

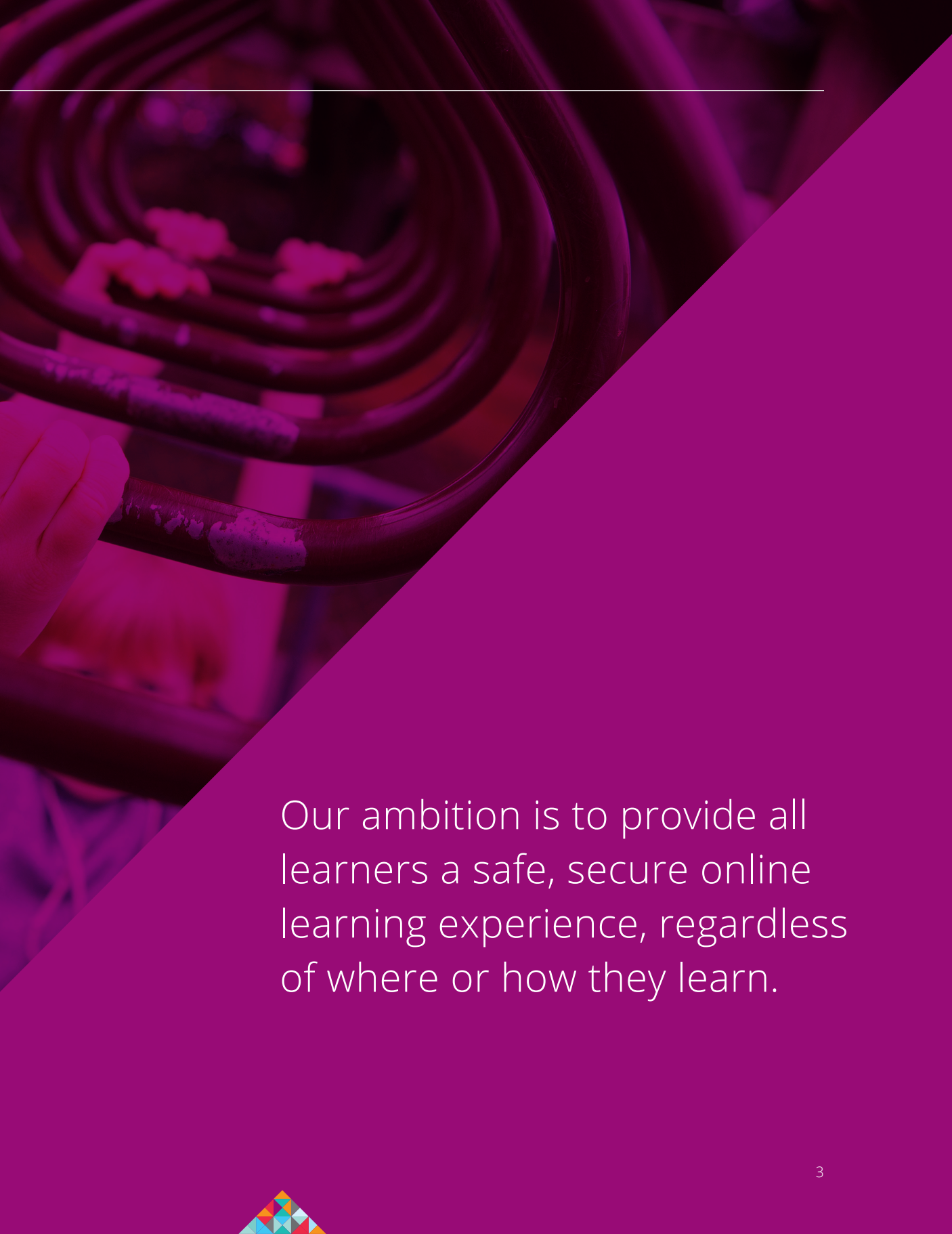


# STATEMENT OF PERFORMANCE EXPECTATIONS

FINANCIAL YEAR 2019/2020







Our ambition is to provide all learners a safe, secure online learning experience, regardless of where or how they learn.



## SOURCES OF INCOME

### **The Company expects to receive income from:**

- Providing safe & secure Managed Network services and support services to state and state-integrated schools; including the following enhancements:
  - Identity Awareness, Reporting and Self-Service; and
- Government contracts, including in respect of:
  - Network Support Extension services; and
  - Equitable Digital Access for students services; and
- Providing safe & secure Managed Network services and support services to Independent Schools.

