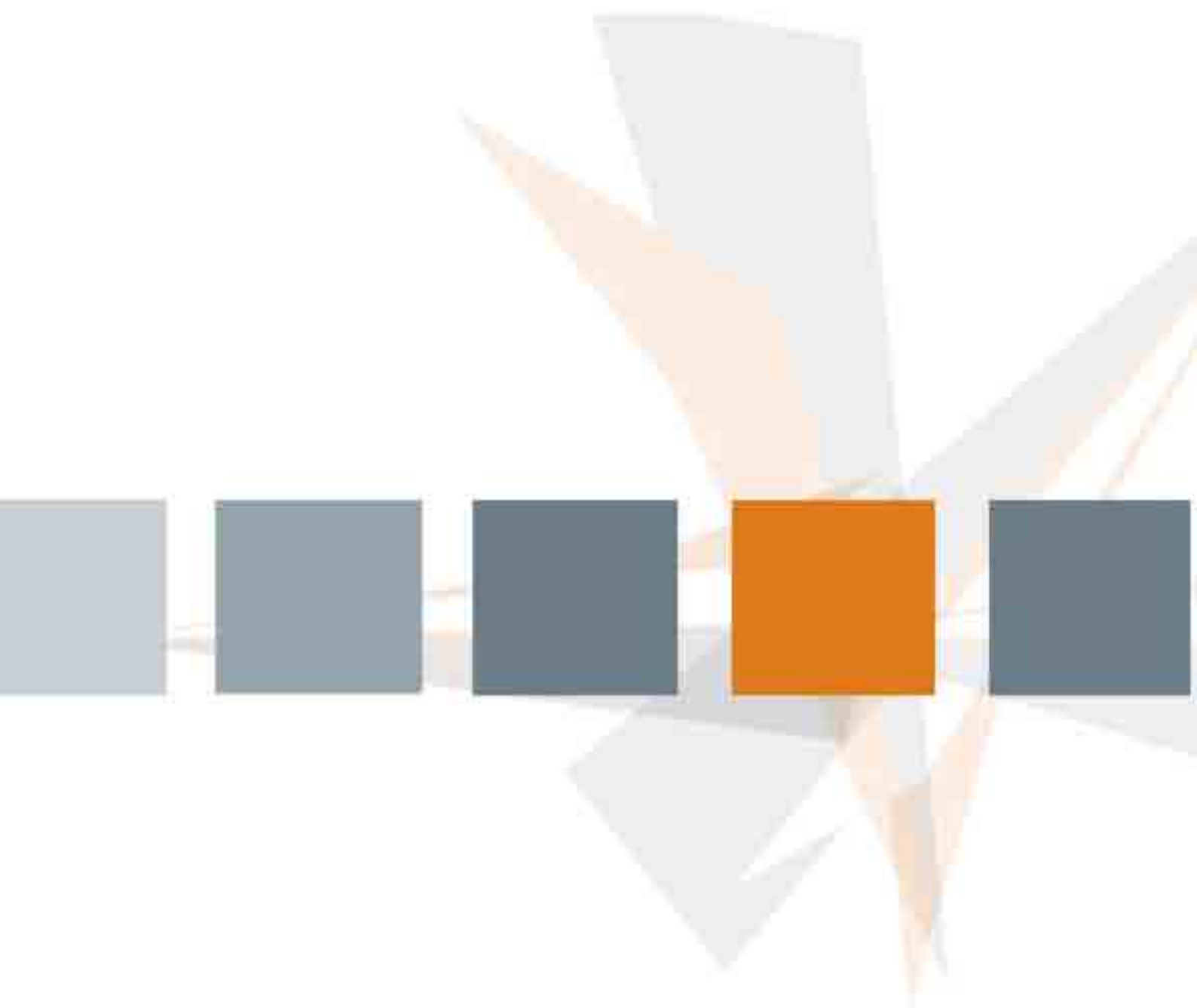




Annual Report **2011-12**

Annual Report 2011–12



.au Domain Administration Ltd

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www.auda.org.au

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Who we are

.au Domain Administration Ltd (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 works closely with the Australian Government, from whom we have received endorsement to perform our role.

We 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).

We also acknowledge our responsibility to administer .au on behalf of, and for the benefit of, the wider Australian Internet community. To this end, we operate community engagement programs including the auDA Foundation, which funds projects and academic work that enhances the utility of the Internet for the benefit of the Australian community, and the Australia and New Zealand Internet Awards (ANZIAs), which celebrate the achievements of organisations, businesses and individuals that have made significant contributions to the development and use of the Internet in Australia and New Zealand.

Chair's statement



This financial year has swept much change through auDA. In light of the Westlake Consulting independent report into the governance of .au, we have taken on some significant and wide-reaching recommendations. As Chair of the auDA Board, I always welcome the opportunity to improve upon our processes and deliver the best possible outcomes for our stakeholders and the .au domain as a whole.

The Westlake Report identified our core strengths and focused on how to advance them further. Enforcing consumer protection and ensuring a fair marketplace for .au needs not only a capable and reliable manager, but an accountable and transparent body that engenders trust in both the .au domain, and the system which supports and protects it. These commitments, both broad and specific, call to mind the Japanese philosophy of *kaizen*, the act of continuous improvement.

It's why we adopted the Westlake Report's recommendations for an Accountability and Transparency Framework, and for the relationship between auDA and the Australian Government to be more clearly defined. In addition to the Finance & Audit Committee, we established two new Board committees to improve our corporate governance: the Governance, Board Succession and Remuneration Committee and the Strategic Risk Committee.

This year's report details the significant progress we have made to improve our accountability, transparency, security and engagement with the broader Internet community in Australia over the last financial year. I would like to thank Westlake Consulting for its invaluable assessments and all the auDA members, accredited registrars, stakeholders and staff members who made their contributions to the review. I hope we can build upon these important foundations and deliver the world-standard results for .au that Australians both expect and deserve.

The Hon. Tony Staley AO

CEO's statement



It is my pleasure to present the auDA Annual Report for FY2011-12.

Over the last 12 months, the .au domain space has continued to experience strong growth, with the overall addition of 325,000 new domains, an increase of 15.4% from FY2010-11. In April 2012, global registry operator Verisign's "Domain Name Industry Brief" reported that .au was the tenth largest registry by domain name base. As this report goes to print, .au has climbed to ninth position.

