

ANNUAL REPORT

2016

A collage of eight portraits of diverse young people, arranged in a 3x3 grid with the center cell missing. The portraits are set against various colored backgrounds: teal, orange, and purple. The central text 'FUTURE READY WORLD READY' is overlaid on the collage in a white, hand-drawn, brush-stroke font. A white diagonal line is drawn across the bottom right of the text.

FUTURE
READY
WORLD
READY

OUR JOURNEY



First Employees of N4L

Dec 2012

First School Connected

Nov 2013

Pond Launches

Mar 2014

1,000 Schools Connected

Oct 2014

10,000 Teachers in Pond

Feb 2015

90% of Schools Connected

Nov 2015

Tahi Launches

Jun 2016

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INTRODUCTION

The Network for Learning's (N4L) objective is to help facilitate a continuous improvement in educational outcomes for all New Zealand school children, which in turn will contribute to New Zealand's economic performance.

N4L is a catalyst for equitable access to technology and the learning opportunities that the use of technology brings for every learner.

The Company delivers significant benefits to educators and their students by enabling consistent, modern, technology-embedded learning opportunities. The Company is achieving this with the provision of a growing managed technology stack, content and collaboration solutions, and other innovative services.

N4L operates in a financially sustainable manner within its Crown-allocated operational budget.

Working with education and technology sector partners, N4L's activities are designed to encourage learners to benefit from digital learning. By ensuring that all young people have access to high quality networks, platforms and services for learning - no matter where they live or go to school - N4L creates opportunities for students to make the most of the universe of digital learning opportunities.

N4L is a Crown company incorporated on 2 July 2012. Ownership is held equally between two shareholding Ministers, the Ministers of Finance and Education, with governance by an independent Board of Directors.

**FUTURE
READY
WORLD
READY**

CHAIR'S REPORT

New Zealand's future prosperity lies in the hands of our young people.

At N4L, we would like to think that our services and our Company culture and structure reflect the evolving times of business and life, and this then is reflected in the benefits derived by New Zealand's learners.

It is critical for our educational future and its economic well being that New Zealanders have access to the best technology and connections which enables us all to leverage New Zealand's inherent innovation and entrepreneurship capability.

The New Zealand Government has invested in a world-class fibre network reaching the vast majority of New Zealand's population. The Network for Learning's purpose, since it was established in 2012, has been to realise the benefits of this investment in ultrafast broadband and to improve educational outcomes by preparing our young people for the future.

Technological use intertwined with our fabulous teachers and school communities makes for a powerful modern education system. Arguably, this shift to innovative learning environments is the biggest shift in education for 150 years.

The fundamental basis of great technological use today must be safe, predictable, fast internet. N4L, working with our partners, the Ministry of Education and Spark, have delivered this Managed Network service a year ahead of plan and significantly below the original appropriated budget. Today more than 96% of schools in New Zealand leverage all the benefits which are delivered with the N4L Managed Network.

This means that almost every child in New Zealand between the ages of 5 and 18 connects to the N4L Managed Network every day at school.

Anecdotal there are signs everywhere of what this means for our young people, particularly those who have struggled to engage in the classroom or lacked enthusiasm about going to school. Embedded technology in our great education system enhances the experience and we witness the outcomes of this everyday.

Special tribute this year to our Advisory Group who have unerringly and boldly helped N4L recognise the importance of what N4L delivers, and helped direct the strategy to prepare the way for N4L's next phase. "It just works" is a phrase which has really struck a chord with the N4L team in shaping our strategic plan for the future of technology in education. Our goal is to provide seamless, embedded technologies and services to help maximise our education system and enhance learning.

Technological use in education is not just in the classroom but increasingly needed outside the classroom and outside the school gates. This year N4L has worked alongside many communities helping to increase greater collaboration and resource sharing. N4L was recognised as the top ICT-enabled Community Initiative at the inaugural CIO100 Awards, where N4L was recognised for delivering an initiative that helps address a community or social issue.

Whilst the backbone of technology use at schools is the N4L Managed Network, significant opportunities lie right across the education system.

N4L's digital services – including Pond and Tahi – are aimed at supporting teachers and learners to connect and collaborate. Pond is a central hub for digital discovery and participation where educational resources can be accessed and shared, creating a world-leading online environment, connecting the community

of New Zealand teachers, school administrators, and providers of content and services. Tahi, an identity and access management system, enables learners to access and connect with a variety of education providers and applications, seamlessly and painlessly.

N4L works with a range of committed partners who share our vision for digitally empowered education for a future-ready, world-ready, New Zealand.

Once again I would like to personally acknowledge N4L's diverse and incredible Board of Directors, whose unrelenting passion, expertise and wisdom underpins the success of N4L and future years ahead.

Finally, without the inspirational leadership of CEO John Hanna and the amazing work of the team gathered around him, N4L would not have accomplished what it has during 2015/16.

N4L has reached a significant milestone this year, with the connection of almost every New Zealand school to the N4L Managed Network, but the journey has only just begun. We are proud to be a small yet key part of the education system and a catalyst for maximizing technology use – all for the future prosperity of New Zealand.



Helen Robinson
Chair



CEO'S REPORT

Digitally empowering education for a world-ready, future-ready, Aotearoa New Zealand.

Four years on from the incorporation of N4L as a small contemporary ICT startup, 96% of New Zealand schools are experiencing the enormous benefits that come from fast, fully funded, safe and secure access to the Managed Network. N4L has built a world-first network, and has successfully connected almost all New Zealand schools to that network, while staying under budget and within the timeframes originally set.

The charge N4L was given at its inception has been fulfilled, and four years on from its formation, the company is now at an inflection point. The Company is poised to move on to greater things, building on four years of technical innovation, ahead-of-time delivery, establishment of authentic relationships and the creation of a trusted brand.

We have all, at some point, debated the significance and value of technology to education. The late Dr Seymour Papert, one of the most important thinkers in the world of technology and education, noted that technology is an essential tool to inspire children and stimulate their curiosity and learning in the classroom. "In my vision," he wrote in 1980, "the child programs the computer and, in doing so, both acquires a sense of mastery over a piece of the most modern and powerful technology and establishes an intimate contact with some of the deepest ideas from science, from mathematics, and from the art of intellectual model building."

This vision, in part, captures what inspires me and my team to do the work that we do, both in developing infrastructure to support teaching and learning, but also in developing products and engaging directly with educators.

During 2015/16, more teachers than ever used our platform, Pond, to find and collaborate around high-quality, New Zealand-specific resources. Pond is designed, in its first iteration, as a platform to support teachers as professionals, and to become a part of how educators are - an integral part of their practice and professionalism, helping them discover, share, and grow. Pond has gathered a substantial following and now has over 25% of current working educators as registered users.

Significant progress has also been made on N4L's latest product, Tahī. This being an identity and access management service that simplifies access to online education applications by creating a single identity for students and teachers, which they use to log in to all authorised apps - right through their school career.

None of the work I have mentioned would be possible without the extraordinary team at N4L. Across a range of areas, their hard work every day has made a tangible and significant difference to the lives of almost all New Zealand learners. I must also thank the N4L Board for their governance and consistent contribution to the work of the Company, and the unending support of our Responsible Minister, Hon Nikki Kaye.

Finally, while this report details N4L's successes and achievements for 2015/16, of which I am extremely proud, I am also very pleased to note the significant amount of work that has been carried out with our partner agencies to build a way forward for N4L. N4L has built a strategy that will see

us leverage our technical expertise, and our sector knowledge and relationships to deliver new products and services across the education sector. We see a bright future for young New Zealanders to learn and grow, empowered by digital technology for a world-ready, future-ready, Aotearoa New Zealand.

John Hanna
Chief Executive Officer



N4L OBJECTIVES AND OUTCOMES

N4L advances Government's goals in the areas of education and infrastructure, while meeting its expectations for efficient and effective expenditure of Crown funds. By leveraging the Government's investment in Ultrafast Broadband (UFB), N4L offers a substantial contribution to the achievement of Government's goals for the education system. N4L offers services that are high-value and targeted to increase the ability of the education system to raise achievement for young New Zealanders.

N4L meets the needs of New Zealand's education sector in three main areas, which link back to the expectations set out in the Company's constitution:

- The provision of a Managed Technology Stack, based around the N4L Managed Network which includes related services such as web filtering, firewall services, performance monitoring and a helpdesk service.
- Delivering Platform Services – building on N4L's Pond platform to address specific areas of need in the education sector.
- Engaging with the education sector to help lead our direction to best fit their needs as educators. To drive a step change in educational outcomes using technology-enabled services, we have to ensure our customers are with us on that journey.

N4L OBJECTIVES AND OUTCOMES MANAGED TECHNOLOGY STACK

N4L's Managed Network is specifically designed for New Zealand's 2500+ schools. The Managed Network is a connection schools can trust to perform, knowing they will always have enough capacity to use the internet when and how they want. It creates an environment that encourages the uptake of digital learning in a seamless way. The Managed Network ensures all schools will have equitable access to safe, predictable and fast internet with uncapped data, strong web safety and security services, and full helpdesk support.

