

Statement of
Performance
Expectations
2022/23

REANNZ

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Presented to the House of Representatives under Sections 150–157 of the *Crown Entities Act 2004*.

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FOREWORD FROM THE BOARD /

On behalf of the Board we are pleased to provide REANNZ's Statement of Performance Expectations 2022/23. The priorities and initiatives outlined in this document support REANNZ's ambitions described in the Statement of Intent 2023–2026.

To meet the strategic direction and changing needs of the research, science, innovation and education sectors a new Statement of Intent document for 2023–2026 has been developed. REANNZ's ambitions described in this new document outline a future for the sector that is adaptable, resilient and most importantly, globally connected.

REANNZ is a critical part of New Zealand's eResearch infrastructure, operating a specialist high-performance digital network that is engineered to meet the unique demands of scientists, researchers, innovators and educators.

As Aotearoa's NREN, REANNZ has the responsibility to deliver Global NREN services to the research and education community we serve. This means it is our priority to do the following:

1. Deliver a high speed data network to support data intensive research
2. Deliver global NREN services that foster collaboration nationally, and link our researchers and educators to the global community.

Our long term strategic and annual business priorities focus on the organisation's ability to do more for the sector we serve and embed REANNZ as an integral connector of the system.

The organisation will prioritise the Government's commitment to an inclusive, sustainable and productive Aotearoa New Zealand and the role that a modern, future-focused research system has in driving and supporting this. We also acknowledge the role that the education sector has as the foundation to research, science and innovations in our institutions and communities. Enabling a thriving and connected education sector will help to drive the talent pipeline across the sector.

We will embed Te Tiriti and build our capability to meet our Te Tiriti obligations. We will work closely with our community to determine our role in supporting Mātauranga Māori and increasing access to the system for tāngata whenua.

REANNZ's focus is to ensure that our commitment to members and stakeholders is demonstrated through a sustainable business approach, well managed costs and the development of new approaches to infrastructure and investment to support a future fit network. Continuing to deliver on the National Network Strategic Review initiatives will ensure that the future network is sustainable, fit for purpose and designed with the needs of researchers at its core.

REANNZ will consistently look for new approaches to fully support the community and bring in the value, infrastructure and expertise of the global NREN community to Aotearoa New Zealand. We will do this by focusing on increasing our participation and contribution to the global community, leveraging our whole of sector view to build capability across the sector, reaching beyond the boundaries of our core network, and continuing to build our membership and delivery models to support this.

We look forward to another successful year as REANNZ builds on its strong foundations and further increases global participation to enable, connect and serve Aotearoa New Zealand's research, science, innovation and education sectors.

Janine Smith MNZM
Chair

30 June 2022

Ross Peat
Deputy Chair

ABOUT REANNZ /

REANNZ, the Research and Education Advanced Network New Zealand, is New Zealand's National Research and Education Network (NREN).

REANNZ is a not-for-profit Crown-owned company under Schedule 4A of the Public Finance Act 1989. Shareholding Ministers are the Minister of Finance and the Minister of Research, Science and Innovation.

An independent Board of Directors appointed by the Ministers provides governance. REANNZ is funded through MBIE's Strategic Science Investment Fund (SSIF) and by member organisations.

REANNZ operates and supports a specialist high-performance digital network that is engineered to meet the unique performance demands of scientists, researchers, innovators and educators.

REANNZ connects members to research, researchers and science infrastructure across the world. We are:



Specialist network operators

We manage an Advanced Network providing seamless, real-time transfer of critical research data. We are part of an international federation of network operators dedicated to the research and education sector.



Global connectors

As a partner in the global research and education network, we connect NZ to the global research community, providing access and identity services so members can connect and collaborate wherever they are.



Technical experts for the research and education sector

We provide products and advice to our members to optimise their use of the global research and education network.

NRENS ARE /

A National Research and Education Network (NREN) is a provider of networking infrastructure and above the network services that are dedicated to supporting the research and education sectors within their nation. These national level networks connect to each other internationally (across local networks and subsea cable systems) as a part of the global research and education community.

To achieve this, NRENS operate differently – they inherently focus on collaboration. This focus allows New Zealand researchers to connect to the world, and ensures distance is not a barrier to New Zealand researchers having an impact on a global scale.

CONNECTING RESEARCHERS. EVERYWHERE.

As New Zealand's National Research and Education Network (NREN), we connect the sector to science and education infrastructure, research, researchers and educators across the globe. Global NRENS connect to each other, forming regional partnerships and international communities that promote collaboration.

