

Annual Report

2017-18

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Introduction

.au Domain Administration Ltd (“auDA”) is the administrator of the .au country code top level domain (ccTLD) namespace in Australia.

The Domain Name System (DNS) is the system that seamlessly directs users or their data to the website or service they expect when they enter an internet address into a web browser, send an email or use a mobile app.

The DNS is a critical part of Australia’s digital infrastructure relied on by government, business and consumers to drive the ever-expanding digital economy.

auDA’s role in ensuring the .au ccTLD, as a critical part of the DNS in Australia, is stable, secure and reliable is more important than ever.

The core elements of auDA’s role are:

- Developing and reviewing .au policies
- Enabling and enforcing contractual compliance
- Maximising the security and technical stability of the .au space
- Facilitating competition and consumer choice through the accreditation of multiple .au registrars
- Engaging and educating .au stakeholders and the broader community
- Providing consumer safeguards and providing effective dispute resolution mechanisms.

auDA operates under an industry self-regulatory model and is strongly committed to the multi-stakeholder approach to internet governance.

Stakeholders from both the supplier and consumer sides of the Australian internet community are represented at the highest levels of our corporate governance structure and are consulted in the development and refinement of all auDA’s policies.

auDA works closely with the Australian Government, from whom we have received a renewed endorsement in April 2018 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) and the Asia Pacific Top Level Domain Association (APTLD).

Joint Statement by the CEO and Chairman

The 2017-8 financial year has been a pivotal period in auDA's history, and indeed in the history of the .au namespace.



Cameron Boardman
CEO, .AU DOMAIN ADMINISTRATION

A constant question raised here and internationally is:

"What is the future for domain names"?

In 2012, there were approximately 2 million .au names under management, which had coincided with around 20% average annual growth in .au registrations for the previous 10 years. In the current financial year growth has slowed to around 2% per annum, albeit in a very changed environment from 2012.

2012 was also the year that the Internet Corporation for Assigned Names and Numbers (ICANN) launched their new generic top-level domain (gTLD) program which resulted in the 1,232 new top-level domains now available to Australian and international consumers.

This changing and increasingly competitive digital landscape has placed new challenges on auDA and on the .au namespace.

To meet these challenges, the .au namespace must remain relevant and cost effective for Australian digital users. And auDA, which administers the .au namespace in the interests of all Australians, must evolve to ensure it can continue to provide a trusted, responsive and secure service. This is why auDA has embarked on the most significant reforms in its 17-year history.



Chris Leptos AM
INDEPENDENT CHAIR

The benefits achieved by the Registry Transformation Project have been well documented, and when combined with the ongoing structural and governance reforms, it is clear that auDA is transforming itself into an organisation that is capable of meeting the challenges ahead.

Embarking on the Registry Transformation Project and successfully completing the associated public tender process was an important milestone, not just for auDA, but for all Australian internet users. Changing the registry operator was not a decision the board or management took lightly. The numerous factors which the board and management had to consider included security, continuity of service, technical performance, value-for-money, consumer expectations and international trends.

The appointment of Afilias Australia has allowed auDA to provide .au registrants with a reduced wholesale fee, variable licence terms from 1 to 5 years, DNS nodes in every Australian capital city, and improvements to the way the .au DNS is managed to enhance security and performance.

This complicated task was achieved through the commitment and professionalism of the project team and its advisers. We would personally like to thank Dr Bruce Tonkin who lead the project team; Peter Mason, the project manager; Cameron Whitfield from PwC Legal who was a trusted and key adviser; Colin Egan and Peter Morris from PPB Advisory who assisted with the financial modelling; Jeff Schmidt from JAS Global who assisted with the

technical aspects of the project; Charlie Offer from EY who was the risk advisor; and Adrian Gibby from KPMG who was the probity adviser. There are many other individuals who worked as part of the team to make this a success and we wish to express our thanks to them all.

We would also like to thank the entire team at Afilias who demonstrated dedication and commitment to achieving a successful transition. The team led by Ram Mohan and John Kane provided exemplary responsiveness and professionalism under challenging circumstances. The dedication from the entire Afilias organisation, from Executive Chairman Jonathan Robinson down, was instrumental to the success of the project and provides for an exciting future for auDA.

We also acknowledge and thank the previous registry operator, Neustar/AusRegistry, for their commitment and support of .au over the last 16 years. AusRegistry is a great Australian technology success story. As a start-up, they took on the challenge of managing the .au registry operations. Over the years they continued to improve and develop innovative processes to meet the expectations of a changing digital landscape, making a significant contribution to Australia's digital economy.

In April 2018, auDA received the final report into the "Review of the .au Domain Administration" which outlined 29 recommendations necessary for auDA to retain the new Terms of Endorsement from the Commonwealth Government.

"auDA and .au must continue to evolve and improve to meet the challenges of the fast-changing digital landscape."

In 2017 auDA embarked on a reform process designed to improve its governance, management frameworks and organisational effectiveness. Whilst auDA welcomed the Review findings, the change process had already begun, and the 29 recommendations were consistent with the pathway auDA had embarked upon.

It was clear to us before the Review, and it was highlighted in the Review, that to remain relevant, competitive and responsive to Australian internet users, auDA and .au must continue to evolve and improve to meet the challenges of the fast-changing digital landscape.

Driven by both changes in consumer expectations and technology, auDA operates in a very different digital context than it did five years ago. In five years from now, we are sure that this environment will be substantially different again.

The reforms which auDA has initiated, implemented and will continue to pursue are necessary to create a responsive, adaptable and sustainable organisation. The auDA board has played a pivotal role in guiding and shaping the reform process, and we acknowledge the significant contribution from the directors who have provided both vision and stability over the past 12 months.

The digital economy is now a foundation of the national economy, and auDA and .au have an important role to play. auDA is a small organisation but it manages a vital public

asset, for the benefit of all Australians. The auDA team has performed remarkably over the last year, in sometimes extraordinarily trying circumstances, and we acknowledge the auDA team for their commitment and dedication

As our reform process continues, we will strive to make further improvements with our policies, internal functions and the utility and security of .au, along with how we interact and involve our stakeholders with our decision-making.

2017-2018 has been a challenging yet successful year. The reforms have positioned auDA for further success and we are excited by what 2018-2019 and beyond will bring. We encourage all auDA stakeholders to celebrate this success as the organisation transforms to 'auDA 2.0'.


Cameron Boardman
CEO, .AU DOMAIN ADMINISTRATION


Chris Leptos AM
INDEPENDENT CHAIR

The .au Market Place

.au domain names registered as of 30 June 2018:

3,153,979

Breakdown by open second level domain

88.29%	8.26%	2.25%
com.au	net.au	org.au
0.39%	0.11%	0.01%
id.au	asn.au	CGDNs*

(*Community Geographic Domain Names: vic.au, nsw.au, act.au, qld.au, nt.au, wa.au, sa.au, tas.au)

Industry Engagement

One of the primary responsibilities of auDA is managing a sustainable, prosperous and competitive marketplace for the .au namespace.

To achieve this, it is critical that auDA has productive and responsive relationships with each of its 42 registrars (as at 30 June 2018), and provides appropriate technical and compliance support, in addition to marketing and other assistance.

As a consequence of the Registry Transformation Project, auDA embarked on further formalisation and improvement of its relationship with registrars by initiating a program of proactive industry engagement, commencing in December 2017.

Hosted jointly by auDA and appointed registry operator Afilias Australia, the aim of these briefings was to build stronger relationships with the companies who are the interface with the consumers of .au domain names.

The briefings provided .au accredited registrars an environment to raise their issues directly with auDA and Afilias management. They allowed auDA to keep

registrars updated on the policy, governance and strategic developments within auDA.

These briefings were crucial in the lead up to the transition between registry operators and became a valuable opportunity to quickly resolve issues in a collaborative environment.

Feedback from registrars about these regular meetups has been extremely positive and they're set to continue and expand in the coming year as auDA further works with registrars on greater marketing assistance, continuous reform of the namespace and improved security for .au consumers.

"These briefings were... a valuable opportunity to quickly resolve issues in a collaborative environment."

Regulatory Update

Complaints

auDA's compliance team is the frontline of ensuring .au policy is properly implemented by registrars and resellers and adhered to by registrants.

Their work managing complaints about .au domain names ("domain complaints") and .au registrars and resellers ("industry complaints") is crucial in maintaining the reputation of .au as a safe, secure and reliable namespace.

The compliance team also manages .au domain information and deletion requests

received from Australian government and law enforcement agencies. They work cooperatively with those agencies in relation to online consumer protection issues.