With the Managed Network, schools have the tools to create a safe online environment for their students and staff, and can pursue new teaching and learning opportunities presented by digital technologies. Schools using the Managed Network are benefiting from an enhanced online experience, with many experiencing internet speeds of up to ten times faster than what they have received previously.

Rollout of the Managed Network

The rollout of the Managed Network began in November 2013 when Massey Primary became the first connected school, and has continued at a faster than expected rate.

As of the end of June 2016, there are 2,405 New Zealand school sites connected to the Managed Network. More than 780,000 students and teachers are now using the Managed Network, an increase of 575 schools and just over 200,000 users from the end of the preceding year.

On establishment, N4L set itself five milestone targets for connections to the Managed Network. N4L has met and exceeded all five milestones:

2

schools connected by 29 Nov 2013
(3 days ahead of target date 2 Dec 2013)

20

schools connected by 16 Dec 2013
(23 days ahead of target date 8 Jan 2014)

200

schools connected by 26 Feb 2014
(12 days ahead of target date 10 Mar 2014)

700

schools connected by 7 Aug 2014
(88 days ahead of target date 3 Nov 2014)

and

70%

of schools connected by 15 Jun 2015
(565 days ahead of target date 31 Dec 2016)

Number of schools connected as at 30 June 2016

Results

96%

(2,405 schools)

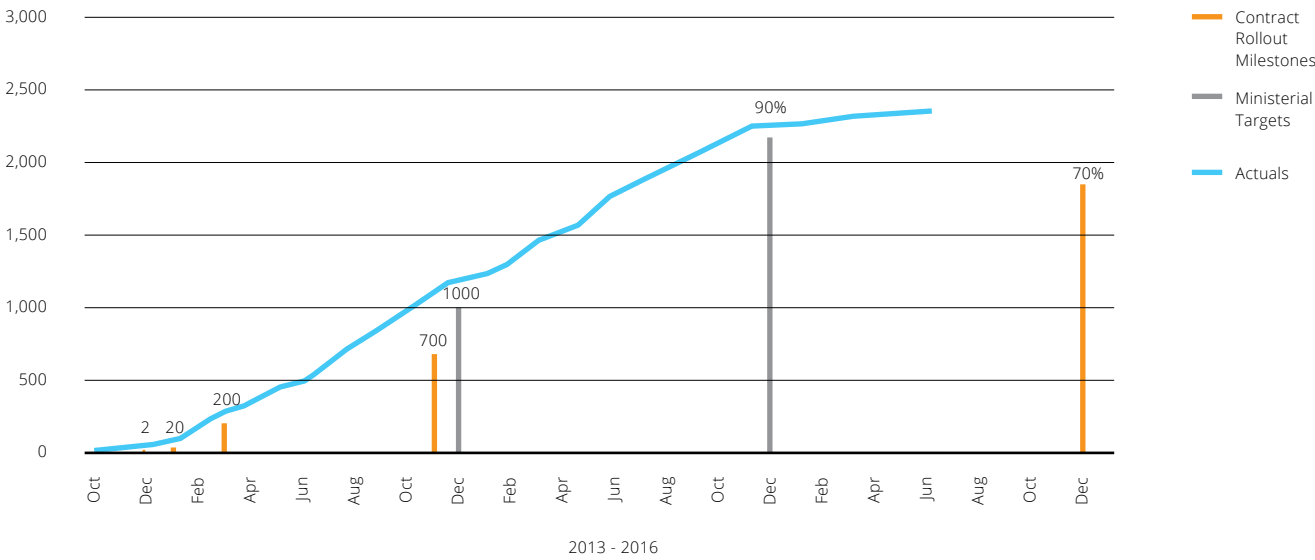
The rollout is well ahead of schedule, with approximately 96% of schools connected by 30 June 2016. With a continuous small stream of new schools, merged schools, or schools being rebuilt, there will continue to be a residual level of connection-related activity.

Feedback from schools, media and our technology sector partners has been overwhelmingly positive. Surveys reveal 93% of schools which joined the Managed Network in the past year were satisfied or very satisfied with their experience of the Managed Network.

