



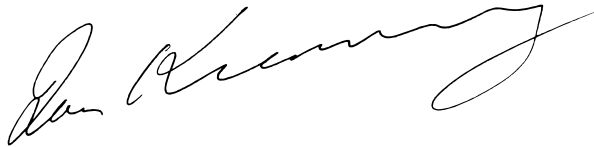
# 2013 Annual Report

**networktasman**  
Your consumer-owned electricity distributor

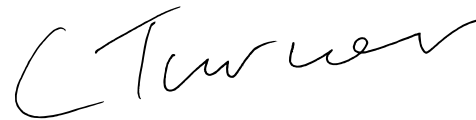
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The Directors are pleased to present the Annual Report of Network Tasman Limited for the year ended 31 March 2013.



IF Kearney  
Chairman  
28th June 2013



CIM Turner  
Director  
28th June 2013

## Directors' Report

It is gratifying to see an improvement in network reliability for the year together with a containment of cash costs. In the current economic environment, the significant increase in line discounts paid to consumers is a very pleasing outcome.

The year has been a good year for the company with improved reliability, improved profitability and an accident free year.

## Financial and Operational Performance

There were 411 new customer connections to the electricity network which is in line with the previous year. Increased demand has led to higher revenues from the electricity and fibre networks in 2012/13 and contributed to increased profitability during the year. NTL's (Network Tasman Ltd) operating surplus after tax was \$6.4 million which is up on the previous year (\$5.7 million). The company's continued focus on costs has resulted in cash costs per customer being held at \$231 for the year. The company continues to generate significant cashflow from operations for the year.

Total SAIDI minutes (average duration of supply interruptions per connected consumer) excluding Transpower planned and unplanned faults were 130 minutes, an improvement on the 159 minutes last year. During the year, NTL purchased three 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 focus on maintenance and vegetation control to ensure compliance with regulations and improve the safety and reliability of the electricity network.

The company maintained its excellent Health and Safety record with 0 harm injuries during the year. The Board is in the process of establishing a Health and Safety sub-committee charged with overseeing the safety practices of the company.

## Consumer Returns

The Commerce Commission review of the default price pathway re-set (DPP) was completed during the year. The Commerce Commission's determinations indicated that NTL has a conservative pricing structure and that our charges are amongst the lowest in New Zealand. The Commission's determination permitted NTL to increase distribution prices by over 9%. However, as a consumer-owned company we see little benefit to our

consumers of increasing prices when there is no financial requirement to do so. A price rise of 2% to cover inflation was announced for the 2013/14 financial year despite the Commission's determination that a 9% rise was permissible.

Line charge discounts to consumers for the year increased by 4% to a record \$11.2 million inclusive of GST. In addition the company paid a fully imputed dividend of \$2 million to the Network Tasman Trust. Since NTL was established in 1993 over \$160 million has been paid to consumers by way of discounts and dividends. NTL continues to provide sponsorship assistance valued at in excess of \$200,000 per annum to the schools' "Loop" education network using our fibre optic network as well as a spend of over \$500,000 to underground lines in locations where there is a community benefit.

## Nelson Electricity Limited

Electricity volumes distributed on the Nelson Electricity network declined during the year, which impacted upon reported returns for the period. Going forward the company faces higher interest costs to fund the significant capital investment programme currently underway. Nelson Electricity commenced the upgrade of the Haven Road sub-station including the installation of an additional 33kV supply from Transpower's Stoke GXP. This represents a major investment for the company with the project expected to be completed by the end of 2014.

Given the challenges going forward, the Nelson Electricity board has commenced a review to identify where efficiencies and cost savings can be achieved to improve the outlook for profitability and, where possible, the early repayment of debt.

## Fibre Network

Chorus has commenced the roll-out of the Government's Ultra-Fast Broadband network across the region. NTL's core fibre network continues to generate an excellent return on the funds invested while providing significant information technology benefits to schools connected to it via The Loop. The company is proud that it has been providing a fibre based



communication network for the last 10 years. The recent recognition of Nelson as the top New Zealand Google e-town was attributed to the establishment of the Nelson/Tasman regional fibre network by NTL.

The company's fibre network continues to provide a high level of service and reliability to customers and the board remains comfortable with our current fibre investments. NTL has completed the installation of a closed circuit television network on behalf of the Nelson City Council, the Marlborough District Council and the New Zealand Police. This network will enable the police to monitor community assets and to assist in the safety of residents.

While Chorus' network will provide a mass roll-out across the region, the board believes that the company's fibre network has a sound long term future as a niche provider of added value telecommunications services.

## Advanced Electronic Meters

During the year the company reviewed options to roll out advanced meters across the company's network. The project has involved a number of complex technical and contractual issues with a number of parties. While the investment in advanced metering may not proceed in its current form, the company remains committed to implementing smart-grid technology that can deliver network management benefits for the company and financial benefits to consumers.

## Emerging Technologies

The company is closely monitoring the potential effect emerging technologies will have on the core electrical network. The decline in international prices for photo-voltaic (PV) cells, improvements in associated battery storage technologies, together with the prevailing low interest rate environment has significantly improved the financial viability of some distributed generation behind the meter.

These technologies reflect a change in the consumer's relationship with their network operator and electricity retailer. The rapid increase in distributed generation will significantly

increase the network management complexity and potentially reduce demand on the network without reducing the overall peak demands. The company is currently reviewing the impact distributed generation will have on network management practices, safety and distribution pricing going forward.

## Conclusion

It is gratifying to see an improvement in network reliability for the year together with a containment of cash costs. In the current economic environment, the significant increase in line discounts paid to consumers is a very pleasing outcome.

NTL's strong balance sheet and operating cash flows continue to underpin performance and provide a sound base for future capital investment. 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.

As this will be the last annual report I will present I would also like to thank past board members, past management and staff and past trustees, for their assistance over the last 20 years. I feel confident leaving the company in a sound position with excellent staff and management, a sound and well balanced board, and trustee shareholders who provide a strong consumer perspective.



Ian Kearney  
Chairman



**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 McTurner**, 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.



**Michael J McCliskie (John)**, Dip. Horticulture, Fellow IOD  
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.



**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.



**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 D Williamson (Jim)**, BE (Hons) Electrical, NZCE (Telecommunications), Dip Management, IOD  
Director (since 2007)

Jim is an experienced Company Director with a track record of Governance and Executive Management over several different industries. His employment career has principally been in the operation and development of large scale public infrastructural assets. He is the past Chief Executive of Port Nelson Ltd.

## Staff Profile

### Grace McGowan

Covering the kilometres with an ear on National Radio or The Rock and an eye on the vegetation...

