

05 November 2007

Pete Macaulay
President
InternetNZ
PO Box 11 881
Wellington

Dear Pete

2nd Quarter 2007-2008 Report from New Zealand Domain Name Registry Ltd

We enclose our report for the company for the second quarter of the 2007 - 2008 year, the quarter ended 30th September 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 \$568,244 for the quarter was \$142,778 above budget, with the favourable variance in expenditure resulting principally from timing variances at this stage of the financial year. Domain name fee income for the quarter was \$1,506,547 versus the budgeted \$1,450,641.

The company ended the quarter with funds in bank and on deposit of \$7,485,550, higher than the budgeted \$7,067,966. Pre-paid domain name fees (deferred income totalled \$4,220,068 as at 30th September 2007 against budgeted \$4,306,755).

The new domain name fee of \$1.50 per name took effect from 1 July.

2. Operational

2.1 SRS

At the end of the quarter there were 66 Authorised registrars in production.

System Availability

	SLA	July	August	September
SRS Availability %	99.90	100	100	100
Whois	99.90	99.96	100	100
DNS	100	100	100	100

2.2 DNS

Work has continued on the technical review of the DNS and the report will be presented to the NZOC in the next quarter.

2.3 Domain Name 2ld Summary

Net domain name growth for the quarter was 13,858 as follows:

2LD	Jun 07	Jul 07	Aug 07	Sep 07
.ac	1318	1340	1349	1352
.co	245342	249984	254285	257488
.cri	17	17	16	16
.geek	769	774	761	773
.gen	1114	1127	1121	1133
.govt	898	905	909	913
.iwi	59	59	59	59
.maori	473	470	486	468
.mil	18	18	18	18
.net	17216	17517	17813	17994
.org	16675	16952	17245	17519
.parliament	4	4	4	5
.school	2636	2650	2656	2659
Total	286539	291817	296722	300397
Growth over previous month		5278	4905	3675

3 Other Key Activities

(a) TBSR Project

The TBSR project has continued to progress well, with the results being reflected in the improved system availability.

(b) IPv6

IPv6 continues to have a slow pick up by the user community. NZRS has recommended to Registrars that they should have the capability to update IPv6 "glue records" by July 2008.

This recommendation means that registrars will have the ability to set IPv6 delegations, registrars could effect the change manually using XML or could implement the SRS User Interface which handles IPv6 records.

(c) Rent Review

The Rent review process for the 9th and 10th floors has been completed. The new rates which are back dated to March this year reflect market movement in CBD property rentals.

(d) Generator

The project to install a generator on the roof to provide a continuous power system to the computer room on the 9th floor is now underway, with permission from the landlord and consents from the City Council received.

(e) Staffing

Alison Foley has joined the company as Systems Analyst, supporting Dave Baker.

4. Outlook: Strategic Issues and Key Operational Activities

We undertook the first part of our Annual Strategic Planning exercise in October. I would like to note our appreciation to you, Keith Davidson, Richard Currey and Debbie Monahan for the time and contribution that you were all able to give our session.

Key activities for the third 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.

(d) Working with InternetNZ on the Certificate Authority Viability Study.

(e) Undertaking the 2007 NZRS Customer Satisfaction Survey. This survey is an important part of our relationship with Registrars and the survey results are used as one of the measures of service delivery quality.

5. Board Recommendation

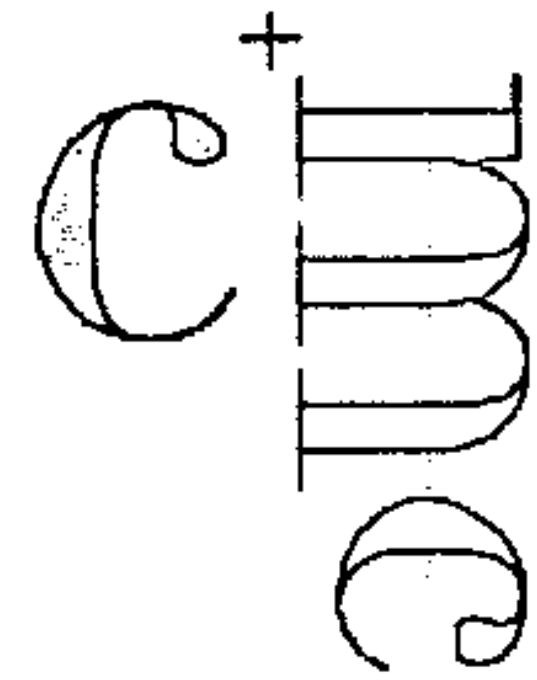
The Board of NZRS recommends that the Council of InternetNZ receives this report.

