

STATEMENT OF PERFORMANCE EXPECTATIONS

FINANCIAL YEAR
2016/17



SOURCES OF REVENUE

The Company expects to receive revenue from:

- Providing core Managed Network services to schools
- Services Agreement (Government) 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
 - Additional contracts for providing services to the Ministry of Education and education sector agencies, enabling content and service providers to benefit from the establishment of direct connectivity
 - Commercial services which help support Government's goals in education

STATEMENT OF SIGNIFICANT ASSUMPTIONS

This Statement of Performance Expectations is current as at 30 June 2016. As Network for Learning's (N4L) final business plan has not yet been considered by Ministers, if after 30 June 2016, there is a material variation to the business plan, the SPE may be revised.

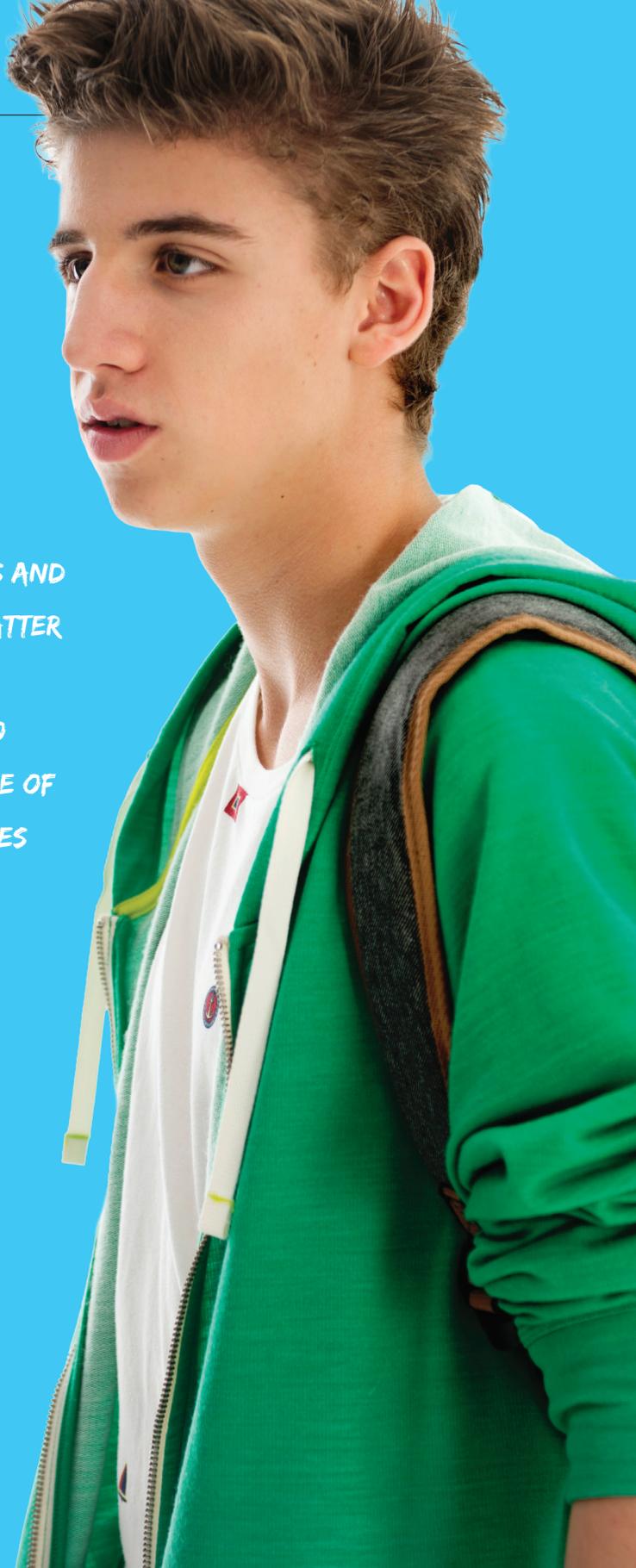
The prospective financial statements included in this Statement of Performance Expectations are reliant on a set of critical assumptions made by the Company.

