

Annual Report 2012

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networktasman
Your consumer-owned electricity distributor



Directors Report



Board of Directors



Financial Performance



Operational Performance



Audited Financial Statements



Audit Report



Statutory Information



Corporate Governance



Directory



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The Directors are pleased to present the Annual Report of Network Tasman Limited for the year ended 31 March 2012.



IF Kearney
Chairman
29th June 2012



CIM Turner
Director
29th June 2012



Directors Report

The 2011/12 financial year has been a period of continued growth for Network Tasman...
...with strong returns from the company's investments in the fibre optic communications network and improved returns from our property investments.

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Financial Performance

Higher revenues from the electricity and fibre networks in 2011/12 contributed to the cashflow from operations being up strongly for the year at \$12.0 million, an increase of \$2.4 million (26%) on the previous year. There were 410 new customer connections to the electricity network which is down on last year due to the subdued economic conditions (460 in 2010/11). Network Tasman's operating surplus after the non-cash adjustments was \$5.7 after tax.

Total SAIDI minutes (average duration of supply interruptions per connected consumer) excluding Transpower planned and unplanned faults were 159 minutes, an improvement on the 179 minutes last year. Whilst the year on year improvement in SAIDI is welcome, the board continues to focus on the long run reliability of the network. NTL (Network Tasman Limited) has called tenders for the provision of two mobile generators that can be used for some planned and unplanned outages and will improve the service we offer our consumers and the overall reliability of the electricity network.

NTL continues to invest in its electricity and fibre networks and spent \$5.6 million on capital works during the year. NTL continues to focus on maintenance and vegetation control to ensure compliance with regulations and improve the safety and reliability of the electricity network.

With commercial and residential construction consents down across the country, the value of assets vested by customers to NTL has declined. While these assets are treated as operating revenue for financial reporting purposes, the timing and receipt of the assets is beyond NTL's control and annual fluctuations in the value of vested assets distort reporting of the profitability.

Regulation

The Commerce Commission review of the default price pathway re-set (DPP) has been delayed by court action by another Electricity Distribution Business. Originally it was the Commission's intention to re-set the company's price pathway from 1 April 2011. This re-set will apply to both NTL and our 50% investment in NEL (Nelson Electricity Limited).

The Commerce Commission's draft determinations indicated that NTL has a conservative pricing structure and that our charges are amongst the lowest in New Zealand. However, as a consumer-owned company we see little benefit to our consumers of increasing prices above our regulated rates of return. Although the delayed DPP process has created some uncertainty, once resolved the process will provide the regulatory certainty going forward to enable us to continue to invest in the long-term electricity infrastructure of the region.

NEL

NEL is to upgrade the Haven Road sub-station and build an additional 33kV supply from Transpower's Stoke GXP. This represents a major investment in NEL's electrical infrastructure and the project is expected to be completed by the end of 2014.

Fibre Network

NTL's core fibre network continues to generate an adequate return on the funds invested while providing significant information technology benefits to schools connected to it via The Loop.

Chorus has started to roll out the Government's Ultra-Fast Broadband network across the region. NTL is in discussions with Chorus to explore options to utilise our existing fibre network infrastructure to achieve the social and economic returns the project can generate for the country.

NTL has been selected to partner the Nelson City Council, the Marlborough District Council and the New Zealand Police to establish a Closed Circuit Television network. This network will enable the police to monitor community assets and to assist in the safety of residents. It is hoped that this model can be rolled out across the region.

Electronic Meters

NTL is one of 13 electricity distributors that have joined together to explore the technical and financial feasibility of deploying electronic meters across the country. NTL has a minority shareholding in Smartco Limited which will be the procurement and project management company for the shareholding companies.

While it is expected that the final business case will be completed towards the end of the 2012 calendar year, there are still a number of contractual and technical issues that need to be resolved. Given the significant size of the capital investment, any investment will require the approval of the shareholding trustees.

Consumer Returns

Line charge discounts to consumers for the year increased by 3.8% to a record \$10.8 million inclusive of GST and NTL paid a dividend of \$2 million to the Network Tasman Trust. An average 8,000 kWh consumer received a total of \$237 line discount. Since NTL was established in 1993 over \$147 million has been paid to consumers by way of discounts.

NTL continues to provide sponsorship assistance in excess of \$200,000 per annum to the schools "Loop" education network using our fibre optic network. NTL assisted a number of new schools to join this network during the year. NTL also spent in excess of \$500,000 during the year on undergrounding overhead electricity lines with the main project being Gladstone Road, Richmond,

Trend in consumption patterns

NTL is now seeing a clear trend of reducing consumption per consumer for both domestic and industrial consumers. The first indications of this trend became apparent some 3-4 years ago and initially were attributed to changing economic conditions and warmer weather conditions.

NTL is now of the view that the reduction in average consumption per consumer is the outcome of long term changes in consumption patterns and also the introduction of new technology. We believe that the various initiatives for energy efficiency such as home insulation, double glazing and water cylinder wraps together with new technology such as energy efficient light

bulbs, soft start motors and heat pumps are all combining to reduce the average consumption per consumer.

In NTL's region the average consumption per domestic consumer has steadily reduced from around 7600 units per annum five years ago to below 7000 units in the 2011/12 year. We believe this trend will continue as energy efficiency measures become more widespread and as new technologies become more widely accepted.

We also are closely monitoring the potential effect of emerging new technologies, particularly those associated with distributed electricity generation using photo-voltaic (PV) cells. Distributed generation using PV cells is now becoming economic at a local level. This technology can cause significant system stability problems for NTL and may require further consideration of our present pricing model which is largely a volume based model.

Conclusion


The subdued economic conditions across the region have impacted upon NTL's core electricity network with customer contributions and vested assets well below long term averages. The significant increase in line discounts paid to consumers in these difficult financial times is a very pleasing outcome.

Despite the imminent rollout of the Government's UFB across the upper South Island, Directors believe that NTL's current investments in fibre networks are well placed to continue to provide a competitive service offering to our customers.

NTL's strong balance sheet and operating cash flows continue to underpin performance. NTL is well positioned to participate in the nationwide roll-out of electronic meters across our electricity network, provided a sound economic return can be earned on the investment.

I would like to thank my fellow board members, management and staff for their work over the year.

Ian Kearney
Chairman



Customer Profile

Raine Farms Ltd

For seven generations, the Raine family have farmed on the hills above Saxton Field Stoke.

Julian and his wife, Cathy, oversee the farm for the Raine family. The 450ha farm currently milks 200 cows, runs beef and dairy replacement stock, and has a bit of forestry. The cowshed currently uses 51,673 kWh per annum.

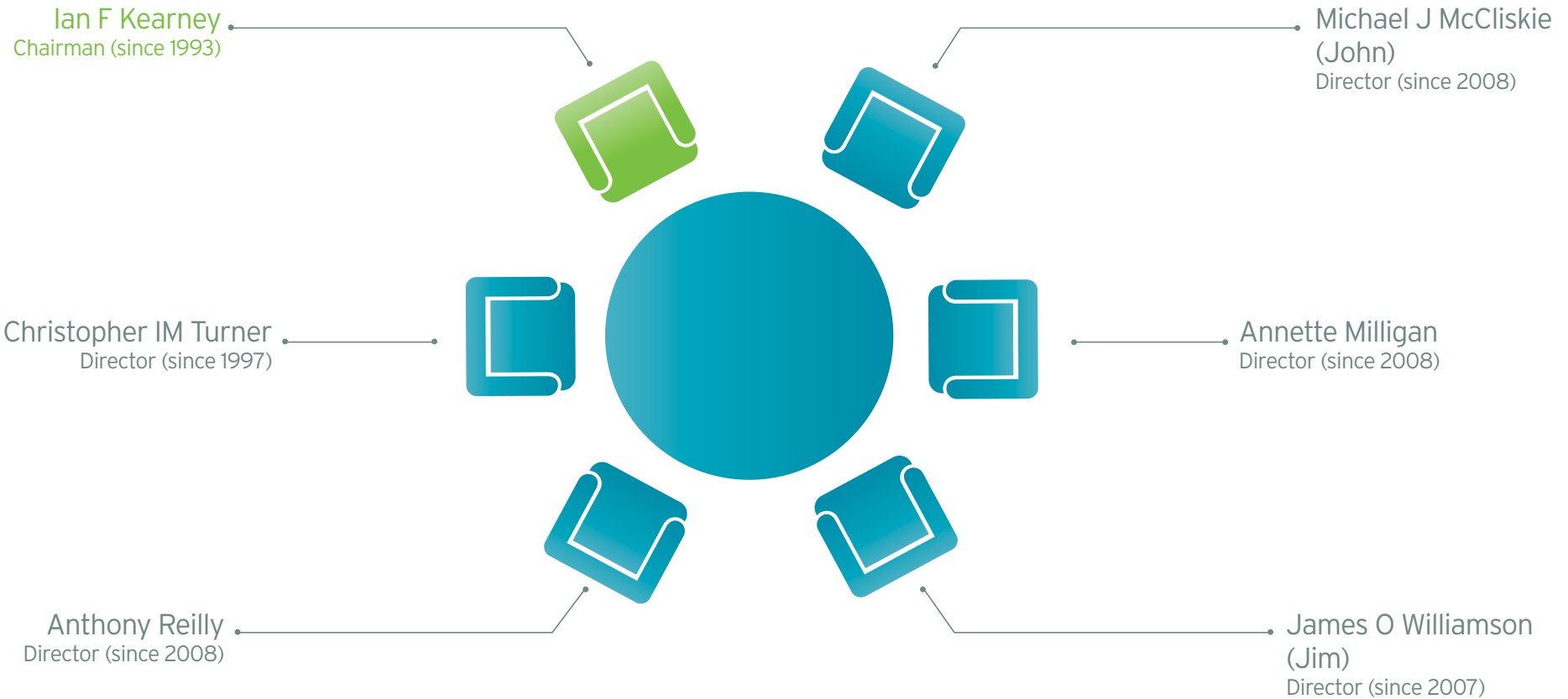
The Raines milk year round and run it as part of an integrated farm business, alongside other farms and horticultural interests around the region.

The dairy industry in the Nelson region is growing rapidly. This has had a significant impact on load levels in some of the Network Tasman's supply areas. Over the last year Network Tasman has held meetings with the region's farmers to outline its obligations and the status of the electricity infrastructure in their locations.



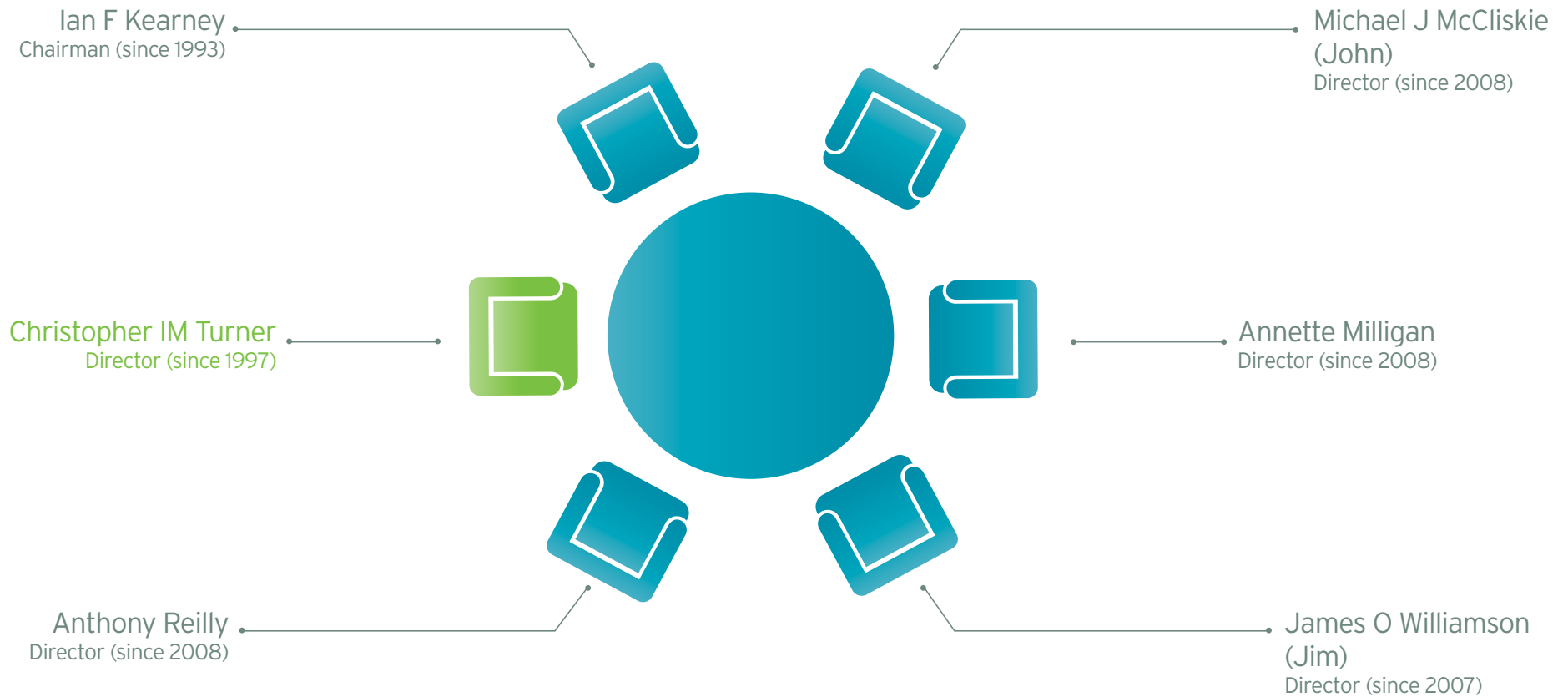
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Ian F Kearney, BCom, Dip Land Survey, Fellow IOD
Chairman (since 1993)

