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“Driving research and education collaboration”

2010 Annual Report

SABRENet Limited

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Chair's Report

SABRENet Ltd. continues to go from strength to strength with new extensions to the network providing gigabit connectivity to another thirteen research and education sites.

The beginning of the reporting period saw the Company commence planning and negotiations for connections to seven Government high schools in the Northern area with practical completion in May 2010 although final testing and acceptance is pending. This \$1.1million expansion was funded by the University of South Australia as part of a project to raise higher education participation rates in the Northern Suburbs. A strategic relationship was established with the SA Government Department of Transport, Energy and Infrastructure (DTEI) giving SABRENet an option on installing cable in the Southern Expressway duct in exchange for connecting Northern Rail Stations video-monitoring system via SABRENet fibre. The other major project was installation of a 216 core cable from the CBD to the Waite Campus to enable SABRENet to provide additional circuits on its Southern Backbone. Other projects resulted in the connection of Bradford College, Port Adelaide TAFE, Modbury Hospital, Terrace Towers on North Terrace and the Mawson Lakes Base Station.

The overall coverage of the network now includes 67 individual research and education locations in Adelaide. This represents an overall 52% increase in the number of connected sites since the network was first commissioned in December 2006.

James Tizard as CEO undertook a half time assignment from June 2009 to July 2010 as the Executive Director of eResearch SA thus further contributing to eResearch activities and support in SA.

By containing operating cost increases to a bare minimum SABRENet continues to offer its Members access to dark fibre at a price point which demonstrates exceptional value. Indeed it is likely that SABRENet offers the most cost effective access to dark fibre for research and education available anywhere in the world

Looking ahead SABRENet Ltd. will work closely with other eResearch infrastructure providers including eResearch SA (eRSA) to ensure that South Australia is an integral part of the Commonwealth's vision for a national research data storage infrastructure. SABRENet Ltd. will also look to further exploit its metropolitan fibre assets to improve connectivity to member locations in regional areas of SA.



On behalf of our Board of Directors I'd like to thank all of those people who have made a contribution to the ongoing success of SABRENet Ltd.

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
- 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 67 R&E sites in the greater Adelaide metropolitan area (see Appendix A) at data speeds in excess of 1 gigabit per second.



Figure 1 - SABRENet route map

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 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 fifth Annual Report, covering the period from July 2009 to June 2010.

The enclosed Summary Financial Report summarises the Company's audited financial statements for the reporting period.



The Year in Review

Milestones

- **August 2009** – Bradford College tail build complete
- **September 2009** – Port Adelaide TAFE connected to SABRENet
- **September 2009** – Mawson Lakes Satellite Base Station connected to SABRENet
- **December 2009** – Contract for the \$1million+ Northern Schools Project to connect seven schools signed
- **April 2010** – Agreement with the SA Department of Transport executed which gives SABRENet a five year option to install a cable in the Southern Expressway duct
- **May 2010** – Practical Completion of the Northern Schools Project
- **June 2010** – University of Adelaide Boatshed and Grandstand connected
- **June 2010** – University of Adelaide CBD to Waite Cable Upgrade project completed
- **June 2010** – James Tizard half-time assignment as Executive Director eResearch SA completed.

Sites

During the reporting period the Company completed network extensions totaling approximately \$1,695,000, including the practical completion of connections to Kuarna Plains School, Para Hills High School, Parafield Gardens High School, Paralowie R-12 School, Salisbury East High School and Valleyview Secondary School. Other new sites included Port Adelaide TAFE leveraging the extension to the Techport Australia site at Osborne, Bradford College and the Mawson Lakes Base Station to provide access to several remote government schools.