The most significant assumptions reflected in these financial statements are:

- Managed Network revenue assumes that the current financial return to the Company will continue when the Statements of Work with the Ministry of Education are renewed in December 2016, excluding the fixed revenue from the existing Transition Statement of Work
- Any additional activities will be conducted within the parameters established by Ministerial expectations of N4L and in accordance with agreed Statements of Work. A small amount of revenue has been assumed for a specific proof of concept in 2016/17

"BY ENSURING THAT ALL YOUNG PEOPLE HAVE ACCESS TO HIGH QUALITY NETWORKS, PLATFORMS AND SERVICES FOR LEARNING, NO MATTER WHERE THEY LIVE, N4L CREATES OPPORTUNITIES FOR SCHOOLS TO MAKE THE MOST OF THE UNIVERSE OF DIGITAL LEARNING OPPORTUNITIES AVAILABLE TO THEM."

John Hanna,
CEO



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 Network Services

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

Number of school sites connected to the Managed Network

Measure	Target
Number of school sites connected	Q1: 2,415 (96%)
	Q2: 2,440 (97%)
	Q3: 2,465 (98%)
	Q4: 2,465 (98%)

Helpdesk timelines and satisfaction

Measure	Target
Satisfaction of users logging a Service Request or Incident	'Satisfied' or 'Very Satisfied' response from at least 75% of respondents

Uptime and Usage

Measure	Target
Manage uptime in accordance with contractual Service Level Agreements (SLA's)	Meet SLA levels

2. 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 operational contact at each school satisfaction with the performance of N4L in administering the Managed Network and associated services	'Satisfied' or 'Very Satisfied' response from at least 75% of respondents

3. Other Business

Measure	Target
All other work will be completed within budgets and to standards set out in Statements of Work	100% of targets met

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
- N4L will plan to ensure that it has the financial resilience to transition to an expanded business model without additional equity investment by the Crown

Helen Robinson

Chair

30 June 2016



Mark Yeoman

Deputy Chair

30 June 2016



FINANCIAL STATEMENTS

Prospective Statement of Comprehensive Income for the year ending 30 June 2017

	Note	2015/16 Forecast \$000	2016/17 Forecast \$000
Income			
Income from services	13	28,486	29,983
Interest income		46	24
Total income		28,532	30,007
Expenses			
Network and product services	14	22,049	23,632
Board operations		268	249
Audit fees		51	51
Depreciation		145	142
General and overhead expenses	15	5,492	5,898
Total expenses		28,005	29,972
Total comprehensive income		527	35

Prospective Statement of Changes in Equity for the year ending 30 June 2017

	Note	2015/16 Forecast \$000	2016/17 Forecast \$000
Opening balance		2,576	3,103
Net surplus/(deficit)		527	35
Total comprehensive income for the period		527	35
Proceeds from shares issued		-	-
Total contributions by the owners		-	-
Closing balance		3,103	3,138

Prospective Statement of Financial Position as at 30 June 2017

	Note	2015/16 Forecast \$000	2016/17 Forecast \$000
Assets			
Current assets			
Cash and cash equivalents	6	2,526	2,435
Other current assets	7	2,631	2,618
Total current assets		5,157	5,053
Non-current assets			
Property, plant, equipment and intangibles	8	472	530
Total non-current assets		472	530
Total assets		5,629	5,583
Represented by			
Liabilities			
Current liabilities			
Accruals and payables	9	2,477	2,412
Total current liabilities		2,477	2,412
Non-current liabilities			
Lease incentive		49	33
Total non-current liabilities		49	33
Total liabilities		2,526	2,445
Equity			
Share capital and reserves		3,103	3,138
Total shareholders' funds		3,103	3,138
Total liabilities and shareholders' funds		5,629	5,583

Prospective Statement of Cash Flows for the year ending 30 June 2017

	Note	2015/16 Forecast \$000	2016/17 Forecast \$000
Operating activities			
Receipts from customers		31,204	29,996
Interest received		44	24
Payments to suppliers and staff		(30,895)	(29,911)
Net cash flow from operating activities	12	353	109
Cash flows from investing activities			
Board operations		(136)	(200)
Net cash flow from investing activities	12	(136)	(200)
Financing activities			
Capital contribution from Government		-	-
Net cash flow from financing activities	12	0	0
Net increase/(decrease) in cash		217	(91)
Cash available at the start of the period		2,309	2,526
Cash available at the end of the period		2,526	2,435

NOTES TO THE PROSPECTIVE 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 Act 1989.