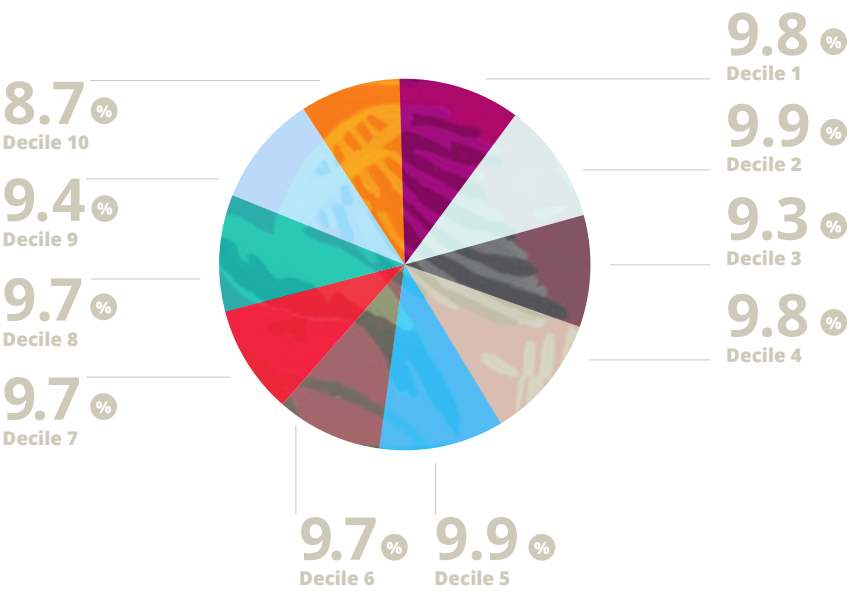


MANAGED TECHNOLOGY STACK

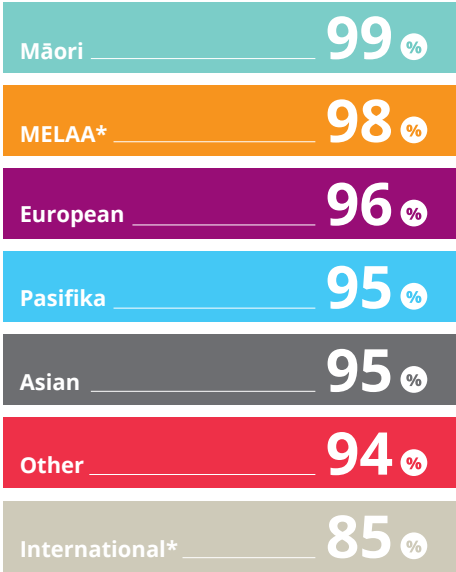
Schools connections vs milestones



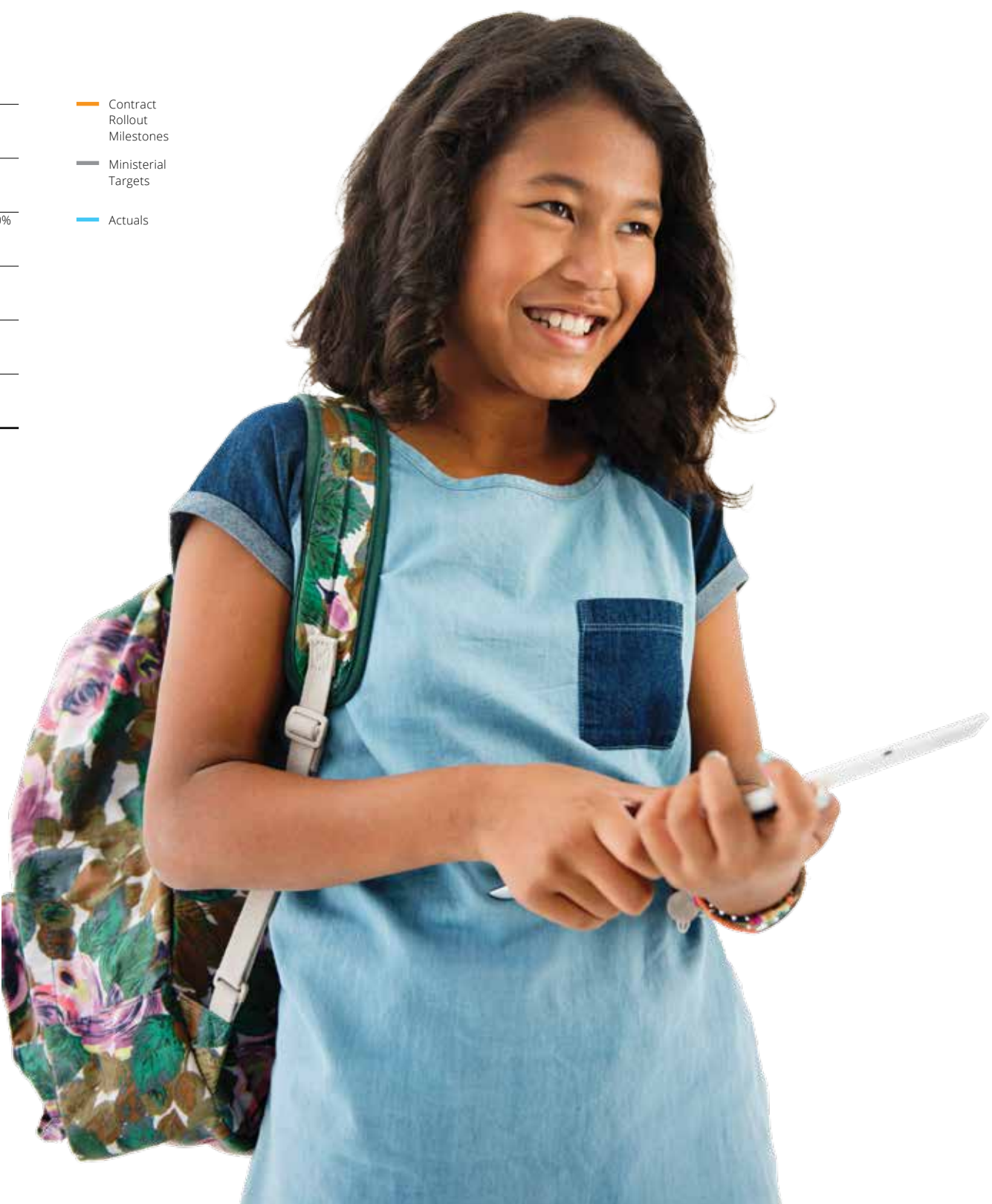
Schools by Decile Rating



Percentage of Each Group Signed



* MELAA refers to Middle Eastern/Latin American/African
* International refers to students who are not domestic students for whom we do not collect ethnicity information



"If you could see what I see; where the lights go on and children see themselves as independent learners because they have built capacity as digital learners. It's so satisfying. When I see the results for Māori boys, I know what success looks like."

You can see it in their eyes when they can share work and ask for feedback. It's a huge achievement."

Mina Pomare-Peita,
Principal
Te Kura Taumata o Panguru

MANAGED TECHNOLOGY STACK

Use

Data use across the network has grown significantly over the last year, as more schools connect to the Managed Network but also as schools have begun to consume more data. Key areas driving growth are updates (such as iOS releases) and streaming video.

Traffic Activity	Month of June 2016	Cumulative to June 2016
Web Data (TB)	1,385	11,254
Streaming Video Minutes (thousands)	595	10,026
Webpage Hits (billion)	13.4	100.7

Strong bandwidth growth is being observed across the Managed Network, demonstrating that schools are increasingly using digital resources online. As a result of this, and in line with the agreed allocation policy, a number of schools are having their connections upgraded to allow them to continue using online resources confidently, without problems with unreliability or slow downs.

Innovation and Sustainability

The ongoing success of the Managed Network is dependent on a continuous programme of innovation in the delivery of services and investment in the development of new products and features. These are designed to both enhance the quality of the services we deliver and ensure we remain at the leading edge of network-based services for New Zealand schools.

New features and products in 2015/16 include:

Launch of Tahi to provide schools single-sign-on and simplified provisioning of cloud applications

Improved analytics and automation for school upgrades

Automation of processes to reduce the time for school requested changes (such as a firewall change)

Safety and Security

This past year N4L introduced new safety and security features for our users. The number of threats blocked across the network has also grown with increases in network use. There is variance in the categories of growth, or reduction, month to month and not directly linked to use patterns, as various threat trends shift.

Security Activity	Month of June 2016	Cumulative to June 2016
Viruses and Malware Blocked (thousands)	45.4	296
Adware Spyware and unwanted Applications Blocked (thousands)	141	3,711
Security Blocks (millions)	71.2	828
Websites Blocked (millions)	794	4,525

Identity and Access Management (IAM) - Tahi

During 2015/16, N4L, in conjunction with Spark under the Managed Network contract, developed Tahi, an IAM solution to support identity management within schools. Tahi is designed to give students access to many online applications via a single user name and password, and provide functions to support in-class use and prevent disruption to teaching, such as allowing teachers and students to reset forgotten passwords in real-time.

Tahi is designed to operate on a sector-wide basis, meaning that if students or staff are involved in multiple schools, or if they move between schools, they will retain the same user account. This prevents users from losing their data as they move or needing to manually move it.

N4L has also created the N4L SMS Extender which integrates with a school's Student Management System and allows the SMS data to be used to populate other services, including Tahi. The SMS Extender operates on a per school basis, consistent with the operation of a school's SMS, where the SMS vendor operates as an agent of the school.

Tahi launched to market in June 2016. It enabled application providers to self onboard, making their applications consumable by schools using Tahi. Tahi is now available to all schools.

N4L OBJECTIVES AND OUTCOMES

PLATFORM SERVICES

Aligning with N4L's Managed Technology Stack workstream is N4L's Platform Services. The Platform Services workstream supports the provision of content, applications and services which leverage the Managed Network and enhance teaching and learning opportunities across New Zealand's education system, including the delivery and ongoing evolution of Pond.

When Government's early vision for N4L was forming, it was understood that supporting educator and student access to the right content and online services was a critical function for the Company to undertake.

When N4L began the thinking and early design that was to become Pond, the Company spent 8 months in an iterative design process with educators across New Zealand, seeking to understand educator work and learning practices. It soon became obvious that in order to drive outcomes for learners, teachers would be key to introducing, championing, leveraging, and supporting the use of technology in the classroom.

The core issue identified by N4L during this process and addressed by the development of Pond remains in place for many teachers. For busy teachers, it is onerous to find, assess, manage and share appropriate and useful teaching resources out of the vast quantities of information available online.

Leaving teachers and schools to navigate all the available resources was leading to suboptimal search results, with teachers frustrated and alienated by heavily-promoted products that did not work well enough for their New Zealand classes. Teachers asked for a way to learn and connect with other educators so they could more quickly find the right New Zealand-centric resources for their needs.

The result of that work with end-users became the commitment to build a platform that would support teacher planning, and facilitate access to useful and often hard-to-find content. The platform supports educators to create, manage, publish and share digital content, as well as interact with each other around this content.

Improved Functionality and Connectivity

This year saw the release of Pond Mobile, for both iOS and Android, along with a Pond Chrome Extension. These releases were built on the Pond Application Framework (PAF), a new Pond-centric software development platform which allows organisations to create Pond-ready applications. The first example of this is Ministry of Education's TKI Arts Online site, which began using PAF in the third quarter of 2015/16, to link with Pond's repository in real-time.

Some enhancements have also been made in 2015/16 to the Pond web application itself. The experience that Pond provides when users are looking at web links to third-party sites has been improved. There are links to more than 200 of the world's most popular sites, now displayed as rich embedded views, saving teachers time and providing instant visibility into educational resources. Other significant pieces of functionality were added to Pond including a live notifications stream, email notification digests and the ability to explicitly mention (or "tag") other users.

Google, Microsoft Office 365, Education Sector Authentication and Authorisation (ESAA) and Tahi login support has been added to Pond, allowing users to login using their preferred method.

Connectivity to a further four deep search repositories were added, these being User Friendly Resources, NZCER's Assessment Resource Bank, Data.govt.nz and the Department of Conservation.

Improved Support of Intellectual Property

Creative Commons licensing is now fully supported in Pond after a collaborative effort involving Creative Commons NZ and Copyright Licensing NZ around wording and user experience. The functionality has also been demonstrated to the intellectual property team in the Ministry of Education with positive results.

Pond Usage

The number of educators using Pond has continued to increase, although the release of the universal view feature, which allows anyone to view Pond's public content, has also decreased the rate of educators registering with Pond, because it is now possible to see some material within Pond without becoming a registered user.

Users continue to add materials to Pond, with over 20,000 items in the Pond database.

"Pond is a useful tool for collating resources, links to websites, activities, and planning etc. I put things that I 'like' on Twitter into buckets on Pond so that I can find them again easily next time I am looking for them, and also so that hopefully others can access them too."

Celia Fleck,

Play.Sport Curriculum Facilitator



13,677
Educators
in Pond by June 2016

882 Content provider interactions from 481 organisations by 30 June 2016

More than **half a million** page views in the past 12 months



169,044
searches
carried out in the past 12 months

1,870
Buckets
of curated and collated content created

More than **4,500 comments**
50% more than this time last year

More than 20 times

more items in Pond than at the same time last year



97,206
visits in the past 12 months

N4L OBJECTIVES AND OUTCOMES

SECTOR ENGAGEMENT

The relationship between the sector and N4L has continued to be extremely positive. Schools have told us they greatly appreciate the company's willingness to modify and refine its processes in response to feedback. Key findings from formal sector surveys indicate the sector has a positive view of N4L's products, services and people, with an overwhelming 93% satisfaction rate.

