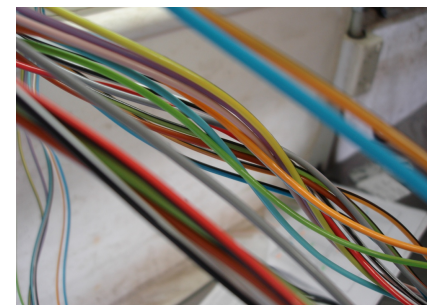


SABRENet Limited

www.sabrenet.edu.au



“Delivering Results” 2007 Annual Report

SABRENet Limited

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Chair's Report

The past twelve months have been enormously successful for SABRENet Ltd. In December 2006 the culmination of four years of hard work was realised when SABRENet was delivered on time and on budget.

The official launch of the network in March was an opportunity for the Research and Education Community to see (and hear) first hand how SABRENet will contribute to better Research and Education outcomes in South Australia.

SABRENet has quickly established itself as a vitally important asset for SA's researchers and educators. It offers outstanding value for money for the Members and facilitates research and education activity that hitherto was impossible in this state.

When SABRENet was commissioned in December 2006 it interconnected some 40 research and education sites. Less than nine months later its coverage has already been extended to 7 TAFE Colleges, 5 High Schools and the Education Development Centre – and there is more to come.

On behalf of our Board of Directors I'd like to thank each and every person (and there have been many) who have made a contribution to the success of SABRENet. I'd also like to thank Anne Marie Lansdown and her staff at DEST for their ongoing support and encouragement.



Paul Sherlock

Chair SABRENet Board

Introduction

About SABRENet

The South Australian Broadband Research and Education Network (SABRENet) is an optical-fibre telecommunications network constructed in metropolitan Adelaide to link the State's major Research and Education (R&E) sites, including university campuses, research precincts and teaching hospitals.

SABRENet Ltd is a non-profit public company formed to oversee the development, management and effective use of SABRENet. The Members of SABRENet Ltd are Flinders University, the University of Adelaide, the University of South Australia and the South Australian Government, while the Defence Science and Technology Organisation (DSTO) is a contractual partner.

The strategic role of SABRENet Ltd is to raise South Australia's research and education performance by deploying and enabling specialist broadband and related services on behalf of its members and customers.

SABRENet Ltd creates value for South Australia by

- Providing leadership on broadband issues within the research and education sector
- Building, owning and operating infrastructure

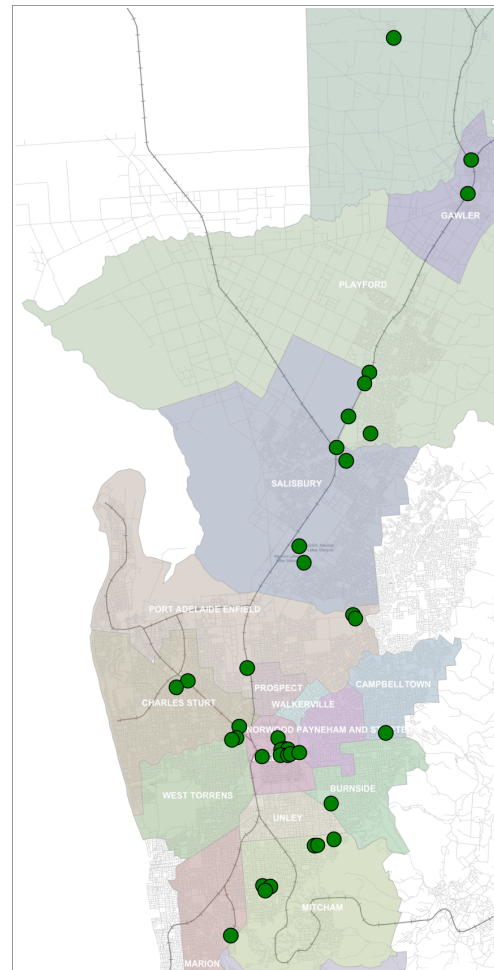


Figure 1 - SABRENet route map

- Creating a critical mass of interconnected sites, users and applications
- Removing constraints on available bandwidth for research and education.

