

A Collaboration Success Story

SABRENet Limited – 2014 ANNUAL REPORT

SABRENet Limited

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Chair's Report

I am very pleased to report that SABRENet Ltd. continues to grow and prosper - the network now provides gigabit connectivity to 104 individual research and education locations in Adelaide. This represents an overall 136% increase in the number of connected sites since the network was first commissioned in December 2006.

During the year new connections to the SABRENet network included the South Australian Health and Medical Research Institute, the Adam Data Centre, the South Australian Tertiary Admissions Centre and the Anti-Cancer Foundation of SA. Glenunga International High School joined the growing list of schools connected to the network.

During the year a major new extension between Gilles Plains and Magill was completed. This extension was funded by the National Research Network project to provide diverse connectivity to the research data storage node located at the University of Adelaide.

SABRENet continues to work collaboratively on projects of significance to the state. Plans for access to fibre in the Seaford and Tonsley rail corridors in conjunction with the Department of Planning, Transport and Infrastructure project for electrification of those train routes were also progressed during the year.

The efficiency of SABRENet's operating model allows us to deliver highly cost effective access to dark fibre for research and education. Participant subscription costs in 2014 for example are, in dollar terms almost identical to what they were in 2007. That represents outstanding value for our Members and confirms our claim that SABRENet offers the most cost effective access to dark fibre, for research and education, available anywhere in the world.

During the year Virginia Deegan resigned from the SABRENet Board. Virginia made a significant contribution to the continued development and success of SABRENet and I would like to acknowledge and thank her for the commitment she made to her role as a Director of SABRENet. Virginia's departure gave us the opportunity to welcome Mark Gregory, Chief Information Officer, University of Adelaide onto the Board.

Looking ahead the future for SABRENet Ltd. continues to burn bright. The footprint of the network continues to expand and we are engaged in a number of fibre construction and access projects that will see the network connect even more research and education customers in 2015. SABRENet continues to be a major research and education asset for South Australia.

On behalf of my fellow Directors and our CEO Ralph Leonard, I'd like to sincerely 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, teaching hospitals, TAFE campuses and schools.

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 104 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 which are listed in Appendix A. The network has four major backbones extending north, east, south and north-west from the Adelaide CBD with shorter backbones extending from the CBD to the inner western suburbs.

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



Figure 1 - SABRENet route map, June 2014

SABRENet - a Collaboration Success Story

This is the Company's eighth Annual Report, covering the period from July 2013 to June 2014.

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

SABRENet Ltd was created by its owners, Flinders University, the University of Adelaide, the University of South Australia and the Government of South Australia, in 2005 to develop a substantial fibre optic network with a management model that delivers outstanding and enduring value to its members and customers.



By working collaboratively, with and on behalf of its Members SABRENet has fulfilled this mission.

SABRENet's strong growth and overall success is evident from Figure 2 which shows that the number of connected sites has grown by 136% since 2007.

As an integral component of the Australian Research and Education Network (AREN), SABRENet collaborates with Australia's Academic Research Network (AARNet), to deliver value added services to the South Australian research and education community. SABRENet's role as the South Australian component of the AREN was evident in 2013-14 through the project to create increased diversity of SABRENet fibre routes and improved resilience of connections required for the national Research Data Storage Infrastructure (RDSI).

The partnership between SABRENet and AARNet provides a highly effective service for the connection of local sites to the AREN and an attractive internet service connection for schools.

The Government of South Australia's membership of SABRENet assists with the delivery of services into the school, TAFE and research sectors within government. Additionally, it has facilitated collaboration with infrastructure agencies, resulting in mutually beneficial projects to extend the reach of the SABRENet network.

SABRENet and the Department of Planning, Transport and Infrastructure (DPTI) have progressed the joint project to install a shared fibre optic communications facility along the route of the Seaford/Tonsley rail corridor.

In 2013-14 SABRENet further increased its ability to extend the fibre network by successfully negotiating a collaborative endeavour with the Adelaide City Council for the exchange of infrastructure access.

SABRENet's highly efficient operating model is underpinned by a long term arrangement with Amcom Pty Ltd to operate and maintain the network.

The extent of collaboration associated with SABRENet illustrates that it has become more than a fibre network. It is a vehicle for joint action to deliver improved levels of service across the South Australian research and education community.

