

Research and Education Advanced Network New Zealand Limited

Annual Report 2012

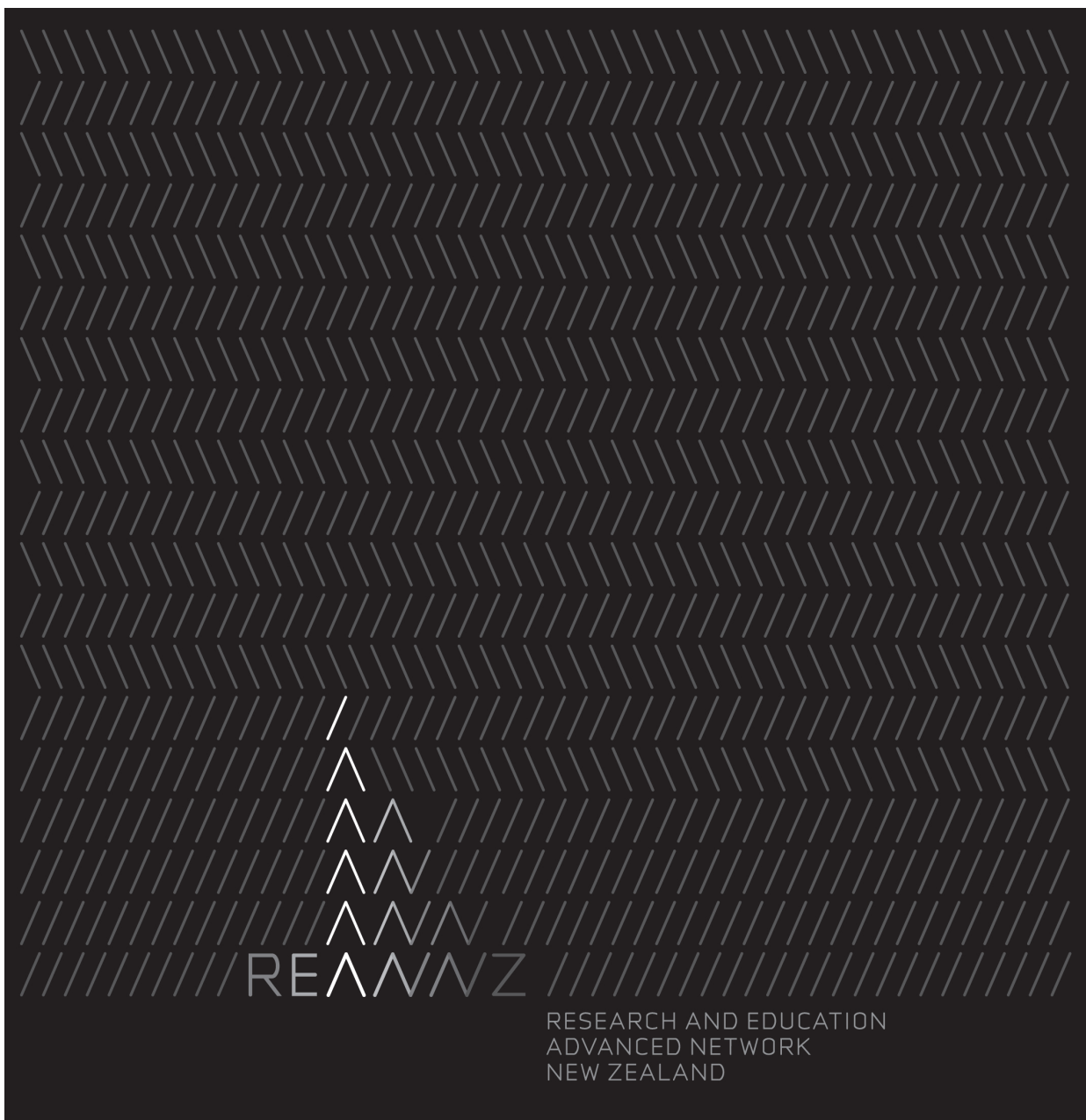


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Report from the Chair

2011/12 has been a year of growth and positive purpose for REANNZ. The year has seen key developments in company capability and member services, and moves towards more strategic engagement with New Zealand's research and innovation system.

The Board was very pleased to have Steve Cotter join us from the USA as Chief Executive. Steve has brought with him a wealth of international experience and perspectives. These are already having a significant impact on the company, and have informed an updated business strategy for REANNZ, which places an increased emphasis on helping our community better reap the benefits of the digital revolution. A key element of this new strategy is for REANNZ to take more direct ownership of the operation and management of the network, and the resulting performance that our members enjoy.

Initiatives already active include the delivery of additional value for members through activities such as aggregated purchase of commodity Internet services, and delivering higher performance through the use of leading edge networking concepts that support large data flows. The aggregated Internet procurement over the past year resulted in substantial unit cost savings for members worth many hundreds of thousands of dollars, and has demonstrated the power of the community working together to achieve cost reductions.

These are, in turn, supported by complementary initiatives to make the network more resilient, and by strengthening the engineering team to support members with end-to-end aspects of their wide area networking. These are already bearing fruit, as total traffic on the network has grown by 100% in the last year.

Other initiatives that are planned for the coming period include re-engineering the network to take advantage of the low unit costs possible through implementing a shared services model with a national network company, and sourcing a low cost, high performance alternative for international connectivity, now that the Pacific Fibre international fibre cable project will not be proceeding

The Board continues to place strong emphasis on the sustainable operation of REANNZ. We are pleased to have agreed an additional \$2M p.a. contribution from our core members starting in July 2012 and \$4M p.a. from government commencing

in 2013. We are also focused on minimising operating costs while delivering a high quality national and international network.

Under current initiatives from the Ministry of Business, Innovation and Employment we hope to see a more highly collaborative national innovation eco-system with increased levels of R&D investment by industry and much increased partnering between industry, CRIs and universities in projects that will lift the performance of New Zealand's high value manufacturing and services sector. REANNZ offers, to all players in this sector, key infrastructure and services to facilitate big data science, and more powerfully networked research, product and business development activities.

REANNZ is thus working to support and assist the Ministry of Business, Innovation and Employment's initiatives around the innovation eco-system and national research infrastructure, such as the New Zealand e-Science Infrastructure (NeSI) and New Zealand Genomics Limited (NZGL). The Company has also supported the Ministry of Education with the roll out of advanced broadband connectivity to 125 schools through the National Education Network trial, and we are pleased to see the results of this effort form the foundation for the Ministry's Network for Learning programme.

Finally, I would like to extend my sincere thanks to the REANNZ staff, and to all Directors, for their stalwart service to REANNZ. Regrettably, Endace business commitments resulted in Mike Riley's resignation from the board recently, and we thank Mike for his excellent service and wise counsel. We have been fortunate to have the services of George Benwell as Deputy Chair and the appointment of Susie Johnstone during the reporting period, and in mid-2012 welcomed Jim Donovan as a new appointment to the Board.



John Raine

Chair

Chief Executive's Report

People often ask why I left Silicon Valley to move to New Zealand. The answer? Because I like a challenge. Like its starkly beautiful landscape, networking in New Zealand is a picture of promise and sharp contrasts. The can-do spirit here will drive this country to compete globally in today's knowledge economy. However, our geographic remoteness, small population, and a relatively immature telecommunications market are slowing the charge.

The opportunities created by the government's ultra-fast broadband initiative will provide the raw materials for innovative businesses and the research and education sector to innovate and invent new products and services. However, connectivity is not enough. New Zealand is already behind the global curve in leveraging high capacity networks. The next steps are critical. Investment in local fibre must be matched with lower cost international capacity, campus infrastructure improvements, and training in advanced network applications. These are necessary to deliver a world-class education and fuel the research and innovation that are essential to deliver smart growth and jobs. Making these efforts priorities will determine how quickly this country realises the full potential of Kiwi creativity.

The hope for more competitively priced international connectivity has been tested by the failure of Pacific Fibre. Tight budgets and the on-going brain drain have added to the difficulties we face in leveraging networks to build a productive and competitive economy. However, I have no doubt a society accustomed to volcanoes and earthquakes will confront this challenge just like others in the past - with Kiwi ingenuity and dogged determination.

As the following sections show, REANNZ is already hard at work positioning itself to help the research and education community face its challenges so that they may reap the benefits of digital revolution. In the years to come, we will offer New Zealand's brightest minds the best technology and services possible, bridging the digital and geographic divides to support knowledge communities and enable groundbreaking research.

Engage with & facilitate higher performance from the research, education and innovation sectors

REANNZ's focus for the last nine months has been to work with members to tune their campus infrastructures for large data transfers. Many scientific instruments, such as supercomputers, genome sequencers, or data stores are housed within campus networks designed to support enterprise applications such as email, videoconferencing and database management systems. These networks are not optimised for the large, bursty traffic flows common to data-intensive research applications. As a result, intermingling large flows on ill suited networks leads to degraded performance and frustrated users, dampening bandwidth demand and decreasing scientific productivity.

To address this deficiency, REANNZ has helped universities and research institutes implement ScienceDMZs on their campuses. A ScienceDMZ is an architectural concept whereby campus networks are re-engineered to leverage dynamic network services to support a range of scientific data transfers and movement. Science flows are able to circumvent congested internal corporate network systems and firewalls, resulting in higher levels of performance, reliability and predictability for science applications and distributed research projects. This work creates the opportunity for greater use of the network and the participation in research projects that were not previously possible.

Provide an advanced network that delivers additional value for our member community through service enhancements

Higher education is changing, as is research and innovation. Advanced networking is shifting from a 'connection-based' operation to a service environment – moving away from offering just bandwidth, to provisioning services globally for the research and education community that only dedicated research networks can deliver. This evolution is driving our efforts to develop REANNZ into a mature organisation capable of offering a full range of services to our community.