SABRENet provides optical fibre connections to over 40 R&E sites in the greater Adelaide metropolitan area (see Appendix A) at data speeds in excess of 1 gigabit per second.

Figure 1 Shows the locations of these sites. The network can be considered as four backbones (North, South, East and West) joining onto a fibre loop in the Adelaide CBD. The fibre loop encircles the University of Adelaide and University of South Australia (City East) campuses on North Terrace.

Completed in December 2006 and launched officially in March 2007, SABRENet is one of Australia's first and largest purpose-built 'Customer Owned Fibre networks'.

Our Philosophy

SABRENet Ltd has been established as a small and highly efficient vehicle for collaboration between the SABRENet partners. SABRENet Ltd allows the Members to build, own and benefit from a world-class broadband infrastructure under a charter that explicitly retains assets in public

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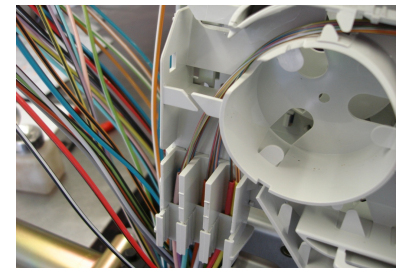
ownership for the public good. At the same time, our agreements with the private sector deliver robust commercial outcomes on the same infrastructure.

Our philosophy is to present our Members with a low-risk and very cost effective value proposition. SABRENet Ltd itself does not build or operate infrastructure 'in house'. Rather, the principal day-to-day business of the Company is to coordinate the efforts of our public and private sector partners to meet shared and well understood objectives.

About this Report

This is the Company's second Annual Report, covering the twelve-month period to the 2007 Annual General Meeting, which was held on 27th September 2007.

The enclosed Summary Financial Report relates to the 12 months from July 2006 to June 2007.



The Year in Review

Milestones

- **December 2006** – SABRENet construction completed on-time and on-budget
- **January 2007** – SABRENet in production use
- **March 2007** – Official Launch of SABRENet
- **July 2007** – All primary sites connected
- **September 2007** – Second AGM

Primary Construction

In November 2005 SABRENet Ltd awarded Amcom Pty Ltd the contract to construct the SABRENet backbones (as shown in Figure 1) over a thirteen month period.

The Company's 2006 Annual Report predicted that “*The construction program will remain the primary focus of the Company through to the end of 2006.*”

On December 20th 2006 Amcom was awarded Practical Completion on the contracted works.

The construction of SABRENet can be judged an outstanding success by all conventional measures:

- The project was completed on time;
- The project was completed slightly under-budget;

- There were no significant OHS&W incidents;
- There were no disputes between the parties.
- There were no disputes with third parties (e.g. landowners).

Go Live!

On January 2nd 2007, less than two weeks after completion, the University of South Australia activated a 10 gigabit per second connection between its Mawson Lakes and City East campuses. Even allowing for Christmas and the New Year, the availability of SABRENet had clearly been awaited with some eagerness...

The University of Adelaide followed soon afterwards, and by March SABRENet was in constant production use.

By the end of the reporting period, some 40 sites were actively using SABRENet.

Official Launch

The Federal Education, Science and Training Minister Julie Bishop officially launched SABRENet at Mawson Lakes on 9th March 2007. South Australian Premier Mike Rann also spoke at the launch, highlighting the importance of SABRENet in the South Australian Government's plan to make Adelaide a leading R&E destination for students and researchers from around the world. The event was attended by around 120 guests including the the State Minister for Science and Information Economy, the Vice

Chancellors of South Australia's Universities and leaders from state and local government, business and higher education.

The tremendous capacity of SABRENet was demonstrated dramatically with a remote duet by University of Adelaide music students Lydia Sharrad on flute, playing at the University of South Australia's Mawson Lakes Campus launch site, and Nicolas Storrie on clarinet, playing via the network at Flinders University some 40 km away. Nic and Lydia played Handel's Sonatina and Lacome's Passepied across two SABRENet fibre connections, each carrying uncompressed high-definition video (HD-SDI) at 1.4 gigabits per second.