GLOBAL RESEARCH AND EDUCATION COMMUNITY /



**REANNZ
INTERNATIONAL NETWORK**

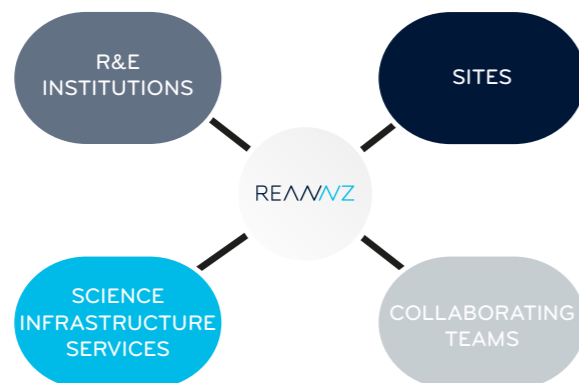
REANNZ

NB lines are indicative only, they do not show precise routes and includes committed services.

Over the next five years, we will drive more benefit for the sector we serve by increasing our global participation; working with our members to optimize their access to the global research, science and innovation system, enhancing what they do through increased uptake and access to our services.

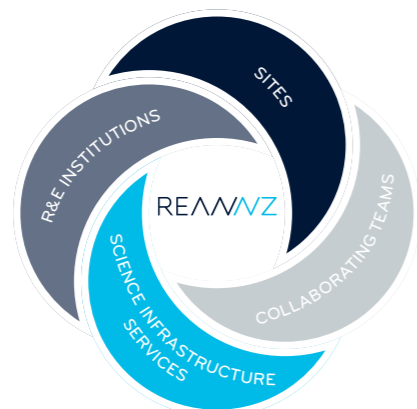
REANNZ is a membership organisation, our members include New Zealand's Universities, Crown Research Institutes, Polytechnics, Institutes of Technology, Wānanga and other research and education organisations. REANNZ acts as the backbone to the sector, currently connecting member institutions at key locations (Points of Presence) throughout New Zealand.

REANNZ has traditionally taken a linear approach to connectivity focusing on connecting from the centre and reaching out to member's main sites.



Going forward this is no longer enough. Today our members need connectivity across the entire research and education system as cross sector collaborations and multi-institutional partnerships have become the norm.

The future calls for more flexibility as our members move out of traditional research institutions in to the field and bring regional expertise into the centre. At a structural level this means the ability to connect across different sites, no matter the location or size. At a services level this means the provision of services designed to foster collaboration and interoperability - positioning REANNZ as an interwoven support structure for the system.



Our key initiatives and performance measures are designed to achieve REANNZ's vision of a globally connected and thriving research and education sector. We will deliver this by connecting researchers and educators with an advanced global network and services so they can change the world.

To do this they need connectivity and tools to enable cross-sector collaboration - all this must be delivered in a way that recognises the high priority given to participation in global research communities, even when addressing mainly local problems or opportunities.

VISION /

A GLOBALLY CONNECTED AND THRIVING RESEARCH AND EDUCATION SECTOR.

MISSION /

CONNECTING RESEARCHERS AND EDUCATORS SO THEY CAN CHANGE THE WORLD.

OUR PEOPLE /

REANNZ is a people-centric organisation. We are a team of highly skilled technical experts who have joined REANNZ to create impact for the sector and Aotearoa New Zealand.

At REANNZ we connect researchers and educators so they can change the world.

We are always open to new things and are curious to create solutions our community will embrace. This journey starts with us. No matter our role in REANNZ, we act as one. Together, we create a place where everyone can collaborate and make a difference.

Our core competencies support us to achieve our aspirations, for our organisation, our members and the sector:

Lead by example - accountable for our actions.

Act as one team - working as one team in partnership with our members and stakeholders.

Open to all - creating a diverse workplace where everyone feels welcome.

Be purposeful - creating impact by doing what we say we will.

Be curious - seek new and exciting ways to deliver for our community.

Aspire to excellence - we aim to be excellent in all that we do.

WE ARE /



Specialist network operators

We manage an Advanced Network providing seamless, real-time transfer of critical research data. We are part of an international federation of network operators dedicated to the research and education sector.



Global connectors

As a partner in the global research and education network, we connect NZ to the global research community, providing access and identity services so members can connect and collaborate wherever they are.



Technical experts for the research and education sector

We provide products and advice to our members to optimise their use of the global research and education network.

WE FOCUS ON /



Supporting Mātauranga Māori

Supporting the aspirations of the Māori research and education community will become an integral part of REANNZ's strategy.



Building our global connections

Increasing REANNZ's connection to the global NREN federation for the benefit of NZ. Increasing access to global thinking and expertise.



Making it easy

We use our whole-of-sector view to identify common challenges and opportunities; and use our technical skills to upskill and build capability across the sector.



Connecting Aotearoa

Ensuring that researchers and educators have access to the infrastructure and connectivity they need to advance their work – wherever they are.

OUR STRATEGIC INTENT /

REANNZ is the backbone of the New Zealand research and education sector.

As New Zealand's National Research and Education Network (NREN), we connect the sector to science and education infrastructure, research, researchers and educators across the globe.

