

SABRENet Limited

www.sabrenet.edu.au



“From strength to strength”
2009 Annual Report

SABRENet Limited

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Chair's Report

SABRENet Ltd. continues to go from strength to strength.

During the year the Company completed another two major extensions to the network. The first, which built on the extension to Gilles Plains that was completed in February 2008, extended the network 5km to the Tea Tree Gully TAFE College in Adelaide's North Eastern suburbs. The second involved a 15km extension to the Techport Australia Defence precinct at Osborne. The expansion into Osborne also provided the opportunity to connect the nearby Port Adelaide TAFE College.

With the completion of these, and other smaller extensions, the overall coverage of the network now includes 55 individual research and education locations in Adelaide. This represents a 38% increase in the number of connected sites since the network was first commissioned in December 2006. Looking ahead the Company is working closely with the University of South Australia and the Department of Education and Children's Services to extend SABRENet, in early 2010, to a number of public high schools in Adelaide's northern suburbs.

In May 2009 the Board reappointed James Tizard as CEO for another 3 years. James has been instrumental in the success of SABRENet Ltd and the Board is confident that under James' leadership the Company will continue to build on its past successes.

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.

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.

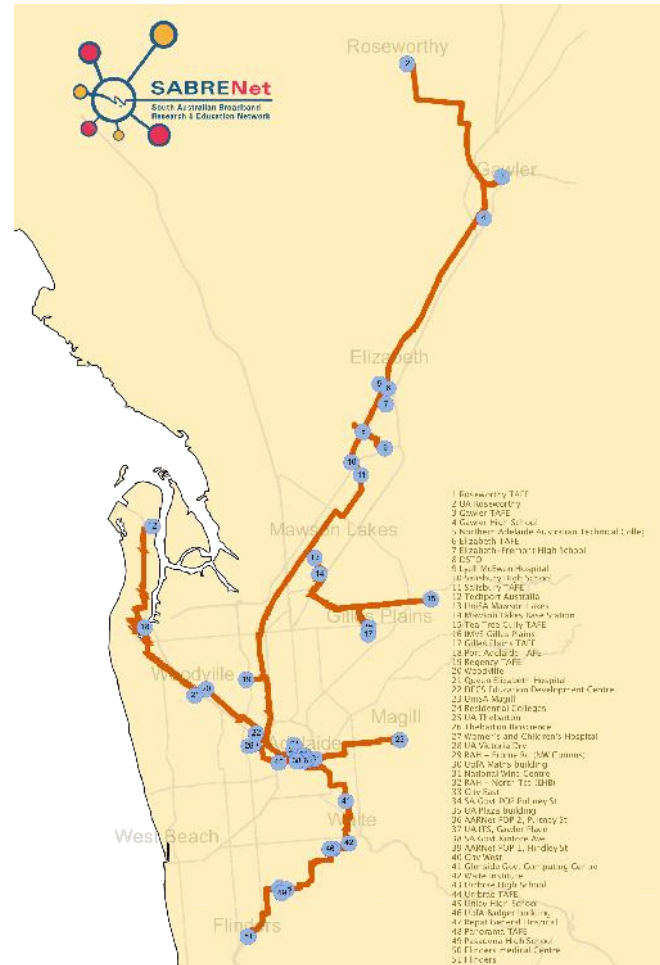


Figure 1 - SABRENet route map

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 over 50 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

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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

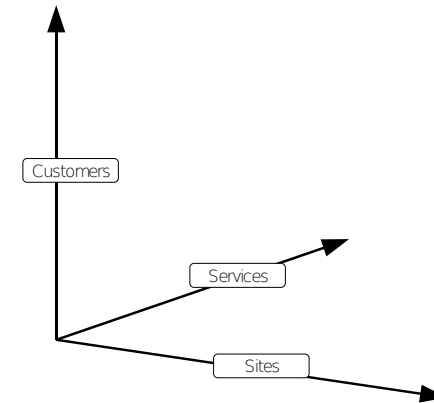
SABRENet Ltd has been established as a small and highly efficient vehicle for collaboration between the SABRENet partners. SABRENet Ltd allows the Members to build, own and benefit from a world-class broadband infrastructure under a charter that explicitly retains assets in public ownership for the public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

Our Development Model

The development of SABRENet can be seen as progressing along three axes:

- **Sites** – *Where* we deliver to,
- **Customers** – *Who* we deliver to, and
- **Services** – *What* we deliver.