A video of the duet can be downloaded from the SABRENet web site.

A second demonstration showed one gigabyte of medical imagery data from the Institute of Medical and Veterinary Science transferred between the University of South Australia's Magill and Mawson campuses in less than 10 seconds.

The event was a resounding success and was widely reported in the local and national print media.

Strategic Planning

In June 2007 the SABRENet Board began its post-construction strategic planning program with a 'Strategic Directions Workshop' attended by senior stakeholders and peers from around Australia.

The purpose of the workshop was to harness the insight and experience of the attendees to assist SABRENet Ltd as it plans the contribution that SABRENet will make to South Australia's R&E sector over the next few years.

The workshop subsequently informed the Board's own planning discussions, which to date have produced a high-level framework that will guide the Company's future activities.

Connecting New Sites

The SABRENet construction program also included a number of 'tail' connections from the backbones into a series of 'primary' sites listed in the construction tender.

These works were completed in the early part of the year, with the majority being completed by March 2007.

The initial primary site list emphasised university campuses, AARNet links, teaching hospitals and research precincts. As construction progressed however, State government stakeholders in particular began to recognise the broader educational potential of SABRENet, with the result that the departments responsible for public schools (DECS) and training (DFEEST) commissioned connections into a series of school and TAFE sites. As a result, by the end of the reporting period the following additional sites had been fully connected to SABRENet:

- Education Development Centre (Hindmarsh)
- Elizabeth TAFE
- Elizabeth-Fremont High School
- Gawler High School
- Gawler TAFE
- Panorama TAFE
- Pasadena High School
- Regency TAFE
- Roseworthy TAFE
- Salisbury TAFE
- Unley High School
- Urrbrae High School



- Urrbrae TAFE

The complete list of SABRENet sites can be seen at Appendix A ,

Financial Position

2007 has seen the Company's finances move from a start-up phase, characterized by large cash flows in the form of major asset purchases, into a more stable state where more modest cash flows represent operational expenses and incremental infrastructure investments. The summary financial report for the 2006/07 financial year is at Appendix B.

The Year Ahead

The Board has identified the following themes that will guide the Company's activities over the coming year and beyond.

- *Build own and operate core infrastructure*
- *Interconnect South Australia's R&E sector*
- *Link South Australia's R&E sector with the rest of the world*
- *Drive the deployment and effective use of bandwidth-dependent applications for R&E*
- *Link public and private sector R&E*
- *Provide value to the SABRENet Members*
- *Provide leadership on broadband issues within the R&E sector*

Infrastructure Development

While the initial SABRENet construction program connected most of Adelaide's major existing R&E sites, the Company will continue to expand the SABRENet optical infrastructure as opportunities arise. This will occur as new R&E sites are established, and as business cases arise to connect additional existing sites.

At the end of the reporting period, the Company was poised to sign construction contracts to build a 6.5 km extension of the northern backbone from Mawson Lakes to Gilles Plains. The extension will connect the Gilles Plains campus of the Institute of Medical and Veterinary Science (IMVS) and the Gilles Plains TAFE college.

The State government has announced funding to bring optical fibre connectivity to the Techport Australia naval shipbuilding site at Osborne, with links to Mawson Lakes and DSTO. With optical fibre currently extending to these sites, SABRENet is well placed to meet the R&E demands of the Techport Australia, which will include the Maritime Skills Centre and the Air Warfare Destroyer Systems Centre.

The State government is also investigating the business case for extending SABRENet to Noarlunga, connecting Noarlunga hospital, TAFE and university sites.

Business Development

In addition to extending SABRENet to new sites, the Company will pursue opportunities to service new customers. Potential customers may include the CSIRO, Australian Technical Colleges, private schools and firms engaged in research partnerships with SABRENet members.

Trials and demonstrations

The Company will collaborate with current and potential users to demonstrate the potential of SABRENet, and to trial new bandwidth-dependent applications.



e-Research

SABRENet Ltd is closely tied to Australia's emerging e-Research agenda as a provider of infrastructure and through the affiliations and interests of the Directors.

