



ANNUAL REPORT
2007/08

NEW ZEALAND DOMAIN NAME REGISTRY LIMITED
(trading as .nz Registry Services)

Annual Report
For the Year Ended 31st March 2008

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THE YEAR IN REVIEW

The 2007 – 2008 year was a busy one for NZRS on a number of fronts.

Financial Performance

The financial result for the year was a net surplus before taxation of \$3.664 million (2007 \$3.012 million). This 2008 result exceeded expectations, and contributed to the company ending the year in a strong financial position. The above budget revenue resulted from higher than planned domain name growth, and overall costs were less than budgeted due to changes in the timing of some costs and savings in others.

The Board was pleased to pay a dividend of \$1.7 million on the 2007 – 2008 result.

The financial result reflected the decrease in the wholesale domain name fee from \$1.75 (excluding GST) per month to \$1.50, with effect from 1st July 2007, as a result of the annual domain name fee review. This was the second time the fee had decreased (the previous reduction had been from \$2.00 to \$1.75 as at 1st July 2004).

Statistics

The increase in domain name growth was the largest yet recorded by the company, with the number of domain names held in the SRS increasing by 51,970 to 324,722 at 31st March 2008. This 19.1% increase was reflected across all non-moderated 2ld's.

	31 March 2008	31 March 2007
Registrars connected to production (Note 1)	67	62
Domain names	324,722	272,752
Net growth	51,970	51,319
Percent increase	19.1%	23.2%
Zone pushes per day	24	24

Note 1 - Includes the Domain Name Commissioner

Progress towards the Achievement of Strategic Goals

The company's Vision is –

Excellence in registry management through superior service and the innovative application of technology.

This Vision and the two strategic goals that flow from it provide the all-important focus for the company, and significant progress was made on achieving key strategies in the 2007 – 2008 year.

Strategic Goal 1 – To deliver continuous domain name availability to registrars, their customers and all internet users.

The company's core operational systems performed well during the year, enabling excellent achievement of the key metrics under the Service Level Agreement ("SLA") with InternetNZ.

Availability	SLA availability requirement	Number of months SLA requirement met	Number of months 100% availability achieved
SRS availability	99.90%	12	7

Whois availability	99.90%	12	6
DNS availability	100.00%	12	12

The improvement in performance against the SLA metrics was the result of a major focus on system availability and response times. “Whois” traffic increased during the year as technical enhancements to improve response times were implemented together with an ongoing focus on appropriate management of the “Whois” service by both NZRS and registrars.

As part of a continuing emphasis on risk management, the company’s Business Continuity Plan was tested and reviewed. In addition, a Risk Management and Monitoring framework, considering total organisational risks, was implemented following the development of a Risk Management Policy, a Risk Register and a formal reporting regime. The company continued its programme of regular security audits and business systems reviews, with resultant recommendations incorporated into the company’s Continuous Improvement Programme which is regularly reviewed by the Board.

A major replacement of hardware was undertaken throughout the year, as part of a programme of rolling replacements to ensure systems reliability.

The company undertook its biennial Customer Satisfaction Survey to ensure it was continuing to meet the needs of registrars, and was pleased with the high satisfaction rating from registrars, with 94% of respondents being either “satisfied” or “very satisfied” with NZRS’s service.

Strategic Goal 2 – To continuously improve and deliver world class registry services.

The Technical and Business Systems Review (“TBSR”) undertaken during the 2006 – 2007 year continued to be a major focus with many of the Review’s recommendations incorporated into NZRS’s Continuous Improvement Programme or as major TBSR projects. The main item - the DNS Roadmap – was developed with the assistance of a DNS Technical Architecture Panel, with its recommendations peer-reviewed by international expert Joe Abley. Implementation of the DNS Roadmap’s key initiatives is underway with the following key components due for completion in early 2009 – 2010 :

- A move from Unicast to Anycast DNS services; and
- Locating the DNS servers at Public Internet Exchanges (where possible).

Implementation of some of the other TBSR recommendations contributed to the improved performance against the SLA metrics noted above.

The IPv6 Whois service and an IPv6 trial DNS service were implemented, although the uptake of IPv6 has been very slow to date.

During the year, consultation was undertaken with key stakeholders on the development of an EPP interface to the SRS, and further consideration of this enhancement will occur over coming months.

People and Relationships

NZRS strives to ensure an ongoing positive relationship with InternetNZ and we appreciated the shareholder’s support during the year. Our relationships with the .nz Oversight Committee (Domain Name Commission Ltd from 1st April 2008) and the DNC, as well as InternetNZ as shareholder, are positive, and we benefit from very good working relationships at both the operational and the governance levels.

During 2007 – 2008, NZRS personnel participated in InternetNZ group forums, including ENUM and the InternetNZ Structural Review Taskforce. NZRS always welcomes the opportunity to contribute to the wider InternetNZ group initiatives by way of its technical and project management skills and commercial experience.

To explicitly acknowledge NZRS’s objective to contribute to InternetNZ, as part of its planning for the 2008 – 2009 year NZRS has adopted a third strategic goal – “To make a tangible contribution to the achievement of InternetNZ’s vision, mission and strategic goals”. NZRS is totally supportive of InternetNZ’s vision of “The Internet, open and uncaptureable” and NZRS aims to ensure a predictable and sustainable income stream to its shareholder, thereby enabling InternetNZ to plan its public policy and advocacy work with certainty

regarding funding. NZRS's financial performance has enabled the payment of dividends to InternetNZ totaling \$4.2 million since the company commenced operations in 2002 (including the \$1.7 million dividend on the 2007 – 2008 result).