This year began with REANNZ going to market for commodity internet services. By aggregating demand to drive purchasing power, REANNZ was able to cut some members' commodity internet costs by as much as 50%. This effort has shown that where the community organises itself, we have the power to change the economics of acquiring network-based services.

model, lower its annual operating costs while providing enhanced services to the community before our current network contracts expire in December 2013. With the collapse of Pacific Fibre, and the suspension of the Crown's \$15 million investment, these savings are necessary to help fund the anticipated, on-going international bandwidth needs of our members. Work is underway to secure alternative international capacity to meet these needs.

Operate sustainably

In this year's challenging economic environment, REANNZ was fortunate to secure commitments from its members for an additional \$2 million p.a. in membership revenue (effective 1 July 2012). This, coupled with the Crown's \$4 million p.a. operating commitment from 2013 will help REANNZ remain financially sustainable.

Operationally, REANNZ staff are actively seeking ways to lower costs while improving resiliency. Network audits and operational reviews were conducted to root out unnecessary expenses, upgrade operations, and eliminate potential points of failure. As a result, we've cut costs while adding links in strategic locations to provide full redundancy on the network, including between the islands. Plans have also been finalised to move to an MPLS¹ based network by the end of the year for better resiliency and traffic engineering, maximising the potential of our existing infrastructure.

REANNZ team

REANNZ's most important asset is its small but dedicated team. We have a renewed emphasis on providing outstanding customer service and high-quality engineered solutions to our community. We look forward to an exciting and successful 2012/13.



Steve Cotter
Chief Executive

¹ MPLS (Multiprotocol Label Switching) is a traffic management protocol that directs traffic along the shortest and best path, avoiding complex lookups on routing tables.

About REANNZ

Who are we?

REANNZ is a Crown Owned Company that procures, operates and maintains the high performance networking infrastructure and support services that allow New Zealand’s researchers, scientists and educators to collaborate with their peers around the world. REANNZ provides instantaneous and unlimited global access to any resource for knowledge creation, innovation and learning.

Today’s science is becoming increasingly distributed and data-intensive. Researchers that can collect, sort, mine and analyse data quickly and effectively generate breakthroughs in areas like healthcare, education and manufacturing. The companies and inventions created by this research will power New Zealand’s future economy. REANNZ provides the network platform that allows researchers, scientists and educators to innovate by removing the barriers to data mobility that inhibit the creation of these disruptive new technologies. With access to large data transfer capabilities and network tools that encourage multi-institutional collaboration, our scientists have access to the world’s unique science facilities and more effective and efficient ways of working.

By providing this network platform, REANNZ offers a landscape without barriers to the exchange and development of ideas and knowledge. REANNZ gives a high performing research, education and innovation sector the specialist tools required to improve New Zealand’s wealth and wellbeing.

Why does New Zealand need a specialised Research, Education and Innovation network?

Large-scale science and data-intensive disciplines need networks optimised for very different traffic patterns than the commercial Internet. Commercial networks see many millions of small, short duration flows that, when aggregated, produce smooth and easy-to-predict diurnal traffic patterns. Research networks' traffic mix is dominated by bursty, high-throughput, multi-terabit flows that may last for days. This requires the provisioning of capacity beyond what is cost effective for commercial networks. For research networks to facilitate science, significant spare capacity needs to be available to allow these large flows through. Researchers need enough space for traffic to burst on demand, even if this space is not fully utilised all of the time.

Science disciplines require different network technology than ordinary internet customers do. Time sensitive science applications require the network to be optimised for minimal latency, and guaranteed end-to-end performance (from the scientist to their, often international, end host destination). Researchers working with large data sets also require compatibility between different networks and finely tuned hosts for maximum throughput.

REANNZ exists to address a niche market that commercial networks don't meet - the provisioning of the unique services that serve science, research and education needs.

The nature of science activity has changed dramatically in recent years due to the increasing availability of optical fibre networks. These community-owned, fibre-based networks have enabled science to become increasingly distributed. With remote access to instruments, scientists now participate in wider collaboration on projects among institutions and countries, and the sharing of massive datasets among multiple users for different research purposes. Gone are the days when scientists conducted ground breaking research by toiling away in their labs in isolation.

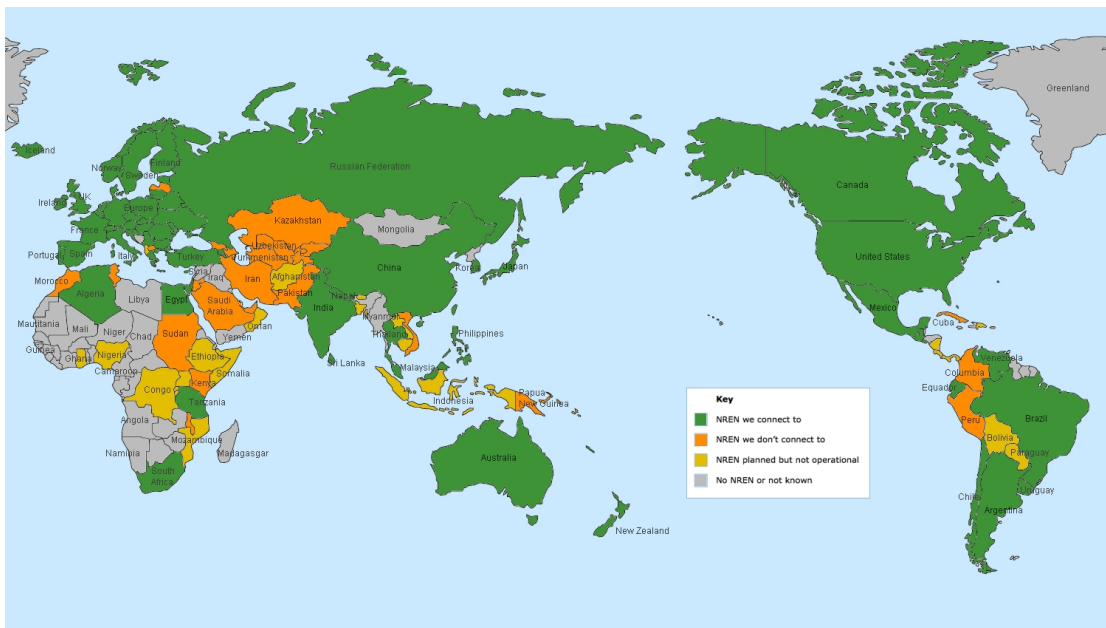
Purpose-built network platforms like the one REANNZ provides to its community are pure oxygen for data-intensive science and advanced applications, and have proven essential in the recruitment and retention of world-class talent.

REANNZ's current network footprint is shown below:



Who do we support?

Networks are the common infrastructure that binds communities. At REANNZ, we form part of the research, education and innovation ecosystem, connecting participants in those sectors to each other and the world. Nearly all developed countries, and many developing countries, have a research network similar to REANNZ.



REANNZ’s core members are New Zealand Universities and Crown Research Institutes, with Polytechs, Institutes of Technology and Wananga making up the remainder of the tertiary education membership base. We also support the free flow of knowledge from the tertiary to the secondary education sector, by connecting nearly 130 schools across New Zealand.

In order to help facilitate our mission, REANNZ also links organisations that provide services of benefit to our membership base, such as e-learning content providers. Because REANNZ offers uncapped data, this lowers members’ costs and improves the quality of their user experience by offering direct connections that ensure faster network speeds.

Additionally, REANNZ connects innovative businesses to the network, allowing them to work directly with the science and research institutions that are assisting them with product development or commercialisation.

What are our users doing on the network?

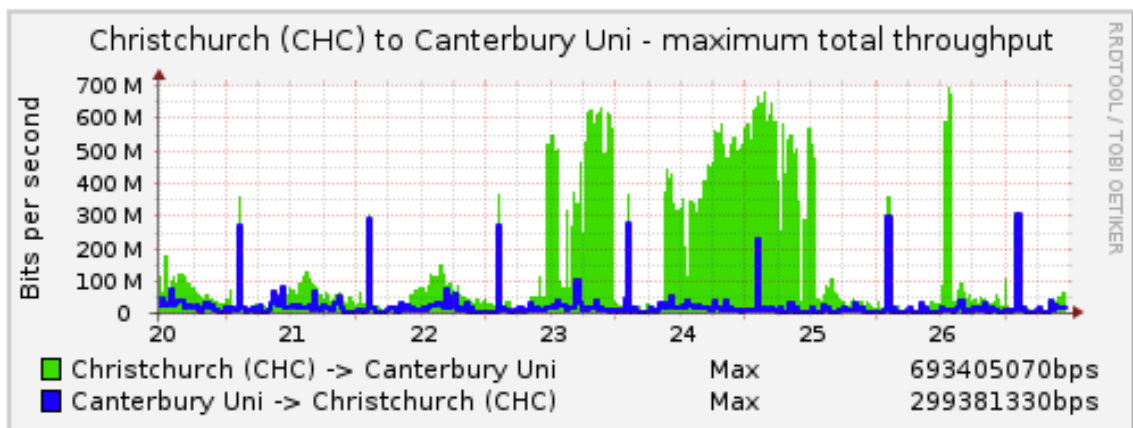
Our members are undertaking exciting research and are using the network to collaborate and innovate in unique ways.

Large-Scale Data Analysis and Visualisation

Dr Stuart Charters and Dr Celine Cattoën-Gilbert at the University of Canterbury decided to test the capabilities of a new Bluefern super-computing cluster by entering a contest held by the Institute of Electrical and Electronics Engineers Symposium on Large-Scale Data Analysis and Visualisation (LDAV).

