

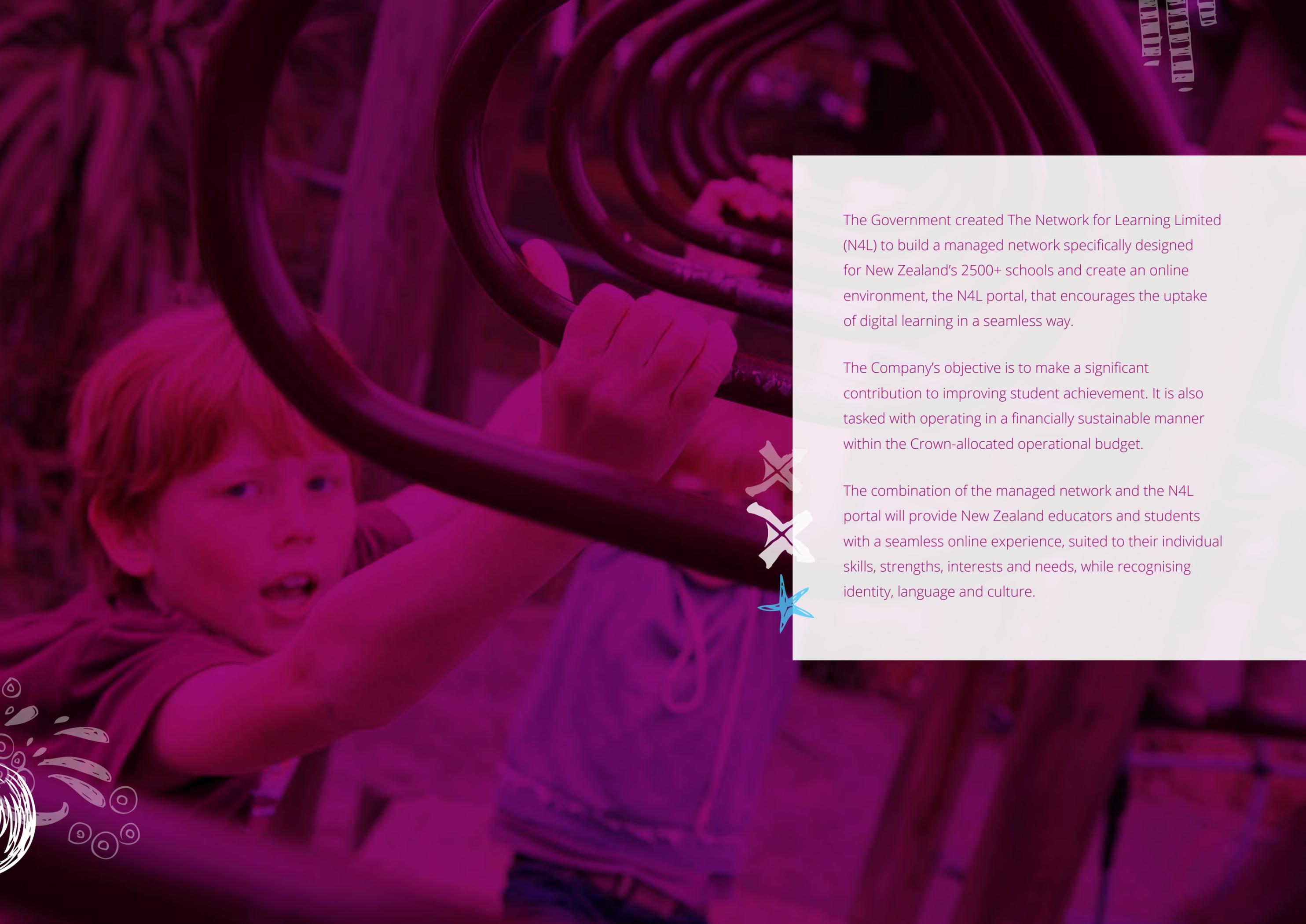
ANNUAL REPORT

2013



**N4L**

Network for Learning



The Government created The Network for Learning Limited (N4L) to build a managed network specifically designed for New Zealand's 2500+ schools and create an online environment, the N4L portal, that encourages the uptake of digital learning in a seamless way.

The Company's objective is to make a significant contribution to improving student achievement. It is also tasked with operating in a financially sustainable manner within the Crown-allocated operational budget.

The combination of the managed network and the N4L portal will provide New Zealand educators and students with a seamless online experience, suited to their individual skills, strengths, interests and needs, while recognising identity, language and culture.





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# CHAIR'S REPORT

In this world of embedded technology, described by Gartner as a new era in "The Digital Industrial Economy", it is essential that our young people maximise their years at school and exit as confident young New Zealanders, equipped with the 21st century learning skills they need to succeed.



**The Network for Learning Limited was formed to help realise the benefits of the Government's investment in infrastructure, to improve educational outcomes, and ultimately to contribute to a productive and competitive economy.**

N4L's purpose is to establish and operate a student focused network specifically designed for New Zealand schools and to create an environment that encourages the uptake of digital learning in a seamless way.

As a new Company our first priority was to create our identity - the right brand to encapsulate the essence and foundation of the organisation's values, goals and objectives. We talked with people in education including principals, teachers, students and the Ministry of Education, and looked at how digital technology can inspire and engage students. Our name 'network'

speaks of collaboration and 'learning' is key to achievement, while adopting a shortened "N4L" communicates the digital era.

Values, critical to any organisation, form the basis of our culture. N4L's values of Agile, Easy, Inspiring, Authentic and Open revolve around the concept of being a 'catalyst', "a thing or person that causes change - a promoter, a channel".

The essence of what we are building for New Zealand is articulated by a key message, "Te Kura Tuku" - the idea of a treasure chest, a treasure shared, a community treasure. A place where the treasures - the knowledge of our communities and individuals - can be brought and offered; and a place where knowledge can be gained from others.

Our strategy (as detailed in the first and subsequent Statements of Intent)

Te Kura  
Tuku  
a treasure  
shared



focuses on our delivery of what schools need - in managed service and internet connectivity, content and 'learning to learn' online services.

Alongside the right brand and the right strategy come the right people. We were delighted to appoint John Hanna, with his extensive leadership background in technology and telecommunications, as CEO. John has continued to build a very special team over time to encompass all facets of sectoral needs - most especially in education, technology and business.

A key milestone achieved this year was the completion of a robust RFP process to select a network service provider for the delivery of the managed network. Subsequent to the 2013 financial year end, Telecom New Zealand (Telecom) has been appointed.

As we embark on this journey we recognise two key factors associated with technology and learning: the pace in which technology is evolving, and the importance of individualised learning.

Our strategy and partnership agreements allow N4L to remain flexible and responsive to emerging challenges and opportunities caused by technological change. This in turn allows us to embrace diverse thinking, strengths, interests, cultures, and the needs of learners as individuals.

N4L has an incredibly exciting year ahead with the connection of the first schools to the managed network and the launch of the N4L portal.

I offer my personal thanks to my fellow Directors for their unfailing dedication and contribution in establishing this new, innovative and exciting

organisation, and to John, his Executive Team, and the rest of the N4L team for their commitment and hard work in this formative yet fast-paced period. We are proud to support schools through this time of change and to play a critical role in what we know will have a major impact both now and well into the future.

**Helen Robinson**  
Chair



# CHIEF EXECUTIVE'S REPORT

The first six months of the Company focused on defining the strategy, building the operational foundations and finalising the robust RFP process for a network services provider. During this period, the Company was staffed with seconded and interim resource until the permanent team began to come onboard at the beginning of November, 2012. I commenced my role as Chief Executive on 3 December, 2012.