During the year, in partnership with AusRegistry, we commissioned Deloitte Access Economics to produce an "Economic and Statistical Analysis of the .au Domain Range," the first of its kind. The report showed that the .au domain created more than 4,300 full-time jobs and contributed \$475 million to the Australian economy last year. The report also revealed exponential growth in the number of registered .au domain names over the last decade, with an average of 60,000 new .au domain names being registered every month since 2001.

We have accredited four new registrars during the year.

In 2011 the Board commissioned an independent report into the governance of .au. The review, by Westlake Consulting, focused on three key areas: accountability and transparency, relationships with the Australian Government and other stakeholders, and corporate governance. We have been working to implement the report's recommendations, including publishing a draft Accountability and Transparency Framework, setting up a website redevelopment working group and continuing to liaise with Australian Government agencies on a range of matters.

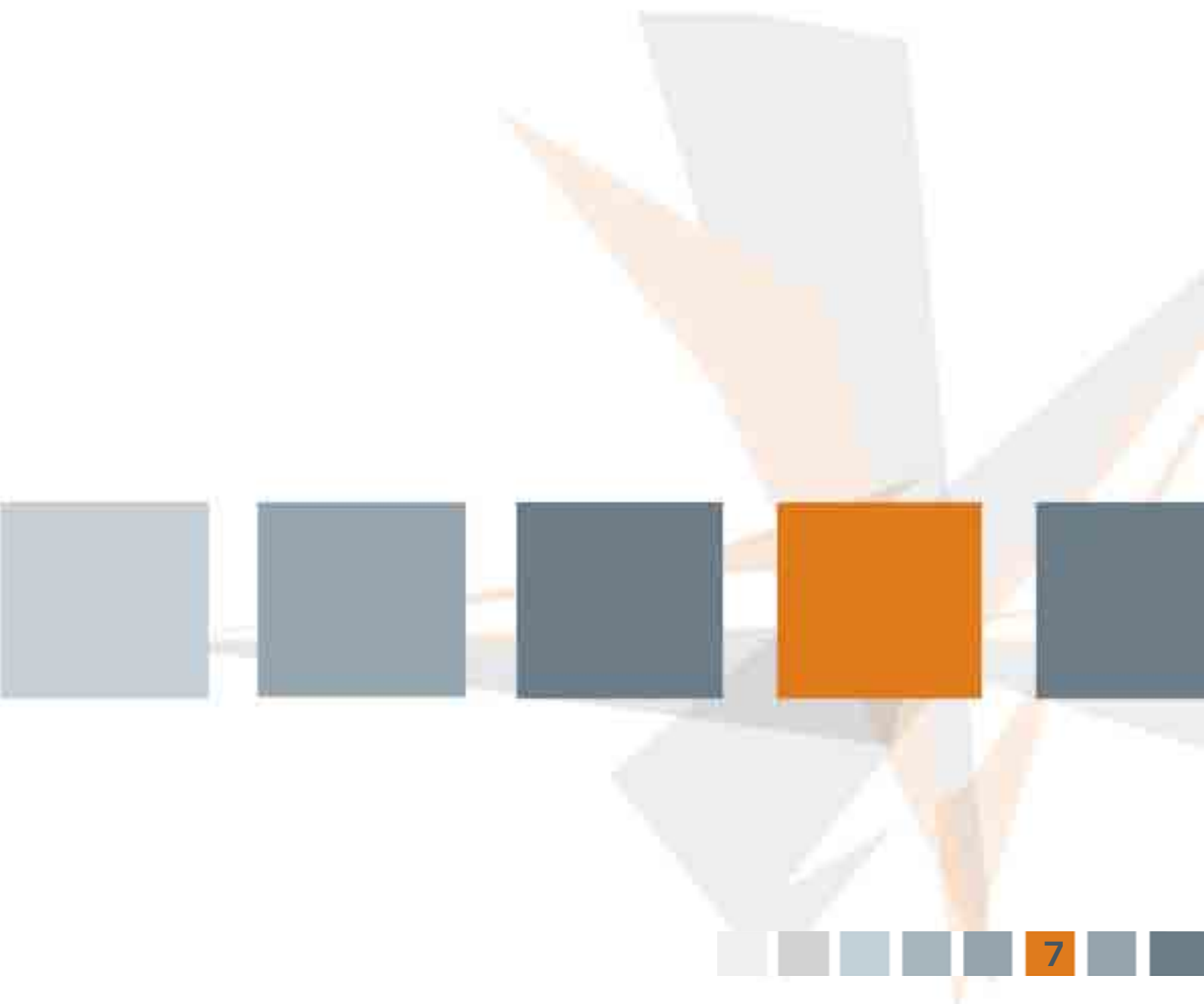
A major policy change was our adoption of the Secondary Market Working Group's recommendations which included a removal of the six month prohibition on registrant transfers.

From a security standpoint, we began to develop the auDA Information Security Standard (ISS) which aims to assist our registrars to improve their security practices for the benefit of their own businesses as well as their registrants. We also established a DNS Security Extensions (DNSSEC) Working Group to assist with DNSSEC implementation in the .au domain.

At the end of 2011 the auDA Board conducted a review into the auDA Foundation. Recommendations to increase the grant maximum to \$25,000, extend funding to PhD candidates and offer a simpler application process were all adopted.

Our adoption of recommendations from independent reviews over the past 12 months has strengthened our position as a responsive, accountable and trustworthy manager of the .au domain. We hope this work can maintain the integrity, fairness and security of .au now and into the future.

Chris Disspain



The auDA Board



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 Director 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, has five children and lives 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 ICT systems. She acted as the CIO 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.

In March 2012, Julie was appointed to the ICANN Security and Stability Advisory Committee (SSAC) and also acts as the At-Large Advisory Committee Liaison (ALAC) to the SSAC.

Graham McDonald – Independent Director

Graham McDonald has practiced law for 40 years. He was a Presidential Member of the federal Administrative Appeals Tribunal for the last 20 years during which time he 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 five 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.

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.

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

Currently appointed as Client Services Manager at AusRegistry, George is perfectly positioned to apply his commercial sensibility and extensive industry experience to ensure the delivery of a valuable Supply Class perspective for the Australian domain industry.



The auDA Board



Kartic Srinivasan – Supply Class Director

Kartic has extensive experience in the domain industry and was elected to the auDA Board in October 2011. Kartic is the General Manager for Enterprise Sales (Australia) and Global Operations of Melbourne IT Ltd. Kartic was part of the 2007 Names Policy Panel which recommended relaxing the transfers policy. Kartic holds a Masters in Information Technology and Bachelor of Engineering (Electronics & Communications).