The goal of the LDAV contest is to demonstrate how visualisation algorithms can be scaled to large computational infrastructures, such as the BlueFern Visualisation Cluster, using extremely large datasets. The challenge was to visualise a planar jet flame combustion of mixed fuels, with the data set originally from Sandia National Labs Combustion Centre being stored at the Oak Ridge National Lab, both in the USA.

The first step in the challenge was to transfer just over four Terabytes of data from the USA to New Zealand. Using the REANNZ network and NeSI's GridFTP data transfer mechanism (formerly known as BeSTGrid), the team transferred the data from the Oak Ridge National Lab to the University of Canterbury.



Dr Charters and Dr Cattoën-Gilbert achieved 480Mb/s performance to the USA, turning the international link "red" (60-100% utilization) on the REANNZ weathermap at times².

End to end performance was inhibited by campus infrastructure, and the researchers' desire to avoid impacting the use of the campus network by others. REANNZ is currently working with Canterbury to establish a Science DMZ, a concept where dedicated data transfer nodes sit outside campus corporate infrastructure, significantly reducing bottlenecks and allowing researchers to experiment with even higher data transfer rates.

Dr Cattoën-Gilbert said "it was easy to see the status of the data transfer, when it started and when it stopped as all the network links on the weathermap would turn from green to red and back. We could see that our network usage was having an impact".

Now that the dataset has been successfully transferred to Christchurch, the team faces the second challenge, performing the visualisation.

Pioneers in Global Music Composition

Prof. Whalley and research assistant Hannah Gilmour, based at Waikato University in Hamilton, performed "KishiKaisei" in real time with musicians located in both Singapore and China at the Musicacoustical Festival in 2011. By using the IPv6 enabled REANNZ network to connect to musicians in other countries, the participants were able to



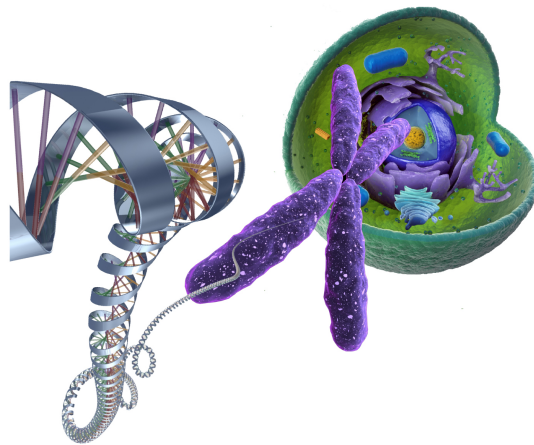
use digital instrument software and sound programming to perform together, and to remotely trigger instruments in Hamilton using a data controller based in Singapore. The audience, located in Beijing, was able to see and hear the combined performance seamlessly on the big screen. This international collaboration helps to

² <http://weathermap.reannz.co.nz/>

establish New Zealand performers on the world stage, and builds New Zealand's reputation as a destination for music performance and learning.

Science Education to the Nation

The aim of LENSscience institute at the University of Auckland is to build New Zealand's professional science capability by igniting interest in science among secondary students. The LENSscience Connect programme is designed to introduce New Zealand's secondary students, and their teachers, to world class science and technology. Hosted in real time over the REANNZ network by world-renowned researchers such as Professor Lord Robert Winston, these interactive virtual classrooms make science presenters seem as though they are in the room with students and provide access to scientific knowledge, demonstrations and resources that would otherwise be unavailable. The programme has helped to accelerate scientific learning and interest in New Zealand schools, and remove geographical barriers to ensure students have the same opportunities for science and technology learning as their global peers.



As visibility of network capability improves, exciting innovative businesses and public & private partnerships will be able to take advantage of the network tools available to them. To find out more about REANNZ's users and their success stories, and what you can achieve using the REANNZ network, visit our website www.reannz.co.nz/use-participate/use-our-network

Statement of Responsibility

For the year ended 30 June 2012

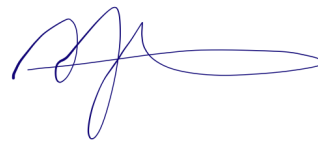
The Board and management of REANNZ accept responsibility for the preparation of the annual financial statements and statement of service performance and the judgments used in them.

The Board and management of REANNZ accept responsibility for establishing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of the Board and management of REANNZ the annual financial statements and statement of service performance for the year ended 30 June 2012 fairly reflect the financial position and operations of REANNZ.



Prof John Raine
Board Chair



Susie Johnstone
Audit Committee Chair

25 October 2012

Audit Report

Independent Auditor's Report

**To the readers of
Research and Education Advance Network New Zealand Limited's
financial statements and statement of service performance
for the year ended 30 June 2012**

The Auditor-General is the auditor of Research and Education Advance Network New Zealand Limited (the company). The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company on her behalf.

We have audited:

- the financial statements of the company on pages 27 to 61 that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on pages 20 to 26.

Opinion

Financial statements and statement of service performance

In our opinion:

- the financial statements of the company on pages 27 to 61:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the company's:
 - financial position as at 30 June 2012; and
 - financial performance and cash flows for the year ended on that date.
- the statement of service performance of the company on pages 20 to 26:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of, for each class of outputs for the year ended 30 June 2012, the company's:
 - service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and

- actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 25 October 2012. 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 of Directors and our responsibilities, and we 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 statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. 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 statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, 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 statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control 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 of Directors;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. In accordance with the Financial Reporting Act 1993

we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance.

The Board of Directors is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Board of Directors' responsibilities arise from the Crown Entities Act 2004, the Financial Reporting Act 1993, the Companies Act 1993 and the Public Finance Act 1989.

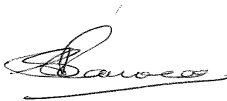
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the company.



Clint Ramoo
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Statement of Service Performance

For the year ended 30 June 2012

Output: Provide the REANNZ Network and support the member community

REANNZ's output is the high performance research and education network. The measures below provide an overview of the nature and performance of the services REANNZ has provided to its membership over the past year.

Quality

Measure	Result June 2012	Target June 2012	Result June 2011
National network availability	99.99%	99.90% 12 month rolling average	99.99%
International network availability	99.65%	99.90% 12 month rolling average	99.87%
Members consider REANNZ a close partner providing valuable services and advice, not a supplier	32%	20% consider REANNZ a close partner	17%

Network availability is crucial for our users to be able to perform their work when they need to. Network design helps to maintain availability, even during an outage, by the use of alternative paths, failover hardware and resilient circuits.

National network availability was above target for the year, however an unplanned outage suffered due to hardware failure in Los Angeles meant that international availability was less than targeted. REANNZ is working to ensure availability is maintained should a similar event occur in the future.

REANNZ has worked hard over the last year to support members, particularly to help them have access to the network capacity that is possible with well-tuned internal infrastructure. This work creates the opportunity for greater use of the

network and the increase in throughput that has followed this optimisation in individual institutions validates REANNZ’s view on potential for growth in both demand and utilisation. Working closely with our members in this way is starting to have an impact, with a significant increase in members who consider REANNZ a close partner, rather than simply a supplier of services.

Quantity

Measure	Result June 2012	Target June 2012	Result June 2011
Core network capacity available	10 Gb/s National 1 Gb/s International	No target set	10 Gb/s National 1 Gb/s International

The REANNZ core network provided connectivity of 10 Gb/s nationally, and 1 Gb/s internationally during the year, in line with contracted expectations. This metric is a new measure from REANNZ’s latest 2012/15 Statement of Intent, and therefore no targets had been set for the 2011/12 year.

While traffic nationally is growing, traffic on the 1 Gb/s link to Sydney is beginning to reach capacity. With the withdrawal of Pacific Fibre from the international cable market, REANNZ is working to secure an alternative that will deliver as much international bandwidth to our members as is fiscally possible (see impact “our members are well connected” below). This is crucial to ensure New Zealand is not digitally isolated, unable to participate in global science and collaborations.

Cost Effectiveness

Measure	Result June 2012	Target June 2012	Result June 2011
REANNZ maintains its core membership base	8/8 Universities 8/8 Crown Research Institutes 13/20 Institutes of Technology and Polytechnics 2/3 Wananga	8/8 Universities 8/8 Crown Research Institutes 13/20 Institutes of Technology and Polytechnics 2/3 Wananga	8/8 Universities 8/8 Crown Research Institutes 13/20 Institutes of Technology and Polytechnics 2/3 Wananga
REANNZ grows its total membership base	177 members connected at 234 sites	135 members connected at 192 sites	128 members connected at 185 sites

The cost effectiveness of the REANNZ network platform is best demonstrated by our ability to retain our core membership base. If we were not cost effective and providing valuable networking solutions, alternative suppliers would enter the market, and we would lose our members. During the year we retained our core membership base, and the addition of a number of schools helped to grow the overall membership by 49 members.

Timeliness

Measure	Result June 2012	Target June 2012	Result June 2011
Users consider reported issues to be resolved in a timely manner (based on survey).	74%	No target set	Not measured.

The speed at which we identify and resolve faults and other network performance issues is a measure of the timeliness of our network management activity. The REANNZ helpdesk logs incident reports from users, and our service manager actively monitors the network for performance issues. Although we have target resolution times agreed with our suppliers, the true test of our timeliness is our members' perception of our responsiveness to their issues. This is a new measure

from REANNZ’s 2012/15 Statement of Intent, and therefore no target had been set for the 2011/12 year.