**The Network for Learning Limited (N4L) was created by Government to build a managed network specifically designed for New Zealand's 2500+ schools and to create an environment that encourages the uptake of digital learning. N4L's objective, whilst supporting the delivery of the New Zealand Curriculum is to make a significant contribution to improving every students achievement. We have a specific focus on ensuring equity of access and outcome potential for every student, regardless of geography or demography.**

The calendar year began with the selection and appointment of an experienced executive team. To support our operational and strategic outcomes, we needed to bring on board a mix of education sector, IT and telecommunications, technical, financial, sales, marketing and software development skills.

Whilst it is critical to the Company's success that we focus on delivery of technology, our focus will remain on our customers - principals, teachers and students. The N4L executive and

their teams have been engaged across the sector, visiting schools, meeting with principals, engaging with eLearning groups and attending and presenting at sector events; all to ensure we are able to take into account the needs of the sector as we develop the managed network and portal. To support this effort, we were pleased to be able to bring Carolyn Stuart, formerly Principal of Tawa Intermediate, into the N4L team in May, 2013.



The managed network, by design, will be open, safe, secure and predictable with fast, uncapped data. It is fully funded for all state and state-integrated schools and Kura that choose to connect to it, and is also available to independent schools at a cost. A lengthy and rigorous RFP process was completed in August, 2013 with Telecom being selected as the network vendor.

N4L, with the support of Telecom, is responsible for the design, build and delivery of the managed network. The design of this is underway, with the completion due in November 2013. The managed network will be delivered over Ultrafast Broadband (UFB) via the four Local Fibre Companies (LFC's) - Chorus, Enable, Ultrafast Fibre and Northpower; and the Rural Broadband Initiative (RBI) via Chorus and Vodafone.

We have recently announced the first 21 schools that will be connected to the managed network before Christmas 2013. Our connection target for 2014 is to see more than 700 schools on board, with the remainder of schools being offered a connection by the end of 2016.

Complementing and supporting the Company's outcomes is the N4L portal. When complete and released to all schools early in the 2014 school year, the portal will support the delivery of education-focused content and services that will drive collaboration and enable deep search of some of New Zealand's most valuable and often difficult to find digital assets. The portal will be a valuable tool that will support teachers and students all over New Zealand.

N4L's most significant partner is the Ministry of Education. The Ministry and N4L share a common goal, to contribute to improved education outcomes for all New Zealand students. To this end considerable effort and focus from both Ministry and N4L teams ensure that there is an alignment of purpose, key project milestones and communications.

While we are only at the beginning of this journey, we have seen over 1800 schools already register their interest to be connected to the managed network. The bringing together of the N4L team is almost complete.

Those on board already are, without exception, incredibly focused on making a difference and seeing every New Zealand student given the same opportunity to learn, leveraging the power and capability of technology.

**John Hanna**  
CEO



# MANAGED NETWORK

N4L's managed network is specifically designed for New Zealand schools with the goal of providing predictable and fast internet with uncapped data; content filtering and network security services. State and state-integrated schools and Kura will be fully-funded for their connection to N4L's managed network, which will be capable of connecting more than 800,000 students, educators and school administrators across the country.

The network will also provide high-speed access to a growing collection of teaching and learning resources that will be directly connected to the network.

**N4L is committed to providing an 'open' network, meaning schools will maintain their ability to access the whole internet. N4L will also provide optional content filtering and firewall services to help schools create a safe environment for their students. Schools will choose which of these services to use to meet their individual needs. N4L will use the specialist skills and knowledge of its growing team to deliver a consistent and predictable online experience for schools so that priority services that facilitate key activities such as online tests and virtual learning lessons perform at their best.**



N4L will utilize the Ultra Fast Broadband (UFB) and Rural Broadband Initiative (RBI) fibre infrastructure currently being rolled out throughout the country by four Local Fibre Companies (LFC's) to connect schools. Where fibre from these two programmes is not available, the Company will use alternative connectivity options to include even the most remote schools, including those on the Chatham Islands.

The rollout of the managed network will be progressive, with the first schools scheduled for connection by the end of 2013.

The Company is committed to connecting more than 700 schools by the end of 2014, with all New Zealand



**ALL NEW ZEALAND SCHOOLS WILL HAVE THE ABILITY TO CONNECT TO N4L'S MANAGED NETWORK BY THE END OF 2016.**



schools having the ability to connect to N4L's managed network by the end of 2016.

It is N4L's aim that from the day a school signs their managed network contract until the school is migrated and functioning on their new connection, principals and their staff feel confident in the work that is being undertaken at their school.

At each major step along the way, the Company is committed to communicating clearly with relevant school staff to set clear expectations and to provide useful information.

There is an understanding that many schools run complex and large internal networks, with many factors needing

to be taken into consideration when moving to the managed network. N4L is building a team dedicated to transitioning schools through this process; discovering everything in a school's IT environment that will be impacted by transition, understanding future plans the school has, and connecting the school in a way that supports this.

The support team is ready to provide schools the help they need to get the best out of the managed network, and quickly fix problems when things go wrong. They will be proactively checking the health and performance of each school's connection, making sure potential issues are identified and quickly remediated.



# DYNAMIC SERVICES

**The N4L portal is the foundation of a community that uses technology to connect New Zealand teachers, students, school administrators and providers of content and services. It will do this in a safe, collaborative environment where trusted educational content and services are discovered, new material is collated and shared, and constructive engagement is recognised.**

**The portal will house a variety of easy to use collaboration tools for students and educators across the country.**

**The portal is designed and constructed to grow and evolve with its community of users. Core features and functionality have been defined based on sector studies and emerging web trends, along with stakeholder engagement and a touch of intuition.**



An important element of the portal is for it to be an open, fair and non-prescriptive environment. By being so, schools will be able to make their own decisions around the content and services they use. So while the portal will contain a large range of services, schools will not be limited to the services in the portal: they can access anything they wish on the internet in line with school-defined network safety policies. In addition, any provider can sign up to be in the portal and any user can add any service they like. Content and services will be reviewed by portal users which will be reflected in search results and catalogue ordering. Providers will not be able to buy their way to the top of search results.

The Company's aim is to provide users with rapid and easy access to the services and content needed to operate confidently and successfully

in a technology-filled world. Through its engagement with the education sector, N4L's portal team has identified the types of content and services that will best meet educators' needs, and responded accordingly.

Early efforts towards portal development focused on the research and design of an environment that would deliver to the Company's objectives. Information was gathered by researching similar educational products in the market, looking at international trends, spending time in schools, speaking with school staff and meeting with providers of educational content and services. A review of previous research undertaken by the Ministry of Education was also completed. Now that this has been completed, a comprehensive design phase has now begun.

