The ZA Domain Name Authority (NPC)

(Registration number 2003/021150/08)
Financial statements
for the year ended 31 March 2018

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The regulation and management of the ZA domain name space
Directors	Adv MJ Ralefatane (Chairperson) Mr N Msibi (Treasurer) Mr AM Brooks Ms N Dhevcharran Mr MR Khumalo Dr YKN Mohutsioa-Mathabathe Ms MO Morata Dr NYH Mzizana Dr Jonty Tshipa, PhD
Registered office	44 Grand Central Road Sanofi House First Floor Midrand 1685
Postal address	PO Box 4620 Halfway House 1685
Bankers	ABSA Grindrod Bank Limited
Auditor	Rakoma and Associates Inc Chartered Accountant (SA) Registered Auditor Fourways
Company registration number	2003/021150/08
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The financial statements were internally compiled by: De Jager Registered Public Accountants and Auditors Chartered Accountant (SA)

Contents

The reports and statements set out below comprise the financial statements presented to the board of directors:

Published

26 July 2018

Directors' Responsibilities and Approval

The directors are required by the Companies Act 71 of 2008, 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 the International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with the International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements 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 of directors 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 2019 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 auditor is responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditor and their report is presented on page 5.

The financial statements set out on pages 7 to 24, which have been prepared on the going concern basis, were approved by the board of directors on 26 July 2018 and were signed on its behalf by:

Approval of financial statements

Adv MJ Ralefatane (Chairperson)	**Mr N Msibi (Treasurer)**

Directors' Report

The directors have pleasure in submitting their report on the financial statements of The ZA Domain Name Authority (NPC) for the year ended 31 March 2018.

1. Nature of business

The ZA Domain Name Authority (NPC) was incorporated in South Africa and is engaged in the regulation and furtherance of the ZA domain name space. The company operates in South Africa.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

3. Share capital

The company is incorporated without any share capital.

4. Directors

The directors in office at the date of this report are as follows:

Directors
Adv MJ Ralefatane (Chairperson)
Mr N Msibi (Treasurer)
Mr AM Brooks
Ms N Dhevcharran
Mr MR Khumalo
Dr YKN Mohutsioa-Mathabathe
Ms MO Morata
Dr NYH Mzizana
Dr Jonty Tshipa, PhD

There have been no changes to the directorate for the period under review.

5. Ongoing events

The ZA Domain Authority increased their fees from R7 per domain to R12 effective from 01 June 2016. However ZACR continued paying R7 per domain and consequently a dispute arose. The difference is currently in arbitration of which the outcome is completely unknown.

Refer to note 7 for further detail.

6. Auditors

Rakoma and Associates Inc were appointed as auditors for the company for 2018.

7. Secretary

The company is a Not-for-Profit Company and is not required to appoint a secretary.

RAKOMA
& ASSOCIATES INC.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ZA DOMAIN NAME AUTHORITY (NPC)

Opinion

We have audited the financial statements of The ZA Domain Name Authority (NPC) set out on pages 7 to 22, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The ZA Domain Name Authority (NPC) as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard and the requirements of the Companies Act 71 of 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act 71 of 2008.Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standard and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rakoma & Associates Inc.

Rakoma & Associates Inc.
Director: Collins Malunga
Registered Auditor
Ground Floor Building B Monte Circle Office Park
178 Monte Casino Boulevard
Fourways
2191

Statement of Financial Position as at 31 March 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Non-Current Assets			
Property, plant and equipment	2	650 890	802 949
Current Assets			
Trade and other receivables	3	2 141 151	1 827 697
Cash and cash equivalents	4	1 627 866	5 148 693
		3 769 017	**6 976 390**
Total Assets		**4 419 907**	**7 779 339**
Equity and Liabilities			
Equity			
Retained surplus / (deficit)		3 092 199	6 550 290
Liabilities			
Current Liabilities			
Trade and other payables	5	1 327 708	1 229 049
Total Equity and Liabilities		**4 419 907**	**7 779 339**

Statement of Comprehensive Income

Figures in Rand	Note(s)	2018	2017
Revenue	7	8 161 689	7 736 561
Other income	6	12 000	19 435
Operating expenses		(6 786 152)	(8 669 512)
Salaries & wages	8	(5 071 376)	(3 816 871)
Operating deficit		**(3 683 839)**	**(4 730 387)**
Investment revenue	9	225 748	722 461
Deficit for the year		**(3 458 091)**	**(4 007 926)**
Other comprehensive income		-	-
Total comprehensive deficit for the year		**(3 458 091)**	**(4 007 926)**

