

30 July 2007

Pete MacAulay
President
InternetNZ
PO Box 11 881
Wellington

Dear Pete

1st Quarter 2007-2008 Report from New Zealand Domain Name Registry Ltd

We enclose our report for the company for the first quarter of the 2007 - 2008 year, the quarter ended 30th June 2007. The report, which I submit on behalf of the Board, consists of the summarised management accounts and a commentary on financial, operational, and strategic issues in relation to the company's performance. There is nothing in the report that we regard as confidential.

This report meets the requirement of the agreed Reporting Protocol we have with you.

1. Financial

1.1 Results

Enclosed are Statements of:

- Financial performance
- Financial position.

These statements are based on our management accounts for the quarter.

The net profit after tax of \$603,290 for the quarter was \$135,814 above budget, with the favourable variance in expenditure resulting principally from timing variances at this early stage of the financial year. Domain name fee income for the quarter was \$1,479,155 versus the budgeted \$ 1,472,625.

The company ended the quarter with funds in bank and on deposit of \$7,391,481, slightly higher than the budgeted \$7,154,016, partially the result of higher than budgeted pre-paid domain name fees (deferred income totalled \$4,154,779 as at 30th June 2007 against budgeted \$4,216,584).

2. Operational

2.1 SRS

The change to the new Domain Name fee of \$1.50 per month from 1st July 2007 went smoothly.

At the end of the quarter there were 64 authorised registrars in production.

System Availability

	SLA %	Apr 07	May 07	June 07
SRS	99.90%	99.94	99.95	99.93
DNS	100%	100	100	100
Whois	99.90%	99.99	99.97	99.93

2.2 DNS

Further investigation into the outage that occurred in March and the impact on the NS2 DNS server is being undertaken in response to questions from the NZOC.

2.3 Domain Name 2ld Summary

Net domain name growth for the quarter was 13,787 as follows:

	31 Mar 2007	30 Apr 2007	31 May 2007	30 Jun 2007
.ac	1291	1304	1308	1318
.co	233233	236362	241015	245342
.cri	18	17	17	17
.geek	754	759	769	769
.gen	1088	1100	1105	1114
.govt	887	881	891	898
.iwi	59	59	58	59
.maori	468	473	475	473
.mil	18	18	18	18
.net	16370	16554	16930	17216
.org	15952	16115	16409	16675
.parliament	2	3	3	4
.school	2612	2628	2637	2636
Total	272752	276273	281635	286539
Growth over previous month		3521	5362	4904

3. Other Key Activities

(a) TBSR Project

The TBSR project has moved into the next phase with several key projects having been completed while others are underway.

The DNS Technical Architecture Panel Report has been peer reviewed by Joe Abley and his comments are currently being worked through before the final report is published.

(b) IPv6

NZRS announced the Implementation of the IPv6 Whois and DNS service in May. NZRS Technical Manager Dave Baker led the project, one that we see as being important to both InternetNZ and New Zealand's future infrastructure.

(c) Benchmarking

The initial Benchmarking Pilot survey was completed and the report distributed to those that participated. Nick Griffin's presentation to the ccNSO Technical day at the June ICANN Puerto Rico conference was well-received.

(d) Rent Review

The Rent review process for the 9th and 10th floors is continuing. Although there has been no agreement or conclusion to this at this time, we are hopeful of drawing this to a conclusion in the near future.

(e) Generator

The Landlord has agreed to an alternative position to place a generator on the roof space. As a result of the change NZRS is now seeking the necessary city council consents before proceeding.

(f) Annual Accounts

The Annual Accounts and reporting process have been completed to the NZ IFRS standards. I would like to express our thanks to the InternetNZ Group NZIFRS Project team for the smooth transition to the new standards.

(g) Staffing

Trent Connor will be leaving the company to return overseas. A programme is in place to bring on board a replacement.

Chris Nicholls has joined us as a contractor to assist in researching and assessing various projects identified in NZRS's strategic planning processes, and as these develop, he will be meeting with InternetNZ and the DNC as key stakeholders.