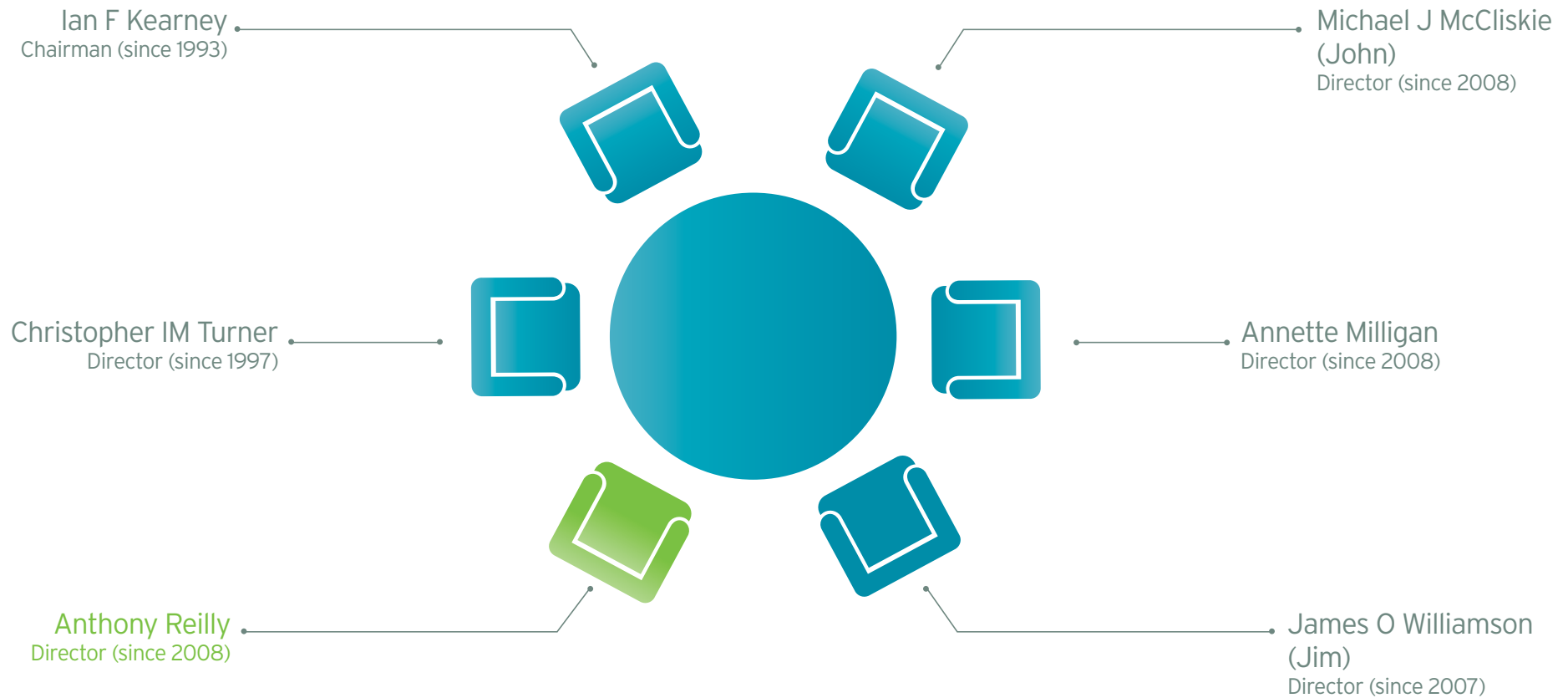
Ian is a company director and business advisor with extensive international business experience. He is a director of a number of companies with interests including horticulture, manufacturing and research and is chairman of the Cawthron Institute. He also chairs a number of community organisations.



Christopher IM Turner, BSc, CA

Director (since 1997)

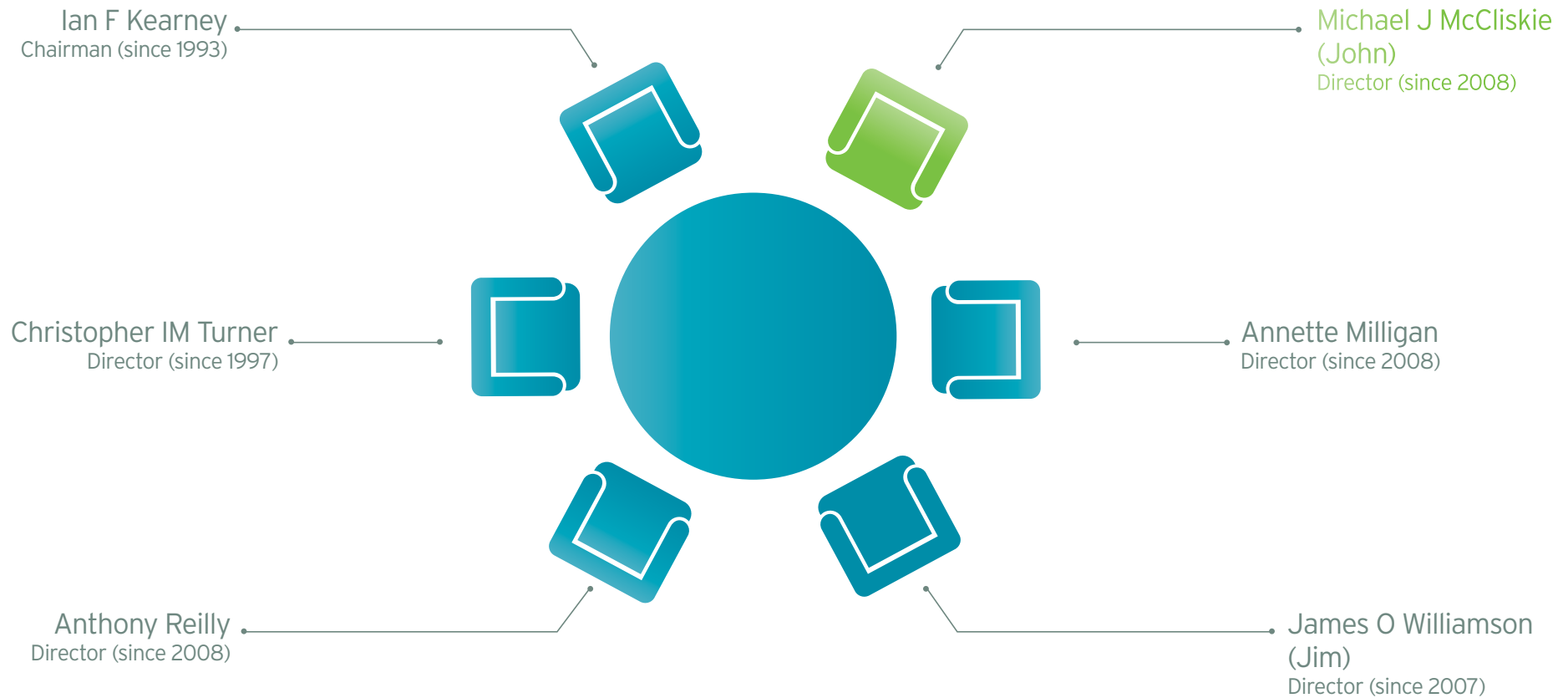
Chris is Chief Executive of Nelson Pine Industries Limited, a major user of electricity in the Nelson region. Chris has vast experience in commercial enterprises and is a past chairman of the New Zealand Wood Panel Manufacturers' Association.



Tony Reilly, B.Agr.Com

Director (since 2008)

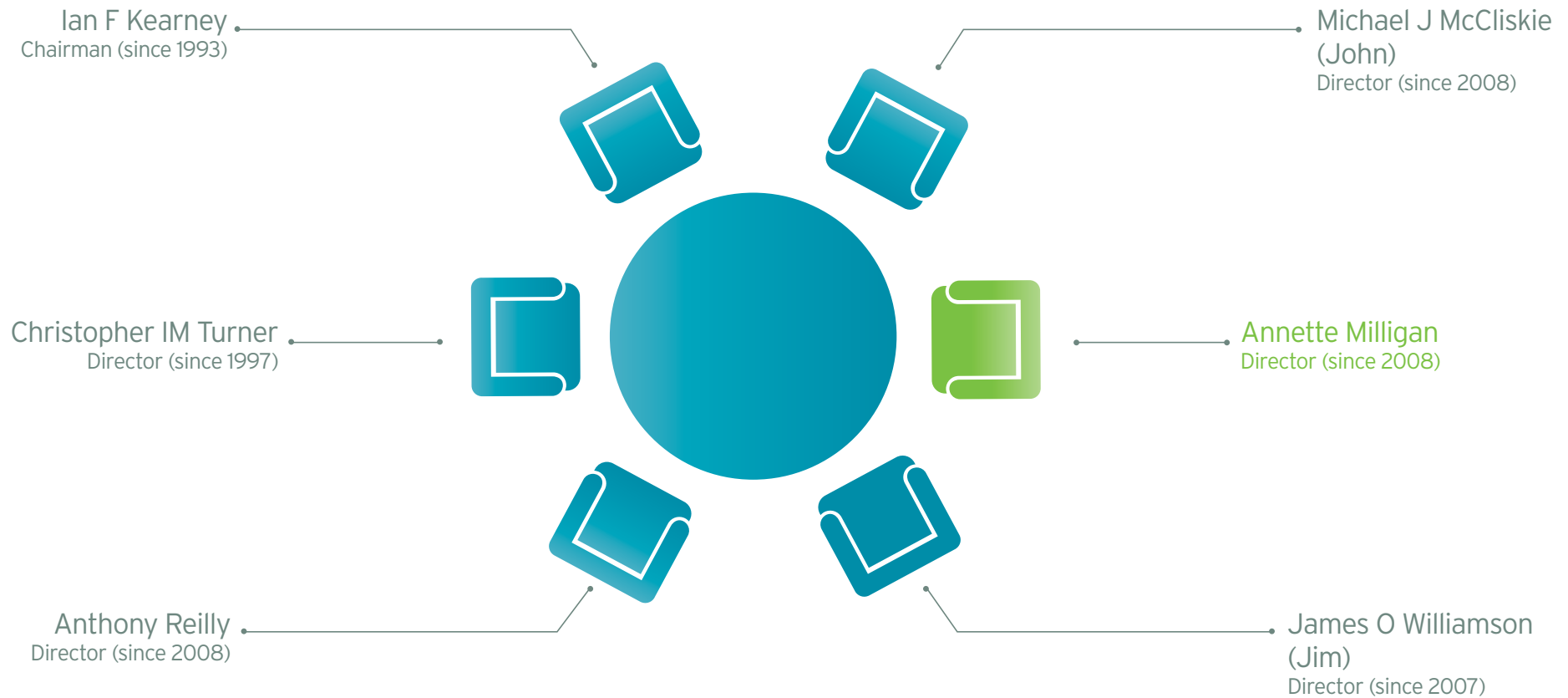
Tony has been involved in agricultural governance since 1995 at a local and national level, particularly in the dairy sector. Tony is also a director of Ravensdown Fertiliser Co-op Ltd, Cold Storage Nelson Ltd, New Zealand Co-operatives Association and a number of private companies.