As N4L evolves as a company and becomes responsible for the delivery of multiple services, we are refreshing our business measures and combining a number of our established research elements, including:

- Current state of customer satisfaction
- School satisfaction
- Pond user satisfaction
- Sector stakeholders
- Security landscape
- Device requirements and pain points
- School digital readiness

This enables regular tracking of customer satisfaction aligning with ongoing research which is needed to support product or service-specific decisions.

Education Sector Initiatives

The partnership between N4L and the sector continues to be a positive one, with schools greatly appreciative of the support they are given in the digital space, and N4L staff enjoying their positive interactions with schools. A highlight for many staff was the school visits associated with the various research inquiries and a more general process of reconnecting with N4L's user base. This took the form of 124 interviews with school staff across 84 schools during the early part of 2016.

The uptake of Pond from both providers and educators has risen steadily throughout the year. Providers appreciate being able to use Pond to increase the

visibility of their resources. We have also seen a lift in professional learning and development (PLD) providers' use of Pond. We achieved a 'proof of concept' between the Teacher Resource Bank in TKI's Arts Online and Pond. We initiated work with several Communities of Learning (CoLs) exploring how Pond can support the meeting of achievement challenges.

N4L continued to have a strong presence at sector events, ranging from keynotes and workshops to sponsored conference stands. The sector appreciates the company's visibility at events and makes great use of opportunities to have their queries answered and to find out about emerging products and services. N4L's education team has continued to have input into sector reference groups.

N4L Advisory Group

N4L's Advisory Group met each quarter and provided valuable insight and feedback at both the operational and strategic level of the company. Drawn from a cross-section of the education sector, the purpose of the Advisory Group is to provide N4L's leadership with timely and sector relevant advice, insight and guidance. The Group broadens the expertise base that is drawn on when making strategic decisions in the company. The Group also brings a strong external perspective, an educator's/customer's voice from the front line, to the Company to highlight the key challenges schools are facing particularly with regards to digital technology.

The group is

- **Claire Amos**, a deputy principal at Hobsonville Point Secondary School.
- **Carolyn Alexander-Bennett**, the ePrincipal of Ako-e (the FarNet and HarbourNet online learning communities).
- **Dorothy Burt**, a Google Certified Teacher and an Apple Distinguished Educator.

- **Charles Newton** works as an educational consultant after 20 years of principalship, specialising in "big picture" thinking around future-focused learning and education's response to the digital imperative.
- **Richard Newton**, the former principal of St Clair School in Dunedin and now a Leadership Adviser working for the University of Auckland.
- **Jen Rodgers**, the former principal of Cheviot Area School and is now the principal at St Clair School in Dunedin.
- **Mike Williams**, the principal of Pakuranga College since 2009 and prior to this principal of Aorere College.

Professional Learning Communities

During 2015/16 N4L facilitated a professional learning community for principals associated with Northland's FarNet. A large piece of this work has involved regular meetings with Te Kupenga o Tai Tokerau, a group of secondary principals who have been supported to grow their digital competence and then use this knowledge to tackle some of the more challenging learning issues within their schools.

The University of Canterbury's research paper about this initial professional learning community made several recommendations and based on these three new Principal Collectives have been established with a broader range of Northland principals. These new Collectives are more geographically aligned to reduce the burden of travel, have a greater online underpinning and an increased requirement for Collective members to be self-initiating in their participation.



The N4L Advisory Group brings a strong external perspective, an educator's/customer's voice from the front line, to the Company to highlight the key challenges schools are facing particularly with regards to digital technology.

L to R: Jen Rodgers, Richard Newton, Dorothy Burt, Claire Amos, Charles Newton, Carolyn Alexander-Bennett, Sarah Martin (Absent: Mike Williams)

N4L OBJECTIVES AND OUTCOMES

RESEARCH

Over 2015/216, an increasingly important part of N4L's activities with the education sector has been the undertaking of strategically important research in order to inform our ongoing and future work.

In the first half of the year, N4L commissioned a report from the New Zealand Council for Educational Research (NZCER), analysing the results of lifecycle surveys about the sector's views of N4L and their future expectations and needs. Around 350 schools responded, about 30% of those invited to provide views. NZCER's key findings were that:

- There is a very positive view of N4L, its products and services, and its people
- Confidence in implementing a school's digital strategy has been increased by being connected to N4L's Managed Network
- School staff would like more professional learning and training, and have provided many ideas about further products and services N4L could provide
- Going forward, schools are asking if N4L could be a 'one-stop-shop' for technology needs

N4L also commissioned a Technology in Schools Survey, which asked schools throughout New Zealand about their experiences of technology in the classroom. In particular, N4L wanted to learn about difficulties schools experienced. The survey was carried out in August and September 2015. All 2,504 NZ primary and secondary schools were surveyed; 701 responded.

The most prominent concerns with technology identified by respondents were:

Cost: the primary concern reported by schools for technology programmes.

A lack of expertise: often stated as a limitation on adoption of technology.

A lack of time: Teachers did not have time to establish and maintain complex technologies. In smaller and rural schools, there was less ability to bring in technical expertise, leaving more responsibility on teachers and staff.

Integrating technology into teaching: Teachers wanted support and access to ways of integrating technology into the art of teaching.

In the second half of the 2015/16 year, N4L's research programme has taken the form of three projects:

The Diffusion of Teaching and Learning Ideas - The aim of the project is to understand how teachers and schools make decisions about which ideas to try, and how they measure success.

Improving Internet Access for Rural Students - N4L is investigating the challenges facing rural communities around internet access.

Pond futures - N4L is undertaking a project that explores the possible futures for its online educator community.

The first two of these projects have been undertaken in conjunction with/and on behalf of the Ministry of Education.

N4L uses its research findings to improve existing services, learn where opportunities are emerging, and provide well-evidenced reports to Government on N4L service delivery.

N4L OBJECTIVES AND OUTCOMES

PLANNING FOR THE FUTURE - TECHNOLOGY THAT 'JUST WORKS'

The Network for Learning, four years on from its formation, is at an inflection point. Reports from Cameron and Partners and from Deloitte have affirmed N4L's success, advising that the Company has a number of significant attributes which should enable it to play a meaningful role going forward. Ministers have responded by commissioning N4L to prepare a plan for delivering on this potential.

Ministers, N4L, and the Ministry of Education agree that the education sector needs to be supported so it is ready for upcoming challenges:

- **Innovation:** the Education Sector Digital Strategy calls on agencies to be ambitious in building on the technologies available today, leveraging investment in infrastructure and the enthusiasm of students, educators and leaders to embrace the advantages technologies offer
- **Fluency:** the education sector's Digital Fluency strategy aims for all New Zealand schools to be equipped with state-of-the-art infrastructure, so that every student benefits from the advantages of digital technologies for learning
- **Digital assessment:** NZQA has committed to deliver full digital assessment by 2020
- **Managing complexity:** N4L's ongoing engagement with the education sector suggests that the overarching concern articulated by schools is increasing complexity and the immediate need to manage increasingly large and sophisticated technology environments. Many schools are not prepared for this. From a resource and capability perspective, the length of time taken to attempt to deal with complex digital or technology issues often distracts educators from their core work of teaching or leading learning.

In addition to a continued focus on the needs of the schooling sector, it is important to support education agencies. As education sector agencies are increasingly expected to provide their services digitally, they are also increasingly finding themselves in need of new sets of competencies and skills in order to meet this expectation.

To address these sector and agency needs, and to meet Ministerial expectations, N4L has developed a strategy to take the Company forward to 2020.

N4L has developed a four-year plan to become schools' Trusted Strategic Digital Advisor. N4L's aspiration in becoming the Trusted Strategic Digital Advisor is to make the professional lives of teachers and principals easier by offering technology that 'just works'. This covers three broad areas both within schools and extending beyond the school gate:

Trusted strategic digital advisory services: offering advice, design and development support.

Managed network services: for safe and secure connectivity, across the network, software and devices.

Digital products and related services: supporting content and collaboration.

N4L expects to articulate this planning exercise in more detail in a revised Statement of Intent.



EXECUTIVE TEAM

John Hanna
CHIEF EXECUTIVE OFFICER

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

Carolyn Stuart
DEPUTY CHIEF EXECUTIVE, EDUCATION

Carolyn comes to N4L from an extensive career in the schooling sector, including 13 years as a principal. Her passion for the use of technology to make schools relevant and exciting, and her specialisation in educational leadership has seen her involved in many initiatives working with educators across New Zealand.