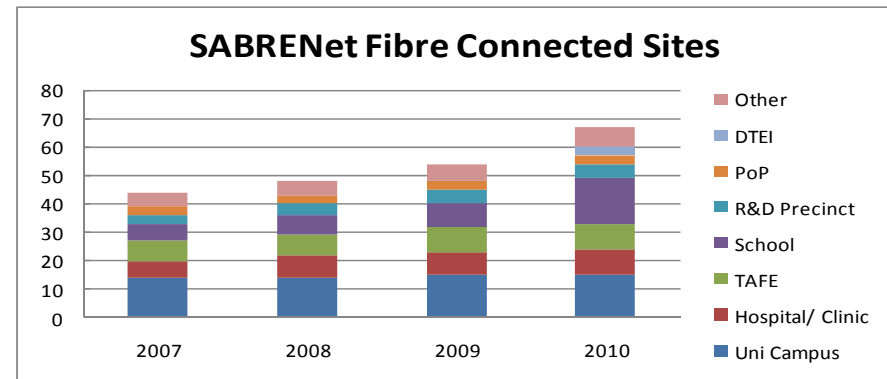
Customers

Bradford College became a user of SABRENet fibre under User Access Agreements.

At the end of the reporting period, SABRENet users were using approximately 201 optical fibre circuits interconnecting 67 sites.

Growth

The bar chart below illustrates the substantial growth in the network through member capital contributions since its inception.



Services

While dark fibre connections remained core business, the Company began facilitate the take up of active (i.e. Layer 2) services to support new applications.

The Company

- In July 2009 the Board approved James Tizard undertaking a consulting assignment as the interim Executive Director of eResearch SA on a half-time basis for 12 months.
- A risk review was undertaken in August 2009 and the Board decided to self-insure the physical network due to the high cost of property insurance, the geographically diverse nature of the asset and the inability to insure against moderate damage in the order of \$100-300K.

The Year Ahead

Sites

The Company will continue to examine opportunities to extend SABRENet further into the southern metropolitan region, with Noarlunga Hospital and the TAFE College being the principal targets.

The Company will also explore opportunities to leverage is unallocated fibre assets in metropolitan Adelaide in order to improve regional connectivity for its members through fibre swap arrangements that deliver a non-cash R&E benefit to the members.

The regional centres of interest include Port Augusta, Port Lincoln, Whyalla, Renmark/Berri, Roxby Downs, Mount Gambier and Victor Harbour.



Consulting and advocacy

SABRENet will continue to work closely with eResearch SA and the SA research community to establish a node of the national Research Data Storage Infrastructure (RDSI) in South Australia.

Customers

The seven northern state Government schools that have just obtained 1 gigabit per sec connectivity along with the remote schools connected via the Mawson Lakes satellite station provide excellent examples to other schools close to the SABRENet infrastructure seeking to improve their Internet connectivity.

Services

In 2009-2010 the Company expects to work closely with researchers and eResearch infrastructure providers including eResearch SA (eRSA) to ensure that South Australia is an integral part of the Commonwealth's vision for a national research data storage infrastructure.

The Company will monitor developments in the education and training sector, responding to appropriate broadband-related opportunities as they arise including opportunities arising from the National Broadband Network.

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, GAICD (Chair)

Paul is the current Director of the Information Strategy and Technology Services Unit for the University of South Australia. He is responsible for the delivery of a wide range of ICT services across the University which supports 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 LLM, MBA, GDLP, GAICD

Carolyn is a qualified legal practitioner and has completed a Master of Laws and a Bachelor of Law from the University of Adelaide. She also has a degree of Master of Business Administration from the University of South Australia, a Graduate Diploma of Legal Practice from the former South Australian Institute of Technology and is a Graduate Member of the Australian Institute of Company Directors.

Carolyn is currently Director, Digital Economy and Technology, within the Department of Further Education, Employment, Science and Technology (DFEEST). In this role she provides leadership in information economy (IE) innovation policy development and program delivery in South Australia that links government, business, industry and education sectors. Previous roles include working as a Senior Solicitor within the South Australian Crown Solicitor's Office and as a legal practitioner in private practice.

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

Mark Legg BSc, MSc, FAICD

Mark is currently the Director of Information Services 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 35 years.

