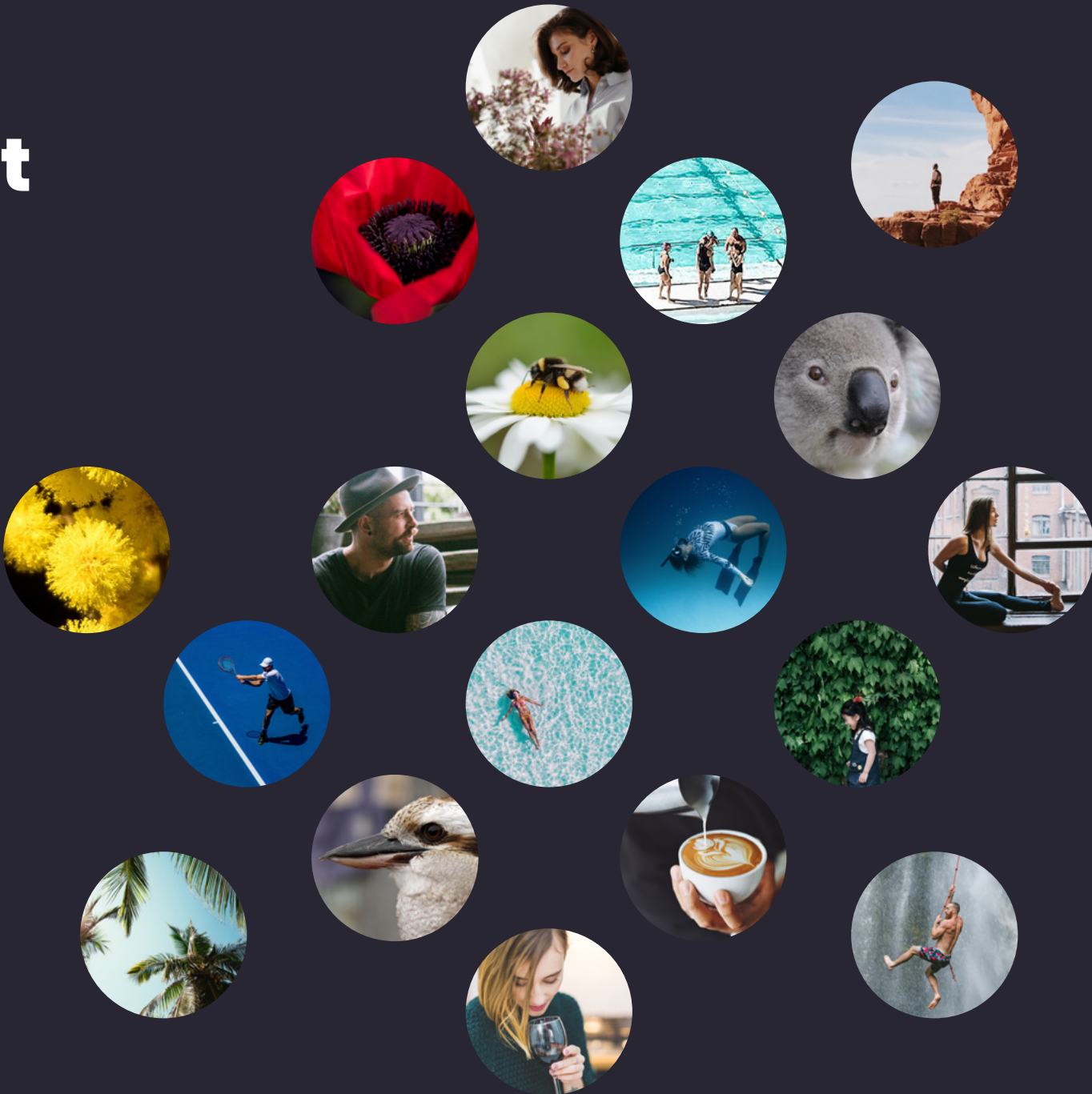


Annual Report 2019-20



In the spirit of reconciliation we acknowledge the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Contents

04	About auDA	28	Registry operations
05	From the Chair	29	Policy
07	From the CEO	31	Consultation and transparency
09	The year in review	32	International
12	Building for the future	35	Complaints and compliance
15	Year at a glance	38	Government
16	.au registrations	39	Board and governance
19	Our members	42	Annual financial report
21	Stakeholder engagement	73	Appendix: Compliance reporting
25	Security		



About auDA

The .au ccTLD is a key to part of Australia's digital infrastructure, and we have been endorsed by the Australian Government to ensure that the .au domain namespace is a safe, reliable and trusted Australian public asset for all Internet users.

.au Domain Administration Limited (auDA) is a not-for-profit and self-regulatory policy body that works with a range of stakeholders including industry, government and the Australian and International community to administer the .au country code Top Level Domain (ccTLD).

Under our Terms of Endorsement from the Australian Government we are responsible for:

- ensuring stable, secure and reliable operation of the .au domain space;
- responding quickly to matters that compromise DNS security;
- promoting principles of competition, fair trading and consumer protection;
- operating as a fully self-funding and not-for-profit organisation;
- actively participating in national and international technical and policy namespace fora to ensure that Australia's interests are represented and to identify trends and developments relevant to the administration of the namespace; and
- establishing appropriate dispute resolution mechanisms.

We also represent Australia's interests internationally and have a sponsorship agreement with the Internet Corporation for Assigned Names and Numbers (ICANN) – the international body covering ccTLDs – which delegates obligations and responsibilities in managing the .au ccTLD zone to contribute to the technical stability and operation of the Domain Name System (DNS) and Internet in the interests of the global Internet community. This delegation is reliant on the endorsement of the Australian Government.

From the Chair

Alan Cameron AO
auDA Chair

On behalf of the auDA Board I am pleased to present the auDA Annual Report for 2019/2020, against a backdrop of significant upheaval in Australia and across the world. As we deal with the consequences of COVID-19 Australians are overwhelmingly reliant on critical enabling infrastructure to support the economy and their everyday lives, and auDA is a crucial part of that support.

2019/2020 capped off a period of transformation for auDA and I am very pleased to report that we finalised all recommendations arising from the 2018 Commonwealth Government review of auDA. auDA moves forward into 2020/21 with new governance and accountability frameworks and a revitalised commitment to transparency, broad engagement and ensuring ongoing capability.

I would like to thank the previous auDA Board for the considerable work they did in ensuring that auDA has the necessary processes and frameworks in place to ensure that the .au domain space can be effectively administered and governed.

One of the core functions of auDA is to ensure stable, secure and reliable operation of the .au domain namespace, and our Terms of Endorsement from the Government recognise that good governance practices provide the foundation for the effective management of the .au ccTLD.

To meet auDA's strategic goal of effective governance arrangements with the right balance of skills and expertise necessary for strong leadership and oversight in a challenging landscape, the year kicked off with a robust Board recruitment process.



The new Board commenced its tenure in November 2019 and in March this year we were delighted to welcome Rosemary Sinclair AM as the new CEO of auDA. Her wide professional and managerial experience combined with deep knowledge of the business we are in, have already proved invaluable.

In the time since the new Board was appointed, the organisation has been working hard across a number of important areas, particularly organisational reform, policy development and member growth and engagement.

Considerable progress has been made in developing auDA's strategic multi-stakeholder approach, with an increased focus this year on stakeholder engagement and consultation. The significant modernisation of the .au ccTLD licensing framework that auDA is currently undertaking is only made possible by the industry's and community's willingness to engage in and contribute to ongoing positive change in the .au domain namespace.

Our stakeholder relationships are more important than ever, as we work together not only on 'steadying the ship' during COVID-19 but also being prepared for what lies ahead. Cybersecurity is front of

mind and this year has demonstrated that auDA has the capability and expertise to play an important role. However we are not complacent. Our Enterprise Security Strategy, which is well underway, aims to implement best practice with respect to our information security management systems.

I thank my Board colleagues for their hard work as we have settled into our roles, work made more difficult by the inability to meet in person since mid-March. I also thank our CEO for her efforts under similar difficult conditions, and all our staff for their determination to ensure that auDA would continue to operate effectively despite the challenges. Finally I am grateful to the Governing Members for their continued confidence in and support for the Board and the CEO.

The Board will continue to balance good governance and oversight with a forward-thinking approach as auDA works, builds and innovates to meet the challenges both today and into the future and ensures that the .au name space remains relevant, secure, stable and resilient.



From the CEO

Rosemary Sinclair AM
auDA Chief Executive Officer

Welcome to the auDA 2019/2020 Annual Report. It has been an extraordinary year for auDA and indeed for all of us. I joined auDA in March of this year, shortly after horrendous bushfires devastated the countryside and just prior to the entire auDA workforce transitioning to working from home as COVID-19 restrictions were implemented. There is much uncertainty as we are coming to terms with the impacts of these major events on our ways of living and working, with many wondering what the future may look like. More than ever, Australians are relying on domain names in the .au country code Top Level Domain (ccTLD) in many facets of everyday life and auDA is working hard to ensure the security and reliability of the .au ccTLD for all.

Over the past year auDA has consolidated its position following the Government review and bedded down our accountability and

stakeholder engagement strategies. We appreciate the value of our multi-stakeholder environment and seek broad, informed participation and engagement that reflects the richness and diversity of the namespaces within the .au ccTLD. This has been a successful approach in our ongoing project to reform and modernise the licensing rules and the new framework will be the better for the many constructive contributions from our stakeholders. We continue to work closely with registrars on the implementation of this framework. It is part of our broader agenda to ensure that the .au ccTLD keeps responding to the changing needs of all Australians. Trust and confidence in the .au ccTLD is a key goal for auDA.

This report is also very much about transparency. auDA is committed to being transparent and wherever possible we publish our corporate information.

Attached to this report is our annual compliance statement, which sets out how the Annual Report meets our reporting requirements under our Transparency and Accountability Framework, our Stakeholder Engagement Strategy, Strategic Plan and our KPI Framework. These documents are all publicly available on the auDA website.

The finalisation of the Government's review of auDA earlier this year was a welcome endorsement of the direction we are taking. We continue to work closely with a number of different Government agencies to ensure that we are responsive to the dynamic Internet landscape, particularly in relation to security, the needs of business and consumer protection. We have also been actively engaged at an international level, and you will read in this report about our overseas engagement and our work in the Asia Pacific region, helping some of our regional neighbours with capability building.

I would like to thank the auDA Board, and in particular our Chair Alan Cameron AO, for their support and wisdom. They bring a wealth of experience and expertise to the organisation and auDA is well positioned to build on a very successful year with a focus on innovation and continuous improvement.

I would also like to thank our associate members and broad range of stakeholders for their input to and support of the organisation over the year.

Finally, I would like to acknowledge my colleagues at auDA. They have all worked exceptionally hard, with enthusiasm and good humour, to keep the organisation going through challenging times. That auDA is now in such a strong position to continue building and innovating is a testament to their dedication and resilience.

We are all committed to continuing our critical work to ensure a safe, robust and resilient .au ccTLD for the benefit of all Australians.

The year in review

New auDA Board and CEO

The most significant development for auDA in the past year was the appointment of a new Board in November 2019 and a new CEO in March 2020, marking a new phase of stability and maturity at auDA following the 2018 Commonwealth Government review.

The appointment of the Board was the culmination of a comprehensive search and selection process by auDA's Nomination Committee. As part of the process, the auDA Board skills matrix was reviewed and updated to ensure that the appointees had the right mix of skills and expertise to guide auDA through a period of significant renewal and innovation. The new auDA Chair, Alan Cameron AO, brings extensive experience as a lawyer and company director, including as Chair of the NSW Law Reform Commission and Property Exchange Australia Limited. He was previously Chair of the Australian Securities and Investments Commission. Rosemary Sinclair AM was appointed

as auDA CEO in March 2020 and brings a wealth of experience in leadership roles with a focus on digital disruption and technology-driven change.

Finalisation of auDA review

Over the past two years auDA has undergone a significant transformation as we worked towards addressing all the recommendations arising from the Commonwealth Government's 2018 review of auDA. We now have a revitalised and robust governance regime, a comprehensive policy framework focusing on transparency and accountability, and a renewed emphasis on consultation and stakeholder engagement.

The Commonwealth Government formally acknowledged our achievements in a letter from the Minister for Communications, Cyber Safety and the Arts in May 2020 congratulating auDA on the successful completion of all recommendations arising from the review.

“I would like to express the Government’s appreciation for auDA’s efforts in so substantially overhauling its governance within the time allotted, which I know posed many challenges for the company. I look forward to auDA continuing to provide a stable and secure .au domain space, which in light of current events is more important to Australia’s prosperity than ever.”

Hon. Paul Fletcher MP

Minister for Communications,
Cyber Safety and the Arts

77th Members Meeting & AGM of the Asia Pacific Top Level Domain Association

Melbourne, February 2020



Licensing framework

The new auDA licensing framework is a significant undertaking, designed to modernise and simplify the rules around the licensing of .au domain names. In 2019/2020 all areas of auDA, including the auDA Board, have been working on the development and implementation of the new licensing framework, which has included an extensive program of public consultation.

You can read about our work on the new licensing framework on page 29.

APTLD77

In February 2020 auDA hosted the 77th members meeting and AGM of the Asia Pacific Top Level Domain Association (APTLD) in Melbourne.

This meeting was the largest APTLD gathering to date, attracting more than 130 representatives from ccTLDs and the domain name industry around the region, despite earlier concerns over air quality due to the bushfires, and the emerging global COVID-19 outbreak. auDA provided significant logistical, IT and administrative support in the lead up to and throughout the conference, particularly as key APTLD

personnel were unable to attend due to personal reasons or travel restrictions.

The conference included 13 sessions and more than 50 panellists and presenters, addressing administrative, policy, technical, security and Internet governance. The event was a further opportunity for auDA staff to discuss current issues, share different experiences and help build capability with a range of colleagues from across the Asia Pacific region.

You can read more about our work with the international Internet community on page 32.

COVID-19

In March 2020 as COVID-19 restrictions were implemented in Victoria we moved to secure remote arrangements for the entire auDA workforce, which allowed us to continue the important work of maintaining the continued reliability, stability and security of the .au ccTLD without interruption. As a critical component of online infrastructure, priority was given to ensuring that the Domain Name System (DNS) had capacity to deal with the rapid transition to online of business and other activities, with close monitoring of DNS traffic and regular briefings for the Board. Although there was a strong increase in new

domain names created since the pandemic, daily DNS traffic remained relatively stable and was comfortably accommodated without disruption through existing arrangements.

We continue to work from our homes in light of ongoing restrictions. Meetings are conducted online and the work of auDA continues, effectively and efficiently. As a group, we are mindful of the personal challenges and pressures that can arise from the ongoing disruption to our workplace and our priority is making sure that all staff are well-supported.



Response to the bushfires

In January auDA introduced a temporary Major Disaster Policy to support registrants in bushfire-affected regions, providing an additional two months to renew their eligible .au domain names, and two months to respond to any .au domain complaints. This temporary policy aimed to help organisations and individuals to focus on dealing with the immediate impacts of the bushfire disaster without needing to worry about managing their .au domain names.