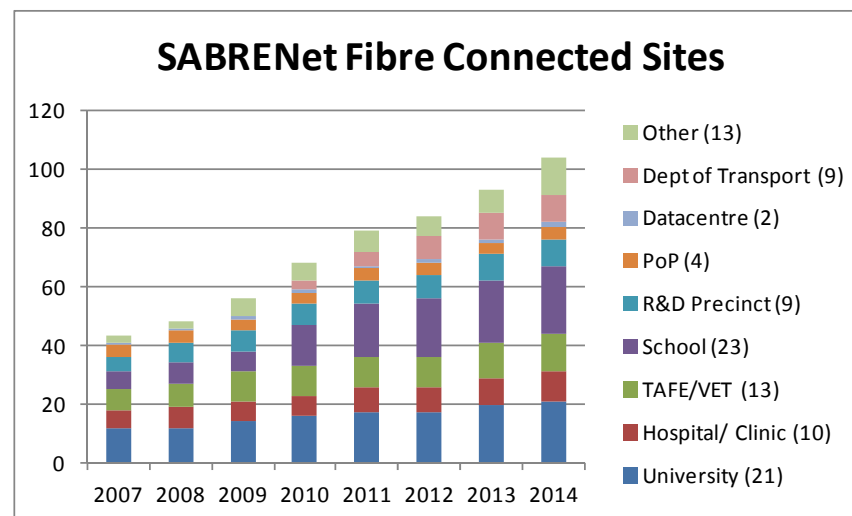


Figure 2 SABRENet growth

The Year in Review

Milestones

During the reporting period the Company completed network extensions and additional circuits totalling approximately \$1.48 million.

- July 2013 - SABRENet circuit established between Unley High School and AARNet to provide the first AARNet service to a South Australian Government school
- July 2013 - Connection of the UniSA Clinical Education Centre, Haydown Rd, Elizabeth Vale
- October 2013 - Connection of TAFESA's Sustainable Industries Education Centre (SIEC) at the Tonsley Park Redevelopment
- November 2013 - Circuits established to connect the South Australian Health and Medical Research Institute's (SAHMRI) North Terrace site to AARNet, eResearch SA and SAHMRI's Large Animal Research and Imaging Facility, Gilles Plains
- December 2013 - Contract signed for the construction of the SABRENet extension from Magill to Gilles Plains to create the Adelaide Fibre Ring as part of the National Research Network
- December 2013 - Joint project between SABRENet and the Department of Planning, Transport and Infrastructure begins the installation of a shared optical fibre cable along the Seaford and Tonsley rail corridors
- January 2014 – Glenunga International High School connected to SABRENet
- February 2014 – Agreement signed between SABRENet and Adelaide City Council for infrastructure access
- February 2014 – Diverse SABRENet infrastructure constructed to connect the Adam Datacentre, Mile End
- February 2014 – Magill to Gilles Plains extension completed

- April 2014 - Norwood Heart & Rhythm Centre (University of Adelaide) connected
- June 2014 - South Australian Tertiary Admissions Centre (SATAC) connected
- June 2014 - Anti-Cancer Foundation of SA connected
- June 2014 - Zen Energy connected at the TAFESA SIEC site



The Year Ahead

Sites

The university and school sectors are currently the two major categories of SABRENet sites and are likely to remain the major source of growth in 2014-15.

Joint activity for optical fibre installation with the project to electrify rail routes to Seaford and Tonsley is expected to provide a significant extension of SABRENet and hence connect distant sites for which the cost of construction was previously prohibitive.

The concept of a new medical research precinct built around the South Australian Health and Medical Research Institute and the new hospital at the western end of North Terrace will bring further demand for SABRENet services within that precinct.

In 2013-14, SABRENet made its first connection to a commercial datacentre to meet the demands of a University of Adelaide datacentre relocation project. Additional SABRENet connections to other commercial datacentres in 2014-15 will provide SABRENet users with greater choice in their plans for strategic location of data storage.



Customers

The majority of university teaching and research units, teaching hospitals, TAFEs, and research precincts are already connected to SABRENet. Many schools within close proximity of the existing backbones are also connected. This implies that customer growth will mainly occur through those who may not identify themselves as SABRENet customers but are engaged in activity that falls within the eligibility criteria for SABRENet use.

