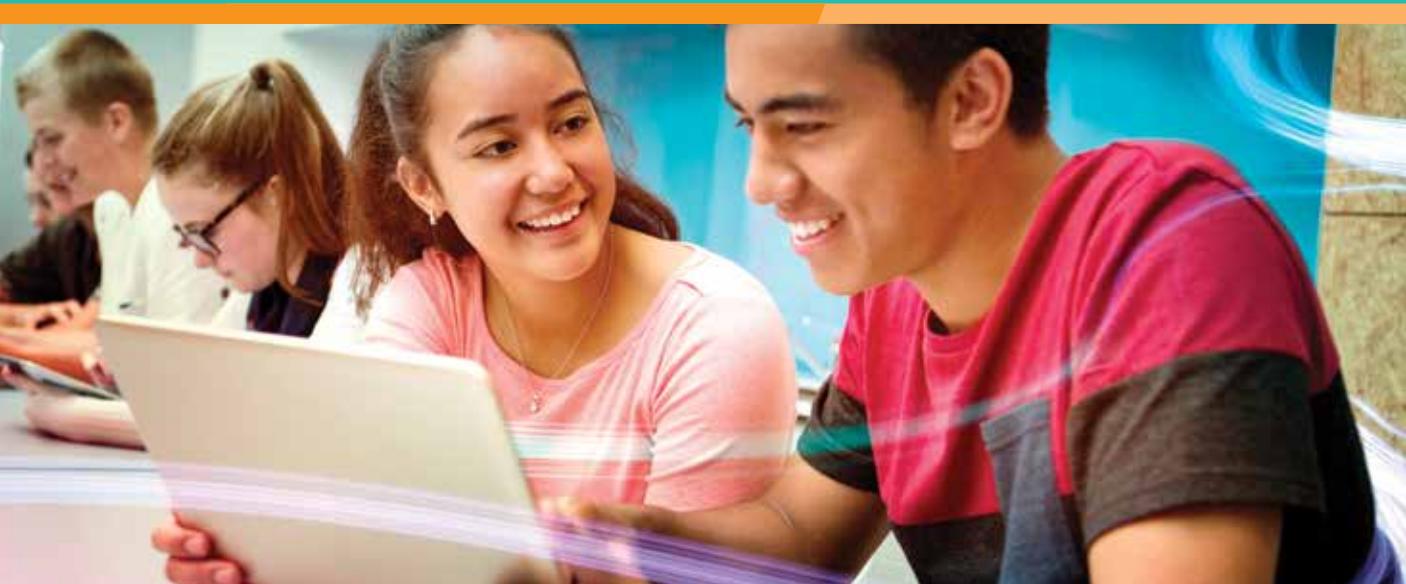




N4L STATEMENT OF PERFORMANCE EXPECTATIONS: 2015 / 2016

# DIGITALLY EMPOWERING EDUCATION

for a future-ready, world-ready,  
Aotearoa New Zealand





# SOURCES OF REVENUE

**The Company expects to receive revenue from:**

- Providing core Managed Network services to schools
- Government contracts, including:
  - A helpdesk to support network services
  - The provision of transition support services to schools, designed to ensure that schools benefit from a seamless and high quality transition onto the Managed Network, and
  - Additional contracts for providing services to the Ministry of Education and education sector agencies
- Enabling content and services providers to benefit from direct connectivity to the Managed Network

In addition, the Company may develop additional sources of revenue, including the provision of additional services to schools on a fully commercial basis.

# STATEMENT OF SIGNIFICANT ASSUMPTIONS

**The prospective financial statements included in this Statement of Performance Expectations are reliant on a set of critical assumptions made by the Company. Many of these assumptions will be validated in more detail over the coming year.**

The most significant assumptions reflected in these financial statements are:

- The rate at which schools are connected to the Managed Network and the total number of schools that will end up connecting to the Managed Network
- Funding for the Managed Network services is direct from the Ministry of Education



# HOW N4L WILL ASSESS ITS PERFORMANCE

The Company has identified a number of metrics against which it will assess its non-financial performance.