Michael J McCliskie (John)

Director (since 2008)

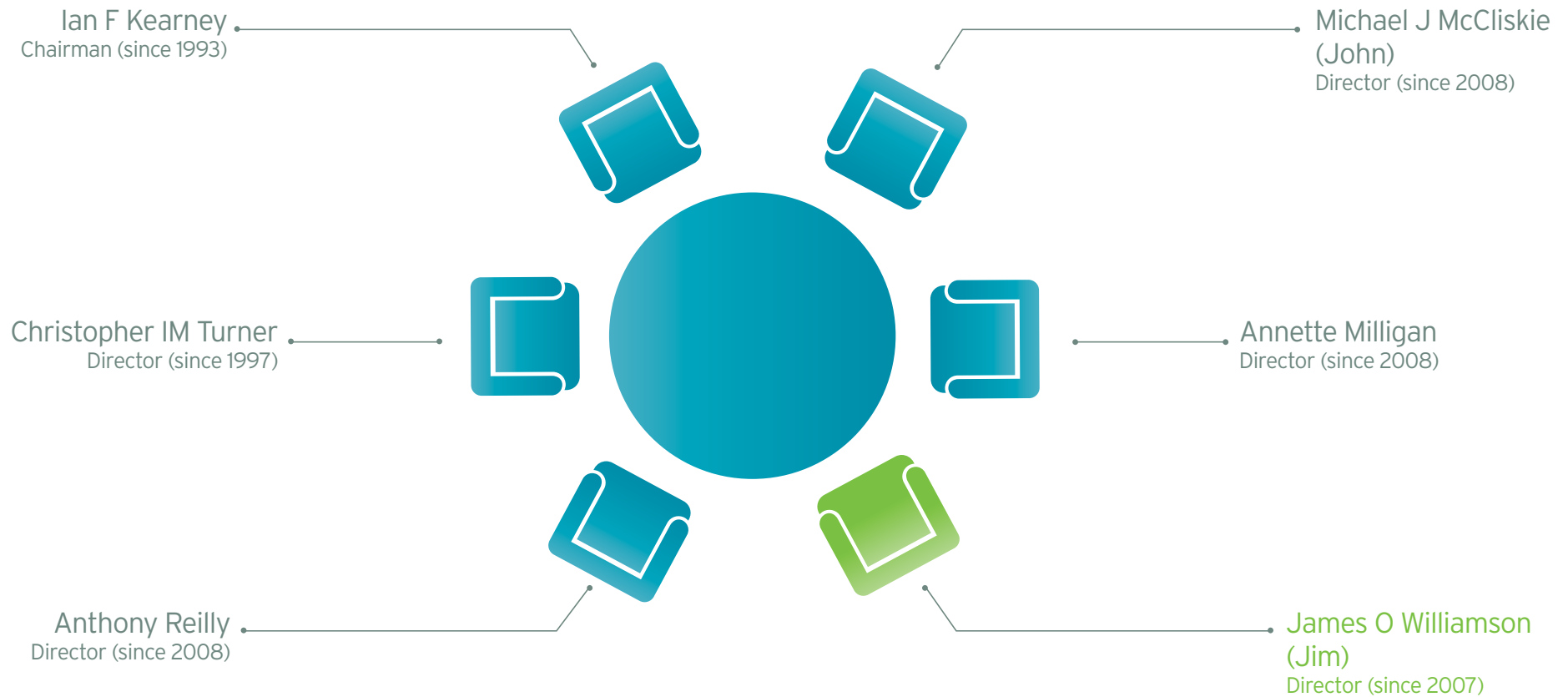
John has a background in international fruit marketing and is a director of a number of local and national companies involved in primary production. John is an experienced company director with past involvement in a range of SMEs, corporates, co-operatives and government entities.



Annette Milligan, BA

Director (since 2008)

Annette has been involved in health, education and youth sectors through personal companies, ministerial appointments to national committees and boards, and appointments to several trusts in the Nelson community. Annette is also a director of Nelson Airport Limited.



James O Williamson (Jim), BE (Hons)

Director (since 2007)

Jim is the past Chief Executive of Port Nelson Limited.

A utility worker wearing a white hard hat with a logo, safety glasses, and an orange high-visibility safety jacket with reflective white stripes is holding a yellow clipboard. He is standing in front of a power substation with metal structures and insulators. In the background, there is a large industrial building with a sign that says "Windsor".

Financial Performance

This year line discounts credited to consumers' power accounts reached a record \$10.8 million including GST.

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Highlights

- > Operating surplus of \$5.7 with positive cashflow from operations of \$11.9 million up \$2.4 million (26%) on the previous year.
- > Record line charge discounts credited to consumers of \$10.8 million including GST.
- > Network Tasman continues to maintain a strong balance sheet with net cash and term deposits of \$12 million and no term debt.
- > A fully imputed dividend of \$2.00 million paid to the Network Tasman Trust.

Financial Performance

Strong contributions from the core electricity and fibre businesses were off-set by lower returns from the company's cash deposits, customer contributions and property valuations. Following the previous year when the company's line discount policy was reviewed, the company continued to pay two line discounts to consumers.

This year line discounts credited to consumers' power accounts reached a record \$10.8 million including GST.

The financial targets as set down in the company's 2012 Statement of Corporate Intent are compared below with the actual results for the year and target for 2012:

Financial Performance Target

Total company:	Actual 2012	Target 2012
Surplus before interest, tax, line discounts & customer contributions (\$m)	\$16.2	\$15.66
Operating surplus after tax before customer contributions (\$m)	\$4.7	\$6.02
Operating surplus to shareholders' funds (%)	3.6%	3.7%
Line Charge Discounts (Excluding GST)(\$M)	\$9.4	\$9.5
Line business only:		
Total network costs per consumer (\$)	\$381	\$385
Cash operating costs per consumer (\$)	\$231	\$230

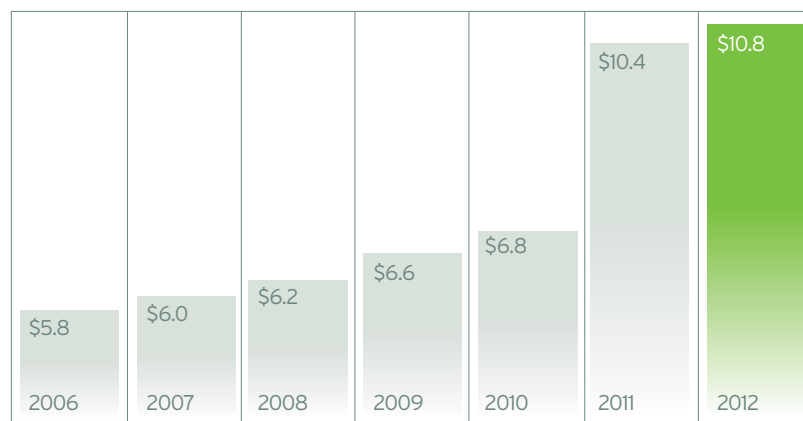
Cash flow from operations was up strongly for the year at \$11.9 million (\$9.5 million) due to improved returns from the company's core electrical and fibre networks, property investments and cost containment across the business. A reduced dividend of \$900,000 (\$1 million) was received from the company's associate company - Nelson Electricity Limited.

This cash flow enables the company to fund both maintenance and grow capital expenditure on the electrical network and fund additional investments in the fibre optic communications network as required.

The company spent \$6.6 million on capital expenditure during the year. Capital expenditure on the fibre network has been reduced until the impact the Government's UFB network will have on prices and demand is known.

Line charge discount to consumers

(\$ million inclusive of GST)

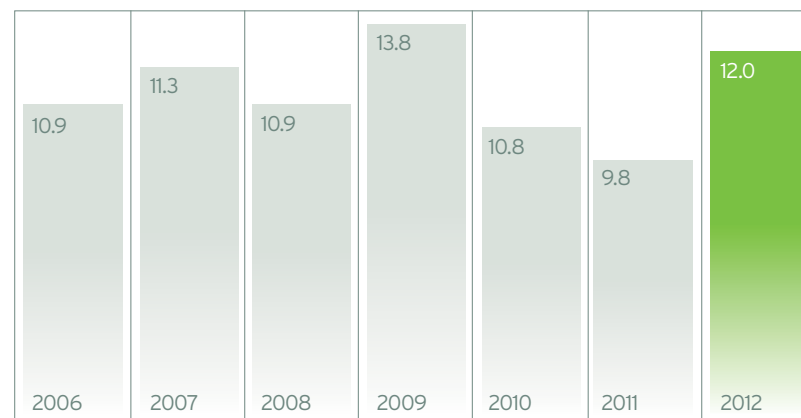


At the end of the financial year the company had total cash and term deposits of \$12 million up significantly from the previous year (\$8.8 million).

Going forward this cash on deposit, together with the strong cash flows from operations, positions the company to fund a number of new investment initiatives that are being reviewed by the board.

Net operating cash flow (\$mil)

(\$ million inclusive of GST)



The company's investment in Nelson Electricity continues to provide adequate returns. The company paid a fully imputed dividend of \$1.8 million (\$900,000 NTL's share) which was slightly down on the previous year's \$2.0 million (\$1 million). The company is underway with plans for the \$8 million upgrade to the Haven Road sub-station and a 4th 33kv supply from Transpower's Stoke GXP.

Customer Profile

Pic's Really Good Peanut Butter

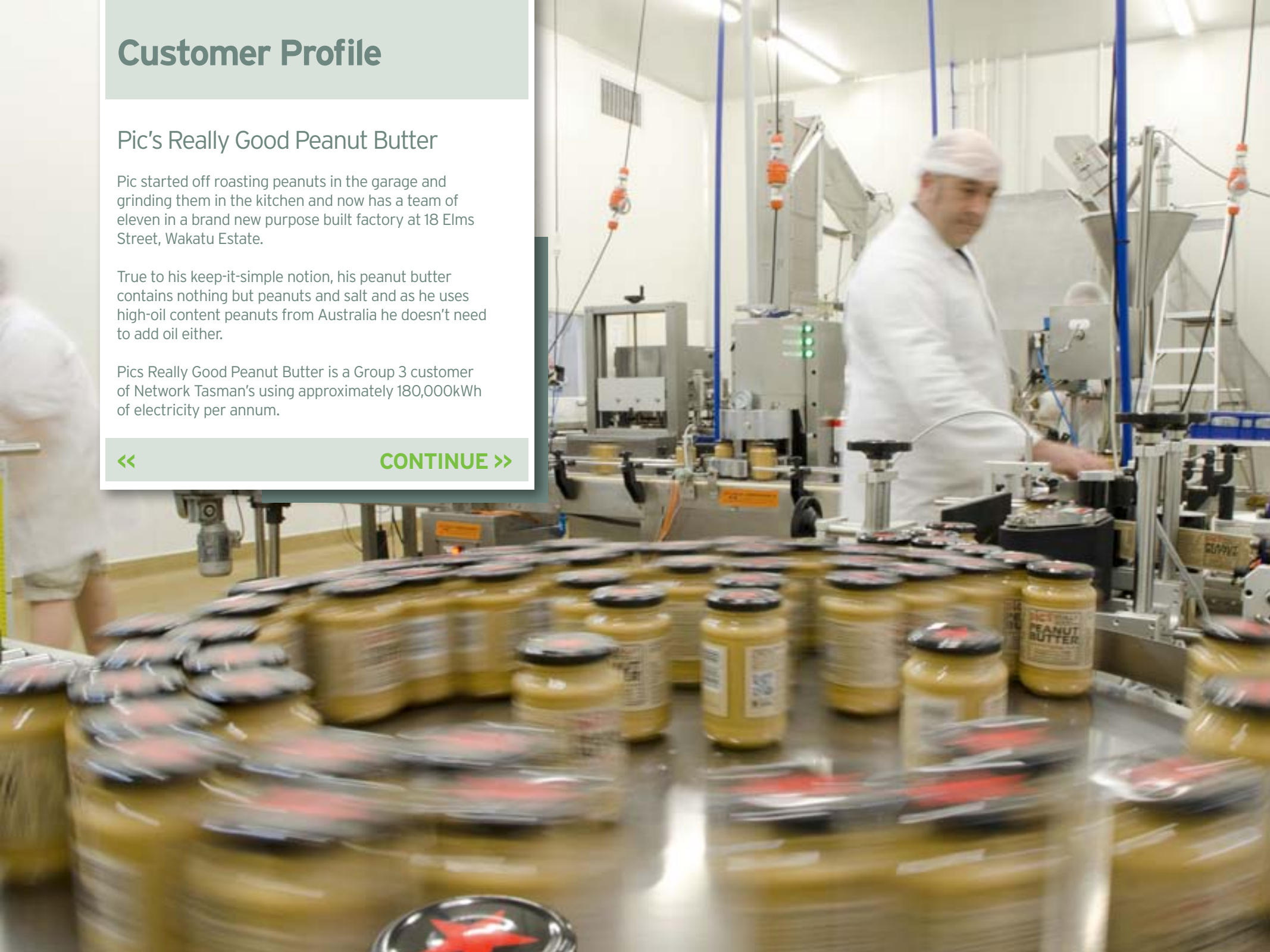
Pic started off roasting peanuts in the garage and grinding them in the kitchen and now has a team of eleven in a brand new purpose built factory at 18 Elms Street, Wakatu Estate.

True to his keep-it-simple notion, his peanut butter contains nothing but peanuts and salt and as he uses high-oil content peanuts from Australia he doesn't need to add oil either.

Pic's Really Good Peanut Butter is a Group 3 customer of Network Tasman's using approximately 180,000kWh of electricity per annum.



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Operational Performance

The company spent \$4.5 million on network distribution enhancements and renewals during the year. The main development project during the year was the commencement of a new 33kV cable from Transpower's Stoke GXP to the Founders zone sub-station.

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Highlights

- > Commencement of a new 33kV cable from Stoke to Founders sub-station
- > Selected as the preferred supplier of fibre and management services for the Nelson City Council CCTV network

Network Maintenance

Network Tasman operates a comprehensive network maintenance programme based on condition-based assessment and replacement of system components. Continual surveys of the network are performed to determine the condition and serviceability of the network components, with a comprehensive database recording all components that make up the network and the likely replacement requirements. Delta Utility Services Limited as our maintenance contractor and Treescape Limited as our vegetation services provider continue to deliver a high level of service to our consumers. The company spent \$4.6 million on network maintenance during the 2011/12 financial year.



Capital Expenditure

The company spent \$4.5 million on network distribution enhancements and renewals during the year. The main development project during the year was the commencement of a new 33kV cable from Transpower's Stoke GXP to the Founders zone sub-station. Once completed, this project will provide N-1 reliability to the Founders sub-station. Redevelopment of the Brightwater zone sub-station has also commenced with the new indoor switch room scheduled for completion in the second quarter of the current financial year.