The world today is facing global challenges of a scale that need the best global minds to collaborate in virtual teams and find the solutions society needs. We collaborate with NRENs around the globe to ensure that distance is not a barrier to global impact. We support the sector with a specialist network and the products, tools and services they need to collaborate and deliver excellent research.

We do a lot, but we have the potential to deliver a different future. Over the next five years, we will drive more benefit for the sectors we serve by increasing REANNZ's global participation; working with our members to optimise what they can achieve; and increasing access to our services to meet the changing needs of the research and education sector.



CONNECTING RESEARCHERS. EVERYWHERE /



VISION /

A globally connected and thriving research and education sector.



MISSION /

Connecting researchers and educators so they can change the world.

REANNZ

SUPPORTING MĀTAURANGA MĀORI /

Supporting the aspirations of the Māori research and education community will become an integral part of REANNZ's strategy.

We have a role to play in ensuring that tāngata whenua have equitable access to the connectivity and infrastructure they need to support Māori research and education.

We will work in partnership with iwi, with Māori researchers and with the wider research and education community to understand their needs and determine how

we can support their aspirations. We will focus initially on building our awareness and capability to support Mātauranga Māori; and developing partnerships so we can integrate Mātauranga Māori into all aspects of our strategy. These partnerships will recognise Māori Rangatiratanga over data, and the Kotahitanga that can be derived from data.

BUILDING OUR GLOBAL CONNECTIONS /

- > Increasing REANNZ's connection to the global NREN federation for the benefit of NZ
- > Increasing access to global thinking and expertise

There is huge potential for REANNZ to increase global collaboration through the NREN federation for the benefit of NZ. Engaging with global thinking and capability will support NZ researchers and educators to further develop their expertise and increase their national and global impact.

This will ensure that the knowledge and value of the global network can be used for the benefit of Aotearoa.

From:	To:
Participant	>> Influential contributor
Broad participation	>> Focused contribution in key areas of expertise
Access to global expertise	>> Bringing global expertise for the benefit of Aotearoa

MAKING IT EASY /

We use our whole-of-sector view to identify common challenges and opportunities; and use our technical skills to upskill and build capability across the sector.

REANNZ is already respected for its deep technical expertise – and the way it applies that expertise to support members. We provide seamless, real-time transfer of critical research data and the tools that facilitate secure access and management of key resources, but we can do more. We will work in partnership with members to define and develop a seamless and consistent user experience, focused on improving interoperability and consistency. This sector-wide approach will support the sector's aspirations, take the complexity out of collaboration and free up our members to deliver more.

From:	To:
Trusted technical experts	>> Trusted sector connector & tech centre of excellence
Varied understanding of the value REANNZ provides	>> Being a REANNZ member is valued, members validate and support what we're doing
Reliable service provider	>> High trust partner
Informing our members	>> Deeply understanding members needs and how to support them
Tactical relationships	>> Strategic relationships
Limited co-development	>> Co-development the norm

CONNECTING AOTEAROA /

Ensuring researchers and educators have access to the infrastructure and connectivity they need to advance their work – wherever they are.

REANNZ has a role to play, along with others in the sector, to ensure researchers and educators have access to the infrastructure and connectivity they need to advance their work and deliver outcomes of national and international importance. We will continue to extend the reach of our services, partnering with others (such as satellite and 4G providers) to reach beyond the boundaries of our core network to wherever researchers are – be that in a large city, regional hub or out in the field.

From:	To:
Connecting institutions	>> Connecting research initiatives and communities
Traditional network boundaries	>> Exploring new ways to provide connectivity
Network provider	>> Facilitator/broker (as technology evolves)
Identity services as an add on	>> Identity services integral
Limited membership pool	>> Membership open to all research and education providers who align to REANNZ strategy

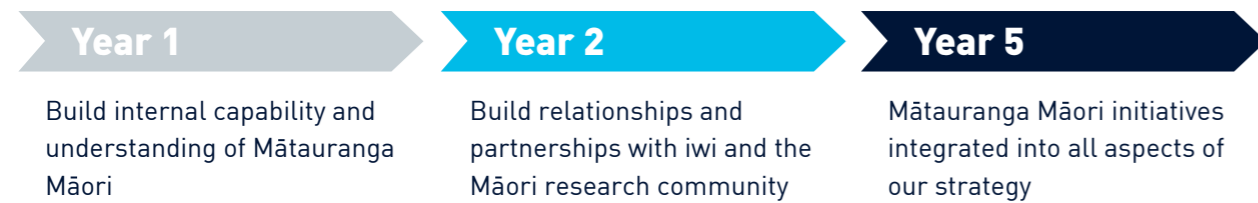
PEOPLE AND CULTURE /

- > Building a culture of continuous improvement.
- > Building a culture that is aligned to our strategy and to serving the sector.
- > Strengthening our organisational foundations through training, process and system improvement.

