



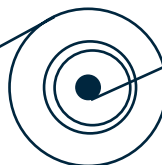
**networktasman**

Annual Report

2014

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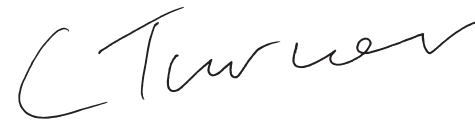
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The Directors are pleased to present the **Annual Report** of **Network Tasman Limited and Group** for the year ended 31 March 2014.



**MJ McCliskie**  
Chairman  
27<sup>th</sup> June 2014



**CIM Turner**  
Director  
27<sup>th</sup> June 2014



# Directors' Report

It has been a good year for the company with improved reliability and improved profitability.

*Network Tasman Limited & Group Annual Report 2014*



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It has been a good year for the company with improved reliability and improved profitability.

## Financial and Operational Performance

The surplus before interest, tax, line discounts and customer contributions was \$18.2 million for the year, which is \$1.5 million above target. Sound returns from the core electricity network were supported by the company's investments in fibre, property and Nelson Electricity Limited.

There were 438 new customer connections to the electricity network, which is broadly in line with the previous year. The company continued to focus on cash costs, which were \$231 per consumer against a target of \$239.

The Group continues to generate significant cashflow from operations for the year that has supported the significant capital expenditure programmes currently underway.

Total SAIDI minutes (average duration of supply interruptions per connected consumer) excluding Transpower planned and unplanned faults were 129 minutes, an improvement on the 159 minutes last year. NTL continues to focus on maintenance and vegetation control to ensure compliance with regulations and improve the safety and reliability of the electricity network.

## Consumer Returns

Network Tasman's line charges continue to be amongst the lowest in the country and they currently account for about 25% of the average domestic customer's power bills. Network Tasman has held its own distribution charges well below Commerce Commission pricing limits and has constrained its annual price movements close to the annual rate of inflation for over a

decade now. The company's focus on low cost service delivery together with low distribution prices are a tangible benefit of local consumer ownership.

Line charge discounts to consumers for the year increased by 1.8% to a record \$11.4 million inclusive of GST. In addition, Network Tasman paid a fully imputed dividend of \$2 million to the Network Tasman Trust. Since Network Tasman was established in 1993 over \$173 million has been paid to consumers by way of discounts and dividends.

## Nelson Electricity Limited

Electricity volumes distributed on the Nelson Electricity network declined during the year, which impacted upon reported returns for the period. Nelson Electricity completed the upgrade of the Haven Road sub-station and the installation of an additional 33kV supply from Transpower's Stoke GXP.

Going forward Network Tasman faces higher interest costs to fund the recently completed capital investment programme.

## Fibre Network

The existing fibre networks continue to generate excellent returns on the funds invested and the company continues to grow the fibre networks in areas that are unlikely to be serviced by Chorus as part of the roll-out of the Government's Ultra-Fast Broadband network. Network Tasman has secured agreement with a number of rural sub-divisions to provide fibre networks to residential customers.

While Chorus' network will provide a mass roll-out across the region, the board believes that the company's fibre network can continue to operate as a niche provider of added value telecommunications services.

# Directors' Report

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## Advanced Electronic Meters

Network Tasman has invested in the joint venture company SmartCo Limited to deploy advanced meters to more than 250,000 urban and rural consumers across New Zealand. Network Tasman has also invested in a joint venture company (On Metering Limited) to deploy advanced meters on the MainPower network.

Commencing in late 2014, the first advanced meter will be installed in Network Tasman's area. Once installed, the advanced meters will send accurate monthly usage information to retailers. The meters will also provide Network Tasman with information that allows our network management staff to develop an accurate picture of the state of our network and any network related problems that might develop. This information will give Network Tasman the ability to manage the supply of electricity to consumers more efficiently and effectively.

## Future Challenges

The company, along with all industry participants, is facing a number of structural and demand challenges.

Residential demand remains broadly flat with new connections offsetting a long-term decline in consumption per ICP. Along with this, there has been a marked increase in the number of distributed generation units on the network, predominantly photovoltaic (PV) systems, that significantly impact upon the company's consumption based revenues but not on peak demand and capital investment requirements. The company's ability to mitigate the financial impact of these changes is limited while the low user fixed charge remains in place.