During the year 410 consumer connections were added to the network, a growth rate of 1.1% for the year. While this is below the past level of growth, it indicates that the region remains relatively resilient in the face of a nationwide economic recession and historically low levels of new home starts. In the last 10 years 5,350 new consumers have joined the network, a cumulative increase of 17%, while the total electricity supplied across the network has increased by 117 GWh.

As a long-term infrastructure owner, Network Tasman produces an annual Asset Management Plan which documents the company's asset management practices and management strategy for its network distribution assets. The network development plan within the Asset Management Plan outlines the capital expenditure requirements for the network based on demand growth rates for the Network Tasman distribution area. The key drivers for the network development plan are maintaining security of supply and reliability of the network. Management continues to review the impact distributed generation, including photo voltaics, will have on demand and therefore capital expenditure plans going forward.

The company is budgeting to spend \$8.0 million on network-related capital expenditure projects in the 2012/13 financial year and \$81.4 million in the next 10 years.

A copy of the Asset Management Plan is available on the company's website at:

www.networktasman.co.nz

Reliability of the Network

The average duration of supply interruptions per connected consumer, measured by the SAIDI index, was 159 minutes for the year (179 minutes for 2010/11).

The company's SAIDI figures for planned outages have almost doubled due to recent changes to industry safety practices and the dropping of live line techniques for low voltage lines. The company supports this change in practice to safer operating conditions and is investigating other operational techniques to lessen the effect of planned outages on consumers.

Directors continue to review capital expenditure plans, network design and management options to improve feeder reliability. The company is to purchase two mobile generators that can be used to provide continuity of supply during planned outages. The reliability of the electricity distribution network is a key company objective, with ongoing capital enhancement projects undertaken to improve reliability.

SAIDI (in Minutes)



The reliability performance targets as set down in the company's 2012 Statement of Corporate Intent are compared below with the actual results for the year and target for 2012:

Reliability Performance Target

	Actual 2012	Target 2012
Average duration of supply interruptions per connected consumer (SAIDI), excluding Transpower planned and unplanned outages, not to exceed (minutes) -	159	115
Average number of supply interruptions per connected consumer (SAIFI), excluding Transpower planned and unplanned outages, not to exceed (times) -	1.38	1.36
Average duration of supply interruptions (CAIDI), excluding Transpower planned and unplanned outages, not to exceed (minutes) -	115	85
Faults per 100 km of line not to exceed -	6.5	6
% Faults not restored within three hours not to exceed -	33	20
Lost time injuries not to exceed -	0	0

Load factor on the network was 61.0% for the year (60.0% in 2010/11). Network losses were 5.4% for the year compared with 5.7% in the previous financial year.

Fibre Network

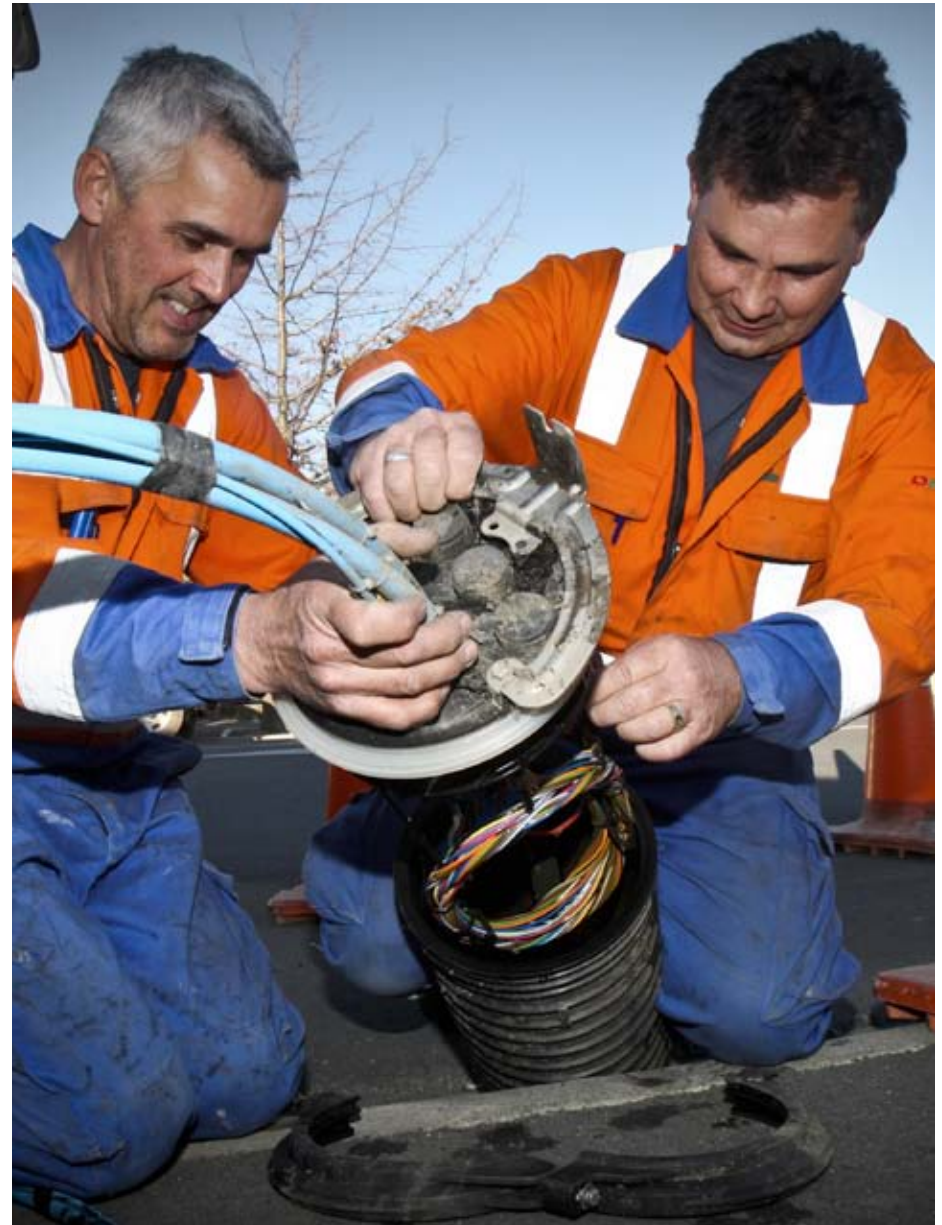
The company's fibre business unit was successful in securing two additional contracts during the year.

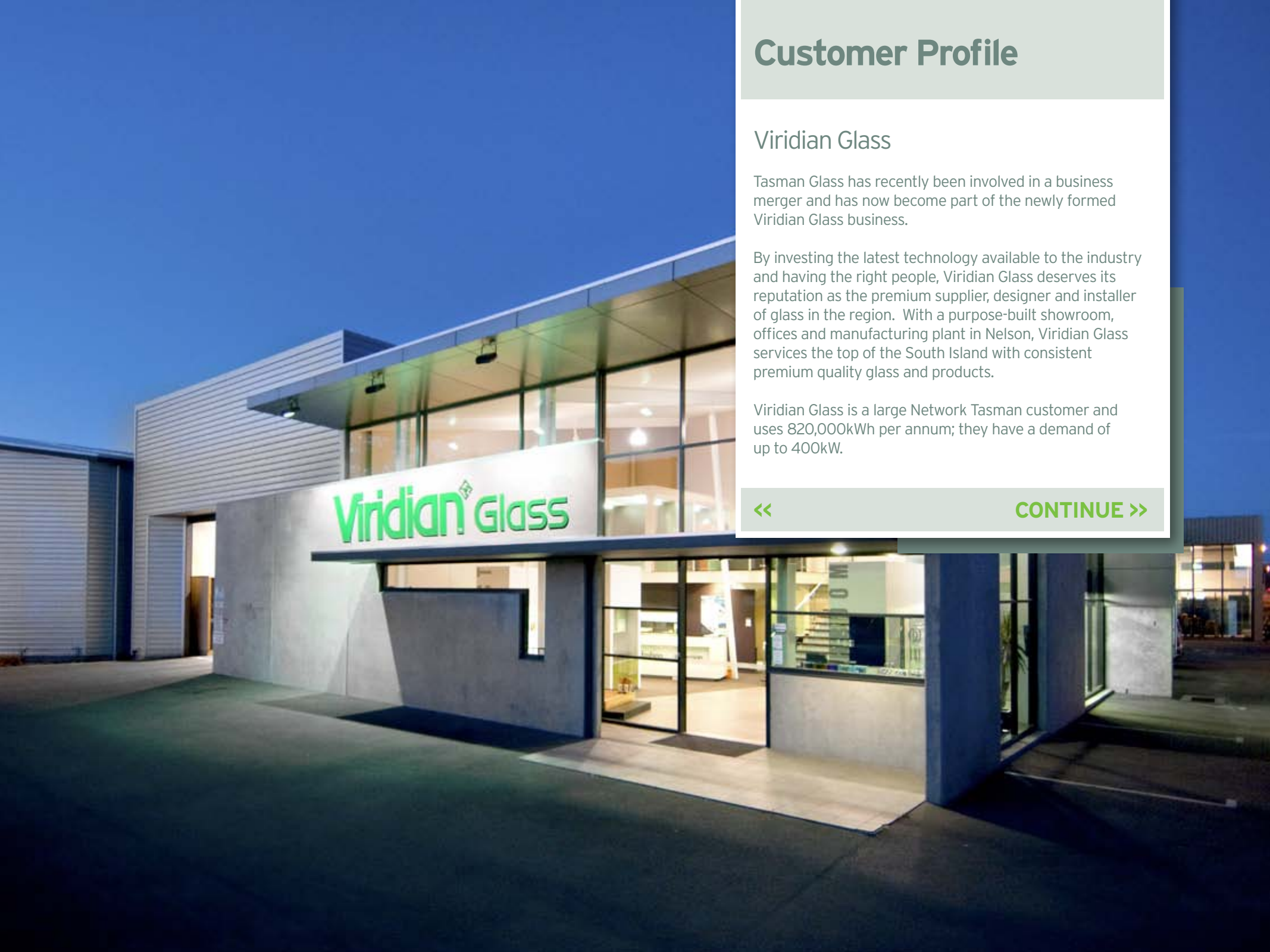
Firstly the Nelson City Council has contracted with Network Tasman to deliver a managed CCTV solution on behalf of the NCC and the New Zealand Police. The initial scope is to connect eight cameras within the CBD and deliver the images to two viewing stations at the police station.

Secondly the company was successful in its tender to deliver broadband services to some rural libraries and schools as part of the Government's Rural Broadband Initiative - Phase Two. The funding received will allow Network Tasman to connect a further four schools and two additional libraries to the company's existing network.

The Government's Crown Fibre Holdings Limited has selected Chorus as the partner to install ultra-fast broadband across the upper South Island, including areas currently serviced by the company's fibre networks. Network Tasman's existing network is already connected to a number of schools, hospitals and businesses in the region and there is the opportunity for Chorus to partner with us to maximise the use of this existing network.

While the UFB will undoubtedly provide a step change in fibre network across the region, directors remain confident that the company's existing investment in fibre, together with our existing customer base, places us in a good position to grow the business over the long term.





Customer Profile

Viridian Glass

Tasman Glass has recently been involved in a business merger and has now become part of the newly formed Viridian Glass business.

By investing the latest technology available to the industry and having the right people, Viridian Glass deserves its reputation as the premium supplier, designer and installer of glass in the region. With a purpose-built showroom, offices and manufacturing plant in Nelson, Viridian Glass services the top of the South Island with consistent premium quality glass and products.

Viridian Glass is a large Network Tasman customer and uses 820,000kWh per annum; they have a demand of up to 400kW.