PRIORITIES AND MAJOR INITIATIVES 2022/23 /

Supporting Mātauranga Māori

Supporting the aspirations of the Māori research and education community will become an integral part of REANNZ's strategy.



FY2022/23 Initiatives:

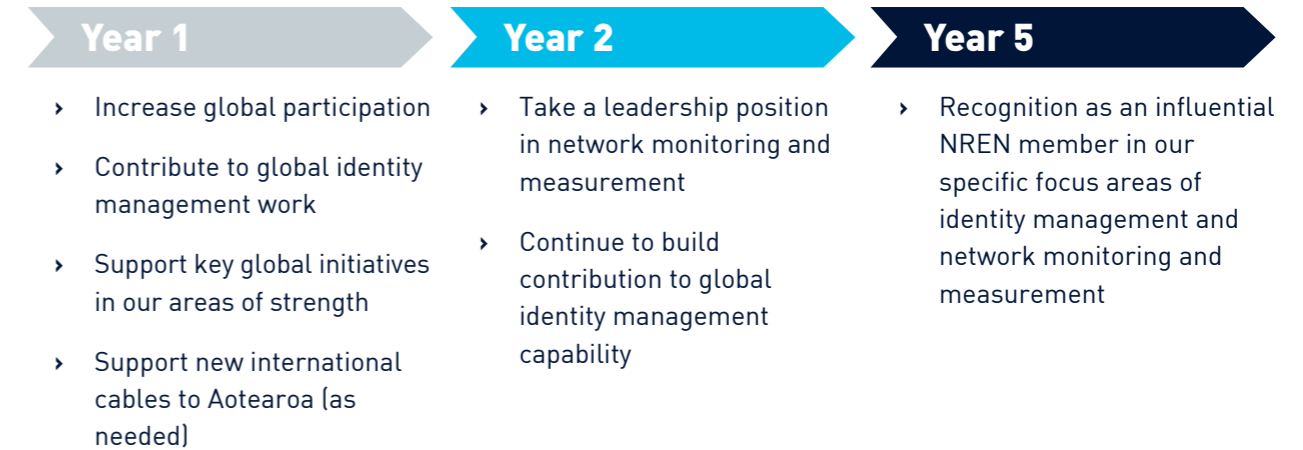
- › Staff training – including “The Wall Walk” and Te Tiriti training
- › Identify key iwi and Māori research community stakeholders as part of engagement strategy

Performance measures

Performance Measure	Actual 2020/21	Expected 2021/22	Target 2022/23	Why the measure is important
Impact measure:				
Cultural Capability Programme with learning tools and resources to help REANNZ staff strengthen their cultural capability	N/A	N/A	Multi-year programme developed by 30 August 2022.	REANNZ staff - understand te ao Māori and REANNZ role in supporting Mātauranga Māori and inform decision making.
Output measures:				
Training our people	N/A	N/A	95% of staff and Board attending Te Ao Māori competency training	Increasing staff capability and understanding of Mātauranga Māori
Iwi and Māori research community engagement	N/A	N/A	3 iwi and Māori research community stakeholders actively engaged with REANNZ engagement	REANNZ will build relationships and partnerships with iwi and the Māori research community to further understand their research needs

Building our global connections

Increase participation and contribution to the global community and NREN led initiatives for the benefit of Aotearoa.



FY2022/23 Initiatives:

- › Contribute to global identity management work
- › Champion MANRS (Mutually Agreed Norms for Routing Security) in APAC region
- › Attend CEO Forum(s) and key conferences
- › Maintain involvement in international cable discussions

Performance measures:

Performance Measure	Actual 2020/21	Expected 2021/22	Target 2022/23	Why the measure is important
Impact measure:				
Contribute to the global NREN community by leading the global discussion in areas of our expertise.	N/A	N/A	6 technical presentations at both regional and international conferences	Contributing to the global NREN community by being technical experts in MANRS compliance.
Output measures:				
Attend key conferences	N/A	N/A	Attend 3 regional and 3 international key conferences	Increasing REANNZ global participation

Connecting Aotearoa

Ensuring researchers and educators have access to the infrastructure and connectivity they need to advance their work wherever they are – be reaching beyond the boundaries of our core network. Build our membership and work with stakeholders to ensure our delivery models support this.