Mark was appointed to the SABRENet Board by Flinders University.

Bruce Linn BSc, FAICD, FACS

Bruce is an experienced Company Director and former CEO of Finlaysons Lawyers based in Adelaide, South Australia. His previous executive roles include Executive Director for EDS, responsible for all State Government business of EDS in Australia and Chief Executive of Camtech, one of Australia's leading Internet & Electronic Payments companies. Current Directorships and Board positions include the Council and Finance Committee of The University of South Australia, the boards of SABRENet Limited, St. Peters Collegiate Girls School, the SA/NT Division Council of the Australian Institute of Company Directors and as Chair of Community Information Strategies Australia (CISA).

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

Virginia Deegan, BA, GAICD

Virginia holds the position of Director, Infrastructure (Property & Technology) at the University of Adelaide, responsible for the strategic planning, project management and delivery of sustainable and innovative physical and technological facilities and services across all University campuses. Previous to this appointment in 2008, she was the General Manager, Royal Adelaide Hospital. Her experience includes over 30 years in the government sector, including membership on a number of boards. Virginia is currently appointed to the State Procurement Board and the SuperSA Board.

Virginia was appointed to the SABRENet Board by the University of Adelaide in August 2008.

Meetings

The Board held five meetings during the reporting period.

Director	Eligible to attend	Attended	Notes
Paul Sherlock	5	5	
Mark Legg	5	5	
Virginia Deegan	5	5	
Carolyn Anderson	5	5	
Bruce Linn	5	4	Reappointed 7 Sept 2009

Management and Administration

James Tizard is the Company Secretary and Chief Executive Officer of SABRENet Ltd. James has worked in public sector IT for over 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 eResearch SA, under which SABRENet Ltd receives office accommodation and administrative support within the eResearch SA 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 site¹



¹ http://www.sabrenet.edu.au/doc/access_policy

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)	Panorama TAFE	Techport Australia
AARNet POP 2 (Pulteney St)	Para Hills High School	Thebarton Bioscience
Bradford College	Parafield Gardens High School	UA Badger Building
Craigmore High School	Paralowie R-12 School	UA Boat Shed Victoria Drive
CSIRO Health Sciences	Pasadena High School	UA ITS, Gawler Place
DECS Education Development Centre	Port Adelaide TAFE	UA Maths Building
DSTO	Queen Elizabeth Hospital	UA National Wine Centre
Elizabeth TAFE	RAH - Frome Rd (NW Comms)	UA Plaza Building
Elizabeth-Fremont High School	RAH - North Tce (EHB)	UA Roseworthy
Flinders University	Regency TAFE	UA Terrace Towers
Flinders Medical Centre	Repat General Hospital	UA Thebarton
Gawler High School	Roseworthy TAFE	UniSA City East
Gawler TAFE	Royal Institution of Australia	UniSA City West
Gilles Plains TAFE	SA Transport Rail Stations – Gawler, Elizabeth & Salisbury	UniSA Magill
Glenside Govt Computing Centre	SA Govt Kintore Ave	UniSA Mawson Lakes
IMVS Gilles Plains	SA Govt POP Pulteney St	Unley High School
Kuarna Plains School	Salisbury High School	Urrbrae High School
Lyell McEwen Hospital	Salisbury East High School	Urrbrae TAFE
Mawson Lakes Base Station	Salisbury TAFE	Valleyview Secondary School
Modbury Hospital	St Ann's College	Waite Institute
Northern Adelaide Australian Technical College	Tea Tree Gully TAFE	Women's and Children's Hospital
Norwich House		

Appendix B – Summary financial reports

The summary financial reports have been derived from the 2009-2010 Financial Report of SABRENet Ltd. These summary reports 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. Copies of the full financial reports have been presented to the Members of SABRENet Ltd.