This provides a useful model both for reporting achievements and for planning new activities.

About this Report

This is the Company's fourth Annual Report, covering the period from July 2008 to June 2009.

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



The Year in Review

Milestones

- **October 2008** – Tea Tree Gully TAFE extension contract
- **September 2008** – Third Annual General Meeting
- **December 2008** – Techport Australia extension contract
- **January 2009** – Tea Tree Gully TAFE extension completion
- **June 2009** – Techport Australia extension completed

Sites

During the reporting period the Company completed some 20km of network extensions, comprising

- a 15km extension to the Techport Australia defence precinct at Osborne
- a 5km extension to Tea Tree Gully TAFE college
- a shorter extension to Port Adelaide TAFE college

Customers

The Royal Institution of Australia (RIAus) and Bradford College became users of SABRENet fibre.

At the end of the reporting period, SABRENet users were using some 180 optical fibre circuits interconnecting approximately 50 sites.



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 April 2009 Willis insurance brokers conducted a formal risk review of SABRENet Ltd.
- In May 2009 James Tizard was reappointed as CEO of SABRENet Ltd for a further three years

The Year Ahead

Sites

The Company has negotiated with the University of South Australia and the Department of Education and Children's Services to extend SABRENet to a further public seven high schools in early 2010. Upon completion, all large public high schools in the northern Adelaide region will be connected to SABRENet, providing a consistent high-speed broadband platform upon which the University hopes to build pathways to a university education for students in some of the State's most disadvantaged areas.



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

Customers

The 2009 Federal Budget allocated some \$300 million for eResearch related infrastructure under the Super Science program, with an ambition to bring the benefits of advanced ICT and data management to all Australian researchers.

Much of this funding will go towards computing and data storage infrastructure that will demand access to very high speed broadband networks. SABRENet will work with eResearch SA during the coming year to identify the overall eResearch infrastructure needs of South Australian researchers, of which high speed broadband will form a critical substrate.

Services

In 2010 the Company expects to work closely with researchers and eResearch infrastructure providers to connect South Australia into the Commonwealth's vision for a national research data storage infrastructure.

The Company will upgrade its fibre capacity between the University of Adelaide and the Waite institute from leased capacity to a Company-owned fibre cable. The upgrade will allow the delivery of additional fibre capacity to the southern metropolitan area.

The Company will monitor developments in the education and training sector, responding to appropriate broadband-related opportunities as they arise.

Consulting and advocacy

Recognising the role of SABRENet Ltd in South Australia's growing eResearch program, in February 2009 CEO James Tizard assumed the role of Interim Director at eResearch SA, augmenting his duties at SABRENet on a fixed-term consulting basis to June 2010.

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 Experience 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 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 LLM, MBA, GDLP, GAICD

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 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.

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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 6 meetings during the reporting period.

Director	Eligible to attend	Attended	Notes
Paul Sherlock	6	6	
Mark Legg	6	5	
Virginia Deegan	5	4	Appointed August 2008
Carolyn Anderson	6	6	
Bruce Linn	6	5	

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
AARNet POP 2, Pultney St
Bradford College
CSIRO Health Sciences
DECS Education Development Centre
DSTO
Elizabeth TAFE
Elizabeth-Fremont High School
Flinders University
Flinders Medical Centre
Gawler High School
Gawler TAFE
Gilles Plains TAFE
Glenside Govt Computing Centre
IMVS Gilles Plains
Lyell McEwen Hospital
Mawson Lakes Base Station
National Wine Centre
Northern Adelaide Australian Technical College

Norwich House
Panorama TAFE
Pasadena High School
Port Adelaide TAFE
Queen Elizabeth Hospital
RAH - Frome Rd (NW Comms)
RAH - North Tce (EHB)
Regency TAFE
Repat General Hospital
Roseworthy TAFE
Royal Institution of Australia
SA Govt Kintore Ave
SA Govt POP Pultney St
Salisbury High School
Salisbury TAFE
St Anns College
Tea Tree Gully TAFE
Techport Australia
Thebarton Bioscience
UA Badger building