These are as follows:

## 1. Managed Technology Services

The Managed Network offers schools fast and predictable internet with uncapped data, web filtering and network security services. This includes firewall services, performance monitoring and full helpdesk support. State, state-integrated and partnership schools are funded for their connection packages.

### Connection of schools to the Managed Network

MEASURE	TARGET
Number of schools connected as at 30 September 2015.	1,964 (78%)
Number of schools connected as at 31 December 2015.	2,259 (90%)
Number of schools connected as at 31 March 2016.	2,334 (93%)
Number of schools connected as at 30 June 2016.	2,385 (95%)

### The Managed Network experience

MEASURE	TARGET
Principal and/or main contact's level of satisfaction with N4L's performance delivering the Managed Network and associated services. A lifecycle survey is being developed to gather information on schools' ongoing experience and satisfaction with N4L.	'Satisfied' or 'Very Satisfied' response from at least 75% of respondents.

### Transition timeliness and satisfaction

MEASURE	TARGET
% of schools transitioning to Managed Network within six weeks of connecting.	97%

#### **Helpdesk timeliness and satisfaction**

<b>MEASURE</b>	<b>TARGET</b>
Satisfaction of users logging a Service Request or Incident.	'Satisfied' or 'Very satisfied' response from at least 75% of respondents.

#### **Educators using Pond**

<b>MEASURE</b>	<b>TARGET</b>
Total number of educator accounts in Pond.	Q1: 14,000 Q2: 18,000 Q3: 22,000 Q4: 26,000

#### **Uptime and usage**

<b>MEASURE</b>	<b>TARGET</b>
Manage uptime in accordance with contractual Service Level Agreements (SLAs).	Meet SLA levels.

#### **Pond resource repository**

<b>MEASURE</b>	<b>TARGET</b>
Total number of user contributions to Pond.	Q1: 16,000 Q2: 19,500 Q3: 24,000 Q4: 28,500

## **2. Platform Services**

Built around N4L's Pond platform, the Platform Services strategy aims to support the provision of content, applications and services which can leverage the Managed Network and enhance teaching and learning opportunities across New Zealand's education system.

Over 2015/16 N4L will measure the performance of Pond in three ways: the number of educators using Pond, the size of the resource repository, and the volume and nature of Pond user activity.

#### **Pond user activity**

<b>MEASURE</b>	<b>TARGET</b>
Average number of Pond searches per active user per month.	Q1: 4.1 Q2: 4.3 Q3: 4.6 Q4: 4.9
Average number of contributions made per active user per month.	Q1: 1.8 Q2: 1.9 Q3: 2.0 Q4: 2.1
Average number of Pond page views per active user per month.	Q1: 37 Q2: 43 Q3: 49 Q4: 57



### Pond commercialisation

As part of N4L's commitment to financial sustainability, the Company is aware that there may well be commercial value in either access to Pond or in the intellectual property embodied in Pond. N4L is conscious, however, that the current non-commercialised user experience is highly satisfactory for both education sector users and providers. In considering how to create revenue streams from the Platform Services workstream, this consideration will need to be carefully managed.

By September 2015, N4L will develop an innovation and commercialisation strategy for content and services, focusing on realising value from the Platform Services workstream while also supporting the maintenance of a non-commercial user experience.

MEASURE	TARGET
Development of an innovation and commercialisation strategy focusing on realising commercial value from Pond while supporting the maintenance of a non-commercial user experience.	Strategy developed by 30 September 2015.

### 3. Love the Customer

N4L recognises that it is critical that all learners and schools have excellent, second-to-none service delivery. Feedback from customers is sought at key touchpoints.