A registry database search service is also provided for registrants wishing to check what .au domain names have been registered across all auDA accredited registrars

Snapshot of auDA complaints data

	Received	Closed
Domain complaints	1019	849
Industry complaints	233	223
General enquiries	551	523
Government/Law requests	40	39
Registry database search requests	82	82
Audits	5	5

Year on year

Year	Domain Complaints	Industry Complaints	General Enquiries	Gov/Law Enf Reqs	Registry D/ base search	Audits
2016-2017	696	159	721	54	68	7
2017-2018	1019	233	551	40	82	5
% change	+46%	+46.5%	-23.58%	-26%	+21.6%%	-28.6%

.au Dispute Resolution Policy Actions

The .au Dispute Resolution Policy (auDRP) provides a mechanism for parties with competing rights for the same domain name to resolve disputes. It aims to be a quicker, cheaper alternative to litigation.

auDRP proceedings are administered by independent, auDA-approved providers of dispute resolution services.

Snapshot of the .au Dispute Resolution Process

auDRP matters lodged	46
Found in favour of complainant	26
Found in favour of respondent	8
Withdrawn terminated before decisions	7
Pending as at 30 June 2018	5
Audits	5

.au Policy Review Panel

In October 2017, the auDA Board convened the 2017 Policy Review Panel (PRP) to undertake the first ever holistic review of .au policy.

The main objectives of the PRP are:

- a. to recommend an implementation policy for direct registration following the decision of the auDA Board to accept the recommendation of the 2015 Names Policy Panel to implement direct registration
- b. to review, simplify, and consolidate the 33 existing published policies into a Registrant Policy, a Registrar Policy, and a Complaints Policy.

This Panel’s remit is significant. This streamlining of policy will help modernise the .au namespace, improve the experience for users in the domain name ecosystem while improving the effectiveness of auDA’s work as the industry self-regulatory body.

Panel Members

The PRP is chaired by John Swinson and consists of experienced members with a range of views and backgrounds;

- Professor Dan Hunter (Academic Representative)
- Narelle Clark (Consumer Protection Representative)
- Brett Fenton (Supply Class Member)
- Ian Halson (Demand Class Member)
- Nicola Seaton (Business Representative)
- Jeff Hole (Government Representative)

The secretariat for the PRP is provided by Squad Consulting on behalf of auDA.

Overview of Activity

The PRP has met nine times since its formation and also conducts much of its policy discussions via a dedicated online platform.

Since its inception the panel has produced a range of outputs.

Implementation of Second Level Domain Name Registrations (Direct Registration)

Discussion paper, October 2017

This discussion paper asked specific questions about how best to implement second level domain name registration (also known as direct registration).

The Panel received 51 public submissions in response to this issues paper from a broad range of stakeholders, including registrars, registrants, consumer and end-user representative organisations, and the education sector.

Registrant Policy: Enabling Australia's Digital Economy and Society

Discussion paper, January 2018

This discussion paper explored the issues around the structure of the .au namespace, reserved or prohibited domain names, and eligibility for and allocation of domain names including what rules should apply to direct registration of .au domain names.

The Panel received 60 public submissions, and a number of confidential submissions, from a broad range of stakeholders, including registrars, registrants, consumer and end-user representative organisations, and government agencies.

Public Consultation Events – February 2018

In February the panel held four full-day consultation events in Perth, Sydney, Melbourne and Brisbane.

The aim of the events was to generate discussion on key issues like direct registration, and gain feedback to the responses received the release of the first two discussion papers.

Approximately 85 people attended the public forums from a wide range of backgrounds, with different levels of knowledge regarding the current policy framework.

The public events gave the Panel a chance to hear and engage in a meaningful way some of the community's concerns on a range of policy issues and have resulted in policy proposals better aligned to the community's needs.

Next Steps

The timeline for the Panel's work was updated as a result of auDA's focus on governance issues throughout 2018. The Panel is now due to submit its final report to the auDA board in December 2018 and has scheduled meetings throughout the rest of 2018.

The auDA board intends to consider the Panel's recommendations in mid 2019.

Registry Operations

Registry Highlights - Neustar Asia Pacific

AusRegistry (and under its parent company Neustar, Inc. since 2015) served as second-level registry operator for the .au namespace for over 16 years until July 2018. As the custodian of the technology powering Australia's domain namespace on the internet, AusRegistry was entrusted to operate the Registry platform for all commercial domain names such as com.au and net.au, and non-commercial domain names including org.au, asn.au, id.au, gov.au and edu.au.

In 2017-18, AusRegistry delivered the .au Retention Program to encourage .au domain name renewals. Working in partnership with registrars to identify renewal targets, AusRegistry invested over \$350,000 in total which resulted in more than 35,000 .au domain renewals across 14 participating registrars.

As part of auDA's Registry Transformation Project, AusRegistry supported the smooth transition of the .au Registry and delivered all registry data ahead of schedule on the transition weekend to provide an optimal foundation for the transition.

The AusRegistry team was honoured to have the privilege of serving the .au community for over 16 years. They are truly proud of their accomplishments during their tenure as registry operator and the strong, secure and innovative namespace that they played a role in building.

Some of the highlights of AusRegistry's time as registry operator included:

- 100% DNS uptime over the entire contract - from 1st July 2002 to 30 June 2018
- One of the first registries globally to feature real-time dynamic DNS updates and to implement EPP v1.0

- Phenomenal year-on-year growth leading .au from approx. 250,000 domains in 2002 to over 3 million today – at its peak the seventh-largest ccTLD in the world despite Australia's relatively small population
- Developed the .au 'brand' with a new visual identity for the namespace
- An Aussie-built registry developed specifically for .au
- 24/7 Australian-based registrar support from our Melbourne office
- Continuous participation in auDA's policy panels, committees and working groups
- Helped establish a vigorously competitive registrar channel holding regular registrar events
- Conducted research, zone file analyses and regular surveys of internet users in Australia to track internet and domain name trends and examine issues facing registrars, registrants and end users
- Published a monthly performance scorecard and the quarterly Industry magazine Behind the Dot.

Playing their part in building and supporting the Australian internet community – of which their Australian team was a dedicated member – was a source of great pride and motivation to the staff at AusRegistry.

The Neustar Australia team looks forward to continuing its participation in the vibrant Australian Internet community for many years to come. Neustar wishes auDA continued success for the future operations of the .au namespace.

The Registry Transformation Project

The Registry Transformation Project was one of the biggest changes in the history of .au, and a massive technical and practical undertaking for auDA and the registry operators.

In July 2017, after an initial EOI exercise, the auDA Board made the decision to put the operation of the .au registry out to tender.

The project aims included improving the stability and utility of the .au namespace and becoming a world leader in registry security.

The transition of 3.1m domain names between registry operators was the biggest of its kind ever and was acknowledged as a Guinness World Record.

The registry transition was successfully completed in the early hours of 1 July 2018 and stands as a massive achievement for auDA, and the two registry operators.

"The transition of 3.1m domain names between registry operators was the biggest of its kind ever."

The Tender Process

In May 2017, auDA released a request for expressions of interest (REOI) for the provision of registry services as a scoping exercise for the Registry Transformation Project. As a result of the REOI the Board resolved in July 2017 to undertake a formal request for tender process.

With Dr Bruce Tonkin as the Registry Transformation Project Lead, the tender process launched in September 2017 and a total of nine responses were received.

The responses were first assessed on the non-financial criteria including areas such as the ability to perform to the technical specification, ability to meet or exceed auDA's required service levels, ability to support the registry transformation project goals, and security and risk management capabilities. Pricing was then considered to make an assessment of value for money.

In October 2017, the Board approved a short list of tender proposals based on the evaluation of responses by the Tender Evaluation Committee, and the short-listed respondents were invited to make a best and final offer.

Afilias Australia Pty Ltd (a subsidiary of Afilias plc, the world's second largest registry operator) was awarded the registry contract in December 2017 after consideration of best and final offers from the short-listed respondents by the Tender Evaluation Committee.

Afilias received the highest score in the non-financial criteria, and its fees were considered the best value for money when considering its score in non-financial criteria.

Added to this is Afilias' stellar reputation as a registry operator managing over 200 top level (TLDs) domains, including established TLDs like .org, new generic TLDs like .global, geographic TLDs like .Vegas, brand TLDs like .Audi and 16 country code TLDs including .in (India), .me (Montenegro) and .pr (Puerto Rico).

Preparing For Transition

Soon after being appointed as registry operator, Afilias began working with auDA and .au registrars to plan and prepare for the transition.

Testing for the transition began in mid-February and coincided with the opening of Afilias' Melbourne office.

This early phase of the transition planning also saw Afilias begin to launch a network of new DNS nodes around Australia, including nodes in Perth and Hobart which would improve response times for internet users all around Australia.

