid | | - | (13) |
| Net Cash Used in Operating Activities | | 377,437 | (159,236) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Plant & Equipment at Cost | | (246,193) | (103,913) |
| Net Cash used in Investing Activities | | (246,193) | (103,913) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net Increase (Decrease) in Cash Held | | 131,244 | (263,149) |
| Cash at Beginning of Year | | 3,971,731 | 4,234,880 |
| Cash at End of Year | | 4,102,975 | 3,971,731 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Note 1 Statement of Significant Accounting Policies

These financial statements and notes represent those of .au Domain Administration Limited.

Basis of Preparation

.au Domain Administration Limited has elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements for the annual reporting period beginning 1 July 2009.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described throughout this note, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Accounting Policies

(a) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Grant revenue is recognised in the income statement when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the balance sheet as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(b) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair values as indicated, less, where applicable, accumulated depreciation and impairment losses.

(c) Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Plant and equipment that have been contributed at no cost, or for nominal cost, are valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|----------------------|-------------------|
| Plant and equipment | 20% |
| Computers | 25% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the evaluation reserve relating to that asset are transferred to retained earnings.

(c) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as (i) the amount at which the financial asset or financial liability is measured at initial recognition (ii) less principal repayments (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) 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 subsequently measured at amortised cost.

(d) Impairment of Assets

At each reporting date, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Income Statement.

Where the future economic benefits of the asset are not primarily dependent upon on the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an asset class, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that same class of asset.

(e) Employee Benefits

Provision is made for the entity's liability for employee benefits arising from services rendered by employees to Balance Sheet date. Employee benefits expected to be settled within one year together with benefits arising from wages, salaries and annual leave which may be settled after one year, have been measured at the amounts expected to be paid when the liability is settled. Other employee benefits payable later than one year have been measured at the net present value.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

(f) Cash and Cash Equivalents

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

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are presented in the Cash Flow Statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(h) Income Tax

No provision for income tax has been raised as the entity is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

(i) Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at reporting date.

(j) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(k) Critical Accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key Estimates

(a) Impairment

The company assesses impairment at each reporting date by evaluation of conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

| 2 | Revenue | 2010 | 2009 |
|----------|-----------------------|------------------|------------------|
| | Operating activities | 4,352,263 | 3,327,913 |
| | Interest | 113,839 | 188,164 |
| | Subscriptions | 4,580 | 4,082 |
| | Sundry Income | 16,240 | 450 |
| | Grants Returned | 95,304 | - |
| | Foreign Exchange gain | 23,377 | - |
| | | <u>4,605,603</u> | <u>3,520,609</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

| | 2010 \$ | 2009 \$ |
|--|------------|------------|
| 8 Property, Plant and Equipment | | |
| Plant and equipment: | | |
| At cost | 824,992 | 578,799 |
| Accumulated depreciation | (441,758) | (290,184) |
| Total plant and equipment | 383,234 | 288,615 |

Movements in Carrying Amounts

Plant & Equipment

| | | |
|------------------------------|----------------|----------------|
| Balance at beginning of year | 288,615 | 292,176 |
| Additions (at cost) | 246,193 | 103,913 |
| Disposals | - | - |
| Depreciation | (151,574) | (107,474) |
| Balance at End of Year | <u>383,234</u> | <u>288,615</u> |

9 Trade and Other Payables

| | | |
|------------------|----------------|----------------|
| Current | | |
| Trade Creditors | 263,605 | 509,306 |
| Prepaid Income | 60,250 | 51,000 |
| Payroll Clearing | 38,503 | 25,320 |
| GST on supplies | 176,050 | 87,021 |
| Other Creditors | <u>5,156</u> | <u>39,222</u> |
| | <u>543,564</u> | <u>711,869</u> |

1

10 Provisions

| | | |
|--|----------------|---------------|
| Provision for Holiday Pay | 156,406 | 22,520 |
| Provision for Long Service Leave | <u>74,316</u> | <u>69,621</u> |
| Total Provision for Employee Entitlement | <u>230,722</u> | <u>92,141</u> |
| Provision for Audit Fees | <u>8,000</u> | <u>5,600</u> |
| Total provisions | <u>238,722</u> | <u>97,741</u> |

