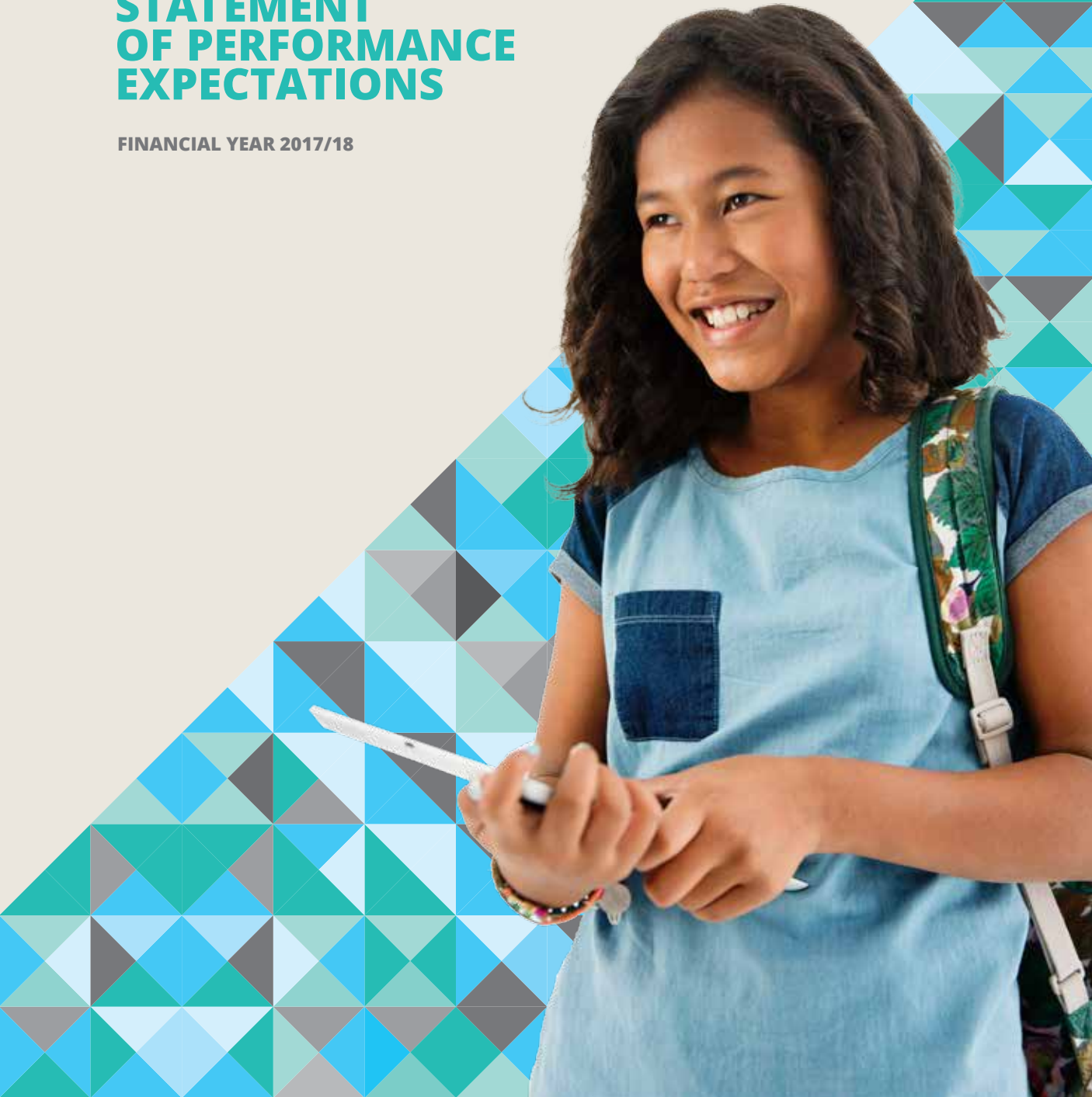