Ensuring DNS Stability and Security

As the DNS is considered essential infrastructure, the transition between operators raised significant potential risks to Australia's cyber security and the wider digital economy. The auDA Board appointed Ernst and Young to provide independent risk assurance for the project. The Board's Security and Risk committee met regularly with auDA management to review risks and also receive input from Ernst and Young.

Any significant DNS outage as a result of a cyber attack or sabotage during the transition could have a serious and rapid impact on Australia's internet services and ultimately the wider economy.

Throughout the project, auDA worked in close collaboration with various federal government cyber security and intelligence agencies to ensure the transition's potential risks were being adequately considered and addressed.

auDA also developed crisis management plans, and ran various crisis scenario exercises involving auDA, Afilias, the Department of Communications and the Arts (DOCA), and Government security agencies.

Transition Weekend – 30 June 2018

The actual transition process began at 8am on Saturday 30 June 2018 with the previous provider Neustar shutting down the .au registry and commencing the final shipment of registry and DNS zone data – a process that continued throughout the day.

After receiving the data on Saturday afternoon from Neustar ahead of schedule, auDA and Afilias teams performed rigorous testing to ensure it was a complete and accurate copy of the .au registry. Once verified, the data was then loaded onto the Afilias hardware and again carefully tested for consistency and accuracy.

Registrars were soon able to access the registry and begin their testing early on Sunday morning.

By the early hours of 1 July 2018 the .au registry operations had been successfully transitioned to Afilias.

A total 3,153,979 .au domain names were transferred to a new registry operator – the biggest transfer of its kind ever.

auDA wishes to extend its sincere thanks to Dr Bruce Tonkin, whose knowledge and leadership was critical to the success of the project.

The project teams from auDA and Afilias also deserve big thanks for their dedication and hard work which delivered such an excellent outcome.

auDA also wishes to extend its thanks to the previous registry operator Neustar Asia Pacific for the smooth transition on the transition weekend, and for the 16 years of outstanding service it provided to the Australian internet community.

.au Security

The migration to a new .au registry operator made for a busy year and required considerable planning and testing of the most critical piece of the transition – ensuring the .au DNS remained stable, secure and online during the transition.

This project included introducing new slave servers across Australia and the world, migrating the primary (master) name server zone files from the previous operator to the new operator and introducing new DNSSEC Key Signing Keys (KSK) and Zone Signing Keys (ZSK) from the new operator while transitioning out the old DNSSEC KSK and ZSKs and their related signatures from the previous operator.

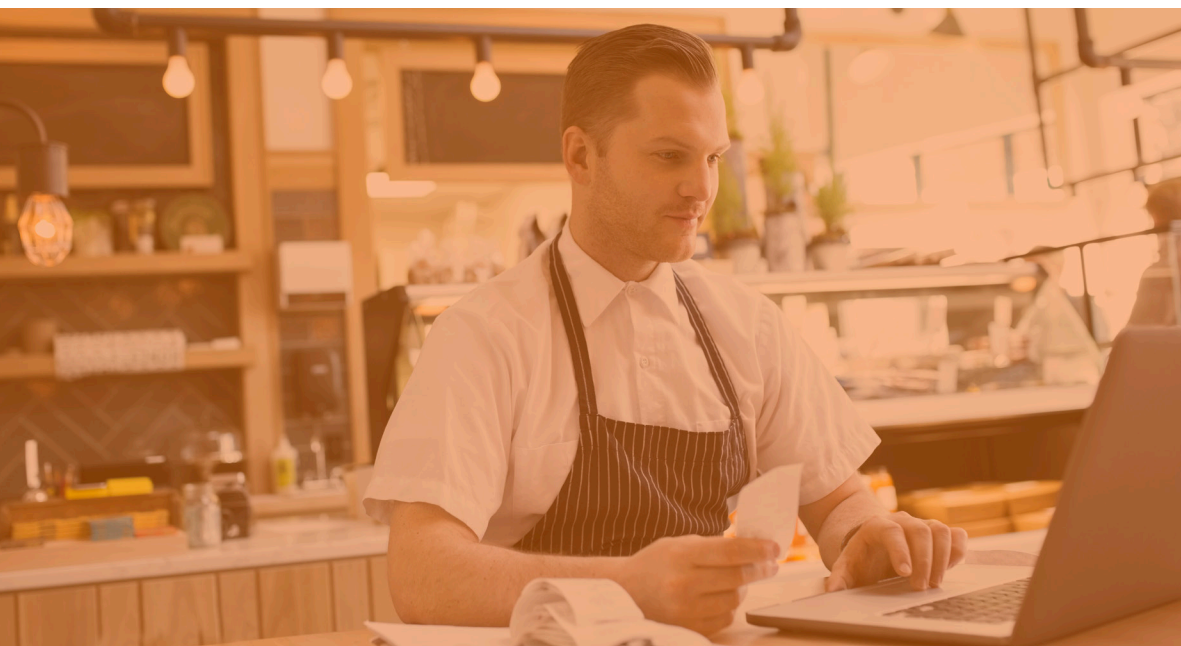
DNSSEC is difficult in its own right and it has been responsible for many recent outages in other TLDs. Completing this transition required meticulous timing and solid planning and the fact it transpired without incident is a credit to all parties involved.

A More Responsive .au

As part of the transition project auDA was able to increase its international DNS name server footprint. The new operator, Afilias, has DNS nodes in over 150 locations around the globe. This allows .au and the 2LD.au zones to be served from more locations than ever before, improving global response times and the resilience of the .AU DNS service.

auDA further improved the footprint for .au in this time as well, engaging Cloudflare as a third-party provider for the .au zone. Cloudflare also has DNS nodes in over 150 locations around the world. Cloudflare provides auDA and the .au namespace with the additional service of validating the legitimacy of each request made to the Cloudflare servers. If the request is from a known malicious server, the traffic is blocked. If the traffic is detected as part of a DDoS attack Cloudflare automatically deploys its advanced DDoS protection services to assist in mitigating the attack.

With the DNS footprint increased through the appointment of Afilias and the engagement of Cloudflare auDA decided to retire two of its own managed name server sites in 2018. Both sites contained aging hardware and were



in locations that were now being served by Afilias and Cloudflare. The name server sites were visited by auDA staff and all hardware was securely disposed of. All storage devices were retained by auDA and returned to Australia for secure erasing and secure in-country destruction.

In 2019 auDA will investigate the use of cloud providers in key internet exchange locations to host zone distribution servers which will enable faster distribution of the .au zone to the 300+ DNS nodes provided by Afilias and Cloudflare.

Security Testing

Once again, this year auDA engaged a third party to perform a penetration test on its public facing infrastructure. Subject matter experts were used to test, evaluate and exploit potential threat vectors. No critical threats were identified and auDA will work through the recommendations to continue improving our risk profile and preventing potential threats from being exploited. Continued vulnerability and penetration tests ensure auDA remains current and vigilant about the security of its external facing services.

ISO 27001 Certification

With information security breaches now the new normal, it is important auDA continually ensures it is dedicated to reducing the risk of suffering a damaging breach.

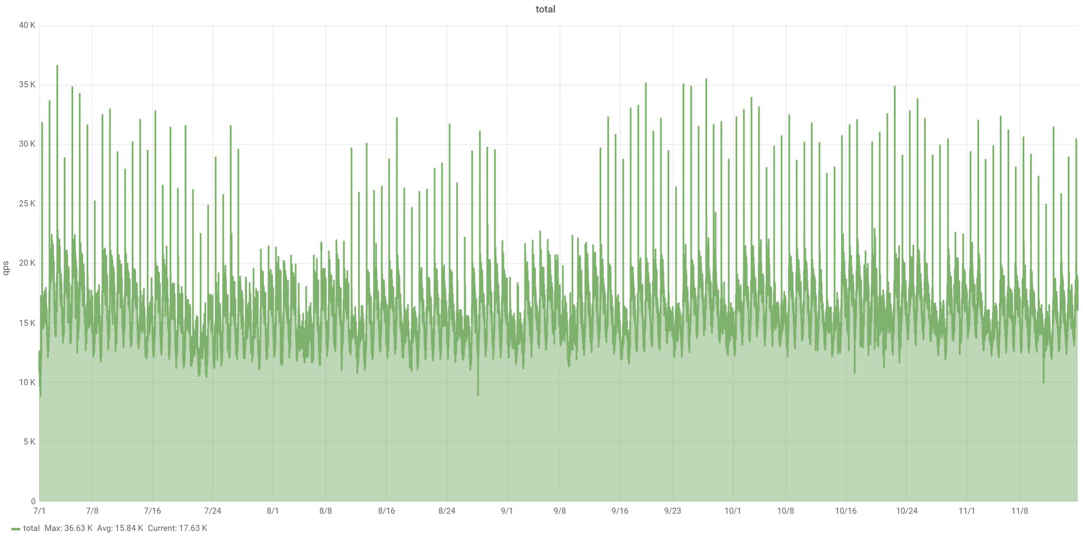
auDA has committed to becoming ISO 27001 certified to help demonstrate that security is always front of mind and adhered to by all staff at auDA and that best practice is always followed.