Grace McGowan is a Tree Notifier, one of two at Network Tasman, with a budget of over half a million dollars a year to keep power lines safe from trees.

Grace works through 38 rural and urban blocks from Collins Valley in the north, Anatori in the west and Springs Junction in the south, surveying power lines for trees that are growing too close.

"My job title explains that I notify landowners when there's a tree that needs to be trimmed or felled," Grace explains. "We usually get a really good response – people are surprised to find that we'll cover the costs of felling or of one trim to a tree in its lifetime."

Grace has a degree in horticulture and an experienced eye for judging the 1.5m clearance needed for high voltage lines and the half metre clearance for low voltage.

She loves the outdoor aspects of her job, but spends about half her time in the office, handling the paperwork and mailing out forms with a sketch-map of the offending tree and the options for the landowner.

Off-work it's no surprise to find Grace and her husband Shane are keen on tramping, mountain-biking, and off-road motor cycling. That's when they can spare time from helping her parents on the Redwood Valley stone fruit and hazelnut orchard where they all live.

"My job title explains that I notify landowners when there's a tree that needs to be trimmed or felled," Grace explains. "We usually get a really good response – people are surprised to find that we'll cover the costs of felling or of one trim to a tree in its lifetime."



Grace McGowan







## Financial Performance

The company spent \$11.5 million on capital expenditure during the year on investments in the business. Capital investment in the electricity network has been concentrated on improving network safety and reliability. Expenditure on the fibre network has been focused on providing new customer leads and delivering the CCTV project for the Marlborough and Nelson City Councils.

## Highlights

- > **Operating surplus of \$6.4 million (up from \$5.7 million in 2011/12) with cashflow from operations of \$11.9 million for the year.**
- > **Record line charge discounts credited to consumers of \$11.2 million including GST.**
- > **Network Tasman continues to maintain a strong balance sheet with net cash and term deposits of \$10.5 million and no term debt.**
- > **A fully imputed dividend of \$2.0 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 and lower property valuations. Following previous years, the company continued to pay two line discounts to consumers in August and December each year. This year line discounts credited to consumers' power accounts reached a record \$11.2 million including GST (\$10.8 million in 2012).

The financial targets as set down in the company's 2013 Statement of Corporate Intent are compared below with the actual results for the year and target for 2013:

## Financial Performance Target

<b>Total company:</b>		<b>Actual</b>	<b>Target</b>
Surplus before interest, tax, line discounts & customer contributions	(\$m)	16.7	16.8
Operating surplus after tax and customer contributions	(\$m)	6.4	6.0
Operating surplus to shareholders' funds	(%)	3.89%	3.7%
<b>Line business only:</b>			
Total network costs per consumer	(\$)	379	388
Cash operating costs per consumer	(\$)	231	236
Line Charge Discounts (Excluding GST)	(\$M)	9.8	9.7

Cash flow from operations was again strong for the year at \$11.9 million in line with the previous year with sound returns from the company's core electrical and fibre networks, property investments and cost containment across the business. A dividend of \$0.9 million was again received from the company's associate company - Nelson Electricity Limited. This cash flow enables the company to fund both maintenance and growth capital expenditure on the electricity network and fund additional investments in the fibre optic communications network as required.

The company spent \$11.5 million on capital expenditure during the year on investments in the business. Capital investment in the electricity network has been concentrated on improving network safety and reliability. Expenditure on the fibre network has been focused on providing new customer leads and delivering the CCTV project for the Marlborough and Nelson City Councils.

At the end of the financial year the company had total cash and term deposits of \$10.5 million down \$1.5 million from the previous year (\$12.0 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.

The company's investment in Nelson Electricity continues to provide adequate returns. The company paid a fully imputed dividend of \$1.8 million (\$0.9million NTL's share) for the year. Going forward, Nelson Electricity will face higher interest costs to fund the upgrade to the Haven Road sub-station and a fourth 33kV supply from Transpower's Stoke GXP and a lower return is anticipated.

## Staff Profile

### Wendy Hartshorne

With an eye for detail, Wendy Hartshorne keeps tabs on around 37,300 electrical installations - that's everything from a house or business, to a pump shed in a farmer's paddock. Each of these installations has a unique number, that not only appears on your electricity account but is also recorded in a national database known as the Electricity Registry or simply 'the registry'.

If you switch power retailer, disconnect the power, upgrade your power supply or make any changes, Wendy is responsible for making sure these details are updated on the registry within three working days.

Most people wouldn't know the registry exists, but each year Network Tasman's systems and processes are audited to make sure they are compliant with the Electricity Authority Codes of Practice.

"We recently completed our fifth annual audit and were acknowledged as a participant who excels when it comes to compliance," Wendy says.

"Network Tasman is one of only a few electricity distributors that has passed their audit."

It's a reasonably complex role, but after 36 years with the company Wendy is very proud of the robust processes she has developed and takes pride in her job.



Wendy Hartshorne





## Operational Performance

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.

## Highlights

- > **Commencement of a new 33kV cable from Stoke to Founders sub-station**
- > **Completed roll-out of a CCTV network for the Nelson City Council and the Marlborough District Council**

## 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. The company spent \$4.7 million on network maintenance during the 2012/13 financial year. 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.

## Capital Expenditure

The company spent \$6.8 million on network distribution enhancements and renewals during the year with \$3.5 million of this focused on system safety and reliability improvements. 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. The re-development of the Brightwater zone sub-station was completed during the 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. The long-term growth of new customers on the network is 1.15% per annum while total electricity supplied across the network has increased by 80 GWh in the same period.

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 \$10.1 million on network-related capital expenditure projects in the 2013/14 financial year and \$98.3 million in the next ten years.

A copy of the Asset Management Plan is available on the company's website at: [www.networktasman.co.nz](http://www.networktasman.co.nz)



## Reliability of the Network

The average duration of supply interruptions per connected consumer, measured by the SAIDI index, was 130 minutes for the year (159 minutes for 2011/12). The reliability performance targets as set down in the company's 2013 Statement of Corporate Intent are compared below with the actual results for the year and target for 2013.

The company purchased three standby generators during the year to provide temporary generation options during planned and some unplanned outages.

Directors continue to review capital expenditure plans, network design and management options to improve feeder reliability. The reliability of the electricity distribution network is a key company objective, with ongoing capital enhancement projects undertaken to improve reliability.