Potential candidates are entities that promote and support education and research in specific sectors such as health, or education regulatory and accreditation bodies. SABRENet will take a proactive approach to consult with these and ascertain any opportunities for new customers.

Services

Although the provision of dark fibre circuits remains SABRENet's single service for the present time, the ability to combine the SABRENet fibre platform with other services is an important service to the research and education community. Collaboration with AARNet to service the demand in schools for faster internet access speeds has been a highly successful example of that combination.

Consulting, advocacy and support

SABRENet will continue to advocate the long term benefits of optical fibre infrastructure as the medium of choice for the research and education community.

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 Chief Information Officer for the University of South Australia. He is responsible for the delivery of a wide range of ICT and Library 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. Paul is a former President of the Council of Australian University Directors of Information Technology (CAUDIT) Incorporated and the Australian Access Federation (AAF) Incorporated.

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

Craig Fowler PhD, MSc, MBA, BSc(Hons)

Craig is currently the Deputy Chief Executive of the South Australian Department of State Development. Previously he was Deputy Chief Executive of the Department of Further Education,

Employment, Science and Technology. Prior to his senior executive roles in government, he was a Principal in Tax with Ernst and Young, working with both large corporates and startup companies in areas of innovation and R&D incentives. He was a coordinator of Ernst and Young's life science practice in Asia Pacific, and technical editor of the firm's life science reports in Australasia. He conducted numerous innovation consultancies at national, state and enterprise levels.

Craig was appointed to the Board by the South Australian Government in February 2013.

Richard Constantine PDM, MBA, MAICD

Richard is the Pro Vice-Chancellor (Information Services) and Chief Information Officer at Flinders University with responsibility for Information Technology Services, Library, Centre for Educational ICT, and eResearch@flinders. Previously, Richard was an Associate Professor and the Chief Information Officer and Director of Information Technology Services at Swinburne University of Technology in Melbourne.

He has over 25 years experience in the IT Industry and has extensive experience in both the tertiary and TAFE education sectors, as well as in industry as an IT management consultant. In October 2012, Richard received a Meritorious Service Award from CAUDIT in recognition of the contribution made towards the advancement of information technology in the Higher Education sector.

Richard was appointed to the Board by Flinders University in December 2011.

Virginia Deegan, BA, GAICD

Virginia holds the position of Director, Infrastructure at the University of Adelaide, responsible for the strategic planning, project management and delivery of sustainable and innovative physical 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, the SuperSA Board and the Central Adelaide Local Health Network Advisory Council.

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Virginia was appointed to the SABRENet Board by the University of Adelaide. She ceased in November 2013.

Mark Gregory MBA,

As Chief Information Officer of the University of Adelaide, Mark Gregory holds responsibility for technology systems and services for a leading research university. Prior to joining the University of Adelaide, Mark was Associate Vice President of Portland State University in the US, where he managed IT (CIO), campus facilities and property, sustainability, housing, parking and transportation, planning and economic development and other university business ventures.

Mark's background also includes starting and running a technology services firm, working as a technology leader in commercial software and non-profit organizations, and involvement in commercial real estate development and sales. He has taught both undergraduate and graduate level business courses in IT and performed aid work supporting technology deployment in schools and libraries in the US, Guatemala and Ecuador. He has also been actively involved in various sustainability and alternative energy technology efforts.

Mark was appointed to the Board by the University of Adelaide in November 2013.

Bruce Linn BSc, FAICD, FACS

Formerly CEO of Finlaysons Lawyers, Bruce's previous executive roles include CE for EDS (now HP Enterprise Services), responsible for all State Government business of EDS in Australia and CEO of Camtech, one of Australia's leading Internet and electronic payments technology innovators. He is a technologist and futurist with over 35 years experience in strategy, governance, leadership, business management and commercialisation of a broad range of technologies including IT, telecommunications, Internet and social media.

Immediate Past President of the Australian Institute of Company Directors (SA/NT Division), his current Directorships include the Council of The University of South Australia where he Chairs the Finance Committee and the Foundation Committee, the boards of SABRENet Limited, ITEK Ventures Pty Ltd and SA Heart Centres Pty Ltd. He is Chairman of Anglicare SA, eResearch SA and St. Peter's Girls' School and Deputy Chairman of the Internet Industry Association of Australia (IIA). 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 and re-appointed in 2009 and 2012.