1

1 Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities

| | | |
|--|----------------|----------------|
| Profit/(Loss) from Ordinary Activities After Gifts | 303,382 | (415,781) |
| Non-cash flows in profit from ordinary activities | | |
| Depreciation | 151,574 | 107,474 |
| (Increase)/Decrease in receivables | (55,078) | 1,630 |
| (Increase)/Decrease in other assets | 4,883 | 3,034 |
| Increase/(Decrease) in payables | (168,305) | 125,913 |
| Increase/(Decrease) in provisions | <u>140,981</u> | <u>19,214</u> |
| Cash Flows from Operations | <u>377,437</u> | <u>159,236</u> |

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

12 Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, short term investments and accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows.

| Financial Assets | Note | 2010 | 2009 |
|------------------------------------|-------------|------------------|------------------|
| Cash and cash equivalents | 5 | 4,102,975 | 3,971,731 |
| Loans and receivables | 6 | 498,599 | 443,521 |
| Total financial assets | | <u>4,601,574</u> | <u>4,415,252</u> |
| Financial Liabilities | | | |
| Trade and other payables | | 543,564 | 711,869 |
| Total Financial Liabilities | | <u>543,564</u> | <u>711,869</u> |

Additional Information

Registered Office

114 Cardigan Street
Carlton Victoria 3053

Principal Place of Business

114 Cardigan Street
Carlton Victoria 3053

PROFIT & LOSS FOR THE YEAR ENDED 30 JUNE 2010

| | | | |
|------------------------------------|------------------|--|------------------|
| | | | |
| INCOME | | | |
| Subscriptions received | 4,580 | | 4,082 |
| Interest Received | 113,839 | | 188,164 |
| Registry licence Fees | 714,828 | | 590,946 |
| Domain Name Fees | 3,537,685 | | 2,651,592 |
| Registrar Fees | 99,750 | | 85,375 |
| Sundry Income | 16,240 | | - |
| Grants Returned | 95,304 | | - |
| | | | |
| TOTAL INCOME | 4,582,226 | | 3,520,159 |
| EXPENSES | | | |
| Accountancy | 93,600 | | 90,000 |
| Auditors Remuneration - Fees | 5,000 | | 6,500 |
| Bank Charges | 3,639 | | 2,294 |
| AGM & Committee Meetings | 71,202 | | 34,900 |
| Computer Expenses | 369,949 | | 211,494 |
| Conference Expenses | 12,946 | | - |
| Depreciation | 151,574 | | 107,474 |
| Directors Fees | 142,593 | | 99,924 |
| Directors Expenses | 105,874 | | 143,520 |
| Donations | 4,000 | | 20,500 |
| Entertainment | 24,112 | | 32,187 |
| Education & Media | 114,550 | | 273,192 |
| Fringe Benefits Tax | 51,649 | | 57,835 |
| General Expenses | 1,125 | | 378 |
| Geographics | 9,270 | | 8,910 |
| Holiday Pay and Long Service Leave | 138,580 | | 18,214 |
| Insurance | 20,216 | | 11,395 |
| Interest on Leases | - | | 13 |
| Legal Costs | 648,264 | | 900,050 |
| License Fee-ICAA/CCTLD | 285,880 | | 246,904 |
| Office Expenses | 32,661 | | 24,101 |

**PROFIT & LOSS
FOR THE YEAR ENDED 30 JUNE 2010**

| | 2010 | 2009 |
|--|------------------|------------------|
| Payroll Tax | 32,014 | 24,386 |
| Postage, Printing & Stationery | 13,717 | 10,855 |
| Rent | 60,651 | 54,981 |
| Registry Enhancements | 92,940 | - |
| Salaries & Wages | 1,109,862 | 930,555 |
| Security | 94,546 | 102,541 |
| Staff Amenities | 20,647 | 10,801 |
| Staff Training | 43,035 | 14,751 |
| Subscriptions | 8,046 | 9,125 |
| Technical Support | 119,017 | 137,976 |
| Telephone | 40,072 | 37,289 |
| Travelling Expenses | 380,990 | 313,345 |
| TOTAL EXPENSES | 4,302,221 | 3,936,390 |
| | | |
| OPERATING PROFIT/(LOSS) | 280,005 | (416,231) |
| | | |
| NON-OPERATING INCOME AND EXPENSES | | |
| Non Operating Expenses | | |
| Unrealised Foreign Exchange Gain/(Loss) | 23,377 | 450 |
| | | |
| OPERATING PROFIT FOR THE YEAR | 303,382 | (415,781) |
| | | |

DIRECTOR'S DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 15 present fairly the company's financial position as at 30 June 2010 and its performance for the year ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director: _____ Kimberley Heitman

Director: _____ Chris Disspain

Dated this day of 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF .AU DOMAIN ADMINISTRATION LIMITED

We have audited the accompanying financial report of .au Domain Administration Ltd, which comprises the statement of financial position as at 30 June 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

The responsibility of the Directors for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of .au Domain Administration Ltd on 30 June 2010, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion In our opinion, the financial report gives a true and fair view of the financial position of .au Domain Administration Ltd as of 30 June 2010, and of its financial performance and its cash flows for the year then ended. Complies with Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Accounting Standards (including Australian Accounting Interpretations) as described in Note 1 and the *Corporations Act 2001*.