The scope and objectives have been identified and auDA has completed the initial gap analysis. Work will continue throughout the remainder of 2018 to map and implement controls, review and update documentation and implement frameworks that provide a foundation for continuous improvement.

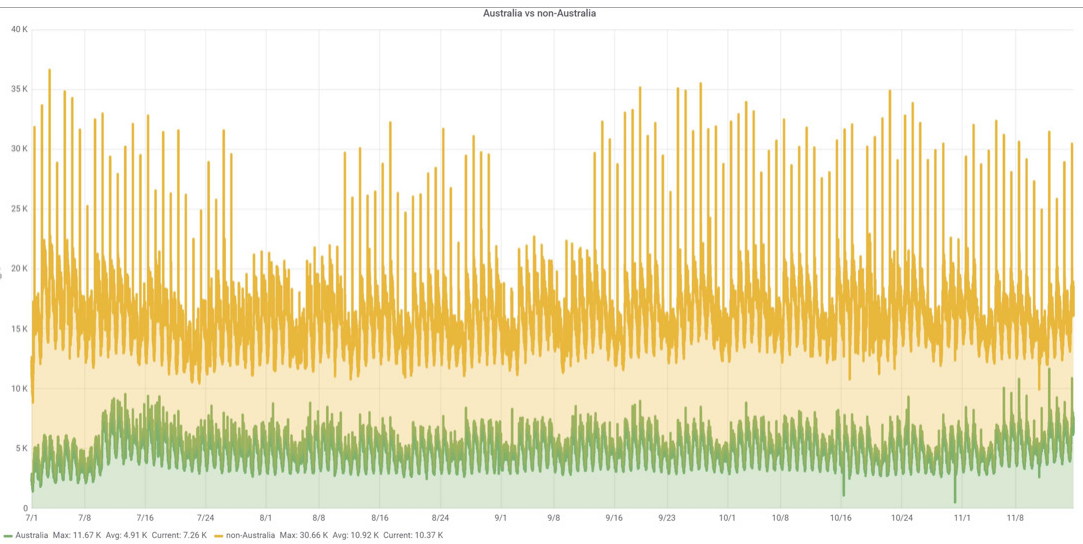
New Insights

As part of the registry transition and new registry contracts auDA has additional insight into the metrics obtained from the many DNS nodes provided by Afilias. The graphs below provide a view into daily transactions seen across the 2LD space.

The first graph provides a view of the total queries per second being seen across the 2LD space. On average there are 15,000 queries per second, a query is a question, such as "Where is www.auda.org.au".



The second graph below provides a breakdown of where the queries for .au are originating from. On average 11,600 queries per second are from Australian resolvers, our international queries are close behind, averaging 10,900 per second. This graph illustrates the importance of having a global network providing DNS services for .au and the 2LD.au zones.



"It is important auDA continually ensures it is dedicated to reducing the risk of suffering a damaging breach."

Sponsorship and Community Programs

auDA has sponsored or been involved in a wide range of community programs with the aim of building Australia's digital capability.

The Australasian Digital City Index

In February auDA committed to funding the first phase of the Australasian Digital City Index (ADCI).

Run by the Pearcey Centre for Innovative Industry Economic Research, the ADCI will rank cities across Australia and New Zealand on how well they support digital entrepreneurship. The Australasian index is modelled on the renowned European Digital City Index, developed by the UK-based NESTA.

The index will give entrepreneurs valuable insight into local environments, allowing them to make better business decisions. For policymakers the index provides an evidence base to best decide where to invest to build Australia's digital economy.

2018 iAwards

auDA was proud to again be National Program Sponsor of the iAwards.

Now in its 25th year, the Australian Information Industry Association (AIIA)'s iAwards has become the premier tech industry awards recognising innovation across the entire spectrum of Australian industry.

Entries into the iAwards are judged first on a state level, and these winners then go on to represent their state at the National iAwards – the pinnacle event in the program.

As National Program Sponsor for the 2018 iAwards, auDA CEO Cameron Boardman was honoured to present the Business Services Award to Complexica for their B2B sales software Larry the Digital Analyst.

auDA looks forward to continuing its association with the iAwards in 2019.



#TechDiversity Awards

auDA was proud to be a sponsor of the 2018 #TechDiversity Awards.

Run by the #TechDiversity Foundation, the Awards recognise individuals and groups that are raising awareness and creating change through diversity initiatives and programs.

The Telco Together Foundation

auDA is a proud member of the Telco Together Foundation

The Telco Together Foundation brings together the telecommunications industry in support of disadvantaged communities in the areas of Indigenous communities, homelessness and food security, mental health and youth unemployment and disadvantage. It is a unique and wide-reaching platform for social change by drawing on the industry's core capabilities, strengths and access to technology.

Review of the .au Domain Administration

In October 2017, the Commonwealth Minister for Communications and the Arts, Senator The Hon. Mitch Fifield, announced a review into the management of the .au domain.

auDA welcomed the review both as complementary to the governance reform projects which were already under way and as a necessary step to ensure that the .au namespace continued to provide a vital and responsive service to Australia's digital economy.

The review's final report was released in April 2018. Recognising auDA's unique origins and evolution, the review included a new Terms of Endorsement for auDA and a range of recommendations for structural modernisation.

Key to its findings was that:

the current management and governance framework for auDA is no longer fit-for-purpose and that reform is necessary if the company is to perform effectively and meet the needs of Australia's internet community.

In particular, the current membership model, and its relationship to corporate governance, is impeding auDA's decision making and is contributing to ongoing organisational instability.

Along with the registry transition, in 2018 auDA has focused heavily on planning and implementing significant organisational reform to the timelines set out in the report.

A major reform milestone was met at the Extraordinary General Meeting in late September 2018, at which auDA members voted to adopt a new constitution.

The CMWG

Soon after the report's release, the auDA board commissioned the Consultation Model Working Group (CMWG) to work out how best to consult with auDA members and the wider Australian digital community on the changes required by the government's review.

After an extensive Expression of Interest process, auDA appointed 16 individuals from a diversity of backgrounds including the technology sector, small business, community groups, the rural sector and academia, of whom there was a mix of auDA members and non-members.

As part of its work, the CMWG held numerous stakeholder consultation events which were instrumental in the formation of a new membership model. The feedback obtained from these events, along with the input directly from Working Group members themselves, significantly influenced and informed the development of auDA's new constitutional and governance framework.

Their work has also been crucial in the ongoing engagement with auDA's stakeholders and developing future initiatives which ensure that the principle of multi-stakeholder participation in auDA's decision making remains a core function of the company.

The board and management of auDA expresses its sincere appreciation for the extensive work and commitment of the CMWG over several months. This process was an essential part of meeting the Government's expectations and has established a foundation for future stakeholder-led initiatives.

The road to auDA 2.0

Since the report was published, auDA has been heavily focused on implementing the 29 recommendations and modernising the organisation to meet the government's new terms of endorsement. The recommendations touch on every aspect of auDA's work.

A detailed implementation plan was delivered to the government in May 2018 and released publicly outlining the work to be undertaken to meet the government's tight timelines for reform.

auDA continues to make considerable progress in its reform, meeting the milestones in the report.

auDA is committed to improving its governance and stakeholder engagement to ensure the .au namespace continues to meet the needs of an ever-expanding digital economy.

