

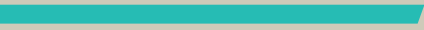
**Statement of
Performance Expectations**

Financial Year 2014/15



Network for Learning





Sources of revenue

The Company expects to receive revenue from two primary sources:

1. Revenue from providing core network services to schools. A drawdown fund has been established for the Company's operation. This fund, to be administered by the Ministry of Education, will enable N4L's services to be provided at no cost to state, state integrated and partnership schools.
2. Revenue from Government contracts, including in respect of:
 - 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 N4L Managed Network.

In addition the Company may develop additional sources of revenue, potentially including:

- Revenue from providing additional services to schools on a paid-for, fully commercial basis.
- Revenue from enabling commercial content and services providers to benefit from the establishment of direct connectivity.
- Revenue from enabling commercial content and services providers to benefit from their involvement in Pond, the Network for Learning portal.

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.

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.

How N4L will assess its performance

The Company has identified three reportable output classes against which it will assess its non-financial performance. These output classes, and the measures the company will use to assess its performance, are as follows:

1. The provision of a base package of Managed Network Services to schools. Performance in relation to the provision of a base package of Managed Network Services to schools will be based on the following:
 - Ensuring products allocated to schools reflect the Connection Allocation Agreement agreed between N4L and the Ministry of Education. This allocation criteria uses the roll size of the school as a significant determinant in product allocation. The roll size and subsequent product allocation is summarised as per the table below:

Roll Size	N4L Managed Network Connection Size
1 - 100	10Mbps (if wireless/satellite) 50Mbps (if fibre)
101 - 250	50Mbps
251 - 750	100Mbps
751 - 3200	500Mbps
3200 +	1000Mbps

- Ensuring N4L connects schools in accordance with the connection milestones, that have been agreed with the Ministry of Education.
 - 2 schools to be connected by 2 December 2013
 - 20 schools to be connected by 8 January 2014
 - 200 schools to be connected by 10 March 2014
 - 700 schools to be connected 12 months after the agreement of the detail design (3 November 2014)
 - and 70% of schools to be connected by 31 December 2016

In the 2014/15 financial year it is expected that the provision of the above output class will derive expected revenues of \$17.4m and incur expected expenses of \$18.4m, including a share of corporate overhead.

2. The provision of services to assist schools in transitioning to N4L's Managed Network. Performance in relation to the provision of transition services to schools will be based on the following:
 - Targeting at transitioning 97% of schools within six weeks of the school being connected to the managed network.
 - Conducting a satisfaction survey to determine if the principal and/or operation contact at each school was satisfied with the performance of N4L in transitioning their school onto the Managed Network. The survey will ask the respondents to rank their satisfaction as being 'Very satisfied', 'Satisfied', 'Dissatisfied' or 'Very dissatisfied' across the following criteria:
 - I. Overall performance of N4L
 - II. Relationship with N4L
 - III. Volume of paperwork that needed to be completed
 - IV. Advice and assistance received on testing the Managed Network Service
 - V. Training received
 - VI. Quality of documentation received

N4L seeks to achieve a 'Satisfied' or 'Very satisfied' response from at least 75% of respondents.

In the 2014/15 financial year it is expected that the provision of the above output class will derive expected revenues of \$3.0m and incur expected expenses of \$2.7m.

3. The provision of a helpdesk service for schools to support their use of N4L's Managed Network Service. Performance in relation to the provision of helpdesk service to schools will be based on criteria including:

- Conducting a satisfaction survey with the user who logged the Service Request or Incident to determine their level of satisfaction (being 'Very satisfied', 'Satisfied', 'Fair', 'Dissatisfied' or 'Very dissatisfied') with the overall performance of the N4L service desk. N4L seeks to achieve a 'Satisfied' or 'Very satisfied' response from at least 75% of respondents.
- Aiming at having Tier 1 incidents resolved within the following timeframes:
 - P1: less than 4 support hours
 - P2: less than 8 support hours
 - P3: less than 16 support hours
 - P4: as agreed

In the 2014/15 financial year it is expected that the provision of the above output class will derive expected revenues of \$0.6m and incur expected expenses of \$0.7m.