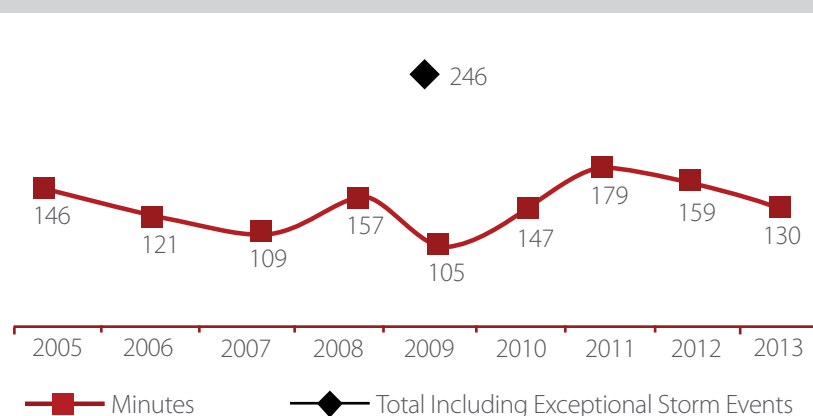
## Reliability Performance Target

*(excludes Transpower planned and unplanned outages)*

		Actual	Target
Average duration of supply interruptions per connected consumer (SAIDI), not to exceed -	(minutes)	130	115
Average number of supply interruptions per connected consumer (SAIFI), not to exceed -	(number)	1.48	1.36
Average duration of supply interruptions (CAIDI), not to exceed -	(minutes)	88	85
Faults per 100 km of line not to exceed -	(number)	6.0	6.0
% Faults not restored within three hours not to exceed -	%	23	20

Load factor on the network was 60.7% for the year (61.0% in 2011/12). Network losses were 5.3% for the year compared with 5.4% in the previous financial year.

## Saidi (in Minutes)



### Fibre Network

The company's fibre business unit has successfully commissioned two CCTV networks for the Nelson City Council and Marlborough District Council and the New Zealand Police. Both networks have been operating successfully and are delivering high quality CCTV images to the region's police stations. This investment is an example of how Network Tasman proposes to leverage its existing investment in fibre optic networks to deliver niche telecommunications products to consumers. The company continued sponsorship of The Loop schools network that significantly enhances the internet speeds these schools can receive.

Chorus has commenced the roll-out of the Government's ultra-fast broadband network 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 the board remains confident that the existing investment in fibre networks can provide a niche telecommunications service.



## Staff Profile

### Mike Biggs

Sorting out voltage complaints or power quality issues keeps Mike Biggs out of the office most days, which is exactly how he likes it.

Mike is a Customer Services Technical Officer and he's called in when a consumer has concerns or something abnormal is going on with their electricity supply.

"Someone might be having trouble with flickering lights or the voltage causing issues with their equipment," Mike says. "My role is to work out what the problem is, fix it and leave the customer happy."

Mike's day might involve climbing a pole to fit power recording gear, and then analyzing the data, or going on site to check systems against plans. He's also part of the operations team after hours, which means he's on call every fourth week: "My pager can go off any time – and usually does."

Call-outs can be for minor problems or a whole area might be affected by bad weather or interference with the network

To do his job, Mike says he has to be methodical and open-minded.

"You need to be inquisitive, to work through a process and to stick with a problem until it's solved."

As well as having very good electrical knowledge, Mike reckons it also helps that he trained as a linesman before doing his electrical apprenticeship, as it brings a broader view to his problem solving.

When he's not problem solving, Mike enjoys motorbikes, hunting, renovating and spending time with his young family.



Mike Biggs

"Someone might be having trouble with flickering lights or the voltage causing issues with their equipment," Mike says. "My role is to work out what the problem is, fix it and leave the customer happy."

## 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 2013 and the results of their operations and cash flows for the year ended 31 March 2013.



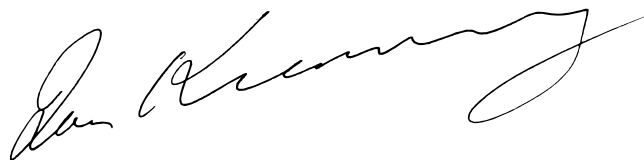
The directors of Network Tasman Limited are responsible for preparing the company and group's financial statements and ensuring that they give a true and fair view of the company's financial position as at 31 March 2013 and the results of their operations and cash flows for the year ended 31 March 2013.

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.

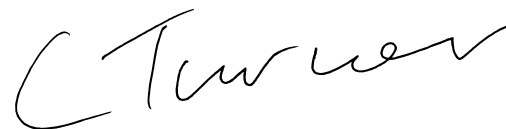
The directors also believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of Network Tasman Limited and group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors are pleased to present the financial statements of Network Tasman Limited & Group for the year ended 31 March 2013.

For and on behalf of the board of directors:



IF Kearney  
Chairman  
28th June 2013



CIM Turner  
Director  
28th June 2013



## Network Tasman Limited & Group - Statement of comprehensive income For the year ended 31 March 2013

		12 months 31 March 2013 \$000	12 months 31 March 2012 \$000
	Note		
Total operating revenue	2	39,641	36,811
Total operating expenses	3	(30,997)	(28,975)
<b>Operating surplus before income tax</b>		<b>8,644</b>	7,836
Income tax (expense) / income	4	(2,242)	(2,068)
<b>Operating surplus for the period</b>		<b>6,402</b>	5,768
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>6,402</b>	5,768
<b>Total comprehensive income:</b>			
Comprehensive income from continuing activities		6,402	5,768
Comprehensive income from discontinued activities		-	-
		<b>6,402</b>	5,768

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 2013

		12 months 31 March 2013 \$000	12 months 31 March 2012 \$000
<b>Total equity at beginning of period</b>	<b>7</b>	<b>159,954</b>	156,186
Total comprehensive income		<b>6,402</b>	5,768
<b>Other movements</b>			
Distributions to owners during the period	<b>6</b>	<b>(2,000)</b>	(2,000)
<b>Total equity at end of period</b>	<b>7</b>	<b>164,356</b>	159,954

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 For the year ended 31 March 2013

		<b>12 months 31 March 2013 \$000</b>	<b>12 months 31 March 2012 \$000</b>
<b>Current assets</b>	<b>Note</b>		
Cash and cash equivalents	9	7,988	7,430
Other financial assets	10	2,500	4,600
Debtors and receivables	11	5,629	4,328
<b>Total current assets</b>		<b>16,117</b>	16,358
<b>Non-current assets</b>			
Property, plant and equipment	12	156,402	153,199
Investment properties	13	16,684	14,664
Intangible assets	14	189	170
Investment in associate	15	9,096	9,054
<b>Total non-current assets</b>		<b>182,371</b>	177,087
<b>Total assets</b>		<b>198,488</b>	193,445
<b>Current liabilities</b>			
Payables and accruals	16	5,378	4,252
Provisions	17	330	333
Finance Lease	18	258	217
<b>Total current liabilities</b>		<b>5,966</b>	4,802
<b>Non-current liabilities</b>			
Provisions	17	275	250
Finance Lease	18	352	569
Deferred taxation	19	27,538	27,870
<b>Total non-current liabilities</b>		<b>28,165</b>	28,689
<b>Equity</b>			
Attributable to shareholders of the company	7	164,356	159,954
<b>Total equity</b>		<b>164,356</b>	159,954
<b>Total liabilities and equity</b>		<b>198,487</b>	193,445