Finally the increasing demand for capacity on some of the company's rural feeders, predominantly to support irrigation loads, will require the board to consider a number of capital investment projects where the capital required is not supported by any material increase in revenues.

## Retirement of Mr. Ian Kearney

At the last Annual General Meeting, the Chairman Mr Ian Kearney decided to retire after 23 years of service. The board would like to record its appreciation of his guidance and support during that time and note his subsequent naming as an Officer of the New Zealand Order of Merit for services to business and the community. The board wishes him well for the future.

## Conclusion

The year has seen a number of significant capital investment projects commence, which are laying the foundation for solid growth for the Group. The board believes that these projects will deliver sound financial returns to the company and allow it to manage its electrical networks in a more efficient and effective manner.

Network Tasman's strong balance sheet and operating cash flows continue to underpin performance and provide a sound base for future capital investment. Network Tasman is well positioned to participate in the nationwide roll-out of advanced meters which will deliver sound returns and network benefits in the future.

The company faces a number of challenges going forward but I am satisfied that the board, management and staff have the required skills to manage these issues. I am pleased that the company continues to have a good working relationship with its supportive shareholder, the Network Tasman Trust.

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



John McCliskie  
Chairman





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



**Christopher IM Turner**, BSc, CA  
**Director (since June 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.



**Annette Milligan**, BA  
**Director (since February 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.



**Tony Reilly**, B.Agr.Com  
**Director (since July 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, Co-operative Business New Zealand and a number of private companies.

## Board of Directors

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**Sarah-Jane Weir**, LLB, Masters of Intellectual Property Law. **Director (since September 2013)**

Sarah-Jane practised as a commercial lawyer for over 20 years and now combines this with her governance work. She has provided legal advice to clients active in many sectors including the electricity industry, and to entities in both public and private ownership. Sarah-Jane is also a director of Nelmac Limited and has involvement with a number of trusts and other community organisations.



**James O Williamson (Jim)**, BE (Hons) Electrical, NZCE (Telecommunications), Dip Management, IOD.  
**Director (since July 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.



## Financial

Cash flow from operations was again strong for the year at \$12.1 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.

## Highlights

- > Operating surplus of \$7.5 million (up from \$6.4 million in 2012/13) with cash flow from operations of \$12.1 million for the year.
- > Record line charge discounts credited to consumers of \$11.4 million including GST.
- > Network Tasman continues to maintain a strong balance sheet with net cash and term deposits of \$6.8 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 Group's cash deposits. Network Tasman continued to pay two line discounts to consumers, one in August and one in December, and a fully imputed dividend of \$2 million to the Network Tasman Trust. This year line discounts credited to consumers' power accounts reached a record \$11.4 million including GST (\$11.2 million in 2013).

The financial targets as set down in Network Tasman's 2013 Statement of Corporate Intent are compared below with the actual results for the year and target for 2014:

## Financial Performance Target

Total company:		Actual Result	Target SCI
Surplus before interest, tax, line discounts & customer contributions	\$mil	18.6	16.7
Operating surplus after tax and customer contributions	\$mil	7.5	6.5
Operating surplus to shareholders' funds	%	4.42%	3.80%
<b>Line business only:</b>			
Total network costs per consumer	\$	383	398
Cash operating costs per consumer	\$	231	249
Line Charge Discounts (Excluding GST)	\$mil	9.9	9.8

Cash flow from operations was again strong for the year at \$12.1 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.

This cash flow enables Network Tasman to fund both maintenance and growth capital expenditure on the electricity network and fund additional investments in the fibre optic communications network as required.

Network Tasman 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, additions to the company's investment properties and investments in advanced meters by Network Tasman and On Metering. Capital expenditure on the fibre network has been focused on reticulating several rural sub-divisions in the Tasman area.

At the end of the financial year the Group had total cash and term deposits of \$6.8 million down \$3.6 million from the previous year (\$10.4 million). This decrease reflects the significant investments that are occurring in the core electrical network and the investment in advanced meters ahead of the deployment scheduled to start in the second quarter of the 2014/15 year.

Following a period of significant capital expenditure, the board of Nelson Electricity Limited determined that no dividend be paid for the 2013/14 financial year.