Over the coming year the Company will look to develop and agree non-financial metrics and performance indicators that will be used to assess the performance of the Dynamic Services segment. These will be included in the Statement of Performance Expectations

for the 2015/16 financial year.

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

- N4L will operate within the funding that has been set aside.
- 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
19 June 2014



Mark Yeoman
Deputy Chair
19 June 2014



Prospective Statement of Comprehensive Income for the period FY2015

	Notes	2014/2015 Forecast \$000
Income		
Sales of services to schools	6	16,536
Sales of services to Government	7	5,167
Total income		21,703
Expenses		
Network services	8	12,376
Infrastructure	9	384
Content and services	10	309
Transition support	11	1,448
Personnel costs	12	6,836
General and overhead expenses		2,946
Depreciation & amortisation		150
Total expenses		24,449
Total comprehensive income		(2,746)

Prospective Statement of Changes in Equity for the period FY2015

	2014/2015 Forecast \$'000
Opening balance as at 1 July 2014	1,960
Net surplus/(deficit)	(2,746)
Total comprehensive income for the period	(2,746)
Proceeds from shares issued	3,000
Total contributions by the owners	3,000
Closing balance 30 June 2015	2,214

Prospective Statement of Financial Position for the period FY2015

	Notes	2014/2015 Forecast \$000
Current assets		
Cash and cash equivalents		1,196
Accounts receivable & prepayments		2,577
Total current assets		3,773
Non-current assets		
Fixed assets	13	596
Total non-current assets		596
Total assets		4,369
Current liabilities		
Accruals and payables		2,093
Total Current liabilities		2,093
Non-current liabilities		
Lease incentive		62
Total non-current liabilities		62
Total liabilities		2,155
Shareholders' funds		
Share capital		14,000
Retained earnings		(11,786)
Total shareholders' funds		2,214
Total liabilities and shareholders' funds		4,369

Prospective Statement of Cash Flows for the period FY2015

	2014/2015 Forecast \$000
Operating activities	
Operating receipts from schools	19,160
Operating receipts from Government	1,100
Payments to suppliers and staff	(23,645)
Net cash flow from operating activities	(3,385)
Investing activities	
Purchase of fixed assets	(247)
Net cash flow from investing activities	(247)
Financing activities	
Capital contribution from Government	3,000
Net cash flow from financing activities	3,000
Net increase/(decrease) in cash	(632)
Cash available at the start of the period	1,828
Cash available at the end of the period	1,196

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 Act 1989.

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 make a financial return. Accordingly, N4L is designated as public benefit entity (PBE) for the purposes of New Zealand equivalents to International Financial Report 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 2015. The forecast financial statements have been prepared in accordance with the Crown Entities Act 2004, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The forecast financial statements comply with FRS-42 Prospective Financial Statement 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.

The forecast financial statements were authorised for issue by the board of directors on 15 May, 2014. The Board of Directors 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

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 (\$000). The functional currency of N4L is New Zealand dollars.

5. Summary of significant accounting policies

Revenue

- (i) Sales of services: Revenue and cost of sales related to the sales of services are recognised by reference to the stage of completion of the transaction at the end of the reporting period.
- (ii) Interest: Interest income is recognised using the effective interest method.

Creditors and other payables

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

Good 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 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 the 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 know 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 results in changes in the size and composition of the contributed equity of the Company.

Critical accounting estimates and assumptions

In the preparing these prospective financial statement 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.

6. Sale of services to schools

Income from schools represents the estimated provision of core network services to schools.

7. Sale of services to Government

Income from sales of services to Government represents estimated income relating to network establishment costs; the provision of transition support services to schools; a helpdesk service; and the provision of a base package of content and services.

8. Network services

Network service expenses represent estimated payment to the network provider for connectivity, internet and related services.

9. Infrastructure

Infrastructure expenses represent estimated payments to the network provider in relation to the establishment of the Managed Network for schools.

10. Content and services

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

11. Transition support

Transition support expenses represent estimated expenses related to the provision of support services to schools in relation to their transition to N4L connectivity and services.

12. Personnel costs

Personnel costs represent the estimated cost of company employees, other than any staff directly related to the provision of the transition support services or the content and services package.

13. Fixed assets

Fixed asset purchases primarily comprise estimated IT equipment and office fixtures.



Network for Learning