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 2013

### 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

Bank term investments

*Cash was applied to:*

Purchase of property, plant and equipment and investment properties

### 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 2013 \$000	12 months 31 March 2012 \$000
	44,624	42,440
	900	900
	547	453
	46,071	43,793
	31,696	29,878
	2,380	1,883
	65	67
	34,141	31,828
21	11,930	11,965
	200	6
	2,100	400
	2,300	406
	11,497	6,614
	11,497	6,214
	(9,197)	(6,208)
	2,000	2,000
	175	159
	2,175	2,159
	(2,175)	(2,159)
	558	3,598
	7,430	3,832
	7,988	7,430
	88	79
	7,900	7,351
9	7,988	7,430

Network Tasman Limited & Group - Notes to and forming part of the financial statements  
For the year ended 31 March 2013

## 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-oriented 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 2013

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  
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## 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  
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## 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  
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## 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 2013

## 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 2013

## 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  
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## *Changes in accounting policies*

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 financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit.

NZ IAS 32 Offsetting Financial Assets and Financial Liabilities has been amended with the key criteria being the introduction of additional criteria that must be met to demonstrate that an entity "currently has a legally enforceable right to set off the recognised amounts" and that an entity "intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously".

Other than the above, there have been no changes in accounting policies.

## 2. Operating revenue

## Trading revenue

Other revenue

## Gain on sale of assets

## Total operating revenue from continuing activities

	12 months 31 March	12 months 31 March
Note	2013 \$000	2012 \$000
	30,292	28,412
	1,852	1,117
	4,819	4,271
	942	1,276
	530	434
	1,164	1,267
	42	31
	-	3
	39,641	36,811

Network Tasman Limited & Group - Notes to and forming part of the financial statements  
For the year ended 31 March 2013

	<b>12 months 31 March 2013 \$000</b>	<b>12 months 31 March 2012 \$000</b>
<b>3. Operating expenses</b>		
<b>Operating expenses include:</b>		
Gross transmission costs	<b>13,678</b>	12,695
<b>Depreciation of property, plant and equipment and amortisation of intangible assets</b>		
Primary distribution assets	<b>225</b>	221
Secondary distribution assets	<b>5,214</b>	4,583
Substation assets	<b>324</b>	333
Load control plant	<b>93</b>	85
Streetlights	<b>15</b>	15
Consumer connections	<b>229</b>	227
Freehold buildings	<b>48</b>	48
Plant and equipment	<b>(484)</b>	56
Computer equipment	<b>133</b>	84
Motor vehicles	<b>21</b>	25
Assets leased from Transpower	<b>152</b>	152
Intangible assets	<b>103</b>	104
<b>Total depreciation of property, plant and equipment and amortisation of intangible assets</b>	<b>6,073</b>	5,933
<b>Auditors' fees</b>		
Audit fee	<b>51</b>	58
Other assurance services - Audit New Zealand	<b>27</b>	58
Remuneration paid to other auditors - PricewaterhouseCoopers	<b>-</b>	23
<b>Costs of offering credit</b>		
Bad debts written off	<b>54</b>	7
Change in provision for doubtful debts	<b>3</b>	4
<b>Governance expenses</b>		
Directors' fees	<b>198</b>	198

Network Tasman Limited & Group - Notes to and forming part of the financial statements  
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### 3. Operating expenses (cont')

#### Other expenses

Donations  
Employment costs  
Property, plant & equipment written off  
Decrease/(Increase) in fair value of investment properties

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

#### Interest Expense

Notional interest expense on Transpower new investment agreements  
Use of Money interest  
Other Interest Paid

### 4. Income tax

Operating surplus before income tax

Prima facie taxation at 28%

#### Plus / (less) taxation effect of:

Non-taxable customer contributions  
Depreciation  
Equity accounted earnings from associate  
Change in fair value of investment properties  
Movement in deferred tax  
Other adjustments

Under/(Over) provision from prior years

#### Income tax expense recognised in statement of financial performance

Comprising:

Current tax liability  
Deferred tax on temporary differences

Note	12 months 31 March 2013 \$000	12 months 31 March 2012 \$000
	2	3
	2,622	2,575
	117	219
	1,451	694
	48	68
	7	(1)
	2	9
	8,644	7,836
	2,420	2,194
	(511)	(311)
	467	382
	(264)	(357)
	406	194
	(332)	(80)
	38	46
	(196)	(126)
	18	-
	2,242	2,068
	2,574	2,148
	(332)	(80)
19	2,242	2,068



Network Tasman Limited & Group - Notes to and forming part of the financial statements  
For the year ended 31 March 2013

	Note	12 months 31 March 2013 \$000	12 months 31 March 2012 \$000
<b>5. Imputation credit account</b>			
Imputation credits available for use in subsequent reporting periods		10,926	8,878
<b>6. Dividends</b>			
Dividends during the period:			
Dividends paid		2,000	2,000
<b>Total dividends paid</b>		2,000	2,000
<b>7. Equity</b>			
Issued and paid up capital		57,185	57,185
Share premium reserve		1,938	1,938
Retained earnings	8	105,233	100,831
<b>Total equity</b>		164,356	159,954

Network Tasman Limited & Group - Notes to and forming part of the financial statements  
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		12 months 31 March	12 months 31 March
	Note	2013 \$000	2012 \$000
<b>7. Equity (cont')</b>			
<b>Issued and paid up capital</b>			
Balance at beginning of period		57,185	57,185
<b>Balance at end of period</b>		<b>57,185</b>	<b>57,185</b>
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.			
<b>Share premium reserve</b>			
Balance at beginning of period		1,938	1,938
Premium paid during year		-	-
<b>Balance at end of period</b>		<b>1,938</b>	<b>1,938</b>
<b>8. Retained earnings</b>			
Balance at beginning of period		100,831	97,063
Operating surplus for the period		6,402	5,768
<b>Total available for appropriation</b>		<b>107,233</b>	<b>102,831</b>
Dividends paid	6	(2,000)	(2,000)
<b>Balance at end of period</b>		<b>105,233</b>	<b>100,831</b>

## Network Tasman Limited & Group - Notes to and forming part of the financial statements For the year ended 31 March 2013

### 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 4.2% (31 March 2012: 3% to 4.5%).

### 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 4.19% to 4.21% (31 March 2012: 4.3% to 4.55%).

Note	12 months 31 March 2013 \$000	12 months 31 March 2012 \$000
	88	79
	7,900	7,351
	<b>7,988</b>	<b>7,430</b>
	2,500	4,600
	<b>2,500</b>	<b>4,600</b>

## Network Tasman Limited & Group - Notes to and forming part of the financial statements For the year ended 31 March 2013

### 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 2013 and 31 March 2012 the receivables have been assessed for impairment and appropriate provisions applied, as detailed below.