We also pledged a donation of \$1 for every .au domain name created in February 2020 to the Foundation for Rural & Regional Renewal's (FRRR) Disaster Resilience and Recovery Fund, which provides funding for community led projects in the 12-18 months after a disaster occurs and helps rural communities better prepare for future disaster events. Thanks to Australians, 41,712 .au names were created in February and auDA donated \$41,712 to support the FRRR's important work.

\$41,712

donated to support the Foundation
for Rural & Regional Renewal

Building for the future

2019/2020 has been a year of consolidation for auDA. The robust governance, accountability and engagement structures we have implemented give us a strong foundation to move forward and continue to improve and innovate.

Direct registration

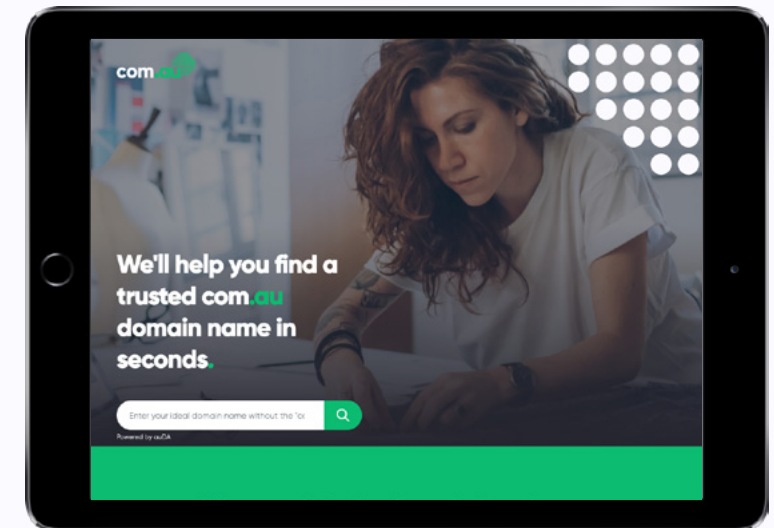
The review and modernisation of the licensing framework paves the way for a major development in the .au domain space with the proposed introduction of direct registration at the second level of the .au namespace. Direct registration allows a registrant to register a domain name that is immediately before the .au. For example, under direct registration we can apply to register auDA.au in addition to, or instead of, our current domain name auDA.org.au.

Direct registration provides consumers, organisations, and businesses with more choice of namespaces, which is particularly important as the online economy continues to develop and more of the community want to have an online presence. Australia is

currently the only OECD country that does not offer direct registrations in its country code domain. We have consulted widely on this initiative and will continue to communicate with our stakeholders on the timing and process for implementation, which we expect to progress considerably in 2020/2021.

com.au campaign

In 2020/2021 we will launch a broad media campaign promoting the com.au domain to small and medium enterprises as 'the domain your business deserves', highlighting the namespace's attributes of local, verified and trusted. The campaign will focus on com.au as an Australian brand that people can have confidence in, at a time when consumers are buying online more than ever and keen to shop locally from Australian businesses.



Why com.au is the domain your business deserves



A local home for your local business

Now more than ever, Australians are looking to buy local when they shop online. With a com.au domain name, customers can be sure your business has a local presence.



Verification required

To be eligible for a com.au domain, businesses need an ABR or similar registration issued by the government.¹¹ Registrars validate business details upon application and auDA has a compliance team to ensure that domain names are issued to genuine local businesses.



Trusted by your customers

Research by Omnicore in 2019 shows the com.au domain is more highly trusted among the Australian community than other common commercial domains.¹²

¹¹ See Domain Name Eligibility and Allocation Policy Rules for the Open 2LDs.

Review of the auDA Strategic Plan

The auDA Strategic Plan 2019-2023 was approved by the auDA Board in early 2019 and published on the auDA website. The five key strategic areas of focus in the Strategic Plan guided the work of auDA in 2019/2020.

However the Strategic Plan also acknowledges that, given the changes that were taking place at the time of drafting as a result of the Australian Government review of the .au namespace and developments in digital technologies, it is inevitable that the Strategic Plan is a work in progress.

The auDA Board has resolved to undertake a whole of organisation process to review the Strategic Plan that will commence in the third quarter of 2020, and involve a series of internal workshops with Directors and staff, as well as consulting with a range of stakeholders.

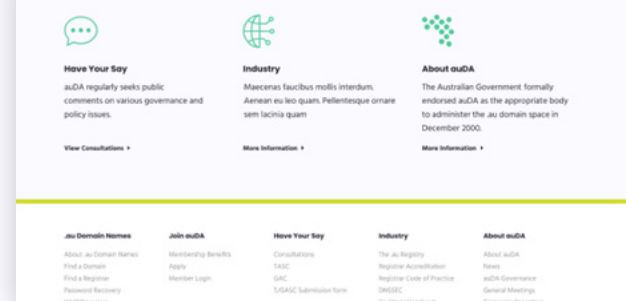
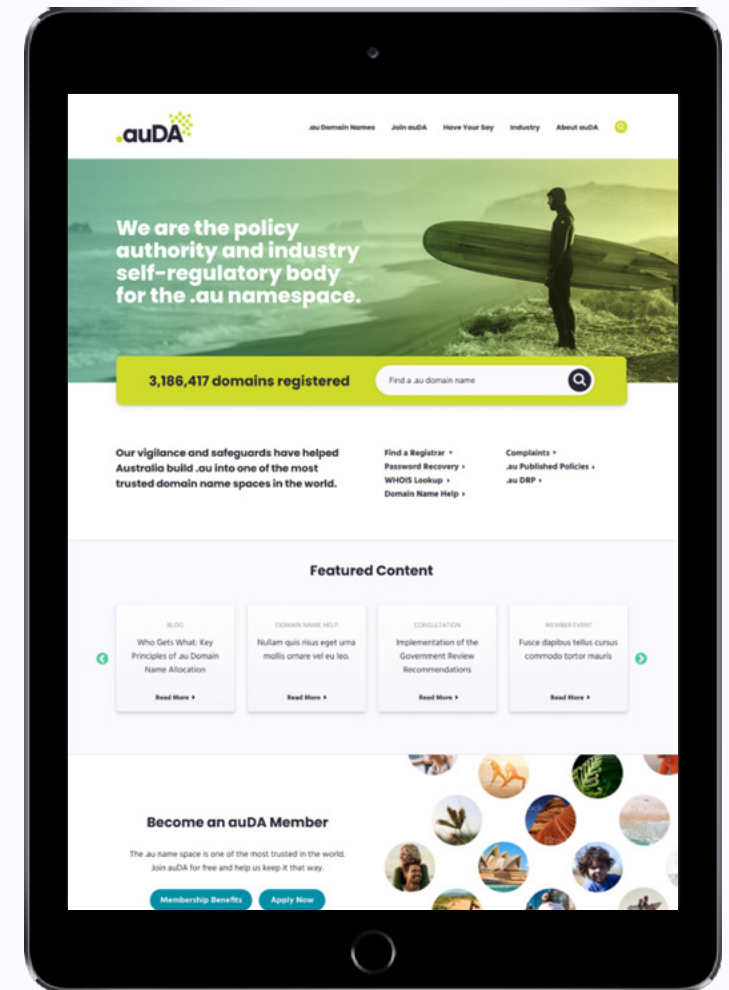
New auDA website

In 2019/2020 we undertook a review of our information channels and determined that the auDA website was out of date and not fully meeting the needs of our stakeholders. A completely new website is required to optimise the user experience, update to a platform that makes it easier for us to manage and maintain, and meet WCAG 2 requirements for accessibility.

The new website needs to cater for a wide range of stakeholders, and a key design focus will be on the customer journey, so that popular options like applying for membership, obtaining information on how to register a domain name or making a complaint are prominent and easily accessible.

Building a new website also offered the opportunity to refresh the auDA brand identity to a more contemporary, open and fresh design – drawing on colours and symbols from the Australian landscape – better reflecting the way in which auDA seeks to engage with the community.

Significant design, development and content work were undertaken in 2019/2020 and the new website, incorporating auDA's new branding, will be launched in late 2020.



Independent review of dispute resolution and compliance

We recognise that an essential element of accountability is openness to feedback, criticism and effectively handling complaints and disputes. We are committed to providing mechanisms for handling complaints and disputes that meet five criteria - accessible, fair, independent, timely and accountable.

To ensure that our dispute resolution and compliance functions meet best practice standards, particularly in light of the changes that will follow the introduction of the new licensing framework, we have engaged Nous Group to assist us with a business improvement process in 2020/2021.

Our social responsibility commitment

We have a commitment to corporate social responsibility through our work with the auDA Foundation and the Telco Together Foundation.

[auDA Foundation](#)

The auDA Foundation is a charitable trust established by auDA in 2005 to promote and encourage initiatives that utilise the power of the Internet to deliver practical outcomes through innovative means. The general objectives of the auDA Foundation are to promote and encourage education and research activities that will enhance the utility of the Internet for the benefit of the Australian community.

Projects funded by the auDA Foundation over the past few years include:

- online video-based peer support for rural Australians affected by cancer;
- provision of expert antenatal education online;
- a live chat project to provide legal help to Australia's community sector;
- an information portal supporting indigenous literacy; and
- a research project to understand the privacy risks of data collected and transmitted by popular online applications.

The auDA Foundation has also established a Knowledge Centre to assist in evaluating the impact of grants, share knowledge and build networks on which innovation can be fostered.

During 2019/2020 the auDA Foundation was in hiatus while a new Board was selected and appointed. The Board has since met and will be considering the Foundation's future approach in line with auDA's strategy refresh in 2020/21.

[Telco Together Foundation](#)

auDA is proud to be a member of the Telco Together Foundation, which provides a platform for the telecommunications industry to unite and help communities in need. Much of the work of the foundation focuses on building resilient young Australians, particularly in the areas of education and mental health.

The Foundation promotes positive social impact by creating community projects that build on telecommunications technology, reach and resources to support the community. It also promotes community engagement within the industry by increasing social awareness and creating opportunities for volunteering, fundraising and workplace giving. auDA's Chief Communications Officer is a member of the Telco Together Foundation Advisory Committee.

Year at a glance

Customer satisfaction survey feedback | Page 37

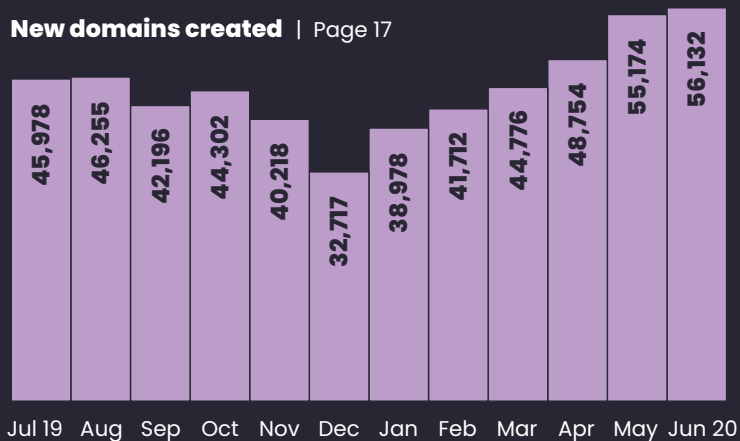


- Very satisfied
- Satisfied
- Neutral
- Unsatisfied
- Very unsatisfied

.au domains under management, June 2020 | Page 16

3,180,395

New domains created | Page 17



Complaints | Page 35



Enquiries | Page 35



June 2020

3386

(+266 %)

July 2019

925

Growth in associate memberships

Page 19

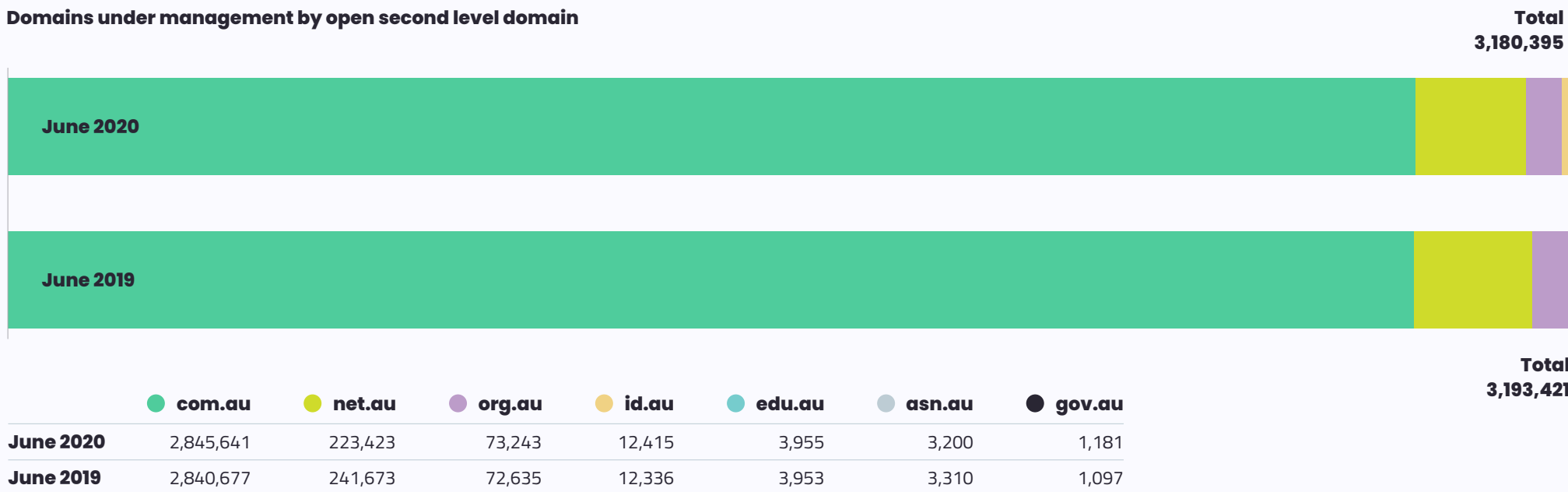
.au registrations

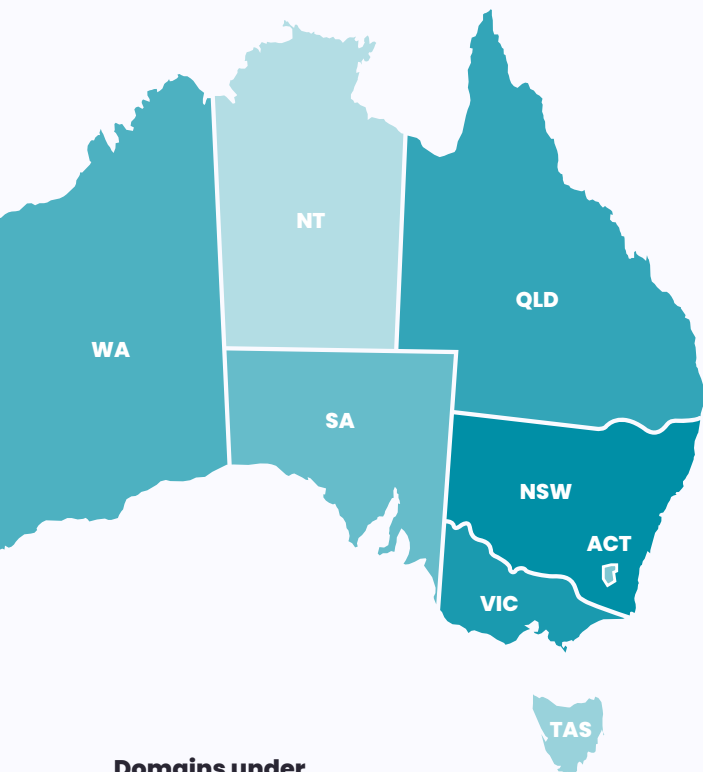
On 30 June 2020 the total number of domains under management was 3,180,395 which represented a decrease of less than 1% from 30 June in the previous year. This figure encompasses the namespaces in the .au ccTLD which include com.au, net.au, org.au, asn.au, id.au, gov.au, edu.au, vic.au, nsw.au, act.au, qld.au, nt.au, wa.au, sa.au and tas.au.

