

8 February 2008

Peter Macaulay
President
InternetNZ
PO Box 11 881
Wellington

Dear Peter

Re : 3rd Quarter 2007-2008 Report

We enclose our report for the third quarter of the 2007 - 2008 year, the quarter ended 31st December 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; and
- Financial position

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

The net profit after tax of \$637,658 for the quarter was \$220,074 above budget. The company continued to benefit from timing differences in expenditure, and above budget domain name fee income also contributed to the favourable variance in the quarter's financial performance (actual domain name fee income was \$1,531,557 versus the budgeted \$1,466,048).

The company ended the quarter with funds in bank and on deposit of \$7,893,210 (i.e. higher than budgeted \$7,440,247). Pre-paid domain name fees (deferred income) totalled \$4,170,982 as at 31st December 2007 against budgeted \$4,445,194.

2. Operational

2.1 SRS

At the end of the quarter there were 67 Authorised registrars in production.

System Availability

	<i>SLA %</i>	<i>Dec 07</i>	<i>Nov 07</i>	<i>Oct 07</i>
SRS	99.90%	100	100	99.99
DNS	100%	100	100	100
Whois	99.90%	100	100	100

2.2 TBSR and DNS

The TBSR project has continued to progress well, with the results of the implementation of various TBSR reviews' recommendations being reflected in the improved system availability.

The DNS Roadmap has been completed. This paper was developed in 2007 by Dave Baker in conjunction with a panel of DNS experts and peer-reviewed by Joe Abley. The Roadmap outlines the architectural requirements for the .nz DNS service over the next 3 - 5 years. The three main changes to the current environment are:

- a) move from Unicast to Anycast
- b) move away from Grace and Favour arrangements
- c) location of DNS servers at public exchange points.

A DNS Roadmap document has been provided to NZOC.

The planning for the implementation of recommendations to meet the architectural requirements is underway.

2.3 Domain Name 2ld Summary

Net domain name growth of 13,656 for the quarter was as follows:

2LD	30 Sep	31 Oct	30 Nov	31 Dec
.ac	1,352	1,371	1,394	1,413
.co	257,488	261,980	267,079	269,562
.cri	16	16	16	16
.geek	773	773	783	793
.gen	1,133	1,143	1,148	1,151
.govt	913	923	928	931
.iwi	59	60	60	59

.maori	468	486	493	483
.mil	18	18	18	18
.net	17,994	18,243	18,551	18,715
.org	17,519	17,767	18,051	18,218
.parliament	5	5	5	5
.school	2,659	2,661	2,672	2,689
Total	300,397	305,446	311,198	314,053
Growth over previous month		5,049	5,752	2,855

3. Other Key Activities

(a) Domain Name Fee Setting

The Fee Setting exercise is currently underway. NZRS and NZOC recently met to discuss the Fee Setting scenarios and the joint recommendation to be made to InternetNZ for consideration at the next Council Meeting in March.

The deployment of the DNS Roadmap has been provided for in the fee setting budgets (although not all items have been approved).

(b) Accommodation

The Embassy of Greece has renewed its lease for the north half of the 10th floor for 1 year to 31 December 2008.

(c) Customer Satisfaction Survey

ResearchNZ undertook the 2007 NZRS Customer Satisfaction Survey. The results of the survey are very pleasing with 94% of the respondents being either Satisfied or Very Satisfied with NZRS service delivery. In previous surveys (2005, 2004 and 2003) this key metric was 98%, 97% and 92% respectively.

One of the question areas related to IPv6. 85% of respondents indicated that they were aware of IPv6 and 33% indicated that they could register .nz domain name with an IPv6 address.

4. Outlook: Strategic Issues and Key Operational Activities

Key activities for the fourth 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) Completing the installation of the generator on the roof of Exchange Place to power the Computer Room on the 9th floor (the generator was airlifted into position in late January).
- (d) Completing the development of the Risk Management Framework.
- (e) Undertaking the first phase of the company's strategic planning cycle for the 2008 calendar year, and completing the preparation of the business plan and associated budget.
- (f) Working with InternetNZ on the Certificate Authority Viability Study.

5. Returns to the Shareholder

NZRS will be redeeming the 10 Redeemable shares for a total of \$400,000 (being \$40,000 per share) to InternetNZ on 31 March 2008.

In addition, a second interim dividend will be paid on the same day. This dividend of \$1,133,000 will bring the total dividend paid across the 2007/2008 year to \$1,700,000.

6. Board Recommendation

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

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

Yours sincerely



Anne Urlwin
Chairman