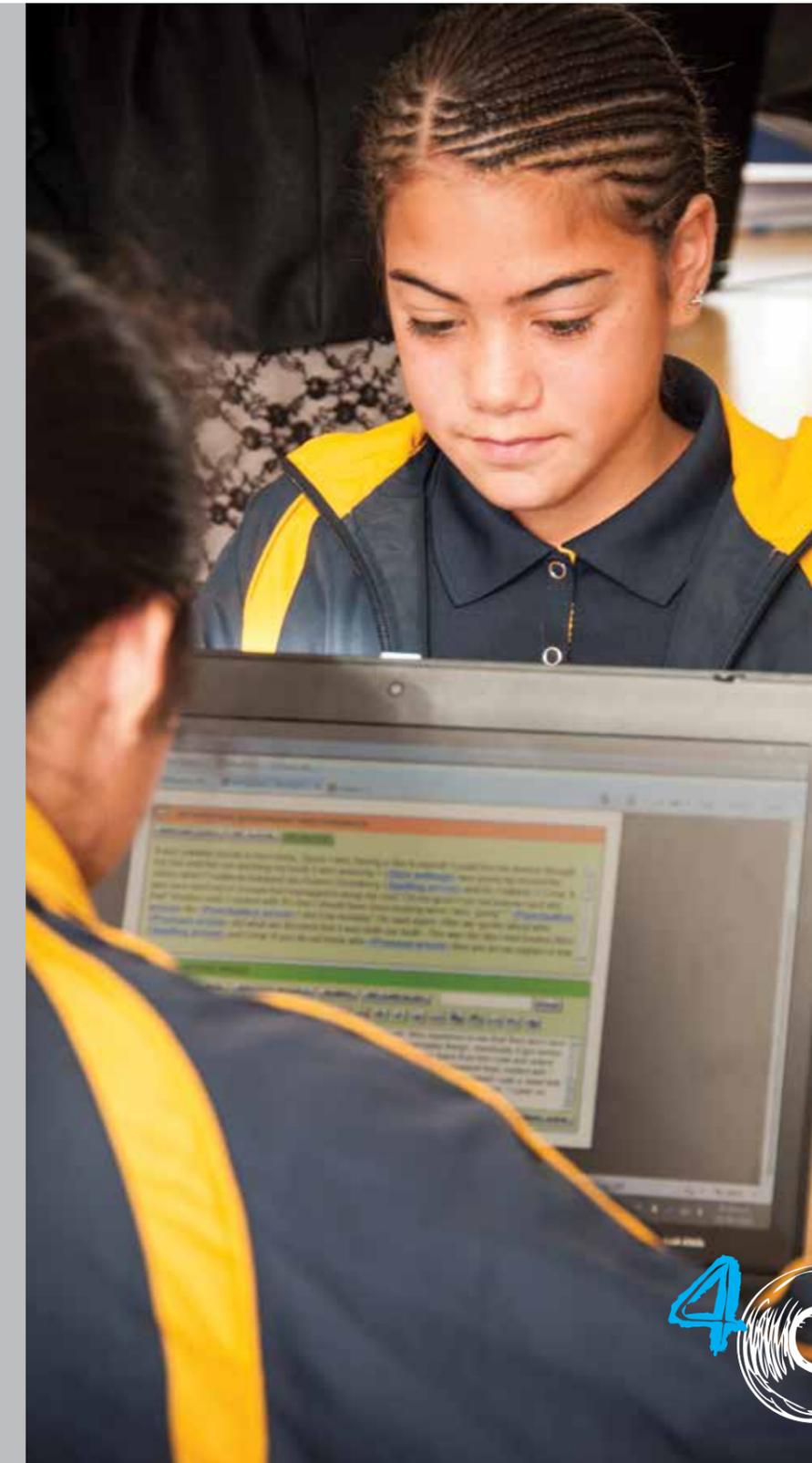
The portal will continue to be developed with input from the education sector and content and service providers. A development approach that listens to input is key to ensuring the portal grows in its relevance and becomes established as a key resource for the education community.

While registered providers will have access to the portal, there will be limits to this to ensure the safety of all users. A "Provider Engagement Model" will be established which will shape N4L's interaction with such providers, and include membership levels and various services and functionality tied to each of these levels.

#### **Provider Relationships:**

**Intrinsically linked to the design of the portal environment are the relationships the Company builds with providers of content and services to schools. Part of the Company's role is to seek opportunities with such providers to create the most beneficial opportunities and outcomes for schools.**

The portal is intended to be launched in early 2014. Teachers and school administrators are expected to be the first user groups to be given access when the portal launches in early 2014, with other user groups added soon after. Following this initial release, N4L will continue to engage with the sector and respond to their feedback; modifying and releasing additional functionality as required.



# N4L AND EDUCATION

N4L serves the needs of New Zealand schools through the provision of safe, fast and predictable connectivity, along with an online aggregation of content and services required to support the delivery of the New Zealand curriculum and efficient administration of our schools. The Company works with the education community to deliver the tools, services and content required to maximise the benefits of digital technology with the goal of improving student achievement.

**For the period to June, 2013 the Company's interaction with the education sector included meetings with educators across the country as well as strong representation at sector events. This engagement has provided valuable input to thinking, design and development, and will influence the way the Company looks to interact with the sector as it moves forward.**

Since the announcement of Telecom as the network services vendor in early August, the level of understanding of what N4L will be doing has significantly increased. N4L is continuing to gain deeper insights on how schools are beginning to use digital technologies for their specific needs. With continual attendance to sector events, the sharing of new information as it becomes available, and the N4L website being updated regularly,

sector understanding of the Company and its objectives is increasing. Direct mail communications, email campaigns and social media have also become a large component of the Company's engagement, as has information sharing via sector-facing representative groups (e.g. New Zealand Principals' Federation, Secondary Principals' Association of New Zealand).

As the managed network and portal begin to take shape, more feedback from key sector groups and individuals is being gathered. With the recent establishment of the Company's "Feedback Loops" programme, the education community has the ability to give their ideas more easily, ensuring that what N4L develops is relevant, reflects the intent of the curriculum and fits philosophically with the way teaching and learning occurs in New Zealand.



**Supporting schools is key to the success of the managed network and increasing the use of digital technology. As such, N4L is committed to supporting;**

Teachers' and principals' understanding how digital technology is changing the face of education

Schools taking a blended e-learning approach - integrating digital tools and applications with other non-digital teaching approaches

An increased focus on teaching approaches, such as inquiry-based learning, that are better suited to blended environments than the more traditional forms of content transmission

Modern learning environments and how these enhance and enable greater use of technology in classrooms

N4L's priority is our users' satisfaction. This means ensuring that we meet the needs of all schools and students, being proactive and responsive as questions arise, and providing a flexible platform which reflects evolving educational and technological changes.

On going professional learning and development in all areas of the Company will ensure that it remains at the cutting edge of technology and education. This will result in the N4L continuing to provide New Zealand's education sector with the tools required to educate our tamariki, our future.





# EXECUTIVE TEAM

## John Hanna Chief Executive Officer

For the three years prior to joining N4L, John was CEO of internet and data centre services provider Maxnet. John has over 30 years with global and local ICT companies, including key executive roles with IBM, Solnet, Sun Microsystems and Computerland.

## Jeremy Nees Chief Technical Officer

Before N4L, Jeremy held roles as lead technology architect and product development manager within the telecommunications industry, bringing 14 years experience in computing and network architect design, consultancy and engineering. In addition to this, Jeremy was instrumental in the deployment of the UK's first centralised Learning System.

## Carolyn Stuart Education Sector Lead

Carolyn comes to N4L following 13 years as a principal; firstly at a rural school in Canterbury and most recently at Wellington's Tawa Intermediate. She has also worked as a mentor in the First Time Principals' Programme and alongside other national organisations such as the National Aspiring Principals Programme.

## Andy Schick Marketing Manager

Andy has been involved in a number of entrepreneurial endeavours, entering the telecommunications industry when selling his most recent startup to an ISP. Before moving into the world of technology, he was involved with startup social justice organisations in Australia, the US and Europe, driving community transformation.

## Patrick Baker Chief Financial Officer

Prior to joining N4L, Patrick spent the majority of his career with Ford Motor Company holding senior posts in various global locations, most recently as CFO of Ford New Zealand. He is a Chartered Accountant and is Chair of the Board of Directors of Variety, the Children's Charity.

## Chris South Head of Dynamic Services

Chris has more than 20 years of technology experience in the UK and NZ. Prior to joining N4L he was a Principal Architect at a telecommunications provider where he looked at how cloud computing and mobile technologies could be applied to achieve demonstrable benefits to customers.