We asked our members, in our annual membership survey, what they thought of our helpdesk and the speed of incident resolution. 74% timely resolution is a good benchmark to improve upon in the coming year.

Impact: High performance computing and other data intensive applications are enabled

A number of science initiatives with large data requirements are being conducted that could not occur without the reach, reliability and speed of an advanced network. Examples include NeSI (National eScience Infrastructure which supports supercomputing), NZGL (New Zealand Genomics Limited which performs genome sequencing), and radio astronomy. All of these projects involve instrumentation that generates massive datasets. These datasets need to be transported quickly and accurately from the instruments to hosting or processing centres, and to the scientists using the datasets to perform research.

Measure	Result June 2012	Target June 2012	Result June 2011
Members consider the REANNZ network valuable or essential for carrying out their work	75% (43% essential; 32% valuable)	> 70%	69% (29% essential; 40% valuable)
Peak traffic flows over the network	3.7 Gb/s	5 Gb/s	2.7 Gb/s
Total traffic flows over the national network	60.2 PB	> 9.5 Petabytes (revised target 60PB)	30 PB

Our members are increasingly finding the network essential to carrying out their work. In addition to this, peak and total traffic flows are increasing as we help members remove bottlenecks in the last mile and on campus, and continually work to improve monitoring and performance of the network. These two trends suggest that network performance and, therefore, usage is improving. The network allows

our members to participate in projects that require data intensive applications, helping them to achieve their work, study or research goals.

Impact: Our members are well connected nationally and internationally

Advanced networks provide a platform on which collaboration can take place. They provide connectivity that allows collaboration between institutions, between sectors, and between countries. The REANNZ network platform provides our researchers with the ability to participate in global science, research and innovation initiatives. The better connected our members are, the more opportunities are created for collaboration, participation and innovation.

Measure	Result June 2012	Target June 2012	Result June 2011
Routes available to REANNZ members compared to those available to Internet2 members (US based NREN)	IPv4 ≥ 105% of Internet2 routes available to REANNZ members	IPv4 ≥ 100% of Internet2 routes available to REANNZ members	IPv4 ≥ 103% of Internet2 routes available to REANNZ members
	IPv6 ≥ 102% of Internet2 routes available to REANNZ members	IPv6 ≥ 100% of Internet2 routes available to REANNZ members	IPv6 ≥ 105% of Internet2 routes available to REANNZ members

Our members remain well connected globally, with over 100% of the research and education destinations accessible by US scientists, available to New Zealand users. However, the current limitation on global participation is limited by the size of our international connectivity (see the output quantity measure, above) at 1 Gb/s. For New Zealand to be able to fully participate in international collaborations, researchers are often required to have access to minimum infrastructure, which includes international bandwidth essential for the transport of datasets and information. A connection at 10 Gb/s is usually required and at current international bandwidth of 1Gb/s, New Zealand cannot currently meet those minimum infrastructure standards.

With the withdrawal of Pacific Fibre from the international cable market, REANNZ is working to secure as much bandwidth as fiscally possible, to ensure New Zealand can participate on the world stage.

Impact: Operating cost efficiencies are achieved for our members

Many of the services required by the REANNZ community are cost-prohibitive (or simply unavailable) on the commercial market. As a not for profit company that acts in the best interests of its community, REANNZ is able to provide these services that would otherwise be unavailable to our members.

Measure	Result June 2012	Target June 2012	Result June 2011
Members consider the REANNZ network valuable or essential infrastructure for their organisation	90% (64% essential; 26% valuable)	> 90%	92% (55% essential; 37% valuable)

Although a small decrease in the overall measure compared with 2011, the network is becoming increasingly essential (rather than simply valuable) to our membership, with 64% considering the network essential for their organisation, compared with 55% in 2011. This measure suggests that members consider they are receiving value for money for their membership.

During the year REANNZ went to market to procure a commodity internet service for its membership. By participating in the marketplace REANNZ became a market maker, forcing ISPs to drop their prices to keep their market share. Even for those not subscribing to REANNZ's internet service, the price of commodity internet has decreased dramatically as a result of our involvement.

REANNZ has also worked to increase the number of service providers it peers with. This means that traffic to these providers travels over users REANNZ connection, rather than their commodity internet connection, delivering savings by reducing the amount of commodity internet our members need to purchase.

Output Income and Expenditure Summary

Output: Provide the REANNZ network and support the member community		
	Actual	Budget
	\$000	\$ 000
Revenues		
Grant Income	910	3,756
Network Income	6,229	6,295
Other	1,608	1,379
Total Income	8,747	11,430
Expenses		
Amortisation & Depreciation	1,046	1,938
Network Expenses	7,005	7,221
Corporate Expenses	3,097	3,280
Total Expenditure	11,148	12,439
Surplus/(Deficit)	(2,401)	(1,009)

Financial Statements

Research and Education Advanced Network New Zealand Limited
Statement of Comprehensive Income
for the year ended 30 June 2012

Actual 2011 \$000		Notes	Actual 2012 \$000	Budget 2012 \$000
	REVENUE			
2,184	Grant Income	1	910	3,756
5,895	Network Income		6,229	6,295
804	Other Income	2	1,015	887
703	Interest Income		583	492
-	Foreign currency gains	3	10	-
9,586	Total Revenue		8,747	11,430
	EXPENSES			
29	Audit fee	4	30	35
943	Depreciation & Amortisation	12, 13	1,046	1,938
138	Directors fees	5	105	140
2,112	Employment expenses		1,866	1,981
110	Foreign currency losses	3	-	-
7,791	Network expenses	6	7,005	7,221
561	Other operating expenses		752	445
728	Professional services	7	144	446
91	Rental and lease expenses		106	110
99	Travel and vehicle expenses		94	123
12,602	Total Expenses		11,148	12,439
(3,016)	Surplus (Deficit)		(2,401)	(1,009)
-	Other Comprehensive Income		-	-
(3,016)	Total Comprehensive Income/(Loss)		(2,401)	(1,009)

The Statement of Accounting Policies and Notes to the financial statements form part of and are to be read in conjunction with these financial statements

Research and Education Advanced Network New Zealand Limited
Statement of Financial Position
As at 30 June 2012

Actual 2011 \$000		Notes	Actual 2012 \$000	Budget 2012 \$000
CURRENT ASSETS				
4,456	Cash and cash equivalents	8	1,835	8,177
-	Funds held in Escrow		2,492	-
1,585	Receivables and debtors	9	2,552	2,495
8,551	Investments	10	13,172	8,412
616	Prepayments		517	616
4,942	Prepaid network expenses	11	4,864	4,979
20,150	Total Current Assets		25,432	24,679
NON-CURRENT ASSETS				
3,509	Property, plant & equipment	12	2,363	1,828
56	Intangible assets	13	27	27
7,972	Prepaid network expenses	11	3,760	3,717
11,537	Total Non-Current Assets		6,150	5,572
CURRENT LIABILITIES				
612	Account payable & accrued expenses	14	419	355
184	GST Payable		204	182
133	Employee entitlements	15	151	200
2,197	Income in advance	16	2,695	2,502
705	Deferred Income	17	3,196	540
3,831	Total Current Liabilities		6,665	3,779
NON-CURRENT LIABILITIES				
1,544	Deferred Income	17	1,006	1,170
1,544	Total Non-Current Liabilities		1,006	1,170
26,312	NET ASSETS		23,911	25,302
PUBLIC EQUITY				
16,001	Share capital	18	16,001	16,001
10,311	Accumulated surplus		7,910	9,301
26,312	Total Public Equity	18	23,911	25,302

The Statement of Accounting Policies and Notes to the financial statements form part of and are to be read in conjunction with these financial statements

Research and Education Advanced Network New Zealand Limited
Statement of Changes in Equity
for the year ended 30 June 2012

Actual 2011 \$000	Notes	Actual 2012 \$000	Budget 2012 \$000
13,328	Public Equity at beginning of year	26,312	26,311
16,000	Share Capital introduced	-	-
Comprehensive Income			
(3,016)	Surplus (deficit) for the year	(2,401)	(1,009)
<u>(3,016)</u>	Total Comprehensive Income/(Loss)	<u>(2,401)</u>	<u>(1,009)</u>
<u>26,312</u>	Public Equity at end of year	<u>23,911</u>	<u>25,302</u>

The Directors of REANNZ authorise these financial statements for issue. On behalf of the Board:



Prof John Raine
Board Chair
25 October 2012



Susie Johnstone
Audit Committee Chair

The Statement of Accounting Policies and Notes to the financial statements form part of and are to be read in conjunction with these financial statements

Research and Education Advanced Network New Zealand Limited
Statement of Cash Flows
for the year ended 30 June 2012

Actual 2011 \$000		Notes	Actual 2012 \$000	Budget 2012 \$000
	CASH FLOWS FROM OPERATING ACTIVITIES			
	Cash was provided from (applied to)			
-	Crown revenue		2,412	2,412
1,821	Other Government Department funding		1,041	1,630
6,778	Network Income		5,742	5,569
652	Interest received		462	492
250	Sundry income		485	299
332	Net GST		(127)	(140)
(19,084)	Payments to suppliers and employees		(5,410)	(6,397)
(9,251)	Net cash flow from operating activities	19	4,605	3,865
	CASH FLOWS FROM INVESTING ACTIVITIES			
	Cash was provided from (applied to)			
(2,580)	Purchase of plant & equipment		(234)	(283)
-	Funds deposited in Escrow		(2,492)	-
(8,500)	Term deposit investments		(4,500)	(2,412)
(11,080)	Net cash flow from investing activities		(7,226)	(2,695)
	CASH FLOWS FROM FINANCING ACTIVITIES			
	Cash was provided from (applied to)			
16,000	Issue of equity share capital		-	-
16,000	Net cash flow from financing activities		-	-
(4,331)	Net (decrease)/increase in cash held		(2,621)	1,169
8,787	Cash at beginning of year		4,456	7,008
4,456	Cash at end of year		1,835	8,177
4,456	<i>Represented by:</i> Cash at bank		1,835	8,177

The Statement of Accounting Policies and Notes to the financial statements form part of and are to be read in conjunction with these financial statements

Statement of Accounting Policies

The reporting entity is Research and Education Advanced Network New Zealand Limited ("REANNZ"), a Crown entity as defined by the Crown Entities Act 2004 and a New Zealand incorporated company. As a Crown Entity, REANNZ's ultimate parent is the New Zealand Crown.