Dwayne Varey – Supply Class Director

Dwayne has over a dozen years' experience in the Internet industry, highlighted by senior manager roles with Westnet and iiNet. He currently serving his second term on the auDA Board and sits on the membership and finance committees. Dwayne was recently appointed CTO of one of Australia's leading registrars and web service companies, UberGlobal.



Cheryl Langdon-Orr - Demand Class Director

Cheryl was elected to the auDA Board for a fourth term in Demand Class in October 2010. Previously, she worked on several auDA policy Advisory Panels. Until late 2011, Cheryl represented the Internet Society of Australia, an ICANN accredited At-Large Structure in the Asia Pacific Regional At-Large Organisation (APRALO) and APRALO in the At-Large Advisory Committee (ALAC).

She served as the Chair of the ALAC for three terms, from 2007–2010, and Vice Chair in 2011. Following that, she was the ALAC liaison to ICANN's Country Code Name Supporting Organisation Council. Cheryl was also appointed to serve on ICANN's first Accountability and Transparency Review Team.

Paul Levins – Demand Class Director

Paul is President, Intellectual Ventures for Australia and New Zealand. Previously he was Executive Officer and Vice President at ICANN, where he took a leading role in negotiating ICANN's Affirmation of Commitment with the US Government. Prior to joining ICANN, Paul was General Manager, Operations and Corporate Affairs at Bilfinger Berger Australia, and also worked as a corporate affairs manager for Telstra Corporation.

Paul has substantial public sector policy experience having been an Adviser and Chief of Staff to Australian Federal and State Government Ministers.



Joshua Rowe - Demand Class Director

Josh Rowe is an active participant in the global debate surrounding domain name governance. He brings over 18 years' experience with Internet and domain name issues to bear in discussions both home and abroad.

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

Josh is currently General Manager of online retailer Tarazz.com.au.

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 was until earlier this year the Chair of ICANN's ccNSO, a body that represents the interests of and sets global policy and best practice for ccTLDs.

In June 2011 he became a Board Member of ICANN. He is also a member of the UN Secretary General's IGF Multi-stakeholder Advisory Group.



Jo Lim – Company Secretary

Jo Lim is auDA's Company Secretary and Chief Operations and Policy Officer. She has been with auDA since 2001.

Jo has previous experience in government policy work on communications and IT issues, including a stint as ministerial adviser. Jo was also a member of the taskforce that drafted the *Telecommunications Act 1997*, to facilitate open competition in the Australian telecommunications market.

Board committees

The Board has established the following standing committees:

Finance & Audit Committee

Members: Graham McDonald (Chair), Chris Disspain, Kimberley Heitman, Cheryl Langdon-Orr, Kartic Srinivasan, Dwayne Varey - with John Higgins (Nexia ASR)

The purpose of the Committee is to provide the Board with advice and guidance on issues affecting the financial strategy of the business, including:

- reviewing the operational and capital budgets prepared by management and recommending them to the Board for approval;
- reviewing the monthly financial reports and the annual financial statements;
- reviewing the investment guidelines and monitoring the financial performance of funds invested the company;
- reviewing financial issues on request from the Board; and
- recommend the appointment of auditors to the Board.

Governance, Board Succession & Remuneration Committee

Members: Kimberley Heitman (Chair), Marty Drill, Julie Hammer, Cheryl Langdon-Orr, Paul Levins

The Committee is responsible for:

- oversight of auDA's governance processes and ensuring that they conform as far as practicable with generally accepted good practice in not-for-profit governance;
- assisting the Board to enhance its performance;
- monitoring the Board and Committee composition and providing recommendations on succession planning;
- oversight of the performance management, remuneration and contractual arrangements of the CEO; and
- oversight of the process for Board remuneration, both independent and elected Directors, individually and in aggregate.

Strategic Risk Committee

Members: Julie Hammer (Chair), Paul Levins, George Pongas, Joshua Rowe, Kartic Srinivasan, Dwayne Varey

The Committee is responsible for:

- the identification and assessment of strategic risks to auDA and the .au domain space; and
- the oversight of auDA's strategic risk management.

auDA staff

Chris Disspain - Chief Executive Officer

Zarleen Blakeley - Community Programs Officer

Lujia Chen - Registrar Liaison and Policy Officer

Leonie Dunbar - General Manager, Community Programs

Jo Lim - Chief Operations and Policy Officer

Lisa Lunardi - Office Manager

Adam King - Chief Technology Officer

Jacki O'Sullivan - Executive Assistant to the CEO

Vanessa Stanford - General Manager, Complaints

Paul Szyndler - General Manager, International and Government Affairs

John Tomic - Policy Compliance and Technical Officer

Tom Valcanis - Marketing and Communications Officer

Regulatory

2012 Industry Advisory Panel

auDA conducts all its major policy development and review by way of independent Advisory Panels. Since 2000, auDA has run ten Advisory Panel processes.

The 2012 Industry Advisory Panel was appointed by auDA in February 2012 to:

- review the structure and regulation of the Australian domain name industry; and
- provide recommendations to the auDA Board about what changes (if any) should be made to the competition model.

The Panel is chaired by Mr Craig Ng. The Panel's 21 members are drawn from a wide range of stakeholder groups, including the IT industry, government, legal, business, not-for-profit and consumer groups.

The Panel released an Issues Paper for public consultation in June 2012, and will finalise its recommendations to the auDA Board at the end of 2012.

2010 Names Policy Panel

The 2010 Names Policy Panel was appointed by auDA in August 2010 to:

- review the policy framework underlying the allocation and use of domain names in the .au domain space; and
- provide recommendations to the auDA board about what changes (if any) should be made to the policy framework.

The Panel delivered its final recommendations to the auDA Board in August 2011.

Secondary Market Working Group

In addition to Advisory Panels, from time to time auDA convenes working groups to provide expert policy and technical advice on more specialised issues.

In April 2011 auDA convened a Working Group of industry and consumer representatives to:

- examine the operation of the .au secondary market and identify any points of market failure; and
- provide advice and recommendations to auDA on any actions that should be taken to address any identified market failures.

The Working Group delivered its final recommendations to the auDA Board in September 2011.

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.

In FY2011-12, 58 complaints were lodged with the auDRP providers. Of these:

- 30 complaints were found in favour of the complainant and the domain names were ordered to be transferred or cancelled
- 16 complaints were found in favour of the respondent and they were permitted to keep the domain name, and
- 12 complaints were withdrawn or terminated prior to decision.