.au domains under management (June 2020)

3,180,395

Domains under management by open second level domain





Domains under management by state

New South Wales	1,061,460
Victoria	837,971
Queensland	600,413
Western Australia	247,602
South Australia	151,508
Australian Capital Territory	69,479
Tasmania	36,996
Northern Territory	13,856

New domains created

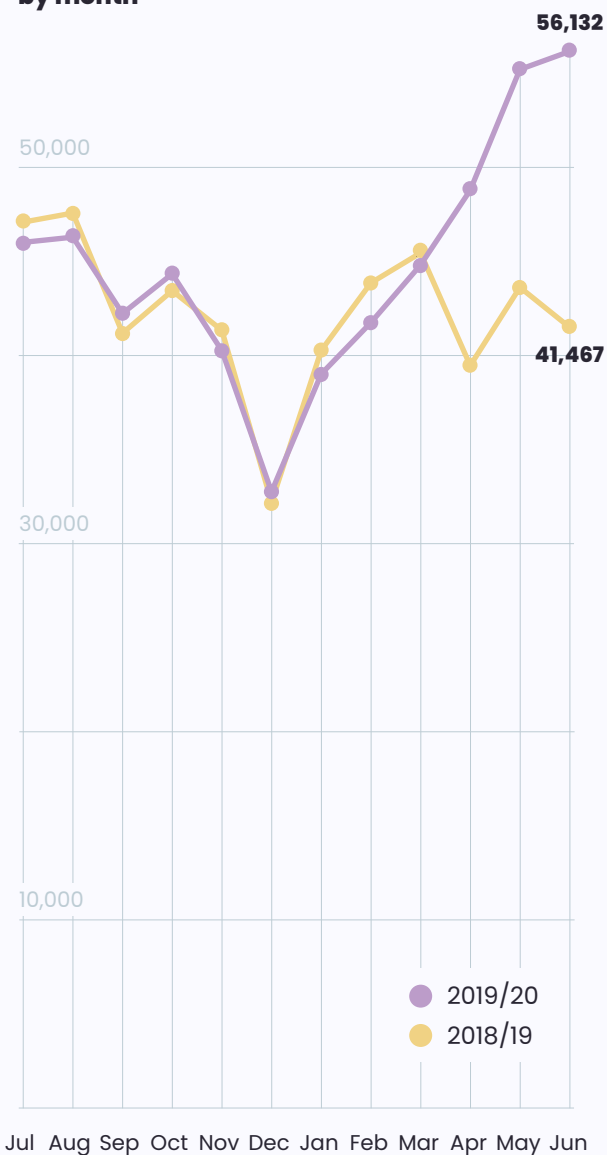
Creation of new domains in the last three months of the financial year increased significantly over the same period last year, coinciding with COVID-19 measures that saw an increase in businesses and organisations moving online following restrictions placed on the community’s access to bricks and mortar premises.

Registrars and resellers

Domain name registration services are provided in the .au ccTLD by accredited registrars and domain name resellers. The top 6 registrars (and their large networks of resellers) account for over 90% of domain name registrations in the .au ccTLD. Registrars undergo a rigorous accreditation process and are required to comply with some of the most stringent security requirements for registrars anywhere in the world.

You can read about the upgraded security requirements for registrars under the new licensing rules on page 26.

New domains by month



Registrars are valued partners in the .au ccTLD, helping develop and deliver a robust domain name registration system, applying the rules fairly and consistently to everyone and delivering a customer service that promotes trust and confidence in the .au ccTLD.

Our members

Associate membership gives people in the community an opportunity to stay informed about .au domain developments, contribute to the work we do and access exclusive member benefits.

Associate membership is free, and open to anyone who has a connection to Australia (citizens and permanent residents aged 18 or older) and is interested in contributing to policy and infrastructure development in the .au ccTLD.

For example, all associate members were directly invited to have their say about potential changes on auDA's licensing rules via local workshops, submissions or participating in the online survey, with many members registering to attend the consultation workshops in Brisbane, Canberra, Sydney and Melbourne.

All associate members were also encouraged to cast their votes in the October 2019 ballot for auDA Elected Directors, with 265 out of 1,409 eligible members (19%) participating.

Member events

We began the year with a networking event in Canberra in July, which featured a talk on cybersecurity and an auDA policy update. Members had the option of attending in person or via webinar. We also hosted networking events in Brisbane and Sydney in October that provided members with the opportunity to connect with like-minded people in the Australian digital landscape.

An end of year networking event with the new Board, registrars and associate members was held at auDA's office in mid-December and was well-attended. Plans were made to hold similar events with Directors and associate members around Australia in 2020, however these have been put on hold due to COVID-19 restrictions.

No. Active Members

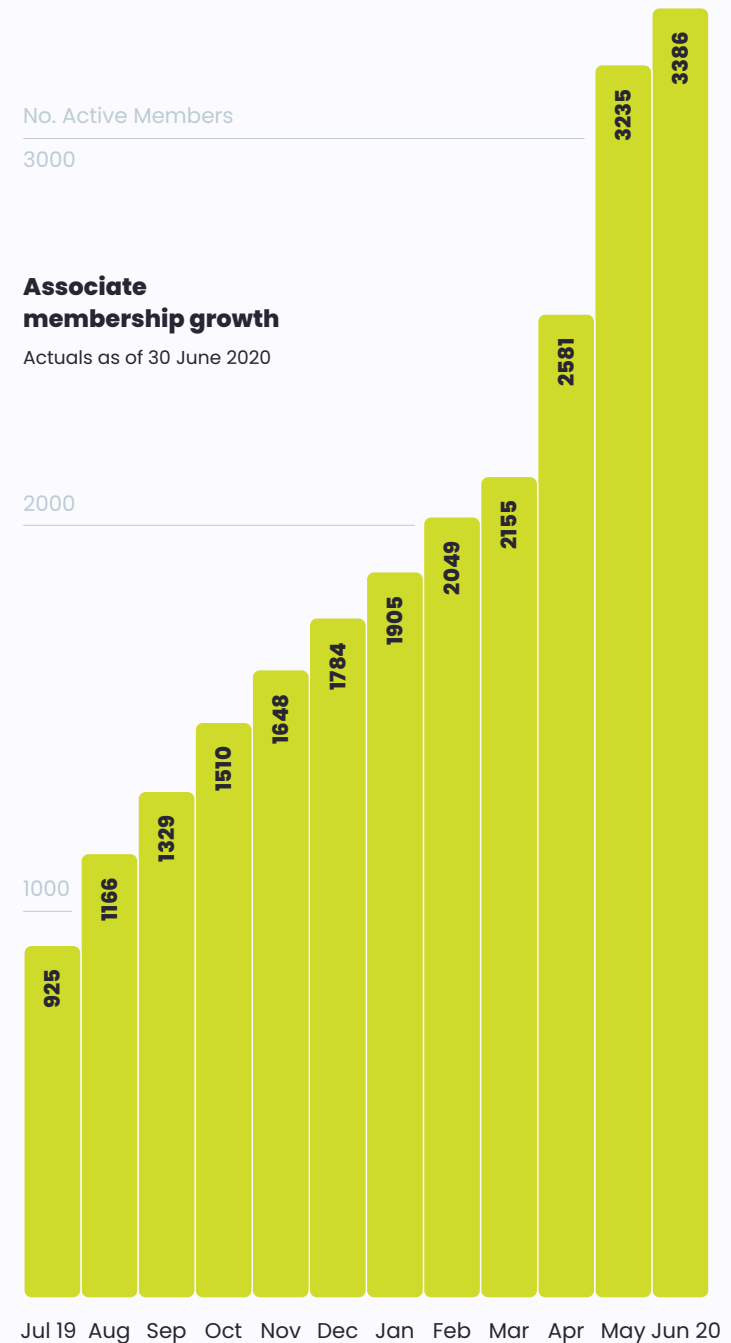
3000

Associate membership growth

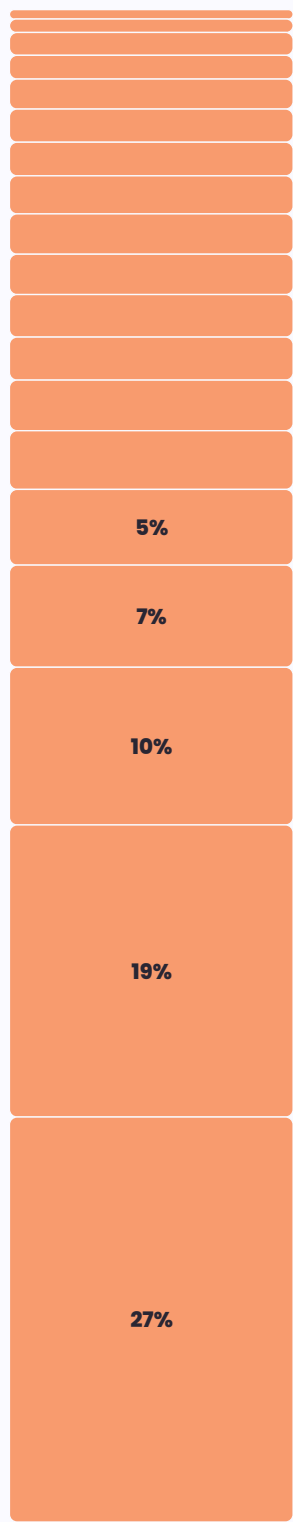
Actuals as of 30 June 2020

2000

1000



Total Members	3386
Other	21
Domain Investor	30
Media	51
Manufacturing	63
Construction	67
Not-for-profit	74
Legal	75
Student	85
Web Hosting	90
Healthcare	90
Government	95
Telecommunications	96
Finance	113
Education	131
Marketing & Comms	169
Registrar	228
Web Developer	352
Not answered	652
Technology	904



Memberships by Industry

Actuals as of 30 June 2020

Building a diverse membership

We have been working hard over the past year to build a membership base that represents a diverse range of views in the Australian community. As a result, associate membership of auDA grew from 925 in July 2019 to nearly 3,400 members by the end of the financial year.

The increasing diversity of our membership base is reflected in increases in members from non-technology based areas such as construction, education and healthcare. Not surprisingly, the greatest interest in, and engagement with auDA continues to be from people in industries directly related to the business of the Internet. Our ongoing work is to offer member services and provide information that makes associate membership attractive and accessible to the Australian community.

Member benefits

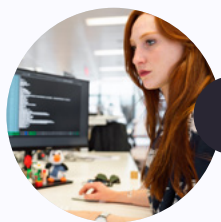
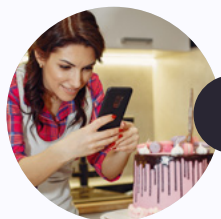
In addition to networking events, we provided members with regular updates and communications, and access to free one-year LinkedIn Learning subscriptions, which have proved to be very popular.

We also identified an opportunity to extend the LinkedIn Learning subscriptions to people potentially impacted by the COVID-19 restrictions and seeking to upskill, which received a strongly positive response.

In our annual member survey in 2019 members told us that there was room for improvement in our levels of engagement. As a result, we commenced monthly member communications in early 2020, providing members with regular updates from the CEO and information about auDA Board decisions, projects and developments.

Members also told us that they valued the networking opportunities provided by auDA, and we are looking at the different ways we might provide members with meaningful and engaging online networking opportunities while COVID-19 restrictions remain in place.

We are currently reviewing the membership program and preparing to consult with members on how we can provide them with the greatest value. Despite the restrictions imposed by COVID-19, we remain focused on improving our member benefits and continuing to engage, broaden and diversify our membership base.

**1 Members****2 Civil society and community****3 Business****4 Government****5 International**

The .au namespace has diverse stakeholders and auDA aims to engage and consult widely to ensure it can effectively consider and represent the views of Internet users.

Stakeholder engagement

auDA's stakeholders can be broadly categorised into five groups – members, community, business, government and international. Each stakeholder group has unique interests which auDA needs to understand and incorporate into its decision-making processes. To achieve meaningful engagement with these different groups of stakeholders, we have multiple and varied approaches. Our Stakeholder Engagement Strategy was published in May 2019 and is subject to periodic review.

You will read about our work with different stakeholder groups throughout this report, including our initiatives to increase auDA membership (page 19), our working relationship with Government (page 38), auDA's strong presence internationally (page 32) and our extensive policy consultation process with community and business (page 29).

The auDA Board advisory committees and our ongoing customer satisfaction survey provide stakeholders with the opportunity to comment on our organisation and our work and provide feedback on their experiences with us.

ENGAGE CONSULT COLLABORATE

Registrars' Summit

We held our second Registrars' Summit in South Australia on 9 and 10 October 2019. The Summit provided an opportunity for auDA to network with registrars and hold consultation sessions on the new licensing framework.

Customer satisfaction survey

We ask everyone who closes a complaint or enquiry with our office to provide feedback via our online customer satisfaction survey. You can read more about our customer satisfaction survey on page 37.

Board advisory committees

In accordance with the auDA Constitution, we have established two advisory standing committees to receive and consider submissions from the general public. Our General Advisory Standing Committee (GASC) gives members of the public an avenue to put their views about auDA, the work we do and the decisions we make. Similarly, the Technical Advisory Standing Committee (TASC) provides an opportunity for those with technical knowledge and expertise to provide input and feedback.

As part of our Transparency and Accountability Framework, the Membership of TASC and GASC and all meeting minutes are published on our website. In 2019/2020, TASC met on two occasions and GASC met three times.

These two Board advisory committees are an integral part of auDA's commitment to accountability and continuous improvement and we are keen to see more active stakeholder engagement with them. In 2020/2021 we will be undertaking an externally-facilitated review of the operations of GASC and TASC to ensure they are set up for success.

An additional Advisory Committee was established by the Board this year under paragraph 4.1 of auDA's Constitution. The edu.au Advisory Committee provides the auDA Board with advice and recommendations in relation to the edu.au domain, including on issues relating to the stability or performance of the edu.au domain, changes to policies and appropriate communication and education strategies for the education sector on how to apply for and manage an edu.au licence.

The edu.au Advisory Committee meets at least twice a year and comprises representatives drawn from Government, the university sector, schools, the training sector and the early learning sector.