The South Australian Partnership for Advanced Computing (SAPAC) has been a SABRENet champion from the outset, and the Company's office is today located within SAPAC. SABRENet supplies direct fibre connections from the SAPAC high performances computing facility to the primary AARNet POP.

SABRENet reaches almost all of South Australia's major research sites, and is thus very well placed to supply the communications substrate for new e-Research projects, applications and collaborations as they arise.

Consulting and advocacy

In bringing SABRENet to fruition over a number of years, SABRENet Ltd has gained considerable experience, expertise and insight into the challenges of building broadband infrastructure for the R&E sector.

The Company intends to make this intellectual capital available to local and interstate stakeholders through its networks, and in the form of formal consultancy where appropriate.

The Company

SABRENet Ltd is a non-profit company limited by guarantee. The Members of the Company are

- Flinders University
- the University of Adelaide
- the University of South Australia, and
- the South Australian Government.

The Defence Science and Technology Organisation (DSTO) is a contractual partner in SABRENet Ltd.

The Members and DSTO collectively comprise the SABRENet Participants.

Board of Directors

SABRENet Ltd is governed by its Board of Directors.

Paul Sherlock BE, MBA, FAICD (Chair)

Paul is the Director of the Information Strategy and Technology Services Unit of the University of South Australia. He is responsible for the delivery of a wide range of ICT services across the University, which support the key business functions of teaching and learning, research and consultancy and administration. Paul has previously held senior IT management roles at the Defence Science and Technology Organisation and BHP Steel International. In 1997 he was awarded the "Network World" Masters Award for his contribution to the establishment of the first high speed ATM network in Australia.

Paul is the Chair of SABRENet Ltd and was appointed to the Board by the University of South Australia.

Carolyn Anderson LL.M, MBA, GDLP, FAICD

Carolyn is a qualified solicitor and barrister and was admitted to the Supreme Court of South Australia on 2 February 1988. Carolyn worked in private legal practice before joining the Crown Solicitor's Office in 1992 in the Commercial Section.

Following a stint as the in house counsel for Transport SA she joined the Information Economy Policy Office as a policy adviser in 1999. Carolyn is currently the Director of the Information Economy Directorate in the Department of Further Education, Employment, Science and Technology and is responsible for advising the South Australian government on information economy policy and implementing programs and projects in the areas of telecommunications, digital access, ICT skills, industry and community development and online content.

Carolyn was appointed to the SABRENet Board by the South Australian Government.

Mark Legg BSc, MSc, FAICD

Mark is the Director of the Information Services Division at Flinders University where he is responsible for the management of 70 staff. He has over 40 years experience in the tertiary education sector both as an academic and as an administrator. He has held the senior IT position at Flinders University for 32 years.



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Mark was appointed to the SABRENet Board by Flinders University.

Bruce Linn BSc, FAICD, FACS

Bruce Linn is CEO of Finlaysons Lawyers. His previous executive roles include Executive Director for EDS in South Australia, Chief Executive Officer of Camtech, one of Australia's leading Internet & Electronic Payments companies and prior to that a line of business general manager with Vision Systems Limited, a leading defence and security company.

A Science graduate of The University of Adelaide, Bruce has over 30 years experience in business management, leadership and Information & Communications Technology (ICT). Currently Bruce serves on the Council of The University of South Australia, the board of St. Peters Collegiate Girls School and as Chair of Community Information Strategies Australia (CISA). He is a fellow of the Australian Institute of Company Directors, and the Australian Computer Society.

Bruce was appointed to the SABRENet Board as an independent Director at the 2007 AGM.

Shane McGregor BA, MBA

Shane holds the position of Chief Financial Officer at the University of Adelaide, which has an annual turnover of more than \$500 million and an asset base of approximately \$1 billion. Shane has also previously held various senior roles in the private sector in banking and finance.

Shane was appointed to the Board by the University of Adelaide.