Complaints

In FY2011-12, auDA received 487 formal complaints. Of these, 377 were about .au domain names or registrants and 110 were about industry participants.

auDA has established the Registrant Review Panel to provide for independent review of a decision by auDA to delete a registrant's domain name for breach of policy. In May 2011, following the auDA Board's acceptance of the Westlake Report, auDA reduced the application fee to \$250. At the end of FY2011-12, there had been no applications made to the Registrant Review Panel.

.au Registry

AusRegistry Pty Ltd is the registry operator for the open 2LDs, community geographic 2LDs, and the 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 FY2011 – 12 included:

- a jointly commissioned research project with auDA providing an economic and statistical analysis of the .au domain range;
- active industry participation and policy input, including significant contributions to the proposed ISS for registrars, DNSSEC Working Group and 2012 Industry Advisory Panel;
- registry price drop on 1 March 2012, when the cumulative total of com.au and net.au domains reached 2.25 million;
- regular presentations at auDA Board meetings;
- active registrar engagement aimed at strengthening relationships and providing ongoing technical support; and
- continued financial support of Internet-related organisations and charities including ISOC-AU and the Asia-Pacific Top Level Domain Association (APTLD).

Regulatory

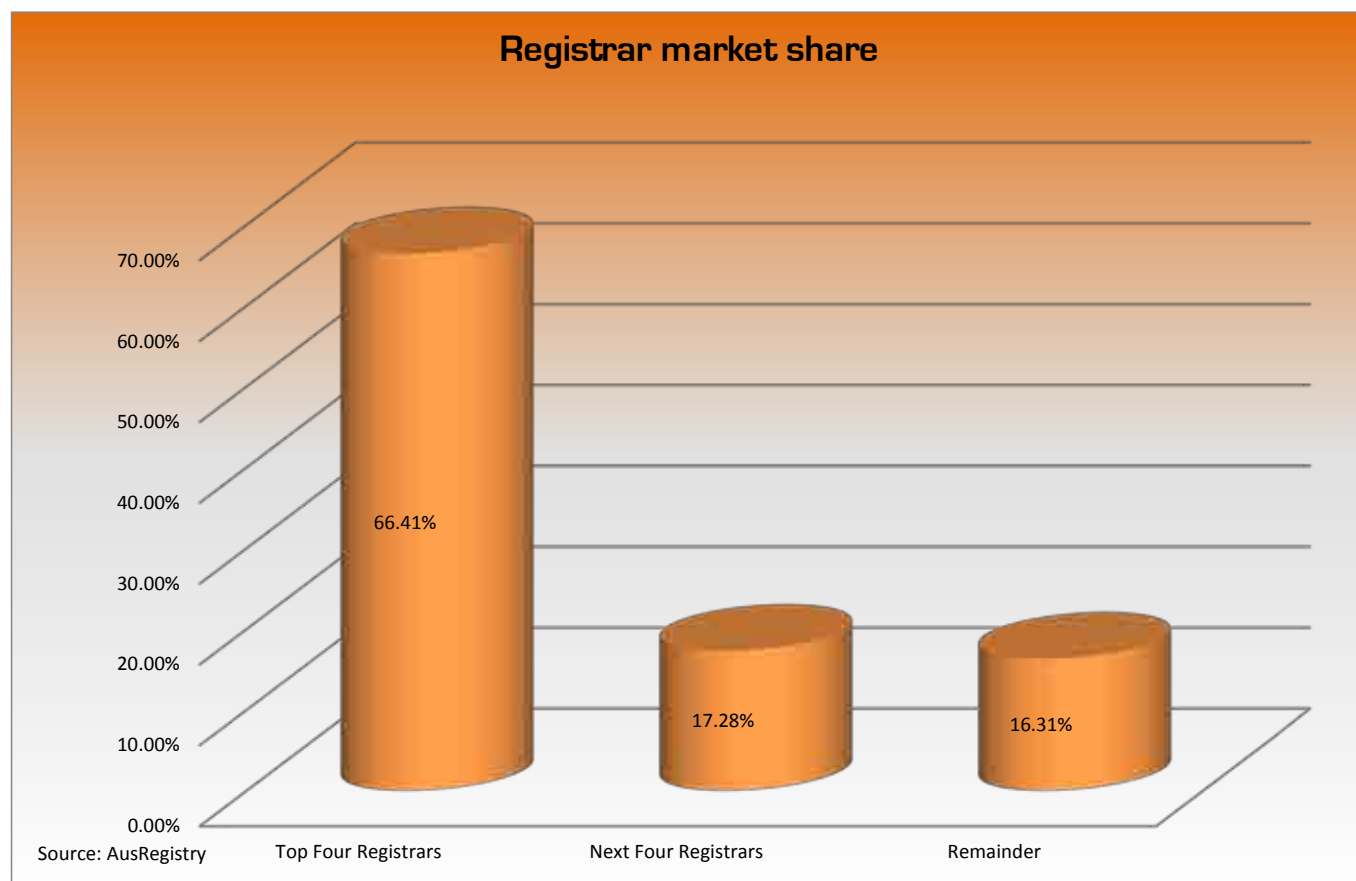
Registrars and resellers

Registrars 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. Much like registrars, resellers provide services in .au, usually managing domain name records on behalf of their customers.

In order to act as a registrar in .au, an organisation needs to be accredited by auDA and enter into a Registrar Agreement. Resellers are not directly accredited by auDA, and operate under an agreement with a registrar.

During FY2011-12, auDA accredited four new registrars, resulting in a total of 37 auDA accredited registrars at 30 June 2011. In addition, 4,748 resellers had been notified to auDA.