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

Yours sincerely

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

Anne Urlwin
Chairman

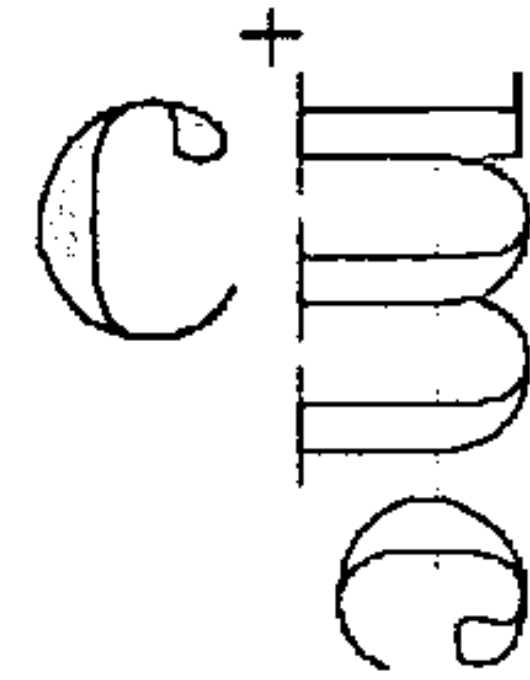


New Zealand Domain Name Registry Limited
Financial Statements
For the Quarter Ended 30th September 2007

Prepared By

Curtis McLean Limited
Chartered Accountants
Wellington NZ





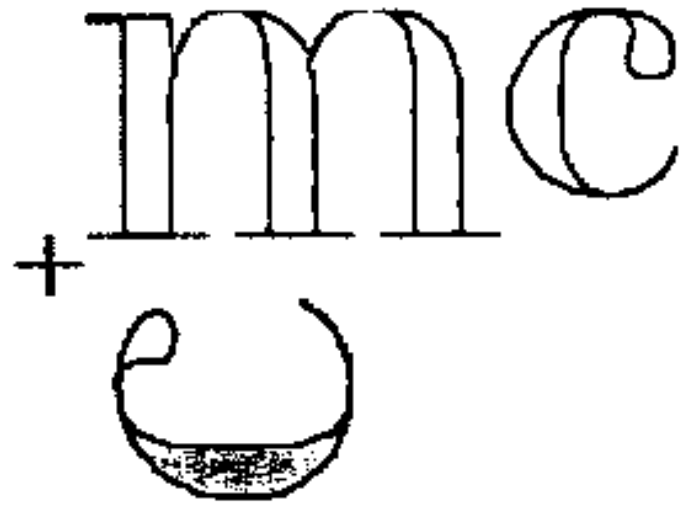
New Zealand Domain Name Registry Limited
Exclusion of Liability Statement
For the Quarter Ended 30th September 2007

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 September 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.