Statement of Changes in Equity

Figures in Rand	Retained surplus / (deficit)	Total equity
Balance at 01 April 2016	**10 558 216**	**10 558 216**
Deficit for the year	(4 007 926)	(4 007 926)
Other comprehensive income	-	-
Total comprehensive deficit for the year	**(4 007 926)**	**(4 007 926)**
Balance at 01 April 2017	**6 550 290**	**6 550 290**
Deficit for the year	(3 458 091)	(3 458 091)
Other comprehensive income	-	-
Total comprehensive deficit for the year	**(3 458 091)**	**(3 458 091)**
Balance at 31 March 2018	**3 092 199**	**3 092 199**

Statement of Cash Flows

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Cash used in operations	12	(3 656 519)	(5 470 984)
Interest income		225 748	722 461
Net cash from operating activities		**(3 430 771)**	**(4 748 523)**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(90 057)	(758 212)
Total cash movement for the year		**(3 520 828)**	**(5 506 735)**
Cash at the beginning of the year		5 148 693	10 454 327
Total cash at end of the year	4	**1 627 865**	**4 947 592**

Accounting Policies

1. Basis of preparation and summary of significant accounting policies

The financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standards, and the Companies Act 71 of 2008. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

- The financial statements were authorised for issue on 01 June 2018.
- Authorisation for issue of financial statements was given by the board of directors.
- The entity's directors do not have the power to amend the financial statements after issue.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

Critical judgements in applying accounting policies

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables, Held to maturity investments and Loans and receivables

The company assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

Impairment testing

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Accounting Policies

1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one period.

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 initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3 years
IT equipment	Straight line	3 years
Computer software	Straight line	3 years
Cellphone equipment	Straight line	2 years

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.3 Financial instruments

Classification

The company classifies financial assets and financial liabilities as financial assets at fair value through profit or loss - designated

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

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

Accounting Policies

1.3 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period. Net gains or losses on the financial instruments at fair value through profit or loss dividends and interest. Dividend income is recognised in profit or loss as part of other income when the company's right to receive payment is established.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

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.

Accounting Policies

1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

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 asset is not discounted.

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

1.5 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.6 Provisions and contingencies

Provisions are recognised when the company has a present obligation at the reporting date as a result of a past event; it is probable that the company will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation.

1.7 Revenue - Registry fees

- ZA Central Registry (ZACR) must charge and collect, from Registrars, the relevant fees as stipulated in Schedule 3 of the ZA Central Registry Operating Agreement (Registrar Fees) as amended from time to time.
- ZACR must pay over to ZADNA the relevant fees as stipulated in Schedule 4 (ZACR Registry Fees) as amended from time to time.

Registrar Payment Terms: CO.ZA

- Creates or Renewals committed through the Legacy System Interface into the Central Registry System will only be payable on receipt of payment.
- Creates or Renewals committed by an EPP Registrar will be due and payable on commitment to the Central Registry System.

Transaction Fee Payment Terms:

- The Legacy Transaction Fee (Legacy creates and renewals) will only be based on receipt of payment and not on the transaction itself.
- Creates, Renewals and/or Grace Period Refunds commited by an EPP Registrar into the Central Registry system, will be due upon commitment of the transaction.

Accounting Policies

1.8 Risk management

Capital Risk

Capital risk is the risk that the company will not be able to continue as a going concern for the foreseeable future. Capital risk is managed by robust budgeting and forecasting to ensure that current retained earnings as well as funding to be received is sufficient to fund current planned activities in the foreseeable future. There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

The company's risk to liquidity relates to the availability of funds to cover future commitments. The company manages liquidity risk by not entering into future commitments before funding for such expenditure has been obtained.

Cash flow forecasts are prepared and monitored to ensure adequate management of cash resources and short term investment maturities in order to ensure that cash resources are available when obligations become due.

Interest rate risk

The company is exposed to interest rate risk through its cash balances, loan funding and short term investments in fixed deposits. Changes in market interest rates affect the fair value of cash and investment assets. Interest rate risk is managed by matching the maturities of short term fixed deposits and the repayment of loan funding with management's expectations of future changes in interest rates, taking into account the company's liquidity needs.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company's maximum exposure to credit risk is the carrying amount of cash and cash equivalents and trade and other receivables.