#### The N4L experience

MEASURE	TARGET
Principal and/or operation contact at each school satisfaction with the performance of N4L in administering the Managed Network and associated services.  A lifecycle survey is being developed to be sent to schools covering their ongoing experience and satisfaction with N4L.	'Satisfied' or 'Very Satisfied' response from at least 75% of respondents.

#### Helpdesk timeliness and satisfaction

MEASURE	TARGET
Satisfaction of users logging a Service Request or Incident.	'Satisfied' or 'Very Satisfied' response from at least 75% of respondents.

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## **Financial Performance**

N4L will measure its financial performance against the following high level targets:

- N4L will generate revenue as set out in the Prospective Statement of Comprehensive Income
- N4L will operate in a financially sustainable manner, ensuring that its operating expenses and any required capital expenditure are covered by its operating revenue and agreed shareholder funding
- N4L will plan to ensure that it has the financial resilience to transition to a competitive customer-funded business model without additional equity investment by the Crown

**Helen Robinson**

*Chair*

15 June 2015



**Mark Yeoman**

*Deputy Chair*

15 June 2015



# FINANCIAL STATEMENTS

## Prospective Statement of Comprehensive Income for the year ended 30 June 2016

	Note	2015/16 Forecast \$000
<b>Income</b>		
Sales of services to schools	13	23,705
Sales of services to Government	14	3,216
Interest income		48
<b>Total income</b>		<b>26,969</b>
<b>Expenses</b>		
Network services	15	16,614
Content and services	16	177
Transition support	17	694
Personnel costs	18	7,494
General and overhead expenses		2,979
Depreciation & amortisation		155
<b>Total expenses</b>		<b>28,113</b>
<b>Total comprehensive income</b>		<b>(1,144)</b>

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**Prospective Statement of Changes in Equity for the year ended 30 June 2016**

	<b>2015/16 Forecast \$000</b>
Opening balance as at 1 July 2015	2,583
Net surplus/(deficit)	(1,144)
<b>Total comprehensive income for the period</b>	<b>(1,144)</b>
Proceeds from shares issued	-
<b>Total contributions by the owners</b>	<b>-</b>
<b>Closing balance 30 June 2016</b>	<b>1,439</b>

**Prospective Statement of Financial Position as at 30 June 2016**

	Note	2015/16 Forecast \$'000
<b>Current assets</b>		
Cash and cash equivalents	6	1,546
Accounts receivable & prepayments	7	2,685
<b>Total current assets</b>		<b>4,231</b>
<b>Non-current assets</b>		
Property, plant and equipment	8	363
<b>Total non-current assets</b>		<b>363</b>
<b>Total assets</b>		<b>4,594</b>
<b>Current liabilities</b>		
Accruals and payables	9	3,096
<b>Total current liabilities</b>		<b>3,096</b>
<b>Non-current liabilities</b>		
Lease incentive		59
<b>Total non-current liabilities</b>		<b>59</b>
<b>Total liabilities</b>		<b>3,155</b>
<b>Shareholders' funds</b>		
Share capital		14,000
Retained earnings		(12,561)
<b>Total shareholders' funds</b>		<b>1,439</b>
<b>Total liabilities and shareholders' funds</b>		<b>4,594</b>

**Prospective Statement of Cash Flows for the year ended 30 June 2016**

	<b>2015/16 Forecast \$000</b>
<b>Operating activities</b>	
Operating receipts from schools	23,529
Operating receipts from Government	3,216
Interest received	48
Payments to suppliers and staff	(27,982)
<b>Net cash flow from operating activities</b>	<b>(1,189)</b>
<b>Investing activities</b>	
Purchase of fixed assets	(60)
<b>Net cash flow from investing activities</b>	<b>(60)</b>
<b>Financing activities</b>	
Capital contribution from Government	0
<b>Net cash flow from financing activities</b>	<b>0</b>
<b>Net decrease in cash</b>	<b>(1,249)</b>
Cash available at the start of the period	2,795
<b>Cash available at the end of the period</b>	<b>1,546</b>

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# NOTES TO THE FORECAST FINANCIAL STATEMENTS

## 1. Reporting entity

The Network for Learning Limited (N4L), a limited liability company incorporated in New Zealand under the Companies Act 1993, is a Crown entity as defined by the Crown Entities Act 2004. It is listed in Schedule 4A of the Public Finance Amendment Act 2013.