Graeme Rayner
CHIEF FINANCIAL OFFICER

A qualified chartered accountant, Graeme spent 20 years in senior finance roles in one of the world's largest consumer goods companies (15 of which were spent outside New Zealand) before joining N4L.

Jenna Woolley
HEAD OF STRATEGY AND PLANNING

Prior to joining N4L, Jenna spent a decade working in the technology industry. She has held a variety of roles, including leading her own strategy consultancy. She is a current member of the TUANZ Board.

Jeremy Nees
CHIEF OPERATING 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 School Management System.

Susannah Winger
HEAD OF MARKETING

Susannah joins N4L with senior marketing experience in both education and telecommunications. Most recently she returned from Australia where she held a Senior Manager role at Open Universities Australia, responsible for the Marketing and Advertising across their multiple brands.

Alexander Brown
DEPUTY CHIEF EXECUTIVE, GOVERNMENT

Prior to joining N4L, Alexander (Sandy) spent three years at the Ministry of Education as Chief Advisor, Education Sector Leadership. Prior to this he held several senior management and policy roles in Education New Zealand, the Tertiary Education Commission and the Ministry of Justice.



BOARD OF DIRECTORS



L to R: Karen Poutasi, Rick Shera, Mark Yeoman (Deputy Chair), Helen Robinson (Chair), Humphrey Wikeepa, Jack Matthews, Linda Tame

Helen Robinson
CHAIR

Helen is an independent director serving on numerous, diverse and innovative organisations, and an entrepreneur with interests mostly in technology companies.

Helen has led many technology companies over the past 30 years, including as Managing Director of Microsoft New Zealand and APAC leader (VP) for Pivotal Corporation, a Canadian CRM software company.

Helen was CEO of the TZ1 Registry that was acquired by London based Markit Group Ltd where she continued to act as Global Managing Director, Environmental Markets until mid-2011, when she left to pursue other business initiatives and independent directorships.

A theme of Helen's career has been a strong passion and drive to improve the quality of life for all, and to deliver value to stakeholders through innovation and technology.

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, Auckland Tourism Events & Economic Development
- Managing Director, Penguin Consulting Limited
- Chair, Organic Initiative Ltd (Oi)
- Chair, CLOUD M Ltd
- Council Member, Open Polytechnic NZ (OPNZ)
- Director, KND Investments Limited
- Member, New Zealand Rugby, Board Strategic Relations & Planning Committee
- Chair, Valens Group
- Trustee, Robinson Family Trust
- Trustee, Aktive Auckland Sport & Recreation

Mark Yeoman
DEPUTY CHAIR

An experienced leader within the ICT industry, having held a number of executive roles in a range of technology-based companies. Mark is currently Group Chief Financial Officer of the Warehouse Group Limited.

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:

- Group CFO of the Warehouse Group Limited
- CEO of The Warehouse Financial Services Limited
- M.D.Y. Trustee Limited
- Transend Worldwide Limited (South Africa)
- Zomar Investments Limited
- TWP No 6 Limited
- TW Financial Services Operations Limited
- Diners Club (NZ) Limited
- TW Money Limited
- 1 child at Scots College

Jack Matthews
DIRECTOR

In addition to the Network for Learning board, Jack Matthews also sits on the Crown Fibre Holdings board, a Crown company tasked with managing the rollout of an ultra fast broadband network to 75% of the New Zealand market.

Until April 2013, Jack was the CEO of Fairfax Media Metro Division and prior to that, CEO of Fairfax Digital. Jack has over 30 years experience in the technology, telecommunications and media industries and has extensive international business experience having worked in the United States, New Zealand, Japan and Australia.

In New Zealand he was the founding CEO of Saturn Communications (later TelstraSaturn) which was among the first broadband networks in the world.

Jack holds dual New Zealand and US citizenship and currently resides in Queenstown, NZ.

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 Crown Fibre Holdings
- Chair Rewardle Holdings
- Director Trilogy International
- Director APN & Outdoors
- Chair Mediaworks NZ

BOARD OF DIRECTORS

Karen Poutasi
DIRECTOR

Dr Karen Poutasi is currently Chief Executive of the New Zealand Qualifications Authority, an education sector crown entity, being appointed to that role in 2006. Previously she was the Director General of Health and has worked in senior management roles across the health sector.

Karen is a medical graduate and her area of specialisation is public health. She holds both Otago and Harvard University management qualifications.

Karen is the Chair of Basketball New Zealand, the New Zealand Committee for Harkness Fellowships, and is a member of the Ian Axford Fellowships Board. She received a CNZM for services to health in 2006.

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

- CEO New Zealand Qualifications Authority
- Member of GCSB Advisory Committee
- Chair Basketball New Zealand
- Chair, NZ Committee for Harkness Fellowships
- Member Ian Axford Fellowships Board
- Panel member Havelock North Drinking Water Inquiry

Rick Shera
DIRECTOR

Rick is a partner at niche corporate, commercial and IT law firm, Lowndes Jordan. He is a corporate and commercial lawyer, also specialising 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 of Agena Investments Limited
- Director & Shareholder of Ngaawari Limited
- Director of Eljay 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
- Member of the CERT Establishment Advisory Board

Linda Tame
DIRECTOR

Linda is an experienced education specialist with recent experience as principal of two secondary schools. She currently works with school leaders on transformational change and with a trust (GCSN) focussed on bridging the digital divide in Christchurch low decile schools.

In 2014 she was awarded a Queen's Service Medal for Services to Education.

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:

- Contractor to Greater Christchurch Schools' Network, (GCSN)
- Consultant working in Christchurch Schools
- Ex Principal Lincoln High School, ex Relieving Principal Linwood College
- Pro-Chancellor Lincoln University Council
- Chair of the External Challenger Panel for the Education Review Office
- Director Solus Ltd. Closely Held Companies (Dormant)
- Trustee and beneficial interest in Tame Family Trust
- Mother of Jack Tame, TVNZ Breakfast Presenter, reporter at Radio Network and Herald
- Married to John Tame, contractor to supplying support and financial services to schools

Humphrey Wikeepa
DIRECTOR

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.

He has a passion and focus on ensuring New Zealand 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:

- Director, Strategy, Clarity Pay International
- ICT Adviser to Te Huaarahi Tika Trust
- Has a tribal relationship with Sir Wira Gardiner, husband of Hon Hekia Parata
- Director, SAMIT Limited
- Principal Advisor, Te Puni Kokiri

"The South Island online education joint cluster NetNZ has already moved to Google Hangouts, and this has given schools far more flexibility" says Jen Rodgers, principal of Cheviot Area School, 110km north of Christchurch.

"Online learning was becoming frustrating because the video conferencing bridge was getting cluttered and you couldn't use the technology for two classes at the same time. Now we've got reliable broadband and all the classes are being run through Google Hangouts, so you can have multiple classes at the same time, and students can also "pop in" for a quick two-minute hangout with their teacher when it suits them. Often a face-to-face chat is really useful."

Jen Rodgers
Principal, Cheviot Area School

STATEMENT OF CORPORATE GOVERNANCE

Organisational Form

The Network for Learning Limited 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 1993 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 N4L to the Associate Minister of Education (Hon Nikki Kaye)).

Accountability

N4L is accountable to its shareholding Ministers. 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") and Statement of Performance Expectations ("SPE").

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, 149, 150 and 153 of the CEA, relating to preparing an SOI, SPE, Annual Report, and Statement of 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, power, 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 on how it goes about its day-to-day operations. The earlier reports from the Chair and Chief Executive of the Company, together with the Statement of 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 of 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, through the operation of a robust internal control environment.

Remuneration Committee

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

- N4L'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.

STATEMENT OF PERFORMANCE RESULTS AGAINST NON-FINANCIAL TARGETS

In the Statement of Intent 2015-2019 ("June 2015 SOI"), the Company indicated that it would provide services and outputs under three output classes in 2015/16, being:

- A Managed Network service
- Dynamic services
- Customer services

Managed Technology Services

Connection of schools to the Managed Network

Measure

Number of schools connected as at 30 September 2015

Q1 Target
1,964 (78%)

Results
2,128 (85%)

Measure

Number of schools connected as at 31 December 2015

Q2 Target
2,259 (90%)

Results
2,327 (93%)

Measure

Number of schools connected as at 31 March 2016

Q3 Target
2,334 (93%)

Results
2,379 (94%)

Measure

Number of schools connected as at 30 June 2016

Q4 Target
2,385 (95%)

Results
2,405 (96%)

The Managed Network Experience

Measure

Principal and/or operational contact at each school satisfaction with the performance of N4L in administering the Managed Network and associated services.

Target

'Satisfied' or 'Very Satisfied' response from at least 75% of respondents.

Results

97%

Transition timeliness and satisfaction

Measure

% of schools transitioning to Managed Network within six weeks of connecting.*

Target

97%

Results

91%

*As the end of the roll out is reached transitions become more complex and take longer. Results reflect this.