REANNZ's primary objective is to establish, own and operate a high speed communications network for the research and education sector. As such, REANNZ's aim is to provide services to the public, rather than make a financial return.

Accordingly, REANNZ has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards.

The financial statements for REANNZ are for the year ended 30 June 2012 and were approved by the board on 25 October 2012.

Basis for Preparation

Statement of compliance

The financial statements have been prepared in accordance with the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice ('NZ GAAP').

The financial statements comply with the New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable financial reporting standards as appropriate for public benefit entities.

Measurement base

The financial statements have been prepared on the basis of historical cost, except where modified by the revaluation of certain items of Property Plant and Equipment, and the measurement of derivative financial instruments at fair value. The accounting policies for these items are stated below.

Functional currency

The financial statements are presented in New Zealand dollars, rounded to the nearest thousand (\$000). The functional currency of REANNZ is New Zealand dollars.

Changes in accounting policies

There have been no changes in accounting policies during the financial year

Early adopted amendments to standards

REANNZ has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

- Amendments to NZ IAS 1 Presentation of Financial Statements. The amendments introduce a requirement to present, either in the statement of changes in equity or in the notes, for each component of equity, an analysis of other comprehensive income by item. As REANNZ has no changes in other comprehensive income, this has had no impact on the financial statements or notes.
- FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments). The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between accounting standards in each jurisdiction. This amendment has had no impact on the financial statements or notes.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to REANNZ are:

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZIAS 39 is being replaced in three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, Phase 3 Hedge Accounting. Phase 1 has been completed and has been published to the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through profit and loss. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IAS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a tier strategy). Under this framework, REANNZ is classified as a Tier 2 reporting entity and will be required to apply Public Benefit Entity Accounting Standards (PAS) with reduced disclosure requirements. These standards are currently being developed by the External Reporting Board (XRB), based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. REANNZ expects to implement the new standards in preparing its 30 June 2015 financial statements. REANNZ will continually assess the implications of the new Accounting Standards Framework as it continues to develop.

Due to the change in the Accounting Standards Framework for public benefit entities, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Significant Accounting Policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability. REANNZ accounting policies, therefore, are designed to report the substance of the underlying transactions undertaken by the entity.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

Revenue recognition

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

Grant income is recognised by REANNZ as it is received or receivable from the Crown, when the conditions relating to the grant are met. Where there are no conditions attached to the grant, other than the requirement for REANNZ to own and operate a high speed communication network for the research and education sector, grant income is also recognised as it is received or receivable. Where grant income has been received but the conditions of the grant are not yet satisfied, grant income is recognised as deferred income in the Statement of Financial Position.

Interest revenue is recognised using the effective interest method.

Property, plant and equipment

Property plant and equipment asset classes consist of office equipment, ICT equipment, national PoP equipment, leasehold improvements and network services equipment.

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. Cost includes consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use.

The cost of an item of property, plant and equipment is only recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to REANNZ and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, the asset will be recorded at fair value at the date when control of the asset is obtained.

Gains and losses on disposals are determined by comparing the proceeds of disposal with the carrying amount of the asset. Gains and losses on disposal are included in the Statement of Comprehensive Income.

Assets under construction are held in work in progress until they are completed, at which point they are transferred to the appropriate category of property, plant and equipment.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to REANNZ and the cost of the item can be measured reliably.

The costs of servicing property, plant and equipment are recognised in the Statement of Comprehensive Income as they are incurred.

Depreciation on property, plant and equipment (excluding work in progress) is calculated on a straight line basis, from the time the asset is in the location and condition necessary for its intended use. This basis allocates the cost or value of the asset, less its residual value, over its estimated useful life.

The depreciation method, estimated useful lives and residual values of property, plant and equipment are reviewed annually to assess appropriateness.

The following estimated useful lives are used in the calculation of depreciation:

Leasehold improvements	6 years
Routers & switches	5 years
Information technology equipment	3 years
Office equipment	5 years
PoP Equipment	8 years

Leasehold improvements are depreciated on the basis of estimated useful life or the remaining lease term, whichever is shorter.

Intangible assets

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful life of the intangible asset.

The following amortisation rates are used in the calculation of amortisation:

Software	3 years
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Impairment

At each reporting date, assets are reviewed by the Directors to determine whether there are any events or changes in circumstances that indicate that carrying amounts may not be recoverable. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its estimated recoverable amount.

If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The impairment loss is then recognised as an expense in the Statement of Comprehensive Income.

Where an item of property, plant or equipment has been re-valued, any impairment loss is recognised against the revaluation reserve for that class of asset. Where this results in a debit balance in the revaluation reserve, the balance is recognised in the Statement of Comprehensive Income.

Any reversal of an impairment loss is recognised in the Statement of Comprehensive Income. Impairment losses can only be reversed to the extent that the carrying amount of the asset matches the carrying amount as calculated under the cost less accumulated depreciation method.

For items of property, plant or equipment which have been revalued, any reversal of impairment loss is credited back to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the Statement of Comprehensive Income, a reversal of impairment loss is also recognised in the Statement of Comprehensive Income.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Inventories

Inventories held for sale or use in the provision of services on a commercial basis is valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the first-in first-out method.

The write down from cost to net realisable value is recognised in the Statement of Comprehensive Income, in the period when the write-down occurs.

Operating leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the Statement of Comprehensive Income. Where the leased items are in use, operating lease payments are allocated in equal installments over the lease term.

Where the leased items are not in use, the operating lease payments will be treated as a prepayment in the Statement of Financial Position. Once the items begin to be used in deriving income, these prepayments are released to the Statement of Comprehensive Income on a straight line basis over the period of the remaining operating lease term.

Financial assets

Investments

For investments under a contract where the terms require delivery within a specified timeframe, the investment is recognised on the date of trade at fair value, net of transaction costs.

Other financial assets are classified into “cash and cash equivalents” and “receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; cash held in banks, other short-term highly liquid investments with original maturities of three months or less.

Receivables

Accounts receivable are recognised at fair value. A provision for impairment of accounts receivable is made where there is objective evidence that REANNZ will not collect all amounts due according to the original terms of the receivable. When this occurs, the receivable is recorded at amortised cost, less provision for impairment. When the receivable is uncollectible, it is expensed in the Statement of Comprehensive Income.

Financial liabilities

Payables

Accounts payable, comprising trade payables and other accounts payable, are recognised when REANNZ becomes obliged to make future payments resulting from the purchase of goods and services. Payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Derivatives

REANNZ enters into derivative financial instruments, including forward foreign exchange contracts, as part of its normal operations to manage its exposure to foreign exchange rate risk. REANNZ does not hold these financial instruments for trading purposes.

Financial instruments that constitute hedges, including forward foreign exchange contracts, are valued at the prevailing exchange rate at year end. Any unrealised gains or losses are recognised in the Statement of Comprehensive Income.

Financial instruments that do not constitute hedges are stated at fair value and any resulting gain or loss is recognised in the Statement of Comprehensive Income.

Foreign currency transactions

Transactions in foreign currencies are translated to New Zealand dollars at the rate applying at the date of transaction.

At balance date foreign currency monetary assets and liabilities are translated at the closing rate and exchange variations arising from these translations are recognised in the Statement of Comprehensive Income.

Employee entitlements

Provision for accrued annual leave is made when it is probable that settlement will be required and the provision is capable of being measured reliably.

Provisions made for employee benefits expected to be settled within 12 months of the reporting date are measured using the best estimate of the amount required to settle the obligation, based on the remuneration rate expected.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months of the reporting date are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to reporting date.

Cash flow statement

The Cash Flow Statement is prepared exclusive of GST, which is consistent with the method used in the Statement of Comprehensive Income.

Definitions of the terms used in the cash flow statement are:

“Cash” includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash used by REANNZ as part of its day to day cash management.

“Investing activities” are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

“Financing activities” are those activities relating to changes in equity of REANNZ.

“Operating activities” include all transactions and other events that are not investing or financing activities.

Goods and Services Tax (GST)

These financial statements have been prepared on a GST exclusive basis except for accounts receivable, accounts payable, deferred income and income in advance, which are stated inclusive of GST.

The net GST paid to, or received from, the Inland Revenue Department, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

As a public entity under section CW 38(2) of the Income Tax Act 2007, the company is exempt from income tax. Accordingly, no provision has been made for income tax.

Budget figures

The budget figures are those that form part of the REANNZ 2011 - 2014 Statement of Intent, dated September 2011.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by REANNZ for the preparation of the financial statements.

Accounting estimates and judgments

There are no accounting estimates in these financial statements that have had a significant effect on the amounts recognised in the financial statements

Notes to the Financial Statements

1. Grant Income

	2012	2011
	\$000	\$000
Ministry of Science & Innovation Hardship Fund	-	83
National Education Network	910	2,101
Total Grant Income	910	2,184

In June 2009 REANNZ received a \$900,000 grant from the Ministry of Science and Innovation (formerly Ministry for Research, Science & Technology) for the purpose of connecting remote locations to the REANNZ Network. Grant monies relating to these connections have been recognised in the Statement of Comprehensive Income in line with the relating expenditure incurred. The remainder of the grant monies are being held as deferred income until the remaining locations have been connected.