Sponsorship of industry events

In 2019/2020 we sponsored and were involved in a series of events across Australia that provided opportunities to engage and promote the importance of our work to different groups, including IT and telecommunications professionals, digital marketers, small business owners and the Internet community.

AuSec19

Canberra, July

Attended by information security professionals from the public sector and tertiary education. The summit provided an opportunity for those at the helm of Australia's security initiatives to connect and share best practice and building safer communities.

Interactive Minds

Melbourne & Brisbane, July

Aimed at digital marketers, this event supports them to keep their digital knowledge fresh, learn best practice techniques, connect with their peers and stay ahead of the trends.

ACOMM Awards

Sydney, August

The ACOMMS support and celebrate excellence and innovation in Australia's communication industry. We sponsored one of the prizes provided by the Telco Together Foundation.

AIIA Awards

Melbourne, August

The Australian Information Industry Association Awards recognise innovation across the Australian information industry.

COSBOA19

Melbourne, August

The two-day summit provided a platform to exchange ideas, opinions and experiences aimed to support, drive, change and build productivity across the small business sector.

NetThing

Sydney, October

NetThing is an open space/platform by the community and for the community to talk about and debate Internet issues of importance to Australians.

There was limited activity in early 2020 due to the bushfires and COVID-19 restrictions, even with some events moving online. We are keen to resume our involvement in public and industry events as soon as these gatherings and travel are permitted.

INNOVATE SUPPORT BUILD

Diversity and inclusion

Our Stakeholder Engagement Strategy recognises that there is a need to engage with groups in the consumer and not-for-profit sector where there is under representation of the .au domain name, such as culturally and linguistically diverse (CALD) communities, Indigenous communities, people with disabilities and socio-economically disadvantaged communities.

We are committed to identifying the barriers to entry or lack of information available to some segments of the community and seek to address them through policy change and targeted education campaigns. 2020/2021 will see us increase our resourcing in the areas of outreach and communications to develop community partnerships and identify avenues to increase accessibility and inclusion.

Co-Marketing and Innovation Fund

The .au Co-Marketing and Innovation Fund is an auDA initiative to help grow the .au namespace by supporting the businesses who know .au consumers the best – accredited .au registrars.

The .au Co-Marketing and Innovation Fund has a number of aims, including growing the total .au domains under management, increasing trust, security and stability of .au, increasing capacity and competition in the registrar landscape, and improving digital inclusion for all Australians.

When the program was first announced, three funding options were flagged to ensure that registrars of all sizes can participate in the program.

- Voucher**
Up to maximum \$25,000
The most flexible funding stream offering a simple way to access facilities, goods, services, advice or expertise with a fast turnaround on funding decisions.
- Grant**
\$25,000 to \$250,000
This level is provided direct to registrars for funding specific projects and to deliver a specific outcome.
- Rebates**
From \$50,000 – \$250,000
Performance rebates will be agreed up front and paid against delivery of increased channel sales of .au.

The initial focus has been on vouchers and grants to best meet the broader objectives of the program.

There is also a funding match requirement according to the funding type and the size of the registrar – as judged by the total domains under management.

Grant applications to the Co-Marketing and Innovation Fund are considered by the auDA Board, and approved funding allocations are included in the Annual Report as part of auDA's commitment to transparency and accountability.

In 2019/2020 there were 3 successful applications to the Co-Marketing and Innovation Fund.

Recipient	Type	Amount	Project
Education Services Australia	Voucher	\$8,000	Direct mail campaign
DDNS	Voucher	\$8,646.55	ISO 27001 security auditing
GoDaddy	Grant	\$250,000	Digital marketing campaign

SECURITY

Our goal is to implement best practices with respect to our information security management systems. Our Enterprise Security Strategy, published in September 2018, sets out how we are working towards this goal.

Our approach is to identify and comply with appropriate, key local and international standards and use external auditors to provide independent confirmation that auDA is meeting those standards. We also conduct regular external testing of the security of our systems, which includes penetration testing and red team testing

We have frequent and regular security reviews built into our work schedules, such as our monthly checkpoint meeting with our Host-based Intrusion Detection (HIDS/HIPS) vendor to review prevention policies and suspicious activities, so that

we can identify possible gaps in detection/prevention and address issues before they become 'incidents'. We have stringent staff screening procedures in place – all new staff undergo probity checks and key staff on our technical team are required to obtain Australian Government security clearance.

Our Technical Advisory Standing Committee also plays a role by considering security-related submissions from the public and discussing new developments in cyber security that may impact on the .au eco-system.

“NO CRITICAL VULNERABILITIES DETECTED”

Red team and penetration testing

Every two years we use external vendors to perform a red team assessment of our systems, services and physical offices. This involves a simulated and targeted attack against auDA in order to gain unauthorised access to the back-end components/ servers and corporate email, and to assess the security maturity of auDA. Our last red team test concluded in July 2019.

We completed a round of penetration testing on 24 January 2020. The purpose of the penetration test is to identify any security vulnerabilities that may lead to compromise by external sources. We are then able to proactively address these risks.

There were no critical vulnerabilities detected, and on the grounds of operational security, specific outcomes of this test are not made public.

ISO 27001

auDA received its ISO 27001 certificate on 15 May 2020. The ISO 27001 certification is a recognised global standard for an information security management system (ISMS) and consists of a framework of policies and processes which govern how an organisation manages information risks. To achieve ISO 27001 certification, an organisation needs to look at a range of different areas, identify potential information risks, develop and implement processes, policies and systems to manage them.

The certification audit reported the following strengths of auDA's ISMS:

- top management commitment and support of the implemented ISMS;
- ISMS well integrated into auDA's tools such as the Eramba Governance, Risk and Compliance (GRC) tool;
- well-resourced ISMS using both internal and external expertise;
- a comprehensive and well-written set of ISMS documentation;
- the identification of interested parties and their needs;
- a well-defined scope;
- a well-developed Statement of Applicability with controls linked to the Risk Register; and
- identification of information security risks.

Registrars and ISO 27001

As part of the new registrar agreement each registrar's ISMS will be required to be ISO 27001 compliant (or equivalent) and meet a minimum set of security controls. These controls are designed to strengthen the security of the .au ccTLD, from registrant through to the registry, and the handling of personal data.

The auDA minimum security controls have been created in alignment with the Australian Government Essential Eight, the Australian Government Information Security Manual (ISM), and can be mapped back to parts of the ISO 27001 standard. To assist this process, auDA will be sponsoring the compliance audit for each registrar, which is part of the process for attaining ISO 27001 certification. To further assist registrars in preparing for their ISO audit, auDA is providing access to an initial security standards baseline review via a third-party security company. This review will assess each registrar's current security profile in relation to auDA's minimum security controls and enable each registrar to develop their own gap analysis and path to attaining the ISO 27001 or equivalent certification.

IT service delivery

The transition to working from home has seen a higher than usual demand for IT support from auDA staff. While the transition has been very smooth, the IT Team is focused on optimising the delivery of IT services, with a long term view of working towards compliance with ISO20000, the international IT service management standard.

Technical and security fora

We participate in and collaborate with a range of external and international technical and security groups, including ICANN's Security and Stability Advisory Committee (SSAC), Domain Name System Operations Analysis and Research Center (DNS-OARC), Internet Engineering Task Force (IETF) and the Asia Pacific Network Information Centre (APNIC). We also work closely with a number of Australian Government agencies on a range of issues including cybersecurity, security standards, best practice and information sharing.

You can read about our international security-related engagements on page 32 of this report. Here is an example of one of the events attended by auDA staff.

Asia Pacific Network Information Centre workshop

auDA attended the APRICOT workshop held in February 2020 in Melbourne. APRICOT is an international event hosted by Asia Pacific Network Information Centre (APNIC) which brings together Internet engineers and other professionals from around the world to discuss and contribute ideas on current and developing Internet technologies.

The five-day workshop was about Network Infrastructure Security and was an excellent opportunity for learning and networking with peers working in the field of network security. This year the workshop focused on some important Internet security topics like cryptography, DNSSEC, host/infrastructure security, and incident handling. Each topic included a hands-on laboratory allowing participants practical experience in a test and build environment.



Registry operations

The registry operations in the .au namespace are performed by Afilias Australia (Afilias), a subsidiary of Afilias Inc, the world's second largest registry operator. We work closely with Afilias to ensure that the registry performance meets the user requirements of being fast, reliable and secure. To ensure ongoing effective operations our technical arrangements are periodically reviewed, with the first technical review due to take place by the end of 2021.

We have a comprehensive performance agreement with Afilias to ensure that registry services meet or exceed agreed service levels. Afilias report regularly against our service level agreement, and we in turn report on registry service performance monthly on our website and in every quarterly report. Quarterly reports are also available on our website.

We also independently monitor the performance of Afilias via probes set up in locations across the world, including in every state of Australia, every continent (except Antarctica), and places where

there is significant Internet traffic such as the east and west coasts of the US. Probes are computers that simulate tasks such as registering a domain name and then monitor the speed of commands such as how long the domain name takes to appear on the DNS and how long it takes to appear in WHOIS. Probes allow us to replicate the experiences of registrars and end-users and ensure the registry is meeting service expectations.

Business continuity and ISO 22301

Afilias, has a documented Business Continuity Management System that has been audited for compliance with the ISO 22301 standard.

We have also been working towards development of a new Business Continuity Management System that complies with the ISO 22301 standard. The system includes measures to cover a wide range of unforeseen/disaster events including operating the registry in emergency circumstances, transition to an alternative domain name administrator if required and dealing with large registrar failure.

Traffic levels

Traffic on the Afilias servers in 2019/2020 has slightly increased compared to 2018/2019. 19,400 was the average number of queries per second (qps) across the Afilias name server infrastructure with a maximum qps of 75,000.

We can further break down the traffic seen on the Afilias servers as either within country (Australian origin) or from outside of country (International). The average qps for Australian origin was 5,500 and at peak, traffic from within Australia hit 15,900 qps. International traffic accounts for a larger proportion with an average of 13,900 qps and a maximum of 69,400 qps.

Qps	Australian origin	International origin
Average	5,500	13,900
Peak	15,900	69,400

Qps	Overall
Average	19,400
Peak	75,000

Policy

We are modernising our policy framework to build a better, more resilient .au namespace as part of the 2018 reforms to the management of the .au domain.

Our new licensing framework has been developed following extensive stakeholder engagement and comprises three elements:

- Licensing rules
- Registrar agreement
- Registrar rules

The framework streamlines an area of .au operations that is currently governed by over 30 different policies and introduces a standard agreement for all registrars to ensure a level playing field, improved services and appropriate dispute resolution.

Under our Accountability and Transparency Framework the way we make policy changes is subject to periodic review, with the first review to be held no later than 2022.

PUBLIC CONSULTATION KEY FIGURES

auDA's website

2,404

Pageviews during the campaign period

13

Submissions received, including from major organisations, registrants, domain investors, and website companies

Dedicated microsite

4,501

Pageviews from 2,770 unique users

1,410

Responses to the survey

Forums, workshops and webinars

200+

Individuals, government agencies and organisations attendees

Public consultation

Our approach to policy development is significantly informed by stakeholder collaboration and contributions. To improve our policy development capability in this regard, in late 2019 we implemented a range of different approaches to conduct further public and stakeholder consultation on the new licensing rules and .au implementation rules. The consultation program included:

- Posting on the auDA website of the licensing rules, explanatory guide and key consultation topics, together with a call for public submissions
- A dedicated microsite – aufeedback.org.au
- Public facilitated webinars and forums in Canberra, Sydney, Melbourne, and Brisbane

- A paid digital campaign
- Advertising in national and metropolitan newspapers and on social media
- Direct contact with people and organisations who had previously provided feedback.

Considerable time was spent in early 2020 reviewing the feedback provided through the consultation program and reviewing the licensing framework at Board level. The Board reviewed the timing and implementation issues connected to the overall licensing framework, including direct registration at the second level and Internationalised Domain Names (IDNs) in the .au namespace, and in June approved the new registrar agreement.

One of the requirements under our Terms of Endorsement from the Commonwealth Government is that we promote competition, fair trading and consumer protection.

Registrar agreement

The new registrar agreement recognises that one size does not fit all, and registrars are able to choose some of the processes and mechanisms to reflect their business model while meeting their obligations. For example, they can decide how to validate the Australian presence and identity of a person using a variety of data sources and provide us with their validation plan.

Security of the .au domain is of primary importance in the framework. The current security requirement is the Information Security Standard (ISS) for accredited registrars which we developed in consultation with registrars and other industry participants. However in recognition that we operate in a global market and an international security standard is appropriate, registrars will be expected to obtain ISO 27001 certification or equivalent standard as part of their accreditation. As auDA is required to respond quickly to matters that compromise DNS security, the new agreement also provides scope for auDA to assist registrars to provide registrar services in the event of a systems outage, cyber-attack or data breach.

Licensing and registrar rules

The new licensing and registrar rules build on the strong foundations established with our registrar and registry partners over the past 18 years and further enhance the .au domain namespace as trusted and Australian. They include rules for the .au namespace (direct registrations at the second level) and Internationalised Domain Names (IDNs) which will be introduced progressively over the next two years. IDNs allow people to include different languages and scripts in their domain names, such as Chinese, Arabic, Japanese, Korean and Vietnamese.

We recognise that the new rules represent considerable change for auDA and registrars, and we are dedicating significant resources to working closely with registrars every step of the way, including a large training component, to ensure a successful implementation.

Consultation and transparency

The fundamental transparency obligation on a multi-stakeholder, public purpose organisation such as auDA is to provide information to all stakeholders that will enable scrutiny and challenge.

Transparency is one of auDA's key areas of focus under our Strategic Plan and given effect through our Transparency and Accountability Framework.

This Framework sets out the mechanisms in place to ensure accountability and transparency and the principles on which they are based. It was published in May 2019 and is subject to periodic review, with the first review due by the end of 2023.

auDA is committed to operating openly and transparently. As a guiding principle, wherever practical, auDA's constitution and rules, policies, strategic and business plans, key decisions, and consultation activities are made publicly available. For example, Board minutes are published on the auDA website, and every quarter we publish a report which includes details about our operations, service levels, financial performance, membership and stakeholder engagement.

The following reporting requirements in relation to accountability under the Transparency and Accountability

Framework and under auDA's KPI Framework, are met in part through the publication of our Annual Report:

- Government liaison and accountability
- International liaison and accountability
- Board and Board committees
- Membership
- Advisory committees
- Policy development
- Stakeholder communication and engagement
- Public reporting
- Complaints and dispute handling

A reporting matrix is attached as Appendix A to this report, which sets out the reporting requirements under the two frameworks, our Stakeholder Engagement Strategy and our Strategic Plan, and where to find the relevant information in this report.

International

One of our core functions under the Government's Terms of Endorsement is to actively participate in international technical and policy namespace fora to ensure that Australia's interests are represented, to identify trends and developments relevant to the administration of the .au namespace and to work collaboratively on improvement and innovation.

We are a member of The Internet Corporation for Assigned Names and Numbers (ICANN), a not-for-profit organisation with international oversight of the namespaces and numerical spaces of the Internet and responsibility for ensuring the stability and security of the Internet. Over the past year our engagement with ICANN has included attending, presenting and facilitating at conferences, participating in working groups and simulated exercises, and contributing to capacity building for countries in our region, such as Afghanistan and Timor Leste.