The Company may also receive additional income from other government contracts as agreed with the Ministry of Education.

## STATEMENT OF SIGNIFICANT ASSUMPTIONS

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

The most significant assumptions reflected in these financial statements are:

- The roll-out of the safe & secure Managed Network 2.0 and Internet Direct Network model is complete by the end of 2018/19.
- The new Spark pricing for safe & secure Managed Network 2.0 is implemented for all schools by the end of 2018/19.
- N4L will undertake an additional Statement of Work for the Ministry of Education to deliver Network Support Extension.

Any additional activities will be conducted within the parameters established by Ministerial expectations of N4L and in accordance with agreed Statements of Work.

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# 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:

### Safe & Secure Managed Network Services

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

### *Connections to the Managed Network*

Key Metric	Performance to Date (2018/19)	Target (2019/20)
Percentage of eligible schools (defined as state schools and state-integrated schools) connected to core Managed Network services	99.5% (2,445 out of 2,457 schools)	99%
Percentage of schools which voluntarily disconnect from Network for Learning	0.08% (2 out of 2,457 schools)	Less than 1%

# HOW N4L WILL ASSESS ITS PERFORMANCE

## ***Support Services Timelines and Satisfaction***

Key Metric	Performance to Date (2018/19)	Target (2019/20)
The number of minutes to acknowledge a service request – measured per month	Q1: 83% Q2: 73% Q3: 79%	80% of all requests under 8 Support Hours
Percentage of total calls taken	Q1: 79% Q2: 70% Q3: 67%	At least 85%
The number of minutes to resolve an incident – measured per month	Q1: 88% Q2: 98% Q3: 95%	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

## **Customer Satisfaction**

N4L recognises that it is critical that all students and schools have excellent, second-to-none service delivery.

## ***The N4L Customer Experience***

Measure	Performance to Date (2018/19)	Target (2019/20)
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.	94.6%	90% 'satisfied' or 'very satisfied' response from respondents.

## **Other Business**

Measure	Performance to Date (2018/19)	Target (2019/20)
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.

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## Financial Performance

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

- N4L will generate income 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 income and agreed on shareholder funding; and
- N4L will notify Treasury early if it expects material changes in its financial forecast.



**Colin MacDonald**

*Chair*

23 May 2019



**Mark Yeoman**

*Deputy Chair*

23 May 2019



# PROSPECTIVE FINANCIAL STATEMENTS

## Prospective Statement of Comprehensive Income for the Year Ended 30 June 2020

	Note	2018/19 SPE \$000	2018/19 Forecast \$000	2019/20 SPE \$000
<b>Income from Services</b>				
Income from Services	13	29,364	30,020	29,689
Less: Direct Network and Product Service Costs	14	18,792	19,320	18,251
<b>Gross Margin</b>		<b>10,572</b>	<b>10,700</b>	<b>11,438</b>
<b>Operating Expenses</b>				
Board Operations		241	180	198
Personnel Costs	16	7,464	7,100	8,227
Audit Fees		54	56	58
Other General and Overhead Expenses	15	2,503	2,923	2,506
<b>Total Operating Expenses</b>		<b>10,262</b>	<b>10,259</b>	<b>10,989</b>
<b>Total Operating Profit</b>		<b>310</b>	<b>441</b>	<b>449</b>
<b>Non-Operating Income</b>				
Interest Income		49	57	68
<b>Non-Operating Expenses</b>				
Depreciation		231	287	394
<b>Total Comprehensive Income</b>		<b>128</b>	<b>211</b>	<b>123</b>

**Prospective Statement of Changes in Equity for the Year Ended 30 June 2020**

	2018/19 SPE \$000	2018/19 Forecast \$000	2019/20 SPE \$000
<b>Opening Balance</b>	<b>4,196</b>	<b>4,636</b>	<b>4,847</b>
Total Comprehensive Income	128	211	123
<b>Total Comprehensive Income for the Period</b>	<b>128</b>	<b>211</b>	<b>123</b>
Dividends Paid	-	-	-
Proceeds from Shares Issued	-	-	-
<b>Total Contributions by the Owners</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing Balance</b>	<b>4,324</b>	<b>4,847</b>	<b>4,970</b>

