



STATEMENT OF PERFORMANCE EXPECTATIONS

FINANCIAL YEAR 2018/2019





“ We work alongside the education sector, co-designing safe and seamless products and services for learners. ”

Larrie Moore, CEO



SOURCES OF REVENUE

The Company expects to receive revenue from:

- Providing core Managed Network services, Support services, and Corporate services to state and state-integrated schools; and
- Government contracts, including in respect of:
 - Additional contracts for providing services to the Ministry of Education and education sector agencies, enabling benefit from the core Managed Network.

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:

- N4L is undertaking an upgrade to the core Managed Network. N4L's projected financial performance includes some already known personnel costs associated with this technology transition but negotiations with Spark are ongoing.
- Any additional activities will be conducted within the parameters established by Ministerial expectations of N4L and in accordance with agreed Statements of Work.



HOW N4L WILL ASSESS ITS PERFORMANCE

Non-Financial Performance

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

These are as follows:

Core Managed Network Services

The core 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.

Connections to the core Managed Network

Key Metric	Performance to Date (2017/18)	Target (2018/19)
Percentage of eligible schools (defined as state schools and state-integrated schools) connected to core Managed Network services	New measure (98% of all school sites were connected in 2017)	99%
Percentage of schools which voluntarily disconnect from the Network for Learning	New measure	Less than 2%

Upgrades to the core Managed Network

N4L is targeting 100% of all (defined as eligible and connected) schools receiving the Managed Network upgrade by the end of 2018/19.

Key Metric	Performance to Date (2017/18)	Target (2018/19)
Number of eligible schools (defined as state schools and state-integrated schools) receiving Managed Network Upgrade	New measure (98% of all school sites were connected to MN in 2017)	Q1: 400 schools Q2: 600 schools Q3: 700 schools Q4: 770 schools

HOW N4L WILL ASSESS ITS PERFORMANCE

Support Services timelines and satisfaction

Key Metric	Performance to date (2017/18)	Target (2018/19)
The number of minutes to acknowledge a service request – measured per month	Q1: 92% Q2: 87% Q3: 87%	80% of all requests under 8 Support Hours
Percentage of total calls taken	Q1: 87% Q2: 89% Q3: 87%	At least 85%
The number of minutes to resolve an incident – measured per month	Q1: 89% Q2: 88% Q3: 75%	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 at key touchpoints.

The N4L customer experience

Key Metric	Performance to Date (2017/18)	Target (2018/19)
Principal and/or operational contact at each state and state-integrated school satisfaction with the performance of N4L in administering the Managed Network and associated services.	92.7%	90% 'satisfied' or 'very satisfied' response from respondents.

Other business

Key Metric	Performance to Date (2017/18)	Target (2018/19)
Any other Government contracts will be completed within budgets and to standards set out in Statements of Work	100% of targets met	100% of targets met.

Financial Performance

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

- N4L will generate revenue as set out in the Prospective Statement of Comprehensive Income;
- N4L will operate in a financially sustainable manner, ensuring that its operating expenses and any required capital expenditure are covered by its operating revenue and agreed shareholder funding; and
- N4L will notify Treasury early if it expects material changes in its financial forecast.



Helen Robinson

Chair

12 June 2018



Mark Yeoman

Deputy Chair

12 June 2018



FINANCIAL STATEMENTS

Prospective Statement of Comprehensive Income for the Year Ended 30 June 2019

	Note	2017/18 SPE \$000	2017/18 Forecast \$000	2018/19 SPE \$000
Income from Services				
Income from Services	13	31,330	30,902	29,364
Less: Direct Network and Product Service Costs	14	20,822	20,539	18,792
Gross Profit		10,508	10,363	10,572
Operating Expenses				
Board Operations		251	249	241
Personnel Costs	16	7,331	7,160	7,464
Audit Fees		51	52	54
General and Overhead Expenses	15	2,248	2,212	2,503
Total Operating Expenses		9,881	9,673	10,262
Total Operating Profit		627	690	310
Non-Operating Income				
Interest Income		41	52	49
Non-Operating Expenses				
Depreciation		187	183	231
Total Comprehensive Income/(Loss)		481	559	128

Prospective Statement of Changes in Equity for the Year Ended 30 June 2019

	2017/18 SPE \$000	2017/18 Forecast \$000	2018/19 SPE \$000
Opening Balance	3,497	3,637	4,196
Net Surplus/(Deficit)	481	559	128
Total Comprehensive Income for the Period	481	559	128
Dividends Paid	-	-	-
Proceeds from Shares Issued	-	-	-
Total Contributions by the Owners	-	-	-
Closing Balance	3,978	4,196	4,324