.au Market Share



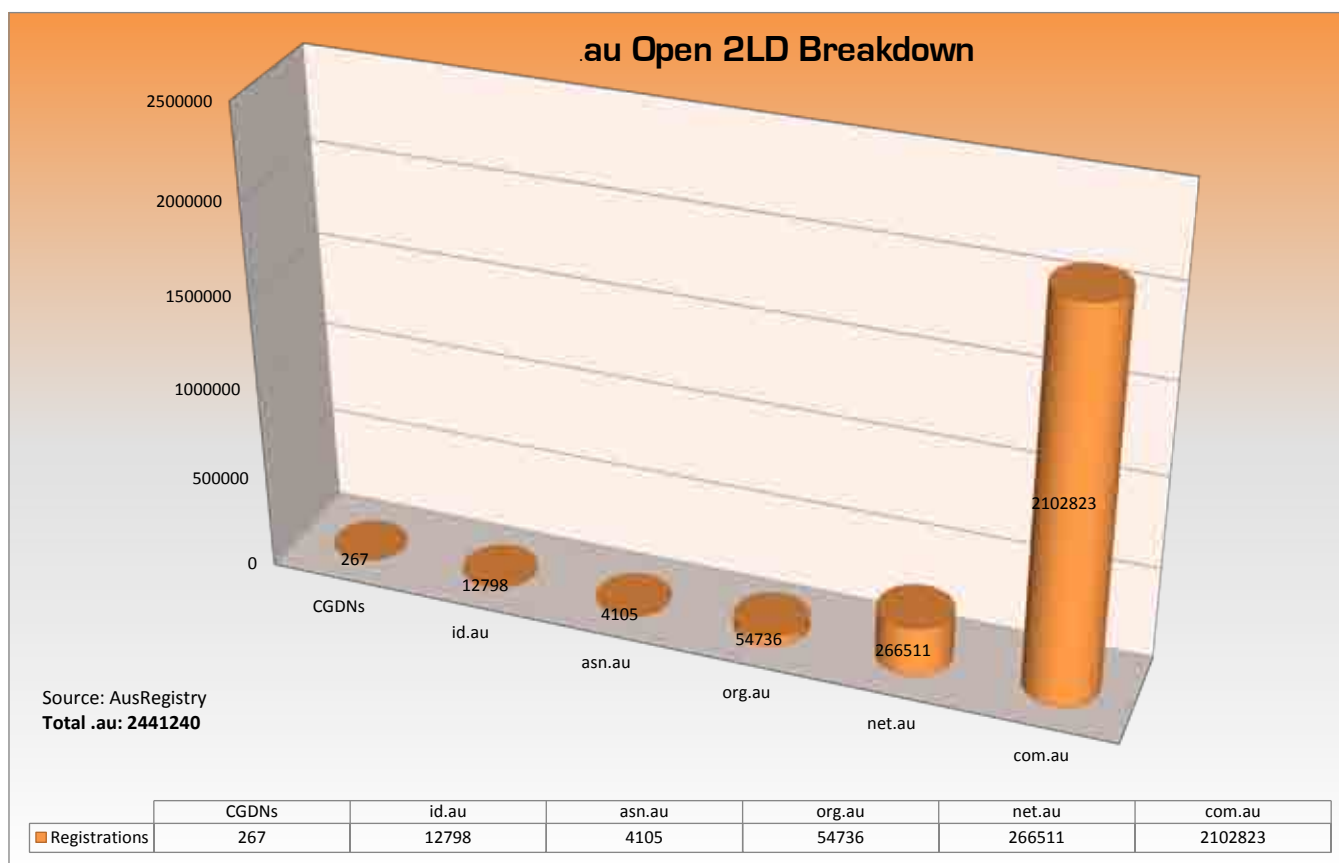
The .au marketplace

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 “open” second level domains (2LDs) which are directly managed by auDA – com.au, net.au, org.au, asn.au, and id.au.

By 30 June 2012, .au had a total of 2,441,240 registrations, up from 2,115,387 at the same time last year.

.au Open 2LD Breakdown at 30 June 2012



Outreach



ANZIAs

The Australia and New Zealand Internet Awards (ANZIAs) is a collaborative initiative of both auDA and InternetNZ. The awards are an annual event celebrating the achievements of organisations, businesses and individuals that have made significant contributions to the development and use of the Internet in Australia and New Zealand.

ANZIA winners receive recognition as industry leaders that have set new standards for making the Internet a more inclusive, accessible and safe place.

The 2011 ANZIA winners were awarded at a gala dinner held at Crown Towers in Melbourne. In attendance was an audience as diverse as the field of ANZIA entrants. Justice Michael Kirby AC CMG (pictured top right) was a keynote speaker and Trans-Tasman comedian Alan Brough (bottom left) kept the audience entertained as MC for the evening.



The winners in 2011 were:



2011 Best Diversity Initiative
AUSTRALIAN INDIGENOUS HEALTHINFONET
www.healthinfonet.ecu.edu.au

Australian Indigenous HealthInfoNet developed an online Indigenous health resource that makes a significant contribution to improving the health of Aboriginal and Torres Strait Islanders. The resource is used by a wide range of stakeholder groups including government and non-government organisations as well as health care providers, academics and the general community.



2011 Best Information Initiative
AUSTRALIAN LIONS DRUG AWARENESS FOUNDATION
www.tuneinnotout.com

The "Tune in, not out" project was created to passionately empower young Australians aged 16-25 with engaging, authentic and trusted health and wellbeing information to support them to navigate life's challenges.



2011 Best Internet Access & Digital Skills Initiative
CAVI
www.ciscovision.org.au

The Cisco Academy for the Vision Impaired (CAVI) equips vision impaired people for jobs and raises their self-esteem. Because the needs of this group are substantial, the impact of the project is all the greater.



2011 Best IPv6 Initiative
DTS LTD
www.dts.net.nz

DTS is highly focused on making IPv6 adoption as easy as possible for end users, solving problems even though resources are highly often constrained.



2011 Best Security and Privacy Initiative
TELSTRA
www.telstra.com.au/cyber-safety

Telstra's Internet and Cyber-Safety webpage makes it easy for people to access information and expertise on key cyber-safety issues. It provides fresh expert content for topical cyber-safety issues including cyber-bullying, online scams and identity theft.



CGDNs

The Community Geographic Domain Names [CGDNs] take the form, much like a postal address, town/suburb.state/territory.au, such as byronbay.nsw.au and southmelbourne.vic.au. The CGDNs are available for every addressable locality in Australia (except capital cities) and are reserved for all of community use.

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 represents the community. The CGDN must be used as a community website for the benefit of the entire local community.

Since they were launched in August 2006 there have been a total of 394 applications from across Australia, including 37 applications in FY2011-12.

CGDN applicants can also choose to use Community Site in a Box [CSIAB], a “turn-key” easy-to-use website content management system that was created to make the website development as easy and as affordable as possible. CSIAB is currently used by 58% of CGDN applicants.

Map of CGDN applications received across Australia:



Some CGDN website outcomes/ initiatives:

- Emergency information communication
- Assisting people relocate
- Rosters for community groups
- Employment information
- Promoting local economy
- Youth engagement
- Assisting ancestral research

auDA Foundation

The auDA Foundation is a charitable fund established in 2005 to support Australian organisations and individuals through the provision of grants for eligible projects that will enhance the utility of the Internet for the benefit of the Australian community.



As of 1 July 2010, \$0.25 from every com.au and net.au renewal and registration has been directed to the auDA Foundation.