NZRS continues to participate in various ccTLD surveys. As well as providing valuable benchmarking of the company's technical performance, standards and processes, such participation enables NZRS to contribute to the wider internet community, as part of the .nz contribution to the international ccTLD environment.

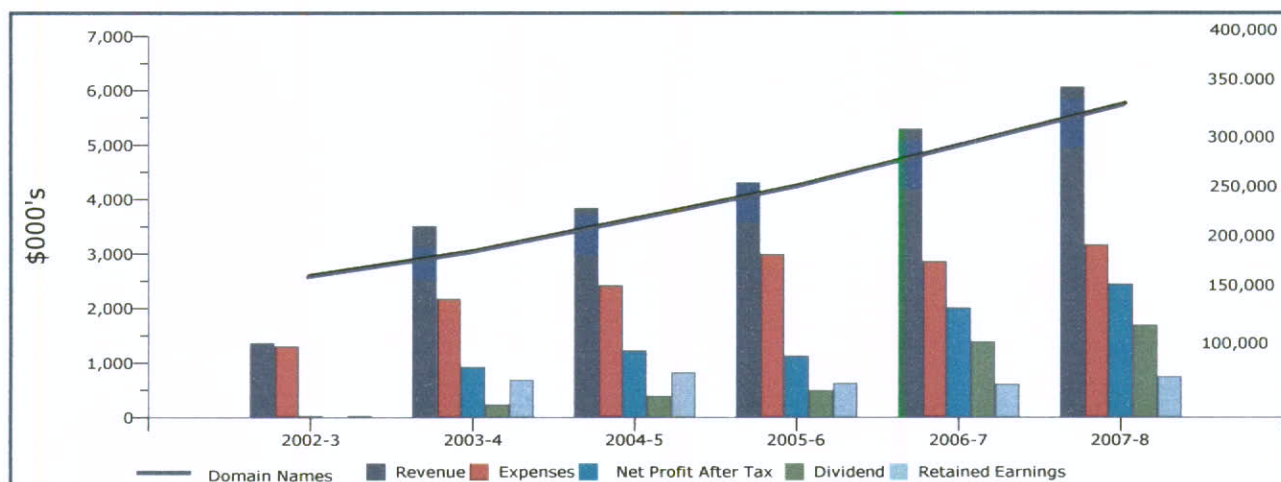
NZRS continued to be well served by its professional and technical suppliers during 2007 - 2008, particularly Catalyst IT, the company's technical outsourcers, who have continued to provide NZRS with strong technical infrastructure and development support.

The "thin resourcing" model on which NZRS was developed means that the company is very reliant on its small team of permanent staff, supported by contractors on an as-required basis. The NZRS Board is appreciative of the commitment and contribution of the NZRS team to the company's success.

Board membership was stable across the 2007 – 2008 year, but the Board will shortly be losing the valuable contribution of Carol Stigley, the company's inaugural chairperson until 2005, who has advised her intention to retire from the Board at the 2008 AGM. The development and implementation of NZRS's robust governance, administration and policy frameworks in particular the Company's Strategic Plan were the direct result of Carol's energy and professionalism.

History and Outlook

NZRS commenced managing the Domain Name Registry for the .nz domain name space in October 2002, and each of the subsequent five years has seen year-on-year growth in domain names, company revenue and dividends paid to the shareholder. This has been achieved alongside reducing fees.



	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue \$000's	1,377	3,514	3,851	4,314	5,301	6,073
Expenses \$000's	1,315	2,181	2,430	3,001	2,867	3,183
Net Profit After Tax \$000's	36	935	1,232	1,135	2,017	2,450
Dividend \$000's	0	240	400	500	1,400	1,700
Retained Earnings \$000's	36	695	832	635	617	751
Domain Names	124,949	149,269	182,095	221,433	272,752	324,722

NZRS has based its 2008 – 2009 Business Plan and budgets on a continuation of domain name growth. For the first time since the company commenced operations, global economies, including New Zealand's, are now experiencing slowdowns, and the impact of this on future ccTLD domain name growth is unknown. NZRS

will continue to monitor possible impacts from these changed economic conditions by maintaining an essential forward-looking and outwardly-focused orientation.

2008 – 2009 promises to be another busy year. The company will continue to explore technical and business opportunities that are aligned with its core registry operation competencies and which contribute to the InternetNZ group's objectives. Work in implementing the recommendations of the 2006 – 2007 Technical and Business Systems Review will continue across the new financial year, and the company has incorporated another major technical review in its planning for the 2010 – 2011 year, reflecting its commitment to continuously improve and deliver world class registry services.



Anne Urlwin
Chairman



Nick Griffin
General Manager

NZRS Corporate Governance Statement

The Role of the Board

The Board's role is to effectively represent, and promote the interests of the shareholder with a view to adding long-term value to the company while respecting the interests of a wide range of stakeholders within the context of the company's ownership and the shareholder's objectives.