2. Property, plant and equipment

	2018			2017		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	283 136	(62 613)	220 523	231 674	(20 876)	210 798
Motor vehicles	422 425	(86 075)	336 350	422 425	(1 590)	420 835
Office equipment	35 886	(21 361)	14 525	35 886	(9 398)	26 488
IT equipment	399 747	(322 122)	77 625	361 153	(223 591)	137 562
Computer software	14 270	(12 403)	1 867	14 270	(7 646)	6 624
Cellphone equipment	5 702	(5 702)	-	5 702	(5 060)	642
Total	**1 161 166**	**(510 276)**	**650 890**	**1 071 110**	**(268 161)**	**802 949**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Closing balance
Furniture and fixtures	210 798	51 463	(41 738)	220 523
Motor vehicles	420 835	-	(84 485)	336 350
Office equipment	26 488	-	(11 963)	14 525
IT equipment	137 562	38 594	(98 531)	77 625
Computer software	6 624	-	(4 757)	1 867
Cellphone equipment	642	-	(642)	-
	802 949	**90 057**	**(242 116)**	**650 890**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Closing balance
Furniture and fixtures	-	231 674	(20 876)	210 798
Motor vehicles	-	422 425	(1 590)	420 835
Office equipment	10 505	23 396	(7 413)	26 488
IT equipment	132 339	80 717	(75 494)	137 562
Computer software	11 380	-	(4 756)	6 624
Cellphone equipment	3 493	-	(2 851)	642
	157 717	**758 212**	**(112 980)**	**802 949**

3. Trade and other receivables

	2018	2017
Trade receivables	826 311	791 979
Deposits	245 818	192 694
VAT	1 056 022	830 024
Sundry debtors	13 000	13 000
	2 141 151	**1 827 697**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The majority of trade receivables pertain to one specific counterparty of which the credit risk is assessed by the directors on a continuous basis.

None of the financial assets that are fully performing have been renegotiated in the last year.

Notes to the Financial Statements

Figures in Rand	2018	2017

3. Trade and other receivables (continued)

Fair value of trade and other receivables

The fair value of trade receivables approximate their carrying value due to the short term maturity of these receivables.

Reconciliation of provision for impairment of trade and other receivables

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The company does not hold any collateral as security.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018	2017
Bank balances	1 422 840	838 338
Short-term deposits	-	4 126 343
Other cash and cash equivalents	205 026	184 012
	1 627 866	**5 148 693**

The fair value of cash and cash equivalents approximate their carrying value due to the short term maturity of these assets.

5. Trade and other payables

	2018	2017
Trade creditors	1 094 060	727 310
ABSA Credit Card	53 093	201 101
Accrual for leave pay	180 555	300 638
	1 327 708	**1 229 049**

6. Other income

	2018	2017
Insurance Outbonus	-	4 435
ADR Fees Received	12 000	15 000
	12 000	**19 435**

Notes to the Financial Statements

Figures in Rand	2018	2017

7. Revenue

ZA Central Registry Fees	8 161 689	7 736 561

The ZADNA vs. ZACR arbitration emanates from the .ZA Second Level Domain (SLD) Operating Agreement concluded between ZADNA and ZACR in 2012. The Agreement entitles ZADNA to receive revenue ZACR on a per domain name basis from the co.za, org.za, net.za and web.za domain name registrations. The Agreement allows ZADNA to determine the annual per domain name fees that ZACR charges its accredited registrars ("registrar fee" or "wholesale fee") and that ZACR pays ZADNA ("registry fee") from the annual per domain name fees.

After a consultation with ZACR (in terms of the Agreement) that lasted between October 2015 and February 2016, ZADNA determined to increase the registry fee from R7.00 (VAT excl) to R12.00 (VAT excl). ZACR contested that it could not afford the increase, and declared a dispute in July 2016 in terms of the Agreement. Mediation was held in September 2016 and proved unfruitful. As a result, the arbitration process commenced

The initial dates that were set for the arbitration were 10 July 2017 -14 July 2017. ZACR, however, made an application to postpone the Arbitration. The notice of intention to apply for the postponement of the arbitration proceedings was sent to ZADNA's Attorneys on 27 June 2017. ZADNA filed its notice of intention to oppose the postponement of the arbitration proceedings and the matter was accordingly set to be heard on 4 July 2017 before the Arbitrator. On 4 July 2017, the postponement application was heard before the Arbitrator and a ruling was made on 6 July 2017. On 6 July 2017, the Arbitrator granted the postponement to ZACR, but however issued a cost ruling against ZACR. ZACR was accordingly required to reimburse ZADNA for the costs incurred in respect of the Postponement Application.

A new date was set for 9-13 October 2017 for the Arbitration proceedings to commence. The Proceedings thus commenced on 9 October 2017.