Meetings

The Board held five meetings during the reporting period.

Director	Eligible to attend	Attended	Notes
Paul Sherlock	5	5	
Craig Fowler	5	5	
Richard Constantine	5	4	
Virginia Deegan	1	1	Resigned 21/11/2013
Mark Gregory	4	4	Appointed 22/11/2013
Bruce Linn	5	5	

Management and Administration

Ralph Leonard has held the position of CEO since June 2012. Ralph's career has focused on ICT in education and government sectors. Prior to joining SABRENet Ltd he was Manager of Broadband and Digital Environments in the South Australian Department of Further Education, Employment, Science and Technology.

The Company has negotiated an office accommodation agreement with eResearch SA, under which SABRENet Ltd receives office accommodation and administrative support within the eResearch SA office suite on the University of Adelaide's research precinct at Thebarton.

The SABRENet financial accounts are managed by Deloitte Private and audited by BDO Audit (SA).

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 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.

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.

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. Amcom assumes the regulatory rights and responsibilities assigned under the Act with respect to the SABRENet infrastructure.

¹ http://www.sabrenet.edu.au/downloads/Network_Access_Policy_public.pdf

Connected Sites

The following sites are physically connected to SABRENet:

AARNet POP 1 (Hindley St)	Norwood Heart and Rhythm Centre	South Australian Tertiary Admissions Centre
AARNet POP 2 (Pulteney St)	Para Hills High School	Sustainable Industries Education Centre (Tonsley Park TAFE)
Adam Internet Data Centre	Parafield Airport TAFE	Tea Tree Gully TAFE
Adelaide Convention Centre	Parafield Gardens High School	Techport Australia
Anti-Cancer Foundation of South Australia	Paralowie R-12 School	Terrace Towers
Bradford College	Pasadena High School	Thebarton Bioscience
Craigmore High School	Pembroke School	Trinity College Blakeview
CSIRO Health Sciences	PIRSA Roseworthy	Tyndale Christian College
DECD Education Development Centre	Playford UniCare Clinic	UA Badger Building
Defence Science & Technology Organisation (DSTO)	Port Adelaide TAFE	UA Boat Shed War Memorial Drive
Elizabeth TAFE	Queen Elizabeth Hospital	UA Grandstand, War Memorial Drive
Elizabeth-Fremont High School	RAH - Frome Rd (NW Comms)	UA ITS, Gawler Place
Endeavour College (Mawson Lakes)	RAH - North Tce (EHB)	UA Mathematics Building
Endeavour House (Technology Park)	Regency Park TAFE	UA National Wine Centre
Flight Training Adelaide	Repatriation General Hospital	UA Plaza Building
Flinders Medical Centre	Roma Mitchell Secondary College	UA Pulteney Street
Flinders University	Roseworthy TAFE	UA Roseworthy
Flinders University Airborne Research Unit (Parafield)	Royal Institution of Australia	UA Rundle Mall
Gawler High School	SA Transport: Traffic Management Centre, Northern Expressway Gawler Control Room, Rail Stations – Gawler, Mawson Lakes, Dry Creek, Salisbury, Elizabeth, Elizabeth South & Munno Para Stations	UA Thebarton
Gawler TAFE	SA Govt POP Kintore Ave	UniSA City East
Gilles Plains TAFE	SA Govt POP Pulteney St	UniSA City West
Glenside Govt Computing Centre	SAHMRI North Terrace	UniSA Flight Academy
Glenunga International High School	SAHMRI Gilles Plains	UniSA Haydown Road
History Trust of South Australia	Salisbury East High School	UniSA Magill
Hostworks Data Centre	Salisbury High School	UniSA Mawson Lakes
Kaurna Plains School	Salisbury TAFE	Unley High School
Lyell McEwen Hospital	St Ann's College	Urrbrae High School
Maritime Museum	St Patrick's Technical College (Elizabeth)	Urrbrae TAFE
Mawson Lakes Base Station	St Paul's College (Gilles Plains)	Valley View Secondary School
Mawson Lakes Primary School	St Peter's College	Waite Institute
Modbury Hospital		Women's and Children's Hospital
Norwich House		

Summary financial reports

The summary financial reports have been derived from the 2013-2014 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 audited financial reports have been presented to the Members of SABRENet Ltd.