The Board is responsible for the overall direction and control of the company's activities, and its key responsibilities include the following:

- Establishment of goals and strategies with associated business plans
- Monitoring company performance against budget and other performance measures
- Ensuring integrity in reporting
- Communications with the shareholder on a regular basis through an annual Company Plan, Annual Report and quarterly reporting, and other reporting as requested by the shareholder
- Implementation of policies to enhance company performance
- Identifying and managing business risks, including statutory compliance
- Ensuring appropriate internal controls and the quality and independence of the external audit function
- Monitoring management and its performance, including General Manager appointment, review, development, succession planning and delegations
- Fostering a company culture which requires directors, management and every staff member to adhere to high standards of ethics and corporate behaviour.

Board Structure

The directors of New Zealand Domain Name Registry Ltd are appointed by the shareholder Internet Society of New Zealand Inc for varying terms. In its first year of operation, the Board proposed to the shareholder a Directors' Tenure Policy that provided for director rotation, and each year two directors come up for retirement and may, if they so desire, make themselves available for re-appointment. Board membership currently consists of five non-executive directors.

Board Operations and Policies

The New Zealand Domain Name Registry Ltd Board meets regularly and policies are in place to ensure these meetings are subject to formal agendas and reporting procedures.

The Board has adopted a Governance Policy, incorporating the following Good Governance Principles which collectively document the Board's role and responsibilities, and deal with principles and processes associated with independence and conflicts of interest, Board committees and procedures, reporting and disclosure, risk management, and relationships with the shareholder and stakeholders.

Good Governance Principles

1. Ethical Standards

The directors of the company observe and foster high ethical standards.

2. Board Composition and Performance

The Board works with the shareholder to ensure there is a balance of independence, skills, knowledge, experience and perspectives among directors so that the Board works effectively.

The Board seeks, in conjunction with its shareholder, to maintain a balance of directors with complementary skills and business experience and who will contribute to the Board in a positive and constructive manner, while acting with the highest levels of integrity and professionalism. Newly appointed directors undergo an induction process which includes a site visit and the provision of relevant documentation.

Directors are encouraged to belong to appropriate professional organisations and to participate in ongoing training and development relevant to their governance responsibilities.

3. Board Committees

The Board utilises committees where this enhances its effectiveness in key areas while retaining board responsibility.

The Board has formally constituted one standing Board Committee:

Audit and Risk Assessment Committee – membership consists of two members of the Board and the Board Chairperson as an ex-officio member. The Committee is regulated by approved Terms of Reference that address membership, functions and responsibilities, authorities and reporting procedures. The Committee is chaired by a director who is not the Board Chairperson. The Committee monitors the company's risk management processes, oversees the findings of the company's external auditors and reviews undertaken by other professional advisers, and monitors the company's legislative compliance.

4. Reporting and Disclosure

The Board demands integrity both in financial reporting and in the timeliness and balance of disclosure on the company's affairs.

5. Remuneration

The Board has an objective of the remuneration of directors being transparent, fair and reasonable.

6. Risk Management

The Board regularly verifies that the company has appropriate processes that identify and manage potential and relevant risks.

7. Auditors

The Board ensures the quality and integrity of the external audit process.

8. Shareholder Relations

The Board fosters a constructive relationship with the shareholder InternetNZ, ensures it understands their objectives and encourages them to engage with the company in an appropriate manner.

9. Stakeholder Interests

The Board respects the interests of the company's wide range of stakeholders within the context of the company's ownership, its fundamental purpose and its role in managing a key component of New Zealand's infrastructure.



Back row left to right: Directors - David Farrar, Doug Mercer, Donna Hiser; General Manager - Nick Griffin
Front row left to right: Directors – Anne Urlwin, Carol Stigley

The NZRS Board

Anne Urlwin (Chairman)

Anne is a professional company director, business consultant and chartered accountant. She is a Fellow of the Institute of Directors in New Zealand Inc. Her current governance roles include deputy chairmanship of Landcare Research New Zealand Ltd and directorships of Meridian Energy Ltd, Invest South Ltd and Lakes Environmental Ltd. She is also a member of the board of the New Zealand Blood Service and of New Zealand Cricket.

Doug Mercer

Doug recently retired from a fulltime career of nearly thirty years in the IT industry. He has held Senior Management positions and for much of his career provided Project Management consultancy to a wide range of Companies and Government Departments. In 2002, Doug was the Project Manager responsible for implementing the Shared Registry System currently operated by NZRS.

Donna Hiser

Donna has held a number of Chief Executive and Senior Management positions in the information technology industry in both the private sector and Government. She now divides her time between governance roles and a small farming operation in Nelson. Currently she chairs the Board of the Nelson Regional Sewerage Business Unit and is a director of Tourism Nelson Tasman Ltd. She has a strong interest in New Zealand art and is a member of the Bishop Suter Art Gallery Trust Board.

David Farrar

David is Chair of the InternetNZ Public Policy Committee. He is the owner and director of Curia Market Research, a NZ polling and market research company. He also worked in Parliament for eight years serving two Prime Ministers and two Opposition Leaders in the strategy, communications, research and information technology fields.