## Operational Performance

During the year 438 consumer connections were added to the network, a growth rate of 1.1% for the year. Network Tasman spent \$10.7 million on network distribution enhancements and renewals during the year with \$4.6 million of this focused on system safety and reliability improvements.

*Network Tasman Limited & Group Annual Report 2014*

## Highlights

- > Completion of the new 33kV cable from Transpower's Stoke GXP to Founders sub-station.
- > Commenced planning for the staged deployment of advanced meters on the network on behalf of Contact Energy Limited

# Operational Performance

## Network Maintenance

Network Tasman operates a comprehensive network maintenance programme primarily 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.

Network Tasman spent \$4.7 million on network maintenance during the 2013/14 financial year. Delta Utility Services Limited as our maintenance contractor and Treescap Limited as our vegetation services provider continue to deliver a high level of service to our consumers.

## Capital Expenditure

During the year 438 consumer connections were added to the network, a growth rate of 1.1% for the year. Network Tasman spent \$10.7 million on network distribution enhancements and renewals during the year with \$4.6 million of this focused on system safety and reliability improvements.

The main development project during the year was the completion of the new 33kV cable from Transpower's Stoke GXP to the Founders zone sub-station. This project will provide N-1 reliability to the Founders sub-station.

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.

The number of photovoltaic installations on the network continues to grow. Management continues to monitor the impact these installations are having on peak demands, network management and safety and forward capital expenditure requirements.

Network Tasman is budgeting to spend \$21.9 million on capital expenditure projects in the 2014/15 financial year and \$115 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)**



# Operational Performance

## Advanced Meters

For a number of years Network Tasman has been working on plans to deploy advanced meters that will ultimately give customers the power to control their energy use and the ability to reduce their power costs.

Network Tasman is a shareholder in SmartCo Limited which is a joint venture company which will serve more than 250,000 urban and rural consumers across New Zealand. SmartCo is owned by eight electricity lines companies and has partnered with industry leading providers to deliver its advanced metering infrastructure solution. SmartCo has initially contracted with Contact Energy to provide advanced metering services and is in advanced discussions with a number of other energy retailers.

Network Tasman has also entered into a joint venture with Alpine Energy Limited to deploy advanced meters on the MainPower network.

Current plans are for the first advanced meters to be installed on both the Network Tasman and MainPower networks in the second quarter of the 2014/15 financial year.

## Reliability of the Network

The average duration of supply interruptions per connected consumer, measured by the SAIDI index, was 129 minutes for the year (130 minutes for 2012/13). The reliability performance targets as set down in Network Tasman's 2013 Statement of Corporate Intent are compared below with the actual results for the year and target for 2014:

### Reliability Performance Target

(excludes Transpower planned and unplanned outages)

		Actual	Target
Average duration of supply interruptions per connected consumer (SAIDI), not to exceed -	minutes	129	115
Average number of supply interruptions per connected consumer (SAIFI), not to exceed -	number	1.34	1.36
Average duration of supply interruptions (CAIDI), not to exceed -	minutes	96	85
Faults per 100 km of line not to exceed -	number	5.4	6.0
% Faults not restored within 3hrs not to exceed -	%	21	20
<b>Safety of electricity supply</b>			
Lost time injuries not to exceed -	number	1	0

The lost time injury was a sub-contractor to Delta. Network Tasman management has fully investigated the incident and ensured that steps have been taken to mitigate the risk of the accident occurring in the future.

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.

Load factor on the network was 61% for the year (60.7% in 2012/13). Network losses were 5.5% for the year compared with 5.3% in the previous financial year.





# Operational Performance

## Fibre Network

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 continue to provide a niche telecommunications services.

Network Tasman has been engaged by several large rural sub-divisions to deploy fibre networks that can be connected during the stage developments. While the initial investment in these sub-divisions is relatively small, it does indicate that a market for fibre products exists outside the urban areas.







## 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 Group's financial position as at 31 March 2014 and the results of their operations and cash flows for the year ended 31 March 2014.

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# Financial Statements

The directors of Network Tasman Limited are responsible for preparing the company and group's financial statements and ensuring that they give a true and fair view of the Group's financial position as at 31 March 2014 and the results of their operations and cash flows for the year ended 31 March 2014.