We also regularly participate in meetings of the Asia Pacific Top Level Domain Association (APTLD) – including hosting the 77th members meeting and AGM in Melbourne in February – and attend other events in the international Internet community on a range of issues including cybersecurity, policy development and best practice.

Since the emergence of the COVID-19 pandemic, we have liaised closely with other ccTLDs and registries around the world to identify and understand the impact of the pandemic and the responses being implemented, to inform our monitoring and response in Australia.

Our quarterly reports provide detailed accounts of our international engagements during the year and the operations calendar on our website details our international ICANN commitments.

KUALA LUMPUR

APTLD76

September 2019

APTLD76 attracted more than 100 delegates from the Asia Pacific region with a look at new gTLDs and their effect on ccTLDs. auDA participated in APTLD's strategic plan working group and was recognised for its contribution to regional capacity building. Other areas of discussion included deployment of DNSSEC, illegal use of domains and dispute resolution.

MONTREAL

ICANN64

November 2019

A major theme of the ICANN meeting in Montreal was dealing with DNS abuse, with auDA's COO moderating a public forum on the topic of DNS abuse which was attended by several thousand people from the ICANN community. auDA presented its approach to using a security red team to conduct penetration testing of auDA and Afilias Australia and participated in a simulated exercise to test disaster recovery practices and assist the development of disaster recovery plans. We were also invited to join a working group convened to look at operational improvements with the registry manager of Timor Leste.

TEXAS

OARC31

November 2019

In November our CTO attended the Austin Texas workshop of DNS-OARC, a non-profit, membership organisation that seeks to improve security, stability and understanding of the Internet's DNS infrastructure.

A presentation on characterising DNS DDoS attacks was particularly relevant to auDA. Researchers talked about attacks that use randomised names that all produce NXDOMAIN responses. Original investigation indicated this was being generated by a single source of malware but now widely believed to be a family of malware. The reason for the attacks or benefits of the attacks are currently unknown. This is similar to activity auDA was seeing between August and October 2019.

SAN DIEGO

CrowdStrike cybersecurity conference

November 2019

CrowdStrike is the vendor used by auDA for its endpoint desktop and server security and our CTO attended their annual conference with around 1500 other attendees. It was an opportunity for auDA to share experiences with other Australian organisations and hear about latest technologies and ideas to detect and respond to threats. The conference gave auDA an opportunity to review CrowdStrike's new modules and determine their appropriateness for the auDA standard operating environment and meeting ISO 27001 requirements.

MELBOURNE

APTLD77

February 2020

auDA hosted the 77th members meeting and AGM of the APTLD in Melbourne in February 2020. This meeting was the largest APTLD gathering thus far, attracting more than 130 representatives from ccTLDs and the domain name industry around the region, despite concerns over air quality due to the bushfires and the emerging global coronavirus outbreak. Two days' training preceded the conference, helping attendees build capability in government relations, risk management and cybersecurity.

During the week, auDA also held a meeting with the ICANN CTO to discuss cyber-security, a joint auDA / Internet NZ meeting to share information on current activities, and a meeting with the ccTLD operators for Timor Leste and Indonesia to discuss policy support for Timor Leste.

CANCUN ONLINE

ICANN67

March 2020

ICANN67 was scheduled to take place in Cancun in March but changed to an online community forum in light of the coronavirus pandemic. Priority was given to cross-community workstreams, with non-essential meetings postponed or held outside the community forum.

Key topics of interest included the pending acquisition of the .org registry operator, DNS abuse and how registry operators respond, new gTLD subsequent procedures, and cybersecurity and geopolitics in a multi-stakeholder environment.

KUALA LUMPUR ONLINE

ICANN68

June 2020

The ICANN68 policy forum was held virtually in late June in the time zone of the intended host city Kuala Lumpur, which made it very convenient for participants in Australia. Many auDA staff and Directors made the most of this opportunity, participating in a range of policy and networking sessions throughout the week. auDA's COO facilitated a session on DNS abuse and malicious registrations during COVID-19.

The forum featured plenary sessions exploring DNS abuse and malicious registrations, the DNS and the Internet of Things, and how to advance policy work amid the pandemic. The Security and Stability Advisory Committee (SSAC) of ICANN also held a public meeting during ICANN68 and gave an update on its activities.

Complaints and dispute resolution

Balancing the interests of all stakeholders is central to the administration of the .au domain. One of the ways we do this is to provide appropriate complaint and dispute resolution mechanisms, as required under our Terms of Endorsement, so that stakeholders have a clear path of recourse when complaints and disputes arise.

The complaints function is a complex one. It is more than simply handling complaints and applying rules - it also involves managing expectations, contributing to systemic improvements, ensuring fair trading and promoting consumer protection and confidence. We are always looking for ways to work better - such as developing compliance software tools and building our data analytical capability.

When the new licensing rules are implemented in 2021, enquiries and complaints will be handled by registrars in the first instance. auDA will continue to be an avenue of review and deal with escalated complaints. We are

working with registrars to ensure they have the right processes in place, and will provide them with ongoing training and support.

Complaints and enquiries

We are committed to providing mechanisms for handling complaints and enquiries that meet five criteria - accessible, fair, independent, timely and accountable.

We have processes and policies in place to ensure we meet these criteria.

In 2019/2020 we received a total of 4,458 complaints and 3,426 enquiries. The average time to close a complaint was 14 days. Of the complaints that were upheld, 2,221 related to eligibility queries - where a complaint is made questioning whether a registrant meets the eligibility criteria to hold a particular domain name licence. The next highest category was suspected criminal activity (368) followed by deregistered company (197). We provide information about complaints and enquiries on our website.

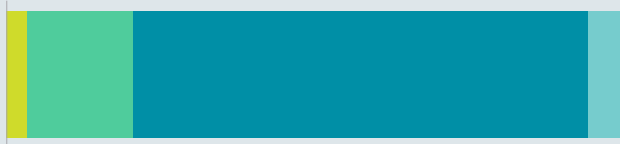
Top 10 complaint reasons

Eligibility query	2612
Suspected criminal misuse	383
Registrant contact correction	235
Deregistered ACN	213
Cancelled ABN	161
Duplicate	144
Allocation issue	100
Out of jurisdiction	97
Eligibility and allocation policy	90
Correctly monetized	53

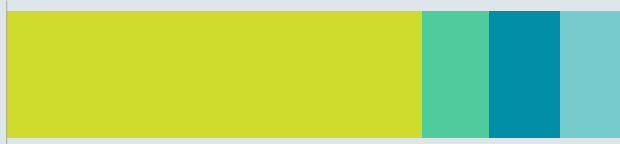
Top 10 enquiry reasons

Duplicate	467
Registration query	329
Out of jurisdiction	323
General enquiry	262
Eligibility query	235
Registrant contact correction	213
Deregistered ACN	187
Renewal query	160
Password recovery	147
Create date request	138

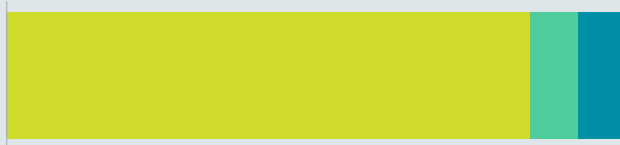
4458 Complaints



3426 Enquiries



52 Law enforcement requests



● Advised ● Denied ● Upheld ● Adjourned

38 Disputes



● Cancelled ● Denied ● Transferred
● Dismissed, terminated or withdrawn

Internal reviews

When we uphold a complaint, for example that a registrant is not eligible to hold a particular domain name licence, the matter is referred back to the registrar for follow up action.

A complainant can request an internal review by auDA if they are not happy with the outcome of their complaint. If they are still not satisfied, they have the option of referring the matter for a decision by an independent panelist from the independent Registrant Review Panel (RRP). Two cases were referred to the RRP in the 2019/2020 financial year.

au Dispute Resolution Policy

The purpose of the au Dispute Resolution Policy (auDRP) is to provide a cheaper, speedier alternative to litigation for the resolution of disputes between the registrant of a domain name in the .au ccTLD, and a party with competing rights in the domain name. auDA provides complainants with the choice of two independent dispute providers: Resolution Institute, and World Intellectual Property Organization (WIPO).

In 2019/2020 38 disputes were lodged under auDRP. Of those, 1 licence was cancelled, 22 complaints were dismissed, terminated or withdrawn, and 15 licenses were transferred to the complainant.

Law enforcement requests

auDA regularly receives law enforcement requests from a range of State and Commonwealth law enforcement bodies where there has been an alleged breach of the law.

The majority of law enforcement requests we receive involve a request for information, rather than a request for compliance action. Usually they are asking for the information that the registrant provided when they registered the licence for the domain name. When we receive a request for information from a law enforcement agency we carefully evaluate the request and ensure any disclosure of information is in accordance with the Privacy Act 1988.

On occasion a law enforcement agency will request that we delete a domain name used for unlawful purposes. We assess such requests under our domain name policies and the requests goes through the same process as for all complainants.

In 2019/2020 we received 52 law enforcement requests. Of those, 4 were upheld, 4 were denied and 44 were closed with the outcome “advised” – where we responded to a request for information.

Customer satisfaction survey

Our customer satisfaction survey asks every person whose complaint or enquiry we have closed during the year to provide feedback on our service. Of the 520 people who responded this year, 72% said that they were satisfied or very satisfied with our service. Speed of service, quality of service and genuine interest in helping were cited as the three top reasons for a positive experience with auDA.

We asked the 119 respondents who did not have a positive experience with us what we could do better. Of those respondents, 46% told us they did not believe that we had a genuine interest in helping them.

This highlights for us the importance of making sure that everyone who uses our service, regardless of the outcome of their complaint, is provided with clear information about our rules and decision-making processes and feels they have received the best possible assistance.

The feedback we receive is of great value to us, and data from the customer satisfaction survey, as well as the comments from respondents, are reported to the Board on a regular basis. We are committed to identifying continuous improvement opportunities in all the services we provide, and will initiate an independent review of the complaints and compliance function in 2020/2021.

“
Way beyond expectations in terms of both response time and detailed quality response
”

“
I am very grateful for the service your team member provided, from the first reassuring telephone interaction to the successful outcome. Many thanks.
”

“
I just want to say a massive thanks... [the] genuine interest in helping me understand the domain transfer process was exceptional. I finished the call feeling empowered, and that I had the information I needed. Thank you so much. Really grateful.
”

“
The entire process took way too long...
”

“
Excellent support
”

Government

The Terms of Endorsement issued by the Australian Federal Government endorse auDA as the appropriate entity to administer Australia's ccTLD. They also highlight the Government's ongoing interest in the management of what is a significant public asset.



We have information sharing and reporting arrangements with the Department of Infrastructure, Transport, Regional Development and Communications that include:

- regular check-ins and discussions as issues arise;
- quarterly reports; and
- discussions at Board meetings on government policies and programs, led by the Government Board observer.

Under the Terms of Endorsement, the Government reserves the right to independently review our reporting and reporting processes at any time.

In addition to the Department of Infrastructure, Transport, Regional Development and Communications, there are a number of Australian Government agencies that have an interest in the security and stability of .au. During the past year, auDA has worked productively and cooperatively with a number of these agencies in response to evolving issues including a bushfire response, cybersecurity concerns, the potential impacts of COVID on the DNS and required access arrangements.

Board and governance

Good governance practices provide the foundation for the effective management of the .au ccTLD.

Following the 2018 review, there were a number of significant changes at auDA designed to improve and strengthen governance arrangements, including a new auDA Constitution. The Constitution introduced a new membership model, and a Nomination Committee to manage the process of recruiting new Board Directors.

The role of the Nomination Committee includes developing a Board skills matrix, ensuring that the process of appointment and election of Directors to the auDA Board is transparent, and overseeing, assessing and reporting on the effectiveness of the Board.

The Nomination Committee developed a comprehensive Board skills matrix and undertook a recruitment process to select appropriate candidates for appointment and election to the auDA Board to meet the requirements of the new Constitution. Following the AGM, on 15 November 2019 a new Board of six independent Directors and three elected Directors took office.

You can read about our Directors and their skills and expertise in the Directors' Report on page 43.

Board Committees

The Board has three sub-committees:

- People and Culture
- Security and Risk
- Finance and Audit

The Board is also supported by three advisory committees:

- General Advisory Standing Committee
- Technical Advisory Standing Committee
- edu.au Advisory Committee

You can read more about our advisory committees on page 22.

Election of a new Board member

auDA's Constitution requires that the Board consist of five independent Directors, four elected Directors, and one independent Chair. As a result of the ballot held prior to the Company's Annual General Meeting in November 2019, only three elected Directors were eligible to be appointed (having received a majority of favourable votes).

In early 2020 the Nomination Committee reviewed the Board skills matrix ahead of commencing the process of selecting candidates for the vacant elected Director position. On 5 June 2020 auDA publicly called for expressions of interest for the vacant position, with the recruitment process continuing into 2020/2021.

The Nomination Committee met 17 times in 2019/2020, primarily focused on the process of appointing an entire new Board. In 2020 the Nomination Committee reviewed its Charter, considered issues relating to the transition date in the auDA Constitution, and commenced the process of filling the fourth elected Director vacancy.

The members of the auDA Board



Alan Cameron AO
Independent Chair



James Atkins
Independent Director



Dr Kate Cornick
Independent Director



Sandra Davey
Elected Director



Peter Elford
Independent Director



Tania Fryer
Elected Director



Angelo Giuffrida
Elected Director



Matthew Healy
Independent Director



Dr Alice McCleary
Independent Director

Assessment of Board performance

One of our Key Performance Indicators is the completion, by the Nomination Committee, of an assessment of the effectiveness of the auDA Board against the Board Charter. Following a review of the Board Charter, a revised version was published in May 2020.

As the membership of the Board had changed completely as of 15 November 2019, the Chair informed the Nomination Committee that it was his intention not to conduct or commission a full report of the performance of the Board for the year ending 30 June 2020. Instead, the Chair himself conducted individual discussions with every Director and reported on the results of those interviews to the Board after 30 June 2020. The results were very positive and several useful suggestions for managing the work of the Board emerged from the review.

The Chair has indicated that he intends to discuss the performance of the Board with the Nomination Committee and arrange a further comprehensive review to take place in 2021.

Publication of Board meetings and minutes

The auDA Board is committed to transparency in its operations and publishes minutes of Board meetings on the auDA website, as well as a schedule of Board meetings. Key decisions of the Board are made public through publication of the Board minutes. Only where necessary, Board minutes are redacted on the grounds of Privacy Act obligations, commercial-in-confidence or confidential security matters.

ASX Corporate Governance Principles and Recommendations

The Corporate Governance Principles and Recommendations issued by the ASX (the CGPR) set out a contemporary view of appropriate corporate governance standards that are relevant not only to the ASX listed public entities that are required to report against them, but to all corporations interested in good governance practices.