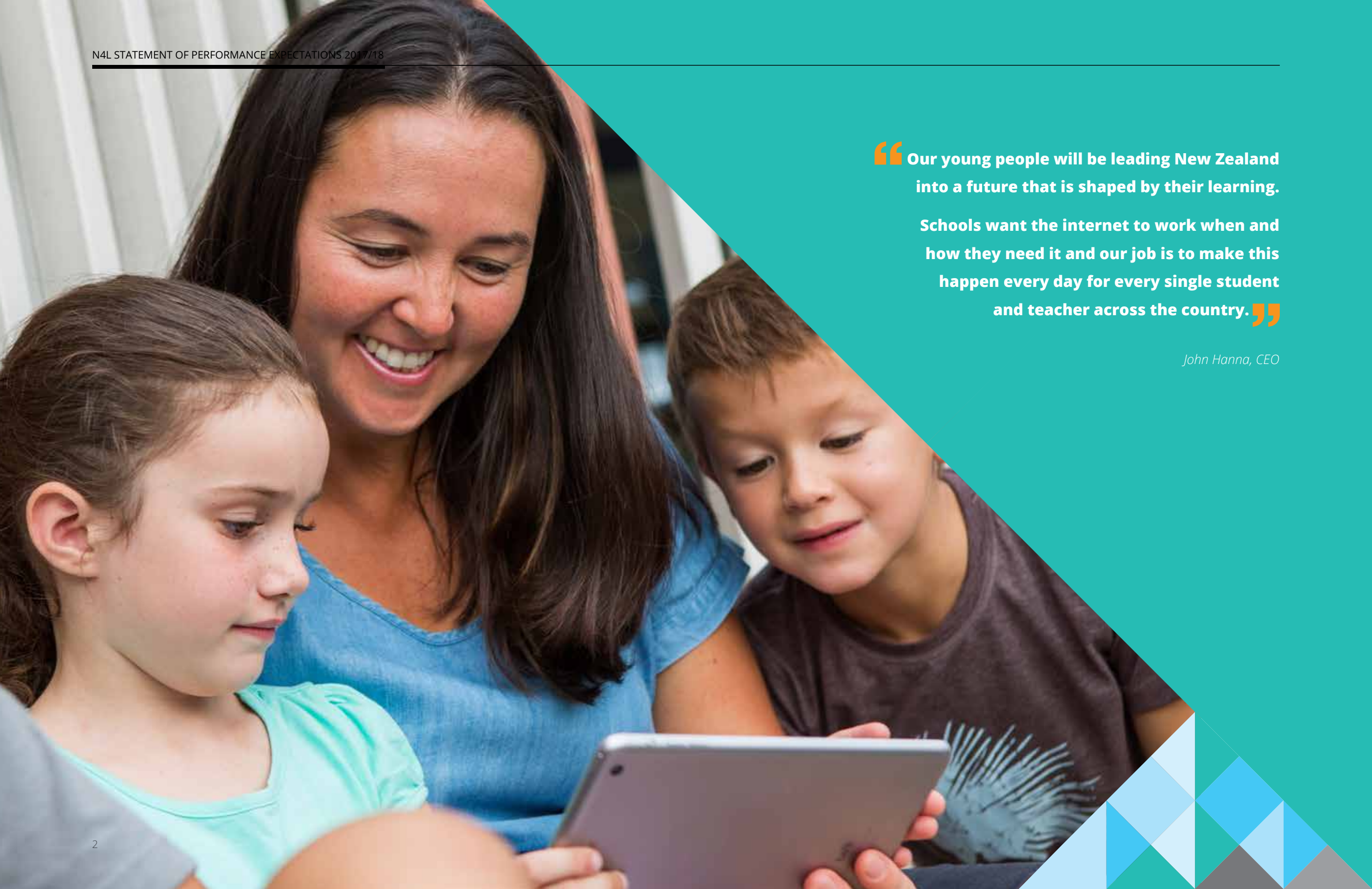