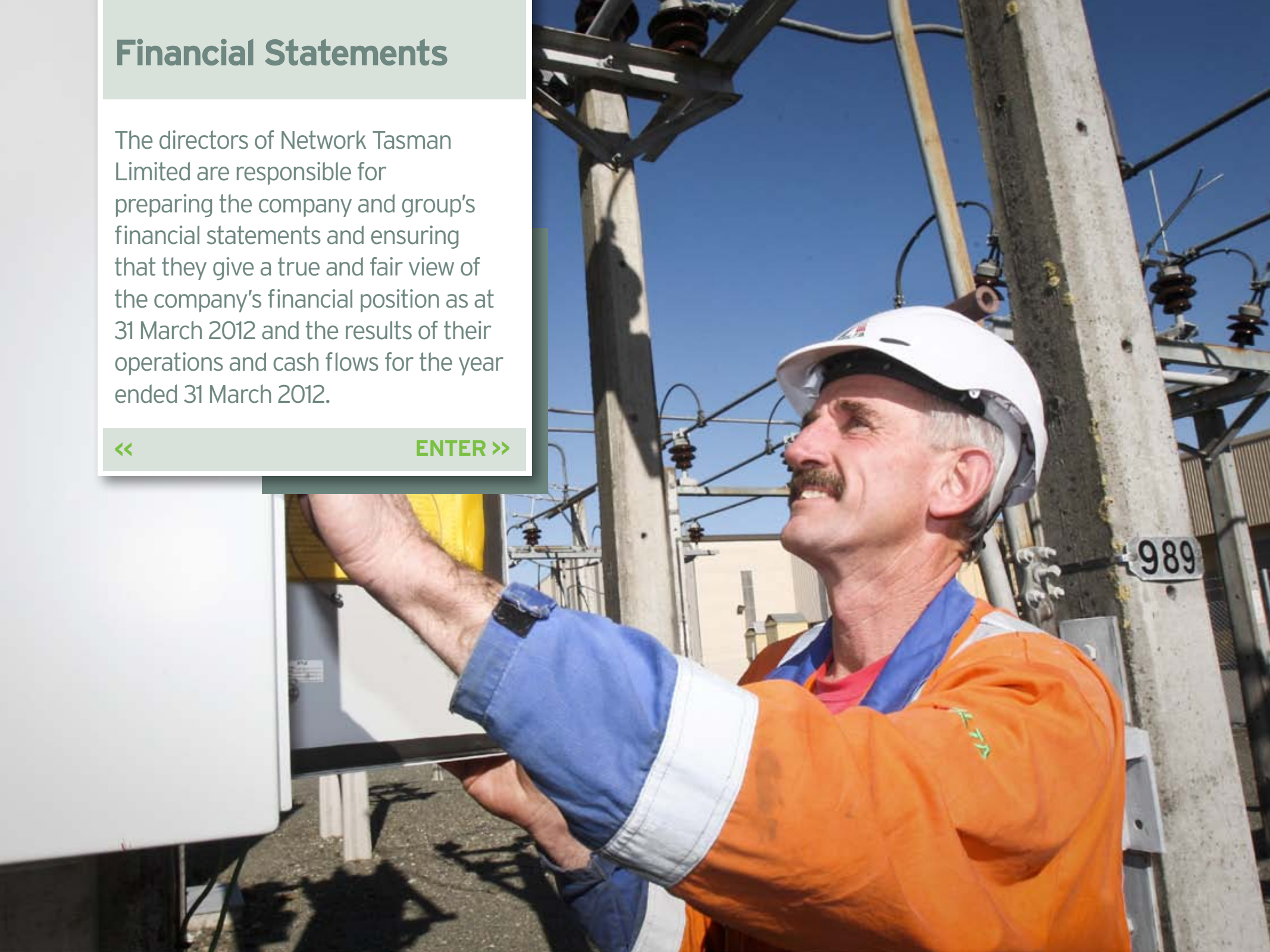
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Financial Statements

The directors of Network Tasman Limited are responsible for preparing the company and group's financial statements and ensuring that they give a true and fair view of the company's financial position as at 31 March 2012 and the results of their operations and cash flows for the year ended 31 March 2012.

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The directors of Network Tasman Limited are responsible for preparing the company and group's financial statements and ensuring that they give a true and fair view of the company's financial position as at 31 March 2012 and the results of their operations and cash flows for the year ended 31 March 2012.

The directors consider that the financial statements of Network Tasman Limited and group have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgments and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors also believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of Network Tasman Limited and group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors are pleased to present the financial statements of Network Tasman Limited & Group for the year ended 31 March 2012.

For and on behalf of the board of directors:



IF Kearney
Chairman
29th June 2012



CIM Turner
Director
29th June 2012

Network Tasman Limited & Group - Statement of comprehensive income

For the year ended 31 March 2012

		12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
	Note		
Total operating revenue	2	36,811	35,585
Total operating expenses	3	(28,975)	(27,094)
Operating surplus before income tax		7,836	8,491
Income tax (expense) / income	4	(2,068)	(1,660)
Operating surplus for the period		5,768	6,831
Other comprehensive income		-	-
Total comprehensive income		5,768	6,831
Total comprehensive income:			
Comprehensive income from continuing activities		5,768	6,831
Comprehensive income from discontinued activities		-	-
		5,768	6,831

The accompanying notes and accounting policies form part of and are to be read in conjunction with this statement.

Network Tasman Limited & Group - Statement of changes in equity

For the year ended 31 March 2012

		12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
Total equity at beginning of period	7	156,186	151,355
Total comprehensive income		5,768	6,831
Other movements			
Distributions to owners during the period	6	(2,000)	(2,000)
Total equity at end of period	7	159,954	156,186

The accompanying notes and accounting policies form part of and are to be read in conjunction with this statement.

Network Tasman Limited & Group - Balance sheet

As at 31 March 2012

	Note	12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
Current assets			
Cash and cash equivalents	9	7,430	3,832
Other financial assets	10	4,600	5,000
Debtors and receivables	11	4,328	4,522
Total current assets		16,358	13,354
Non-current assets			
Property, plant and equipment	12	153,199	153,634
Investment properties	13	14,664	14,049
Intangible assets	14	170	149
Investment in associate	15	9,054	8,678
Total non-current assets		177,087	176,510
Total assets		193,445	189,864
Current liabilities			
Payables and accruals	16	4,252	4,286
Provisions	17	333	262
Finance Lease	18	217	182
Total current liabilities		4,802	4,730
Non-current liabilities			
Provisions	17	250	236
Finance Lease	18	569	762
Deferred taxation	19	27,870	27,950
Total non-current liabilities		28,689	28,948
Equity			
Attributable to shareholders of the company	7	159,954	156,186
Total equity		159,954	156,186
Total liabilities and equity		193,445	189,864

The accompanying notes and accounting policies form part of and are to be read in conjunction with this statement.



Network Tasman Limited & Group - Statement of cash flows

For the year ended 31 March 2012

Cash flows from operating activities

Cash was provided from:

Receipts from customers
Dividend income received
Interest income received

Cash was applied to:

Payments to suppliers and employees
Income tax paid
Interest expense paid

Net cash flows from operating activities

Cash flows from investing activities

Cash was provided from:

Proceeds from sale of property, plant and equipment

Cash was applied to:

Purchase of property, plant and equipment and investment properties
Bank term investments

Net cash flows from investing activities

Cash flows from financing activities

Cash was applied to:

Dividends paid
Finance lease repayments

Net cash flows from financing activities

Net increase (decrease) in cash held

Cash balances at beginning of period

Cash balances at end of period

Composition of cash balances at end of year

Cash on hand and at bank
Cash equivalents - term deposits

Total

Note	12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
	42,440	39,871
	900	900
	453	381
	43,793	41,152
	29,878	29,206
	1,883	2,334
	67	86
	31,828	31,626
21	11,965	9,526
	6	13
	6	13
	6,614	8,109
	(400)	5,000
	6,214	13,109
	(6,208)	(13,096)
	2,000	2,000
	159	144
	2,159	2,144
	(2,159)	(2,144)
	3,598	(5,714)
	3,832	9,546
	7,430	3,832
	79	168
	7,351	3,664
9	7,430	3,832

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

1. Statement of Accounting Policies

Statement of Compliance

The reporting entity is Network Tasman Limited. Network Tasman Limited is a profit-oriented company registered under the Companies Act 1993. The company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that act and section 44 of the Energy Companies Act 1992. The financial statements are for Network Tasman Limited ("the company") and its interest in an associate entity (Nelson Electricity Limited) and four wholly-owned non-trading subsidiary companies:

- > Tasman Energy Limited
- > Tasman Fibre Network Limited
- > Tasman Generation Limited
- > Tasman Investments Limited

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for profit-orientated entities. Compliance with NZ IFRS ensures that the financial statements comply with International Financial Reporting Standards (IFRS).

Basis of Preparation

These financial statements are presented in New Zealand dollars, rounded to the nearest thousand. The financial statements have been prepared on the basis of historical cost with the exception of distribution system assets and investment properties, which have been measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets.

The financial statements comprise a Statement of Comprehensive Income, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and notes to these statements.

Critical judgements, estimates and assumptions in applying the entity's accounting policies

Preparing financial statements to conform with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from the estimates.

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the period if the change affects only that period, or into future periods if it also affects future periods.

In the process of applying the company's accounting policies, management has made the following judgements, estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements.

The company invoices its customers (predominantly electricity retailers) monthly for electricity delivery services on the basis of metered usage figures provided by those retailers. Network Tasman is entirely reliant upon the accuracy of the monthly metered data supplied by the retailers. Estimates are inherent in this data, however any inaccuracies in the estimates are corrected in subsequent months when read data becomes available. All meters are read at least once a year, with the majority read bi-monthly.

Other areas where judgement has been exercised in preparing these financial statements are in relation to calculating provisions for doubtful debts, assessing the level of any unrecoverable work in progress and calculating provisions for employee entitlements.

2. Summary of significant accounting policies

The following significant accounting policies have been adopted in preparation and presentation of these financial statements.

Investment in Associate

The associate is an entity in which the company holds a substantial shareholding and exerts significant influence, but not control, over the operating and financial policies of the entity.

The equity method of accounting has been adopted to account for the company's interest in its associate. The investment in associate is initially recognised at cost and the carrying amount is increased or decreased to recognise NTL's share of the surplus or deficit of the associate after the date of acquisition. The company's share of the operating surplus of the associate is recognised as a component of operating revenue before taxation in the statement of comprehensive income. Dividends received from the associate entity are credited to the carrying amount of the investment in the associate.

When the company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The company's share in the associate's surplus or deficit resulting from unrealised gains on transactions between the company and its associate is eliminated.

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

Revenue

Line revenue

Retailer-owned electricity meters are read on the basis of constant cycles each year. Line revenues include an estimated amount for accrued sales as at 31 March 2012.

Customer contributions

Cash contributions from customers, including government agencies, relating to assets, are credited directly to income when the asset is connected to the network. The company acquires certain distribution assets for less than their replacement cost. Such assets are capitalised at their replacement cost to the company and the difference between the cash cost and the replacement cost is recognised as revenue in the year of acquisition.

Property, plant and equipment

Initial recording

All owned items of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price plus any other costs directly attributable to bringing the item to working condition for its intended use. Donated assets are recorded at fair value.

Distribution system assets are stated at deemed cost based upon an independent valuation completed by PricewaterhouseCoopers as at 31 March 2004. Other property, plant and equipment, computer equipment and motor vehicles are recorded at cost.

Asset components

When the components of an item of property, plant and equipment have different useful lives, the cost of the item is allocated to its components and each component is accounted for separately in accordance with the company's Asset Management Plan (AMP).

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale will be capitalised to the cost of that asset. Once an asset is put into productive use capitalisation of borrowing costs will cease.

All other borrowing costs will be recognised as an expense in the period in which they are incurred.

Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that the expenditure increases the economic benefits over the total life of the item beyond those most recently assessed in determining the basis of the item's carrying amount.

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

Disposal of property, plant and equipment

Where an item of property, plant and equipment is disposed of any gains or losses are reported in the operating surplus. An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the operating surplus in the year the item is de-recognised.

Depreciation

Depreciation of property, plant and equipment is calculated so as to expense the cost of the assets, less any residual value, over the assets useful lives. The depreciation methods and depreciation rates used are as follows:

Asset class	Depreciation method	Depreciation rates
Primary distribution assets	Straight line	1.59% - 6.16%
Secondary distribution assets	Straight line	1.33% - 9.20%
Sub-station assets	Straight line	1.33% - 15.33%
Load control plant	Straight line	2.50% - 17.33%
Streetlights	Straight line	1.33% - 33.33%
Consumer connection assets	Straight line	2.22% - 33.33%
Communication assets	Straight line	1.96% - 6.15%
Buildings	Straight line/Diminishing value	2% - 20%
Plant and equipment	Diminishing value	20%
Motor vehicles	Diminishing value	20%
Computer equipment	Diminishing value	48%

These rates may vary from those allowed for taxation purposes.

The depreciation rates on distribution system assets in existence at the time of the previous revaluation (31 March 2004) are based on the assessed residual lives as determined in the calculation of the Optimised Depreciated Replacement Cost (ODRC).

New distribution assets (as from 1 April 2004) were assessed based on the standard useful lives as contained in the Handbook for Optimised Deprival Valuation of System Fixed Assets of Electricity Line Businesses as issued by the Commerce Commission and dated 30 August 2004. Pole structures, which have a physical life well in excess of the standard useful lives, were assessed by the company's qualified engineers.

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

Capital work in progress

Capital work in progress is not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

Investment properties

Investment properties are measured at cost including transaction costs. Subsequent to initial recognition investment properties are stated at fair value.

Gains or losses arising from changes in the fair values of investment properties are recognised in the operating surplus in the year in which they arise. Valuations are determined on an annual basis by independent registered valuers, Duke & Cooke Limited.

Intangible assets

Computer Software

Computer software is separately acquired and capitalised at its cost as at the date of acquisition. After initial recognition, separately acquired intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Where the computer software has a defined life, it is amortised on a straight line basis over its life. Where the computer software does not have a defined life the associated amortisation rate has been estimated as 48% diminishing value.

Amortisation begins when the asset is available for use and ceases at the date that the asset is de-recognised. The amortisation charge for each year is recognised in the operating surplus.

Taxation

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted by balance date.

Current tax is the amount of income tax payable based on the taxable profit for the current year and any adjustments to income tax payable in respect of prior years.

Current and deferred tax are recognised as an expense or income in the profit and loss, except where they relate to items that are recognised outside profit and loss (whether in other comprehensive income or directly in equity) in which case the tax is also recognised outside profit and loss.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is recognised, using tax rates that have been enacted or substantially enacted by balance date.