Maintaining our not-for-profit status

auDA is incorporated as an Australian Public Company, Limited by Guarantee, which is a common company structure for not-for-profit and charitable organizations in Australia. Under this structure, auDA cannot distribute funds to members, cannot pay dividends, and must reinvest any surpluses towards the organisation's purposes. auDA takes the general approach of re-investing any operating surpluses into growing the value of the .au name space for Australian Internet users, whilst maintaining capital reserves to ensure funding for unforeseen legal, technical or security issues that may arise in the future.

auDA is committed to developing and maintaining best practice in corporate governance and as such we will be commencing a process of annual review of our performance against the CGPR and report publicly on the outcome of our review.

Annual financial report

30 June 2020

- 43 Directors' report**
- 48 Consolidated statement of profit or loss and other comprehensive income**
- 49 Consolidated statement of financial position**
- 50 Consolidated statement of changes in equity**
- 50 Consolidated statement of cash flows**
- 51 Notes to the consolidated financial statements**
- 70 Directors' declaration**
- 71 Lead auditor's independence declaration**
- 71 Independent auditor's report**

A.B.N. 38 079 009 340



Directors' report

For the year ended 30 June 2020

The directors present their report together with the financial report of .au Domain Administration Limited (the "Group") consisting of .au Domain Administration Limited (the "Group") and the entities it controlled for the financial year ended 30 June 2020 and the auditor's report thereon.

1. Directors

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

Name	Appointment date	Resignation date (if applicable)
Alan Cameron AO	15 November 2019	
James Atkins	15 November 2019	
Dr. Kate Cornick	15 November 2019	
Sandra Davey	15 November 2019	
Peter Elford	15 November 2019	
Tania Fryer	15 November 2019	
Angelo Giuffrida	15 November 2019	
Matthew Healy	15 November 2019	
Alice McCleary	15 November 2019	
James Deck	27 November 2017	14 November 2019
Suzanne Ewart	16 November 2017	14 November 2019
Sandra Hook	24 April 2017	14 November 2019
Erhan Karabardak	12 November 2012	14 November 2019
Joseph Manariti	12 November 2012	14 November 2019
Nigel Phair	11 May 2018	14 November 2019
Harriet Raiche	11 May 2018	14 November 2019
Damian Smith	11 May 2018	14 November 2019
Grant Wiltshire	30 November 2015	14 November 2019

ALAN CAMERON AO BA LLM HonLLD Sydney FAICDLife FAAL

Independent Chair

Alan Cameron worked in corporate law practice in Sydney, was Commonwealth Ombudsman 1991–92, and was chairman of the ASC and ASIC 1993–2000. Most recently he has been a consultant and company director.

He is chairman of the NSW Law Reform Commission and of the Property Exchange Australia Limited group, the electronic hub for the settlement of land transactions. He was Deputy Chancellor of the University of Sydney 2008–14 and is a past chair of the ASX Corporate Governance Council.

JAMES ATKINS BA BComm FAICD

Independent Director

James Atkins is an experienced non-executive director in the commercial and not-for-profit sectors. In addition to his role on the .au Domain Administration Board, James is the Chair of BIG4 Holiday Parks and Greening Australia, and a non-executive director of the Connective Group and Circus Oz. James has many years' experience as a business strategist and senior executive in highly competitive markets, and is currently the principal of Vantage Strategy that works with a wide range of organisations helping them clarify their strategy and implement change so that they can grow.

KATE CORNICK PhD (Electrical Engineering) BE/BSc

Independent Director

Kate Cornick is currently the CEO of LaunchVic, the Victorian Government's start-up agency. Previous roles include CEO of an ASX listed startup, Director of Innovation and Industry Engagement at the University of Melbourne and General Manager of NBN Co and. Kate is currently a Member of Charles Sturt University (CSU) Council and a Member of the CSU Audit, Finance and Risk Committee and CSU Foresighting Committee.

1. Directors (continued)

SANDRA DAVEY

Elected Director

Sandy Davey is a product coach with Product Space. She coaches people, teams, and leaders in Agile and new ways of working and in optimising how organisations bring their digital products to market. She joined the Board of CHOICE in 2012 and was elected Chair in 2017. Sandy chairs CHOICE's Governance, Investment, and Commercial Sustainability Committees. Her past roles have included a two-year stint chairing the rebirth of Australia's Internet governance community, NetThing (previously auIGF), serving as Director and Chair of the Australian Interactive Media Industry Association, and as an inaugural Director of auDA when it was known as the Australian Domain Name Authority.

PETER ELFORD BSc(Hons) GAICD

Independent Director

Peter is an Australian Internet veteran and passionate Internet advocate having "built the Internet in Australia" in 1989 as employee #2 at the Australian Academic and Research Network (AARNet). From 1993-2013 he held a variety of technical and senior management roles at Cisco, before re-joining AARNet in 2014 as Director, Government Relations and eResearch a position he held until 2019. In addition to serving on the board of auDA, Peter is currently a member of the Regional Development Australia (RDA) ACT committee and President of the Gungahlin Community Council.

TANIA FRYER LLB(Hons) BA MCommrcLaw GAICD

Elected Director

Experienced in technology, communications and law, before becoming a professional independent Non-Executive Director, Tania was previously an executive at Telstra. Prior to Telstra, Tania was a lawyer at Allens Linklaters (formerly Arthur Robison & Hedderwicks). Tania is also a Non-Executive Director on the boards of City West Water, Grey Innovation Group Pty Ltd (and subsidiaries) and Potential(x) Holdings Pty Ltd, and on the State Committee JDRF Australia (Juvenile Diabetes Research Foundation).

ANGELO GIUFFRIDA

Elected Director

Angelo Giuffrida has been directly involved in the domain name industry for over 12 years with experience in registrar accreditations and operations, registry functions, policy implementation and registrant support. Alongside his non-executive Director position at auDA, Angelo is also the Chief Executive Officer and Co-founder of VentralP Australia, Synergy Wholesale and Zuver, the largest privately owned auDA accredited registrar group. Utilising his breadth of industry knowledge and experience to represent the best interests of all auDA stakeholders, Angelo is focused on delivering outcomes that benefit all community interests and the Australian digital economy.

MATTHEW HEALY BA/LLB AICD

Independent Director

Matthew Healy has over 25 years' experience in technology, communications, regulation and law. He has held numerous board positions on industry and member-based organisations including CommsAlliance Ltd, Competitive Carriers Coalition Ltd and OzHub Ltd. Matt has also held executive positions at Macquarie Telecom Group and leadership roles at the Australian Competition & Consumer Commission, United Energy and the airline sector. He is currently a Non-Executive Director and Trustee of the McClelland Gallery + Sculpture Park, Board Member of The Macfarlane Fund and Principal of Healy Advisory.

DR. ALICE MCCLEARY DUniv, BEc, FCA, CTA, FTI (Life), FAICD

Independent Director

Alice McCleary is a Chartered Accountant and has been a professional company director for over 20 years. She was formerly a corporate tax partner at Coopers & Lybrand (now PwC), and was the first female President of the Taxation Institute of Australia. Her directorship career covers ASX companies, NFPs, industry associations and government bodies, and she was a founding director of National ICT Australia Limited (NICTA), a research body funded by state and federal governments to improve the reach and quality of Australia's IT research.

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 Group during the financial year were:

Director	Board Meetings		Finance and audit committee		Security and risk committee		Governance committee		People and Culture committee	
	A	B	A	B	A	B	A	B	A	B
Meeting held in the year	12		6		3		2		2	
Alan Cameron AO*	6	6	2	2	1	1			2	2
James Atkins	6	6	2	2						
Kate Cornick	6	6	2	2	1	1				
Sandra Davey	6	6							2	2
Peter Elford	6	6			1	1				
Tania Fryer	6	6							2	2
Angelo Giuffrida	6	6	2	2					2	2
Matthew Healy	6	6			1	1			2	2
Alice McCleary	6	6	2	2	1	1				
James Deck	6	6			2	2				
Suzanne Ewart	6	6	4	4	2	2				
Sandra Hook	6	6	4	4			2	2		
Erhan Karabardak	6	6					2	2		
Joseph Manariti	6	6			2	2				
Nigel Phair	6	6			2	2				
Harriet Raiche	6	6					2	2		
Damian Smith	4	6	4	4	2	2				
Grant Wiltshire	5	6					2	2		

A Number of meetings attended

B Number of meetings held during the time the director held office during the year ended 30 June 2020

* Alan Cameron AO attended Board Finance and Audit Committee and Security and Risk Committee meetings by invitation

3. Secretaries

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

Name	Appointment date	Resignation date (if applicable)
Sonia Joksimovic	20 May 2019	
Linda Brown	9 June 2020	

Sonia Joksimovic is a qualified company secretary and has more than 10 years' experience working in company secretarial and governance positions in publicly listed and unlisted companies. Ms Joksimovic is currently on extended leave.

Linda Brown is an experienced governance practitioner with 30 years' experience in management and consulting roles including providing board support and company secretarial services to not-for-profit companies.

4. Principal activities

The principal activities of the Group during the year ended 30 June 2020 comprised of management of the .au domain namespace. There were no changes in the nature of the activities of the Group during the year.

5. Operating and financial review

Revenue from operations for the year ended 30 June 2020 was \$13,734,755 (2019: \$4,799,024). The result for the year ended 30 June 2020 is a profit of \$2,395,187 (2019: Loss of \$4,522,314).

For the year to 30 June 2020 the Group generated net cash from operating activities of \$9,948,110 (2019: \$6,853,394).

	2020 \$	2019 \$	Variance \$
Revenue from operations	13,734,755	4,799,024	8,935,731
Profit (Loss) for the year	2,395,187	(4,522,314)	6,917,501
Net cash from operating activities	9,948,110	6,853,394	3,094,716

This is the first set of the Group's annual financial statements in which AASB 16 Leases has been applied, refer to note 2(f) of the financial statements.

This is the second financial year since the registry transition project occurred. Revenue generated under the registry licence contract prior to the registry transition project (i.e. prior to 1 July 2018) was recognised at a point in time when cash was received. Under the registry licence contract subsequent to the registry transition project (i.e. from 1 July 2018), revenue is recognised over time based on the terms of the individual domain name registrations. This change has resulted in the Group's revenue recognised in financial year 2020 increasing compared with financial year 2019 as deferred income from the prior year has been brought to account in the current year. A normalisation of revenue recognised from year to year will occur over the next few years as the maximum length of a domain registration is 5 years.

The global COVID-19 pandemic has resulted in a decline in the market value of financial assets. The value of investments declined by \$947,306. The decline was recognised in the Group's statement of profit and loss and other comprehensive income. Without the decline in investment values, the Group would have reported a profit for the year of \$3,342,493.

Notwithstanding the dynamic external environment in which the Group operates, in the opinion of the Directors, there are no other likely changes in the operations of the Group which are expected to adversely affect the results of the Group in subsequent financial years.

6. Significant changes in the state of affairs

There were no significant changes in the state of affairs that had an effect on the Group's operations or the results of its operations.

7. Likely developments

The Group has introduced a new Policy Framework comprising new Licensing Rules, new Registrar Rules and a new Registrar Agreement. Work on implementation will continue during 2020–2021. Once commenced, the new Licensing Rules will support changes to the use of State and Territory namespaces, eligibility rules for the .au namespace and in the future use of internationalised domain names in the .au namespace.

8. Events subsequent to reporting date

The ongoing COVID-19 pandemic may impact business performance and the value of investments held by the Group. The Group continues to assess its operating model to ensure viability.

Other than the matter noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

9. Member's guarantee

The Group is limited by guarantee. If the Group is wound up the constitution states that each governing member is required to contribute a maximum of \$10 towards meeting any outstanding obligations of the Group. At 30 June 2020, the number of governing members was 8. (2019: 7).

10. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 71 and forms part of the Directors' Report for the year ended 30 June 2020.

This report is made with a resolution of the Directors:



Alan Cameron AO

Independent Chairperson

Dated at Sydney this 24th day of September 2020

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

* The Group has initially applied AASB 16 at 1 July 2019. Under the transition method chosen, comparative information has not been restated. Refer to Note 2(f).

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

	Note	2020 \$	2019* \$
Revenue	4	13,734,755	4,799,024
Other income		2,916	727
Employee benefits expense	6	(4,382,402)	(3,432,534)
Consultancy expense		(1,836,246)	(2,169,718)
Domain Name System infrastructure expense		(860,316)	(653,734)
Marketing and communication expense		(1,884,455)	(1,793,059)
Travel expense		(311,334)	(442,261)
Directors' remuneration expense		(404,493)	(276,426)
Professional subscriptions expense		(140,480)	(236,902)
Occupancy expense		-	(102,445)
Depreciation of plant and equipment	12	(234,905)	(195,210)
Depreciation of right-of-use assets	14(i)	(169,099)	-
Other expenses		(610,243)	(697,282)
Result from operating activities		2,903,698	(5,199,820)
Finance income	7	468,780	683,167
Finance costs	7	(977,291)	(5,661)
Net finance (costs)/income		(508,511)	677,506
Profit/(Loss) before tax		2,395,187	(4,522,314)
Income tax expense	3(j)	-	-
Profit/(Loss) for the year		2,395,187	(4,522,314)
Other comprehensive income		-	-
Total comprehensive income		2,395,187	(4,522,314)

Consolidated statement of financial position

As at 30 June 2020

* The Group has initially applied AASB 16 at 1 July 2019 Under the transition method chosen, comparative information has not been restated. Refer to Note 2(f).

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

Assets	Note	2020 \$	2019* \$
Current assets			
Cash and cash equivalents	8	16,854,269	10,492,836
Trade and other receivables	10	2,613,676	2,015,032
Investments	11	–	2,210,000
Total current assets		19,467,945	14,717,868
Non-current assets			
Other assets		137,668	134,608
Investments	11	13,824,644	9,193,650
Plant and equipment	12	651,302	782,410
Right-of-use asset	14(i)	507,298	–
Total non-current assets		15,120,912	10,110,668
Total assets		34,588,857	24,828,536
Liabilities			
Current liabilities			
Trade and other payables	13	1,124,106	1,211,428
Employee benefits		294,486	317,675
Deferred income	5	11,857,586	7,756,421
Lease liabilities	14(v)	188,657	–
Total current liabilities		13,464,835	9,285,524
Non-current liabilities			
Deferred income	5	6,488,840	4,441,428
Other liabilities		1,057,188	321,922
Provision for make good		53,000	53,000
Lease liabilities	14(v)	403,145	–
Total non-current liabilities		8,002,173	4,816,350
Total liabilities		21,467,008	14,101,874
Net assets		13,121,849	10,726,662
Equity			
Retained earnings		13,131,849	10,726,662
Total equity		13,121,849	10,726,662

Consolidated statement of changes in equity

For the year ended 30 June 2020

	Note	Retained earnings \$	Total Equity \$
Balance at 1 July 2018		15,248,976	15,248,976
Total comprehensive income			
Loss		(4,522,314)	(4,522,314)
Total comprehensive income		(4,522,314)	(4,522,314)
Balance at 30 June 2019		10,726,662	10,726,662
Opening balance at 1 July 2019		10,726,662	10,726,662
Total comprehensive income			
Profit		2,395,187	2,395,187
Total comprehensive income		2,395,187	2,395,187
Balance at 30 June 2020		13,121,849	13,121,849

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

Consolidated statement of cash flows

For the year ended 30 June 2020

	Note	2020 \$	2019* \$
Cash flows from operating activities			
Cash received from customers		20,373,370	17,576,239
Cash paid to suppliers and employees		(10,896,721)	(11,156,060)
Finance income received		471,461	433,215
Net cash from operating activities	9	9,948,110	6,853,394
Cash flows from investing activities			
Proceeds from disposal of investments	11	15,834,664	858,857
Acquisition of investments	11	(19,202,965)	(312,300)
Proceeds from disposal of plant and equipment		5,979	74
Acquisition of plant and equipment		(109,776)	(150,364)
Net cash (used in)/from investing activities		(3,472,098)	396,267
Cash flows from financing activities			
Payment of lease liabilities		(114,579)	–
Net cash used in financing activities		(114,579)	–
Net increase in cash and cash equivalents		6,361,433	7,249,661
Cash and cash equivalents at 1 July		10,492,836	3,243,175
Cash and cash equivalents at 30 June	8	16,854,269	10,492,836

* The Group has initially applied AASB 16 at 1 July 2019. Under the transition method chosen, comparative information has not been restated. Refer to Note 2(f).