## Gary Wicks Customer Acquisition Manager

Gary brings to the team 25 years experience in technology sales. He has held senior roles in a number of technology companies, the most recent of which was at Dell, where he helped schools adopt K-12 education solutions.

# STATEMENT OF CORPORATE GOVERNANCE

## Organisational form

N4L was incorporated on 2 July 2012 under the Companies Act 1993. It is a Crown-owned Company, listed under Schedule 4A of the Public Finance Act 1989.

The Company is subject to certain provisions of the Crown Entities Act 2004 ("CEA"), and to the Official Information Act 1982 and the Ombudsmen Act 1975. The Company's day-to-day operations are primarily governed by the Companies Act regime.

N4L's shareholding is 100% vested in the Crown. Its shareholders are the Minister of Finance and the Minister of Education in their capacities as Ministers, with each holding 50% of the issued share capital. The Minister of Education has delegated responsibility for all matters relating to a managed network to connect all schools to the Associate Minister of Education (Hon Nikki Kaye).

## Accountability

N4L is accountable to its shareholding Ministers. The Crown Ownership Monitoring Unit (a business unit of the Treasury) will assist shareholding Ministers in monitoring the Company's performance against the financial and non-financial measures set out in the Company's Statement of Intent ("SOI").

## Crown Entities Act 2004

Under section 45OA of the Public Finance Act 1989, some of the provisions of the CEA apply to the Company by virtue of it being listed in Schedule 4A of that Act. These include sections 139, 150 and 153 of the CEA, relating to preparing an SOI, Annual Report, and Statement of Service Performance respectively.

In addition, N4L's constitution requires it to report to its shareholding Ministers, when requested by those Ministers, any activities which would be restricted under sections 161-164 of the CEA.

## Companies Act 1993

Under this Act, the Board, each Director and each shareholding Minister have the rights, powers, duties, and obligations set out in the Act, except to the extent that they are negated or modified, in accordance with the Act by the Company's Constitution.

## Other statutory requirements

Under the Public Audit Act 2001, the Controller and Auditor-General is to be the auditor of the Company.

## Operations

N4L is required to operate within the functions, powers and constraints outlined above. Within this framework, the Company has considerable discretion how it goes about its day-to-day operations.

The above reports from the Chair and Chief Executive of the Company, together with the Statement of Service Performance, contain information concerning the operations and performance of the Company for the financial year covered by this report, including an assessment against the intentions, measures, and standards set out in the statement of intent prepared at the beginning of the financial year.

## Board of Directors

The Board currently comprises seven non-executive Directors. The Directors are appointed by the shareholding Ministers. All decisions about N4L's operations are made under the authority of the Board. The Board is responsible for agreeing outputs with the shareholding Ministers and ensuring expectations of N4L are met.

### The Board currently has two standing committees:

#### Audit and Risk Committee

The Audit and Risk Committee, chaired by Mark Yeoman, assists the Board in fulfilling its responsibilities by providing recommendations, advice and information concerning its:

- Accounting; financial and statutory reporting; and responsibilities under the Companies Act 1993 and other legislation; and
- Identification and management of all material risks, both financial and non-financial, including through the operation of a robust internal control environment.

#### Remuneration Committee

The Remuneration Committee assists the Board in fulfilling its responsibilities by providing recommendations, advice and information concerning:

- The Company's remuneration and human resources policies;
- The performance and remuneration of the Chief Executive Officer; and
- The recruitment of members of the senior Executive Team.

# ENSURING N4L IS A GOOD EMPLOYER

The Company is required to operate personnel policies that comply with the principle of being a "Good Employer" under the Crown Entities Act 2004. The Board and management of N4L are committed to ensuring that the Company is a Good Employer in practice, not only to comply with the statutory requirement, but also because it is in accordance with our Company values and increases the Company's ability to attract, motivate and retain the skilled staff that it needs.

N4L is a relatively young organisation with a small employee base. At the end of the period covered by this annual report it had 15 staff, with the majority of these having been recruited during the final four months of the year. Subsequent to the end of the financial year, staff numbers have increased to 30 as the Company gears up its operations to ensure successful delivery of its objectives. The Company is implementing a suite of employment policies that will ensure that it complies with the principles of being a Good Employer as it builds its team. Taken together, these policies, and their effective implementation, will ensure that N4L operates an effective Equal Employment Opportunities (EEO) programme.

The Company has had regard to guidance issued by the New Zealand Human Rights Commission in assessing its compliance with its Good Employer obligations and will continue to do so as it develops and implements its personnel policies. The Company's assessment of its performance against seven key elements of being a Good Employer is set out below.

### • Leadership, accountability and culture:

*Successes:* The board and management of N4L are committed to ensuring that the Company is a good employer and implements an effective EEO programme. They have consistently communicated a vision for the Company in which its people are valued.

*Opportunities:* N4L is developing policies to ensure an effective EEO programme, ensuring that employees are appropriately involved in the process.

### • Recruitment, selection and induction:

*Successes:* N4L has recruited a number of staff, primarily through recruitment companies sourced through the All of Government arrangements. A variety of processes, including structured interviews, have been used to ensure unbiased and fair recruitment decisions.

*Opportunities:* The Company is implementing a process to monitor the profile of its workforce in respect of gender, age, ethnicity and disabilities. This will enable it to more robustly assess the success of its efforts to ensure fair and unbiased recruitment and selection processes.

### • Employee development, promotion and exit:

*Successes:* While critical for future people management, in this first year of operation employee development, promotion and exit have been minimal.

*Opportunities:* The Company is committed to providing training and development opportunities for its staff and is assessing how these can be delivered over the coming year.

### • Flexibility and work design:

*Successes:* The Company's culture fully supports an approach that enables staff to balance work commitments with other aspects of their lives. To the extent possible and practical, the Company's management supports staff using flexible working arrangements and provides them with the technological solutions to enable this.

*Opportunities:* None identified.

### • Remuneration, recognition and conditions:

*Successes:* N4L is committed to operating a non-discriminatory remuneration policy. Given that all employees have been recently recruited, all remuneration arrangements have been established in the light of prevailing employment market conditions.

*Opportunities:* The Company is establishing a process to verify its remuneration arrangements against the wider market and to confirm the success of its intention to be unbiased and non-discriminatory in its remuneration of employees.

### • Harassment and bullying prevention:

*Successes:* N4L has a zero tolerance approach to all forms of harassment and bullying. Company leadership has consistently communicated a vision for the Company that values all staff.

*Opportunities:* The Company is formalising and will publish a policy to deal with harassment complaints should they arise.

### • Safe and healthy environment:

*Successes:* Health and safety is a fundamental priority for the Company's Board and management who have consistently communicated a commitment to ensuring that a safe and healthy workplace is provided for all employees. The Company's health and safety performance has been established as a standing agenda item for meetings of the Board of Directors. A comprehensive programme for the management of health and safety in the workplace is in the final stages of development.

*Opportunities:* The Company is finalising the Company's Health and Safety programme and within this will implement a structure for ensuring appropriate employee participation.



## STATEMENT OF SERVICE PERFORMANCE

In its Statement of Intent 2012 – 2015 ("2012 SOI") the Company indicated that it would provide services and outputs under three output classes in 2012/13, being:

- A managed network service
- Dynamic services
- Customer services

These intentions were based on an assumption that the network vendor contract would be executed towards the end of 2012 and the Company would begin to roll out its products and services to schools during final quarter of the financial year just ended.

In the event, the network vendor contract was signed in August 2013 following a detailed and extensive due diligence process. As a result, the Company was not in a position to deliver the services or outputs contemplated by the 2012 SOI during the year just ended.

## STATEMENT OF RESPONSIBILITY

The Board is responsible for the preparation of N4L's financial statements and Statement of Service Performance, and for judgements made in them.