4. Outlook: Strategic Issues and Key Operational Activities

Key activities for the second quarter of the 2007- 2008 financial year include:

- (a) Continuing the development and implementation of the recommendations from the TBSR review.
- (b) Developing an implementation roadmap for the recommendations from the DNS Technical Architecture Panel Report. The roadmap will be workshopped with the DNC/NZOC and InternetNZ management teams prior to implementation.
- (c) Installing a generator on the roof of Exchange Place to power the Computer Room on the 9th floor, provided the necessary consents are obtained.

5. Board Recommendation

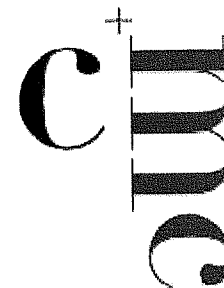
The Board of NZRS recommends that the Council of InternetNZ receive this report.

Please do not hesitate to contact me if you have any queries.

Yours sincerely

A handwritten signature in black ink, appearing to read 'AU', followed by a long horizontal flourish.

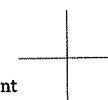
Anne Urlwin
Chairman

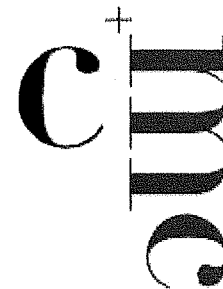


New Zealand Domain Name Registry Limited
Financial Statements
For the Quarter Ended 30th June 2007

Prepared By

Curtis McLean Limited
Chartered Accountants
Wellington NZ





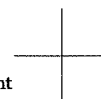
New Zealand Domain Name Registry Limited
Exclusion of Liability Statement
For the Quarter Ended 30th June 2007

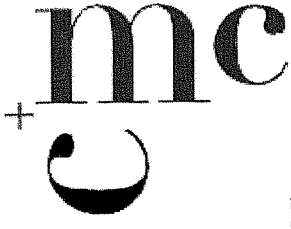
We have compiled the Financial Statements comprising Statement of Financial Performance, Statement of Movements in Equity and Statement of Financial Position of New Zealand Domain Name Registry Limited for the period ended 30th June 2007.

A compilation is limited primarily to the collection, classification and summarisation of financial information supplied by the client. A compilation does not involve the verification of that information.

We have not carried out an audit or review engagement of the Financial Statements and therefore neither we nor any of our employees accept any responsibility for the accuracy of the material from which the Financial Statements have been prepared. Further, the Financial Statements have been prepared at the request of and for the purpose of the client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person.

Curtis McLean Limited
Chartered Accountants
Wellington NZ





New Zealand Domain Name Registry Limited
Statement of Financial Performance
For the Quarter Ended 30th June 2007

	This Quarter			Year to Date			Full Year	
	Actual	Budget	Variance	Actual	Budget	Variance	Budget	Last Year
Registry Fees	1,479,155	1,472,625	6,530	1,479,155	1,472,625	6,530	5,870,415	5,300,694
Less Direct Expenses								
DNC Management Fee	249,000	251,214	(2,214)	249,000	251,214	(2,214)	1,004,856	957,000
DNS Expenses	73,680	70,821	2,859	73,680	70,821	2,859	336,659	258,112
SRS Expenses	78,606	109,164	(30,558)	78,606	109,164	(30,558)	442,656	393,436
Other IT	43,455	55,845	(12,390)	43,455	55,845	(12,390)	170,805	173,960
ENUM	-	3,000	(3,000)	-	3,000	(3,000)	30,000	-
Review DNS/SRS	-	-	-	-	-	-	-	42,697
TBSR	41,399	85,000	(43,602)	41,399	85,000	(43,602)	295,000	29,626
Total Direct Expenses	486,140	575,044	(88,905)	486,140	575,044	(88,905)	2,279,976	1,854,831
Gross Profit	993,015	897,581	95,435	993,015	897,581	95,435	3,590,439	3,445,863
Less Other Expenses								
Depreciation & Amortisation	31,111	40,645	(9,534)	31,111	40,645	(9,534)	225,777	139,561
Overhead Expenses	232,349	309,009	(76,661)	232,349	309,009	(76,661)	1,336,694	873,075
Total Other Expenses	263,460	349,654	(86,195)	263,460	349,654	(86,195)	1,562,471	1,012,636
Plus: Other Income								
Interest	118,059	100,371	17,688	118,059	100,371	17,688	430,843	405,672
Rent Received	45,255	39,903	5,352	45,255	39,903	5,352	159,612	138,812
Tenants Share of Expenses	7,564	9,528	(1,964)	7,564	9,528	(1,964)	38,112	34,029
Earnings Before Interest and Tax	900,433	697,729	202,706	900,433	697,729	202,706	2,656,535	3,011,740