Carol Stigley (Chair, Audit & Risk Assessment Committee)

Carol is a professional company director and formerly served as Chief Executive of the Ministry of Consumer Affairs and of Local Government New Zealand. Carol chairs the Hospitality Standards Institute and is also on the boards of Standards NZ (Chair of Audit & Risk Committee), the Wellington Region Foundation, and the National Library Risk and Assurance Committee (Chair). She also has appointments with the Wellington 2020 Communications Trust, the JPs Council, and is a member of the National Council of the Institute of Directors.

New Zealand Domain Name Registry Limited
Annual Report
For the Year Ended 31st March 2008

Prepared By

Curtis McLean Limited
Chartered Accountants
Wellington NZ



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For the Year Ended 31st March 2008

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Directors' Report
For the Year Ended 31st March 2008

Financial Result

The Net Profit for the year, after taxation, was \$2,450,828 (2007 \$2,017,278).

	This Year	Last Year
Retained Earnings as at 1 April 2007	2,812,843	2,195,565
Net Profit After Tax	2,450,828	2,017,278
Dividend Declared	(1,700,000)	(1,400,000)
Retained Earnings as at 31 March 2008	\$3,563,671	\$2,812,843

Dividend

Dividends of \$1,700,000 were declared and paid for the year ended 31st March 2008 (2007 \$1,400,000).

Remuneration of Directors

During the year the Board of Directors received the following remuneration:

	This Year	Last Year
Directors' Fees		
Mervyn Delany	-	7,504
David Farrar	18,000	12,864
Donna Hiser	14,400	12,864
Douglas Mercer	14,400	5,360
Carol Stigley	18,000	16,080
Anne Urlwin	28,800	25,728
	\$93,600	\$80,400

Directors' Information

There were no notices from directors of the company requesting to use company information received in their capacity as directors which would not otherwise have been available to them.



Directors' Report (Continued)
For the Year Ended 31st March 2008

Interests Register

Entries have been made in the interests register during the year for the directors' remuneration disclosed in this report and directors and officers insurance paid by the company.

Share Dealings

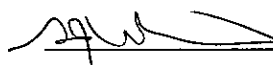
No shares were purchased, sold or held either directly or indirectly by the directors during the year.

No changes have occurred since Balance Date.

General

No changes have been made to the main activities of the company since trading commenced.

For and on Behalf of the Board

 **Director**

 **Director**

6/6/08 **Date**

Income Statement
For the Year Ended 31st March 2008

	Notes	This Year	Last Year
		\$	\$
Registry Fees		6,072,686	5,300,694
Less Expenses			
Amortisation		19,062	35,349
Audit Fees		14,395	9,976
Depreciation		143,529	104,212
Directors' Fees		93,600	80,400
DNC Management Fee	18	996,000	957,000
Employee Remuneration		368,493	296,164
Other Expenses	1	1,329,771	1,216,528
Rent		218,837	167,839
		<hr/>	<hr/>
Total Expenses		3,183,687	2,867,468
		<hr/>	<hr/>
Net Operating Profit		2,888,999	2,433,226
Plus:			
Interest Revenue		567,650	405,672
Sundry Income		205,569	172,841
		<hr/>	<hr/>
Net Profit Before Taxation		3,662,218	3,011,739
Less: Provision for Tax	2	1,211,390	994,461
		<hr/>	<hr/>
Net Profit After Taxation		\$2,450,828	\$2,017,278
		<hr/>	<hr/>



Statement of Changes in Equity
For the Year Ended 31st March 2008

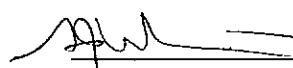
	This Year	Last Year
	\$	\$
Share Capital		
Opening Share Capital	30,000	30,000
	<hr/>	<hr/>
Share Capital as at 31st March 2008	30,000	30,000
Retained Earnings		
Opening Retained Earnings	2,812,843	2,195,565
Plus:		
Net Income And Expenses Recognised Directly In Equity	-	-
Net Profit After Taxation	2,450,828	2,017,278
	<hr/>	<hr/>
	5,263,671	4,212,843
Less:		
Dividend Declared	1,700,000	1,400,000
	<hr/>	<hr/>
	1,700,000	1,400,000
	<hr/>	<hr/>
Retained Earnings as at 31st March 2008	3,563,671	2,812,843
	<hr/>	<hr/>
Equity as at 31st March 2008	\$3,593,671	\$2,842,843
	<hr/>	<hr/>




Balance Sheet
As At 31st March 2008

	Notes	This Year \$	Last Year \$
Current Assets			
Cash and Cash Equivalents		1,205,925	621,995
Term Deposits	3	5,709,482	5,749,055
Trade and Other Receivables	4	893,703	777,890
Total Current Assets		<u>7,809,110</u>	<u>7,148,940</u>
Property, Plant & Equipment	5	298,041	263,123
Intangible Assets	6	28,645	47,707
Total Assets		<u>8,135,796</u>	<u>7,459,770</u>
Less Liabilities:			
Current Liabilities			
Deferred Income - Current Portion	8	3,024,184	2,805,239
Trade and Other Payables	7	317,372	327,930
Total Current Liabilities		<u>3,341,556</u>	<u>3,133,169</u>
Term Liabilities			
Deferred Income	8	1,200,569	1,083,758
Redeemable Preference Shares	9, 18	-	400,000
Total Liabilities		<u>4,542,125</u>	<u>4,616,927</u>
Net Book Value of Assets		<u>\$3,593,671</u>	<u>\$2,842,843</u>
 Represented by:			
Total Equity		<u>\$3,593,671</u>	<u>\$2,842,843</u>