#### Trade receivables

	31 March 2013 \$'000			31 March 2012 \$'000		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	4,910	-	4,910	3,885	-	3,885
Past due 1 - 30 days	224	-	224	51	-	51
Past due 31 - 60 days	10	-	10	8	-	8
Past due 61 - 90 days	15	-	15	4	-	4
Past due > 91 days	122	(19)	103	82	(16)	66
	5,281	(19)	5,262	4,030	(16)	4,014

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 2013 \$000	12 months 31 March 2012 \$000
	5,262	4,014
	34	50
	45	-
	288	264
	5,629	4,328

16	12
19	7
(16)	(3)
19	16



Network Tasman Limited & Group - Notes to and forming part of the financial statements  
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## 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
<b>Cost or Valuation</b>							
Balance at 31 March 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)	-	-	-	-	-
<b>Balance at 31 March 2012</b>	<b>10,095</b>	<b>149,560</b>	<b>3,433</b>	<b>12,190</b>	<b>1,682</b>	<b>623</b>	<b>7,140</b>
Balance at 1 April 2012	10,095	149,560	3,433	12,190	1,682	623	7,140
Additions / adjustments	61	5,528	3	99	16	-	110
Disposals	-	(151)	(153)	-	-	-	-
<b>Balance at 31 March 2013</b>	<b>10,156</b>	<b>154,937</b>	<b>3,283</b>	<b>12,289</b>	<b>1,698</b>	<b>623</b>	<b>7,250</b>
<b>Accumulated depreciation</b>							
Balance at 31 March 2011	1,548	27,331	-	2,091	870	221	1,708
Depreciation expense	221	4,584	-	333	85	15	227
Elimination on disposal	-	(59)	-	-	-	-	-
<b>Balance at 31 March 2012</b>	<b>1,769</b>	<b>31,856</b>	<b>-</b>	<b>2,424</b>	<b>955</b>	<b>236</b>	<b>1,935</b>
Balance at 1 April 2012	1,769	31,856	-	2,424	955	236	1,935
Depreciation expense	225	4,697	-	323	93	15	229
Adjustments	-	516	-	-	-	-	-
Elimination on disposal	-	(36)	-	-	-	-	-
<b>Balance at 31 March 2013</b>	<b>1,994</b>	<b>37,033</b>	<b>-</b>	<b>2,747</b>	<b>1,048</b>	<b>251</b>	<b>2,164</b>
<b>Carrying amounts</b>							
<b>As at 31 March 2012</b>	<b>8,326</b>	<b>117,704</b>	<b>3,433</b>	<b>9,766</b>	<b>727</b>	<b>387</b>	<b>5,205</b>
<b>As at 31 March 2013</b>	<b>8,162</b>	<b>117,904</b>	<b>3,283</b>	<b>9,542</b>	<b>650</b>	<b>372</b>	<b>5,086</b>

Network Tasman Limited & Group - Notes to and forming part of the financial statements  
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## 12. Property, plant and equipment (cont'd)

	Buildings	Land	Plant equipment	Computer equipment	Motor vehicles	Assets leased from	Assets under construction	Total Assets
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Cost or Valuation</b>								
Balance at 31 March 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)
<b>Balance at 31 March 2012</b>	<b>2,424</b>	<b>2,969</b>	<b>1,138</b>	<b>606</b>	<b>256</b>	<b>2,181</b>	<b>1,867</b>	<b>196,164</b>
Balance at 1 April 2012	2,425	2,969	1,138	606	256	2,181	1,867	196,165
Additions / adjustments	6	43	(570)	105	-	-	3,999	9,400
Disposals	-	-	(6)	(50)	-	-	-	(360)
<b>Balance at 31 March 2013</b>	<b>2,431</b>	<b>3,012</b>	<b>562</b>	<b>661</b>	<b>256</b>	<b>2,181</b>	<b>5,866</b>	<b>205,205</b>
<b>Accumulated depreciation</b>								
Balance at 31 March 2011	262	411	846	316	151	1,509	-	37,264
Depreciation expense	48	-	56	84	25	152	-	5,830
Impairment/(impairment reversal)	-	(31)	-	-	-	-	-	(31)
Elimination on disposal	-	-	-	(14)	(25)	-	-	(98)
<b>Balance at 31 March 2012</b>	<b>310</b>	<b>380</b>	<b>902</b>	<b>386</b>	<b>151</b>	<b>1,661</b>	<b>-</b>	<b>42,965</b>
Balance at 1 April 2012	310	380	902	386	151	1,661	-	42,965
Depreciation expense	48	1	32	133	21	152	-	5,969
Adjustment	-	-	(516)	-	-	-	-	-
Impairment/(impairment reversal)	-	(42)	-	-	-	-	-	(42)
Elimination on disposal	-	-	(5)	(48)	-	-	-	(89)
<b>Balance at 31 March 2013</b>	<b>358</b>	<b>339</b>	<b>413</b>	<b>471</b>	<b>172</b>	<b>1,813</b>	<b>-</b>	<b>48,803</b>
<b>Carrying amounts</b>								
<b>As at 31 March 2012</b>	<b>2,114</b>	<b>2,589</b>	<b>236</b>	<b>220</b>	<b>105</b>	<b>520</b>	<b>1,867</b>	<b>153,199</b>
<b>As at 31 March 2013</b>	<b>2,073</b>	<b>2,673</b>	<b>149</b>	<b>190</b>	<b>84</b>	<b>368</b>	<b>5,866</b>	<b>156,402</b>

## Network Tasman Limited & Group - Notes to and forming part of the financial statements For the year ended 31 March 2013