STATEMENT OF PERFORMANCE EXPECTATIONS

FINANCIAL YEAR 2017/18





“Our young people will be leading New Zealand into a future that is shaped by their learning. Schools want the internet to work when and how they need it and our job is to make this happen every day for every single student and teacher across the country.”

John Hanna, CEO

SOURCES OF REVENUE

The Company expects to receive revenue from:

- Providing core Managed Network services to schools, and
- Government contracts, including in respect of:
 - Support services, and
 - Additional contracts for providing services to the Ministry of Education and education sector agencies, enabling content and service providers to benefit from the establishment of direct connectivity.

SOURCES OF SIGNIFICANT ASSUMPTIONS

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

The most significant assumptions reflected in these financial statements are:

- The Company considers the delivery of the Managed Network services to still be its primary focus, and has included costs for all relevant resources needed to meet expectations on its contracted commitments to the Ministry of Education.
- It is the Company's intention to look at diversification of revenues outside the Managed Network. This diversification will not compromise delivery of the Managed Network.
- Any additional activities will be conducted within the parameters established by Ministerial expectations of N4L and in accordance with agreed Statements of Work. Additional revenue reflects a view on opportunities currently being explored with the Ministry.
- The Company continues to proactively manage all resources and relationships in order to realise relevant efficiencies, but has not included reductions in any key input costs.

N4L'S OUTPUTS FOR FISCAL YEAR 2017

N4L is funded to achieve a quality network service for schools.¹

1. Network for Learning is funded through appropriation School Managed Network Funding (M26): <http://www.treasury.govt.nz/budget/2017/estimates/v2/est17-v2-educ.pdf> p. 44.



HOW N4L WILL ASSESS ITS PERFORMANCE

N4L's performance measures relate to managing the Managed Network and the quality of the Managed Network service.

To date N4L's performance measures have focused on the rollout of the Managed Network. The rollout phase of the Managed Network was completed in December 2016. N4L has now shifted the focus of its performance assessment to the ongoing quality of the service the Company provides and the continued satisfaction of its customers.

These are as follows:

Managed Network Services

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

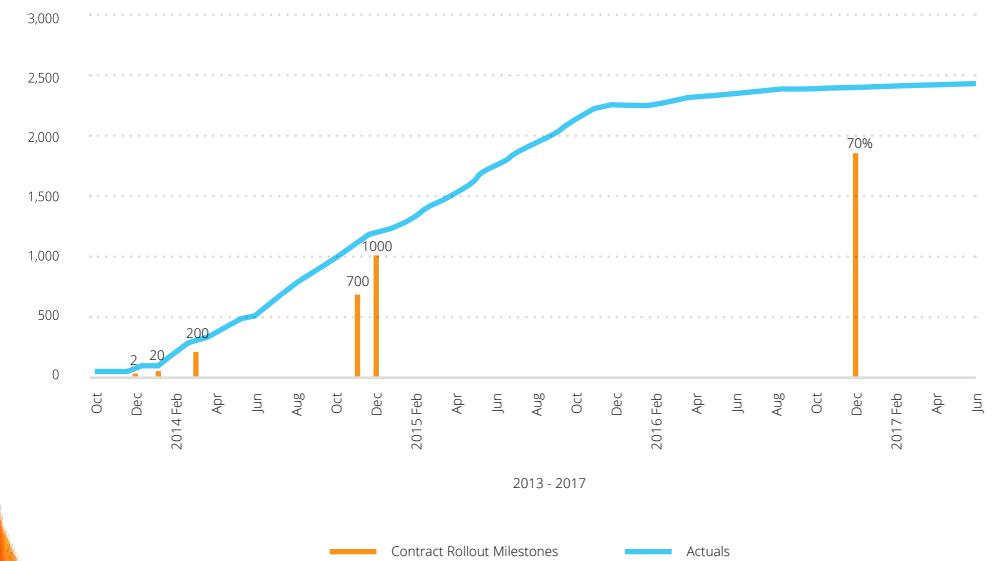
Following on from the completion of the rollout of the Managed Network, N4L has added a measure relating to the proportion of remaining schools that want to join the Managed Network which are able to do so. This measure provides an indication about how easy it is for schools to join the Managed Network, reflecting the importance Government has placed on equitable access to predictable connectivity for schools.



Connections to the Managed Network

N4L's rollout of the Managed Network, through to completion in December 2016.