FY2022/23 Initiatives:

- › **NNSR delivered by 30 March 2023**
- › **Partner with other suppliers to launch 4G, satellite and Rural Broadband Initiative (RBI) options**
- › **Increase eduroam and Tuakiri footprint to support digital equity initiatives**

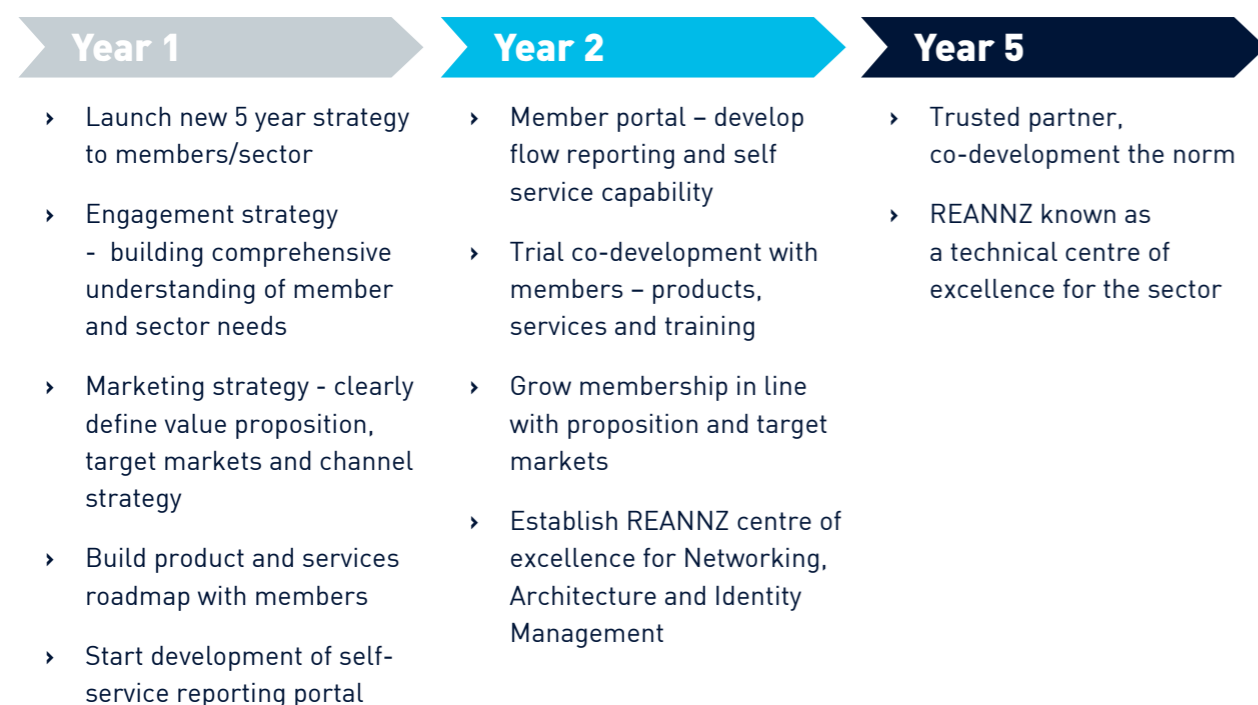
Performance measures:

Performance Measure	Actual 2020/21	Expected 2021/22	Target 2022/23	Why the measure is important
Impact measure:				
Better connected members	N/A	N/A	Number of Optional Service Agreements signed	Increased uptake of REANNZ services will enable members to connect and collaborate with the national and international community, build capability and solve data transfer challenges.
Output measures:				
National Network Strategic Review connectivity	N/A	N/A	National Network connectivity completed by 1 April 2023	This programme will ensure that REANNZ and the network remain well equipped to support the next generation of research, innovation and education activity.

Performance Measure	Actual 2020/21	Expected 2021/22	Target 2022/23	Why the measure is important
Packet delay variation	<0.01%	<0.01%	Less than 0.01% of hourly measurements across the core network have over 20ms of packet delay variation	Packet delay variation, often known as 'jitter', is particularly an issue for real-time services such as voice or video where a human user is involved. High packet delay variation can lead to these services being unusable.
Packet Loss	0.00001931%	0.00005%	Less than 0.0001%	Packet delivery is a key element of network quality and one of the defining features of research and education networks. A major differentiator of research and education networks is the aim to eliminate packet loss as it is catastrophic for large data transfers typical of our user groups.
Solutions launched to enable researchers to connect wherever they are	N/A	N/A	4G, satellite and RBI products launched by 30 June 2023	REANNZ is listening to our members demands and building solutions to accommodate. In response to demand we will develop a suite of regional connectivity solutions (4G, satellite and RBI) to give our members better access to the REANNZ network.
Advanced network Bandwidth available				National research and education networks are engineered to have sufficient headroom capacity to support the bursts of data intensive traffic commonly found in data intensive research fields.
- national backbone capacity	100 Gbps	100 Gbps	100 Gbps	
- international network capacity	60 Gbps	60 Gbps	60 Gbps	

Making it easy

Leveraging our whole of sector view to upskill and build capability across the sector. Be a technical centre of excellence – specialising in networking, architecture and identity management.