The Arbitration Proceedings commenced on 9 October 2017. The following sittings were held in the 2017/18 financial year:

9-13 October 2017- Claimant's witnesses

8-9 November 2017- Claimant's Expert Witness

15 November 2017- Claimant's Witness (ZACR's CEO)

18 November 2017- Cross examination of ZACR's CEO

17 February 2018- Cross and re-examination of ZACR's CEO

6-7 March 2018- ZADNA's CEO (Defendant's witness).

Proceedings were concluded and arguments were presented on 2 May 2018 (2018/19 financial year). Parties are awaiting a date for judgment from the Arbitrator Adv. Hamilton Maenetje SC.

Total number of sittings held in the 2017/18 financial year:

Application for postponement of Arbitration proceedings date - 4 July 2017.

Arbitration Proceedings- 9 -13 October 2017, 8 - 9 November 2017, 15 November, 18 November 2017, 17 February 2018 and 6-7 March 2018. In total there were 12 sessions.

Notes to the Financial Statements

Figures in Rand	2018	2017

8. Employee cost

Employee costs		
Salaries & wages	2 931 104	1 957 648
Accrual for leave pay	180 555	300 638
Pay-as-you-earn	1 110 691	779 169
Skills development levy	53 365	40 058
UIF	32 860	20 936
Compensation Commission	18 801	14 422
Reimbursement expenses	744 000	704 000
	5 071 376	**3 816 871**

9. Investment revenue

Interest revenue		
Interest received	225 748	722 461

10. Taxation

No provision has been made for 2018 tax as the entity has been granted tax exemption by SARS in terms of section 10(1)(N) of the Income Tax Act. The company is a registered Non Profit Company in terms of Schedule 1 and section 10 of the Companies Act, Act 71 of 2008 and section 122 of the Companies Amendment Act, Act 3 of 2011.

11. Auditor's remuneration

Fees	100 000	115 000

12. Cash used in operations

Deficit before taxation	(3 458 091)	(4 007 926)
Adjustments for:		
Depreciation and amortisation	242 115	112 980
Interest received	(225 748)	(722 461)
Changes in working capital:		
Trade and other receivables	(313 454)	(1 051 206)
Trade and other payables	98 659	197 629
	(3 656 519)	**(5 470 984)**

13. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	796 308	658 080
- in second to fifth year inclusive	568 882	1 365 190
	1 365 190	**2 023 270**

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for a term of 36 months.

14. Related parties

In terms of the Act, the Minister of Telecommunications and Postal Services is entitled to appoint directors. For the disclosure of directors' remuneration refer to note 15.

Notes to the Financial Statements

15. Directors' remuneration

Executive

2018

	Emoluments	Total
V Mpisane (Public Officer)	1 297 482	1 297 482

2017

	Emoluments	Bonuses and performance related payments	Total
V Mpisane (Public Officer)	1 099 008	180 200	1 279 208

Non-executive

2018

	Directors' remuneration	Stakeholder related remuneration	Total
Adv MJ Ralefatane (Chairperson)	89 000	72 000	161 000
Mr N Msibi (Treasurer)	105 000	62 000	167 000
Mr AM Brooks	85 000	32 000	117 000
Ms N Dhevcharran	69 000	12 000	81 000
Mr MR Khumalo	95 000	42 000	137 000
Dr YKN Mohutsioa-Mathabathe	73 000	32 000	105 000
Ms MO Morata	75 000	42 000	117 000
Dr NYH Mzizana	58 000	22 000	80 000
Dr Jonty Tshipa, PhD	95 000	42 000	137 000
	744 000	**358 000**	**1 102 000**

2017

	Directors' fees	Stakeholder related remuneration	Total
Adv MJ Ralefatane (Chairperson)	78 000	72 000	150 000
Mr N Msibi (Treasurer)	96 000	60 000	156 000
Mr AM Brooks	74 000	12 000	86 000
Ms N Dhevcharran	52 000	10 000	62 000
Mr MR Khumalo	90 000	22 000	112 000
Dr YKN Mohutsioa-Mathabathe	100 000	20 000	120 000
Ms MO Morata	56 000	12 000	68 000
Dr NYH Mzizana	88 000	22 000	110 000
Dr Jonty Tshipa, PhD	70 000	22 000	92 000
	704 000	**252 000**	**956 000**

Directors' remuneration is in relation to director and committee meetings.

Stakeholder related remuneration is in relation to Special General, Annual General and Parliament meetings.

