

**.ZA DOMAIN NAME AUTHORITY (ASSOCIATION INCORPORATED UNDER SECTION
21)**

(Registration number 2003/021150/08)

Financial statements

for the year ended 31 March 2009

DRAFT

JTC Chartered Accountants (S.A.) Incorporated
Chartered Accountants (S.A.)
Registered Auditor
Issued 05 August 2009

.ZA Domain Name Authority (Association Incorporated Under Section 21)

(Registration number 2003/021150/08)

Financial Statements for the year ended 31 March 2009

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The protection and furtherence of the ZA domain name
Directors	MA Silber P Bhagattjee HC Gajjar AM Brooks DH Martin WP Rowland ML Masilela N Dhevcharran N Mabaso
Registered office	The Business Centre Second Floor 377 Rivonia Boulevard Rivonia 2128
Business address	The Business Centre Second Floor 377 Rivonia Boulevard Rivonia 2128
Postal address	Postnet Suite 1 Private Bag X75 Bryanston 2021
Bankers	ABSA
Auditors	JTC Chartered Accountants (S.A.) Incorporated Chartered Accountants (S.A.) Registered Auditor
Company registration number	2003/021150/08

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The reports and statements set out below comprise the financial statements presented to the members:

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Report of the Independent Auditors

To the Members of .ZA Domain Name Authority (Association Incorporated Under Section 21)

We have audited the accompanying financial statements of .ZA Domain Name Authority (Association Incorporated Under Section 21), which comprise the directors' report, the balance sheet as at 31 March 2009, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 14.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa, 1973. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of 31 March 2009, and of its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa, 1973.

Supplementary Information

We draw your attention to the fact that the supplementary information set out on page 15 does not form part of the financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

JTC Chartered Accountants (S.A.) Incorporated
Registered Auditor
Per: CF Terhoeven

05 August 2009
Suite 31, Rynlal Building
320 The Hillside
Lynnwood
0081

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Financial Statements for the year ended 31 March 2009

Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa, 1973, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2010 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on page 3.

The financial statements set out on pages 5 to 15, which have been prepared on the going concern basis, were approved by the board on 05 August 2009 and were signed on its behalf by:

HC Gajjar

MA Silber

.ZA Domain Name Authority (Association Incorporated Under Section 21)

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Financial Statements for the year ended 31 March 2009

Directors' Report

The directors submit their report for the year ended 31 March 2009.

1. Review of activities

Main business and operations

The company is engaged in the protection and furtherance of the za domain name and operates principally in South Africa.

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Post balance sheet events

The directors are not aware of any matter or circumstance arising since the end of the financial year.

4. Authorised and issued share capital

The company is incorporated without any share capital.

5. Directors

The directors of the company during the year and to the date of this report are as follows:

Name

MA Silber

P Bhagattjee

HC Gajjar

AM Brooks

DH Martin

WP Rowland

ML Masilela

N Dhevcharran

N Mabaso

6. Secretary

The company had no secretary during the year.

7. Auditors

JTC Chartered Accountants (S.A.) Incorporated will continue in office in accordance with section 270(2) of the Companies Act.

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Financial Statements for the year ended 31 March 2009

Balance Sheet

Figures in Rand	Note(s)	2009	2008
Assets			
Non-Current Assets			
Property, plant and equipment	2	17,046	26,735
Current Assets			
Trade and other receivables	3	24,540	18,116
Cash and cash equivalents	4	3,722,156	3,147,643
		3,746,696	3,165,759
Total Assets		3,763,742	3,192,494
Equity and Liabilities			
Equity			
Retained income		3,505,428	3,074,594
Liabilities			
Current Liabilities			
Trade and other payables	5	258,314	117,900
Total Equity and Liabilities		3,763,742	3,192,494

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Financial Statements for the year ended 31 March 2009

Income Statement

Figures in Rand	Note(s)	2009	2008
Revenue	6	1,500,000	1,500,000
Other income		144,000	6,235
Operating expenses		(1,588,524)	(1,438,048)
Operating profit	7	55,476	68,187
Investment revenue	8	375,408	281,783
Finance costs	9	(50)	(497)
Profit for the year		430,834	349,473

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Financial Statements for the year ended 31 March 2009

Statement of Changes in Equity

Figures in Rand	Share capital	Retained income	Total equity
Balance at 01 April 2007	-	2,725,121	2,725,121
Changes in equity			
Profit for the year	-	349,473	349,473
Total changes	-	349,473	349,473
Balance at 01 April 2008	-	3,074,594	3,074,594
Changes in equity			
Profit for the year	-	430,834	430,834
Total changes	-	430,834	430,834
Balance at 31 March 2009	-	3,505,428	3,505,428

Note(s)

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Financial Statements for the year ended 31 March 2009

Cash Flow Statement

Figures in Rand	Note(s)	2009	2008
Cash flows from operating activities			
Cash receipts from government grants		1,500,000	1,500,000
Cash paid to suppliers and employees		(1,294,781)	(1,473,953)
Cash generated from operations	12	205,219	26,047
Interest income		375,408	281,783
Finance costs		(50)	(497)
Net cash from operating activities		580,577	307,333
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(6,064)	(23,117)
Total cash movement for the year		574,513	284,216
Cash at the beginning of the year		3,147,643	2,863,427
Total cash at end of the year	4	3,722,156	3,147,643

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Financial Statements for the year ended 31 March 2009

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and the Companies Act of South Africa, 1973. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Item	Average useful life
IT equipment	3 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.2 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at .