For and on Behalf of the Board

 Director

 Director

6/6/08 Date



Statement of Cashflows
For the Year Ended 31st March 2008

	This Year	Last Year
	\$	\$
Cashflows From Operating Activities		
Cash was Provided From:		
Net Receipts from Customers	6,602,160	6,286,800
Net GST Received	-	59,780
Interest Received	526,793	370,781
	7,128,953	6,717,361
Cash was Distributed To:		
Net GST Paid	19,756	-
Net Payments to Suppliers & Employees	2,967,775	2,753,084
Payment of Income Tax	1,318,618	874,262
	4,306,149	3,627,346
Net Cashflows from Operating	2,822,804	3,090,015
Cashflows from Financing Activities		
Cash was Distributed To:		
Preference Shares Redeemed	400,000	-
Dividend Paid	1,700,000	1,400,000
	(2,100,000)	(1,400,000)
Net Cashflows from Financing	(2,100,000)	(1,400,000)
Cashflows from Investing Activities		
Cash was Distributed To:		
Purchase of Fixed Assets & Trademark	178,447	170,982
	(178,447)	(170,982)
Net Cashflows from Investing	(178,447)	(170,982)
Net Increase (Decrease) in Cash Held	544,357	1,519,033
Plus Opening Cash Balance	6,371,050	4,852,017
Closing Cash Carried Forward	\$6,915,407	\$6,371,050
Closing Cash Comprises		
Cash at Bank	1,205,925	621,995
Term Deposits	5,709,482	5,749,055
	\$6,915,407	\$6,371,050



Statement of Cashflows (Continued)
For the Year Ended 31st March 2008

	This Year \$	Last Year \$
Cashflow Reconciliation		
Net Profit After Tax Per Income Statement	2,450,828	2,017,278
Plus:		
Depreciation & Amortisation	162,591	139,562
Net Increase in GST Payable	-	59,780
Net Decrease in Pre-payments	-	619
Net Increase in Accounts Payable	48,711	-
Net Increase in Provision for Taxation	-	120,198
Net Increase in Employee Entitlements	9,145	-
Net Increase in Deferred Income	335,756	857,631
	556,203	1,177,790
	3,007,031	3,195,068
Less:		
Net Increase in Accounts Receivable	11,851	44,366
Net Increase in Interest Receivable	40,858	34,891
Net Increase in Pre-payments	4,534	-
Net Decrease in Accounts Payable	-	25,796
Net Decrease in GST Payable	19,756	-
Net Decrease in Provision for Taxation	107,228	-
	184,227	105,053
Net Cashflow from Operating Activities (as per Cashflow Statement)	\$2,822,804	\$3,090,015



Accounting Policies
For the Year Ended 31st March 2008

Reporting entity

New Zealand Domain Name Registry Limited is a company incorporated and domiciled in New Zealand under the Companies Act 1993.

The company operates in one segment, with the main activity being the operation of the .nz Domain Name Shared Registry System in one primary geographical segment, New Zealand.

The financial statements of the company are for the year ended 31 March 2008. The financial statements were authorised for issue by the Board of Directors on 6 June 2008.

Summary of accounting policies

- Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to profit-orientated entities that qualify for and apply differential reporting concessions. The company is a profit-orientated entity. The company is a reporting entity for the purposes of the Financial Reporting Act 1993 and the financial statements comply with that Act.

The company qualifies for Differential Reporting because it is not publicly accountable and does not qualify as a large entity as defined in the framework for Differential Reporting by the New Zealand Institute of Chartered Accountants. The company has not taken advantage of any of the Differential Reporting Exemptions.

Basis of measurement

The financial statements have been prepared on an historical basis, except for the financial assets and liabilities that have been measured at fair value to meet NZ IFRS requirements. In the current and comparative financial period all financial assets and liabilities have been carried at historical cost.

Presentation Currency

The financial statements are presented in New Zealand dollars (\$). This is the functional currency.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumption that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.



Accounting Policies
For the Year Ended 31st March 2008

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

- Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

- Term Deposits

All term deposits are initially recognised at cost, being the fair value of the consideration given. The financial instruments are defined as "held to maturity".

After initial recognition, the term deposits classed as "held to maturity" are recognised at fair value less impairment. Any movement in the fair value or impairment is recognised in the Income Statement.

- Property, plant and equipment

Property, plant and equipment is shown at cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Additions

The cost replacing part of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to the company and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Income Statement.

Depreciation

Depreciation is charged on a diminishing value basis on all property, plant and equipment over the estimated useful life. Depreciation is charged to the Income Statement. The principal rates used to calculate depreciation are -

Leasehold Improvements	11.4% - 31.2%	DV
Computer Hardware	31.2% - 60.0%	DV
Office Equipment	12.0% - 60.0%	DV

Leased assets

Leases when the company assumes substantially all the risks and rewards of ownership are classified as finance leases. The assets acquired by way of finance lease are measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.



Accounting Policies
For the Year Ended 31st March 2008

- Intangible Assets

All intangible assets are stated at cost less accumulated amortisation and any impairment.