		12 months 31 March	12 months 31 March
<b>12. Property, plant and equipment (cont')</b>			
	<b>Note</b>	<b>2013 \$000</b>	2012 \$000
<b>Valuation information</b>			
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 cost 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.			
<b>13. Investment properties</b>			
<b>Movement in investment properties</b>			
Opening balance		<b>14,664</b>	14,049
Plus Additions		<b>3,678</b>	1,200
Plus / (less) fair value gain / (loss) on valuation		<b>(1,451)</b>	(694)
Plus increase / (decrease) in assets under construction		<b>(127)</b>	111
Less disposals		<b>(80)</b>	(2)
<b>Closing balance</b>		<b>16,684</b>	14,664
<b>Investment properties are represented by:</b>			
Land		<b>8,688</b>	8,561
Buildings		<b>7,865</b>	5,845
Assets under construction		<b>131</b>	258
<b>Total investment properties</b>		<b>16,684</b>	14,664

### 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 2013. 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 the financial statements  
For the year ended 31 March 2013

## 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 2013

Computer software

Total Intangible assets

#### Intangible assets - 31 March 2012

Computer software

### Total Intangible assets

	12 months 31 March	12 months 31 March
Note	2013 \$000	2012 \$000
	170	149
	122	125
	(103)	(104)
	-	-
	-	-
	189	170
At cost	Accum. amortisation	Carrying amount
\$000	\$000	\$000
1,548	1,359	189
1,548	1,359	189
1,426	1,256	170
1,426	1,256	170

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 the financial statements For the year ended 31 March 2013

		12 months 31 March	12 months 31 March
Note		2013 \$000	2012 \$000
<b>15. Investment in associate</b>			
<b>Associate company</b>	<b>Total comprehensive income</b>		
<b>Name of entity</b>	<b>Activity</b>		
Nelson Electricity Limited	Distribution network owner & operator	<b>9,096</b>	9,054
<i>Ownership interest</i>		<b>50%</b>	50%
Nelson Electricity Limited is incorporated in New Zealand, and has a balance date of 31 March.			
<b>Results of associate</b>			
Share of surplus before income tax		<b>1,839</b>	1,821
Movement in NEL deferred tax		<b>(355)</b>	7
Income tax		<b>(542)</b>	(552)
<b>Share of comprehensive income</b>		<b>942</b>	1,276
<b>Total recognised revenues and expenses</b>		<b>942</b>	1,276
<b>Carrying value of associate</b>			
Opening balance at beginning of period		<b>9,054</b>	8,678
Share of comprehensive income		<b>942</b>	1,276
Dividends received		<b>(900)</b>	(900)
<b>Closing balance at end of period</b>		<b>9,096</b>	9,054

## Network Tasman Limited & Group - Notes to the financial statements For the year ended 31 March 2013

		12 months 31 March	12 months 31 March
	Note	2013 \$000	2012 \$000
<b>15. Investment in associate (cont')</b>			
<b>Summarised financial information of associate</b>			
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		12,517	13,336
Liabilities		3,421	4,282
Revenues		5,008	4,697
Surplus / (deficit)		942	1,276
<b>16. Payables and accruals</b>			
<b>Current</b>			
Trade payables and accruals		4,503	3,571
Tax Payable		875	681
<b>Total current payables and accruals</b>		<b>5,378</b>	<b>4,252</b>

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 the financial statements For the year ended 31 March 2013

	Note	12 months 31 March 2013 \$000	12 months 31 March 2012 \$000
<b>17. Provisions</b>			
<b>Current</b>			
Employee entitlements		230	233
Sundry provisions		100	100
<b>Total current provisions</b>		<b>330</b>	333
<b>Non-current</b>			
Employee entitlements		275	250
<b>Total non-current provisions</b>		<b>275</b>	250
<b>Total Provisions</b>		<b>605</b>	583
<b>Provision for employee entitlements</b>			
Balance at beginning of period		484	460
Additional provisions made		253	231
Amount utilised		(232)	(207)
Provision reversed		-	-
<b>Balance at end of period</b>		<b>505</b>	484

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 the financial statements  
For the year ended 31 March 2013

### 17. Provisions (cont')

#### Sundry provisions

Balance at beginning of period  
Additional provisions made  
Amount utilised  
Provision reversed

#### Balance at end of period

#### Total Provisions

	12 months 31 March	12 months 31 March
Note	2013 \$000	2012 \$000
	100	39
	-	99
	-	(39)
	-	-
	100	99
	605	583

## Network Tasman Limited & Group - Notes to the financial statements For the year ended 31 March 2013

### 18. Finance leases

#### Finance Lease Liability as at 31 March 2013

	Total Liability		Principal	
	March 2013	March 2012	March 2013	March 2012
No later than one year	292	270	258	217
Later than one year and not later than five years	368	624	352	569
Later than five years	1	1	-	-
Minimum Lease Payments	661	895	610	786
Less Future Finance Charges	51	109		
Present Value of Minimum Lease Payments	610	786	610	786
Included in the financial statements as:				
Current Borrowings			258	217
Non-current borrowings			352	569
			610	786

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 the financial statements For the year ended 31 March 2013

	Note	12 months 31 March 2013 \$000	12 months 31 March 2012 \$000
<b>19. Deferred taxation</b>			
Balance at beginning of period		27,870	28,950
Deferred tax on temporary differences		(332)	(80)
<b>Balance at end of period</b>		<b>27,538</b>	<b>27,870</b>

### Analysis of temporary deferred tax differences

#### For the year ended 31 March 2013

	Fixed assets	Provisions	Finance leases	Total
Opening balance	28,251	(161)	(220)	27,870
Charge to income - Other	(375)	(6)	49	(332)
Charge to equity	-	-	-	-
Closing balance	27,876	(167)	(171)	27,538

#### For the year ended 31 March 2012

Opening balance	28,349	(135)	(264)	27,950
Charge to income	(98)	(260)	-	(80)
Charge to equity	-	-	-	-
Closing balance	28,251	(161)	(220)	27,870

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. Adjustments for provisions and finance leases result in the deferred tax liability.

## Network Tasman Limited & Group - Notes to the financial statements For the year ended 31 March 2013

### 20. Operating lease arrangements

Network Tasman has 27 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

The lease arrangements are renewed on a periodic basis as disclosed in the lessors' individual contracts; no agreement exceeds 6 years.  
In 2013 rental income received from leases with non-cancellable operating lease arrangements amounted to \$1,164,000  
(2012: \$1,267,000)

	12 months 31 March	12 months 31 March
Note	2013 \$000	2012 \$000
	877	641
	1,830	1,099
	215	0
	<b>2,922</b>	<b>1,740</b>

Network Tasman Limited & Group - Notes to the financial statements  
For the year ended 31 March 2013