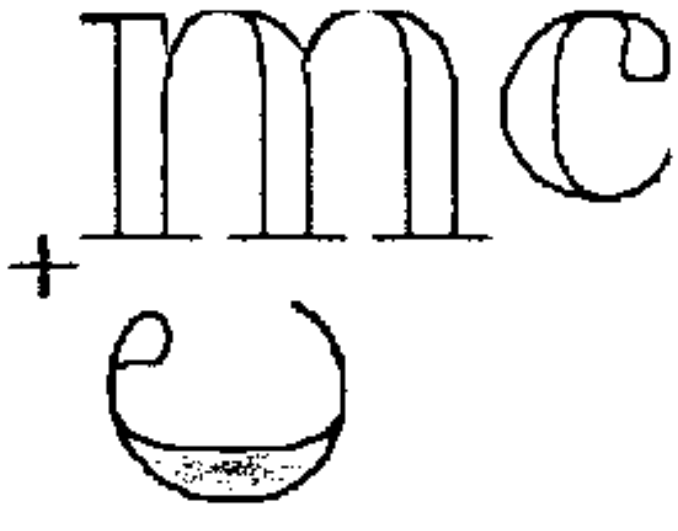
Curtis McLean Limited
Chartered Accountants
Wellington NZ



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

	This Quarter			Year to Date			Full Year	
	Actual	Budget	Variance	Actual	Budget	Variance	Budget	Last Year
Registry Fees	1,506,547	1,450,641	55,906	2,985,702	2,923,266	62,436	5,870,415	5,300,694
Less Direct Expenses								
DNC Management Fee	249,000	251,214	(2,214)	498,000	502,428	(4,428)	1,004,856	957,000
DNS Expenses	67,101	80,246	(13,145)	140,781	151,067	(10,286)	336,659	258,112
SRS Expenses	92,848	112,164	(19,316)	171,454	221,328	(49,874)	442,656	393,436
Other IT	50,657	26,845	23,812	94,112	82,690	11,422	170,805	173,960
ENUM	-	9,000	(9,000)	-	12,000	(12,000)	30,000	-
Review DNS/SRS	-	-	-	-	-	-	-	42,697
TBSR	47,245	90,000	(42,755)	88,643	175,000	(86,357)	295,000	29,626
Total Direct Expenses	506,851	569,469	(62,618)	992,990	1,144,513	(151,523)	2,279,976	1,854,831
Gross Profit	999,696	881,172	118,524	1,992,712	1,778,753	213,959	3,590,439	3,445,863
Less Other Expenses								
Depreciation & Amortisation	34,186	48,601	(14,415)	65,298	89,246	(23,948)	225,777	139,561
Overhead Expenses	311,674	354,982	(43,308)	544,025	663,991	(119,966)	1,336,694	873,075
Total Other Expenses	345,860	403,583	(57,723)	609,323	753,237	(143,914)	1,562,471	1,012,636
	653,836	477,589	176,247	1,383,389	1,025,516	357,873	2,027,968	2,433,227
Plus: Other Income								
Interest	141,717	108,004	33,713	259,776	208,375	51,401	430,843	405,672
Rent Received	39,903	39,903	-	85,158	79,806	5,352	159,612	138,812
Tenants Share of Expenses	12,668	9,528	3,140	20,232	19,056	1,176	38,112	34,029
Earnings Before Interest and Tax	848,124	635,024	213,100	1,748,555	1,332,753	415,802	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

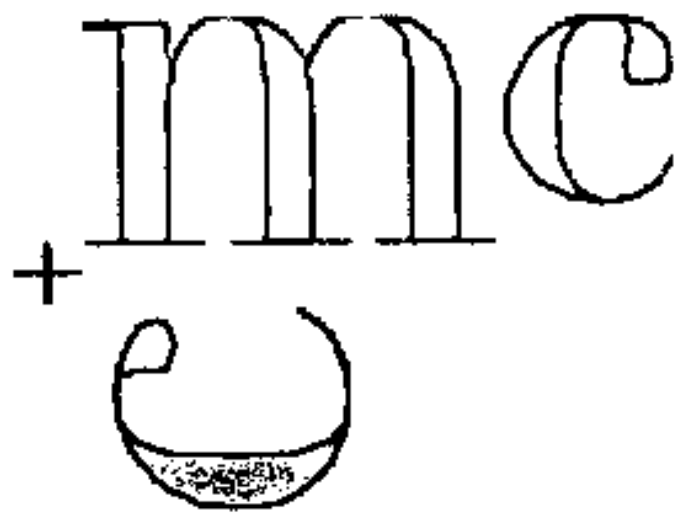


New Zealand Domain Name Registry Limited
Statement of Financial Performance
For the Quarter Ended 30th September 2007