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

Receivables

Receivables are initially measured at fair value and subsequently measured at amortised cost using effective interest method, less any provision for impairment.

Investment income

Interest and rental income is recognised in the statement of comprehensive income as it accrues. Dividend income is recognised in the statement of comprehensive income on the date that the dividend is declared.

Impairment

Where an indicator of impairment exists either at an individual asset or at the cash generating unit level, the fair value of the asset will be determined by assessing the recoverable amount of the individual asset or the cash generating unit.

A cash generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. An impairment loss for a non-revalued asset is recognised in the operating surplus for the year.

The carrying amounts of the company's assets, other than inventory, investment property and deferred tax assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists for an asset, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amounts are the higher of fair value (less costs to sell) and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Equity instruments are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price. Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the operating surplus.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and investments in money market instruments with maturities of three months or less at their inception.

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

Employee entitlements

Employee entitlements include annual leave, a provision for sick leave entitlement and long service leave. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months, such as long service leave, are measured as the present value of the estimated future cash outflows to be made by the company taking into account the years of service, years of entitlement and the likelihood staff will reach the point of entitlement.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

At the commencement of the lease term, Network Tasman recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The amount recognised as an asset is depreciated over its useful life or the shorter of the lease term and useful life. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Goods and Services Tax (GST)

The statement of comprehensive income and cash flow statement have been prepared so that all components are stated exclusive of GST. All components in the statement of financial position are stated net of GST except for receivables and payables which are stated inclusive of GST.

Foreign currency

The functional and presentation currency is New Zealand dollars. Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction. Foreign currency monetary items at balance date are translated at the exchange rate ruling at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates ruling at the date when the fair value was determined. Exchange differences are recognised in the operating surplus in the period in which they arise.

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

Changes in accounting policies

There have been no changes in accounting policies.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

The following new standards, interpretations and amendments are not yet effective for the year ended 31 March 2012 and have not been applied in preparing these financial statements.

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended March 2013.

The company has not yet determined the potential impact of the new standards, interpretations and amendments.

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

	Note	12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
2. Operating revenue			
Continuing activities			
Trading revenue			
Line revenue (net of discounts)		28,412	26,800
Customer contributions		1,117	2,138
Other revenue		4,271	3,776
Investment revenue			
Share of surplus of associate		1,276	1,223
Interest income		434	396
Rental income from investment properties		1,267	1,153
Reversal of Impairment of asset value		31	99
Gain on sale of assets		3	-
Total operating revenue from continuing activities		36,811	35,585

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

	Note	12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
3. Operating expenses			
Operating expenses include:			
Gross transmission costs		12,695	12,061
Depreciation of property, plant and equipment and amortisation of intangible assets			
Primary distribution assets		221	221
Secondary distribution assets		4,583	4,407
Substation assets		333	334
Load control plant		85	110
Streetlights		15	15
Consumer connections		227	225
Freehold buildings		48	48
Plant and equipment		56	61
Computer equipment		84	4
Motor vehicles		25	17
Assets leased from Transpower		152	152
Intangible assets		104	179
Total depreciation of property, plant and equipment and amortisation of intangible assets		5,933	5,773
Auditors' fees			
Audit fee		58	41
Other assurance services - Audit New Zealand		58	30
Remuneration paid to other auditors - PricewaterhouseCoopers		23	-
Costs of offering credit			
Bad debts written off		7	3
Change in provision for doubtful debts		4	-
Governance expenses			
Directors' fees		198	198

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

3. Operating expenses (cont'd)

Other expenses

Donations	3	103
Employment costs	2,575	2,433
Property, plant & equipment written off	219	322
Decrease/(Increase) in fair value of investment properties	694	(99)

Other assurance services comprise an independent assurance report on the company's regulatory disclosure in accordance with the Electricity (Information Disclosure) Requirements 2008 and price quality path starting price adjustment.

Interest Expense

Notional interest expense on Transpower new investment agreements	68	84
Use of Money interest	(1)	2
Other Interest Paid	9	-

4. Income tax

Operating surplus before income tax

Prima facie taxation at 28% (2011 30%)

Plus / (less) taxation effect of:

Non-taxable customer contributions	(311)	(639)
Depreciation	382	356
Equity accounted earnings from associate	(357)	(367)
Change in fair value of investment properties	194	(30)
Movement in deferred tax	(80)	(157)
Other adjustments	46	(50)

Under/(Over) provision from prior years

Income tax expense recognised in statement of financial performance

Comprising:

Current tax liability	2,148	1,817
Deferred tax on temporary differences	(80)	(157)

Note

12 months
31 March
2012
\$000

12 months
31 March
2011
\$000

18



Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

	Note	12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
5. Imputation credit account			
Balance at beginning of period		6,802	4,939
Imputation credits attached to dividends paid during the period		(857)	(857)
Imputation credits attached to dividends received during the period		350	386
Income tax payments during the period		1,883	2,334
Balance at end of period		8,178	6,802
6. Dividends			
Dividends during the period:			
Dividends paid		2,000	2,000
Total dividends paid		2,000	2,000
7. Equity			
Issued and paid up capital		57,185	57,185
Share premium reserve		1,938	1,938
Retained earnings	8	100,831	97,063
Total equity		159,954	156,186

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

7. Equity (cont'd)

Issued and paid up capital

Balance at beginning of period

Balance at end of period

All shares are \$1 shares and are fully paid. There is no uncalled capital. All shares carry equal voting rights. None of the shares carry fixed dividend rights.

Share premium reserve

Balance at beginning of period

Premium paid during year

Balance at end of period

8. Retained earnings

Balance at beginning of period

Operating surplus for the period

Total available for appropriation

Dividends paid

Balance at end of period

Note	12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
	57,185	57,185
	57,185	57,185
	1,938	1,938
	-	-
	1,938	1,938
	97,063	92,232
	5,768	6,831
	102,831	99,063
6	(2,000)	(2,000)
	100,831	97,063

Network Tasman Limited & Group - Notes to and forming part of the financial statements
For the year ended 31 March 2012

9. Cash and equivalents

Cash on hand and at bank
Cash equivalents - short term deposits

Total cash and equivalents

The carrying value of short-term deposits with original maturity dates of three months or less approximates their fair value.

The interest rates on these investments range from 3% to 4.5% (31 March 2011: 3% to 4.43%).

10. Other financial assets

Term deposits

Total other financial assets

The carrying value of short-term deposits with original maturity dates of three months or more approximates their fair value.

The interest rates on these investments range from 4.3% to 4.55% (31 March 2011: 4.15% to 5.25%).

Note	12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
	79	168
	7,351	3,664
	7,430	3,832
	4,600	5,000
	4,600	5,000

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

11. Debtors and receivables

Current

Trade receivables
Interest accrued
Sundry receivables
Prepayments

Total current receivables

The carrying value of receivables approximates their fair value. As at 31 March 2012 and 31 March 2011 the receivables have been assessed for impairment and appropriate provisions applied, as detailed below.

Trade receivables

		31 March 2011 \$'000			31 March 2010 \$'000	
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	3,885	-	3,885	3,965	-	3,965
Past due 1 - 30 days	51	-	51	115	-	115
Past due 31 - 60 days	8	-	8	10	-	10
Past due 61 - 90 days	4	-	4	1	-	1
Past due > 91 days	82	(16)	66	81	(12)	69
	4,030	(16)	4,014	4,172	(12)	4,160

Movement in provision for impairment of receivables are as follows:

Movement in provision for impairment

Opening balance

Additional provisions made during the year
Receivables written off during period

Closing balance

Note

12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
4,014	4,160
50	69
-	81
264	212
4,328	4,522

12	6
7	8
(3)	(2)
16	12

Network Tasman Limited & Group - Notes to and forming part of the financial statements
For the year ended 31 March 2012

12. Property, plant and equipment

	Primary Distribution assets \$000	Secondary Distribution assets \$000	Substation land \$000	Substation assets \$000	Load control plant \$000	Street lights \$000	Consumer connections \$000
Cost or Valuation							
Balance at 31 March 2010	10,054	138,685	2,744	11,912	1,636	623	6,854
Additions / adjustments	-	7,390	1,013	45	40	-	153
Disposals	-	(378)	-	-	-	-	-
Balance at 31 March 2011	10,054	145,697	3,757	11,957	1,676	623	7,007
Balance at 1 April 2011	10,054	145,697	3,757	11,957	1,676	623	7,007
Additions / adjustments	41	4,144	(324)	233	6	-	133
Disposals	-	(281)	-	-	-	-	-
Balance at 31 March 2012	10,095	149,560	3,433	12,190	1,682	623	7,140
Accumulated depreciation							
Balance at 31 March 2010	1,327	22,979	-	1,757	760	206	1,483
Depreciation expense	221	4,408	-	334	110	15	225
Elimination on disposal	-	(56)	-	-	-	-	-
Balance at 31 March 2011	1,548	27,331	-	2,091	870	221	1,708
Balance at 1 April 2011	1,548	27,331	-	2,091	870	221	1,708
Depreciation expense	221	4,584	-	333	85	15	227
Elimination on disposal	-	(59)	-	-	-	-	-
Balance at 31 March 2012	1,769	31,856	-	2,424	955	236	1,935
Carrying amounts							
As at 31 March 2011	8,506	118,366	3,757	9,866	806	402	5,299
As at 31 March 2012	8,326	117,704	3,433	9,766	727	387	5,205

Network Tasman Limited & Group - Notes to and forming part of the financial statements
For the year ended 31 March 2012

12. Property, plant and equipment (cont'd)

	Buildings	Land	Plant equipment	Computer equipment	Motor vehicles	Assets leased from Transpower	Assets under construction	Total Assets
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost or Valuation								
Balance at 31 March 2010	2,323	3,021	1,087	684	198	2,181	853	182,855
Additions / adjustments	91	(4)	54	(5)	30	-	(121)	8,686
Disposals	-	-	(23)	(242)	-	-	-	(643)
Balance at 31 March 2011	2,414	3,017	1,118	437	228	2,181	732	190,898
Balance at 1 April 2011	2,414	3,017	1,118	437	228	2,181	732	190,898
Additions / adjustments	10	(48)	20	183	54	-	1,135	5,587
Disposals	-	-	-	(14)	(26)	-	-	(321)
Balance at 31 March 2012	2,424	2,969	1,138	606	256	2,181	1,867	196,164
Accumulated depreciation								
Balance at 31 March 2010	214	416	802	549	134	1,357	-	31,984
Depreciation expense	48	(1)	61	4	17	152	-	5,594
Impairment	-	(4)	-	-	-	-	-	(4)
Elimination on disposal	-	-	(17)	(237)	-	-	-	(313)
Balance at 31 March 2011	262	411	846	316	151	1,509	-	37,261
Balance at 1 April 2011	262	411	846	316	151	1,509	-	37,264
Depreciation expense	48	-	56	84	25	152	-	5,830
Impairment	-	(31)	-	-	-	-	-	(31)
Elimination on disposal	-	-	-	(14)	(25)	-	-	(98)
Balance at 31 March 2012	310	380	902	386	151	1,661	-	42,965
Carrying amounts								
As at 31 March 2011	2,152	2,606	272	121	77	672	732	153,634
As at 31 March 2012	2,114	2,589	236	220	105	520	1,867	153,199

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

	Note	12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
12. Property, plant and equipment (cont'd)			
Valuation information			
The company elected to use the deemed cost approach on adoption of NZ IFRS, in accordance with NZ IFRS1. This approach has used the fair value determined for each asset category at its most recent valuation and then adjusted for subsequent additions at cost. Distribution assets are valued at deemed costs based upon an independent valuation completed by PricewaterhouseCoopers as at 31 March 2004.			
There are no restrictions over the title of the property, plant and equipment, except for the assets leased from Transpower, nor are any items of property, plant and equipment pledged as security for liabilities.			
13. Investment properties			
Movement in investment properties			
Opening balance		14,049	12,850
Plus Additions		1,200	2,348
Plus / (less) fair value gain / (loss) on valuation		(694)	99
Plus increase / (decrease) in assets under construction		111	(1,248)
Less disposals		(2)	-
Closing balance		14,664	14,049
Investment properties are represented by:			
Land		8,561	7,973
Buildings		5,845	5,929
Assets under construction		258	147
Total investment properties		14,664	14,049

Valuation information

Investment properties were last valued by M W Lauchlan FNZIV, FPINZ, AREINZ, an independent registered valuer of Duke & Cooke Limited as at 31 March 2012. The valuation was based on fair value. Assets under construction have been valued at cost. In determining fair value, the capitalisation of net income method has been used. This method is based upon assumptions including future rental income and appropriate discount rates.

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

14. Intangible assets

Movement in intangible assets

Opening balance
Plus additions
Less amortisation
Less disposals
Plus accumulated provision write back on disposal

Closing balance

Intangible assets are represented by:

Intangible assets - 31 March 2012

Computer software

Total Intangible assets

Intangible assets - 31 March 2011

Computer software

Total Intangible assets

Note	12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
	149	126
	125	205
	(104)	(179)
	-	(40)
	-	37
	170	149
At cost \$000	Accum. amortisation \$000	Carrying amount \$000
1,426	1,256	170
1,426	1,256	170
1,301	1,152	149
1,301	1,152	149

There are no restrictions over the title of the intangible assets, nor are any intangible assets pledged as security for liabilities.