Financials

.au Domain Administration Limited

Directors' report

For the year ended 30 June 2018

The directors present their report together with the financial report of .au Domain Administration Limited (the "Group") consisting of .au Domain Administration Limited (the "Company") and the entities it controlled for the financial year ended 30 June 2018 and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

<i>Name</i>	<i>Appointment date</i>	<i>Resignation date (if applicable)</i>
Christopher Leptos AM	20 November 2017	
Damian Smith	11 May 2018	
Erhan Karabardak	12 November 2012	
Grant Wiltshire	30 November 2015	
Harriet Raiche	11 May 2018	
James Deck	27 November 2017	
Joseph Manariti	12 November 2012	
Nigel Phair	11 May 2018	
Sandra Hook	24 April 2017	
Suzanne Ewart	16 November 2017	
Cameron Boardman	30 August 2016	
Timothy Connell	28 November 2016	7 August 2018
Nicole Murdoch	27 November 2017	19 April 2018
Hedley O'Meara	27 November 2017	26 March 2018
Gavin Gibson	13 February 2017	27 November 2017
George Pongas	19 October 2009	27 November 2017
Ian Halson	26 September 2017	27 November 2017
Simon Johnson	27 November 2014	24 November 2017
Leonie Walsh	10 October 2016	14 August 2017
Michaela Richards	10 October 2016	14 August 2017
Stuart Benjamin	12 November 2012	28 July 2017

.au Domain Administration Limited Directors' report

For the year ended 30 June 2018

Christopher Leptos AM – Chair and Independent Director

Mr Leptos was appointed Independent Chair of auDA in November 2017.

His other Board roles include Deputy Chair of Flagstaff Partners, and non-executive director of IDP Education Ltd (ASX:IEL) and Arete Capital Partners. Mr Leptos is also President of the National Heart Foundation, and a Professorial Fellow at Monash University. Mr Leptos retired as Deputy Chair of Linking Melbourne Authority in December 2015, and retired as an independent non-executive director of PPB Advisory in July 2018.

In his earlier career Mr Leptos was a Senior Partner with KPMG, and Managing Partner Government at Ernst & Young where he had national responsibility for leading the public sector practice.

Mr Leptos is a Governor of The Smith Family, a member of the Advisory Council of Asialink, and a member of the Advisory Board of the Faculty of Business & Economics at the University of Melbourne. Previously, Mr Leptos was a member of the Infrastructure Planning Council of Victoria, and a member of the Australian Information Economy Advisory Council.

Mr Leptos has a BCom and an MBA from the University of Melbourne. Mr Leptos is a Fellow of the Australian Institute of Company Directors and Fellow of the Institute of Chartered Accountants. He is also a Director of the auDA Foundation.

In 2000 Mr Leptos was honoured as a Member of the Order of Australia for services to business and the community.

Damian Smith - Demand Class Director

Mr Smith has over 2 decades' experience in senior leadership positions in technology businesses in both Australia and internationally. He has held Chief Executive Officer roles for several businesses, including LookSmart (one of Australia's first NASDAQ-listed entities), RateCity and Nuix.

Mr Smith also serves as a Non-Executive Director for the Australasian Medical Publishing Company Limited, publisher of the Medical Journal of Australia. He is also a Director of the auDA Foundation.

He holds a Masters in Public Policy from the John F Kennedy School of Government at Harvard University, a Bachelor of Arts from the University of Sydney and is a Graduate member of the Australian Institute of Company Directors.

Erhan Karabardak – Supply Class Director

Mr Karabardak is a technology lawyer and Trade Marks Attorney. He is a Director of Cooper Mills Lawyers and has been practising law for over 20 years.

Mr Karabardak has been involved in the domain name industry for almost two decades and has represented domain name owners, registrars and resellers. Mr Karabardak is currently a Non-Executive Director of Asia Pacific Top Level Domain Association (APTLD) (which represents over 50 TLD and ccTLD operators), and Deputy Chairman of auDA. Before being appointed to the auDA Board, he served on various auDA Policy panels (since 2004), including the Industry Advisory Panel of 2012.

Mr Karabardak has a strong interest in Cybersecurity, and has undertaken further studies in Cybersecurity at Harvard University. He has served on the auDA Board's Risk Committee and the Governance Committee.

.au Domain Administration Limited Directors' report

For the year ended 30 June 2018

Mr Karabardak acts for brand owners, in the management and protection of their intellectual property rights. He acts for both national and international clients, including well known global brands. He is regularly engaged to provide expert advice and commentary on domain name and trademark issues. He is recognised as a leading trademark professional by the World Trademark Review 2016, 2017 and 2018 (The World's Leading Trademark Professionals).

Grant Wiltshire – Demand Class Director

Mr Wiltshire is self-employed delivering consultancy services across leadership, sales, business and management. He has been an executive with the Victorian Government and the owner of various businesses.

Mr Wiltshire spent 23 years at Telstra. From 2005-2011, Mr Wiltshire was Telstra's Executive Director for Victoria and Tasmania – accountable for over \$2.5 billion in revenue and managed Telstra's operations throughout both states.

Mr Wiltshire's education background is extensive and includes accounting, marketing, commercial law, business management, Australian Institute of Company Directors, Advanced Diploma of Management, Australian Graduate School of Management and many domestic and global leadership programs.

Over the years, Mr Wiltshire has sat on various boards, many of them in a voluntary capacity.

Harriet (Holly) Raiche – Demand Class Director

Ms Raiche is a Director of Internet Australia (the Australian Chapter of ISOC), of the Australian Communications Consumer Action Network, (ACCAN) and of the Australian Privacy Foundation. Ms Raiche is a member of the Internet Corporation of Assigned Names' (ICANN) At-Large Advisory Committee (ALAC), representing ALAC's Asia-Pacific Regional Organisation. She is also a member of the Communications and Media Law Association.

Ms Raiche has an MA and an LLB, is a non-practising solicitor in New South Wales. She is an Adjunct Lecturer at the Law Faculty of University of New South Wales, where she teaches Communications Law, and also lectures at the Department of Media and Communications at Sydney University in Internet Cultures and Governance.

James Deck - Supply Class Director

Mr Deck has been a Director of auDA since November 2017. He is an Executive Director of Clevvi, a Queensland based firm specialising in web design, digital marketing, software engineering and IT strategy. He has participated in a number of startups, most recently the "FridgeBrain" remotely monitored vaccine refrigerator.

Prior to joining the board, Mr Deck's involvement in auDA included serving on the 2012 Industry Advisory Panel and 2015 Names Panel. He is also a Director of the auDA Foundation.

Mr Deck has an MBA from the University of Southern Queensland and is a Graduate member of the Australian Institute of Company Directors.

.au Domain Administration Limited**Directors' report**

For the year ended 30 June 2018

Joseph Manariti – Supply Class Director

In 1996, Mr Manariti founded SWiM Communications, a digital agency practising in website development, eCommerce, online applications and content strategy. Earlier, Mr Manariti was a manager with Fairfax at both The Age and Business Review Weekly. His business was also Australia's first auDA Registered Domain Reseller.

Mr Manariti serves as Vice Chairman of the Australian Web Industry Association (AWIA) and is also a Director of the auDA Foundation.

He is passionate about web industry best practice and next gen development.

Nigel Phair – Demand Class Director

Adjunct Professor Phair is an influential analyst on the intersection of technology, crime and society. Adjunct Professor Phair has published three acclaimed books on the international impact of cybercrime, is a regular media commentator and provides executive and board advice on strategy, risk & governance of technology.

In a 21 year career with the Australian Federal Police he achieved the rank of Detective Superintendent and headed up investigations at the Australian High Tech Crime Centre for four years. He is a Non-Executive Director of the Canberra Institute of Technology; Regional Development Australia (ACT Region); Canberra Cemeteries; Molonglo Financial Services and has previously chaired a number of not-for-profit organisations.

Adjunct Professor Phair is the founder and managing director of a technology 'start up' company. He is also a Director of the auDA Foundation.

Suzanne Ewart – Independent Director

Ms Ewart is an experienced chair and non-executive director and is currently serving on the boards of various state government bodies, private and public companies. She has deep experience chairing board committees including audit, risk, finance, infrastructure and remuneration. Ms Ewart is the principal of a corporate advisory business and has provided strategy, change management and business transformation, treasury and finance advice to various ASX listed companies. Ms Ewart is a former chair, non-executive director and CFO of start-up ecommerce, digital and biotech businesses and has significant experience in M&A activities, divestments, corporate finance, capital market initiatives, and new business start-ups. Ms Ewart held senior operational and financial roles with ASX top 20 companies, including Woodside, Fosters Group, NAB, and Telstra. Ms. Ewart is a non-executive director of Dexu Wholesale Property Fund Ltd, TT Line Pty Ltd and Chairs her local Bendigo Community Bank.

Ms Ewart is a Fellow and Graduate of the Australian Institute of Company Directors and holds a Bachelor of Economic, and is a Certified Practising Accountant (CPA).

.au Domain Administration Limited**Directors' report**

For the year ended 30 June 2018

Sandra Hook – Independent Director

Ms Hook has a track record in driving customer-centred business transformation and transitioning traditional organisations in rapidly evolving environments. She has extensive operational, digital, financial management and strategic experience built over 25 years as a CEO and in senior executive roles for some of Australia's largest media companies including News Limited, Foxtel, Federal Publishing Company, Murdoch Magazines and Fairfax.