The Board has the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurances as to the reliability and integrity of financial reporting.

In the Board's opinion, these financial statements and Statement of Service Performance fairly reflect the financial position and operations of N4L for the year ended 30 June 2013.

Signed on behalf of the Board.

**Helen Robinson**  
Chair  
24 October 2013

**Mark Yeoman**  
Deputy Chair  
24 October 2013



**INDEPENDENT AUDITOR'S REPORT**  
**TO THE READERS OF**  
**THE NETWORK FOR LEARNING LIMITED'S**  
**FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2013**

The Auditor-General is the auditor of the Company of The Network for Learning Limited (the Company). The Auditor-General has appointed me, Susan Jones, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and statement of service performance information of the Company on her behalf.

We have audited:

- the financial statements of the Company on pages 24 to 38, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Company on page 20.

**Opinion**

In our opinion:

- the financial statements of the Company on pages 24 to 38:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the Company's:
    - financial position as at 30 June 2013; and
    - financial performance and cash flows for the year ended on that date.
- the statement of service performance of the Company on page 20:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the Company's service performance and outcomes for the year ended 30 June 2013 compared with forecasts in the statement of forecast service performance at the start of the financial year.

**Other legal requirements**

In accordance with the Financial Reporting Act 1993, we report that in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Our audit was completed on 24 October 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and we explain our independence.

**Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our

assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Company's financial statements and statement of service performance that fairly reflect the matters to which they relate. We consider internal control 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. Also we did not evaluate the security and controls over the electronic publication of the financial statements and statement of service performance.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

**Responsibilities of the Board of Directors**

The Board is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the Company's financial position, financial performance and cash flows; and
- fairly reflect the Company's service performance achievements.

The Board is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form. The Board's responsibilities arise from the Public Finance Act 1989 and the Financial Reporting Act 1993.

**Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

**Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Company.



Susan Jones  
Ernst & Young  
On behalf of the Auditor-General  
Auckland, New Zealand

# FINANCIAL STATEMENTS

## Statement of Comprehensive Income

For the year ended 30 June 2013

	Notes	2013 Actual \$000	2013 Forecast (Unaudited) \$000
<b>Income</b>			
Interest income		97	
Subscriptions from schools	2	-	1,896
Operating funding from the Ministry of Education	3	-	3,215
<b>Total Income</b>		<b>97</b>	<b>5,111</b>
<b>Expenditure</b>			
Board operations	14	285	160
Audit fees		34	100
Vendor, contract and services	4	-	4,812
Corporate costs	5	3,400	5,113
<b>Total expenses</b>		<b>3,719</b>	<b>10,185</b>
<b>Net surplus/(deficit)</b>		<b>(3,622)</b>	<b>(5,074)</b>
<b>Total comprehensive income/(expense) for the period</b>		<b>(3,622)</b>	<b>(5,074)</b>

The accompanying notes form part of these financial statements.

## Statement of Financial Position

As at 30 June 2013

	Notes	2013 Actual \$000	2013 Forecast (Unaudited) \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	1,998	426
Other current assets	7	53	-
<b>Total current assets</b>		<b>2,051</b>	<b>426</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	268	-
<b>Total non-current assets</b>		<b>268</b>	<b>-</b>
<b>Total Assets</b>		<b>2,319</b>	<b>426</b>
<b>Represented by Liabilities</b>			
<b>Current liabilities</b>			
Accruals and payables	9	390	-
Lease incentive (Current)	12	9	-
<b>Total current liabilities</b>		<b>399</b>	<b>-</b>
<b>Long-term liabilities</b>			
Lease incentive (Non-current)	12	42	-
<b>Total long-term liabilities</b>		<b>42</b>	<b>-</b>
<b>Total liabilities</b>		<b>441</b>	<b>-</b>
<b>Equity</b>			
Share capital and reserves		1,878	426
<b>Total shareholders' funds</b>		<b>1,878</b>	<b>426</b>
<b>Total liabilities and shareholders' funds</b>		<b>2,319</b>	<b>426</b>

The financial statements were approved by the Board and authorised for issue on 24 October 2013

**Helen Robinson**  
Chair



**Mark Yeoman**  
Deputy Chair



The accompanying notes form part of these financial statements.

### Statement of Changes in Equity

For the year ended 30 June 2013

	Notes	Share Capital	Retained Earnings	2013 Actual \$000	2013 Forecast (Unaudited) \$000
Opening balance 2 July 2012		-	-	-	-
Net surplus/(deficit)		-	(3,622)	(3,622)	(5,074)
<b>Total comprehensive income for the period</b>		-	<b>(3,622)</b>	<b>(3,622)</b>	<b>(5,074)</b>
Proceeds from shares issued	10	5,500	-	5,500	5,500
<b>Total contributions by the owners</b>		<b>5,500</b>	-	<b>5,500</b>	5,500
<b>Closing balance 30 June 2013</b>		<b>5,500</b>	<b>(3,622)</b>	<b>1,878</b>	<b>426</b>

The accompanying notes form part of these financial statements.

### Statement of Cash Flows

For the year ended 30 June 2013

	2013 Actual \$000	2013 Forecast (Unaudited) \$000
<b>Cash flows from operating activities</b>		
Receipts from customers	-	1,896
Operating funding received from the Ministry of Education		3,215
Interest received	97	-
Payments to suppliers and staff	(3,299)	(10,185)
<b>Net cash flows from operating activities</b>	<b>(3,202)</b>	<b>(5,074)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(300)	-
<b>Net cash outflow from investing activities</b>	<b>(300)</b>	-
<b>Cash flows from financing activities</b>		
Equity capital introduced	5,500	5,500
<b>Net cash flow from financing activities</b>	<b>5,500</b>	<b>5,500</b>
<b>Net increase/(decrease) in cash</b>	<b>1,998</b>	<b>426</b>
Opening balance	-	-
<b>Closing balance</b>	<b>1,998</b>	<b>426</b>

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Statement of accounting policies

### a) Reporting entity

The Network for Learning Limited (N4L), is a limited liability Company incorporated in New Zealand on the 2 July 2012 under the Companies Act 1993. It is listed under Schedule 4A of the Public Finance Act 1989. N4L's ultimate parent is the New Zealand Crown - however the Crown does not guarantee the liabilities of the Company in any way.

N4L's purpose is to establish and operate a student-focused network that offers schools and kura access to affordable, safe, fast broadband services, and internet based content and services over a dedicated network. As such, N4L's principal aim is to provide services to the public, rather than to make a financial return. Accordingly, N4L is designated as a public benefit entity (PBE) for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements for N4L are for the 12 month period from incorporation on 2 July 2012 to 30 June 2013, and were approved by the Board on 24 October 2013.

### b) Basis of preparation

#### Statement of compliance

The financial statements of the Company have been prepared in accordance with the relevant requirements of the Public Finance Act 1989 and the Crown Entities Act 2004, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements comply with NZIFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

#### Measurement base

The financial statements have been prepared on a historical cost basis.

#### Functional and presentational currency

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand (\$000). The functional currency of N4L is New Zealand Dollars.

#### Changes in accounting policies

As this is the first year of operation of the Company there has been no changes in accounting policies compared to the previous year. All policies have been applied on a consistent basis throughout the current year.

### Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a tier strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, N4L is expected to be classified as a Tier 2 reporting entity as it is not publicly accountable and is not large as defined. Therefore when N4L is required to transition to the new Public Sector Public Benefit Entity Standards (PS PBE Standards), it may elect to apply Tier 2 Reduced Disclosure PS PBE Standards. The effective date for the new standards for public sector PBEs is for reporting periods beginning on or after 1 July 2014. This means that N4L expects to transition to the new standards in preparing its 30 June 2015 financial statements. N4L is yet to assess the implications of the new Accounting Standards Framework.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

### c) Specific accounting policies

The specific accounting policies set out below, which materially affect the measurement of financial performance, financial position, and cash flows, have been consistently applied to all reporting periods presented in these financial statements.