Prospective Statement of Financial Position as at 30 June 2019

	Note	2017/18 SPE \$000	2017/18 Forecast \$000	2018/19 SPE \$000
Current Assets				
Cash and Cash Equivalents	6	3,430	3,760	3,370
Other Current Assets	7	3,066	3,017	2,904
Total Current Assets		6,496	6,777	6,274
Non-Current Assets				
Property, Plant, Equipment and Intangibles	8	446	397	720
Total Non-Current Assets		446	397	720
Total Assets		6,942	7,174	6,994
Current Liabilities				
Accruals and Payables	9	2,949	2,963	2,670
Total Current Liabilities		2,949	2,963	2,670
Non-Current Liabilities				
Lease Incentive		15	15	0
Total Non-Current Liabilities		15	15	0
Total Liabilities		2,964	2,978	2,670
Shareholders' Funds				
Share Capital		14,000	14,000	14,000
Retained Earnings		(10,022)	(9,804)	(9,676)
Total Shareholders' Funds		3,978	4,196	4,324
Total Liabilities and Shareholders' Funds		6,942	7,174	6,994

Prospective Statement of Cash Flows for the Year Ended 30 June 2019

	2017/18 SPE \$000	2017/18 Forecast \$000	2018/19 SPE \$000
Operating Activities			
Interest Received	47	54	56
Interest from Services to Schools and Government	35,880	35,827	33,889
Payments to Suppliers and Employees	(35,261)	(34,949)	(33,697)
Net Cash Inflow/(Outflow) from Operating Activities	666	932	248
Investing Activities			
Purchase of Fixed Assets	(239)	(197)	(638)
Net Cash Inflow/(Outflow) from Investing Activities	(239)	(197)	(638)
Financing Activities			
Capital Contribution	-	-	-
Net Cash Inflow/(Outflow) from Financing Activities	-	-	-
Net Increase/(Decrease) in Cash	427	735	(390)
Cash Available at the Start of the Period	3,003	3,025	3,760
Cash Available at the End of the Period	3,430	3,760	3,370

NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

1. Reporting Entity

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

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

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

2. Statement of Compliance

The forecast financial statements are for the year ended 30 June 2019, with comparatives to the forecast and SPE for the current year ending 30 June 2018. 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 12 June 2018. 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

Accounting Policies

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

Income

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

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

6. Cash and Cash Equivalents

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

7. Other Current Assets

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

8. Property, Plant, Equipment and Intangibles

Property, plant and equipment consists of computer equipment, office equipment, office

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

Intangible assets consist of acquired computer software licences, which are capitalised on the basis of the costs incurred to acquire and bring 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.

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 result in changes in the size and composition of the contributed equity of the Company.

Critical accounting estimates and assumptions

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

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

13. Income from Services

Income from services represents:

- Estimated income from the provision of core network services to schools. These services for state and state-integrated are paid for directly by the Ministry of Education on behalf of the schools. Income from services to schools also includes income from independent schools for the provision of core network services and support services.
- 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 income from other projects paid for by the Ministry of Education.
- The reduction in income reflects a decrease in appropriation received from the Ministry of Education in 2018/19.

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.
- The decrease in direct network and product service costs relates to estimated cost savings associated with a reduction in the internet user charge from our network provider.

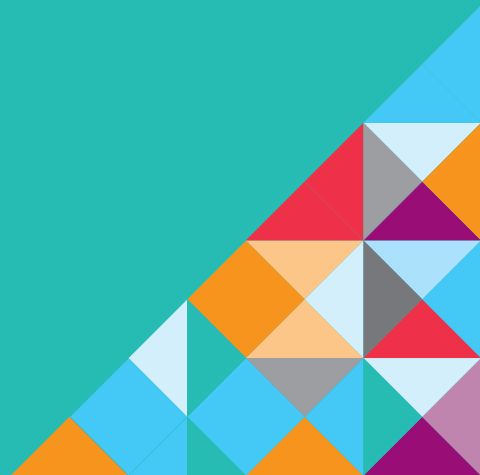
15. Other General and Overhead Expenses

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.
- The increase in general and overhead expenses relates to estimated costs associated with the Managed Network Upgrade.

16. Personnel

Personnel represents:

- Estimated salaries and short-term benefits to employees, contractor costs and employer contributions to defined contribution plans.
 - Employees associated with the Managed Network Upgrade have been included in 2018/19 contributing to the increase in personnel.
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