Meetings

The Board held 10 meetings during the reporting period

Director	Eligible to attend	Attended	Notes
Mark Legg	10	8	
Paul Sherlock	10	10	
Shane McGregor	3	3	Appointed 26 June 2007
Carolyn Anderson	8	6	
Clive Martis	7	6	Resigned 26 June 2007

Management and Administration

James Tizard is the Company Secretary and Chief Executive Officer of SABRENet Ltd. James has worked in public sector IT for nearly 25 years, much of it in research environments. Before joining SABRENet Ltd he introduced and ran a variety of IT development programs for the State government, including the Broadband SA initiative.

The Company has negotiated an office accommodation agreement with the SAPAC, under which SABRENet Ltd receives office accommodation and administrative support within the SAPAC office suite on the University of Adelaide campus.

Business Model

SABRENet Participants are allocated passive optical transmission paths ('fibre paths') connecting pairs of sites on the network. It is the responsibility of Participants to provide their own active services across these paths.

Non-Participant customers seeking to use SABRENet will enter into individual Access Agreements with the Company.

The net operating costs of SABRENet Ltd are met by the Participants through an annual subscription, levied in proportion to each Participant's allocation of fibre paths.

Operation and Maintenance

SABRENet Ltd has engaged Amcom Pty Ltd to operate and maintain the SABRENet infrastructure under a long-term Operation and Maintenance agreement. Under the agreement, Amcom provides physical maintenance of the infrastructure, including Dial Before You Dig registration, fault response and repair.

Amcom also provides additional operational services to the SABRENet participants, largely associated with making new connections to the existing infrastructure.

Acceptable Use

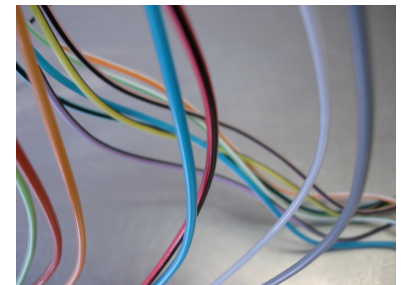
The Company has published a SABRENet Access Policy that sets out the eligibility criteria and acceptable use conditions governing the use of SABRENet.

The Access Policy may be obtained from the SABRENet web site.

Regulatory

The Telecommunications Act (1997) requires that telecommunications infrastructure used to carry communications between two discrete entities (as is the case with SABRENet) must be operated by a licensed telecommunications carrier.

As SABRENet Ltd is not itself a licensed carrier, and has no immediate plans to become one, it has entered into an arrangement under its Operation and Maintenance agreement with Amcom, whereby Amcom has obtained a 'Nominated Carrier Declaration' (NCD) over the SABRENet infrastructure, whereby Amcom assumes the regulatory rights and responsibilities assigned under the Act with respect to the SABRENet infrastructure.



Appendix A – SABRENet Sites

The following sites are physically connected to the SABRENet optical fibre infrastructure

AARNet POP 1, Hindley St *

AARNet POP 2, Pultney St *

DECS Education Development Centre *

DSTO *

Elizabeth TAFE **

Elizabeth-Fremont High School *

Flinders Medical Centre *

Flinders University *

Gawler High School *

Gawler TAFE **

Glenside Government Computing Centre *

Lyell McEwen Hospital *

Mawson Lakes Satellite Base Station

National Wine Centre *

Panorama TAFE **

Pasadena High School *

Queen Elizabeth Hospital *

Regency TAFE **

Repat General Hospital *

Roseworthy TAFE **

Royal Adelaide Hospital *

SA Govt Kintore Ave *

SA Govt POP Pultney St *

SA Partnership for Advanced Computing *

Salisbury High School *

Salisbury TAFE **

Thebarton Bioscience Precinct

UniSA City East **

UniSA City West **

UniSA Magill **

UniSA Mawson Lakes **

University of Adelaide, Badger building *

University of Adelaide, Maths building *

University of Adelaide, ITS, Gawler Place *

University of Adelaide, Plaza building *

University of Adelaide, Pultney St *

University of Adelaide, Roseworthy *

University of Adelaide, Thebarton *

University of Adelaide, Victoria Drive *

Unley High School *

Urrbrae High School *

Urrbrae TAFE **

Waite Institute *

Women's and Children's Hospital *

* Active - gigabit ethernet

** Active - 10 gigabit ethernet

Appendix B – Summary financial report

The summary financial report has been derived from the 2007 Financial Report of SABRENet Ltd. The summary report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities for the entity as the financial report. A copy of the full financial report has been presented to the Members of SABRENet Ltd.