Name of Firm: Meagher Howard & Wright
Name of Partner: Ken Wright
Address: Suite 505, No 55 Grafton Street
BONDI JUNCTION NSW 2022

Dated this day of 2010

AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Name of Firm: Meagher Howard & Wright

Name of Partner Ken Wright

Date 08/09/2010

Address Suite 505 No 55 Grafton Street
BONDI JUNCTION NSW 2022

Glossary

2LD

The .au domain space is divided into a number of 'second level domains' or 2LDs. Each has their own eligibility and registration rules and serves a distinct segment of the Internet community.

'Open' 2LDs that are open to registrations by the general public, subject to eligibility criteria. These include com.au for business-related activities, org.au for organisations and .asn.au for associations.

Other 2LDs are 'closed' to the general public, and only available to entities within a defined sector. Examples include gov.au for Government departments and initiatives and edu.au for educational institutions.

APTLD

Asia-Pacific Top Level Domain Association. APTLD is a forum for information exchange regarding technological and operational issues of domain name registries in the Asia Pacific region. It also acts as an interface to other international Internet coordinating bodies, fosters and elevates participation of AP ccTLDs in these global fora, and acts in the best interest of APTLD members in global Internet policy making processes.

ccTLD

'country code Top Level Domains' are reserved for exclusive use by a country or dependent territory. .au is Australia's ccTLD. The codes are determined according to a list maintained by the International Organization for Standardization (ISO 3166-1). Other examples of ccTLDs include .de for Germany and .uk for the United Kingdom. Each distinct economy appoints a ccTLD manager which sets the rules and policies for allocation of names in the domain.

DNS

Domain Name System – the technical protocol that maps the Internet Protocol (IP) addresses used by computers to navigate the Internet to more human-friendly domain names such as: www.yourbusinessname.com.au.

DNSSEC

Domain Name System Security Extensions. DNSSEC facilitates the digital signing of Internet communications, providing improved integrity and authenticity of transmitted data. Once fully implemented, DNSSEC offers additional protection against a range of vulnerabilities such as cache-poisoning, man-in-the-middle attacks and the Kaminsky exploit.

gTLD

Generic Top Level Domains are domains operated by a registry at the global level with policies developed through ICANN processes. These include those with no or few restrictions on registrations - such as com, org and net. Domain names are available for registration by any entity, for any use.

IANA

The Internet Assigned Numbers Authority (IANA) is responsible for the global coordination of the DNS Root and Internet Protocol addressing. IANA is managed by ICANN under a contract with the United States Department of Commerce, which also verifies additions and changes made to the DNS Root, to ensure IANA complies with its policies.

ICANN

The Internet Corporation for Assigned Names and Numbers (ICANN) is an international, not-for-profit, private sector organisation created to coordinate four key functions of the Internet: managing the domain name system, allocating IP address space, assigning protocol parameters and managing the root server system.

IGF

The Internet Governance Forum (IGF) was established by the United Nations to accommodate multi-stakeholder policy dialogue in the field of Internet governance. It aims to bring together all stakeholders in the Internet governance debate, whether they represent states, the private sector or civil society, on an equal basis and through an open and inclusive process.

IPv4 / IPv6

Internet Protocol version 4 and Internet Protocol version 6. The technical, numerical addressing protocols used by network-enabled computers and devices to communicate data.

Registrant

Someone who holds, is applying for, or renewing, a domain name licence.

Registrar

auDA-accredited companies who handle domain name licence applications and renewals.

Registry

The database of domain names registered in each 2LD.

Reseller

Non-accredited companies, affiliated with an accredited registrar, who handle domain name licence applications and renewals.



THE AUSTRALIAN **DOMAIN NAME** ADMINISTRATOR

.au Domain Administration Ltd
114 Cardigan Street
Carlton VIC 3053
Australia
www.auda.org.au
ACN 079 009 340