#### Revenue

##### Sale of Services

Revenue related to the sale of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The stage of completion is

assessed on the basis of the actual service provided as a proportion of the total services to be provided.

#### Interest

Interest income is recognised using the effective interest method.

#### Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars (NZD\$), the functional currency of the Company, using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in net surplus or deficit.

#### Leases

##### Operating Leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Company are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives under an operating lease are recognised as lease incentive in the Statement of Financial Position. The aggregate benefit of incentives are recognised as a reduction of the rental expense on a straight-line basis over the period of the lease.

#### Debtors and other receivables

Short-term debtors and other receivables are recorded at their face value, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that N4L will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of impairment is the difference between the assets carrying value and the present value of future cash flows, discounted using the original effective interest rate.

#### Property, plant and equipment

Property, plant and equipment consists of the following asset classes; computer equipment, office equipment and office furniture. Property, plant and equipment are shown at cost, less any accumulated depreciation and impairment losses.

#### Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that the future economic benefits or service potential associated with the item will flow to the group and the cost of the item can be measured reliably. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

#### Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit.

#### Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that the future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

#### Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of asset have been estimated as follows:

Computer Equipment:	3 years	40.0%
Office Equipment:	6 years	17.5%
Office Furniture:	10 years	10.5%

The residual values and useful lives of assets are reviewed, and adjusted if applicable, at each year end.

#### Intangible assets

##### Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the development and maintenance of the N4L website are recognised as an expense when incurred.

#### Impairment of non-financial assets

Property, plant, equipment and intangible assets that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where N4L would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an assets carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written

down to the recoverable amount. The impairment loss is recognised in surplus or deficit.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, subject to the increased carrying amount not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in surplus or deficit.

#### **Creditors and other payables**

Creditors and other payables are non-interest bearing and are stated at their nominal value. They are normally settled on 30-day terms, therefore the carrying values of creditors and other payables approximate their fair values.

#### **Employee entitlements**

##### *Short-term employee entitlements*

Employee entitlements that are expected to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

Defined benefit contributions are recognised as employee benefit expense when they are due.

#### **Goods and services tax**

All items in the financial statements are presented exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of the receivables or payables in the statement of financial position. The net GST paid to or received from Inland Revenue, including the GST relating to investing and financing activities, is classified as operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

#### **Income Tax**

N4L is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

#### **Statement of cash flows**

The following are the definitions of terms used in the statement of cash flows.

- Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of

three months or less that are readily converted to known amounts of cash and are subject to an insignificant risk of changes in value.

- Operating activities are the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.
- Investing activities are those activities relating to the acquisition and disposal of current and non-current investments, property, plant and equipment, intangible assets and other non-current assets.
- Financing activities are those activities that result in changes in the size and composition of the contributed equity of the Company.

#### **Forecast**

The forecast numbers are taken from the Company's 'Statement of Intent 2012 - 2015' which were substantively based on analysis performed by the Ministry of Education in advance of the formation of N4L as a Company.

#### **Critical accounting estimates and assumptions**

In preparing these financial statements N4L has made estimates and assumptions concerning the future. These estimations and assumptions may differ from subsequent actual results and these differences may be material. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Estimating the useful lives and residual values of property, plant and equipment*

At each balance date the Company reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Company to consider a number of factors, such as the physical condition of the asset, expected period of use of the asset, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or the residual value will impact on the depreciation expense recognised in the surplus or deficit, and the carrying value of the asset in the statement of financial position. N4L minimises the risk of this estimation uncertainty by physical inspections of assets and asset replacement programmes.

#### **Critical judgements in applying accounting policies**

Management has exercised the following critical judgements in applying accounting policies:

##### *Lease classification*

Determining whether a lease agreement is finance or operating requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to N4L.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment, whereas of an operating lease no such asset is recognised.

N4L has exercised its judgement on the appropriate classification of equipment leases, and has determined that no lease arrangements are finance leases.

## **2. Subscriptions from schools**

Subscriptions from schools represent income from the provision of core network services to schools.

## **3. Operating funding from the Ministry of Education**

Operating funding from the Ministry of Education represents income relating to the provision of transition support services to schools, a helpdesk service, and a base package of content and services.

## **4. Vendor, contract and services**

Vendor, contract and services expenses represent payments to the network provider for network services, infrastructure, content and services, and transition support.



## 5. Corporate Costs

	2013 \$000
Personnel costs	1,994
Professional advisory fees	687
Marketing and communications	277
Travel and entertainment	165
Facility costs	146
IT and telecommunications	72
Other	29
<b>Total</b>	<b>3,400</b>

These expense items primarily reflect consulting services provided as support during the Company's establishment phase. Included within *Professional advisory fees* are audit fees of \$34k relating to the audit of these financial statements.

### Personnel Costs

	2013 \$000
Salaries, wages and short-term employee benefits	1,025
Defined contribution plans	19
Contractor costs	950
<b>Total personnel costs</b>	<b>1,994</b>

N4L had 15 full time equivalent employees and 3 contractors as at 30 June 2013.

## 6. Cash & Cash Equivalents

	2013 \$000
Cash on hand and at bank	998
Cash equivalents - term deposits	1,000
<b>Total cash and cash equivalents</b>	<b>1,998</b>

All cash on hand and term deposits are held with a major New Zealand trading bank. Term deposit maturities are of 90 days and are based on a fixed interest rate with interest payable at maturity. Term deposits are not subject to automatic renewals.

## 7. Other current assets

	2013 \$000
Sundry debtors	34
Prepayments	19
<b>Total other current assets</b>	<b>53</b>

The carrying value of other receivables approximates their fair value.

## 8. Property, plant and equipment

	Computer Equipment	Office Furniture	Office Equipment	Total \$000
<b>Cost</b>				
Balance at 2 July 2012	-	-	-	-
Additions during the year	82	188	11	281
<b>Balance at 30 June 2013</b>	<b>82</b>	<b>188</b>	<b>11</b>	<b>281</b>
<b>Accumulated depreciation</b>				
Balance at 2 July 2012	-	-	-	-
Depreciation charge for the year	6	6	1	13
<b>Balance at 30 June 2013</b>	<b>6</b>	<b>6</b>	<b>1</b>	<b>13</b>
<b>Net book value at 30 June 2013</b>	<b>76</b>	<b>182</b>	<b>10</b>	<b>268</b>

## 9. Accruals and payables

	2013 \$000
Creditors	244
Accrued expenses	146
<b>Total cash and cash equivalents</b>	<b>390</b>

## 10. Share capital

	2013 \$000
Balance at 2 July 2012	-
Proceeds from shares issued	5,500
<b>As at 30 June 2013</b>	<b>5,500</b>

When the Company was established, shareholding Ministers each purchased 2,750,000 shares at an issue price of \$1.00 each. This provided initial capital funding to N4L of \$5.5 million. All shares are fully paid and have equal voting rights. The shares have no par value.