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

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. Reporting entity

These consolidated financial statements comprise .au Domain Administration Limited (the 'Group') and its subsidiaries (together referred to as the 'Group') are as at and for the year ended 30 June 2020.

.au Domain Administration Limited is a public company limited by guarantee, incorporated and domiciled in Australia and the address of the Group'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

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Compliance with the Australian Accounting Standards may not result in compliance with International Financial Reporting Standards (IFRS), as the AASBs include requirements and options available to not-for-profit organisations that are inconsistent with IFRS.

This is the first set of the annual financial statements in which AASB 16 Leases have been applied. Changes to significant accounting policies are described in Note 2(f).

They were authorised for issue by the Board of Directors on 23 September 2020. 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 assets which are stated at their fair value: investments in managed funds, investments in equity securities.

(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 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.

2. Basis of preparation (continued)

(e) GOING CONCERN

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 25th May 2020, Commonwealth Government has confirmed successful completion of the reforms outlined in the Department of Communications and the Arts' (DoCA) "Review of the .au Domain Administration".

The ability of the Group to continue as a going concern has not been significantly impacted by the outbreak of the COVID-19 pandemic. The Group provides .au domain name services to the public via its accredited Registry Operator which is a critical service to that market sector. The Group is not subject to concentration of credit risk as there are no borrowings at 30 June 2020 and the Group has sufficient cash to meet all committed liabilities and future expected liabilities.

(f) CHANGE IN ACCOUNTING POLICIES

The Group initially applied AASB 16 Leases from 1 July 2019. A number of other new standards are also applicable to the Group from 1 July 2019, but they do not have a material effect on the Group's financial statements.

The Group applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for the year ended 30 June 2019 is not restated, i.e. it is presented, as previously reported, under AASB 117 Leases and related interpretations. The details of the changes in accounting policies are disclosed below.

(i) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4 Determining whether an Arrangement contains a lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and AASB Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019

(ii) As a lessee

As a lessee, the Group leases a property which was previously classified as an operating lease under AASB 117 based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use asset and lease liability for this lease – i.e. this lease is on the consolidated statement of financial position.

Leases classified as operating leases under AASB 117

Previously, the Group classified the lease as operating lease under AASB 117. On transition, the lease liability was measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. The right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

2. Basis of preparation (continued)

(f) Change in accounting policies (continued)

(iii) Impact on financial statements

Impact on transition

On transition to AASB 16, the Group recognised right-of-use assets amounting to \$676,397 and lease liabilities amounting to \$676,397

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.77%.

Operating lease commitments at 30 June 2019 as disclosed under AASB 117 in the Group's financial statements	\$697,374
Remeasurement on transition to AASB 16	\$64,265
Discounted using the incremental borrowing rate as at 1 July 2019	(\$85,242)
Lease liabilities recognised at 1 July 2019 (see note 14)	\$676,397

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except if mentioned otherwise (see also Note 2(f)).

(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) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at amortised cost:

The Group recognises the following financial assets in this category: Trade and other receivables, cash and cash equivalents, term deposits.

These assets are initially recognised when they are originated and are measured at the transaction price. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at FVTPL:

The Group recognises the following financial assets in this category: Managed funds, equity securities, alternatives and other investments.

These assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument and are measured at fair value. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income are recognised in profit or loss.

(iii) Financial liabilities

Financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. The Group recognises the following liabilities in this category: Trade and other payables, other liabilities.

3. Significant accounting policies (continued)

(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 is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is 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.

(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:

	2020	2019
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

The Group applies the simplified approach to measuring expected credit losses which assumes a lifetime expected loss allowance for trade and other receivables based on all possible default events over the expected life of the receivable. The amount of the impairment loss is recognised as an expense in profit or loss. Subsequent recoveries of amounts previously written off are credited against expenses in the income statement.

(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.

3. Significant accounting policies (continued)

(e) EMPLOYEE BENEFITS

(i) 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 profitsharing 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.

(ii) 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.

(iii) 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.

(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

Registry licence fees are charged by the Group to Afilias Australia Pty Ltd (Afilias), the Registry Operator, for licencing of the .au registry. Fees are charged by reference to the volume of domain names registered in the .au domain space each period by Afilias. As such, it is a sales or usage based royalty. The identified performance obligations of the Group are both the licence of intellectual property to Afilias, and the technical management of the .au zone file in order for Afilias to benefit from its licence rights. The performance obligations are satisfied over time as Afilias receives and consumes the benefits provided by the Group's continuous maintenance of the .au zone file during the life of the licencing agreement. As such, the Group initially recognises a liability on the balance sheet (included in deferred income) for consideration received or receivable and revenue is recognised over time based on the terms of the individual domain name registrations. Domain registrations can vary between 1 and 5 years in length.

(ii) Registrar fees

Registrar fees are a fixed fee charged to each registrar for accreditation registration. Fees are paid in advance for a 12 month period. The amount received is deferred, and is recognised as revenue over the duration of the registration period.

(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 is comprises income from donations from customers of the .au domain space.

3. Significant accounting policies (continued)

(g) Revenue (continued)

(iii) Membership fees

Membership fees are recognised in profit or loss as membership services are provided. This fee was revoked from October 2018 due to change in the Group Constitution and membership structure.

(h) LEASES

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and AABF interpretation 4.

Policy applicable from 1 July 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

The policy is applied to contracts entered into, on or after 1 July 2019.

At the commencement or on modification of a contract, the Group has elected not to separate the non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the end of the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of assets accounting policy and adjustment for certain remeasurements of lease liability. The right-of-use asset is assessed for impairment indicators at each reporting date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date; and
- amounts expected to be payable under a residual value guarantee.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. Significant accounting policies (continued)

(h) Leases (continued)

Short term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception, or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Policy applicable before 1 July 2019

(i) 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 on reassessment of an arrangement that contains a lease, 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, then 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.

(ii) Leased assets

Assets held by the Group under leases, which transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

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.

(i) FINANCE INCOME AND FINANCE COSTS

Finance income comprises interest income on funds invested and the net gain on investments at FVTPL. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on finance leases, the financial effect of unwinding of the make good provision, and the net loss on investments at FVTPL. 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 ("ATO") has granted the group entities an exemption from income tax.

3. Significant accounting policies (continued)

(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 Group is incorporated in Australia and is an unlisted public company limited by guarantee. In the event of the Group being wound up or dissolved, the right to administer the .au country code top level domain and 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.

At the end of the financial year the Group had 8 members (2019: 7 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.

(n) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards for annual periods beginning after 1 July 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

There are no standards or amendments that have been issued but not yet effective that are expected to have a significant impact on the Group. The Group has not adopted, and currently does not anticipate adopting any standards prior to their effective dates.

4. Revenue

	2020 \$	2019 \$
Revenue from contracts with customers		
Registry licence fees	13,612,427	4,692,839
Registrar fees	122,328	120,129
	13,734,755	4,812,968
Other revenue		
Donations	–	10,895
Membership fees	–	(24,839)
	–	(13,944)
Total revenue	13,734,755	4,799,024

This is the second financial year since the registry transition project occurred. Revenue generated under the registry licence contract prior to the registry transition project (i.e. prior to 1 July 2018) was recognised at a point in time when cash was received. Under the registry licence contract subsequent to the registry transition project (i.e. from 1 July 2018), revenue is recognised over time based on the terms of the individual domain name registrations. This change has resulted in the Group's revenue recognised in financial year 2020 increasing compared with financial year 2019 as deferred income from the prior year has been brought to account in the current year. A normalisation of revenue recognised from year to year will occur over the next few years as the maximum length of a domain registration is 5 years.

5. Deferred income

	2020 \$	2019 \$
Current		
Registry licence fees	11,819,708	7,651,289
Registrar fees	37,828	105,132
	11,857,586	7,756,421
Non-current		
Registry licence fees	6,488,840	4,441,428
	6,488,840	4,441,428

6. Employee benefits expense

	2020 \$	2019 \$
Wages and salaries	4,018,799	3,117,484
Contributions to defined contribution plans	279,159	228,880
Other employment expenses	84,444	86,170
	4,382,402	3,432,534

7. Finance income and finance costs

	2020 \$	2019 \$
Change in fair value of financial assets classified at FVTPL	–	248,652
Net foreign exchange income	17,001	–
Interest income	190,687	108,730
Dividend income	261,092	325,785
Finance income	468,780	683,167
Change in fair value of financial assets classified at FVTPL	(947,306)	–
Interest on lease liability	(29,985)	–
Net foreign exchange losses	–	(5,661)
Finance costs	(977,291)	(5,661)
Net finance (costs)/income	(508,511)	677,506

8. Cash and cash equivalents

	2020 \$	2019 \$
Cash at bank	16,848,661	10,487,071
Cash on hand	5,608	5,765
	16,854,269	10,492,836

9. Reconciliation of loss after tax to cash flows from operating activities

	2020 \$	2019 \$
Profit/(Loss) for the year	2,395,187	(4,522,314)
Adjusted for non-cash items in net profit:		
• Depreciation and amortisation	234,905	195,210
• Depreciation - right-of-use asset	169,099	–
• Interest on lease liability	29,985	–
• Change in fair value of financial assets at FVTPL	947,306	(248,652)
Decrease/(increase) in trade and other receivables	(598,644)	(975,905)
Decrease/(increase) in other assets	(3,060)	10,372
Increase/(decrease) in trade and other payables	(87,323)	(117,479)
Increase/(decrease) in deferred income	6,148,577	12,118,879
Increase/(decrease) in employee benefits	(23,189)	71,361
Increase/(decrease) in other liabilities	735,267	321,922
Net cash from operating activities	9,948,110	6,853,394

10. Trade and other receivables

	2020 \$	2019 \$
Trade receivables	2,155,733	1,724,570
Other receivables	1,745	5,434
Prepayments	456,198	285,028
	2,613,676	2,015,032

The trade receivables balance is recorded net of a loss allowance of \$3,696 (2019: \$3,696). No amounts were written of during the year (2019: nil).

11. Investments

	2020 \$	2019 \$
Current		
Term deposits	–	2,210,000
	–	2,210,000
Non-current		
Equity securities	4,378,139	812,520
Managed funds	7,420,844	8,381,130
Alternatives and other investments	2,025,661	–
	13,824,644	9,193,650

The Group, following a competitive tender, changed its investments manager during the year. As a consequence investment funds were transferred from the old adviser to the new adviser.

The market value of investments declined by \$947,306 due to high volatility in the current COVID-19 environment. The market value of investments had increased by \$319,275 from July 2019 to the end of February 2020 and declined by \$1,266,581 since then to 30 June 2020. Subsequent to year end, there has been no indicators which will significantly impact the market valuation.

12. Plant and equipment

	Office equipment \$	Leasehold improvement \$	Computer equipment \$	Total \$
Cost				
Balance at 1 July 2018	174,423	602,799	357,939	1,135,161
Additions	2,680	52,709	94,975	150,364
Disposals	–	–	(74)	(74)
Balance at 30 June 2019	177,103	655,508	452,840	1,285,451
Balance at 1 July 2019	177,103	655,508	452,840	1,285,451
Additions	19,464	63,350	26,962	109,776
Disposals	–	–	(5,979)	(5,979)
Balance at 30 June 2020	196,567	718,858	473,823	1,389,248
Accumulated depreciation				
Balance at 1 July 2018	44,727	74,935	188,169	307,831
Depreciation	27,111	103,955	64,144	195,210
Disposals	–	–	–	–
Balance at 30 June 2019	71,838	178,890	252,313	503,041
Balance at 1 July 2019	71,838	178,890	252,313	503,041
Depreciation	30,609	128,914	75,382	234,905
Disposals	–	–	–	–
Balance at 30 June 2020	102,447	307,804	327,695	737,946
Carrying amounts				
At 30 June 2019	105,265	476,618	200,527	782,410
At 30 June 2020	94,120	411,054	146,128	651,302

13. Trade and other payables

	2020 \$	2019 \$
Trade payables	101,877	377,186
Other payables and accrued expenses	1,022,229	834,242
	1,124,106	1,211,428

14. Leases

The Group has a lease for commercial office space for a period of six years with an option to renew the lease for another six years after that date. Lease payments are subject to fixed percentage increase annually. The lease was entered in 2017 and expires in 2023.

i) Lease liabilities

	2020 \$
2020 - Operating leases under AASB 16	
Current	
Lease liabilities	188,657
Non-Current	
Lease liabilities	403,145
	591,802

ii) Right-of-use-assets

	Property \$	Total \$
Current		
Balance at 1 July 2019 (see Note 2(f)(iii))	676,397	676,397
Depreciation charge	(169,099)	(169,099)
Balance at 30 June 2020	507,298	507,298

iii) Amounts recognised in profit or loss

	2020 \$
2020 - Leases under AASB 16	
Interest on lease liability (see Note 7)	29,985
Depreciation-right-of-use assets (see note 14(i))	169,099
Total	199,084
2019 \$	
2019 - Operating leases under AASB 117	
Lease expense	96,427
	96,427

iv) Amounts recognised in statement of cash flows

	2020 \$
Total cash outflow for leases	114,579
Total	114,579

v) Extension options

The lease contains an extension option to further the lease term for an additional six years, exercisable by the Group up to six months before the end of the non-cancellable contract period. The Group has estimated that the potential future lease payments, should it exercise the further extension option, would result in an increase in lease liability of \$1,197,175.

15. 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:

Name of entity	Principal place of business	Ownership interest	
		2020	2019
auDA Foundation Pty Ltd	Australia	100%	100%
auDA Foundation (a public charitable trust)	Australia	100%	100%

16. Related parties

(a) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel of the Group comprise of the Directors and 4 current members of the executive management and 2 former members of the executive management (2019: Directors and the 4 members of the executive management). The key management personnel compensation is outlined below.

	2020 \$	2019 \$
Short-term employee benefits	1,626,488	1,485,652
Post-employment benefits	125,580	115,468
Other long-term benefits	12,059	–
Termination benefits	515,613	–
Key management personnel compensation	2,279,740	1,601,120

There are no other transactions with the Group's key management personnel.