Since 2000 she has also served as a non-executive director on listed, public and private companies and government bodies. Ms Hook is currently an independent director of digital/technology companies RXP Services Ltd, MedAdvisor Ltd as well as IVE Group Limited and the Sydney Fish Market. She is a trustee of the Sydney Harbour Federation Trust and the Royal Botanic Gardens and Domain Trust.

Cameron Boardman – CEO and Director

Mr Boardman joined in August 2016 to lead auDA into the next phase of its growth and development.

Previously, Mr Boardman was the Executive Director for Investor Engagement within the Department of Economic Development, Jobs, Transport and Resources and led the Victorian Government's investment activities within its priority economic sectors. Prior to that, Cameron was Executive Director for Innovation, Technology and Industry Programs within the Department of State Development, Business and Innovation with responsibility to implement the government's innovation and science agenda and associated policies.

Mr Boardman also led the development and implementation of the Victorian Government's cybersecurity initiatives, resulting in the establishment of the Oceania Cyber Security Centre (of which he is chairman), the attraction of the first international office of Oxford University's Global Cyber Security Capacity Centre and the development of CSIRO/Data61's Cybersecurity Leadership and Innovation Hub. Previously he led the economic development activities for the Hong Kong SAR Government in Australia and New Zealand, and was a two-term Member of the Victorian Parliament. Mr Boardman is also a Director of the auDA Foundation.

.au Domain Administration Limited**Directors' report**

For the year ended 30 June 2018

2. Meetings of Directors

The number of meetings of the Board and of each Board Committee and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Board meetings		Finance and audit committee		Security and risk committee		Governance committee	
	A	B	A	B	A	B	A	B
Christopher Leptos AM	9	9	4	4				
Damian Smith	1	2			2	3		
Erhan Karabardak	19	19					2	3
Grant Wiltshire	19	19						
Harriet Raiche	1	2						
James Deck	9	9			6	6		
Joseph Manariti	18	19			6	6		
Nigel Phair	1	2			3	3		
Sandra Hook	17	19	4	4			4	4
Suzanne Ewart	9	9	4	4	6	6		
Cameron Boardman	16	19			6	6	1	4
Timothy Connell	19	19					2	3
Nicole Murdoch	4	5			1	2		
Hedley O'Meara	5	5						
Gavin Gibson	10	10						
George Pongas	10	10						
Ian Halson	3	3						
Simon Johnson	10	10						
Leonie Walsh	4	4						
Michaela Richards	4	4						
Stuart Benjamin	1	1						

A - number of meetings attended

B - number of meetings held during the time the director held office during the year

3. Principal activities

The principal activities of the Group during the year ended 30 June 2018 comprised of management of .au Domain name space. There were no changes in the nature of the activities of the Group during the year.

4. Operating and financial review

Revenue from operations for the year ended 30 June 2018 was \$7,865,797 (2017: \$7,725,632). The result for the year ended 30 June 2018 is a loss of \$1,512,912 (2017: surplus of \$2,025,483).

The loss in the current period is attributable to costs associated with the management and execution of the Registry Transformation Project, including the Expression of Interest Phase, the Tender, and the transition project and completion. The total value of the project was \$2,146,171. Additional costs incurred in the current period are attributable to unforeseen expenditure due to legal and professional advice associated with additional member meetings, in addition to other costs associated with the ongoing strategic review of the organisation.

5. Significant changes in the state of affairs

Commonwealth Government's Department of Communications and the Arts Review into the .au Domain Administration was completed during the reporting period. The 29 recommendations associated with the review have been accepted by the Company and are currently being implemented. The Company is operating under new Terms of Endorsement from the Commonwealth Government published on 18th of April, 2018.

.au Domain Administration Limited**Directors' report**

For the year ended 30 June 2018

6. Likely developments

In order to meet the new Terms of Endorsement issued by the Commonwealth Government, the Company will have to affect constitutional change which will fall in the next reporting period.

7. Events subsequent to reporting date

A Special General Meeting of the Company was held on the 27th of July, 2018 which had no impact on the operations or governance of the organisation. An Extraordinary General Meeting of the Company was held on the 27th of September, 2018 in which the members of the Company agreed to the cancellation of the supply class of members, the cancellation of the demand class of members and replacement of the constitution.

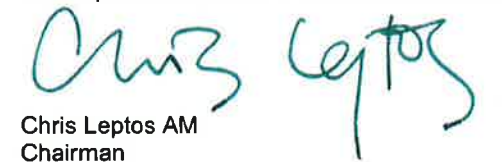
8. Member's guarantee

The Company is limited by guarantee. If the Company is wound up the constitution states that each member is required to contribute a maximum of \$100 towards meeting any outstanding obligations of the Company. At 30 June 2018 the number of members was 1,344 (2017: 256).

9. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 27 and forms part of the Directors' Report for the year ended 30 June 2018.

This report is made with a resolution of the Directors:



Chris Leptos AM
Chairman

Dated at Melbourne this 29th day of October 2018.

.au Domain Administration Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue	4	7,865,797	7,725,632
Other income	5	467,583	30,025
Employee benefits expense	6	(3,085,093)	(2,483,259)
Consultancy expense	7	(4,247,022)	(1,783,194)
Domain Name System infrastructure expense		(789,529)	(362,507)
Marketing and communication expense		(276,874)	(235,765)
Travel expense		(350,991)	(297,159)
Directors remuneration expense		(285,431)	(169,547)
Professional subscriptions expense		(281,612)	(193,500)
Occupancy expense		(116,589)	(153,980)
Depreciation and amortisation expense		(135,413)	(79,621)
Grant expenditure		-	(18,330)
Other expenses		(496,658)	(239,296)
Result from operating activities		(1,731,832)	1,739,499
Finance income	8	232,439	289,447
Finance costs	8	(13,519)	(3,463)
Net finance income		218,920	285,984
(Loss)/profit before tax		(1,512,912)	2,025,483
Income tax expense	3(j)	-	-
(Loss)/profit for the year		(1,512,912)	2,025,483
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Available-for-sale assets – net change in fair value		209,575	(94,249)
Total other comprehensive income, net of tax		209,575	(94,249)
Total comprehensive income		(1,303,337)	1,931,234

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

.au Domain Administration Limited
Consolidated statement of financial position
As at 30 June 2018

	Note	2018 \$	2017 \$
Assets			
Cash and cash equivalents	9	3,243,175	6,352,749
Trade and other receivables	10	1,039,127	1,130,542
Other assets		-	152,403
Investments	11	2,770,000	2,300,000
Total current assets		7,052,302	9,935,694
Other assets		144,980	-
Investments	11	8,931,560	7,277,967
Property, plant and equipment	12	827,330	131,251
Total non-current assets		9,903,870	7,409,218
Total assets		16,956,172	17,344,912
Liabilities			
Trade and other payables	13	1,407,882	641,259
Employee benefits		246,314	151,340
Total current liabilities		1,654,196	792,599
Provision for make good		53,000	-
Total non-current liabilities		53,000	-
Total liabilities		1,707,196	792,599
Net assets		15,248,976	16,552,313
Equity			
Asset revaluation reserve		115,326	(94,249)
Retained earnings		15,133,650	16,646,562
Total equity		15,248,976	16,552,313

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

.au Domain Administration Limited
Consolidated statement of changes in equity
For the year ended 30 June 2018

	Asset revaluation reserve \$	Retained earnings \$	Total Equity \$
Balance at 1 July 2016	-	14,621,079	14,621,079
Total comprehensive income			
Profit	-	2,025,483	2,025,483
Other comprehensive income	(94,249)	-	(94,249)
Total comprehensive income	(94,249)	2,025,483	1,931,234
Balance at 30 June 2017	(94,249)	16,646,562	16,552,313
Opening balance at 1 July 2017	(94,249)	16,646,562	16,552,313
Total comprehensive income			
(Loss)	-	(1,512,912)	(1,512,912)
Other comprehensive income	209,575	-	209,575
Total comprehensive income	209,575	(1,512,912)	(1,303,337)
Balance at 30 June 2018	115,326	15,133,650	15,248,976

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

.au Domain Administration Limited
Consolidated statement of cash flows
For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Cash received from customers		9,077,449	8,496,551
Cash paid to suppliers and employees		(9,864,346)	(8,051,780)
Finance income received		291,734	228,777
Net cash (used in)/from operating activities		(495,163)	673,548
Cash flows from investing activities			
Proceeds from disposal of investments		92,084	3,736,270
Acquisition of investments		(1,916,183)	(9,752,120)
Acquisition of plant and equipment		(790,312)	(60,310)
Net cash (used in) investing activities		(2,614,411)	(6,076,160)
Cash flows from financing activities			
Net cash from financing activities			
Net decrease in cash and cash equivalents		(3,109,574)	(5,402,612)
Cash and cash equivalents at 1 July		6,352,749	11,755,361
Cash and cash equivalents at 30 June	9	3,243,175	6,352,749

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

.au Domain Administration Limited
Notes to the consolidated financial statements
For the year ended 30 June 2018

1. Reporting entity

These consolidated financial statements comprise .au Domain Administration Limited (the 'Company') and its subsidiaries (together referred to as the 'Group') are as at and for the year ended 30 June 2018.