## 11. Reconciliation of net surplus/(deficit) to net cash flow from operating activities

	2013 \$000
<b>Net deficit</b>	<b>(3,622)</b>
<b>Add/(less) non-cash items</b>	
Depreciation	13
<b>Total non-cash items</b>	<b>13</b>
<b>Add/(Less) movements in working capital items</b>	
Prepayments	(19)
Other receivables	(34)
Creditors & other payables	295
Employee entitlements	94
Lease incentive	51
<b>Net movement in working capital items</b>	<b>387</b>
<b>Reclassification of Fixed Asset items to investing</b>	<b>20</b>
<b>Net cash from operating activities</b>	<b>(3,202)</b>

## 12. Commitments

### Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating lease are:

	2013 \$000
Not later than one year	257
Later than one year but not later than five years	1,082
Later than five years	-
<b>Total cash and cash equivalents</b>	<b>1,339</b>

N4L leases premises in Auckland at Suite 306, 100 Parnell Road, Parnell. The original term of this lease has an expiry of 28 February 2019. Under this lease N4L has a right of renewal for a term of a further 6 years taking the final expiry to the 28 February 2025. The lease provides for rent reviews in March 2016, March 2019 and March 2022. The lease also includes a rent free period for 3 months at the commencement of the lease. The benefit of the rent free period is recognised as a reduction of rental expense over the lease term, on a straight-line basis in accordance with NZ IAS 17.

### Other commitments

The Company has no other commitments outside of its operating lease commitments.

## 13. Contingencies

### Contingent liabilities

The Company has no contingent liabilities at 30 June 2013

### Contingent assets

The Company has no contingent assets at 30 June 2013

## 14. Related party transactions and key management personnel

### Related party transactions

All related party transactions have been entered into on an arm's length basis.

N4L is a wholly owned entity of the Crown.

### Significant transactions with government-related entities

N4L has received no funding from the Crown during the current financial year outside of the initial capital funding of \$5.5million provided to the Company on its establishment.

In conducting its activities, N4L is required to pay various taxes and levies (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. N4L is exempt from paying income tax.

N4L also purchases goods and services from entities controlled, significantly influences, or jointly controlled by the Crown. These purchases included the purchase of electricity from Mercury Energy, air travel from Air New Zealand, and postal services from New Zealand Post. They are not collectively significant.

## Key management personnel compensation

	<b>2013 \$000</b>
Salaries, short-term employee benefits, and directors fees	882
Defined contribution plans	12
<b>Total</b>	<b>894</b>

Key management personnel include the Directors, Chief Executive Officer and Senior Management team members.

## Board remuneration

	<b>2013 \$000</b>
Helen Robinson (Chair)	69.0
Mark Yeoman (Deputy Chair)	43.0
Martin Wylie	34.5
Rick Shera	34.5
Linda Tame	34.5
Humphrey Wikeepa	34.5
<b>Total Directors' fees</b>	<b>250.0</b>

N4L has effected Directors' and Officers' liability insurance. N4L also indemnifies the Directors against costs and liabilities incurred by Directors for acts or omissions made in their capacity as Directors to the extent permitted by N4L's Constitution and the Companies Act 1993.

The Directors' fees for the financial year included a special fees component amounting to 50% of standard board fees. This was approved by shareholding Ministers in recognition of the additional expectations and time commitments placed on directors during the Company's establishment period. In addition to the Directors' fees the Company incurred \$35k of expenditure relating to training and travel costs for the Directors.

## 15. Employee remuneration

	<b>No. of employees</b>
\$100,000 - \$109,999	1
\$110,000 - \$119,999	
\$120,000 - \$129,999	1
\$130,000 - \$139,999	
\$140,000 - \$149,999	
\$150,000 - \$159,999	1
\$160,000 - \$169,999	
\$170,000 - \$179,999	
\$180,000 - \$189,999	
\$190,000 - \$199,999	
\$200,000 - \$209,999	
\$210,000 - \$219,999	
\$220,000 - \$229,999	
\$230,000 - \$239,999	1

During the year ended 30 June 2013, no employees received compensation and other benefits in relation to cessation. The information in the above table reflects remuneration paid or payable to staff in respect of their period of employment with the Company, which in all cases was less than the full financial year.

## 16. Events after balance date

The Company signed a contract for the provision of managed network services, with Telecom New Zealand Limited on 1 August 2013. This transaction was considered to be a major transaction (as defined by section 129 of the Companies Act 1993) and was approved by way of a special resolution of the Company's shareholders.

On the 1st September 2013 Jack Matthews was appointed to the Board of the Company.

On the 3rd September 2013 the Company issued, and shareholding Ministers purchased, 5,500,000 shares at an issue price of \$1.00 each.

## 17. Capital management

N4L's capital is its equity, which comprises accumulated funds and share capital. Equity is represented by the net assets of the Company.

N4L manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure that N4L effectively achieves its objectives and purpose, while remaining a going concern.

## 18. Financial instruments

Cash and cash equivalents and loans and receivables as presented on the Statement of Financial Position are classified as loans and receivables. Creditor and other payables are classified as financial liabilities at amortised cost.

N4L has no financial assets or liabilities that are measured at fair value in the Statement of Financial Position. Short-term creditors and other payables and short-term receivables are non-interest bearing and are normally settled on 30 day terms, therefore their carrying value is approximately equal to their fair values.

### Financial risk management

N4L's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. N4L has a Treasury policy in place to help manage the risks associated with financial instruments and seeks to minimise exposure from such instruments. This policy does not allow any transactions that are speculative in nature to be entered into.



## Market risk

### Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. N4L's exposure to cash flow interest is limited to its bank deposits which are held at variable rates of interest. N4L does not actively manage its exposure to cash flow interest rate risk. N4L considers its exposure to interest rate risk to be immaterial. N4L is not exposed to price risk or currency risk.

### Credit risk

Credit risk is the risk that a third party will default on its obligation to N4L, causing it to incur a loss.

In the normal course of business, N4L is exposed to credit risk from cash and term deposits with banks and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

N4L invests funds only with registered banks that have a Standard and Poors credit rating of at least A2 for short-term and A- for long-term investments. N4L has experienced no defaults of interest or principal payments for term deposits.

N4L holds no collateral or other credit enhancements for financial instruments that give rise to credit risk.

### Liquidity risk

Liquidity risk is the risk that N4L will encounter difficulty raising liquid funds to meet commitments as they fall due. N4L mostly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

All financial liabilities of N4L are current, with the exception of the lease incentive. This incentive is amortised over the original term of the lease in relation to N4L's premises in Auckland. The original term of the lease is for six years commencing on 1st March 2013.

## 19. Explanation of major variances to unaudited forecast

The forecast reflected in the Company's 2012-2015 Statement of Intent ('2012 SOI') was substantively based on analysis prepared by the Ministry of Education prior to the Company's formation. Those forecasts included an assumption that the network vendor contract would be executed towards the end of 2012 and the Company would begin to roll out its products and services to schools during the final quarter of the financial year just ended.

In the event, the network vendor contract was signed in August 2013 following a detailed and extensive due diligence process. As a result, the Company was not in a position to deliver its services or outputs during the period as contemplated by the 2012 SOI. There are therefore material variances between the forecasted financial statements included in the 2012 SOI and the financial statements presented in this report.

# BOARD OF DIRECTORS

## Helen Robinson

### Chair

Helen is a full time professional director with 30 years experience leading technology companies including as Managing Director of Microsoft New Zealand, and as APAC leader (VP) for Pivotal Corporation, a North American software company.

The following are general disclosures of interest given by Mrs Robinson pursuant to s140 (2) of the Companies Act 1993 and also entered into N4L's interests register.

- Director of National Institute of Water and Atmospheric Research (NIWA)
- Director of NZ Business Excellence Foundation
- Director of Penguin Consulting Limited
- Director of Mondiale Technologies Limited
- Director of KND Investments Limited
- Director of Auckland Tourism Events & Economic Development (ATEED)
- Director of Auckland Sport
- Council member of Open Polytechnic NZ
- Trustee of Robinson Family Trust

## Mark Yeoman

### Deputy Chair

Mark is an experienced leader within the ICT industry, having held a number of executive roles in a range of technology-based companies. Mark is currently Chief Financial Officer at New Zealand Post. He joined the company in 2009, and was previously CFO at Airways and before that CEO of Samoa's telecom and postal company. He has been involved in telecommunications and internet related industries since the mid 1990s and founded his own internet startup in Melbourne in 1999.