FY2022/23 Initiatives:

- Consult with members and the sector on new strategy
- Develop REANNZ engagement and marketing strategy
- Build product and services roadmap with members
- Trial two co-development solutions with members, based on engagement and marketing plan

Performance measures:

Performance Measure	Actual 2020/21	Expected 2021/22	Target 2022/23	Why the measure is important
Impact measure:				
Member satisfaction and engagement	N/A	N/A	Greater than 80%	The proportion of members consider that the REANNZ network enables data intensive research.
Member satisfaction and engagement	N/A	N/A	Greater than 80%	The proportion of members consider that the REANNZ network is valuable or essential to their organisation.

Performance Measure	Actual 2020/21	Expected 2021/22	Target 2022/23	Why the measure is important
Output measures:				
Develop the Tuakiri service to deliver interoperability for the research and education sector.	N/A	N/A	Tuakiri product roadmap developed by 30 September 2022.	REANNZ sets the standard for federated access to the research and education sector. A common approach to federated identity management is a key driver in cross-sector interoperability.
Digital equity proposition developed and launched	N/A	N/A	Digital equity proposition developed and launched by December 2022	Working in partnership with education institutions such as Ministry of Education, Te Pukenga and Universities we will help address digital equity and in so doing, develop the future talent pipeline for the sector.
Member endorsed product and solutions roadmap	N/A	N/A	Member endorsed product and solutions roadmap signed off by December 2022	A member informed product roadmap ensures REANNZ future investment decisions are made with member needs at the core.
Issues resolution timeliness The proportion of members that consider any issues are resolved in a timely manner	80%	80%	Greater than 80%	Addressing any issues, queries or requests from our members in a timely manner, supports and promotes research and science
Network availability	N/A	N/A	Network available at least 99.95% of the time	Members can connect whenever and wherever they are.

People and culture

Building a culture that is aligned to our strategy and to serving the sector. Building a culture of continuous improvement. Strengthening our organisational foundations through training, process and system improvement.

Year 1	Year 2	Year 5
<ul style="list-style-type: none"> Identify the culture needed to deliver the strategy Identify desired behaviours and implement programme to drive the change Leadership training Competency refresh Improve governance and management of key initiatives 	<ul style="list-style-type: none"> Strong collective sense of purpose – and clear accountabilities SLT setting clear direction and priorities Not walking past difficult conversations 	<ul style="list-style-type: none"> Innovation and member-focused culture Diversity and contribution from staff at all levels encouraged Track record of purposeful delivery

FY2022/23 Initiatives:

- Leadership training
- Identify leadership behaviours needed to improve the REANNZ culture and work environment
- Competency refresh

Performance measures:

Performance Measure	Actual 2020/21	Expected 2021/22	Target 2022/23	Why the measure is important
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Impact measure:

Staff engagement survey	N/A	New survey providing benchmark for future years. Survey will be performed Q4	Greater than 60%	A revised staff satisfaction survey will be developed during 2021/22 to provide insights on how well REANNZ is fulfilling the needs of staff. The first revised survey will be undertaken in the last quarter of 2021/22 and will establish the benchmark against which improvement actions can be measured.
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Output measures:

Leadership training SLT to attend leadership training that is aligned to REANNZ values and leadership competencies.	N/A	N/A	100%	To lead by example we need to ensure that we have a highly capable and trained leadership team.
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PROSPECTIVE FINANCIAL STATEMENTS /

Research and Education Advanced Network New Zealand Limited

Prospective Statement of Comprehensive Revenue and Expense for the Year ending 30 June

Forecast 2022 \$ 000		Budget 2023 \$ 000
	Revenue	
	Strategic Science Investment Fund	
4,000	Operational funding	6,250
500	Capital for infrastructure for NNSR	4,100
6,205	Network revenue	6,936
4,481	Other revenue	3,003
246	Interest revenue	298
15,432	Total Revenue	20,587
	Network Expenses	
1,524	Depreciation and amortisation	1,232
1,870	Employment expenses	3,087
8,265	Network operating expenses	9,238
391	National Network Strategic Review (NNSR)	225
12,050	Total Network Expenses	13,782
3,382	Gross Surplus / (Loss)	6,805
	Less:	
	Other Expenses	
111	Depreciation and amortisation	75
2,085	Employment expenses	2,227
1,612	Other operating expenses	2,359
3,808	Total Operating Expenses	4,661
(426)	Surplus / (Deficit) excluding gains / (losses)	2,144
142	Foreign currency gains / (losses)	-
(284)	Surplus / (Deficit)	2,144
-	Other comprehensive revenue	-
(284)	Total Comprehensive Revenue and Expense	2,144
(109)	Less: SSIF Capital for Infrastructure	(3,875)
(393)	Total excluding one-off capital funding	(1,731)