Discussion and Analysis of the Financial Statements

Income Statement

The profit attributable to members for the year was \$1,919,532. This was primarily due to in-kind member contributions of Indefeasible Rights of Use (IRU) of existing fibre optics networks and network access subscription fees received. The construction of the SABRENet network has been completed and was officially launched in March 2007. The company has now moved into an operational mode, whereupon it expects annual income in the order of \$350,000.

Balance Sheet

Total assets rose to \$9,761,363 which is predominately attributable to the IRU contributions from the members. Total Liabilities are \$193,428, being significantly less than total assets. These consist of subscriptions received in advance, as well as various sundry creditors and accruals.

Cash Flow Statement

Cash flows were quite significant during the period. Large cash receipts were brought in from the annual member subscriptions and various reimbursements for network construction costs. There were also significant cash outflows in the form of progress and final payments for the construction of the network, which will form the backbone of operations in years to come.

Financial Statements

Income Statement

For the Year Ended 30 June 2007	2007	9 Months 2006
Revenue		
Revenue from operating activities	2,640,930	8,132,849
Expenses		
Employee benefits expense	(154,337)	(24,663)
Professional fees	(61,377)	(387,963)
Depreciation, amortisation and impairments	(252,517)	(1,290)
Insurance	(28,730)	(35,490)
Occupancy expenses	(21,326)	(15,000)
Infrastructure expenses	(172,210)	-
Auditor's expenses	(3,300)	(4,000)
Other expenses	(27,601)	(16,040)
<i>Profit before income tax</i>	1,919,532	7,648,403
Income tax expense	-	-
<i>Profit for the year</i>	1,919,532	7,648,403

Balance Sheet

30 June 2007

2007

9 Months 2006

Assets

Current assets

Cash and cash equivalents	745,359	4,851,116
Trade and other receivables	82,798	666,571
Other current assets	90,887	-
<i>Total current assets</i>	919,044	5,517,687

Non current assets

Property, plant and equipment	7,672,319	2,736,985
Other non current assets	1,170,000	-
<i>Total non current assets</i>	8,842,319	2,736,985

Total Assets

9,761,363 8,254,672

Liabilities

Current liabilities

Trade and other payables	193,428	606,269
<i>Total current liabilities</i>	193,428	606,269

Non current liabilities

Total Liabilities

193,428 606,269

Net Assets

9,567,935 7,648,403

Equity

Retained earnings	9,567,935	7,648,403
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Total Equity

9,567,935 7,648,403

Statement of Changes in Equity

For the Year Ended 30 June 2007

Retained Earnings

Balance at 1 July

Profit for the year

Balance at 30 June

2007

9 Months 2006

7,648,403

1,732,832

9,381,235

-

7,648,403

7,648,403

Statement of Cash Flows

For the Year Ended 30 June 2007

2007

9 Months 2006

Cash flows from operating activities

Contributions and subscriptions

796,182

8,318,154

Reimbursements and other income

854,496

74,033

Interest received

118,799

116,877

Payments to suppliers and employees

(687,384)

(919,672)

Net cash provided by (used in) operating activities

1,082,093

7,589,392

Cash flows from investing activities

Acquisition of other non current assets

(5,187,850)

(2,738,276)

Net cash provided by (used in) investing activities

(5,187,850)

(2,738,276)

Cash flows from financing activities

nil

Other activities

Net increase (decreases) in cash held

(4,105,757)

4,851,116

Cash at beginning of financial year

4,851,116

-

Cash at end of financial year

745,359

4,851,116

SABRENet Ltd – 2007 Annual Report

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