School Connections vs Milestones



HOW N4L WILL ASSESS ITS PERFORMANCE CONTINUED

N4L's new measure relates to ease of access for any remaining schools that want to join the Managed Network.

Measure	Performance to Date	Target 2017/18
The number of schools that wish, and are able, to connect to the Managed Network are either connected or are in the process of being connected (A-B)/A A = Number of schools connected to the Managed Network or in the process of being connected B = Number of schools that indicated to N4L that they would like to be connected to the Managed Network and can be, but are not connected or in the process of being connected	New measure	100%

Support Timelines and Satisfaction

Measure	Performance to Date	Target 2017/18
The number of minutes to fulfill a service request – measured per month	New measure	80% of all requests under 8 Support Hours
Percentage of total calls taken	New measure	At least 85%
The number of minutes to resolve an incident – measured per month	New measure	P1: 85% less than 4 Support Hours P2: 85% less than 8 Support Hours P3: 85% less than 16 Support Hours P4: 85% as agreed

Love the Customer

N4L recognises that it is critical that all learners and schools have excellent, second-to-none service delivery. Feedback from customers is sought regularly including N4L's six monthly Touchpoint survey.

The N4L experience

Measure	Performance to Date	Target 2017/18
Percentage of schools connected, are 'Satisfied' or 'Very Satisfied' with the Managed Network services provided by N4L	2016/17 target: 'Satisfied' or 'Very Satisfied' response from at least 75% of respondents Result: Achieved	'Satisfied' or 'Very Satisfied' response from at least 90% of respondents of the survey
The number of schools that terminate their Managed Network service and move to another supplier	New measure	Fewer than 10 schools per annum

Other Business

Measure	Performance to Date	Target 2017/18
All other work will be completed with budgets and to standards set out in Statements of Work	2016/17 target: 100% of targets met Result: Achieved	100% of targets met

FINANCIAL STATEMENTS

Financial Performance

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

- N4L will generate revenue as set out in the Prospective Statement of Comprehensive Income.
- N4L will operate in a financially sustainable manner, ensuring that its operating expenses and any required capital expenditure are covered by its operating revenue.
- N4L will plan to ensure that it has the financial resilience to transition to an expanded business model without additional equity investment by the Crown.
- It is the Company's intention to look at diversification of revenues outside the core Managed Network.