	12 months 31 March 2013 \$000	12 months 31 March 2012 \$000
<b>21. Reconciliation of operating surplus to net cash flows from operating activities</b>		
<b>Operating surplus after tax</b>	<b>6,402</b>	5,768
<b>Items not involving cash flows:</b>		
Depreciation & amortisation	<b>6,073</b>	5,933
Movement in deferred taxation	<b>(332)</b>	(80)
Non cash customer contributions	<b>(1,400)</b>	(1,138)
Charge in fair value of investment properties	<b>1,451</b>	694
Impairment of property, plant and equipment	<b>(42)</b>	(31)
Equity accounted earnings from associate	<b>(42)</b>	(376)
Bad debts written off	<b>54</b>	7
(Gain) loss on sale assets	<b>152</b>	219
	<b>5,914</b>	5,228
<b>Movement in working capital:</b>		
Increase (decrease) in non capital payables	<b>47</b>	690
Increase (decrease) in provisions	<b>22</b>	85
(Increase) decrease in receivables	<b>(455)</b>	194
	<b>(386)</b>	969
<b>Net cash flows from operating activities</b>	<b>11,930</b>	11,965

## Network Tasman Limited & Group - Notes to the financial statements

For the year ended 31 March 2013

	Note	12 months 31 March 2013 \$000	12 months 31 March 2012 \$000
<b>22. Related party information</b>			
<b>Parent entity</b>			
The holding entity of the company is the Network Tasman Trust which holds 100% of the company's shares (100% 31 March 2012).			
Refer to Note 6 for dividends paid to the holding entity.			
<b>Associate company</b>			
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		173	178
Net transmission costs on-charged		2,371	2,171
Electricity Authority levies on-charged		2	0
Fibre lease charges		7	7
Sundry oncharges		1,775	35
<i>Charges from Nelson Electricity Limited to Network Tasman Limited</i>			
Lease charges		(7)	(6)
Sundry oncharges		(15)	0
Balance due from Nelson Electricity Limited as at period end		1,192	244
Balance due to Nelson Electricity Limited as at period end		(1)	(1)

## Network Tasman Limited & Group - Notes to the financial statements For the year ended 31 March 2013

### 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. Total sales to Nelson Pine Industries Limited for the year ending 31 March 2013 were \$1,780,000 (31 March 2012 : \$1,539,000). As at 31 March 2013, the balance owing by Nelson Pine Industries Limited was \$185,000 ( 31 March 2012 : \$133,000).

### 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 2013, the balance owing by Heartland Group Limited was \$0 (31 March 2012 : \$763). Total sales to Heartland Group Limited for the year ending 31 March 2013 were \$7,500 (31 March 2012 : \$7,600).

### 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 \$5,700 during the year ending 31 March 2013 (31 March 2012 : \$1,500). As at 31 March 2013, the balance owing to the Institute of Directors was \$0 (31 March 2012 : \$0).

### 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 paid \$8,700 for the year ending 31 March 2013. (31 March 2012 : \$0), and was owed \$0 at the 31 March 2013 ( 31 March 2012 : \$8,700).

### 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. Total sales to Cold Storage Nelson Limited for the year ending 31 March 2013 were \$150,000 (31 March 2012 : \$150,000). As at 31 March 2013, the balance owing by Cold Storage Nelson Limited was \$11,600 (31 March 2012 : \$17,000).

### Ms A Milligan - Nelson Airport Limited

Nelson Airport Limited, a company in which Ms A Milligan (a director of Network Tasman Limited) is a director, contracts directly on an arms length basis with Network Tasman Limited. Total payments to Nelson Airport Limited for the year ending 31 March 2013 were \$ 10,000. (31 March 2012 : \$0).As at 31 March 2013, the balance owing to the Nelson Airport Ltd was \$0 (31 March 2012 : \$0).



## For the year ended 31 March 2013

### Note

12 months  
31 March  
2013  
\$'000

12 months  
31 March  
2012  
\$'000

No related party debts have been written off or forgiven during the period (31 March 2012 : nil).

## Key Management personnel compensation

1,326

1,275

0

27

24

0

### Total key management personnel compensation

1,353

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1,299

## Network Tasman Limited &amp; Group - Notes to the financial statements

**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 29% (2012 : 36%) 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 4.21% (31 March 2012: 3% to 4.55%)

**Sensitivity analysis**

As at 31 March 2013 the weighted average term deposit interest rate was 4.1% (31 March 2012: 4.1%) If this rate changed by 1%, with all other things held constant, the surplus / deficit for the year would have been \$104,000 (2012: \$120,000) 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 \$10.5 million (31 March 2012: \$12 million) of cash and short term deposits and holds \$6 million (31 March 2012: \$4.8 million) of current liabilities. The current ratio is 2.7:1 (31 March 2012 3.4:1). All creditors and other payables are settled within a 30 day term.

## Network Tasman Limited & Group - Notes to the financial statements

For the year ended 31 March 2013

### 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  
Other financial assets: term deposits  
Debtors and other receivables

#### Total loans and receivables

#### Financial liabilities measured at amortised cost

Trade payables and accruals  
Finance Leases

#### Total financial liabilities measured at amortised cost

Note	12 months 31 March 2013 \$000	12 months 31 March 2012 \$000
9	7,988	7,430
10	2,500	4,600
11	5,262	4,014
	<b>15,750</b>	16,044
16	4,503	3,571
18	610	786
	<b>5,113</b>	4,357

### 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 2013 \$1,405,000 (31 March 2012 : \$4,788,000).

All capital commitments fall due in the next twelve months.

### 26. Contingencies

As at 31 March 2013 there were no material contingent assets or liabilities (31 March 2012: nil).

## Network Tasman Limited & Group - Notes to the financial statements For the year ended 31 March 2013

### 27. Performance targets

The following financial and reliability performance targets for the 12 months ending 31 March 2013 are specified in the company's Statement of Corporate Intent (SCI). Forecast results are compared to the performance targets below:

		Actual Result	SCI Target
<b>Financial performance targets</b>			
<i>Total company:</i>			
Surplus before interest, tax, line discount and customer contributions	\$mil	16.7	16.8
Operating surplus after tax and customer contributions	\$mil	6.4	6.0
Operating surplus to shareholders' funds	%	3.89%	3.70%
<i>Line business only:</i>			
Total network costs per consumer	\$	379	388
Cash operating costs per consumer	\$	231	236
Line Charge Discounts (Excluding GST)	\$mil	9.8	9.7
		Actual Result	SCI Target
<b>Reliability performance targets (excludes Transpower planned and unplanned outages)</b>			
Average duration of supply interruptions per connected consumer (SAIDI) not to exceed -	minutes	130	115
Average number of supply interruptions per connected consumer (SAIFI) not to exceed -	number	1.48	1.36
Average duration of supply interruptions (CAIDI) not to exceed -	minutes	88	85
Faults per 100 km of line not to exceed -	number	6.0	6.0
% faults not restored within three hours not to exceed -	%	23	20
<b>Safety of electricity supply</b>			
Lost time injuries not to exceed -	number	0	0

Network Tasman Limited & Group - Notes to the financial statements  
For the year ended 31 March 2013

## **28. Events occurring after balance date**

The directors of Network Tasman Limited are not aware of any 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 2013

**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 2013**

The Auditor-General is the auditor of Network Tasman Limited (the company). 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 18 to 55, that comprise the statement of financial position as at 31 March 2013, 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 54.