N4L's purpose is to establish and operate a student-focused network that offers schools and kura access to predictable and fast internet with uncapped data, web filtering and network security services to help schools create a safe online environment for their students, 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).

The New Zealand Crown is the ultimate parent of N4L, however the Crown does not guarantee the liabilities of N4L in any way.

2. Statement of Compliance

The prospective financial statements are for the year ended 30 June 2017. The prospective financial statements have been prepared in accordance with the relevant requirements of the Public Finance Act 1989 and Crown Entities Act 2004, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The prospective financial statements have been prepared in accordance and comply with Public Benefit Entity Reporting Standards PBE FRS 42 and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

These statements will be used in the Annual Report for the year ending 30 June 2017 as the budgeted figures.

The prospective financial statements were authorised for issue by the Board of Directors on 30th June 2016. The Board is responsible for preparing the prospective financial statements presented, including judgements concerning the appropriateness of the assumptions underlying the prospective financial statements and other required disclosures. It is important however to note that the prospective 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 (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.

Income

Income is measured at the fair value of consideration received or receivable.

- (i) Income from services: Income from services is 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 a term deposit held with a major NZ trading bank with original maturity of three months or less.

7. Other current assets

Other current assets are recorded at their face value, less any provision for impairment.

8. Property, plant, equipment and intangibles

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.

Intangible assets consist of acquired computer software licences, which are capitalised on the basis of the costs incurred to acquire and bring the specific software to use, and domain names, which are capitalised on the basis of the costs incurred to acquire. Costs associated with maintaining computer software or with the

development and maintenance of N4L domains are recognised as an expense when incurred.

9. Accruals and payables

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

10. Goods and services tax

All items in the forecast 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.

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

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

- Cash comprises of 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 change 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

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. Income from services

Income from services represents:

- Estimated income from the provision of core network services to schools. These services for state, state integrated and partnership schools are paid for by the Ministry of Education on behalf of the schools
- Estimated income from services to Government relates to the provision of transition support services to schools, a helpdesk service, and a package of content and services. These services are paid for by the Ministry of Education. Income from services to Government also includes services provided to education sector agencies

14. Network and product services

Network and product services represent:

- Estimated payments to the network provider and other providers for the provision of services to N4L
- Estimated direct departmental costs in providing products and services

15. General and overhead expenses

Other general and overhead expenses represent:

- Estimated departmental costs of general management, customer relationship management, marketing/communications, education sector/government liaison, finance, human resources, facilities, and professional services/legal

FUTURE
READY
WORLD
READY



" OUR STUDENTS LOVE PRESENTING INFORMATION IN VIDEO FORM. WITH VIDEO THEY THINK ABOUT THE INFORMATION THEY'VE GATHERED, AND THEN PUT IT IN THEIR OWN WORDS AND WORK OUT HOW TO PRESENT IT.

LEARNING THROUGH VIDEO IS ESPECIALLY GOOD WITH STUDENTS WHO MAY NOT BE HIGH ACHIEVERS IN TRADITIONAL SKILLS LIKE WRITING. SUDDENLY VIDEO WILL CAPTURE THEM, AND YOU'LL BE SURPRISED AT THEIR THINKING AND LEARNING.

THANKS TO N4L'S MANAGED NETWORK, WE CAN INTRODUCE THESE NEW WAYS OF TEACHING AND LEARNING THAT EXCITE AND ENRICH OUR STUDENTS WITHOUT HAVING TO WORRY IF OUR INTERNET CONNECTION CAN COPE."

Becka Nathan is a Year 7-8 teacher and e-learning leader,
Karori Normal School, Wellington



Auckland Head Office

Suite 306, Geysers Building
100 Parnell Road
Auckland 1052
PO Box 37 118
Parnell, Auckland 1151

Wellington Office

Level 9, Bayleys Building
36 Brandon Street
Wellington 6011
PO Box 11 487
Wellington 6142

W n4l.co.nz

P 0800 LEARNING

E info@n4l.co.nz