The following are general disclosures of interest given by Mr Yeoman pursuant to s140 (2) of the Companies Act 1993 and also entered into N4L's interests register.

- Director of a number of New Zealand Post Group subsidiary companies, including:
  - KiwiGroup Holdings Limited
  - Kiwibank Limited (alternate Director)
  - Datam Limited
  - New Zealand Post Properties Limited
  - Air Post Limited
  - Express Couriers Limited
  - Converga Group Limited (Chair)
  - Converga Holdings Limited
  - Converga Pty limited (Aus)
  - Converga Inc (USA)
  - Converga Asia (Philippines)
  - Converga Pty Ltd (Singapore Branch)

- Converga (ACT) Pty Limited
- Converga Information Management Pty Limited
- New Zealand Post Australia Holdings Pty Limited
- Kiwi Wealth Management Limited
- New Zealand post Group Finance Limited
- Transend Worldwide limited (south Africa)
- CouriersPlease Holdings Pty Ltd (Aus)
- CouriersPlease Australia Pty Limited (Aus)
- CouriersPlease Australia Limited (Aus)
- Ex-Director of Datacom Group Limited (Resigned February 2013)
- Director & Shareholder of Zomar Investments Limited
- Director of M.D.Y. Trustee Limited
- Member of Postal Network Access Committee
- Trustee of Pencarrow Family Trust
- Previous Director of Localist Limited (Resigned 2011)
- Previous Trustee of New Zealand Post Superannuation Plan (Resigned 2011)

### Rick Shera

Rick is a partner at niche corporate, commercial and IT law firm, Lowndes Jordan. He specialises in internet, media, IT and intellectual property law as well as blogging and commenting as @lawgeeknz.

The following are general disclosures of interest given by Mr Shera pursuant to s140 (2) of the Companies Act 1993 and entered in N4L's interests register:

- Partner of Lowndes Jordan, Barristers & Solicitors
- Chairman of NetSafe Incorporated
- Chairman & Director of Hector's World Limited
- Director & Shareholder of Albof Limited
- Director & Shareholder of Cadmont Holdings Limited
- Director & Shareholder of Award Trustee Limited
- Director of Agena Investments Limited
- Director & Shareholder of Ngaawari Limited
- Director of Eljay Limited
- Director of Team One Limited
- Director & Shareholder of Eljay Holdings Limited
- Director & Shareholder of Wharfe Trustee Services Limited
- Trustee & beneficiary of Nightingale Trust
- Trustee & beneficiary of Abu Simbal Trust
- Member of the Advisory Board of DigitalNZ
- Shareholder of Kasart Limited
- Member of InternetNZ Incorporated
- Children at Kings College and Kristin School

### Martin Wylie

Martin is an experienced leader of Internet Service Provider companies who now runs his own environmental eco-insulation business.

The following are general disclosures of interest given by Mr Wylie pursuant to s140 (2) of the companies Act 1993 and also entered into N4L's interests register.

- Director of Horsil Investments Limited
- Director of Wireless and Optical Limited
- Director of Eco Insulation Limited
- Director of Argyle Property Investments Limited
- Director of Autism NZ
- Trustee of Argyle Family Trust
- Trustee of Mahana Charitable Trust

### Humphrey Wikeepa

Humphrey is a professional ICT consultant with more than 30 years experience working in both private and public sectors, and most recently in the education space.

Humphrey is of Ngati Awa, Tainui and Te Atihaunui-a-Paparangi (Wainui a rua) descent, born and raised in Whakatane. He has a Masters Degree in Information Management Systems, and is currently working on his PhD in Information Systems.

He has a passion and focus on ensuring our kids are given the best education and believes this is the only way to develop a better tomorrow, for all New Zealanders. "I know N4L will make a big difference for those students who need that extra mile support to lift their educational achievements."

The following are general disclosures of interest given by Mr Wikeepa pursuant to s140 (2) of the Companies Act 1993 and also entered into N4L's interests register.

Chief Information Officer, Te Whare Wānanga o Awanuiarangi (2013) Principal Technology Adviser to Ngati Awa Runanga Tribal Authority (since 2010)

- Director of SAMIT LTD (since 2004)
- Board Member of Development of Ngati Awa Group (2013)
- Te Whare Wananga Principal Coordinator of Broadband Technology Sharing with Local Whakatane Schools (since 2010)
- St Bernards, Lower Hutt [Grandson]
- Hutt Valley High School, Lower Hutt [Granddaughter]
- Appleby Primary, Richmond, Nelson [Granddaughter]

### Linda Tame

Linda is an experienced education specialist who recently completed a 16 year tenure as a school principal.

The following are general disclosures of interest given by Mrs Tame pursuant to s140 (2) of the Companies Act 1993 and also entered into N4L's interests register.

- Ex-Principal Lincoln High School (16 year tenure)
- Director & Shareholder of Solus Limited
- Trustee of Tame Family Trust
- Trustee of Greater Christchurch Schools' Network
- Member of Lincoln University Council
  - Convenor of Planning and Marketing Committee
  - Member of Audit & Risk Committee
  - CEO Appointment & Remuneration Committee
  - Appeals Committee
- Member of Canterbury Youth Futures Advisory Group

### Jack Matthews

Jack Matthews was, until recently, Chief Executive Metropolitan Media at Fairfax Media in Sydney and previous to that was Chief Executive of Fairfax Digital. Prior to this he was involved in ventures in Japan and the United States, predominantly in the pay television industry.

Mr Matthews was the driving force behind the rollout of Saturn's (now Vodafone's) hybrid fibre-coax cable network in Wellington and Christchurch. He therefore brings an end-user focus and a strategic understanding of digital media to the N4L Board. Mr Matthews is a current Director on the Board of Crown Fibre Holdings Ltd.

The following are general disclosures of interest given by Mr Matthews pursuant to s140 (2) of the Companies Act 1993 and also entered into N4L's interests register.

- Director of Crown owned company, Crown Fibre Holdings Limited



# DIRECTORY

## Shareholders:

Minister of Finance (Hon Bill English); and  
Minister of Education (Hon Hekia Parata)

## Minister with delegated responsibility for the Company:

Associate Minister of Education (Hon Nikki Kaye)

## Registered Office:

C/- Simpson Grierson  
HSBC Tower  
195 Lambton Quay  
Wellington 6011  
New Zealand

## Contact address:

PO Box 37118  
Parnell  
Auckland 1151

Email: [info@n4l.co.nz](mailto:info@n4l.co.nz)  
Web: [www.n4l.co.nz](http://www.n4l.co.nz)  
Tel: 0800 Learning  
(0800 53276)

## Auditor:

The Auditor-General  
Pursuant to section 15 of the Public Audit Act 2001

## Solicitors:

Elwood Law  
Simpson Grierson

## Bankers:

Westpac New Zealand Limited

## Senior Management:

John Hanna, Chief Executive Officer  
Patrick Baker, Chief Financial Officer  
Jeremy Nees, Chief Technical Officer  
Chris South, Head of Dynamic Services  
Carolyn Stuart, Education Sector Lead  
Gary Wicks, Customer Acquisition Manager  
Andy Schick, Marketing Manager

## Board of Directors:

Helen Robinson (Chair)  
Mark Yeoman (Deputy Chair)  
Rick Shera  
Linda Tame  
Humphrey Wikeepa  
Martin Wylie  
Jack Matthews (appointed 1 September 2013)





Network for Learning



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