Since its establishment, the Foundation has conducted six funding rounds and 72 projects have been awarded funding totaling over \$1.2 million. The 2012 funding round opened on 23 April 2012 and grants will be awarded after the financial year.

auDA Foundation Review

In FY2011-12, auDA conducted a review of the auDA Foundation to evaluate the effectiveness and reach of the Foundation's grants and operations. The outcomes of the review indicated that the Foundation has overall been effective and efficiently managed. In February 2012, the auDA Board approved the recommendations made in the Foundation Review final report that will assist in enhancing and improving the Foundation program.

One of the recommendations arising from this review was to appoint a representative of academia as an additional Director to the Foundation to provide relevant perspectives in PhD grant assessment. In April 2012, Derek Whitehead from Swinburne University of Technology was appointed Director of the auDA Foundation. The other four Directors are Greg Watson (Chair), Chris Disspain, John Higgins and Craig Ng.

The Board aims to achieve a balanced portfolio of funded projects that complement each other in terms of aims, geographic spread and target group.

Some of the significant recommendations that have been implemented in the 2012 funding round include:

- allowing for consideration of three year PhD student funding;
- increasing the top range of Foundation grants to \$25,000; and
- a two-step application process.

Projects funded by the auDA Foundation include:



Royal Institute for Deaf and Blind Children RIDBC and Me project

The project developed an online community website to assist in alleviating feelings of isolation for regional, rural and remote families who have a child with hearing and/or vision impairment. The website also assists professionals in obtaining valuable advice and support from RIDBC Teleschool teachers and therapists which they can then also use in their work with children with other disabilities not enrolled with RIDBC Teleschool.

"The support of the Foundation for this project is greatly appreciated. The benefits of the project will continue to increase as RIDBC will be setting up similar websites for use by families with children on other RIDBC programs."

Johanna Yule, Grant Manager - Corporate, Foundations and Trusts
Royal Institute for Deaf and Blind Children (RIDBC)

Epilepsy Action Australia: Raising Epilepsy Awareness in Primary Schools Using Online Training

This project developed two simple and fun activity-based online courses for school students in Grades K-2 and Grades 3-6 to raise awareness of epilepsy among primary school children. These courses have now been integrated as part of Epilepsy Action Online Academy on Epilepsy Action Australia's website.

Epilepsy Aware 3-6



Epilepsy Aware K-2



"Epilepsy Action Australia is extremely grateful for your contribution and support which made this program possible. With the excellent consumer feedback received and evaluation results obtained, the project has been very successful in meeting its objectives."

Carol Ireland, CEO Epilepsy Action Australia

Security

In FY2011-12 auDA extended its security focus to encompass the entire .au DNS infrastructure. With high profile attacks being seen on both local and overseas registrars, auDA and a group of industry stakeholders began to develop the auDA ISS to:

- assist .au registrars manage and improve the security of their business; and
- improve the security and stability of the .au name space.

auDA has continued work on DNSSEC, establishing a working group to assist with the non-registry aspects of DNSSEC implementation and provide assistance with increasing awareness of DNSSEC among key stakeholders.

The group is currently working on the development of a practice statement designed to;

- identify the controls auDA will use whilst implementing DNSSEC,
- provide clear detail on the level of security being implemented by auDA, and;
- members of the working group will further be involved in the development and active participation of a DNSSEC test bed.

In FY2011-12, auDA completed its IPV6 implementation plan for the auDA operated nameservers with all but one site now accessible via IPV6.

.au Domain Administration Limited

[A Company Limited by Guarantee]

079 009 340

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2012**

**Meagher Howard & Wright
Certified Practising Accountants**

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

.au Domain Administration Limited

[A Company Limited by Guarantee]

079 009 340

DIRECTORS' REPORT

Your directors submit the financial accounts of the company for the year ended 30 June 2012.

Directors

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

	Eligible	Attended	Apologies
Tony STALEY (Chair)	7	7	
Kimberley HEITMAN	7	7	
Cheryl LANGDON-ORR	7	7	
Joshua ROWE	7	7	
Julie HAMMER	7	7	
Marty DRILL	7	7	
Chris DISSPAIN	7	7	
Amin KROLL (resigned 17 Oct 2011)	3	3	
Graham MCDONALD	7	7	
Dwayne VAREY	7	7	
Rosemary SINCLAIR (resigned 17 Oct 2011)	3	3	
George PONGAS	7	7	
Kartic Srinivasan (elected 17 Oct 2011)	4	4	
Paul Levins (elected 17 Oct 2011)	4	4	

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 Centres 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 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. Kim lectures and consults on Internet regulation, e-commerce and risk management and is the Central/Western Convenor 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 ICT systems.

She acted as the IO for Defence for the year prior to her retirement.

.au Domain Administration Limited

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079 009 340

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.

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Marty Drill has been a Director of the auDA Board for nearly five 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 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 fourth term of office in the Demand Class stakeholder category in October 2011. Previously, she worked on several auDA Policy Advisory Panels from 2000.

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 2012. She served as Chair of the ALAC for three terms, from 2007 - 2011, is currently an ALAC liaison to ICANN looking at accountability and transparency during 2011.

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 many auDA Panels, as well as attending a number of ICANN and international domain related conferences.

Currently appointed as Client Services Manager at AusRegistry (the .au 2LD registry operator), George is perfectly positioned 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.

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Rosemary Sinclair - Demand Class Director

Rosemary Sinclair held a range of senior management positions with Telecom Australia, including the Manager of Commercial Operations NSW and National General Manager, Communication Accounts. Rosemary was the Director of Strategic Development for the ABC and Director, Technology and Corporate Services for ABC Radio. From 2001, Rosemary was the Managing Director of the Australian Telecommunications Users Group (ATUG) and has recently taken up the role of Director, External Relations, Australian School of Business, University of NSW. Rosemary has served on a number of government committees and is currently Chair of the Regional Telecommunications Inquiry Committee. Rosemary was appointed by the ICANN Board to the Generic Names Supporting Organisation (GNSO) Council in 2009 for a two year term.

Dwayne Varey - Supply Class Director

Dwayne Varey has over 12 years experience in the Internet industry including senior manager roles with Westnet and iiNet. He is currently serving his second term on the auDA Board and is on both the membership and finance committees. In addition to this, Dwayne has recently moved to the position of CTO with one of Australia's leading registrars and web services companies, Uber-Global.

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 was until earlier this year the Chair of ICANN's Country Code Name Supporting Organisation (ccNSO), a body that represents the interests of and sets global policy and best practice for ccTLDs.