All intangible assets held are assessed as having a finite useful life and amortised over their anticipated useful life. The principal rates to calculate amortisation are -

Trademarks	14.3%	DV
Software	48.0% - 60%	DV

The useful life of finite life intangible assets is examined on an annual basis and adjustment, where applicable, made on a prospective basis.

- Receivables

Receivables are stated at their cost less impairment losses.

A provision for impairment is established where there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivable.

Receivables with a short duration are not discounted.

- Financial Liabilities

The group and parent's financial liabilities include trade and other payables, which are measured at amortised cost using the effective interest rate method.

Financial liabilities are recognised when the group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instruments fair value that are reported in profit or loss are included in the Income Statement.

- Employee Entitlements

Employee entitlements that the company expects to be settled within 12 months of balance date are measured at nominal value based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, entitlements expected to be settled within 12 months, and sick leave.

The company recognises a liability for sick leave. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the company anticipates it will be used by staff to cover those future absences.

The company recognises a liability and an expense for bonuses where they are contractually obliged or where there is a past practice that has created a constructive obligation.



Accounting Policies
For the Year Ended 31st March 2008

- Provisions

The company recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

A provision for onerous contracts is recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

- Redeemable preference shares

The component of the convertible non-cumulative preference shares that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of issue costs.

On the issue of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption.

Interest and dividends on redeemable preference shares are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instrument.

- Impairment

The carrying amounts of company assets are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such indication exists, the assets recoverable amount is estimated. The recoverable amount is calculated as the present value of estimated future cash flows discounted at their original effective interest rate.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying value of assets and are recognised in the Income Statement.

Impairment losses are reversed when there is change in the estimates used to determine the recoverable amount.

- Foreign Currency Transactions

Transactions in foreign currencies that are settled in the accounting period are translated at the settlement rate. Transactions in foreign currencies that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement.



Accounting Policies
For the Year Ended 31st March 2008

- Revenue

Sale of goods

Revenue from the sale of goods is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of the goods.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at the balance sheet date.

Registry fees received are recognised as income over the period of the registration. Registry fee receipts received for periods subsequent to balance date are treated as deferred income.

Interest

Revenue is recognised as the interest accrues to the net carrying amount of the financial asset using the effective interest rate method.

Rental Income

Rental income arising from sub-lease agreement is accounted for on a straight line basis over the lease term.

- Expenses

Operating lease payments

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Payments made under operating leases are recognised in the Income Statement on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

- Income Tax

The income tax expense recognised in the Income Statement is the estimated income tax payable in the current year, adjusted to any difference between the estimated and actual income tax payable in prior periods.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting differences. Deferred income tax liabilities are recognised for all temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised.

The carry forward of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilised.

Income tax relating to items recognised directly in equity are recognised in equity and not in the income statement.



Accounting Policies
For the Year Ended 31st March 2008

For the current and comparative financial period the company recognises no deferred tax assets or liabilities. There are no tax losses to be carried forward and the company does not record deferred income tax balances because there are no material differences between the tax base of the balance sheet items and the carrying values of assets and liabilities.

- GST

All amounts are shown exclusive of Goods and Service Tax (GST), except for receivables and payables that are stated inclusive of GST. When GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

- Risk management objectives and policies

The company has a series of policies to manage the risk associated with financial instruments. The company is risk averse and seeks to minimise exposure from its treasury instruments. Policies have been established which do not allow any transactions that are speculative in nature to be entered into.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The company receives services from suppliers located in the United States of America. The overseas entity issues invoices and is paid in United States Dollars. The company therefore has a limited foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates. The company has no short or long term borrowings.

Credit Risk

Credit risk is the risk that a third party will default on its obligation to the company, causing the company to incur a loss. The company does not require collateral or other security to support accounts receivable balances. The company has no significant concentrations of credit risk, as it has a large number of credit customers. Management does not believe the company is significantly exposed to credit risk.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities.



Notes To The Financial Statements
For the Year Ended 31st March 2008

1. Other Expenses

The balance of Other Expenses comprises the following items:

	2008	2007
	\$	\$
Bad Debts Written Off	-	-
DNS Networking	113,321	101,236
SRS Maintenance	257,432	318,607
Other IT	129,226	173,961
Technical and Business Systems		
Review Project	169,356	29,626
Other Expenses	660,436	593,098
	<u>\$1,329,771</u>	<u>\$1,216,528</u>

2. Income Tax

Taxation has been provided for at the current rates applicable.

Taxation has been calculated as follows:

	2008	2007
	\$	\$
Net Profit Before Tax	3,662,218	3,011,739
Plus:		
Permanant Differences		
Non-Deductible Entertainment	3,698	1,953
Timing Differences		
Non-Deductible Employee Entitlements	10,581	4,961
Net Taxable Income	<u>\$3,676,497</u>	<u>\$3,018,652</u>
Tax Expense at 33%	1,213,244	996,156
Plus:		
Timing Difference from previous year	1,638	(57)
Less:		
Timing Difference this year	3,492	1,638
Income Tax Provision per Profit & Loss	<u>\$1,211,390</u>	<u>\$994,461</u>
Tax Expense at 33% (as above)	1,213,244	996,156
Plus:		
Previous Year's Tax Payable (Receivable)	(250)	-
Less:		
Deferred Taxation Adjustments for the period	3,492	-
Income Tax Paid in Period	<u>1,268,073</u>	<u>945,861</u>
Income Tax Payable / (Receivable) per Balance Sheet	<u>\$(58,571)</u>	<u>\$48,657</u>

The Notes form part of these Financial Statements and should be read in conjunction with them.