(b) OTHER RELATED PARTY TRANSACTIONS

The nomination committee members were remunerated in accordance with Clause 10 of the Nomination Committee Charter totalling to \$210,240 (2019: \$52,560).

There are no other related party transactions with the Group.

17. Commitments

There are no significant capital commitments as at 30 June 2020 (2019: nil).

18. Auditor's Remuneration

	2020 \$	2019 \$
Auditors of the Group – KPMG		
Audit and review of financial statements – Group	62,000	71,700
Audit and review of financial statements – Subsidiary	6,800	8,800
	68,800	80,500
Other services – KPMG		
Financial statement compilation services	10,500	12,000
Policy review	44,500	–
	55,000	12,000

19. Financial Instruments – Accounting classifications and fair values

The following table shows the carrying amounts financial assets and financial liabilities. Their levels in the fair value hierarchy are summarised at note 19(a). It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value
		Amortised cost	FVTPL	Other financial liabilities	Total	
Note						
30 JUNE 2020						
Financial assets measured at fair value						
Equity securities	11	–	4,378,139	–	4,378,139	4,378,139
Managed funds	11	–	7,420,844	–	7,420,844	7,420,844
Alternatives and other investment	11	–	2,025,661	–	2,025,661	2,025,661
Total		–	13,824,644	–	13,824,644	13,824,644
Financial assets not measured at fair value						
Cash and cash equivalents	8	16,854,269	–	–	16,854,269	16,854,269
Trade and other receivables	10	2,157,478	–	–	2,157,478	2,157,478
Total		19,011,747	–	–	19,011,747	19,011,747
Financial liabilities						
Trade and other payables	13	–	–	1,124,106	1,124,106	1,124,106
Other liabilities		–	–	1,057,188	1,057,188	1,057,188
Lease liabilities	14(v)	–	–	591,802	591,802	591,802
Total		–	–	2,773,096	2,773,096	2,773,096

		Carrying amount				Fair value
		Amortised cost	FVTPL	Other financial liabilities	Total	
Note						
30 JUNE 2019						
Financial assets measured at fair value						
Equity securities	11	–	812,520	–	812,520	812,520
Managed funds	11	–	8,381,130	–	8,381,130	8,381,130
Alternatives and other investment	11	–	–	–	–	–
Total		–	9,193,650	–	9,193,650	9,193,650
Financial assets not measured at fair value						
Cash and cash equivalents	8	10,492,836	–	–	10,492,836	10,492,836
Trade and other receivables	10	1,730,004	–	–	1,730,004	1,730,004
Term deposits	11	2,210,000	–	–	2,210,000	2,210,000
Total		14,432,840	–	–	14,432,840	14,432,840
Financial liabilities						
Trade and other payables	13	–	–	(1,211,428)	(1,211,428)	(1,211,428)
Other liabilities		–	–	(321,922)	(321,922)	(321,922)
Total		–	–	(1,533,350)	(1,533,350)	(1,533,350)

19. Financial Instruments – Accounting classifications and fair values (continued)

(a) MEASUREMENT OF FAIR VALUES

The accounting standards set out the following hierarchy for fair value measurement:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices, which can be observed either directly (as prices) or indirectly (derived from prices).
- Level 3: inputs for the asset or liabilities that are not based on observable market data.

All financial instruments measured at fair value held by the Group are classified as Level 1. Their fair values are initially measured at the costs of acquisition and then remeasured based on quoted market prices at the end of the reporting period.

20. Financial risk management

The Group's activities expose it to a variety of financial risks:

- credit risk
- liquidity risk
- market risk

i) Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Finance and Audit Committee oversees how management monitors compliance with the Group's financial risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the financial risks faced by the Group.

ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities. The carrying amounts of financial assets and contract assets represent the maximum credit exposure. Impairment losses on financial assets and contract assets recognised in profit or loss were as follows.

	2020 \$	2019 \$
Loss allowance	3,696	3,696
Total	3,696	3,696

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which customers operate.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months for individual and corporate customers respectively.

At 30 June 2020, the maximum exposure to credit risk for trade and other receivables by type of counterparty was as follows.

	Note	2020 \$	2019 \$
Trade and other receivables	10	2,157,478	1,730,004
Total		2,157,478	1,730,004

No receivables were either past due or impaired at year end (2019: nil) and there was \$3,696 impairment recorded. (2019: \$3,696)

20. Financial risk management (continued)

iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The trade and other payables and other liabilities are gross and undiscounted and lease liabilities is discounted.

	Carrying Amount	Total	Less than 12 months	More than 12 months
30 JUNE 2020				
Non-derivative financial liabilities				
Trade and other payables	1,124,106	1,124,106	1,124,106	–
Other liabilities	1,057,188	1,057,188	–	1,057,188
Lease liabilities	591,802	591,802	188,657	403,145
Total	2,773,096	2,773,096	1,312,763	1,460,333
30 JUNE 2019				
Non-derivative financial liabilities				
Trade and other payables	1,211,428	1,211,428	1,211,428	–
Other liabilities	321,922	321,922	–	321,922
Total	1,533,350	1,533,350	1,211,428	321,922

iv) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

- Foreign exchange risk: There is no direct foreign exchange risk and the Group has not hedged its exposure arising from foreign exchange.
- Interest rate risk.
- Equity price risk.

Interest rate risk

The table below shows assets and liabilities impacted by market interest rates.

	Note	2020 \$	2019 \$
Floating rate instruments			
Cash and cash equivalents	8	16,854,269	10,492,836
Total		16,854,269	10,492,836

Cashflow sensitivity analysis for variable-rate instruments

A reasonable possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit and loss pre-tax by the amounts shown below. This analysis assumes that all other variables remain constant.

Effect in dollars	Profit or Loss		Equity, net of tax	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 JUNE 2020				
Variable rate instrument	168,543	(168,543)	–	–
Cash flow sensitivity (net)	168,543	(168,543)	–	–
30 JUNE 2019				
Variable rate instrument	104,928	(104,928)	–	–
Cash flow sensitivity (net)	104,928	(104,928)	–	–

20. Financial risk management (continued)

(iv) Market risk (continued)

Other market price risk

The Group is exposed to equity price risk, which arises from investments in equity securities and managed funds. The management of the Group monitors the proportion of its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Finance and Risk Committee.

21. Subsequent events

The ongoing COVID-19 pandemic may impact business performance and the value of investments held by the Group. The Group continues to assess its operating model to ensure viability.

Other than the matter noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

22. Parent entity disclosures

As at and throughout the financial year ended 30 June 2020 the parent entity of the Group was .au Domain Administration Limited.

(a) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2020 \$	2019 \$
Revenue	13,734,755	4,788,129
Other income	2,916	727
Employee benefits expense	(4,382,402)	(3,432,534)
Consultancy expense	(1,826,852)	(2,142,885)
Domain Name System infrastructure expense	(860,316)	(653,734)
Marketing and communication expense	(1,884,455)	(1,793,059)
Travel expense	(311,334)	(442,261)
Directors remuneration expense	(404,493)	(276,426)
Professional subscriptions expense	(136,750)	(236,902)
Occupancy expense	-	(102,445)
Depreciation and amortisation expense	(234,905)	(195,210)
Depreciation – right-of-use asset	(169,099)	-
Other expenses	(610,241)	(692,620)
Result from operating activities	2,916,824	(5,179,220)
Finance income	406,473	580,921
Finance costs	(884,269)	(5,661)
Net finance income	(477,796)	575,260
Profit/(Loss) before tax	2,439,028	(4,603,960)
Income tax expense	-	-
Profit/(Loss) for the year	2,439,028	(4,603,960)
Other comprehensive income	-	-
Total comprehensive income	2,439,028	(4,603,960)

22. Parent entity disclosures (continued)

(b) STATEMENT OF FINANCIAL POSITION

Assets	2020 \$	2019 \$
Current assets		
Cash and cash equivalents	15,843,535	9,478,677
Trade and other receivables	2,613,676	2,012,278
Investments	–	1,740,000
Total current assets	18,457,211	13,230,955
Non-current assets		
Other assets	137,668	134,608
Investments	11,914,194	7,711,138
Plant and equipment	651,302	782,410
Right-of-use asset	507,298	–
Total non-current assets	13,210,462	8,628,156
Total assets	31,667,673	21,859,111
Liabilities		
Current liabilities		
Trade and other payables	1,124,106	1,207,028
Employee benefits	294,486	317,675
Deferred income	11,857,586	7,756,421
Lease liabilities	188,657	–
Total current liabilities	13,464,835	9,281,124
Non-current liabilities		
Deferred income	6,488,840	4,441,428
Other liabilities	1,057,188	321,922
Provision for make good	53,000	53,000
Lease liabilities	403,145	–
Total non-current liabilities	8,002,173	4,816,350
Total liabilities	21,467,008	14,097,474
Net assets	10,200,665	7,761,637
Equity		
Retained earnings	10,200,665	7,761,637
Total equity	10,200,665	7,761,637

(c) CONTINGENT LIABILITIES OF THE PARENT ENTITY

The parent entity did not have any contingent liabilities as at 30 June 2020 (2019: Nil).

(d) CONTRACTUAL COMMITMENTS OF THE PARENT ENTITY

The parent entity did not have any contractual commitments as at 30 June 2020 (2019: Nil).

Directors' declaration

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

- (a) the financial statements and notes, set out on pages 48 to 69, 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 2020 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 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:



Alan Cameron AO

Independent Chair

Dated at Sydney this 24th day of September 2020



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 2020 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

24 September 2020



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 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2020
- 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 .au Domain Administration Limited (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 (including Independence Standards) (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.



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* 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
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 the 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.

KPMG

Adrian Nathanielsz

Partner

Melbourne





24 September 2020

Appendix














Compliance reporting








auDA is required to report publicly against the following documents to support accountability and transparency and provide assurance that the .au namespace is being managed consistent with Government and community expectations.

-  KPI Framework (to support reporting against the Terms of Endorsement)
-  auDA Strategic Plan 2019–2023
-  Transparency and Accountability Framework
-  Stakeholder Engagement Strategy

The following table sets out the individual public reporting measures, the relevant source document/s and where in the Annual Report we have reported on each measure.










REPORTING REQUIREMENT	SOURCE DOCUMENT/S	ANNUAL REPORT PAGE/S
Governance and accountability		
Board performance against its Charter	  	41
Annual statement of compliance by Chair		Appendix
Review of Board Charter		41
Board skills matrix reviewed		9
Date new Board appointed		39
Date Board minutes published	 ¹	41
Key decisions of the Board published	 	41
NFP status confirmed		41
Date Nomination Committee formed		39
Number of Nomination Committee meetings		39










¹ The KPI Framework refers to the publication of Board papers in accordance with the Transparency and Accountability Framework. This is a transcription error, as there is no requirement to publish Board papers. The Transparency and Accountability Framework refers to publication of Board minutes and agendas on the auDA website, as well as annual reporting of key decisions of the Board.

REPORTING REQUIREMENT (continued)	SOURCE DOCUMENT/S	ANNUAL REPORT PAGE/S
Recruit and develop appropriate Board Directors	 	39
Election by associate members of 4 directors		39
Governance and strategic documents made available		31
Corporate documents published after consultation		31
Reporting of Advisory Committee membership and associated outcomes on website and in annual report		22
Advisory Committee terms of reference, meetings and availability of papers		22
Satisfactory quarterly reports to Government	 	38
Board meetings attended by Government observer	 	38
Formal and informal meetings with DOCA and the Minister as required		38
Compliance with DOCA review checkpoints		9
Strategy developed to ensure orderly transition		28
Annual financial reporting of revenue and expenditure	 ² 	42
Stakeholders		
Stakeholder engagement activities – develop broad range of events	 	22-23
Integrate stakeholders into decision making and governance processes – collaborate and co design		22, 29
Develop policy development capability		29
Training materials to assist registrars		30
Regular communications from CEO to stakeholders		20
Consult widely with stakeholders		22, 29
Public feedback and comment function on the website	 	29
Support stakeholder engagement through GASC and TASC		22
Promote and facilitate engagement with business stakeholders		19-22, 29
Report on domestic fora attended		19, 23, 27

² The KPI Framework refers to publication of an operating plan and budget. The reference to publication of a budget is a transcription error – it should refer to the publication of financial details of revenue and expenditure as per the Transparency and Accountability Framework.

REPORTING REQUIREMENT (continued)	SOURCE DOCUMENT/S	ANNUAL REPORT PAGE/S
Engage with relevant Government stakeholders		27, 38
Annual stakeholder survey		20
Build trust and confidence in .au	 	12
International		
Effectiveness of international activity	 	32-34
Number of international fora attended		32-34
Publication of calendar of international travel commitments	 	32
Contribute to best practice framework to assist ccTLDs in developing nations		32
Number of ICANN processes with auDA involvement		32-34
Payment of ICANN fees		32
Membership		
Implement member recruitment process		19
Feedback mechanism for members		20
Encourage member participation at AGM		19
Effectiveness of measures to diversify associate membership		20
Number of events for members		19
Number of new members		19
Complaints and compliance		
Dealing with complaints and disputes		35
Standardised approach to complaint handling		35-36
Provision of general complaints information on website		35
Fair, independent and timely complaint handling process		35-36
Improved complaint resolution and publication of complaint-related data	 	35-36
Periodic independent review of complaint handling		14

REPORTING REQUIREMENT (continued)	SOURCE DOCUMENT/S	ANNUAL REPORT PAGE/S
Survey of complainants and responders		37
Proactive contractual compliance and improvement		30, 36
Develop software tools to assist with registry activities and audits of registrant eligibility		35
Build data analytics capability		35
General performance and review		
Performance against Transparency and Accountability Framework	 	Whole of report
Performance against Strategic Plan		Whole of report
Performance against Stakeholder Engagement Strategy	 	Whole of report
Transparency and Accountability Framework published and reviewed	 	31
Review, update and publish Strategic Plan annually	 	13
Periodic review of Stakeholder Engagement Strategy		21
Annual reporting framework		Appendix
Periodic review of process for making policy changes		29
Performance against agreed operational and service indicators		Whole of report
Identify opportunities for growth and barriers to entry	 	12, 23
Technical and security		
Ensure clear rules for 2LDs		30
Periodic technical review of relationship with Registry operator		28
Review registrar and reseller security standards		30
Achieve ISO 27001 certification	 	26
Achieve ISO 22301 certification	 	28
Build to ISO 20000 capability		27
Focus on building IT security capabilities in key staff		25-27
Publication and implementation of Enterprise Security Strategy	 	25

REPORTING REQUIREMENT (continued)	SOURCE DOCUMENT/S	ANNUAL REPORT PAGE/S
Partnerships with relevant cyber security agencies		27
Meet international standards and Australian best practice security standards		26
Undertake penetration and red team testing		26
Proactively measure registry performance standards		28
Ensure appropriate staff security screening		25
Deliver 2019-2020 Operating Plan		Whole of report
Independent review of security effectiveness		26
Number of security fora attended		27, 32-34
Engage with key international security fora		32-34



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