Discussion and Analysis of the Financial Statements

For the Year Ended 30 June 2010

Income Statement

The operating result for the year was a loss of \$527,632. The operating result included a depreciation expense of \$894,067 reflecting network assets being amortised over their useful life. Contributions from members and network access fees from participants totaled \$498,493. Grants received totaled \$1,019,937 and consulting income was \$127,600.

Balance Sheet

Total assets at cost increased by \$1,440,226 to \$11,890,966 representing the further investment in the network. Accumulated depreciation of the network assets totaled \$2,755,208.

Cash Flow Statement

The cash flow for the year was a net outflow of \$423,207. Cash inflows were predominantly from member subscriptions and grants received for network construction costs. Cash outflows were for operating expenses and investment in the construction of the network as well as the repayment of \$91,000 in grant funding.

Financial Statements

Income Statement

For the Years Ended 30 June 2010 and 2009	2010	2009
Revenue		
Revenue from operating activities	1,916,866	2,269,544
Expenses		
Employee costs	(180,025)	(165,677)
Professional fees	(67,393)	(35,996)
Depreciation	(894,067)	(801,461)
Insurance	(32,062)	(49,786)
Occupancy expenses	(21,547)	(20,835)
Infrastructure expenses	(235,000)	(245,000)
Write off of indefeasible right to use	(935,000)	-
Auditor's remuneration	(6,000)	(5,750)
Other expenses	(73,404)	(61,720)
<i>Profit/(loss) before income tax</i>	(527,632)	883,349
Income tax expense	-	-
<i>Surplus/(Loss) for the year</i>	(527,632)	883,349

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Balance Sheet

For the Years Ended 30 June 2010 and 2009

	2010	2009
Assets		
Current assets		
Cash and cash equivalents	578,270	1,001,577
Trade and other receivables	160,710	-
Other financial assets	29,632	132,589
<i>Total current assets</i>	768,612	1,134,166
Non-current assets		
Other financial assets	150,000	1,040,000
Property, plant and equipment	9,148,657	8,601,052
<i>Total non-current assets</i>	9,298,657	9,641,052
Total Assets	10,067,269	10,775,218
Liabilities		
Current liabilities		
Trade and other payables	48,656	94,859
Income in advance	143,546	278,293
Provisions	8,148	7,515
<i>Total current liabilities</i>	200,350	380,667
Non current liabilities		
Total Liabilities	200,350	380,667
Net Assets	9,866,919	10,394,551
Equity		
Retained earnings	9,866,919	10,394,551
Total Equity	9,866,919	10,394,551

Statement of Changes in Equity

For the Year Ended 30 June 2010

	Retained Earnings \$	Total Equity \$
<i>Balance at 30 June 2008</i>	9,511,202	9,511,202
Surplus for the year	883,349	883,349
<i>Balance at 30 June 2009</i>	10,394,551	10,394,551
Loss for the year	(527,632)	(527,632)
<i>Balance at 30 June 2010</i>	9,866,919	9,866,919

Statement of Cash Flows

For the Years Ended 30 June 2010 and 2009

	2010	2009
Cash flows from operating activities		
Cash receipts from customers (inc GST)	1,695,315	2,647,094
Interest Received	23,587	43,846
Cash paid to suppliers and employees (inc GST)	(609,537)	(740,459)
Grant funding repaid	(91,000)	-
<i>Net cash inflow/(outflow) from operating activities</i>	1,018,365	1,950,481
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment		-
<i>Purchase of property plant and equipment</i>	(1,441,672)	(1,596,530)
Net cash inflow/(outflow) from investing activities	(1,441,672)	(1,596,530)
Cash flows from financing activities		
Net cash provided by (used in) financing activities		-
Net cash inflow/(outflow) from financing activities	-	-
Net cash inflow/(outflow) from investing activities	-	-
<i>Net increase in cash and cash equivalents</i>	(423,307)	353,951
Cash and cash equivalents at beginning of period	1,001,577	647,626
<i>Cash and cash equivalents at end of period</i>	578,270	1,001,577