Research and Education Advanced Network New Zealand Limited

**Prospective Statement of Financial Position
As at 30 June**

Forecast 2022 \$ 000		Budget 2023 \$ 000
ASSETS		
Current Assets		
2,815	Cash and cash equivalents	1,675
3,020	Receivables and debtors	3,030
21,250	Investments	22,750
218	Derivative financial instruments	21
258	Prepayments	280
1,997	Prepaid network expenses	2,012
29,558	Total Current Assets	29,768
Non-Current Assets		
5,661	Property, plant and equipment	8,444
35	Derivative financial instruments	13
15,691	Prepaid network expenses	14,896
21,387	Total Non-Current Assets	23,353
50,945	Total Assets	53,121
LIABILITIES		
Current Liabilities		
431	Accounts payable and accrued expenses	445
167	GST payable	249
190	Employee entitlements	190
1,756	Revenue in advance	1,780
78	Derivative financial instruments	15
10	Deferred lease incentive	10
2,632	Total Current Liabilities	2,689
Non-Current Liabilities		
15	Revenue in advance	-
34	Deferred lease incentive	24
49	Total Non-Current Liabilities	24
2,681	Total Liabilities	2,713
48,264	Net Assets	50,408
EQUITY		
16,001	Contributed capital	16,001
32,263	Accumulated surplus / (deficit)	34,407
48,264	Total Equity	50,408

Research and Education Advanced Network New Zealand Limited

**Prospective Statement of Cash Flows
for the Year ending 30 June**

Forecast 2022 \$ 000		Budget 2023 \$ 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from (applied to)		
4,000	Strategic Science Investment Fund	10,350
5,722	Network revenue	6,952
4,144	Other revenue	2,924
287	Interest received	298
(232)	Net GST	694
(9,853)	Payments to suppliers & employees	(12,718)
(4,126)	Prepayments for network connectivity	(3,637)
(170)	Realised gains /(losses) on foreign currency	218
(228)	Net Cash Flow from Operating Activities	5,081
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from (applied to)		
(127)	Purchase of plant & equipment	(4,721)
(231)	Term deposit investments	(1,500)
(358)	Net Cash Flow from Investing Activities	(6,221)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from (applied to)		
-	Net Cash Flow from Financing Activities	-
(586)	Net Increase/(Decrease) in Cash Held	(1,140)
3,401	Cash at beginning of the year	2,815
2,815	Cash at end of year	1,675
Represented by:		
2,815	Cash at Bank	1,675

Nature and purpose of prospective financial statements

The Prospective Financial Statements have been prepared to the best of our knowledge and belief as an indication of REANNZ's future financial performance. Actual financial results achieved for the period covered may vary from the information presented, and potentially in a material manner.

The purpose of the Prospective Financial Statements is to inform readers of this Statement of Performance Expectations of REANNZ's best estimate of its future financial performance at the date of publication, and to comply with the company's specific reporting and disclosure obligations. The statements may not be suitable for other purposes.

Notes to the Prospective Financial Statements

Significant Assumptions

The following assumptions have been made in the preparation of the prospective financial statements:

- There will be no change to our core membership base.
- Transactions paid for in United States dollars (USD) have been converted to New Zealand dollars at a rate of 0.66 USD to 1 NZD.
- Transactions paid for in Australian dollars (AUD) have been converted to New Zealand dollars at a rate of 0.90 AUD to 1 NZD.
- The short-term deposit rate is 1.35% per annum.
- Funding for National Network Strategic Review
 - \$4.1 million in one off funding has been budgeted in addition to \$6.25M in ongoing operational funding
 - The one-off funding is to cover investment in the REANNZ national network.
 - At the time the Prospective Financial Statements were prepared procurement was in progress for hardware and connectivity aspects of the project, so the apportionment of costs between capital and operational expenditure could not be accurately determined.
 - For the purposes of the Prospective Financial Statements, it has been assumed that \$3.85 million will be capital expenditure and \$225,000 will be operational expenditure.
 - When the cost profile is more certain, a revised budget will be provided to the Shareholders.

- Both the Prospective Financial Statements included in this document and the revised budget will be used for comparatives against actual expenditure in the 2023 Annual Report.

Reporting Entity

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 operates and supports a specialist high-performance digital network that is engineered to meet the unique performance demands of scientists, researchers, innovators and educators. As such, REANNZ's aim is to provide services for the ultimate benefit of the New Zealand public, on a not-for-profit basis.

Accordingly, REANNZ has designated itself as a Public Benefit Entity ('PBE') for the purposes of PBE accounting standards with reduced disclosures.

Basis for preparation

Statement of compliance

The Prospective Financial Statements have been prepared in accordance with the Crown Entities Act 2004, and with generally accepted accounting practice in New Zealand (NZ GAAP).

These Prospective Financial Statements comply with PBE accounting standards, which include PBE FRS 42 Prospective Financial Statements.

REANNZ elected to report in accordance with Tier 2 PBE accounting standards with reduced disclosure requirements and is eligible to report as a Tier 2 reporting entity on the basis that it does not have public accountability and is not large.

Presentation currency and rounding

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

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 Prospective Financial Statements.