He was elected to the board of ICANN by members of ccNSO and took his seat in June 2012.

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

Kartic Srinivasan-Supply Class Director

Kartic Srinivasan with his experience in the Domain Industry was elected to the auDA board in October 2011. Kartic is the General Manager for Enterprise Sales (Australia) and Global Operations of Melbourne IT Ltd. Kartic was part of Names Policy Panel (2007) which recommended relaxing the transfers policy. Kartic holds a Masters in Information Technology and Bachelors of Engineering (Electronics & Communications).

Paul Levins-Demand Class Director

Paul is President, Intellectual Ventures for Australia and New Zealand. Previously he was Executive Officer and Vice President at the Internet Corporation for Assigned Names and Numbers (ICANN), where he established ICANN's Washington DC office. Prior to joining ICANN, Paul was General Manager, Operations and Corporate Affairs at Bilfinger Berger Australia, and also worked as a corporate affairs manager for Telstra Corporation. Paul has substantial public sector policy experience having been an Adviser and Chief of Staff to Australian Federal and State Government Ministers. He holds a Bachelor of Arts from Macquarie University, Sydney, is an Honorary Associate at the Graduate School of Government at the University of Sydney, a director of the ANZAC Medical Research Institute and an Ambassador for Business Events NSW.

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:

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- 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 2012, 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.

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

Director  _____
Tony STALEY

Director  _____
Chris DISSPAIN

Dated this 6 day of September . 2012

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Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2012 has been received..

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

Director:

Dated this day of 2012

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**COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012**

	Note	2012	2011
		\$	\$
Revenue	2	6,040,828	5,090,694
Depreciation and amortisation expenses		(154,136)	(148,459)
Employee benefits expenses		(1,727,309)	(1,477,580)
Finance costs		49,674	(179,387)
Other expenses		(2,790,346)	(3,062,130)
Profit (Loss) for the year		1,418,711	223,138
Retained earnings at the beginning of the financial year		4,442,276	4,219,138
Profit attributable to members of the company		5,860,987	4,442,276

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**BALANCE SHEET AS AT
30 JUNE 2012**

	Note	2012	2011
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	5	6,036,206	4,628,610
Trade and other receivables	6	545,146	557,391
Other current assets	7	13,000	16,616
TOTAL CURRENT ASSETS		<u>6,594,352</u>	<u>5,202,617</u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	327,528	293,483
TOTAL NON-CURRENT ASSETS		<u>327,528</u>	<u>293,483</u>
TOTAL ASSETS		<u>6,921,880</u>	<u>5,496,100</u>
CURRENT LIABILITIES			
Trade and other payables	9	698,507	790,783
Provisions	10	362,386	263,041
TOTAL CURRENT LIABILITIES		<u>1,060,893</u>	<u>1,053,824</u>
TOTAL LIABILITIES		<u>1,060,893</u>	<u>1,053,824</u>
NET ASSETS		<u>5,860,987</u>	<u>4,442,276</u>
EQUITY			
Retained earnings	11	5,860,987	4,442,276
TOTAL EQUITY		<u>5,860,987</u>	<u>4,442,276</u>

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012**

	Retained Earnings	Reserves	Total
	\$	\$	\$
Balance at 30 June 2010	4,219,138	-	4,219,138
Profit attributable to members	<u>223,138</u>	-	<u>223,138</u>
Balance at 30 June 2011	4,442,276	-	4,442,276
Profit/(Loss) attributable to members	<u>1,418,711</u>	-	<u>1,418,711</u>
Balance at 30 June 2012	<u>5,860,987</u>	-	<u>5,860,987</u>

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**CASH FLOW STATEMENT AS AT
30 JUNE 2012**

	NOTE	2012	2011
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from debtors		6,694,550	4,821,302
Payments to suppliers and employees		(5,236,683)	(4,326,466)
Interest received		137,910	137,261
Net Cash from Operating Activities		<u>1,595,777</u>	<u>632,097</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Plant & Equipment at Cost		(188,181)	(106,462)
Net Cash used in Investing Activities		<u>(188,181)</u>	<u>(106,462)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Increase (Decrease) in Cash Held		1,407,596	525,635
Cash at Beginning of Year		4,628,610	4,102,975
Cash at End of Year		<u>6,036,206</u>	<u>4,628,610</u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note 1 Statement of Significant Accounting Policies

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

Basis of Preparation

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

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

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

(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.

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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 revaluation 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 (ie 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.

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

(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 employee superannuation funds 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.

(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.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

2	Revenue	2012	2011
	Operating activities	5,895,545	4,941,873
	Interest	137,910	137,261
	Subscriptions	7,373	10,060
	Grants Returned	-	1,500
		<u>6,040,828</u>	<u>5,090,694</u>
	The grants returned is the remaining funds in .au community domains operations which has been absorbed back into the company.		
3	Auditor's Remuneration		
	Auditor's Remuneration - Fees	7,500	5,500
4	Income Tax		
	The company has been deemed a non profit organisation and is not subject to tax.		
5	Cash and Cash Equivalents		
	Reconciliation of cash		
	Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
	Cash in Hand	1,532	2,152
	National Australia Bank ("NAB")	89,772	35,679
	NAB Cash on Deposit	1,322,472	1,893,838
	NAB USD Account	917,092	880,546
	HSBC	79,485	163,891
	HSBC International	3,279,233	1,319,350
	HSBC USD	<u>346,620</u>	<u>333,154</u>
		<u>6,036,206</u>	<u>4,628,610</u>
6	Trade and Other Receivables		
	Current	488,670	463,333
	Other Debtors	16,955	39,908
	GST on acquisitions	<u>39,521</u>	<u>54,150</u>
		<u>545,146</u>	<u>557,391</u>
7	Other Current Assets		
	Deposits	13,000	13,000
	Prepayments	<u>-</u>	<u>3,616</u>
		<u>13,000</u>	<u>16,616</u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