Measure

Principal and/or operation contact at each school satisfaction with the performance of N4L in transitioning their school onto the Managed Network.

Target

'Satisfied' or 'Very satisfied' response from at least 75% of respondents.

Results

83%

Helpdesk timeliness and satisfaction

Measure

Satisfaction of users logging a Service Request or Incident

Target

'Satisfied' or 'Very satisfied' response from at least 75% of respondents.

Results

93%

Uptime and usage

Measure

Manage uptime to SLA in contracts

Target

Meet SLA levels

Results

SLA levels met

STATEMENT OF PERFORMANCE

RESULTS AGAINST NON-FINANCIAL TARGETS

Platform Services		Measure	
Pond usage - inclusiveness and popularity		Number of Pond contribution additions per active user per month	
Measure		Target	Results
Number of Pond educator accounts		Q1: 1.8	3.3
		Q2: 1.9	3.5
		Q3: 2.0	4.4
		Q4: 2.1	5.7
Target	Results	Measure	
Q1: 14,000	11,466	Number of Pond pageviews per active user per month	
Q2: 18,000	12,328	Target	
Q3: 22,000	13,084	Q1: 37	
Q4: 26,000	13,677	Q2: 43	
		Q3: 49	
		Q4: 57	
The release of Universal View has decreased the rate of educators registering with Pond, in that it is now possible to see some material within Pond without becoming a registered user.		Results	
		23	
		20	
		20	
		23	
Pond usage - the value of the resource repository		Pond commercialisation	
Measure		Measure	
Number of Pond contributions		Development of an innovation and commercialisation strategy focusing on realising commercial value from Pond while supporting the maintenance of a non-commercial user experience	
Target	Results	Target	
Q1: 16,000	15,618	Strategy developed by 30 September 2015.	
Q2: 19,500	17,598	Results	
Q3: 24,000	19,323		
Q4: 28,500	21,246		
Pond usage patterns		Helpdesk timeliness and satisfaction	
Measure		Measure	
Number of Pond searches per active user per month		Satisfaction of users logging a Service Request or Incident	
Target	Results	Target	
Q1: 4.1	8.2	'Satisfied' or 'Very satisfied' response from at least 75% of respondents.	
Q2: 4.3	6.9	Results	
Q3: 4.6	6.5		
Q4: 4.9	8.2		

Love the Customer

The N4L experience

Measure

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. We are currently exploring a partnership with NZCER in order to deliver this.

Target

'Satisfied' or 'Very satisfied' response from at least 75% of respondents.

Results

97%

Helpdesk timeliness and satisfaction

Measure

Satisfaction of users logging a Service Request or Incident

Target

'Satisfied' or 'Very satisfied' response from at least 75% of respondents.

Results

93%

"Now that almost every school in the country has equitable access to fast internet, they are consuming a lot more data every month, and we expect many schools will expand their use of online tools and applications in the classroom.

A child beginning school today is expected to use hundreds of online applications throughout their time at school, each requiring their own login and password. This puts extra pressure on schools which are responsible for securely managing how and when their students access online applications for learning".

John Hanna
CEO

FINANCIAL PERFORMANCE

- N4L will measure its financial performance against the following high level 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.



STATEMENT OF RESPONSIBILITY

The Board is responsible for the preparation of N4L’s financial statements and Statement of 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 Performance fairly reflect the financial position and operations of N4L for the year ended 30 June 2016.

Signed on behalf of the Board.

Helen Robinson
Director
26 October 2016

Mark Yeoman
Director
26 October 2016

ENSURING N4L IS A GOOD EMPLOYER

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. During its short existence N4L has established an open, trusted and collaborative culture.

N4L is a relatively young organisation with a small employee base. At the end of the period covered by this annual report the company had stayed roughly constant, shifting to 52 full time employees from 54 in June 2015. As a result the Board and management has placed significant emphasis on maintaining and building on the already strong culture.



N4L has had regard to guidance issued by the New Zealand Human Rights Commission in assessing its compliance with its Good Employer obligations. A summary of N4L's assessment of its performance against seven key elements of being a Good Employer are set out below.

- Leadership, accountability and culture:** The Board and management of N4L are committed to ensuring the company is a good employer and has an effective Equal Employment Opportunities programme in place. They have consistently communicated a vision for N4L and have created a culture in which its people feel valued.
- Recruitment, selection and induction:** N4L uses a variety of different means to recruit staff, including direct advertising, the use of recruitment companies who provide services under all of Government contracts and through the use of our employees' own networks. A variety of processes, including structured interviews, have been used to ensure a fair and unbiased recruitment and selection process.
- Employee development, promotion and exit:** N4L supports the development and promotion of its employees. As the organisation develops and its structure evolves, new opportunities have been created within the organisation. Staff retention has been strong throughout the period with a minimal number of people leaving the organisation.
- Harassment and bullying prevention:** N4L takes a zero tolerance approach to all forms of bullying and harassment and has policies in place to deal with harassment complaints should they arise.
- Flexibility and work design:** N4L'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, N4L's management supports staff using flexible working arrangements and provides them with the technological solutions to enable this.
- Remuneration, recognition and conditions:** N4L operates an unbiased and non-discriminatory remuneration policy. All employees' remuneration is reviewed on an annual basis to ensure to that it is competitive with the wider market. The company has also established a monthly award programme where employees are recognised for going 'above and beyond'.
- Safe and healthy environment:** Health and safety is a fundamental priority for the company's Board and management who have consistently communicated a commitment to ensuring a safe and healthy workplace is provided for all employees. N4L's health and safety committee encourages active participation from all employees in creating a safe and supportive environment.





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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF THE NETWORK FOR LEARNING LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2016

The Auditor-General is the auditor of The Network for Learning Limited (Referred to as '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 the statement of performance of the Company on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Company on pages 38 to 58, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of performance of the Company on pages 29 to 31.

In our opinion:

- the financial statements of the Company:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2016; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards
- the statement of performance:
 - presents fairly, in all material respects, the Company's performance for the year ended 30 June 2016, including:
 - for each class of reportable outputs:
 - its standards of performance achieved as compared with forecasts included in the statement of performance expectations for the financial year;
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 26 October 2016. 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 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 the performance information are free from material misstatement.

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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 the performance information. 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 the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, 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 performance information 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 appropriateness of the reported performance information within the Company's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and the statement of performance; and
- the overall presentation of the financial statements and the performance information.

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

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board

The board is responsible for preparing financial statements and statement of performance that:

- comply with generally accepted accounting practice in New Zealand;
- present fairly the Company's financial position, financial performance and cash flows; and
- present fairly the Company's performance.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

The Board is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

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

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FINANCIAL STATEMENTS

Statement of Comprehensive Income

For the year ended 30 June 2016

	Notes	2016 Actual	2015 Actual
		\$000	\$000
Income			
Income from services	2	28,796	18,574
Interest income		42	123
Total income		28,838	18,697
Expenditure			
Network services	3	18,157	10,988
Transition support	4	768	1,073
Board operations	14	254	263
Audit fees		54	65
Other general and overhead expenses	5	9,052	9,060
Total expenses		28,285	21,449
Net surplus/(deficit)		553	(2,752)
Total comprehensive income/(loss) for the period		553	(2,752)

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2016

	Notes	2016 Actual	2015 Actual
		\$000	\$000
Assets			
Current assets			
Cash and cash equivalents	6	2,514	2,309
Other current assets	7	3,299	2,636
Total current assets		5,813	4,945
Non-current assets			
Property, plant and equipment	8	439	486
Intangible assets		7	11
Total non-current assets		446	497
Total assets		6,259	5,442
Represented by			
Liabilities			
Current liabilities			
Accruals and payables	9	3,025	2,592
Deferred revenue		46	144
Lease incentive - current		16	27
Obligations under finance lease - current		13	46
Total current liabilities		3,100	2,809
Non-current liabilities			
Lease incentive - non-current		30	45
Obligations under finance lease - non-current		-	12
Total non-current liabilities		30	57
Total liabilities		3,130	2,866
Equity			
Share capital and reserves		3,129	2,576
Total shareholders' funds		3,129	2,576
Total liabilities and shareholders' funds		6,259	5,442

The financial statements were approved by the Board and authorised for issue on 26 October 2016.