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

	Note	12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
15. Investment in associate			
Associate company	Total comprehensive income		
Name of entity	Activity		
Nelson Electricity Limited <i>Ownership interest</i>	Distribution network owner & operator	9,054 50%	8,678 50%
Nelson Electricity Limited is incorporated in New Zealand, and has a balance date of 31 March.			
Results of associate			
Share of surplus before income tax		1,821	1,826
Movement in NEL deferred tax		7	5
Income tax		(552)	(606)
Share of comprehensive income		1,276	1,225
Total recognised revenues and expenses		1,276	1,225
Carrying value of associate			
Opening balance at beginning of period		8,678	8,353
Share of comprehensive income		1,276	1,225
Dividends received		(900)	(900)
Closing balance at end of period		9,054	8,678

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

	Note	12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
15. Investment in associate (cont'd)			
Summarised financial information of associate			
Nelson Electricity Limited applied the small company exemption and has not adopted NZ IFRS. It also has a different accounting policy for property, plant and equipment, continuing to revalue rather than adopting deemed cost.			
The following is a summary of Network Tasman Limited's share of Nelson Electricity Limited's financial information adjusted to be prepared on the same basis as Network Tasman Limited financial statements.			
Assets		13,336	13,390
Liabilities		4,282	4,712
Revenues		4,697	4,542
Surplus / (deficit)		1,276	1,225
16. Payables and accruals			
Current			
Trade payables and accruals		3,571	3,868
Tax Payable		681	418
Total current payables and accruals		4,252	4,286
Trade payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade payables approximate their fair value.			

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

	Note	12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
17. Provisions			
Current			
Employee entitlements		233	223
Sundry provisions		100	39
Total current provisions		333	262
Non-current			
Employee entitlements		250	236
Total non-current provisions		250	236
Total Provisions		583	498
Provision for employee entitlements			
Balance at beginning of period		460	459
Additional provisions made		231	235
Amount utilised		(207)	(217)
Provision reversed		-	(17)
Balance at end of period		484	460

The provision for employee entitlements relates to employee benefits such as accrued annual leave, long service leave and sick leave.

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

	Note	12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
17. Provisions (cont'd)			
Sundry provisions			
Balance at beginning of period		39	35
Additional provisions made		99	75
Amount utilised		(39)	(72)
Provision reversed		-	-
Balance at end of period		99	38
Total Provisions		583	499

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

18. Finance leases

Finance Lease Liability as at 31 March 2012

No later than one year	270	255
Later than one year and not later than five years	623	871
Later than five years	1	7
Minimum Lease Payments	894	1,133
Less Future Finance Charges	109	189
Present Value of Minimum Lease Payments	785	944

Included in the financial statements as:

Current Borrowings	217	182
Non-current borrowings	569	762
	786	944

Total Liability	
March 2012	March 2011
270	255
623	871
1	7
894	1,133
109	189
785	944

Principal	
March 2012	March 2011
217	182
569	756
-	6
786	944
786	944

The finance lease liability relates to agreements with Transpower New Zealand Limited (Transpower) for Transpower to construct assets at Transpower grid exit points. The agreements are for a term of 15 years. The company does not own the assets at the end of the lease term and there is no residual value. There is no security provided for these arrangements. The monthly payment amount may be reviewed annually by Transpower and the risk free portion of the interest rate may be adjusted.

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

19. Deferred taxation

Balance at beginning of period
Deferred tax on temporary differences

Balance at end of period

Note	12 months 31 March 2012 \$'000	12 months 31 March 2011 \$'000
	27,950 (80)	28,107 (157)
	27,870	27,950

Analysis of temporary deferred tax differences

For the year ended 31 March 2012

	Fixed assets	Provisions	Finance leases	Total
Opening balance	28,349	(135)	(264)	27,950
Charge to income - Other	(98)	(26)	44	(80)
Charge to equity	-	-	-	-
Closing balance	28,251	(161)	(220)	27,870

For the year ended 31 March 2011

Opening balance	28,581	(148)	(326)	28,107
Charge to income - impact of 0% depreciation for building with greater than 50yr life	1,780	-	-	1,780
Charge to income - impact tax rate change to 28%	(1,898)	10	19	(1,869)
Charge to income - Other	(114)	3	43	(68)
Charge to equity	-	-	-	-
Closing balance	28,349	(135)	(264)	27,950

Under current accounting standards, Network Tasman is required to recognise a deferred tax liability equal to the tax effect of the difference between the company's accounting value of fixed assets and the equivalent tax carrying values for the same assets.

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

20. Operating lease arrangements

Network Tasman has 28 non-cancellable operating leases as lessor of land and buildings that comprise the investment property portfolio.

Analysis of operating leases

No later than one year

Later than one year and not later than five years

Later than five years

Note	12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
	641	634
	1,099	1,607
	-	0
	1,740	2,241

The lease arrangements are renewed on a periodic basis as disclosed in the lessors' individual contracts; no agreement exceeds 6 years. In 2012 rental income received from leases with non-cancellable operating lease arrangements amounted to \$1,267,000 (2011: \$1,153,000)

Network Tasman Limited & Group - Notes to and forming part of the financial statements
For the year ended 31 March 2012

Note	12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
21. Reconciliation of operating surplus to net cash flows from operating activities		
Operating surplus after tax	5,768	6,831
Items not involving cash flows:		
Depreciation	5,933	5,773
Movement in deferred taxation	(80)	(157)
Non cash customer contributions	(1,138)	(1,644)
Charge in fair value of investment properties	694	(99)
Impairment of property, plant and equipment	(31)	(4)
Equity accounted earnings from associate	(376)	(323)
Bad debts written off	7	3
(Gain) loss on sale of property, plant and equipment	219	322
	5,228	3,871
Movement in working capital:		
Increase (decrease) in non capital payables	690	(687)
Increase (decrease) in provisions	85	5
(Increase) decrease in receivables	194	(494)
	969	(1,176)
Net cash flows from operating activities	11,965	9,526

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

	Note	12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
22. Related party information			
Parent entity			
The holding entity of the company is the Network Tasman Trust which holds 100% of the company's shares (100% 31 March 2011).			
Refer to Note 6 for dividends paid to the holding entity.			
Associate company			
Network Tasman Limited provided operational and management services to Nelson Electricity Limited, an associate company. Fees for management and operational services were charged at fair value.			
Transmission costs charged by national grid operator Transpower NZ Limited for connection by Nelson Electricity Limited to the national grid are on-charged, at cost, by Network Tasman Limited to Nelson Electricity Limited.			
Network Tasman Limited also provides fibre services to Nelson Electricity Limited at normal commercial terms. A share of some joint costs are oncharged from Network Tasman Limited to Nelson Electricity Limited.			
Network Tasman Limited leases a room from Nelson Electricity Limited for fibre equipment. A share of some joint costs are oncharged from Nelson Electricity Limited to Network Tasman Limited.			
<i>Charges from Network Tasman Limited to Nelson Electricity Limited</i>			
Operational and management fee		178	173
Net transmission costs on-charged		2,171	2,231
Commerce Commission levies on-charged		0	(41)
Fibre lease charges		7	6
Sundry oncharges		35	4
<i>Charges from Nelson Electricity Limited to Network Tasman Limited</i>			
Lease charges		(6)	(4)
Sundry oncharges		0	(21)
Balance due from Nelson Electricity Limited as at period end		244	204
Balance due to Nelson Electricity Limited as at period end		(1)	(9)

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

22. Related party information (cont'd)

Mr C Turner - Nelson Pine Industries Limited

Nelson Pine Industries Limited, a company in which Mr C Turner (a director of Network Tasman Limited) is Chief Executive, contracts directly on an arms length basis with Network Tasman Limited, for distribution services. As at 31 March 2012, the balance owing by Nelson Pine Industries Limited was \$133,000 (31 March 2011 : \$80,000). Total sales to Nelson Pine Industries Limited for the year ending 31 March 2012 were \$1,539,000 (31 March 2011 : \$950,000).

Mr M J McCliskie - Accident Compensation Corporation

Accident Compensation Corporation, a company in which Mr M J McCliskie (a director of Network Tasman Limited) is a director, deals on an arms length basis with Network Tasman Limited, for ACC levies and employee reimbursement. As at 31 March 2012 the balances owing to and by Accident Compensation Corporation was nil. Total levy payments to the Accident Compensation Corporation for the year ending 31 March 2012 were \$27,000 (31 March 2011 : \$28,000). Total employee reimbursement received from the Accident Compensation Corporation for the year ending 31 March 2012 was \$0 (31 March 2011 : \$0).

Mr M J McCliskie - Heartland Group Limited

Heartland Group Limited, a company in which Mr MJ McCliskie (a director of Network Tasman Limited) is chair, contracts directly on an arms length basis with Network Tasman Limited. As at 31 March 2012, the balance owing by Heartland Group Limited was \$763 (31 March 2011 : \$715). Total sales to Heartland Group Limited for the year ending 31 March 2012 were \$7,600 (31 March 2011 : \$7,200).

Mr M J McCliskie - Institute of Directors in New Zealand (Inc)

Institute of Directors in NZ Inc, a membership organisation in which Mr MJ McCliskie (a director of Network Tasman Limited) is a councillor, was paid \$1,500 during the year ending 31 March 2012 (31 March 2011: \$2,900).

Mr I F Kearney - Cawthron Institute

The Cawthron Institute, an organisation in which Mr IF Kearney (the chair of Network Tasman Limited) is chair, was owed \$8,700 at the 31 March 2012 (31 March 2011: nil).

Mr A Reilly - Cold Storage Nelson Limited

Cold Storage Nelson Limited, a company in which Mr A Reilly (a director of Network Tasman Limited) is a director, contracts directly on an arms length basis with Network Tasman Limited. As at 31 March 2012, the balance owing by Cold Storage Nelson Limited was \$17,000 (31 March 2011: \$13,000). Total sales to Cold Storage Nelson Limited for the year ending 31 March 2012 were \$150,000 (31 March 2011: \$53,000).

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

	Note	12 months 31 March 2012 \$000	12 months 31 March 2011 \$000
22. Related party information (cont'd)			
There are close family members of key management personnel employed by the company. The terms and conditions of those arrangements are no more favourable than the company would have adopted if there were no relationship to key management personnel.			
No related party debts have been written off or forgiven during the period (31 March 2011 : nil).			
Key Management personnel compensation			
Salaries and other short-term benefits		1,275	1,231
Post employment benefits		0	0
Other long term benefits		24	18
Termination benefits		0	0
Total key management personnel compensation		1,299	1,249

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

23. Financial Instruments

The company estimates that in respect of the reported financial instruments, being cash, short-term investments, debtors, creditors and other payables, fair value is equivalent to the carrying amount as stated in the balance sheet.

Credit risk

The company places short-term investments with registered banks only. The company has a treasury management policy which is used to manage this exposure to credit risk. As part of this policy, limits on the amount of surplus funds placed with any one banking institution have been set and approved by the Board of Directors.

Concentrations of credit risk

The company's significant customers are electricity retailers of which Contact Energy Ltd was 36% (2011 : 43%) at balance date. The credit risk is not considered to be high. The company does not have any other significant concentrations of credit risk. The maximum credit exposure for each class of financial instrument is the same as the carrying values stated in note 24.

Interest rate risk

Short-term investments mature within the range of on-call to 90 days. The interest rates on these investments range from 3% to 4.55% (31 March 2011: 3% to 5.25%)

Sensitivity analysis

As at 31 March 2012 the weighted average term deposit interest rate was 4.1% (31 March 2011: 4.5%) If this rate changed by 1%, with all other things held constant, the surplus / deficit for the year would have been \$120,000 (2011: \$87,000) higher or lower.

Foreign currency risk

The company occasionally imports products denominated in foreign currencies. For specific one-off transactions undertaken in foreign currency, it is the company's policy to enter into foreign exchange forward contracts to manage the exposure to fluctuations in currency rates.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty raising liquid funds to meet commitments as they fall due. Network Tasman Ltd currently holds \$12 million (31 March 2011: \$8.8 million) of cash and short term deposits and holds \$4.8 million (31 March 2011: \$4.7 million) of current liabilities. The current ratio is 3.4:1 (31 March 2011 2.8:1). All creditors and other payables are settled within a 30 day term.

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

24. Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

Loans and receivables

Cash and cash equivalent	9	7,430	3,832
Other financial assets: term deposits	10	4,600	5,000
Debtors and other receivables	11	4,014	4,160

Total loans and receivables

16,044 12,992

Financial liabilities measured at amortised cost

Trade payables and accruals	16	3,571	3,868
Finance Leases	18	786	944

Total financial liabilities measured at amortised cost

4,357 4,812

25. Commitments

The following amounts have been committed to by the company, but not recognised in the financial statements:

Capital commitments
Capital commitments as at 31 March 2012 \$4,788,000 (31 March 2011 : \$2,303,000).
All capital commitments fall due in the next twelve months.

26. Contingencies

As at 31 March 2012 there were no material contingent assets or liabilities (31 March 2011: nil).

Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

27. Performance targets

The following financial and reliability performance targets for the 12 months ending 31 March 2012 are specified in the company's Statement of Corporate Intent (SCI). Forecast results are compared to the performance targets below:

Financial performance targets

Total company:

Surplus before interest, tax, line discount and customer contributions
Operating surplus after tax and before customer contributions
Operating surplus to shareholders' funds

	Actual Result	SCI Target
\$mil	16.2	15.7
\$mil	4.7	6.0
%	3.61%	3.70%

Line business only:

Total network costs per consumer
Cash operating costs per consumer
Line Charge Discounts (Excluding GST)

\$	381	385
\$	231	230
\$mil	9.4	9.5

Reliability performance targets (excludes Transpower planned and unplanned outages)

Average duration of supply interruptions per connected consumer (SAIDI) not to exceed -
Average number of supply interruptions per connected consumer (SAIFI) not to exceed -
Average duration of supply interruptions (CAIDI) not to exceed -
Faults per 100 km of line not to exceed -
% faults not restored within three hours not to exceed -

minutes	159	115
number	1.38	1.36
minutes	115	85
number	6.5	6.0
%	33	20

Safety of electricity supply

Lost time injuries not to exceed -

number	0	0
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Network Tasman Limited & Group - Notes to and forming part of the financial statements

For the year ended 31 March 2012

28. Events occurring after balance date

Subsequent to balance date, Network Tasman Limited acquired a 7.7% minority shareholding in Smartco Limited.

The directors of Network Tasman Limited are not aware of any other significant event occurring subsequent to balance date which, if known at balance date, would have resulted in a different assessment within the financial statements.

29. Capital Management

Network Tasman's capital is its issued and paid up capital, share premium reserve and retained earnings. Equity is represented by net assets as disclosed in the balance sheet. The company manages its revenue, expenses, assets and liabilities and day to day financial transactions prudently. The purpose of managing Network Tasman's equity is to ensure the company achieves its goals and objectives, whilst remaining a going concern.

Network Tasman Limited & Group - Audit Report
For the year ended 31 March 2012

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Network Tasman Limited's financial statements and statement of service performance for the year ended 31 March 2012

The Auditor-General is the auditor of Network Tasman Limited. The Auditor-General has appointed me, John Mackey, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company on her behalf.

We have audited:

- the financial statements of the company on pages 19 to 56, that comprise the statement of financial position as at 31 March 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on page 55.

Network Tasman Limited & Group - Audit Report
For the year ended 31 March 2012

Opinion

Financial statements and the statement of service performance

In our opinion:

- the financial statements of the company on pages 19 to 56:
 - comply with generally accepted accounting practice in New Zealand;
 - give a true and fair view of the company's:
 - financial position as at 31 March 2012; and
 - financial performance and cash flows for the year ended on that date;
- the statement of service performance of the company on page 55:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of the company's achievements measured against the performance targets adopted for the year ended 31 March 2012.

Network Tasman Limited & Group - Audit Report
For the year ended 31 March 2012

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 29 June 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

Network Tasman Limited & Group - Audit Report

For the year ended 31 March 2012

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

Network Tasman Limited & Group - Audit Report

For the year ended 31 March 2012

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance achievements.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992 and the Financial Reporting Act 1993.

Network Tasman Limited & Group - Audit Report
For the year ended 31 March 2012

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 45(1) of the Energy Companies Act 1992.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the company.



John Mackey
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Network Tasman Limited & Group - Audit Report

For the year ended 31 March 2012

Matters relating to the electronic presentation of the audited financial statements and statement of service performance

This audit report relates to the financial statements and statement of service performance of Network Tasman Limited for the year ended 31 March 2012 included on Network Tasman Limited's website. Network Tasman Limited's Board is responsible for the maintenance and integrity of Network Tasman Limited's website. We have not been engaged to report on the integrity of Network Tasman Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and the related audit report dated 29 June 2012 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Statutory Information

The company's principal activity is to own and operate the electricity distribution network in the wider Nelson and Tasman areas, excluding Nelson Electricity's supply area in Nelson city.



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Principal activities

The company's principal activity is to own and operate the electricity distribution network in the wider Nelson and Tasman areas, excluding Nelson Electricity's supply area in Nelson city. In addition to its principal activity the company has interests in complementary businesses, including a fibre optic communications network, commercial and industrial property and a 50% shareholding in Nelson Electricity Limited.

Directors holding office during the year were:

IF Kearney (Chairman)
MJ McCliskie
AM Milligan
AP Reilly
CIM Turner
JO Williamson

Remuneration of directors

Directors received the following fees:

Director:	2012
IF Kearney (Chairman)	53,000
AP Reilly	30,000
JO Williamson	30,000
CIM Turner	30,000
AM Milligan	30,000
MJ McCliskie	25,000

In addition the company paid life insurance premiums in respect of the above directors of \$9,159

Remuneration of employees

The number of employees whose remuneration and benefits exceeded \$100,000 in the financial year was:

Remuneration band:	2012
\$100,000 - \$109,999	1
\$140,000 - \$149,999	1
\$160,000 - \$169,999	3
\$320,000 - \$329,999	1

Directors' insurance

The company has Directors' and Officers' liability insurance cover to a value of \$10 million which covers Directors of Network Tasman Limited and Directors representing Network Tasman Limited on associated company boards. The insurance does not cover liabilities arising from criminal actions.

Directors' benefits

No director of the company has received or become entitled to receive benefits other than benefits included in the total remuneration listed above. However, directors may receive benefits as consumers of Network Tasman and beneficiaries of the Network Tasman Trust. Any benefits received will be on the same terms and conditions as all other consumers and beneficiaries.

There were no loans made by the company to any director nor has the company guaranteed any debts incurred by a director.

Entries recorded in the interests register

The following represents the particulars of the entries made in the company's interests register for the year ended 31 March 2012:

IF Kearney

Cawthron Institute	Chairman
Snap Freeze	Chairman
Nelson Small Business Trust	Chairman
Hoddys Orchard Limited	Director
Nelson Electricity Limited	Director
Taylors Contracting Limited	Director
Sydney Harbour Federation Trust	Consultant

MJ McCliskie

Heartland Group Limited	Chairman
Alandale Orchards Limited	Chairman
Seventeen Limited	Chairman
Top of the South for the BNZ	Chairman
New Zealand Institute of Directors	Councillor
Accident Compensation Corporation	Director
Nelson Electricity Limited	Director
Spiers Foods Limited	Director

CIM Turner

Nelson Pine Industries Limited	Chief Executive
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Nelson Pine Industries Limited is a customer of Network Tasman Limited. Nelson Pine Industries contracts with Network Tasman on an arm's length basis.

A Milligan

Nelson Airport Limited	Director
The Quit Group	Chairman
Ramazzini Limited	Director
Health Click Limited	Director
Independent Nursing Practice Limited	Director
London Plane Limited (Property)	Director

AP Reilly

AP & KM Reilly Limited	Chairman
Waingaro Dairy Limited	Chairman
New Zealand Co-operative Association	Councillor
Avondale Dairies Limited	Director
Cold Storage Nelson Limited	Director
Ravensdown Fertiliser Co-op Limited	Director
Dos Rios Dairy Ltd	Director

JO Williamson

Nelmac Limited	Director
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Auditors

As required by statute the Auditor-General will appoint the auditors and directors will negotiate their fee and terms of audit. The fees paid to the auditors for audit work and other services are disclosed in the financial statements.



Corporate Governance

The Board is committed to a high standard of corporate governance and is guided by the “Code of Proper Practice for Directors” as recommended by the Institute of Directors in New Zealand.

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The Board of Directors of Network Tasman Limited (the “Board”) recognises the requirement to adopt best practice in relation to its corporate governance policies and procedures.

The Board is committed to a high standard of corporate governance and is guided by the “Code of Proper Practice for Directors” as recommended by the Institute of Directors in New Zealand.

Role of the Board of Directors

The Board is appointed by the shareholders to supervise the management of the company. The Board establishes the company’s objectives, strategies for achieving objectives, the overall policy framework within which the company’s business is conducted and monitors management’s performance. The Board has delegated the day-to-day management of the company to the chief executive.

The Board also ensures that appropriate procedures are in place to provide for effective internal control.

Board operations and membership

The company’s constitution allows for a maximum of eight directors of the company.

The Board currently comprises six directors: a non-executive chairman and five non-executive directors. Board members have an appropriate range of proficiencies, experience and skills to ensure that all governance responsibilities are completed to ensure the best possible management of resources.

Network Tasman’s constitution sets out policies and procedures for the operation of the Board, including the appointment and removal of directors. The full board met 11 times during the financial year ended 31 March 2012.

Board Committees

Audit and remuneration committee

The Board has an Audit and Remuneration Committee comprising two non-executive directors. The Audit and Remuneration Committee is responsible for overseeing the financial, accounting and audit activities of the company, including reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of the external auditors, reviewing the financial statements and making recommendations on financial and accounting policies. The committee met four times during the year.

Fibre committee

The Board has a Fibre Committee comprising two non-executive directors. The Fibre Committee is responsible for overseeing the company’s fibre network activities including the development of new business opportunities. The committee met four times during the year.

Property committee

The Board has a Property Committee comprising two non-executive directors. The Property Committee is responsible for overseeing the company’s commercial property activities including the development of new business opportunities. The committee met three times during the year.

Generation committee

The Board has a Generation Committee comprising three non-executive directors. The Generation Committee is responsible for overseeing the company’s generation development activities. The committee met three times during the year.

Statement of Corporate Intent

In accordance with section 39 of the Energy Companies Act 1992, the Board submits to the shareholder trust a draft Statement of Corporate Intent (SCI) for the coming financial year. The SCI sets out the company's overall objectives, intentions and financial and performance targets for shareholder review.

A copy of the Statement of Corporate Intent is available on the company's website www.networktasman.co.nz

Risk management

The Board has overall responsibility for the company's internal control systems. The Board has established policies and procedures that are designed to provide effective internal control. Annual budgets, asset management plans, business plans and longer-term strategic plans are prepared and agreed by the board, as well as a delegated authority policy. Financial statements and operational reports are prepared on a monthly basis and reviewed by the board throughout the year to monitor performance against budget targets and objectives.

In addition, the Board reviews ways of enhancing existing risk management strategies, including the segregation of duties, the employment of suitably qualified and experienced staff and the implementation, where considered necessary and effective, of recommendations made by the external auditors.

Treasury policy

Exposure to interest rate risk is managed in accordance with the company's treasury policy that sets limits of management authority and levels of exposure to banking institutions.

The role of the shareholder Trust

The Network Tasman Trust ("the trust") holds all the shares in Network Tasman Limited. The Board aims to ensure that the trust is informed of all major developments impacting on the company's affairs.

Board members meet frequently with trustees to communicate matters of importance. Information is also provided by way of the Annual Report, Interim Report, the Statement of Corporate Intent and the Asset Management Plan.



Five Year Trends

	2012	2011	2010	2009	2008
Operating revenue (\$m)	36.8	35.5	36.6	36.7	34.1
Earnings before interest, tax, depreciation & customer contributions (\$m)	12.9	11.7	12.9	13.5	15.3
Net operating cash flow (\$m)	11.9	9.5	10.7	13.8	10.9
Total cash dividends paid (\$m)	2.0	2.0	3.9	3.8	3.7
Total electricity supplied (GWh)	779	767	734	732	752
Electricity maximum demand (MW)	147	146	146	148	147
Consumer connections (ICPs)	37,089	36,679	36,219	35,829	35,416



Directory

Network Tasman

Network Tasman owns and operates the electricity distribution network in the wider Nelson and Tasman areas, excluding Nelson Electricity's supply area in Nelson Central city. In addition to its principal activity the company has interests in complementary businesses, including a fibre optic communications network, commercial & industrial property and a 50% shareholding in Nelson Electricity Limited.

Network Tasman's head office is at 52 Main Road Hope. It employs 26 staff.

Pictured are: Mason McLeod - Operations Planner
Murray Findlay - Telecommunication Technician
Scott Robinson - Customer Services Officer



CONTINUE >>

Directors

Ian Kearney - Chairman
John McCliskie
Annette Milligan
Anthony Reilly
Christopher Turner
James Williamson

Executive

Wayne Mackey
Chief Executive Officer

Kevin Hartshorne
Customer Services Manager

Murray Hendrickson
Network Manager

Oliver Kearney
Finance & Administration Manager

Andrew Stanton
Operations & Telecommunications Manager

Colin Starnes
Commercial Manager

Auditor

Audit New Zealand

Bankers

Bank of New Zealand

Solicitors

Pitt & Moore

Trust Secretary

Patrick Adamson
C/- Craig Anderson Limited

270A Queen Street, Richmond
PO Box 3115
Richmond 7050

Telephone: 64 3 544 6179
Facsimile: 64 3 544 5979
Email: patrick@caca.co.nz

Network Tasman Trust

Trevor Tuffnell - Chairman
Albert Aubrey
Gweny Davis
Terry Kreft
Ted Anderson
Nathan Fa'avae

Head Office

52 Main Road, Hope
PO Box 3005
Richmond 7050
Nelson

Telephone: 64 3 989 3600
or 0800 508 098
Facsimile: 64 3 989 3631
Email: info@networktasman.co.nz
Website: www.networktasman.co.nz