Notes to the Financial Statements

16. Categories of financial instruments

	Note(s)	Debt instruments at amortised cost	Financial liabilities at amortised cost	Equity and non financial assets and liabilities	Total
Categories of financial instruments - 2018					
Assets					
Non-Current Assets					
Property, plant and equipment	2	-	-	650 890	650 890
Current Assets					
Trade and other receivables	3	1 085 129	-	1 056 022	2 141 151
Cash and cash equivalents	4	1 627 866	-	-	1 627 866
		2 712 995	-	1 056 022	3 769 017
Total Assets		2 712 995	-	1 706 912	4 419 907
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent:					
Accumulated surplus		-	-	3 092 199	3 092 199
Total Equity		-	-	3 092 199	3 092 199
Liabilities					
Current Liabilities					
Trade and other payables	5	-	1 327 708	-	1 327 708
Total Liabilities		-	1 327 708	-	1 327 708
Total Equity and Liabilities		-	1 327 708	3 092 199	4 419 907

Notes to the Financial Statements

16. Categories of financial instruments (continued)

	Note(s)	Debt instruments at amortised cost	Financial liabilities at amortised cost	Equity and non financial assets and liabilities	Total
Categories of financial instruments - 2017					
Assets					
Non-Current Assets					
Property, plant and equipment	2	-	-	802 949	802 949
Current Assets					
Trade and other receivables	3	997 673	-	830 024	1 827 697
Cash and cash equivalents	4	5 148 693	-	-	5 148 693
		6 146 366	-	830 024	6 976 390
Total Assets		6 146 366	-	1 632 973	7 779 339
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent:					
Accumulated surplus		-	-	6 550 290	6 550 290
Total Equity		-	-	6 550 290	6 550 290
Liabilities					
Current Liabilities					
Trade and other payables	5	-	1 229 049	-	1 229 049
Total Liabilities		-	1 229 049	-	1 229 049
Total Equity and Liabilities		-	1 229 049	6 550 290	7 779 339

Detailed Income Statement

Figures in Rand	Note(s)	2018	2017
Revenue			
ZA Central Registry Fees		8 161 689	7 736 561
Other income			
Insurance outbonus		-	4 435
ADR fees		12 000	15 000
Interest received	9	225 748	722 461
		237 748	**741 896**
Expenses (Refer to page 24)		**(11 857 528)**	**(12 486 383)**
Deficit for the year		**(3 458 091)**	**(4 007 926)**

Detailed Income Statement

Figures in Rand	Note(s)	2018	2017
Operating expenses			
AFTLD Contribution		-	(30 000)
Accounting fees		(195 270)	(169 268)
Advertising		-	(4 868)
Africa Internet Governance Forum (AfIGF)		-	(747 192)
Africa internet summit		(13 423)	(30 653)
Auditors remuneration	11	(100 000)	(115 000)
Bank charges		(23 574)	(6 256)
C&A Expenses		(271 786)	(267 340)
Cleaning		-	(200)
Compensation commission		(18 801)	(14 422)
Computer expenses		(128 516)	(118 452)
Conference expenses		(8 281)	(17 774)
Depreciation, amortisation and impairments	2	(242 115)	(112 980)
Donations		-	12 398
Entertainment		(52 513)	(30 520)
Fines and penalties		(26 865)	-
ICANN Contribution .ZA South Africa		(321 556)	-
ICANN Sponsorships		-	(10 000)
ICANN travel & accommodation		(40 256)	(423 701)
Insurance		(61 558)	(41 894)
Internal audit fees		3 710	(65 609)
Internship program		(180 869)	(87 523)
Legal expenses		(1 271 309)	(230 672)
Marketing and awareness		(1 210 485)	(3 675 165)
Namespace Dev: Online Presence Project		(200 190)	(195 000)
Namespace Dev: Registrar-Reseller		(51 926)	(137 366)
Other external relations		-	(163 551)
PAYE		(1 110 691)	(779 169)
Printing and stationery		(70 383)	(66 983)
Professional fees		(368 990)	(159 200)
Rent paid		(784 360)	(582 750)
Repairs and maintenance		(27 355)	(69 262)
Research and development costs		-	(200 000)
SA Internet Governance Forum		(85 667)	(28 571)
SDL		(53 365)	(40 058)
Salaries & wages		(3 855 658)	(2 962 286)
Secretarial fees		-	(65 600)
Staff welfare		-	(810)
Stakeholders Relations & Travel Board		(358 000)	(255 044)
Subscriptions		-	(21 053)
Telephone and fax		(136 110)	(110 041)
Training		(44 301)	(113 165)
Travel		(319 895)	(163 447)
UIF		(32 860)	(20 936)
ZA Infrastructure & DNSSEC		(194 311)	(165 000)
		(11 857 528)	**(12 486 383)**