Helen Robinson
Director



Mark Yeoman
Director



The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2016

	Notes	Share Capital	Retained Earnings/ (Deficit)	2016 Actual \$000	2015 Actual \$000
Opening balance 1 July 2015		14,000	(11,424)	2,576	2,328
Net surplus/(deficit)		-	553	553	(2,752)
Total comprehensive income/(loss) for the period		-	553	553	(2,752)
Proceeds from shares issued	10	-	-	-	3,000
Total contributions by the owners		-	-	-	3,000
Closing balance 30 June 2016		14,000	(10,871)	3,129	2,576

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2016

	Notes	2016 Actual \$000	2015 Actual \$000
Cash flows from operating activities			
Receipts from customers		32,376	19,538
Interest received		42	123
Other income		-	54
Payments to suppliers and staff		(32,044)	(23,107)
Net cash outflow from operating activities	11	374	(3,392)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangibles		(162)	(119)
Net cash outflow from investing activities		(162)	(119)
Cash flows from financing activities			
Equity capital introduced		-	3,000
Payments of finance leases		(7)	(8)
Net cash inflow from financing activities		(7)	2,992
Net increase/(decrease) in cash		205	(519)
Opening balance		2,309	2,828
Closing balance		2,514	2,309

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

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 financial statements for N4L are for the 12 month period from 1 July 2015 to 30 June 2016, and were approved by the Board on 26 October 2016.

b) Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

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 Crown Entities Act 2004, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements have been prepared in accordance and comply with Tier 1 PBE Accounting Standards 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 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.

Changes in accounting policies

There have been no changes in accounting policies compared with the previous year. All policies have been applied on a consistent basis throughout the current year.

In preparing the 30 June 2015 financial statements the Company transitioned to PBE Tier 1 Accounting Standards. This did not result in any material differences or material changes to carrying amounts of assets or liabilities.

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.

Income

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

Income from services

Income from services is recognised by reference to when the service is performed.

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 exchanges rates prevailing at the date of transaction. 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

Finance Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the commencement of the lease term, finance leases where N4L is the lessee are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether N4L will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating Leases

Leases that do not transfer substantially all the risk 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 incentive is recognised as a reduction of the expense on a straight-line basis over the period of the lease.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and term deposit held with a major NZ trading bank with original maturity of three months or less.

Receivables

Short-term 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, office furniture and leasehold improvements. Property, plant and equipment is 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 Company 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 the 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 net 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 assets have been estimated as follows:

Computer Equipment:	2.5 years	40.0%
Office Equipment:	5.7 years	17.5%
Office Furniture:	9.5 years	10.5%
Leasehold Improvements:	5.7 years	17.5%

The residual value and useful lives of assets are reviewed, and adjusted if applicable, at each financial 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.

Domain names

Acquired domain names are capitalised on the basis of the costs incurred to acquire. Costs associated with the development and maintenance of N4L domains are recognised as an expense when incurred.

Amortisation

The useful life of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over their useful economic lives. The amortisation period and amortisation method for intangible assets with finite useful lives, are reviewed at least at the end of each reporting period. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The useful lives and associated amortisation rates of classes of intangible assets have been estimated as follows:

Software:	2.5 years	40%
Domain names:	Indefinite	no amortisation

Impairment of property, plant, equipment and intangible 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 asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

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 payables approximate their fair values.

Employee entitlements

Short-term employee entitlements

Employee entitlements that are expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured 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 and a reliable estimate of the obligation can be made.

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, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from, the IRD, 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.

Forecast

The forecast numbers are taken from the Company's 'Statement of Performance Expectations 2015/2016' as approved by the Board on 15 June 2015. The forecast figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Statement of cash flows

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

- Cash comprises cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily converted to a 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 results in changes in the size and composition of the contributed equity of the Company.

Critical judgements in applying accounting policies

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

Leases classification

Determining whether a lease agreement is finance lease or operating lease 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 for an operating lease no such asset is recognised.

N4L has exercised its judgement on the appropriate classification of the equipment leases, and has determined which lease arrangements are finance leases.

2. Income from services

	2016 \$000	2015 \$000
Income from services to schools	25,478	13,856
Income from services to Government	3,318	4,718
Total income	28,796	18,574

Income from services to schools represents 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.

Income from services to Government represents income relating to the provision of transition support services to schools, a helpdesk service, a package of content and services, fees in relation to the establishment of the network and additional services provided. These services are paid for by the Ministry of Education. Income from services to Government also includes services provided to education sector agencies.

3. Network services

	2016 \$000	2015 \$000
Network provider services	18,110	10,127
Content and services	47	31
Infrastructure	-	830
Total	18,157	10,988

Network provider services expenses represent payments to the network provider for the provision of the Managed Network service. Content and services expenses represent payments to several providers for use of the managed network services. Infrastructure expenses represent payments to the network provider for the establishment of the Managed Network service.

4. Transition support

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

5. Other general and overhead expenses

	2016 \$000	2015 \$000
Personnel costs	6,667	6,626
Professional advisory fees	287	231
Marketing and communications	194	253
Travel	516	519
Facility costs	489	468
IT and telecommunications	464	527
Other	428	428
Finance leases	7	8
Total	9,052	9,060

Personnel costs

	2016 \$000	2015 \$000
Salaries, wages and short-term employee benefits	6,246	6,218
Defined contribution plans	157	146
Contractor costs	264	262
Total personnel costs	6,667	6,626

N4L had 52 (2015: 50) full time equivalent employees and 4 contractors (2015: 4) as at 30 June 2016. Employer contributions to defined contribution plans include contributions to KiwiSaver.

6. Cash & cash equivalents

	2016 \$000	2015 \$000
Cash at bank	1,514	1,309
Cash equivalents - term deposits	1,000	1,000
Total cash and cash equivalents	2,514	2,309

All cash 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

	2015 \$000	2014 \$000
Accounts receivable	3,094	2,374
Sundry debtors	12	10
Prepayments	26	31
Accrued revenue	167	221
Total other current assets	3,299	2,636

The carrying value of other current assets approximates their fair value. Accounts receivable relates to the outstanding invoices owed from the Ministry of Education and education sector agencies.

8. Property, plant and equipment

Movements for each class of property, plant, and equipment are as follows:

	Computer Equipment	Office Furniture	Office Equipment	Leasehold Improvements	Total \$000
Cost					
Balance at 1 July 2014	169	279	37	40	525
Additions during the year	23	25	10	44	102
Reclassification to finance leases	132	-	-	-	132
Balance at 30 June 2015	324	304	47	84	759
Accumulated depreciation					
Balance at 1 July 2014	33	31	6	4	74
Depreciation charge for the year	74	31	8	12	125
Reclassification - accumulated depreciation	74	-	-	-	74
Balance at 30 June 2015	181	62	14	16	273
Net book value at 30 June 2015					
	143	242	33	68	486
Cost					
Balance at 1 July 2015	324	304	47	84	759
Additions during the year	133	-	9	-	142
Movement in finance leases	(7)	-	-	-	(7)
Balance at 30 June 2016	450	304	56	84	894
Accumulated depreciation					
Balance at 1 July 2015	181	62	14	16	273
Depreciation charge for the year	87	32	10	15	144
Movement in finance leases	38	-	-	-	38
Balance at 30 June 2016	306	94	24	31	455
Net book value at 30 June 2016					
	144	210	32	53	439

During 2015, computer equipment previously classified under operating leases was reclassified to finance leases. The net carrying amount of computer equipment held under finance leases is \$13k (2015: \$58k).

9. Accruals and payables

	2016 \$000	2015 \$000
Accounts payable	2,198	1,779
Accrued expenses	827	813
Total accruals and payables	3,025	2,592

10. Share capital

Number of ordinary shares issued and fully paid:

	2016 Thousands	2015 Thousands
Balance at 1 July 2015	14,000	11,000
Shares issued	-	3,000
Balance as at 30 June 2016	14,000	14,000

No shares were issued during the 2015/16 financial year (2015: 3,000,000 shares at an issue price of \$1 each; \$1,500,000 each to the two shareholding Ministers). 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

	2016 \$000	2015 \$000
Net deficit	553	(2,752)
Add/(less) non-cash items		
Depreciation & amortisation	154	145
Total non-cash items	154	145
Add/(less) movements in working capital items		
Accounts receivable	(720)	(1,523)
Prepayments	5	25
Other receivables	(2)	(6)
Accrued revenue	54	(86)
Accounts payable & other payables	256	628
Employee entitlements	74	177
Net movement in working capital items	(333)	(785)
Net cash from operating activities	374	(3,392)

12. Commitments

Operating leases as lessee

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

	2016 \$000	2016 \$000
Not later than one year	369	387
Later than one year but not later than five years	652	1,017
Later than five years	-	-
Total commitments	1,021	1,404

N4L leases premises in Auckland at Suite 306, 100 Parnell Road, Parnell. The original term of the 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 28 February 2025. A rent review took place in March 2016, and the lease provides for further rent reviews in 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 the rental expense over the lease term, on a straight-line basis in accordance with PBE IPSAS 13.

N4L also leases Suite 104, 100 Parnell Road, Parnell, Auckland. The original term of the lease expired on 31 May 2016 and was renewed for a further 3 years. Under this lease, N4L has a 6 month break clause and also a right of renewal for a term of a further 3 years, taking the final expiry to 31 May 2022. A rent review took place in June 2016 and the lease provides for another rent review in June 2019. The original lease also included a \$20,000 incentive payment at the commencement of the lease. The benefit of the incentive was recognised as a reduction of the rental expense over the lease term, on a straight-line basis in accordance with PBE IPSAS 13.