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

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Financial Statements for the year ended 31 March 2009

Accounting Policies

1.2 Financial instruments (continued)

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.3 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.4 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

1.5 Government grants

Government grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

Grants related to income are presented as a credit in the income statement.

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Notes to the Financial Statements

Figures in Rand

2009

2008

2. Property, plant and equipment

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
IT equipment	50,291	(33,245)	17,046	44,227	(17,492)	26,735

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Depreciation	Total
IT equipment	26,735	6,064	(15,753)	17,046

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Depreciation	Total
IT equipment	14,660	23,117	(11,042)	26,735

3. Trade and other receivables

Prepaid expenses	12,580	11,856
Deposits	11,960	6,260
	24,540	18,116

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	261,995	347,592
Short-term deposits	3,251,374	2,800,000
Other cash and cash equivalents	208,787	51
	3,722,156	3,147,643

5. Trade and other payables

Credit card	70,134	50,528
Sundry Suppliers	188,180	67,372
	258,314	117,900

6. Revenue

Government grant	1,500,000	1,500,000
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Notes to the Financial Statements

Figures in Rand	2009	2008
7. Operating profit		
Operating profit for the year is stated after accounting for the following:		
Loss on exchange differences	-	(235)
Depreciation on property, plant and equipment	15,753	11,042
Employee costs	650,610	544,522
8. Investment revenue		
Interest revenue		
Interest received	375,408	281,783
9. Finance costs		
Bank	50	497
10. Taxation		
No provision has been made for taxation as the entity has been granted tax exemption by the SARS in terms of section 10(1)(cN) of the Income Tax Act.		
11. Auditors' remuneration		
Fees	29,811	28,192
12. Cash generated from operations		
Profit before taxation	430,834	349,473
Adjustments for:		
Depreciation and amortisation	15,753	11,042
Interest received	(375,408)	(281,783)
Finance costs	50	497
Changes in working capital:		
Trade and other receivables	(6,424)	(18,116)
Trade and other payables	140,414	(35,066)
	205,219	26,047

13. Commitments

Operating leases

Operating lease payments represent rentals payable by the company for its office properties. Leases are negotiated for an initial term of 6 months and can thereafter be cancelled on a two month notice period. No contingent rent is payable.

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Notes to the Financial Statements

Figures in Rand	2009	2008
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14. Directors' emoluments

Non-executive

2009	Emoluments	Total
For services as directors	77,786	77,786

2008	Emoluments	Total
For services as directors	51,480	51,480

15. Comparative figures

Meeting reimbursements's comparative figures have been reclassified as Director's Emoluments.

16. Risk management

Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk by not entering into future commitments before funding for such expenses has not been obtained from the government.

Cash flow forecasts are prepared and monitored.

Credit risk

Credit risk consists mainly of cash deposits and cash equivalents, The company only deposits cash with major banks with high quality credit standing.

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Detailed Income statement

Figures in Rand	Note(s)	2009	2008
Revenue			
Government grant		1,500,000	1,500,000
Other income			
ADR Grant		142,000	-
ADR Fees		2,000	6,000
Interest received	8	375,408	281,783
Profit on exchange differences		-	235
		519,408	288,018
Operating expenses			
Accounting fees		117,708	121,049
ADR expenses		-	89,027
Advertising		23,846	1,995
Auditors remuneration	11	29,811	28,192
Bank charges		3,903	3,259
Computer expenses		20,841	2,408
Conference expenses		5,180	13,137
Consulting fees		23,940	99,449
Courier & Postage		118	457
Depreciation, amortisation and impairments		15,753	11,042
Employee costs		650,610	544,522
Entertainment		3,921	4,196
Fines and penalties		4,076	-
General expenses		757	-
ICANN Contribution		12,027	59,181
Insurance		1,504	-
Legal expenses		86,424	6,156
Printing and stationery		767	8,826
Professional development		-	18,925
Professional fees		34,539	30,830
Rent paid		142,340	70,346
Repairs and maintenance		-	285
Telephone and fax		34,826	30,966
Travel - local		375,633	293,800
		1,588,524	1,438,048
Operating profit	7	430,884	349,970
Finance costs	9	(50)	(497)
Profit for the year		430,834	349,473

15 - 05 August 2009 - 10:02 AM

The supplementary information presented does not form part of the financial statements and is unaudited