These Financial Statements have not been reviewed or audited and should be read in conjunction with the attached Exclusion of Liability Statement

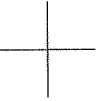


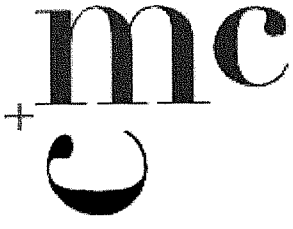


New Zealand Domain Name Registry Limited
Statement of Financial Performance
For the Quarter Ended 30th June 2007

	This Quarter		Year to Date		Full Year	
	Actual	Budget	Actual	Budget	Budget	Last Year
Earnings Before Interest and Tax	900,433	697,729	900,433	697,729	2,656,535	3,011,740
Provision For Tax	297,143	230,251	297,143	230,251	876,657	994,461
Net Profit (Loss)	<u>603,290</u>	<u>467,478</u>	<u>603,290</u>	<u>467,478</u>	<u>1,779,878</u>	<u>2,017,279</u>

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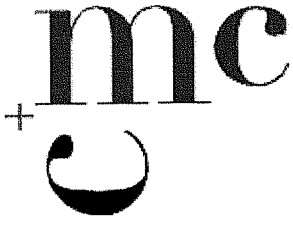




New Zealand Domain Name Registry Limited
Statement of Movements in Equity
For the Quarter Ended 30th June 2007

	This Year	Last Year
Share Capital		
Opening Share Capital	30,000	30,000
Share Capital as at 30th June 2007	<u>30,000</u>	<u>30,000</u>
Retained Earnings		
Opening Retained Earnings	2,812,843	2,195,565
Plus: Net Tax Paid Profit (Loss) for Year	603,288	2,017,278
Less: Dividend Declared	-	1,400,000
Retained Earnings as at 30th June 2007	<u>3,416,131</u>	<u>2,812,843</u>
Equity as at 30th June 2007	<u>\$3,446,131</u>	<u>\$2,842,843</u>





New Zealand Domain Name Registry Limited
Statement of Financial Position
As At 30th June 2007

	Actual	End of Quarter		LY Actual	End of Year	
		Budget	Variance		Budget	LY Actual
Equity						
Share Capital	30,000	30,000	-	30,000	30,000	30,000
Retained Earnings	3,416,131	3,090,493	325,638	2,623,560	2,702,893	2,812,843
Total Equity	3,446,131	3,120,493	325,638	2,653,560	2,732,893	2,842,843
Liabilities:						
Creditors & Accruals	475,198	559,108	(83,910)	115,014	319,760	327,930
Deferred Income	4,154,779	4,216,584	(61,805)	3,317,134	4,632,255	3,888,997
Redeemable Preference Shares	400,000	400,000	-	400,000	400,000	400,000
Total Liabilities	5,029,977	5,175,692	(145,715)	3,832,148	5,352,015	4,616,927
Funds Employed	8,476,108	8,296,185	179,923	6,485,708	8,084,908	7,459,770
Represented By:						
Current Assets						
Funds Held	7,391,481	7,154,016	237,465	5,505,581	6,870,887	6,371,050
Debtors & Prepayments	803,792	762,352	41,440	699,544	740,339	777,890
	8,195,273	7,916,368	278,905	6,205,125	7,611,226	7,148,940
Non Current Assets						
Fixed Assets	278,303	377,281	(98,978)	276,813	472,069	307,988
Intangible Assets	2,532	2,536	(4)	3,770	1,613	2,842
Total Non Current Assets	280,835	379,817	(98,982)	280,583	473,682	310,830
Total Assets	8,476,108	8,296,185	179,923	6,485,708	8,084,908	7,459,770

These Financial Statements have not been reviewed or audited and should be read in conjunction with the attached Exclusion of Liability Statement