Notes To The Financial Statements
For the Year Ended 31st March 2008

3. Term Deposits

The company has the following funds invested in Term Deposits:

This Year

Entity	Maturity Date	Rate	Amount
ASB Bank	3 July 2008	8.31%	\$345,700
ASB Bank	21 November 2008	8.75%	\$1,014,777
ANZ Banking Group	4 October 2008	8.65%	\$292,247
ANZ Banking Group	24 June 2008	8.40%	\$500,000
Bank of New Zealand	6 September 2008	8.55%	\$398,917
Bank of New Zealand	22 September 2008	8.60%	\$588,756
Bank of New Zealand	15 April 2008	8.40%	\$525,139
The National Bank	8 September 2008	8.50%	\$360,214
Westpac	13 September 2008	8.25%	\$574,408
TSB Bank	20 September 2008	8.40%	\$343,162
TSB Bank	12 March 2009	8.80%	\$766,163
			\$5,709,482

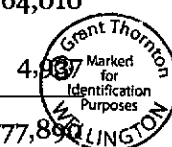
Last Year

Entity	Maturity Date	Rate	Amount
ASB Bank	21 May 2007	7.57%	\$753,136
ASB Bank	3 July 2007	7.56%	\$329,119
ANZ Banking Group	4 April 2007	7.40%	\$278,644
Bank of New Zealand	30 July 2007	7.46%	\$554,015
Bank of New Zealand	19 August 2007	7.52%	\$512,423
Bank of New Zealand	11 October 2007	7.46%	\$381,238
The National Bank	26 April 2007	7.41%	\$389,379
The National Bank	11 September 2007	7.48%	\$351,150
Westpac	13 April 2007	7.35%	\$550,690
Westpac	31 July 2007	7.61%	\$600,000
TSB Bank	22 September 2007	7.60%	\$327,156
TSB Bank	12 June 2007	7.25%	\$722,105
			\$5,749,055

4. Trade and Other Receivables

The balance of Trade and Other Receivables comprises the following items:

	2008	2007
	\$	\$
Interest Receivable	149,800	108,943
Accounts Receivable	675,861	664,010
Provision For Tax	58,571	
Pre-payments	9,471	
	\$893,703	\$777,890



Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2008

5. Property, Plant & Equipment

The following gives details of the cost or valuation of assets and depreciation written off to date:

<u>This Year</u>	<u>Cost or Valuation</u>	<u>Depreciation For Year</u>	<u>Accumulated Depreciation</u>	<u>Book Value This Year</u>
Leasehold Improvements	102,091	8,052	40,001	62,090
Computer Hardware	600,135	125,637	406,977	193,158
Office Equipment	85,340	9,840	42,547	42,793
	<u>\$787,566</u>	<u>\$143,529</u>	<u>\$489,525</u>	<u>\$298,041</u>

<u>Last Year</u>	<u>Cost or Valuation</u>	<u>Depreciation For Year</u>	<u>Accumulated Depreciation</u>	<u>Book Value Last Year</u>
Leasehold Improvements	102,091	9,116	31,949	70,142
Computer Hardware	451,481	82,018	281,340	170,141
Office Equipment	55,547	13,078	32,707	22,840
	<u>\$609,119</u>	<u>\$104,212</u>	<u>\$345,996</u>	<u>\$263,123</u>

6. Intangible Assets

The following gives details of the cost or valuation of assets and amortisation to date:

<u>This Year</u>	<u>Cost or Valuation</u>	<u>Amortisation For Year</u>	<u>Accumulated Amortisation</u>	<u>Book Value This Year</u>
Software	654,488	17,825	627,448	27,040
Trademark	8,619	1,237	7,014	1,605
	<u>\$663,107</u>	<u>\$19,062</u>	<u>\$634,462</u>	<u>\$28,645</u>

<u>Last Year</u>	<u>Cost or Valuation</u>	<u>Amortisation For Year</u>	<u>Accumulated Amortisation</u>	<u>Book Value Last Year</u>
Software	654,488	34,111	609,623	44,865
Trademark	8,619	1,238	5,777	2,842
	<u>\$663,107</u>	<u>\$35,349</u>	<u>\$615,400</u>	<u>\$47,707</u>



Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2008

7. Trade and Other Payables

The balance of Trade and Other Payables comprises the following items:

	2008	2007
	\$	\$
Accounts Payable	225,336	176,627
Holiday Pay Accrued	26,106	17,152
Sick Leave Accrued	3,448	3,256
Provision for Taxation	-	48,657
GST Payable	62,482	82,238
	\$317,372	\$327,930

8. Deferred Income

The company has invoiced clients for \$4,224,753 (2007 \$3,888,997) in advance. \$4,175,133 of this relates to domain name registration fees and \$49,620 relates to tenant rent.

9. Issued Shares

The company had 30,000 fully paid ordinary shares and 10 fully paid redeemable shares. The 10 fully paid redeemable shares were repaid in March 2008 to the Internet Society of New Zealand Incorporated, a related party.