N4L leases premises in Wellington at Suite 2, Level 9, 36 Brandon Street, Wellington. The original term of this lease has an expiry of 31 October 2019. Under the lease N4L has a right of renewal for a term of a further 3 years taking the final expiry to 31 October 2022. A rent review took place in November 2015 and the lease provides for further rent reviews in November 2017, November 2019 and November 2021. The lease also includes a rent free period for the first 6 months of the lease. This benefit is recognised as a reduction of the rental expense over the lease term, on a straight-line basis in accordance with PBE IPSAS 13. The lease also allowed for N4L to elect to have the landlord make an equivalent contribution (or portion thereof) to the fit-out of the premises. This incentive is recognised as a reduction in the depreciation expense over the unexpired period of the lease or the estimated remaining useful life of the improvements, whichever is the shorter, in accordance with N4L's depreciation policy.

Finance leases as lessee

N4L has finance leases for various items of computer equipment. The future minimum lease payments under finance leases together with the present value of the net minimum lease payments are, as follows:

	2016 \$000 Minimum payments	2016 \$000 Present value of payments	2015 \$000 Minimum payments	2015 \$000 Present value of payments
Not later than one year	14	13	49	387
Later than one year but not later than five years	-	-	13	1,017
Later than five years	-	-	-	-
Total minimum lease payments	14	13	62	1,404
Less amounts representing finance charges	(1)	-	(4)	-
Present value of minimum lease payments	13	13	58	58

Other commitments

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

13. Contingencies

Contingent liabilities

The company has no contingent liabilities as at 30 June 2016 (2015: \$nil).

Contingent assets

The company has no contingent assets as at 30 June 2016 (2015: \$nil).

14. Related party transactions and key management personnel

Related party transactions

N4L is a wholly owned entity of the Crown.

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

Significant transactions with government-related entities

N4L invoices the Ministry of Education directly the costs of each school's connection to the Managed Network. The costs of these connections are in accordance with the contract N4L has with the Ministry of Education.

N4L received no capital funding during the year (2015: \$3 million).

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.

Key management personnel compensation

	2016 \$000	2015 \$000
Executive Team		
Remuneration and short-term benefits	1,877	2,048
Defined contribution plans	44	54
Total	1,921	2,102
Full-time equivalent members	8	9
Board Members		
Remuneration	213	213
Full-time equivalent members	8	8

Key management personnel includes the Executive team members and the Directors.

Board member remuneration

The total value of remuneration paid or payable to each Board member during the year was:

	Date of original appointment	2016 \$000	2015 \$000
Helen Robinson (Chair)	02/07/12	46	46
Mark Yeoman (Deputy Chair)	02/07/12	29	29
Martin Wylie (retired 30/06/16)	02/07/12	23	23
Rick Shera	02/07/12	23	23
Linda Tame	02/07/12	23	23
Humphrey Wikeepa	02/07/12	23	23
Jack Matthews	01/09/13	23	23
Karen Poutasi	02/07/14	23	23
Total Directors' fees		213	213

N4L has in place Directors' and Officers' liability insurance. N4L also indemnifies the Directors against cost 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.

In addition to the Directors' fees, the company incurred \$41k (2015: \$50k) of expenditure relating to training and travel costs of the Directors.

15. Employee remuneration

During the year ended 30 June 2016, no employees received compensation and other benefits in relation to cessation of their employment.

16. Events after balance date

There were no significant events after the balance date.

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 capital through careful control of its operations ensuring it can operate within its agreed capital base. N4L has no external debt.

18. Financial instruments

Financial instrument categories

Cash, cash equivalents and receivables as presented on the Statement of Financial Position are classified as loans and receivables. Accruals, payables and finance leases are classified as financial liabilities, measured at amortised cost.

N4L has no financial assets or liabilities that are measured at fair value in the Statement of Financial Position. Current accruals and 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 instrument 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 associates with financial instruments and seeks to minimise exposure from financial instruments. This policy does not allow any transactions that are speculative in nature to be entered into.

Market risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate due to changes in market interest rates. N4L's exposure to cash flow interest rate risk 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 Poor's credit rating of at least A-1 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.

19. Explanation of major variances to unaudited forecast (unaudited)

The forecast numbers are taken from the Company's 'Statement of Performance Expectations 2015-2016' (SPE).

Statement of Comprehensive Income

For the year ended 30 June 2016

	Ref	2016 Actual \$000	2016 Forecast (Unaudited) \$000
Income			
Income from services	A	28,796	26,921
Interest income		42	48
Total income		28,838	26,969
Expenditure			
Network services	B	18,157	16,791
Transition support		768	694
Board operations		254	296
Audit fees		54	58
Other general and overhead expenses	C	9,052	10,274
Total expenses		28,285	28,113
Net surplus/(deficit)		553	(1,144)
Total comprehensive income/(loss) for the period		553	(1,144)

2016 Actual delivered a comprehensive income, versus the loss budgeted in the SPE forecast. Key drivers of this are:

A – Income from services

Income from services was higher than the SPE forecast primarily due a faster school connection rate to the Managed Network than forecast.

B – Network services

Network service costs were higher than SPE forecast budget due to the higher school connection rate.

C – Other general and overhead expenses

Costs were lower than the SPE forecast due to lower personnel costs.

Statement of Financial Position

As at 30 June 2016

	Ref	2016 Actual \$000	2016 Forecast (Unaudited) \$000
Assets			
Current assets			
Cash and cash equivalents	D	2,514	1,546
Other current assets		3,299	2,685
Total current assets		5,813	4,231
Non-current assets			
Property, plant and equipment		439	363
Intangible assets		7	-
Total non-current assets		446	363
Total assets		6,259	4,594
Represented by			
Liabilities			
Current liabilities			
Accruals and payables		3,025	3,096
Deferred revenue		46	-
Lease incentive - current		16	-
Obligations under finance lease - current		13	-
Total current liabilities		3,100	3,096
Non-current liabilities			
Lease incentive - non-current		30	59
Obligations under finance lease - non-current		-	-
Total non-current liabilities		30	59
Total liabilities		3,130	3,155
Equity			
Share capital and reserves		3,129	1,439
Total shareholders' funds		3,129	1,439
Total liabilities and shareholders' funds		6,259	4,594

D – Cash and cash equivalents

Cash and cash equivalents is higher than forecast in the SPE, due to a higher comprehensive income and cashflow than forecast.

Statement of Changes in Equity

For the year ended 30 June 2016

	Ref	Share Capital	Retained Earnings / (Deficit)	2016 Actual \$000	2016 Forecast (Unaudited) \$000
Opening balance 1 July 2015		14,000	(11,424)	2,576	2,583
Net surplus/(deficit)		-	553	553	(1,144)
Total comprehensive income/(loss) for the period		-	553	553	(1,144)
Proceeds from shares issued		-	-	-	-
Total contributions by the owners		-	-	-	-
Closing balance 30 June 2016		14,000	(10,871)	3,129	1,439

Statement of Cash Flows

For the year ended 30 June 2016

	Ref	2016 Actual \$000	2016 Forecast (Unaudited) \$000
Cash flows from operating activities			
Receipts from customers	E	32,376	26,745
Interest received		42	48
Other income		-	-
Payments to suppliers and staff	F	(32,044)	(27,982)
Net cash outflow from operating activities		374	(1,189)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangibles		(162)	(60)
Net cash outflow from investing activities		(162)	(60)
Cash flows from financing activities			
Equity capital introduced		-	-
Payments of finance leases		(7)	-
Net cash inflow from financing activities		(7)	-
Net increase/(decrease) in cash		205	(1,249)
Opening balance		2,309	2,795
Closing balance		2,514	1,546

A positive cashflow was delivered in 2016 versus the cash outflow budgeted in the SPE forecast. Key drivers of this are:

E – Receipts from customers

Variance versus SPE forecast of receipts from customers largely reflects the higher income from services as outlined in the Statement of Comprehensive Income, as well as timing differences of customer receipts.

F – Payments to suppliers and staff

Variance versus SPE forecast of payments to suppliers and staff largely reflects the higher network services as outlined in the Statement of Comprehensive Income, as well as timing differences in payments.

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:

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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
Alexander Brown, Deputy Chief Executive, Government
Jeremy Nees, Chief Operating Officer
Graeme Rayner, Chief Financial Officer
Carolyn Stuart, Deputy Chief Executive, Education
Susannah Winger, Head of Marketing
Jenna Woolley, Head of Strategy and Analysis

Board of Directors:

Helen Robinson (Chair)
Mark Yeoman (Deputy Chair)
Jack Matthews
Karen Poutasi
Rick Shera
Linda Tame
Humphrey Wikeepa
Martin Wylie (retired 30 June 2016)

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