Discussion and Analysis of the Financial Statements

For the Year Ended 30 June 2014

Income Statement

The operating result for the year was a profit of \$544,965. The operating result included a depreciation expense of \$813,469 reflecting network assets being amortised over their useful life. Subscriptions from members and participants and network access fees from customers totaled \$551,977.

Balance Sheet

Total assets at cost increased by \$1,306,907 to \$14,453,028 representing further investment in the network. Accumulated depreciation of the network assets totaled \$6,225,183.

Cash Flow Statement

The cash flow for the year was a net outflow of \$124,619. 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.

Financial Statements

Income Statement

For the Years Ended 30 June 2014 and 2013

Revenue

Revenue from operating activities

Expenses

Employee costs

Professional fees

Depreciation

Insurance

Occupancy expenses

Infrastructure expenses

Write off of indefeasible right to use

Auditor's remuneration

Other expenses

Profit/(loss) before income tax

Income tax expense

Surplus/(Loss) for the year

	2014	2013
Revenue from operating activities	1,884,522	1,034,857
Employee costs	(165,947)	(165,703)
Professional fees	(70,218)	(41,304)
Depreciation	(813,469)	(826,932)
Insurance	(12,038)	(12,303)
Occupancy expenses	(13,964)	(12,418)
Infrastructure expenses	(181,823)	(180,000)
Write off of indefeasible right to use	(10,000)	(10,000)
Auditor's remuneration	(7,675)	(7,013)
Other expenses	(64,423)	(101,418)
<i>Profit/(loss) before income tax</i>	544,965	(322,232)
Income tax expense	-	-
<i>Surplus/(Loss) for the year</i>	544,965	(322,232)

Statement of Financial Position

For the Years Ended 30 June 2014 and 2013

Assets

Current assets

Cash and cash equivalents	815,792	940,411
Trade and other receivables	210,327	232,864
Other financial assets	29,966	28,596
<i>Total current assets</i>	1,056,085	1,201,870

Non-current assets

Other financial assets	110,000	120,000
Property, plant and equipment	8,233,774	7,740,336
<i>Total non-current assets</i>	8,343,774	7,860,336

Total Assets

9,399,859	9,062,206
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Liabilities

Current liabilities

Trade and other payables	55,474	314,096
Income in advance	123,481	79,229
Provisions	15,178	8,120
<i>Total current liabilities</i>	194,133	401,445

Non current liabilities

Total Liabilities

194,133	401,445
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Net Assets

9,205,726	8,660,761
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Equity

Retained earnings	9,205,726	8,660,761
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Total Equity

9,205,726	8,660,761
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Statement of Changes in Equity

For the Year Ended 30 June 2014

Balance at 30 June 2012

Loss for the year

Balance at 30 June 2013

Profit for the year

Balance at 30 June 2014

Retained Earnings \$	Total Equity \$
8,982,993	8,982,993
(322,232)	(322,232)
8,660,761	8,660,761
544,965	544,965
9,205,726	9,205,726

Statement of Cash Flows

For the Years Ended 30 June 2014 and 2013

Cash flows from operating activities

Cash receipts from customers (inc GST)

Interest Received

Cash paid to suppliers and employees (inc GST)

Grant funding repaid

Net cash inflow/(outflow) from operating activities

Cash flows from investing activities

Proceeds from sale of property, plant and equipment

Purchase of property plant and equipment

Net cash inflow/(outflow) from investing activities

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

Net increase in cash and cash equivalents

Cash and cash equivalents at beginning of period

Cash and cash equivalents at end of period

	2014	2013
Cash receipts from customers (inc GST)	2,103,943	919,720
Interest Received	33,477	36,757
Cash paid to suppliers and employees (inc GST)	(781,231)	(590,829)
Grant funding repaid	-	-
Net cash inflow/(outflow) from operating activities	1,356,189	365,648
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	-
Purchase of property plant and equipment	(1,480,808)	(269,298)
Net cash inflow/(outflow) from investing activities	(1,480,808)	(269,298)
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>	<i>(124,619)</i>	<i>96,350</i>
Cash and cash equivalents at beginning of period	940,411	844,061
Cash and cash equivalents at end of period	815,792	940,411