REANNZ is provided with funding from the Ministry of Education for the purpose of maintaining a National Education Network trial. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to the funding shown above.

2. Other Income

	2012	2011
	\$000	\$000
Consulting and services	-	104
ITP Connection Fees	539	386
REANNZ Internet	113	-
Video Conferencing Service	353	296
Other	10	18
Total Other Income	1,015	804

3. Foreign Currency Gains (Losses)

	2012 \$000	2011 \$000
Realised foreign currency gains (losses)	(49)	(110)
Unrealised foreign currency gains (losses)	59	-
Total Foreign currency gains (losses)	10	(110)

4. Auditors Remuneration

	2012 \$000	2011 \$000
Audit of the financial statements	30	29
Total Remuneration to Auditors	30	29

5. Directors Fees

	2012 \$000	2011 \$000
Directors fees paid during the year were:		
J Raine (Chair)	38	38
G Benwell (Deputy Chair) *	24	19
M Riley	19	19
S Johnstone **	19	-
G Heald ***	5	19
D J Taylor (Deputy Chair) ****	-	24
G Hill ****	-	19
Total Directors Fees	105	138

There have been no payments made to committee members appointed to the Board who are not Directors during the year.

REANNZ has provided a deed of indemnity to directors for certain activities undertaken in performance of REANNZ's functions.

REANNZ has effected Directors and Officers liability and Professional Indemnity insurance cover during the financial year in respect of the liability of Board members and employees.

* appointed deputy Chair on 1 July 2011

*** retired 30 September 2011

** appointed 1 July 2011

**** retired 30 June 2011

6. Network Expenses

	2012 \$000	2011 \$000
National Network	4,478	4,596
International Network	2,527	3,195
Total Network Expenses	7,005	7,791

7. Professional Services

	2012 \$000	2011 \$000
Accountancy	15	94
Legal	56	234
Expert Advice	73	400
Total Professional Services Fees	144	728

8. Cash and Cash Equivalents

	2012 \$000	2011 \$000
Cash at bank and on hand	1,835	4,456
	1,835	4,456

9. Receivables and Debtors

	2012 \$000	2011 \$000
Trade Receivables	2,536	1,585
Sundry Debtors	16	-
	2,552	1,585

In line with member contracts, membership fees are due quarterly in advance. Of the amount of receivables and debtors above, \$2,361,000 including GST (2011: \$1,237,000 including GST) relate to membership fees for services to be provided by REANNZ during the coming financial year. These fees are shown as income received in advance until the service period begins, at which time the fees are recognised as revenue in the Statement of Comprehensive Income.

The ageing profile of receivables at year end is detailed below:

	2012 \$000	2011 \$000
Not past due	2,469	1,618
Past due 31 – 60 days	83	(41)
Past due 61 – 90 days	-	-
Past due > 90 days	-	8
	<u>2,552</u>	<u>1,585</u>

The carrying value of debtors and other receivables approximates their fair value. REANNZ expects to recover all outstanding receivables and debtors. REANNZ holds no collateral as security or other credit enhancements over receivables that are past due or impaired.

10. Investments

	2012 \$000	2011 \$000
Term Deposits (maturity within 12 months)	13,172	8,551
	<u>13,172</u>	<u>8,551</u>

All term deposits have maturities of less than 12 months. REANNZ holds four separate term deposits totalling \$13,172,000 that are due to mature in July, September and October 2012. No collateral is held on the above amounts. The carrying amounts of term deposits approximate their fair value. The weighted average interest on term deposits held during the year was 4.58% (2011: 4.43%).

11. Prepaid Network Expenses

Prepaid network expenses relate to core PoP connectivity and network service operation and management. These prepayments will be expensed to the Statement of Comprehensive Income on a straight-line basis over the contract term.

	note	2012 \$000	2011 \$000
Balance at beginning of year		12,914	6,673
Prepayment expensed during year	19	(4,942)	(4,830)
Payments made during the year	19	652	11,071
Net book value		8,624	12,914
Current/Non current split			
Current		4,864	4,942
Non current		3,760	7,972
		8,624	12,914

12. Property, plant and equipment

2012	Office Equipment \$000	ICT Equipment \$000	National PoP Equipment \$000	International PoP Equipment \$000	Leasehold Improvements \$000	Network Services \$000	2012 Total \$000
Gross carrying amount							
Balance at beginning of year	59	250	4,820	74	19	522	5,744
Additions / transfers	7	8	230	49	-	-	294
Sales / write offs	-	(16)	(951)	-	-	-	(967)
Balance at end of year	66	242	4,099	123	19	522	5,071
Accumulated depreciation							
Balance at beginning of year	32	159	1,786	12	2	244	2,235
Depreciation expense	9	54	763	15	3	172	1,016
Disposals charged to the Statement of Comprehensive Income	-	(11)	(532)	-	-	-	(543)
Balance at end of year	41	202	2,017	27	5	416	2,708
Net Book Value	25	40	2,082	96	14	106	2,363

2011	Office Equipment \$000	ICT Equipment \$000	National PoP Equipment \$000	International PoP Equipment \$000	Leasehold Improvements \$000	Network Services \$000	2011 Total \$000
Gross carrying amount							
Balance at beginning of year	44	272	2,615	-	29	501	3,461
Additions / transfers	24	45	2,205	74	19	21	2,388
Sales / write offs	(9)	(67)	-	-	(29)	-	(105)
Balance at end of year	59	250	4,820	74	19	522	5,744
Accumulated depreciation							
Balance at beginning of year	27	168	1,117	-	23	74	1,409
Depreciation expense	11	54	669	12	2	169	917
Disposals charged to the Statement of Comprehensive Income	(6)	(63)	-	-	(23)	-	(92)
Balance at end of year	32	159	1,786	12	2	244	2,234
Net Book Value	27	91	3,034	62	17	278	3,510

13. Intangible assets

	note	2012 Software \$000	2011 Software \$000
Gross carrying amount			
Balance at beginning of year		102	43
Additions/transfers		1	59
Sales/transfers		-	-
Balance at end of year		103	102
Accumulated amortisation			
Balance at beginning of year		46	20
Amortisation expense	19	30	26
Balance at end of year		76	46
Net book value		27	56

14. Accounts payable and accrued expenses

	2012 \$000	2011 \$000
Creditors	336	545
Accrued expenses	83	67
Other payables	-	-
Total accounts payable and accrued expenses	419	612

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair values.

15. Employee Entitlements

	2012 \$000	2011 \$000
Accrued Wages	71	35
PAYE due to Inland Revenue	-	20
Annual leave entitlements	80	78
Total employee entitlements	151	133

All employee entitlements are expected to be settled within 12 months of balance date.

16. Income in advance

	2012	2011
	\$000	\$000
Membership fees received in advance	642	1,122
Membership fees invoiced but not yet received	2,053	1,075
Total income in advance	2,695	2,197

In line with member contracts, membership fees are due quarterly in advance. Membership fees invoiced but not yet received of \$2,053,000 (excluding GST) relate to fees for services to be provided by REANNZ in the coming financial year (2011: \$1,075,000). These fees are shown as income received in advance until the service period begins, at which time the fees will be recognised as revenue in the Statement of Comprehensive Income.

17. Deferred Income

	2012	2011
	\$000	\$000
Current portion		
Ministry of Science and Innovation Hardship Fund	166	166
Ministry of Economic Development Cable Grant	2,492	-
ITP Connection Fees	538	539
Total current portion	3,196	705
Non current portion		
ITP Connection Fees	1,006	1,544
Total non current portion	1,006	1,544
Total deferred income	4,202	2,249

ITP Connection Fees are fees to connect seven Institutes of Technology and Polytechnics to the REANNZ network. Connection fees are recognised as income periodically over the 55-month term of the membership contracts, from the date they were connected to the network.

The Grant from the Ministry of Economic Development is for the purpose of establishing an anchor tenancy on a new international cable. At balance date, the terms and conditions of the grant had not been met. The monies are repayable to the Ministry should the new cable not eventuate (see note 24).

18. Public Equity

Capital Management

REANNZ's capital is its equity, which comprises accumulated funds and share capital. Equity is represented by net assets.

REANNZ is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

REANNZ manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure REANNZ effectively achieves its objectives and purpose, whilst remaining a going concern.

Share Capital

At 30 June 2012, share capital comprised 1,816 ordinary shares (2011: 1,816). All issued shares are fully paid and have no par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company, and rank equally with regard to the Company's residual assets.

19. Net cash flow from operating activities

	note	2012 \$000	2011 \$000
Net surplus/(deficit) after taxation for the year		(2,401)	(3,016)
Non cash items			
Amortisation	13	30	26
Depreciation	12	1,016	917
Disposal of assets		424	13
Realised prepaid network expenses	11	4,942	4,830
Accrued interest		(121)	(51)
Foreign exchange gains		-	1
		3,890	2,720
Movements in working capital			
Decrease (Increase) in accounts receivable		(967)	56
Decrease (Increase) in prepayments		99	(528)
Decrease (Increase) in inventory		-	2
Decrease (Increase) in property, plant and equipment included in accounts payable		(61)	134
Decrease (Increase) in prepaid network expenses	11	(652)	(11,071)
Increase (Decrease) in accounts payable and accrued expenses		(193)	(897)
Increase (Decrease) in income received in advance and deferred income		2,451	(116)
Increase (Decrease) in employee entitlements		18	(10)
Increase (Decrease) in GST payable		20	459
		715	(11,971)
Net cash inflow/(outflow) from operating activities		4,605	(9,251)

20. Capital Commitments and Operating Leases

i) Capital Commitments

There were no capital commitments at balance date.

ii) Operating Lease Commitments

Operating leases relate to the following activities:

- Office premises at Intergeren house, Lambton Quay; and
- Network PoP accommodation and associated support facilities.