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 2014.

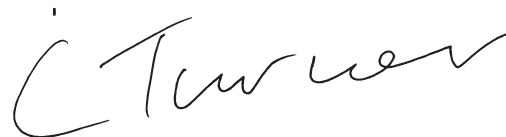
For and on behalf of the board of directors:



**MJ McCliskie**

Chairman

27th June 2014



**CIM Turner**

Director

27th June 2014

## Network Tasman Limited & Group Statement of comprehensive income

For the year ended 31 March 2014

	Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
Total operating revenue	2	41,960	38,699
Total operating expenses	3	(33,661)	(30,997)
<b>Operating surplus</b>		<b>8,299</b>	7,702
Share of surplus of associate	16	1,726	942
<b>Operating surplus before income tax</b>		<b>10,025</b>	8,644
Income tax (expense) / income	4	(2,517)	(2,242)
<b>Operating surplus for the period</b>		<b>7,508</b>	6,402
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>7,508</b>	6,402
<b>Total comprehensive income:</b>			
Comprehensive income from continuing activities		7,508	6,402
Comprehensive income from discontinued activities		-	-
		<b>7,508</b>	6,402

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 comprehensive income

For the year ended 31 March 2014

	Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
<b>Total equity at beginning of period</b>	<b>7</b>	<b>164.356</b>	159,954
Total comprehensive income		<b>7,508</b>	6,402
<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>169,864</b>	164,356

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

## Network Tasman Limited & Group Balance Sheet

as at year ended 31 March 2014

	Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
<b>Current assets</b>			
Cash and cash equivalents	9	6,826	7,988
Other financial assets	10	158	2,500
Debtors and receivables	11	5,278	5,629
Advances to associates	12	2,375	-
Property, plant & equipment intended for sale	13	2,216	-
<b>Total current assets</b>		<b>16,853</b>	16,117
<b>Non-current assets</b>			
Property, plant and equipment	13	159,204	156,402
Investment properties	14	19,532	16,684
Intangible assets	15	179	189
Investment in associate	16	10,822	9,096
<b>Total non-current assets</b>		<b>189,737</b>	182,371
<b>Total assets</b>		<b>206,590</b>	198,488
<b>Current liabilities</b>			
Payables and accruals	17	7,027	4,504
Tax Payable	18	296	875
Provisions	19	579	330
Finance Lease	20	227	258
<b>Total current liabilities</b>		<b>8,129</b>	5,967
<b>Non-current liabilities</b>			
Provisions	19	293	275
Finance Lease	20	397	352
Deferred taxation	21	27,907	27,538
<b>Total non-current liabilities</b>		<b>28,597</b>	28,165
<b>Equity</b>			
Attributable to shareholders of the company	7	169,864	164,356
<b>Total equity</b>		<b>169,864</b>	164,356
<b>Total liabilities and equity</b>		<b>206,590</b>	198,488

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 2014**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  
Investment in Joint Ventures

**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  
Exchange gain / (losses) on cash balance for the year

**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 2014 \$'000	12 months 31 March 2013 \$'000
	48,125	44,624
	-	900
	320	547
	48,445	46,071
	33,502	31,696
	2,726	2,380
	96	65
	36,324	34,141
23	12,121	11,930
	204	200
	2,500	2,100
	2,704	2,300
	10,780	11,497
	2,735	
	13,515	11,4967
	(10,811)	(9,197)
	2,000	2,000
	240	175
	2,240	2,175
	(2,240)	(2,175)
	(930)	558
	7,988	7,430
	(232)	-
	6,826	7,988
	66	88
	6,760	7,900
9	6,826	7,988

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

## Network Tasman Limited & Group

### Notes to and forming part of the financial statements

for the year ended 31 March 2014

#### 1. Statement of Accounting Policies

##### Statement of Compliance

The reporting entity is Network Tasman Limited and Group. Network Tasman Limited is a profit-oriented company registered under the Companies Act 1993 and 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 and its interest in associate entities (Nelson Electricity Limited and On Metering Limited) and four wholly-owned non-trading subsidiary companies:

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

Referred to as "The Group".

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 for-profit entities.

##### 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 some 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 2014

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 Group'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.

Network Tasman 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.