UA ITS, Gawler Place
UA Maths building
UA Plaza building
UA Roseworthy
UA Thebarton
UA Victoria Drv
UniSA City East
UniSA City West
UniSA Magill
UniSA Mawson Lakes
Unley High School
Urrbrae High School
Urrbrae TAFE
Waite Institute
Women's and Children's Hospital
Woodville

Appendix B – Summary financial reports

The summary financial reports have been derived from the 2008-09 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 2009

Income Statement

The operating result for the year was a profit of \$883,349. This was primarily due to grant income received which was applied to fund investment in additional network infrastructure. Subscription fees from participants totalled \$252,762. Total expenses were consistent with last year and include depreciation of \$801,461, which reflected network assets being amortised over their useful life.

Balance Sheet

Total assets increased by \$626,178 to \$10,775,218 which includes further investment in the network. This was funded from prior year grants which resulted in a reduction in liabilities (income in advance). The remaining income in advance of \$278,293 will be recognised as income in future years.

Cash Flow Statement

The cash flow for the year was a net inflow of \$353,951 which reflected grant funds received prior to 30th June 2009 and applied to network asset investment in the subsequent year.

Financial Statements

Income Statement

For the Years Ended 30 June 2009 and 2008

	2009	2008
Revenue		
Revenue from operating activities	2,269,544	1,427,513
Expenses		
Employee benefits expense	(165,677)	(142,029)
Professional fees	(35,966)	(37,275)
Depreciation, amortisation and impairments	(801,461)	(845,674)
Insurance	(49,786)	(48,047)
Occupancy expenses	(20,835)	(21,716)
Infrastructure expenses	(245,000)	(246,770)
Auditor's expenses	(5,750)	(5,000)
Other expenses	(61,720)	(137,735)
Profit before income tax	883,349	(56,733)
Income tax expense	-	-
Profit for the year	883,349	(56,733)

Balance Sheet

For the Years Ended 30 June 2009 and 2008

Assets

Current assets

Cash and cash equivalents	1,001,577	647,626
Trade and other receivables	-	495,971
Other current assets	132,589	94,460
<i>Total current assets</i>	<u>1,134,166</u>	<u>1,238,057</u>

Non current assets

Property, plant and equipment	8,601,052	7,805,983
Other non current assets	1,040,000	1,105,000
<i>Total non current assets</i>	<u>9,641,052</u>	<u>8,910,983</u>

Total Assets

10,775,218	10,149,040
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Liabilities

Current liabilities

Trade and other payables	94,859	50,093
Income in advance	278,293	583,313
Short term provisions	7,515	4,432
<i>Total current liabilities</i>	<u>380,667</u>	<u>637,838</u>

Non current liabilities

Total Liabilities

380,667	637,838
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Net Assets

10,394,551	9,511,202
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Equity

Retained earnings	10,394,551	9,511,202
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Total Equity

10,394,551	9,511,202
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Statement of Changes in Equity

For the Years Ended 30 June 2009 and 2008

Retained Earnings

Balance at 1 July

Profit for the year

Balance at 30 June

	2009	2008
Balance at 1 July	9,511,202	9,567,935
Profit for the year	883,349	(56,733)
<i>Balance at 30 June</i>	10,394,551	9,511,202

Statement of Cash Flows

For the Years Ended 30 June 2009 and 2008

Cash flows from operating activities

Contributions and subscriptions

Reimbursements and other income

Interest received

Payments to suppliers and employees

Net cash provided by (used in) operating activities

Cash flows from investing activities

Acquisition of other non current assets

Net cash provided by (used in) investing activities

Cash flows from financing activities

nil

Other activities

Net increase (decreases) in cash held

Cash at beginning of financial year

Cash at end of financial year

	2009	2008
Contributions and subscriptions	2,647,094	1,513,033
Reimbursements and other income		
Interest received	43,846	40,508
Payments to suppliers and employees	(740,459)	(671,936)
Net cash provided by (used in) operating activities	1,950,481	881,605
Cash flows from investing activities		
Acquisition of other non current assets	(1,596,530)	(979,338)
Net cash provided by (used in) investing activities	(1,596,530)	(979,338)
Cash flows from financing activities		
nil		
Other activities		
Net increase (decreases) in cash held	353,951	(97,733)
Cash at beginning of financial year	647,626	745,359
Cash at end of financial year	1,001,577	647,626