.au Domain Administration Limited is a public company limited by guarantee, incorporated and domiciled in Australia and the address of the Company's registered office is Level 17, 1 Collins Street, Melbourne, Victoria, Australia.

The Group is a not-for-profit entity.

2. Basis of preparation

(a) Statement of compliance

In the opinion of the directors, the Group is not publicly accountable. The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

They were authorised for issue by the Board of Directors on 29 October 2018. Details of the Group's accounting policies are included in Note 3.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following material items:

Items	Measurement basis
Derivative financial instruments at fair value through profit or loss	Fair value
Non-derivative financial instruments at fair value through profit or loss	Fair value
Available-for-sale financial assets	Fair value

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Group's functional currency.

(d) Use of estimates and judgement

The preparation of financial statements in conformity with Australian Accounting Standards – Reduced Disclosure Requirements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(e) Going concern – Terms of Endorsement

The financial report has been prepared on the going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

On 18th of April, 2018 the Commonwealth Government published new Terms of Endorsement (ToE) for the Company. The Company is operating under the new ToE and is implementing the 29 recommendations for reform outlined in the Department of Communications and the Arts' (DoCA) "Review of the .au Domain Administration". The ongoing support of DoCA and retention of the Commonwealth Government's endorsement is relevant to the Company's capacity to continue as a going concern.

.au Domain Administration Limited
Notes to the consolidated financial statements
For the year ended 30 June 2018

2. Basis of preparation

(e) Going concern – Terms of Endorsement (continued)

The Directors are confident that the Group remains a going concern for the following reasons:

- The 29 recommendations and ToE have been accepted by the Company and a comprehensive implementation plan to address the necessary reforms has been embarked upon and demonstrable progress has been achieved on the requirements against the Commonwealth Government's timeline for reform.
- Several key milestones in undertaking reform have been achieved since the release of the ToE, including:
 - Formation of a Constitutional Model Working Group which from May 2018 to September 2018 worked with Directors, Management and industry stakeholders to develop a new constitution.
 - Within the new constitution, a transparent Nomination Committee process has been established to appoint Board members, encompassing of a Board Skills Matrix and Board Charter.
 - Further, the new constitution brings increased independent director representation to bring stability and improved governance
- Adoption by members of the new constitution and cancellation of existing class rights was completed at an Extraordinary General Meeting held on the 27th of September, 2018 (prior to the Commonwealth Government's deadline of mid-October 2018).
- Activity on the implementation plan is continuing with key focuses now becoming:
 - Appointment of Nomination Committee members and new Board members
 - Further initiatives to enhance stakeholder engagement and accountability and transparency.

The Directors and Management continue to work collaboratively to enhance the Company's performance in responding to the ToE and to continue to deliver a secure and stable .au namespace.

The Directors have no reason to believe that given the current reforms undertaken by the Company to date that the key milestone reviews planned for 31 October 2018, 31 March 2019 and 31 October 2019 will not meet the satisfaction of DoCA.

Should the reform agenda not be met to the satisfaction of DoCA and the endorsement of the Company be withdrawn, the Directors are of the opinion that the Company could scale back its operations in an orderly fashion and that the Company currently has the financial capacity to do so in a manner which would facilitate paying its debts as and when they become due and payable.

In the event of the Company being wound up as a result of its endorsement being withdrawn, which is materially uncertain until the specific requirements of the new ToE are met, any property or money remaining after the satisfaction of all debts and liabilities must be dealt with as set out in Note 3(l). Should this eventuate, the Company may not realise its assets or settle its liabilities in the normal course of business for the amounts stated in the financial report.

.au Domain Administration Limited
Notes to the consolidated financial statements
For the year ended 30 June 2018

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

(b) Financial instruments

(i) Non-derivative financial assets – recognition and derecognition

The Group initially recognises receivables and deposits on the date that they are originated.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets - measurement

The Group has the following non-derivative financial assets:

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Held-to-maturity financial assets

These are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

.au Domain Administration Limited
Notes to the consolidated financial statements
For the year ended 30 June 2018

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Non-derivative financial assets - measurement

Available-for-sale financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in other comprehensive income and accumulated in the asset revaluation reserve. When these assets are derecognised, the gain or loss in equity is reclassified to profit or loss.

(iii) Non-derivative financial liabilities – recognition and derecognition

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

(iv) Non-derivative financial liabilities – measurement

Other financial liabilities comprise borrowings, bank overdrafts and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(c) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

Any gain or loss on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within other income/other expenses in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

.au Domain Administration Limited
Notes to the consolidated financial statements
For the year ended 30 June 2018

3. Significant accounting policies (continued)

(c) Plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful lives in the current and comparative periods are as follows:

	2018	2017
Office equipment	5 years	5 years
Leasehold Improvements	5 years	5 years
Computer equipment	4 years	4 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(iv) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease, or the estimated useful life of the improvement to the Group, whichever is shorter.

(d) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy.

Financial assets measured at amortised cost

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

.au Domain Administration Limited
Notes to the consolidated financial statements
For the year ended 30 June 2018

3. Significant accounting policies (continued)

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the asset revaluation reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss recognised previously in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss, otherwise it is reversed through other comprehensive income (OCI).

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) Employee benefits

(i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payment is available.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Group's obligations. Remeasurements are recognised in profit or loss in the period in which they arise.

(iii) Short term benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

.au Domain Administration Limited
Notes to the consolidated financial statements
For the year ended 30 June 2018

3. Significant accounting policies (continued)

(f) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

The provision for make good includes the Group's best estimate of the amount required to return the Group's leased premise to its original condition, taking into account due consideration of the Group's past history of vacating office premises.

(g) Revenue

(i) Registry licence fees and registrar fees

Registry licence fees is a fee charged by the Group to the Registry Operator for domain names registered in the .au domain space. Registrar fees are a fixed fee charged to each registrar for accreditation. Revenue is recognised in the consolidated statement of profit or loss and other comprehensive income as the income is earned.

(ii) Donations

Revenue is measured at fair value of the consideration received or receivable. Revenue is recognised when recoverability of the consideration is probable. Revenue comprises income from donations from customers of the .au domain space.

(iii) Membership fees

Membership fees are recognised in profit or loss as membership services are provided net of the amount of goods and services tax (GST) payable to the taxation authority.

(h) Leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

.au Domain Administration Limited
Notes to the consolidated financial statements
For the year ended 30 June 2018

3. Significant accounting policies (continued)

(i) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on finance leases and the financial effect of unwinding of the make good provision. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(j) Income tax

No income tax expense is charged and no income tax is payable by the Group as the Australian Taxation Office has granted the Group an exemption from income tax.

(k) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows

(l) Corporate structure

The Company is incorporated in Australia and is an unlisted public company limited by guarantee. In the event of the Company being wound up or dissolved, any property that remains after settlement of all its debts and liabilities, may not be distributed among the members, but must be transferred on to another entity nominated or approved by the Commonwealth of Australia or, in the absence of such approval, be transferred to the Commonwealth of Australia.

Every member of the Company undertakes to contribute an amount not exceeding \$100 to the property of the Company if it is wound up while the member is a member or within one year after the member ceases to be a member. At the end of the financial year the Company had 1,344 members (2017: 256 members).

(m) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

.au Domain Administration Limited
Notes to the consolidated financial statements
For the year ended 30 June 2018

3. Significant accounting policies (continued)

(n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below.

(i) AASB 9 Financial Instruments

AASB 9 Financial Instruments includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and carries forward guidance on recognition and derecognition of financial instruments.

AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available for sale.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. While the Group is continuing to assess the potential impact on its financial statements resulting from the application of AASB 9, it is likely that the investment in equity securities will be accounted for as FVTPL, and as a result the asset revaluation reserve will be reclassified to retained earnings and any future gains and losses on these investments will be recorded in profit or loss with appropriate comparative amendments.