**Prospective Statement of Financial Position as at 30 June 2020**

	Note	2018/19 SPE \$000	2018/19 Forecast \$000	2019/20 SPE \$000
<b>Current Assets</b>				
Cash and Cash Equivalents	6	3,370	3,972	3,585
Other Current Assets	7	2,904	3,245	3,237
<b>Total Current Assets</b>		<b>6,274</b>	<b>7,217</b>	<b>6,822</b>
<b>Non-Current Assets</b>				
Property, Plant, Equipment and Intangibles	8	720	1,250	1,297
<b>Total Non-Current Assets</b>		<b>720</b>	<b>1,250</b>	<b>1,297</b>
<b>Total Assets</b>		<b>6,994</b>	<b>8,467</b>	<b>8,119</b>
<b>Current Liabilities</b>				
Accruals and Payables	9	2,670	3,465	3,024
<b>Total Current Liabilities</b>		<b>2,670</b>	<b>3,465</b>	<b>3,024</b>
<b>Non-Current Liabilities</b>				
Lease Incentive		-	155	125
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>155</b>	<b>125</b>
<b>Total Liabilities</b>		<b>2,670</b>	<b>3,620</b>	<b>3,149</b>
<b>Shareholders' Funds</b>				
Share Capital		14,000	14,000	14,000
Retained Earnings		(9,676)	(9,153)	(9,030)
<b>Total Shareholders' Funds</b>		<b>4,324</b>	<b>4,847</b>	<b>4,970</b>
<b>Total Liabilities and Shareholders' Funds</b>		<b>6,994</b>	<b>8,467</b>	<b>8,119</b>

### Prospective Statement of Cash Flows for the Year Ended 30 June 2020

	2018/19 SPE \$000	2018/19 Forecast \$000	2019/20 SPE \$000
<b>Operating Activities</b>			
Interest Received	56	62	68
Income from Services to Schools and Government	33,889	34,637	34,148
Payments to Suppliers and Employees	(33,697)	(33,877)	(34,097)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>248</b>	<b>822</b>	<b>119</b>
<b>Investing Activities</b>			
Purchase of Fixed Assets	(638)	(864)	(506)
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>(638)</b>	<b>(864)</b>	<b>(506)</b>
<b>Financing Activities</b>			
Capital Contribution	-	-	-
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Increase/(Decrease) in Cash</b>	<b>(390)</b>	<b>(42)</b>	<b>(387)</b>
Cash Available at the Start of the Period	3,760	4,014	3,972
<b>Cash Available at the End of the Period</b>	<b>3,370</b>	<b>3,972</b>	<b>3,585</b>

# 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 for schools including kura that provides significant benefits to students and educators by delivering a faster, safer, smarter more reliable internet connection. As such, N4L's principal aim is to provide services to the public, rather than make a financial return. Accordingly, N4L is designated as a public benefit entity (PBE).

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

## 2. Statement of Compliance

The prospective financial statements are for the year ended 30 June 2020, with comparatives to the forecast and SPE for the current year ending 30 June 2019. The forecast comparatives for 2018/2019 include actual financial results for the period July 2018 to February 2019. The prospective financial statements have been prepared in accordance with the relevant requirements of the Public Finance Act 1989 and Crown Entities Act 2004, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The prospective financial statements have been prepared in accordance and comply with Tier 1 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.

### ***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 the 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.

The prospective financial statements were authorised for issue by the Board of Directors on 23 May 2019. The Board is responsible for preparing the forecast financial statements presented, including judgements concerning the appropriateness of the assumptions underlying the prospective financial statements and other required disclosures. It is important however to note that the prospective financial statements are estimates based on the available information at the time of publication and contain inherent uncertainties. Actual financial results achieved are likely to vary from the 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 the 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.

### 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 consist 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. 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 prospective 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 that are readily converted to a known amount of cash and are subject to an insignificant risk of changes in value.

- Operating activities are the principal income-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.

## 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 directly 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.

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## **14. Direct Network and Product Service Costs**

Network and product service costs 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 providing the safe and secure network and additional services for Government.

## **16. Personnel Costs**

Personnel costs represent estimated salaries and short-term benefits to employees and contractor costs.





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