The future minimum lease payments payable under non-cancellable operating leases are as follows:

	2012 \$000	2011 \$000
Less than one year	407	450
Between one and two years	391	391
Between two and five years	293	609
Later than five years	-	36
Total operating lease commitments	1,091	1,486

iii) Connectivity and Managed Service Commitments

Connectivity and managed service commitments relate to:

- Payments to suppliers for core national and international connectivity services
- Payments to suppliers for service management of the national network

	2012 \$000	2011 \$000
Less than one year	1,400	1,193
Between one and two years	410	871
Between two and five years	321	254
Later than five years	-	-
Total connectivity and managed service commitments	2,131	2,318

During the year, REANNZ entered into a contract with Pacific Fibre Limited providing REANNZ with an anchor tenancy on a new international cable. Upon execution of this contract, US\$2 million was deposited into an Escrow account, to be held until successful completion of the cable. A grant of NZ\$15 million is receivable from the Crown relating to this project (US\$2 million of this grant was drawn down during 2011/12, see note 17).

Should the cable build be successful, REANNZ is committed to payments over the 23 year term of the contract of US\$65 million.

The contract is contingent on Pacific Fibre meeting build and ready for service milestone dates, and includes termination rights for both parties executable in certain circumstances. In August 2012, after balance date, Pacific Fibre chose to exercise its right of termination in relation to this contract, ending all obligations for both parties relating to it (see note 26).

21. Contingencies

There were no contingent assets or liabilities at balance date for which disclosure is required (2011: nil).

22. Related Party Transactions

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

REANNZ is a wholly owned entity of the Crown.

Significant transactions with government related entities

During the year REANNZ was provided with \$2.4 million (2011: nil) in funding from the Ministry of Economic Development for the purpose of supporting a new international cable. There were no amounts outstanding at balance date, and the full amount of the grant is recognised as deferred income (see note 17).

REANNZ also received \$910,000 (2011: \$2.1 million) from the Ministry of Education for maintaining the National Education Network trial (see note 1).

At balance date \$189,000 including GST was receivable (2011: \$382,000 including GST).

Collectively, but not individually, significant transactions with government related entities

In conducting its activities, REANNZ 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 are based on the standard terms and conditions that apply to all tax and levy payers. REANNZ is exempt from paying income tax.

REANNZ membership base is largely made up of entities controlled, significantly influenced, or jointly controlled by the Crown. Membership Fee transactions from these government-related entities, for the year ended 30 June 2012, totalled \$9.4 million (2011: \$6.5 million). At balance date \$2.3 million including GST was receivable (2011: \$1.2 million including GST), and \$2.5 million relates to income in advance (2011: \$2.2 million). This membership base includes Universities, Crown Research Institutes, Schools, Polytechs and other Government Departments and Agencies.

REANNZ also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities, for the year ended 30 June 2012, totalled \$517,000 (2011: \$382,000). At balance date \$12,000 including GST was payable (2011: \$92,000 including GST). These purchases included, amongst other things, the purchase of air travel from Air New Zealand and audit services from Audit New Zealand.

Key Management Personnel

The following transactions were entered into during the year with key management personnel:

- REANNZ invoiced Auckland University of Technology for membership fees of \$412,000 (2011: \$368,000). At balance date \$156,000 including GST was receivable (2011: \$nil). John Raine, Chair of the Board of Directors, is also the Pro Vice Chancellor of Innovation and Enterprise and the Head of the School of Engineering at Auckland University of Technology.

- REANNZ invoiced Endace Limited for membership fees of \$100,000 (2011: \$7,000). At balance date \$23,000 including GST was receivable (2011: \$2,000 including GST). Mike Riley, Director, is also Chief Executive Officer and Director of Endace Limited.
- REANNZ invoiced Otago Polytech for membership fees of \$58,000. At balance date \$19,000 including GST was receivable. Susie Johnstone, Director, is also the Deputy Chair of the Otago Polytech Council. In 2011, Otago Polytech was not a related party as Susie Johnstone was not a REANNZ director.
- REANNZ invoiced University of Otago for membership fees of \$699,000 (2011: \$562,000). There were no amounts outstanding at balance date (2011: nil). George Benwell, Deputy Chair of the Board of Directors, is also the Pro Vice Chancellor of Commerce, and the Dean of the Business School at the University of Otago.

Key Management Personnel Compensation

The compensation of Directors, the Chief Executive and Senior Management, being the key management personnel of REANNZ, is set out below:

	2012	2011
	\$000	\$000
Short-term employee benefits	869	790
Post-employment benefits	5	-
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
Total Compensation	874	790

23. Employee Remuneration

Remuneration and other benefits of \$100,000 per annum or more paid or payable to employees in their capacity as employees were

	2012	2011
\$100,000 - \$109,999	2	-
\$110,000 - \$119,999	-	-
\$120,000 - \$129,999	1	1
\$130,000 - \$139,999	1	1
\$140,000 - \$149,999	2	1
\$150,000 - \$159,999	-	1
\$160,000 - \$169,999	1	-
\$170,000 - \$179,999	-	-
\$180,000 - \$189,999	-	1
\$190,000 - \$199,999	-	-
\$200,000 - \$209,999	2	-
\$210,000 - \$219,999	-	-
\$220,000 - \$229,999	-	-
\$230,000 - \$239,999	-	1

REANNZ had a part year vacancy for the Chief Executive position, and made two redundancy payments totalling \$52,256 during the 2011/12 financial year (2011: nil).

24. Events after balance date

During the year, REANNZ entered into a contract with Pacific Fibre Limited, providing REANNZ with an anchor tenancy on a new international cable (see note 20). In August 2012 Pacific Fibre Limited formally notified REANNZ that they would no longer be able to proceed with the cable build project, and exercised their right to terminate the contract. REANNZ no longer holds any contractual commitments relating to this contract.

REANNZ had received US\$2 million (the equivalent of NZ\$2.4 million on the date of receipt) in grant funding from the Crown, which was being held in an Escrow account pending the successful completion of the cable build. Upon termination of the contract, these funds were returned to REANNZ. REANNZ has since returned those funds to the Crown.

The Crown had set aside NZ\$15 million for the purpose of a new trans-Pacific and trans-Tasman cable. Future use of these funds by REANNZ is dependent on the Crown's acceptance of a business case that meets these criteria.

25. Financial Instruments

Financial instrument categories

	2012	2011
	\$000	\$000
Financial assets		
Cash and cash equivalents	1,835	4,456
Debtors and other receivables	2,552	1,585
Investments – term deposits	13,172	8,551
Funds held in Escrow	2,492	-
Total financial assets	20,051	14,592
Financial liabilities measured at amortised cost		
Accounts payable and accrued expenses	419	612
Total financial liabilities measured at amortised cost	419	612

Financial instrument risks

REANNZ's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. REANNZ has a series of policies to manage the risks associated with financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market Risk – Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. REANNZ's exposure to fair value interest rate risk is limited to bank deposits which are held at fixed rates of interest to maturity.

Market Risk – Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents held at variable interest rates expose REANNZ to cash flow interest rate risk. REANNZ's cash management policies require surplus

cash to be invested in term deposits with a spread of investment maturity dates to limit exposure to short term interest rate movements.

Sensitivity analysis – Cash flow interest rate risk

At 30 June 2012 it is estimated that a general decrease of one percentage point in interest rates would decrease interest received on bank balances for the year, and therefore REANNZ's profit, by approximately \$136,000 (2011: \$105,000). This movement is attributed to decreases in interest received on cash and term deposit investments. The variance is larger in 2012 than 2011 as REANNZ held higher cash and investment balances during the year.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

REANNZ purchases goods and services in foreign currencies. REANNZ also holds balances of USD. As a result of these activities, foreign currency risk arises.

REANNZ's policy is to manage foreign currency risks arising from contractual commitments and liabilities by entering into foreign exchange forward contracts to manage foreign currency risk exposure, where that exposure exceeds pre defined monetary thresholds. At balance date REANNZ held no foreign exchange forward contracts (2011: nil).

Sensitivity analysis – currency risk

At 30 June 2012, if the NZ dollar had weakened/strengthened by 5% against the US dollar with all other variables held constant, the surplus for the year would have been \$143,284 (2011: nil) lower or higher.

This movement is attributable to foreign exchange gains/losses on translation of US dollar denominated creditors and bank balances.

Credit risk

Credit risk is the risk that a third party will default on its obligation to REANNZ, causing REANNZ to incur a loss. Due to the timing of its cash inflows and outflows, REANNZ invests surplus cash with registered banks.

In the normal course of business, REANNZ is exposed to credit risk from cash and term deposits with banks, debtors and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position.

REANNZ invests funds with registered banks that have a Standards and Poor's credit rating of at least A+ for short term and AA- for long term investments. REANNZ has experienced no defaults of interest or principal payments for term deposits.

REANNZ holds no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Liquidity risk

Liquidity risk is the risk that REANNZ will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity management implies maintaining sufficient cash and the ability to close out market positions. REANNZ manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

At balance date, REANNZ held financial liabilities relating to accounts payable and accrued expenses of \$419,000 (2011: \$612,000). All are payable within two months of balance date. REANNZ held no derivative financial liabilities at balance date (2011: nil).