Goods and services tax (GST)

These Prospective Financial Statements are prepared on a GST-exclusive basis except for accounts receivable and accounts payable, which include GST.

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

Foreign currency transactions

Transactions in foreign currencies, including those for which forward foreign exchange contracts are held, are translated to New Zealand dollars (the functional currency) at the spot rate on the date of transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Prospective Statement of Comprehensive Revenue and Expense.

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.

Statement of Cash Flows

The Prospective Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Comprehensive Revenue and Expense.

Definitions of the terms used in the Prospective Statement of Cash Flows 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 long-term assets and other investments not included in cash equivalents.

'Operating activities' include all transactions and other events that are not investing activities.

Revenue

The specific accounting policies for significant revenue items are explained below.

Grant revenue

REANNZ is funded in part by the Crown from the Strategic Science Investment Fund (SSIF). The SSIF operational grant is provided to partially fund the delivery of specialist services and activities to meet the Government's goals for research and education. REANNZ must report to the Ministry of Business, Innovation & Employment on a quarterly basis to fulfil the terms of the contract for operational funding. The grant is recognised as revenue when paid because there are no other conditions attached.

Additional SSIF Capital for Infrastructure funding is provided for technical investment in the REANNZ network. Funding drawdowns are contingent on meeting specific milestone targets, such as the submission of a business case. The grant is not paid until all conditions are met, so is recognised as revenue when received. It may be used to meet operating or capital expenditure.

Network and other revenue

Revenue is measured at the fair value of the consideration received or receivable. All transactions are exchange transactions.

Receivables and debtors

Accounts receivable are recorded at the amount due less an allowance for credit losses. REANNZ applies the simplified credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, receivables have been assessed on an entity-type basis as this determines shared credit risk characteristics.

Receivables are expensed in the Prospective Statement of Comprehensive Revenue and Expense when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

Investments - Bank term deposits

Investments in bank term deposits are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance. A loss allowance for expected credit losses is recognised if the estimated loss allowance is not trivial.

Derivative financial instruments

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 or issue derivatives for trading purposes. REANNZ has not adopted hedge accounting.

Derivatives are initially recognised at the fair value on the date a derivative contract is entered into and are subsequently revalued at each balance date, with the resulting gain or loss recognised in the Prospective Statement of Comprehensive Revenue and Expense.

A forward foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise the full fair value of forward foreign exchange derivatives are classified as non-current.

Property, plant and equipment

Property, plant and equipment assets fall into six classes, which are measured, at cost less accumulated depreciation and impairment losses, as follows:

- Leasehold improvements
- Routers, switches and optical equipment
- Information technology equipment
- Office equipment
- PoP equipment
- Fibre and fibre housing.

Additions

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.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is initially recognised at cost. Where an asset is acquired through a non-exchange transaction, the asset will be recorded at fair value at the date of acquisition.

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 Prospective Statement of Comprehensive Revenue and Expense as they are incurred.

Disposals

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 Prospective Statement of Comprehensive Revenue and Expense.

Depreciation

Depreciation on property, plant and equipment 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 and optical equipment	3–8 years
Information technology equipment	3 years
Office equipment	5 years
PoP equipment	8 years
Fibre and fibre housing	20 years

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

Impairment of property, plant and equipment and intangible assets

REANNZ does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Non-cash generating assets

At each reporting date, assets are reviewed 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 Prospective Statement of Comprehensive Revenue and Expense.

Where an item of property, plant or equipment has been revalued, 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 Prospective Statement of Comprehensive Revenue and Expense.

Any reversal of an impairment loss is recognised in the Prospective Statement of Comprehensive Revenue and Expense. 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 that 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 Prospective Statement of Comprehensive Revenue and Expense, a reversal of impairment loss is also recognised in the Prospective Statement of Comprehensive Revenue and Expense.

Payables

Short-term payables are recorded at the amount payable.

Employee entitlements

Employee benefits due to be settled within 12 months after the end of the year in which the employee provides the related service are measured based on the accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, and annual leave earned but not yet taken at balance date.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Provisions

Provisions are recognised for future expenditure of an uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event,
- it is probable that an outflow of future economic benefits or service potential will be required to settle the obligation; and a reliable estimate of the obligation amount can be made.

Provisions are measured at the present value of the amount expected to be required to settle the obligation.

Commitments and contingencies

A schedule of commitments and contingencies is not separately disclosed in these Prospective Financial Statements.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the Prospective Statement of Comprehensive Revenue and Expense as a reduction of rental expense over the lease term.

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

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, prepaid finance leases where REANNZ is the lessee are recognised as an asset in the Prospective Statement of Financial Position at the fair value of the leased item.

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether REANNZ will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Indefeasible Rights of Use (IRUs) have been granted to REANNZ over specific fibre pairs and have been accounted for as finance leases as the risks and rewards of ownership have transferred to REANNZ.

REANNZ