	This Quarter		Year to Date		Full Year	
	Actual	Budget	Variance	Actual	Budget	Last Year
Earnings Before Interest and Tax	848,124	635,024	213,100	1,748,555	1,332,753	3,011,740
Provision For Tax	279,880	209,558	70,322	577,023	439,809	994,461
Net Profit (Loss)	<u>568,244</u>	<u>425,466</u>	<u>142,778</u>	<u>1,171,532</u>	<u>892,944</u>	<u>2,017,279</u>

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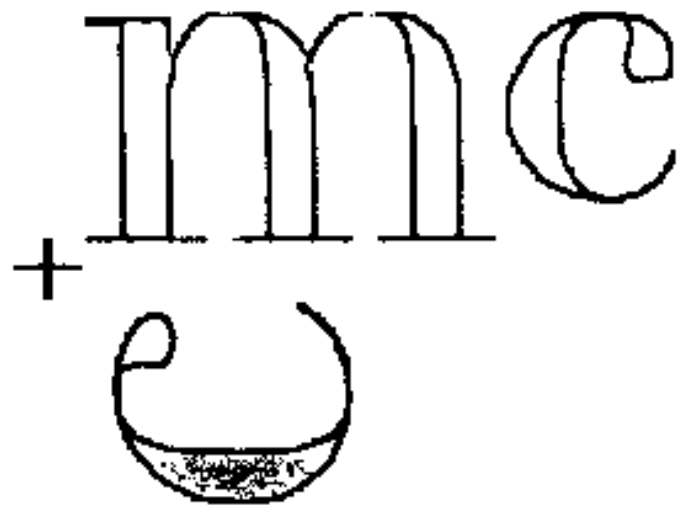




New Zealand Domain Name Registry Limited
Statement of Movements in Equity
For the Quarter Ended 30th September 2007

	This Year	Last Year
Share Capital		
Opening Share Capital	30,000	30,000
Share Capital as at 30th September 2007	30,000	30,000
Retained Earnings		
Opening Retained Earnings	2,812,843	2,195,565
Plus: Net Tax Paid Profit (Loss) for Year	1,171,532	2,017,278
Less: Dividend Declared	567,000	1,400,000
Retained Earnings as at 30th September 2007	3,417,375	2,812,843
Equity as at 30th September 2007	<u>\$3,447,375</u>	<u>\$2,842,843</u>

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

	End of Quarter		Variance	LY Actual	End of Year	
	Actual	Budget			Budget	LY Actual
Equity						
Share Capital	30,000	30,000	-	30,000	30,000	30,000
Retained Earnings	3,417,375	2,948,959	468,416	2,616,055	2,702,893	2,812,843
Total Equity	3,447,375	2,978,959	468,416	2,646,055	2,732,893	2,842,843
Liabilities:						
Creditors & Accruals	349,772	484,050	(134,278)	361,790	319,760	327,929
Deferred Income	4,220,068	4,306,755	(86,687)	3,659,453	4,632,255	3,888,997
Redeemable Preference Shares	400,000	400,000	-	400,000	400,000	400,000
Total Liabilities	4,969,840	5,190,805	(220,965)	4,421,243	5,352,015	4,616,926
Funds Employed	8,417,215	8,169,764	247,451	7,067,298	8,084,908	7,459,769
Represented By:						
Current Assets						
Funds Held	7,485,550	7,067,966	417,584	6,079,402	6,870,887	6,371,050
Debtors & Prepayments	684,473	692,583	(8,110)	708,135	740,339	777,890
	8,170,023	7,760,549	409,474	6,787,537	7,611,226	7,148,940
Non Current Assets						
Fixed Assets	244,968	406,987	(162,019)	276,301	472,069	307,988
Intangible Assets	2,224	2,228	(4)	3,461	1,613	2,842
Total Non Current Assets	247,192	409,215	(162,023)	279,762	473,682	310,830
Total Assets	8,417,215	8,169,764	247,451	7,067,299	8,084,908	7,459,770

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