N4L's purpose is to establish and operate a student-focused network that offers schools and kura access to affordable, safe and 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 make a financial return. Accordingly, N4L is designated as a public benefit entity (PBE) for the purposes of New Zealand equivalence to International Financial Reporting Standards (NZ IFRS).

The Crown does not guarantee the liabilities of N4L in any way.

## 2. Statement of Compliance

The forecast financial statements are for the year ended 30 June 2016. The forecast financial statements have been prepared in accordance with the Crown Entities Act 2014, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The forecast financial statements have been prepared to comply with Public Benefit Entity (PBE) Standards for a Tier 1 entity. This includes Public Benefit Entity Reporting Standard 42 Prospective Financial Statements (PBE FRS 42) and NZ GAAP as it relates to forecast financial statements. It is intended that the annual historical financial statements for the above periods will be prepared in accordance with NZ GAAP, NZ IFRS and other applicable financial reporting standards as appropriate for PBEs using the policies outlined below.

These statements will be used in the N4L Annual Report as the budgeted figures.

The forecast financial statements were authorised for issue by the Board of Directors on 15 June 2015. The Board is responsible for preparing the forecast financial statements presented, including judgements concerning the appropriateness of the assumptions underlying the forecast financial statements and other required disclosures. It is important however to note that the forecast financial statements are estimates based on available information at the time of publication and contain inherent uncertainties. Actual financial results achieved for each forecast period are likely to vary from the information presented and the variations may be material.

### **3. Measurement base**

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

### **4. Functional and presentation currency**

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

### **5. Summary of significant accounting policies**

The following accounting policies, which significantly affect the measurement of financial performance and financial position, have been consistently applied.

#### **Revenue**

- (i) Sales of services: Revenue related to the sales of services are recognised by reference to when the service is performed
- (ii) Interest: Interest income is recognised using the effective interest method

### **6. Cash and cash equivalents**

Cash and cash equivalents include cash on hand and term deposit held with a major NZ trading bank.

### **7. Accounts receivable and other receivables**

Accounts receivable and other receivables are measured at fair value, less any provision for impairment.

### **8. Property, plant and equipment**

Property, plant and equipment consists of computer equipment, office equipment, office furniture and leasehold improvements. Property, plant and equipment are shown at cost, less any accumulated depreciation and impairment losses.

### **9. Accruals and payables**

Accounts payable 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 accounts payable and other payables approximate their fair value.

### **10. 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 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

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activities, is classified as operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

## 11. 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.

## 12. Statement of cash flows

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 noncurrent assets.

Financing activities are those activities that result in changes in the size and composition of the contributed equity of the Company.

### Critical accounting estimates and assumptions

In preparing these prospective financial statements N4L has made estimates and assumptions concerning the future. These estimates 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.

## 13. Sale of services to schools

Income from schools represents estimated income from the provision of core network services to schools. These services for state, state-integrated and partnership schools are paid for directly by the Ministry of Education on behalf of the schools.

## 14. Sales of services to Government

Sales of services to Government represents estimated income relating to the provision of transition support services to schools, a helpdesk service, a package of content and services, and fees in relation to the establishment of the network. These services are paid for by the Ministry of Education.

## 15. Network services

Network service expenses represent estimated payments to the network provider for the provision and establishment of the Managed Network service.

## 16. Content & services

Content and services expenses represent estimated expenses related to the provision of a core package of content and services, and/or the delivery of content and services.

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## **17. Transition support**

Transition support expenses represent estimated payments to ICT providers engaged to transition schools to the Managed Network service.

## **18. Personnel**

Personnel costs represent the estimated cost of company employees and contractors.