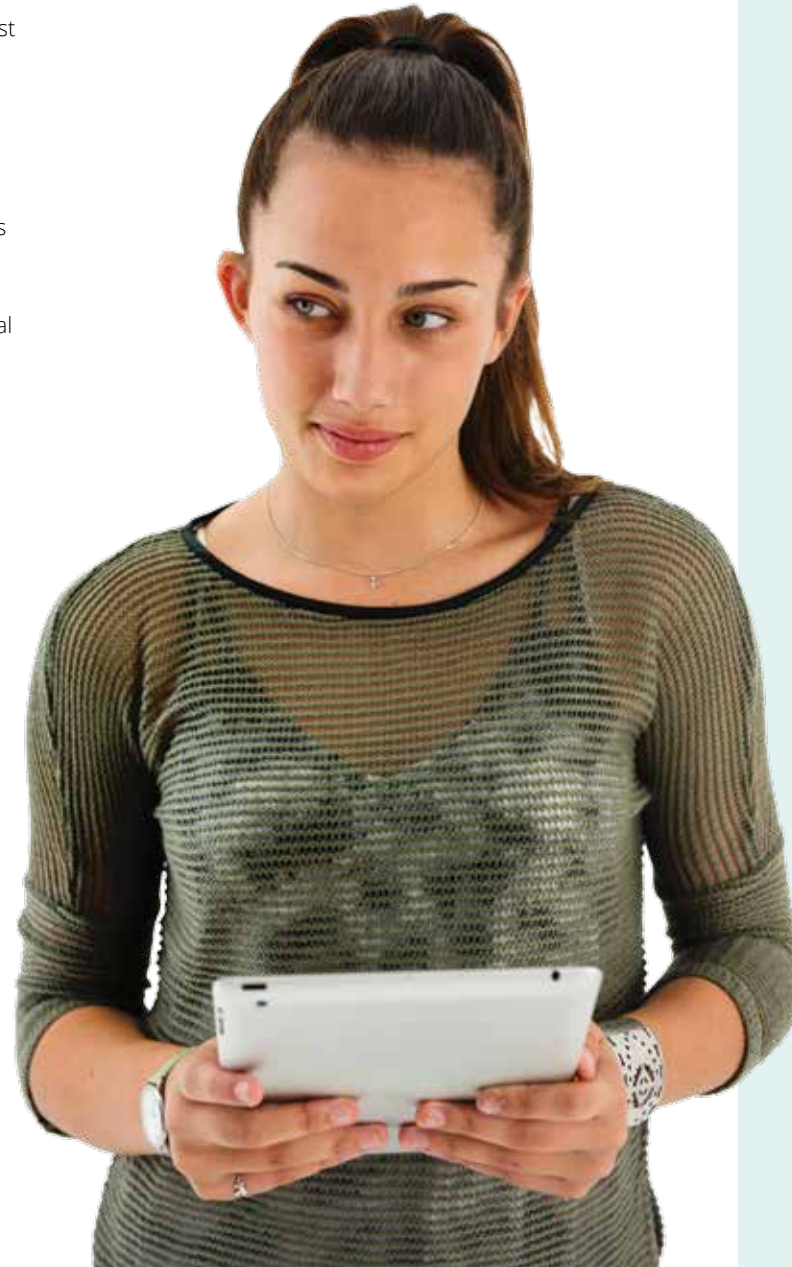
Helen Robinson

Chair
22 June 2017



Mark Yeoman

Deputy Chair
22 June 2017



Prospective Statement of Comprehensive Income for the Year Ended 30 June 2018

	Note	2016/17 SPE \$000	2016/17 Forecast \$000	2017/18 SPE \$000
Income from Services				
Income from Services	13	29,983	29,866	31,330
Less: Direct Network and Product Service Costs	14	20,085	19,973	20,822
Gross Profit		9,898	9,893	10,508
Operating Expenses				
Board Operations		249	256	251
Personnel Costs		7,320	6,832	7,331
Audit Fees		51	51	51
General and Overhead Expenses	15	2,124	2,274	2,248
Total Operating Expenses		9,745	9,413	9,881
Total Operating Profit		153	480	627
Non-Operating Income				
Interest Income		24	39	41
Non-Operating Expenses				
Depreciation		142	151	187
Total Comprehensive Income/(Loss)		35	368	481

Prospective Statement of Changes in Equity for the Year Ended 30 June 2018

	2016/17 SPE \$000	2016/17 Forecast \$000	2017/18 SPE \$000
Opening Balance	3,103	3,129	3,497
Net Surplus/(Deficit)	35	368	481
Total Comprehensive Income for the Period	35	368	481
Dividends Paid	-	-	-
Proceeds from Shares Issued	-	-	-
Total Contributions by the Owners	-	-	-
Closing Balance	3,138	3,497	3,978

Prospective Statement of Financial Position as at 30 June 2018

	Note	2016/17 SPE \$000	2016/17 Forecast \$000	2017/18 SPE \$000
Current Assets				
Cash and Cash Equivalents	6	2,435	3,003	3,430
Other Current Assets	7	2,618	2,956	3,066
Total Current Assets		5,053	5,959	6,496
Non-Current Assets				
Property, Plant, Equipment and Intangibles	8	530	437	446
Total Non-Current Assets		530	437	446
Total Assets		5,583	6,396	6,942
Current Liabilities				
Accruals and Payables	9	2,412	2,868	2,949
Total Current Liabilities		2,412	2,868	2,949
Non-Current Liabilities				
Lease Incentive		33	31	15
Total Non-Current Liabilities		33	31	15
Total Liabilities		2,445	2,899	2,964
Shareholders' Funds				
Share Capital		14,000	14,000	14,000
Retained Earnings		(10,862)	(10,503)	(10,022)
Total Shareholders' Funds		3,138	3,497	3,978
Total Liabilities and Shareholders' Funds		5,583	6,396	6,942

NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

Prospective Statement of Cash Flows for the Year Ended 30 June 2018

	2016/17 SPE \$000	2016/17 Forecast \$000	2017/18 SPE \$000
Operating Activities			
Interest Received	24	41	47
Interest from Services to Schools and Government	29,996	34,431	35,880
Other Income	-	23	-
Payments to Suppliers and Employees	(29,911)	(33,855)	(35,261)
Net Cash Inflow/(Outflow) from Operating Activities	109	640	666
Investing Activities			
Purchase of Fixed Assets	(200)	(151)	(239)
Net Cash Inflow/(Outflow) from Investing Activities	(200)	(151)	(239)
Financing Activities			
Capital Contribution	-	-	-
Net Cash Inflow/(Outflow) from Financing Activities	-	-	-
Net Increase/(Decrease) in Cash	(91)	490	427
Cash Available at the Start of the Period	2,526	2,514	3,003
Cash Available at the End of the Period	2,435	3,003	3,430

1. Reporting Entity

The Network for Learning Limited (N4L), a limited liability company incorporated in New Zealand under the Companies Act 1993, is a Crown entity as defined by the Crown Entities Act 2004. It is listed in Schedule 4A of the Public Finance Act 1989.

N4L's purpose is to establish and operate a student-focused network that offers schools and kura access to predictable and fast internet with uncapped data, web filtering and network security services to help schools create a safe online environment for their students, and internet based content and services over a dedicated network. As such, N4L's principal aim is to provide services to the public, rather than make a financial return. Accordingly, N4L is designated as public benefit entity (PBE).

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

2. Statement of Compliance

The forecast financial statements are for the year ended 30 June 2018, with comparatives to the forecast and SPE for the current year ending 30 June 2017. The forecast financial statements have been prepared in accordance with the relevant requirements of the Public Finance Act 1989 and Crown Entities Act 2004, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The forecast financial statements have been prepared in accordance and comply with Tier 1 Public Benefit Entity (PBE) accounting standards and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

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

The forecast financial statements were authorised for issue by the Board of Directors on 22nd June 2017. The Board is responsible for preparing the forecast financial statements presented, including judgements concerning the appropriateness of the assumptions underlying the forecast financial statements and other required disclosures. It is important however to note that the forecast financial statements are estimates based on available information at the time of publication and contain inherent uncertainties. Actual financial results achieved for each forecast period are likely to vary from information presented and the variations may be material.

3. Measurement Base

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

4. Functional and Presentation

Currency

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

5. Summary of Significant

Accounting Policies

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

Income

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

- (i) Income from services: Income from services is recognised by reference to when the service is performed.
- (ii) Interest: Interest income is recognised using the effective interest method.

6. Cash and Cash Equivalents

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

7. Other Current Assets

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

8. Property, Plant, Equipment and Intangibles

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

Intangible assets consists of acquired computer software licences, which are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and domain names, which are capitalised on the basis of the costs incurred to acquire. Costs associated with maintaining computer software or with the development and maintenance of N4L domains are recognised as an expense when incurred.

9. Accruals and Payables

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

10. Goods and Services Tax

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

The net amount of GST recoverable from, or payable to, 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.



**FUTURE
READY
WORLD
READY**

11. Income Tax

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

12. Statement of Cash Flows

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

- Cash comprises cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily converted to known amounts of cash and are subject to an insignificant risk of changes in value.
- Operating activities are the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.
- Investing activities are those activities relating to the acquisition and disposal of current and non-current investments, property, plant and equipment, intangible assets and other non-current assets.
- Financing activities are those activities that results in changes in the size and composition of the contributed equity of the Company.

Critical Accounting Estimates and Assumptions

In preparing these prospective financial statements N4L has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results and these differences may be material.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

13. Income from Services

Income from services represents:

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

14. Direct Network and Product Services

Network and product services represent:

- Estimated payments to the network provider and other providers for the provision of services to N4L.

15. Other General and Overhead Expenses

Other general and overhead expenses represent:

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

FUTURE
READY
WORLD
READY



Auckland Head Office
Suite 306, Geyser Building
100 Parnell Road
Auckland 1052
PO Box 37 118
Parnell, Auckland 1151

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

