

SCHEDULE 5.3
THE PROJECT MODEL

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SCHEDULE 5.3 – THE PROJECT MODEL

APPENDIX 1

THE PROJECT MODEL

APPENDIX 2

PROJECT MODEL REQUIREMENTS

This Appendix sets out content requirements which must be maintained when making changes to the Project Model:

1.1 General Requirements:

The Project Model must:

- show calculations and outputs on either a monthly or quarterly basis;
- use Microsoft Excel 2007 or fully compatible versions. The Project Model must not include any protected or hidden areas.

1.2 Project Wholesale Access Prices :

- Project Wholesale Access Prices and their associated charges to Retail Service Providers (e.g. installation and decommissioning) broken down by different components of the Supplier's Solution and Deployed Services or product types (e.g. for business customers, residential customers, etc);
- A description of each wholesale product; and
- The inflation type for each wholesale product.

1.3 Other sections on the Project Model

In addition to Project Wholesale Access Prices , the structure of the Project Model must allow for information in the following areas to be presented for the Call-Off:

1.3.1 Take-up:

- Churn rate (the rate at which the existing Other Beneficiaries reduce but new Other Beneficiaries are added);
- Profile of additional premises passed (i.e. those premises that can be easily connected to the Network); and
- Profile of net additional take-up (new connections in addition to new connections replacing lost Other Beneficiaries), as a function of premises passed.

1.3.2 Funding:

- The Supplier's calculation of its own funding requirements for the Supplier Solution, in terms of:
 - Public subsidy
 - Supplier's own funding
- Milestone payments

1.3.3 Capex

- Details of the expected capital expenditure ("Capex") per month/quarter and including a summary on the eligibility of Capex.

- A comparison of the cumulative Capex against the cumulative public subsidy paid against Milestones.

1.3.4 Cash flow:

- A schedule of expected cash flows.

1.3.5 Profit & Loss:

- A summary profit and loss schedule (to a minimum of EBITDA level);
- The average unit margin per end user for the post-implementation period. These outputs form part of the claw-back mechanism described in Schedule 5.1 of this Contract.

1.3.6 Outputs:

- IRR calculated from the Effective Date to the Expiry Date (i.e. to cover the project until at least 7 years post implementation, in order to align with the open access requirement);
- The IRR of the project calculated over the number of years the Supplier has assumed in its own investment appraisal (reflecting the Supplier's target rate of return);
- The payback period;
- Eligible Expenditure – ie that which meets the criteria for public subsidy (from any of the subsidy streams);
- Leverage;
- Project Investment Ratio;
- A summary and breakdown of the capital invested in each Cost Book Component;
- A summary of the capital investment split over the access solution types;
- A cost per premises connected / total capital input.