26. Explanation of major variances against budget

Statement of Comprehensive Income

Grant Income

Grant revenue was \$2.8 million under budget for the year. This variance was substantially due to the \$2.4 million grant received from the Ministry of Economic Development for a new international cable that was recognised for accounting purposes as deferred income (see note 17) rather than grant revenue. The remaining variance is due to overstated budget for income associated with the National Education Network Trial.

Expenses

Depreciation and amortisation was \$892,000 under budget for the year as disposal of assets were classified as other operating expenditure, rather than depreciation and amortisation as budgeted.

REANNZ also extended the life of some network assets, by redeploying equipment where possible. Of the \$1 million budgeted for disposals, REANNZ recognised only \$424,000. The redeployed equipment is still being depreciated.

Professional services expenses were \$302,000 lower than budgeted for the year due to less procurement activity than expected.

Statement of Financial Position

Current Assets

Cash balances were \$6.3 million lower than budgeted. \$2.4 million of this variance relates to the classification of funds held in Escrow as a current asset, rather than a cash equivalent as budgeted. Investments were \$4.8 million higher than budgeted, due to cash balances which, in accordance with REANNZ's treasury policies, have been placed on term deposit to achieve better interest rates.

Overall, total cash (cash, investments and escrow amounts) are above budget due to prudent expenditure during the year resulting in a permanent positive cash variance.

Non Current Assets

Property, plant & equipment at 30 June 2012 is \$535,000 higher than expected due to the extended life of some network equipment.

Current Liabilities

Deferred income includes the \$2.4 million Crown grant for an anchor tenancy on a new international cable. This was budgeted for as grant revenue, but as the conditions of the grant were not satisfied at balance date it has been re-classified as deferred income.

Statement of Cash Flows

Other government department funding received during the year was below budget by \$589,000. This largely relates to National Education Network Trial income budget amounts, as explained above. This has created negative variances for the year on both the Statement of Comprehensive Income and the Statement of Cash Flows.

During the year, \$2 million more than budgeted was transferred to term deposit investments in order to achieve the best interest rates possible.

Governance Statement

Organisational Form

REANNZ is a Company under the Companies Act 1993, and is listed under schedule four of the Public Finance Act 1989. Its shareholders are the Minister of Finance, and the Minister of Science and Innovation. At balance date, each shareholder held 908 shares on behalf of the New Zealand public.

REANNZ is not a Crown Entity listed under the Crown Entities Act. However, it is the intent of shareholders that REANNZ act in a manner consistent with the Crown Entities Act. REANNZ is subject to the Official Information Act.

Role of the Board

REANNZ's Shareholding Ministers appoint a governing board of directors. The company's constitution sets the size of the Board at a minimum of two and a maximum of nine directors. There were four directors appointed for the year to 30 June 2012.

The Board is responsible under the company's constitution to manage, direct and supervise the company's business affairs. In practice, day to day management of the company is delegated to the Chief Executive.

The Board establishes the company's strategic and business plans, approves annual budgets and monitors management's performance against established goals. The Board also considers and approves new policies and business initiatives, authorises transactions outside prescribed delegated authorities of management and appoints the Chief Executive. Procedures are in place at Board, corporate and operational levels to safeguard the company's assets and its wider commercial interests. A well-established regime of regular reporting is designed to maintain a high standard of internal communication and to ensure the Board remains appropriately informed of all aspects of the company's business and activities. Board fees are set by the Shareholding Ministers each year.

Risk Management

The Board is also responsible for ensuring that the Company has effective policies in place to manage its risks. The Board decides the level and nature of the risks that are acceptable to the Company. The Chief Executive is delegated responsibility for

managing normal business risks. As part of managing its broader risk profile, the Board maintains and regularly reviews a risk register, and approves and reviews all company policies.

Legislative Compliance

The Board acknowledges its responsibility to ensure the organisation complies with all legislation. The Board has delegated responsibility to the Chief Executive for the development and operation of a programme to systematically identify compliance issues and ensure staff are aware of relevant legislative requirements.

Board Meetings

The Board of Directors meets monthly, and these meetings are supplemented with additional meetings as required for strategic planning purposes and to progress specific decisions. The Board met on 10 scheduled occasions during year and convened for four special meetings (two Audit Committee Meetings and two special meetings).

Board Committees

The Board has formally constituted an Audit Committee to focus on audit and risk management issues. Three members of the Board are on this committee, and the committee met twice during the year. The Board also has an HR Committee to advise on remuneration, performance and other employment related issues. Three Board members served on this committee and it met frequently during the year to advise on the Chief Executive's appointment.

Board Changes

Following the retirement of Jane Taylor and Graham Hill on 30 June 2011, shareholding ministers appointed George Benwell as Deputy Chair, and Susie Johnstone to the REANNZ Board, effective 1 July 2011.

On 30 September 2011 Gillian Heald retired.

Interest Procedures

The REANNZ Board has a documented conflict of interest policy that sets out procedures for identifying and addressing potential conflict of interests. This policy applies to the directors and staff of REANNZ.

The key determination when considering whether an interest might create a conflict is whether the interest creates an incentive for the director or staff member to act in a way that may not be in the interests of REANNZ.

In deciding whether a conflict is present in any given situation it is appropriate that the determination be whether a reasonably informed objective observer would infer from the circumstances that the board or staff member's judgement is likely to be influenced to the detriment of REANNZ's best interest.

An 'interests register' is maintained of director's interests and updated regularly.

Auditor

Audit New Zealand, acting on behalf of the Controller and Auditor-General, is the auditor of REANNZ in accordance with section 32 of the Public Audit Act 2001.

Registered Office

Research and Education Advanced Network New Zealand Limited
Level 5, Intergen House
126 Lambton Quay
Wellington 6011

REANNZ Board

Professor John Raine, Chairman (to 2015)

John is currently Pro Vice-Chancellor (Innovation and Enterprise) and Head of School of Engineering at the Auckland University of Technology. John was formerly Deputy Vice-Chancellor and Regional Chief Executive for the Albany campus of Massey University, and Pro Vice-Chancellor (Enterprise and International) at the University of Canterbury. He has an academic and industrial background in mechanical engineering, and in research commercialisation and business development. He co-founded the Canterbury Innovation Incubator Ltd, and the HITLabNZ at the University of Canterbury.

John is a board member of the Committee for Auckland Ltd and AUT Enterprises Ltd. He chaired the Tertiary Education Commission PBRF Engineering, Technology and Architecture Panel for the 2006 Research Quality Assessment and is Principle Moderator for the 2012 Quality Assessment. Prof Raine also chaired the 2011 Ministry of Science and Innovation Powering Innovation Review.

Professor George Benwell, Deputy Chair (to 2014)

Professor Benwell is Pro-Vice-Chancellor (Commerce) and Dean of the Business School at the University of Otago. After working as a surveyor, consultant and University of Melbourne academic, Professor Benwell joined Otago's Information Science Department in 1990. He led the Department from 2001-2006 and served as the School's Dean of Research. Between 1996 and 1999, he was the University's Academic Director of Research. In 2007, Professor Benwell was appointed Pro-Vice-Chancellor and Dean of the University of Otago Business School. He is director of Otago Angels Limited, Trustee of Taieri Community Trust, the Middlemarch Cottage Restoration Trust and the Upstart Incubation Trust.

Susie Johnstone (to 2014)

Susie is the Managing Partner of Shand Thomson Chartered Accountants, based in Balclutha. Susie is currently Deputy Chair of the Otago Polytechnic Council and has also served on the boards of Southland, Otago and Southern District Health Boards, Tourism New Zealand, the New Zealand Blood Service and the New Zealand Hockey Federation.

The New Zealand Institute of Chartered Accountants has recognised Susie for her expertise and contribution to the community. In 1996 she was selected as the New Zealand Young Chartered Accountant of the Year and in 2001 was awarded Fellowship status with the Institute. She is also a member of the Institute's Governance Committee.

Mike Riley (resigned August 2012)

Mike Riley is the Chief Executive of Endace, a world leader in network traffic monitoring technology. Mike has over 20 years experience in the networking and security marketplace. Mike previously served as Vice President of Marketing and Strategy at Network Engines, Inc. a leading manufacturer of server appliances for the security and storage networking market place.

Prior to this, Mike was the Chief Marketing Officer and Sonexis Inc, Senior Vice President Worldwide Sales and Marketing at Artel Video Systems Inc, and General Manager of Europe, Middle East and Africa for Premisys Communications.

Jim Donovan (to 2015)

Jim is a professional director with wide experience in the public and private sectors, as well as industry bodies. His other current directorships include Isambard, Click Suite, the Institute of Directors, and the Tertiary Education Commission (where he has served for 10 years). Past public and industry boards have included the Manufacturers Federation (now part of Business NZ), the Electricity Supply Association, and various economic development agencies. Jim was the CEO of several substantial technology-based companies, including Electra (electricity distribution), Fronde (IT services) and Deltec (a leading telecommunications equipment manufacturer). He has also advised major corporations in New Zealand, Australia and SE Asia on business strategy and performance improvement. He holds a B.Tech (Hons) in Computer Science from Brunel University, London, UK.

Matters relating to the electronic presentation of the audited financial statements and statement of service performance

This audit report relates to the financial statements and statement of service performance of Research and Education Advanced Network New Zealand Limited (REANNZ) for the year ended 30 June 2012 included on REANNZ's website. REANNZ's Board is responsible for the maintenance and integrity of REANNZ's website. We have not been engaged to report on the integrity of REANNZ's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance as well as the related audit report dated 25 October 2012 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.