10. Financial Instruments

Financial Instruments which potentially subject the company to credit risk principally consist of bank balances and accounts receivable.

In the normal course of its business the company incurs credit risk from trade and other debtors. The company has a credit policy which is used to manage these exposures. The company does not require any collateral or security to support financial instruments.

The company is not exposed to any specific currency or interest rate risk other than normal interest rate and currency movements on a daily basis in the market.

As at 31 March 2008 the values stated in the Financial Statements and the estimated fair value of the company's financial assets and liabilities are not materially different.



Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2008

11. Imputation Credit Account

At 31st March 2008 the company had Imputation Credits available to carry forward of \$1,637,924.00 (2007 \$1,156,619.34) detailed as follows:

	2008 \$	2007 \$
Balance at Beginning of Year	1,156,619	971,851
Plus:		
Resident Withholding Tax Deducted	179,749	124,861
Interest Received from IRD	-	3,148
Income Tax Paid During the Year	1,138,869	771,000
Less:		
Imputation Credits Attached to Dividends Paid	837,313	689,552
Income Tax Refunded During the Year	-	24,689
Balance at End of Year	<u>\$1,637,924</u>	<u>\$1,156,619</u>

12. Contingent Liabilities

The company had no contingent liabilities as at 31st March 2008. (2007 \$Nil)

13. Segmental Reporting

The company trades significantly within one geographic region and trades only one product so Segmental Reporting is not required.

14. Commitments

As at balance date the company had no commitments. (2007 \$Nil)

15. Operating Leases

Lease Commitments

	2008 \$	2007 \$
Office Lease		
- Next Twelve Months	214,958	171,940
- One to Two Years	197,045	171,940
- Two to Five Years	-	157,612
Total Lease Commitments	<u>\$412,003</u>	<u>\$501,492</u>



Notes To The Financial Statements (Continued)
For the Year Ended 31st March 2008

16. Finance Leases

The company has no finance leases.

17. Events Subsequent to Balance Date

No events occurred subsequent to balance date that would have had a material effect on the financial statements.

18. Related Party Transactions

The Internet Society of New Zealand Incorporated owns 100% of New Zealand Domain Name Registry Limited.

Dividends paid during the year consisted of \$1,700,000 (2007 \$1,400,000) declared and paid during 2008.

The Internet Society of New Zealand is a related party and received management fees totalling \$996,000 (2007 \$957,000) for the office of the Domain Name Commissioner (DNC).

The Internet Society of New Zealand is also a sub-tenant of the premises occupied by the company. The Society paid rent of \$102,104 and outgoings of \$26,591 (total \$128,695, 2007 \$108,778) to the company during the year.

10 fully paid redeemable shares totalling \$400,000 were repaid in March 2008 to the Internet Society of New Zealand Incorporated, a related party.

Key Management Personnel

The Company has a related party relationship with its directors and executive officers.

Total employee benefit expenses in the Income Statement included remuneration for:

	2008	2007
	\$	\$
Directors' Fees	93,600	80,400
Key Management	243,596	204,269

Except as stated above there are no other related party transactions.

19. Employee Remuneration

	2008	2007
	\$	\$
Salaries and Wages	345,747	266,610
Employer Contributions to Contribution Plans	2,337	-
Increase/(decrease) in Employee Entitlements	20,409	29,554
Total Employee Remuneration	\$368,493	\$296,164

During the year two (2007 one) employees received remuneration greater than \$100,000.





Grant Thornton

Audit Report

Grant Thornton

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To the Shareholders of New Zealand Domain Name Registry Limited

We have audited the financial report on pages 10 to 26. The financial report provides information about the past financial performance of New Zealand Domain Name Registry Limited and its financial position as at 31 March 2008. This information is stated in accordance with the accounting policies set out on page 15 to 20.

Directors' Responsibilities

The Directors are responsible for the preparation of a financial report which gives a true and fair view of the financial position of the New Zealand Domain Name Registry Limited as at 31 March 2008 and the results of operations and cash flows for the period ended on that date.

Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the financial report presented by the Directors.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial report, and
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial report.

Other than in our capacity as auditor we have no other relationship with, or interest in New Zealand Domain Name Registry Limited.

Unqualified Opinion

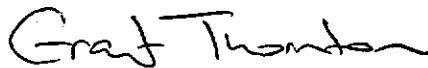
We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by New Zealand Domain Name Registry Limited as far as appears from our examination of those records; and

- the financial report on pages 10 – 26:
 - complies with generally accepted accounting practice in New Zealand;
 - gives a true and fair view of the financial position of New Zealand Domain Name Registry Limited as at 31 March 2008 and the results of its operations and cash flows for the period ended on that date.

Our audit was completed on 06 June 2008 and our unqualified opinion is expressed as at that date.



Grant Thornton
Wellington

Company Directory
As At 31st March 2008

Directors	David Farrar Donna Hiser Douglas Mercer Carol Stigley Anne Urlwin	
Ordinary Shares Issued		<u>30,000</u>
Held By	The Internet Society of New Zealand, Inc	30,000
Accountants	Curtis McLean Limited	
Auditors	Grant Thornton	
Bankers	ASB Bank Limited	
Legal Advisors	Quigg Partners	
Registered Office	Level 7, The Bayleys Building, 28 Brandon Street, Wellington	
Company Number	1192313	