(ii) AASB 1058 Income of Not-for-Profit Entities

AASB 1058 Income of Not-for-Profit Entities replaces the income recognition requirements relating to private sector NFP entities, as well as the majority of income recognition requirements relating to public sector NFP entities previously reflected in AASB 1004 Contributions for financial years beginning 1 January 2019 onwards. The accounting guidance applied is driven by whether the agreement is enforceable and contains performance obligations. NFP entities will assess which standard is applicable for each individual agreement.

The Group is assessing the potential impact of the application of AASB 1058 on its financial statements.

(iii) AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers, becomes mandatory for annual reporting periods beginning on or after 1 January 2019 and could change the classification and recognition method of revenue.

AASB 15 provides a single comprehensive model for revenue recognition based on the satisfaction of performance obligations and additional disclosures about revenue. It replaces AASB 118 Revenue, AASB 111 Construction Contracts and AASB Interpretation 13 Customer Loyalty Programmes. The standard establishes a principles-based approach for revenue recognition and is based on the concept of recognising revenue for performance obligations only when they are satisfied and the control of goods or services is transferred.

The Group is assessing the potential impact of the application of AASB 15 on its financial statements, including the potential impact of the various transition provisions available to the Group.

.au Domain Administration Limited
Notes to the consolidated financial statements
For the year ended 30 June 2018

3. Significant accounting policies (continued)

(n) New standards and interpretations not yet adopted (continued)

(iv) AASB 16 Leases

AASB 16 removes the lease classification test for lessees and requires all leases (including those classified as operating leases) to be brought onto the balance sheet. There is new guidance on when an arrangement would meet the definition of a lease. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 Revenue from Contracts with Customers is adopted at the same time.

The Group is assessing the potential impact of the application of AASB 16 on its financial statements, including the potential impact of the various transition provisions available to the Group.

.au Domain Administration Limited
Notes to the consolidated financial statements
For the year ended 30 June 2018

4. Revenue

	2018 \$	2017 \$
Registry licence fees	7,338,439	7,173,425
Registrar fees	94,780	153,500
Donations	397,838	390,069
Membership fees	34,740	8,638
	7,865,797	7,725,632

5. Other income

	2018 \$	2017 \$
Payroll tax recovery	465,398	-
Other	2,185	30,025
	467,583	30,025

6. Employee benefits expense

	2018 \$	2017 \$
Wages and salaries	2,830,428	2,150,077
Contributions to defined contribution plans	213,257	198,727
Other employment expenses	41,408	134,455
	3,085,093	2,483,259

7. Consultancy expense

	2018 \$	2017 \$
Registry tender costs	1,481,479	-
Other	2,765,543	1,783,194
	4,247,022	1,783,194

8. Finance income and finance costs

	2018 \$	2017 \$
Interest income	63,766	289,447
Dividend income	168,673	-
Finance income	232,439	289,447
Net foreign exchange losses	(13,519)	(3,463)
Finance costs	(13,519)	(3,463)
Net finance income	218,920	285,984

9. Cash and cash equivalents

	2018 \$	2017 \$
Cash at bank	3,237,916	6,351,733
Cash on hand	5,259	1,016
	3,243,175	6,352,749

.au Domain Administration Limited
Notes to the consolidated financial statements
For the year ended 30 June 2018

10. Trade and other receivables

	2018 \$	2017 \$
Trade receivables	604,980	579,487
Prepayments	325,934	388,061
Accrued income	106,838	102,324
Accrued interest	1,375	60,670
	1,039,127	1,130,542

The trade receivables balance is recorded net of an allowance for impairment of \$17,076 (2017: nil). No amounts were written of during the year (2017: nil).

11. Investments

	2018 \$	2017 \$
Current		
Interest-bearing deposits (held-to-maturity)	2,770,000	2,300,000
	2,770,000	2,300,000
Non-current		
Equity securities (available-for-sale)	8,931,560	7,277,967
	8,931,560	7,277,967

12. Plant and equipment

	Office equipment \$	Leasehold improvement \$	Computer equipment \$	Total \$
Cost				
Balance at 1 July 2017	195,328	44,404	440,984	680,716
Acquisitions	148,305	602,799	92,208	790,312
Disposals	(162,822)	(44,404)	(106,045)	(313,271)
Balance at 30 June 2018	180,811	602,799	427,147	1,210,757
Accumulated depreciation				
Balance at 1 July 2017	186,162	33,151	330,152	549,465
Depreciation	26,131	78,274	31,008	135,413
Disposals	(161,523)	(36,490)	(103,438)	(301,451)
Balance at 30 June 2018	50,770	74,935	257,722	383,427
Carrying amounts				
At 30 June 2017	9,166	11,253	110,832	131,251
At 30 June 2018	130,041	527,864	169,425	827,330

13. Trade and other payables

	2018 \$	2017 \$
Trade payables	365,678	215,475
Other payables and accrued expenses	1,015,916	373,208
Grants payable	26,288	52,576
	1,407,882	641,259

.au Domain Administration Limited
Notes to the consolidated financial statements
For the year ended 30 June 2018

14. List of subsidiaries

Set out below is a list of subsidiaries of the Group. The consolidated financial report incorporates the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note 1 to 3:

discussed in Note 1 to the financial statements

Name of entity	Principal place of business	Ownership interest	
		2018	2017
Parent entity			
.au Domain Administration Limited			
Subsidiaries			
auDA Foundation Pty Ltd	Australia	100%	100%
auDA Foundation (a public charitable trust)	Australia	100%	100%

15. Related parties

(a) Transactions with key management personnel

The key management personnel compensation was \$1,499,683 for the year ended 30 June 2018 (2017: \$1,120,129). There are no other transactions with the Group's key management personnel or Directors.

Key management personnel of the Group comprise of the Directors and the 4 members of the executive management (2017: Directors and the 3 members of the executive management).

(b) Other related party transactions

There are no other related party transactions with the Group.

16. Commitments

(a) Lease commitments

The Group leases offices under non-cancellable operating leases expiring within one to five years. On renewal, the terms of the leases are renegotiated. Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2018	2017
	\$	\$
Within one year	106,070	89,700
Later than one year but not later than five years	767,112	564,437
Later than five years	-	233,628
	873,182	887,765

(b) Capital commitments

There are no significant capital commitments as at 30 June 2018 (2017: nil).

.au Domain Administration Limited
Notes to the consolidated financial statements
For the year ended 30 June 2018

17. Subsequent events

A Special General Meeting of the Company was held on the 27th of July, 2018 which had no impact on the operations or governance of the Group.

An Extraordinary General Meeting of the Company was held on the 27th of September, 2018 in which the members of the Company agreed to the cancellation of the supply class of members, the cancellation of the demand class of members and replacement of the constitution.

There has not otherwise arisen in the interval between 30 June 2018 and the date of this report, any items, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations, or the state of affairs of the Group, in future financial years.

18. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2018 the parent entity of the Group was .au Domain Administration Limited.

(a) Summary of financial information

	2018	2017
	\$	\$
Results of the parent		
(Loss)/profit for the year	(1,850,155)	1,600,715
Other comprehensive income	193,392	(94,249)
Total comprehensive income for the year	(1,656,763)	1,506,466
Financial position of parent entity at year end		
Current assets	5,746,375	7,427,955
Total assets	14,059,082	14,837,173
Current liabilities	1,560,570	734,898
Total liabilities	1,613,570	734,898
Total equities of parent entity comprising of:		
Asset revaluation reserve	99,143	(94,249)
Retained earnings	12,346,369	14,196,524
Total equity	12,445,512	14,102,275

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 (2017: Nil).

(c) Contractual commitments of the parent entity

The parent entity did not have any contractual commitments as at 30 June 2018 (2017: Nil).

.au Domain Administration Limited

Directors' declaration

In the opinion of the Directors of .au Domain Administration Limited ("the Company"):

- (a) the financial statements and notes, set out on pages 8 to 25, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Chris Leptos AM
Chairman

Dated at Melbourne this 29th day of October 2018.



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of .au Domain Administration Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of .au Domain Administration Limited for the financial year ended 30 June 2018 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.



KPMG



Adrian Nathanielsz

Partner

Melbourne

29 October 2018

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Independent Auditor's Report

To the members of .au Domain Administration Limited

Opinion

We have audited the **Financial Report** of .au Domain Administration Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- *Consolidated statement of financial position* as at 30 June 2018
- *Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows* for the year then ended
- Notes including a summary of significant accounting policies
- *Directors' Declaration*.

The **Group** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



Material uncertainty related to going concern

We draw attention to Note 2(e), "Going Concern" in the financial report. The conditions disclosed in Note 2(e), indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

Other Information

Other Information is financial and non-financial information in .au Domain Administration Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink, appearing to read 'Adrian Nathanielsz'.

Adrian Nathanielsz

Partner

Melbourne

29 October 2018