Network Tasman Limited & Group - Audit Report  
For the year ended 31 March 2013

## Opinion

### Financial statements and the statement of service performance

In our opinion:

- the financial statements of the company on pages 18 to 55:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the company's:
    - financial position as at 31 March 2013; and
    - financial performance and cash flows for the year ended on that date;
- the statement of service performance of the company on page 54.
  - 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 2013.

Network Tasman Limited & Group - Audit Report  
For the year ended 31 March 2013

## **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 28 June 2013. 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, in our judgement, are likely to influence readers' 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 2013

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.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. Also we did not evaluate the security and controls over the electronic publication of the financial statements and statement of service performance.

Network Tasman Limited & Group - Audit Report  
For the year ended 31 March 2013

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 is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form.

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 2013

## **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 External Reporting Board.

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



## Building the Network

Tasman is one of New Zealand's fast growing regions – for us this translates as 400-500 new users every year. We're always working to grow and improve our network of power lines so we can ensure consumers have a reliable and secure supply. Right now there are two large projects on the go; the new Brightwater switch-room is complete and we are about to start digging on a \$3.5m upgrade of the cable from the Marsden Valley substation, via the Ridgeway and Waimea Road, through the city, and down Milton Street to Founders Park.

Network Manager Murray Hendrickson says this will increase the security of supply from the substation at Founders that supplies Atawhai, Hira, Delaware Bay and the Lud, Todd and Teal valleys north of the city.

"Currently this supply is carried on an overhead line that skirts the back of the city," he explains. "You can see the poles on the Tantragee Saddle between the Brook and the Maitai – we'll be leaving this line intact as a backup".

The whole project will take 12 months, and will involve trenching and installing access ducts and then hauling in the cables. Network Tasman works alongside Telecom so their broadband services can be enhanced at the same time.

Network Manager Murray Hendrickson at the new Brightwater Substation switch-room.

"We have boosted capacity at this substation to meet growth in Brightwater and Wakefield", Murray says. "This included adding another supply circuit that will improve security for Waimea West and Redwood Valley as well as Brightwater and Wakefield".

The outdoor switchyard will also be re-fenced and screen planted over the next few weeks to improve the overall look of the substation, completing the \$1.2m project.



Murray Hendrickson

"We have boosted capacity at this substation to meet growth in Brightwater and Wakefield", Murray says. "This included adding another supply circuit that will improve security for Waimea West and Redwood Valley as well as Brightwater and Wakefield".



## 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. 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.

## 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:	2013
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 \$9,102

## Remuneration of employees

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

Remuneration band:	2013
\$110,000 - \$119,999	1
\$150,000 - \$159,999	1
\$160,000 - \$169,999	1
\$170,000 - \$179,999	1
\$190,000 - \$199,999	1
\$330,000 - \$339,999	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 2013:

### IF Kearney

Cawthron Institute	Chairman
Snap Freeze	Chairman
Nelson Small Business Trust	Chairman
Taylors Contracting Limited	Chairman
Hoddys Orchard Limited	Director
Nelson Electricity 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
Nelson Electricity Limited	Director
Spiers Foods Limited	Director

### CM 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
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

### 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.

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 2013.

## 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](http://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.







Andrew Stanton

In January this year, there was a massive slip on the Shenandoah highway that took out five power poles and closed the road for two days: "Despite this, our contractors did a fantastic job and had the power back on within 18 hours," Andrew says.

## Staff Profile

### Andrew Stanton

If you ask Operations and Telecommunications Manager, Andrew Stanton what his job involves, he answers with the understatement: "I just try to keep the lights on."

There's a little more to it than he is letting on. As Operations Manager, Andrew is responsible for maintaining the network, which is pretty straightforward most of the time, but things can get busy for Andrew when the weather turns nasty.

"Restoring supply when there are multiple faults can be challenging," he says. "In December 2011 floods, we had crews working across the region and despite limited road access we are quite proud that we managed to restore power, to even the worst affected areas, within two days."

In January this year, there was a massive slip on the Shenandoah highway that took out five power poles and closed the road for two days: "Despite this, our contractors did a fantastic job and had the power back on within 18 hours," Andrew says.

As the Telecommunications Manager, Andrew looks after all aspects of the fibre network. He's also involved in creating new products for existing and new customers. Recently he's been working on a proposal to extend a community CCTV network to help police keep our community safe.

Andrew left Waimea College and started as an engineering trainee with the Tasman Electric Power Board in the early 1990s and stayed on when the power board changed to Network Tasman. In 1997 he set off on his OE, and after six months in Canada, and six in the UK, he joined a construction company in Nigeria building transmission lines.

"This was during the transition from a military dictatorship to a democratic government - it was quite an eye opener," he says.

Before heading home Andrew bought a Land Rover and took two years to drive across country to South Africa: I had to take a lot of detours, due to a self-imposed rule not to travel the same road twice."

In 2003, Andrew and his wife, a former British diplomat, came back to settle in Richmond.

"We saw quite a bit of the world but didn't find anywhere as nice as the Top of the South to bring a family up."

## Five Year Trends

	2013	2012	2011	2010	2009
Operating revenue (\$m)	39.6	36.8	35.5	36.6	36.7
Earnings before interest, tax, depreciation & customer contributions (\$m)	13.0	12.9	11.7	12.9	13.5
Net operating cash flow (\$m)	11.9	11.9	9.5	10.7	13.8
Total cash dividends paid (\$m)	2.0	2.0	2.0	3.9	3.8
Total electricity supplied (GWh)	781	779	767	734	732
Electricity maximum demand (MW)	150	147	146	146	148
Consumer connections (ICPs)	37,500	37,089	36,679	36,219	35,829



## Directory

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 and industrial property and a 50% shareholding in Nelson Electricity Limited.

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

## Directors

Ian Kearney - Chairman

John McCliskie

Annette Milligan

Tony 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

## 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](mailto:info@networktasman.co.nz)  
Website: [www.networktasman.co.nz](http://www.networktasman.co.nz)

## Network Tasman Trust

Trevor Tuffnell - Chairman

Ted Anderson

Ian Barker

Gweny Davis

Nathan Fa'avae

Terry Kreft

## 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](mailto:patrick@caca.co.nz)