	2012 \$	2011 \$
8 Property, Plant and Equipment		
Plant and equipment:		
At cost	893,459	705,278
Accumulated depreciation	(565,931)	(411,795)
Total plant and equipment	<u>327,528</u>	<u>293,483</u>
Movements in Carrying Amounts		
Plant & Equipment		
Balance at beginning of year	293,483	383,234
Additions (at cost)	188,181	106,462
Disposals	-	(47,754)
Depreciation	(154,136)	(148,459)
Balance at End of Year	<u>327,528</u>	<u>293,483</u>
9 Trade and Other Payables		
Current		
Trade Creditors	411,800	547,210
Prepaid Income	63,000	61,000
Payroll Clearing	53,157	44,629
GST on supplies	127,688	115,230
Other Creditors	42,862	22,714
	<u>698,507</u>	<u>790,783</u>
10 Provisions		
Provision for Holiday Pay	226,150	163,351
Provision for Long Service Leave	128,736	94,190
Total Provision for Employee Entitlement	<u>354,886</u>	<u>257,541</u>
Provision for Audit Fees	7,500	5,500
Total provisions	<u>362,386</u>	<u>263,041</u>
11 Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities		
Profit/(Loss) from Ordinary Activities After Gifts	1,418,711	223,138
Non-cash flows in profit from ordinary activities		
Depreciation	154,136	148,459
Loss on sale of fixed assets	-	47,754
(Increase)/Decrease in receivables	12,245	(58,792)
(Increase)/Decrease in other assets	3,616	-
Increase/(Decrease) in payables	(92,276)	247,219
Increase/(Decrease) in provisions	99,345	24,319
Cash Flows from Operations	<u>1,595,777</u>	<u>632,097</u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

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	2012	2011
Cash and cash equivalents	5	6,036,206	4,628,610
Loans and receivables	6	545,146	557,391
Total financial assets		<u>6,581,352</u>	<u>5,186,001</u>
Financial Liabilities			
Trade and other payables		698,507	790,783
Total Financial Liabilities		<u>698,507</u>	<u>790,783</u>

Additional Information

Registered Office	Principal Place of Business
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114 Cardigan Street
Carlton Victoria 3053

114 Cardigan Street
Carlton Victoria 3053

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**PROFIT & LOSS
FOR THE YEAR ENDED 30 JUNE 2012**

	2012	2011
	\$	\$
INCOME		
Subscriptions received	7,373	10,060
Interest Received	137,910	137,261
Registry licence Fees	1,064,430	886,245
Domain Name Fees	4,703,601	3,938,946
Registrar Fees	114,000	106,250
Grants Returned	-	1,500
Community Site Fees	13,514	10,432
TOTAL INCOME	6,040,828	5,090,694
EXPENSES		
Accountancy	120,000	99,600
Auditors Remuneration - Fees	7,500	5,500
Bank Charges	8,315	5,104
AGM & Committee Meetings	172,254	89,165
Computer Expenses	304,147	354,106
Depreciation	154,136	148,459
Directors Fees	149,720	146,788
Directors Expenses	135,520	131,880
Donations	6,250	6,700
Entertainment	25,918	17,154
Education & Media	366,563	501,614
Fringe Benefits Tax	65,374	52,381
General Expenses	730	418
Holiday Pay and Long Service Leave	97,344	56,058
Insurance	21,341	18,629
Interest on Leases	27,780	26,728

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**PROFIT & LOSS
FOR THE YEAR ENDED 30 JUNE 2012**

Legal Costs	181,448	451,335
License Fee-ICANN/CCTLD	362,289	279,533
Office Expenses	46,733	32,404
Payroll Tax	56,644	48,654
Postage, Printing & Stationery	14,753	20,052
Rent	112,608	59,468
Registry Enhancements	97,310	97,841
Salaries & Wages	1,602,049	1,389,046
Security	85,573	35,160
Staff Amenities	17,361	27,229
Staff Training	27,915	32,475
Subscriptions	6,883	6,382
Technical Support	89,607	113,712
Telephone	33,215	54,880
Travelling Expenses	274,510	331,960
TOTAL EXPENSES	4,671,790	4,640,415
OPERATING PROFIT/(LOSS)	1,369,038	450,279
NON-OPERATING INCOME AND EXPENSES		
Non Operating Expenses		
Loss on sale of fixed assets	-	(47,754)
Unrealised Foreign Exchange Gain/(Loss)	49,674	(169,538)
Realised	-	(9,849)
Total Non Operating Gains/(Expenses)	49,674	(227,141)
OPERATING PROFIT FOR THE YEAR	1,418,712	223,138

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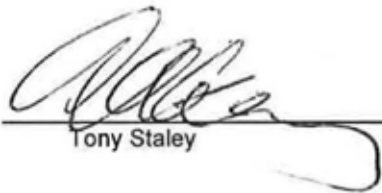
DIRECTOR'S DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 19 present fairly the company's financial position as at 30 June 2012 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 director's 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:


Tony Staley

Director:


Chris Disspain

Dated this

6

day of

September.

2012

Glossary

2LD

Second Level Domains. The .au domain space is divided into a number of 2LDs. Each has their own eligibility and registration rules and serves a distinct segment of the Internet community.

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

“Closed 2LDs” are only available to entities within a defined sector. Examples include gov.au for government and edu.au for educational institutions.

ALAC

At-Large Advisory Committee. ALAC is an advisory committee to ICANN. Its mission is to act as an advocate for the interests and viewpoints of the global individual users of the Internet.

ANZIAs

The Australia and New Zealand Internet Awards. The ANZIAs are an annual event celebrating the achievements of organisations, businesses and individuals that have made significant contributions to the development and use of the Internet in Australia and New Zealand.

APRALO

Asia-Pacific Regional At-Large Organisation (APRALO, ASIAPAC) is one of the five RALOs that make up the ALAC constituency within ICANN. It provides news, resources, and information for individuals and end-user groups in Asia, Australia, and the Pacific who are interested in ICANN.

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.

ccNSO

Country Code Names Supporting Organisation of ICANN. The ccNSO is the representative body for ccTLDs within the ICANN structure.

ccTLD

Country Code Top Level Domain. ccTLDs are reserved for exclusive use by a country or external territory. The codes are determined according to a list maintained by the International Organization for Standardization (ISO 3166-1). .au is Australia’s ccTLD. Other examples of ccTLDs include .de for Germany and .uk for the United Kingdom.

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.

Glossary

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 or man-in-the-middle attacks.

IETF

Internet Engineering Task Force. The IETF is a large open international community of network designers, operators, vendors, and researchers concerned with the evolution of the Internet architecture and the smooth operation of the Internet.

ICANN

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

Internet Governance Forum. The 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.

ISOC-AU

The Internet Society of Australia is a non-profit, user-focused organisation which promotes development of the Internet in Australia to benefit the whole community, including business, academic, professional, and private Internet users.

ISS

Information Security Standard. A proposed mandatory standard for registrars to enhance domain name security.

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.

Glossary

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.

SSAC

Security and Stability Advisory Committee. Both auDA and ICANN have an SSAC to provide advice to their respective boards on matters pertaining to DNS security and stability.





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