The valuation of investment properties is undertaken by a registered valuer. This valuation involves the use of judgement, estimations and assumptions.

## 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 associates are entities in which Network Tasman 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 Network Tasman's interest in its associates. The investment in associates 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. Network Tasman'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 entities are credited to the carrying amount of the investment in the associate.

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

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

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

for the year ended 31 March 2014

### 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 2014.

#### **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 Group acquires certain distribution assets for less than their replacement cost. Such assets are recognised at fair value and the difference between the cash cost and the fair value 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, except for vested assets that are recognised at fair value. Other property, plant and equipment, computer equipment and motor vehicles are recorded at cost.

#### **Asset components**

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

#### **Borrowing Costs**

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

#### **Subsequent expenditure**

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

## Network Tasman Limited & Group

### Notes to and forming part of the financial statements

for the year ended 31 March 2014

### Disposal of property, plant and equipment

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

### Depreciation

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

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

*These rates may vary from those allowed for taxation purposes.*

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

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

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

for the year ended 31 March 2014

### 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.

### Fair value measurement

The Group measures financial instruments, such as derivatives and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- > In the principal market for the asset or liability, or
- > In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

**Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

**Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



## Network Tasman Limited & Group

### Notes to and forming part of the financial statements

for the year ended 31 March 2014

### 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 2014

### 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 Group'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 Group 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 2014

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

#### Goods and Services Tax (GST)

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

#### Foreign currency

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

## **Network Tasman Limited & Group** **Notes to and forming part of the financial statements** for the year ended 31 March 2014

### *Changes in accounting policies*

The accounting policies detailed above have been applied in the preparation of these financial statements and have been consistently applied throughout the year. The following new and amended New Zealand equivalents to International Financial Reporting Standards have been adopted as of 1 April 2013:

- NZ IAS 1 Presentation of Items of Other Comprehensive Income – Amendment to NZ IAS 1
- NZ IAS 19 Employee Benefits (Revised)
- NZ IAS 28 Investments in Associates and Joint Ventures
- Amendments to NZ IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- NZ IFRS 10 Consolidated Financial Statements
- NZ IFRS 11 Joint Arrangements
- NZ IFRS 12 Disclosure of Interests in Other Entities
- NZ IFRS 13 Fair Value Measurement
- Annual Improvements NZ IFRS 2009 – 2011 Cycle.

Adoption of the above standards did not have a material impact on the financial statements of the Group.

NZ IFRS Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 31 March 2014 are listed below:

- Amendments to NZ IAS 32: Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities – Effective FY15
- NZ IFRS 9 Financial Instruments – Classification and Measurement – Effective FY16
- Amendments to NZ IFRS 10, 11 and 12, and NZIAS 27 – Investment Entities – Effective FY16
- Amendments to NZ IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets – Effective FY16

The Group expects to adopt these new or amended standards and interpretations in the period that application of the standard is required, however they are not expected to have a significant impact on the company's financial statements.

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

for the year ended 31 March 2014

## 2. Operating revenue

## Continuing activities

## Trading revenue

Line revenue (net of discounts)

Customer contributions

Other revenue

## Investment revenue

Interest income

Rental income from investment properties

Increase in fair value of investment properties

### Reversal of Impairment of asset value

Gain on sale of assets

**Total operating revenue from continuing activities**

Note	12 months 31 March 2014 \$'000	12 months 31 March 2013 \$'000
	32,951	30,292
	1,949	1,852
	4,711	4,819
	307	530
	1,301	1,164
	741	-
	-	42
	-	-
	41,960	38,699



**Network Tasman Limited & Group**  
**Notes to and forming part of the financial statements**  
for the year ended 31 March 2014

**3. Operating expenses**

**Operating expenses include:**

**Gross Transmission costs**

**Depreciation of property, plant and equipment and amortisation of intangible assets**

	Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
<b>Gross Transmission costs</b>		<b>16,730</b>	13,678
<b>Depreciation of property, plant and equipment and amortisation of intangible assets</b>			
Primary distribution assets		223	225
Secondary distribution assets		4,850	5,214
Substation assets		338	324
Load control plant		86	93
Streetlights		15	15
Consumer connections		232	229
Freehold buildings		50	48
Plant and equipment		27	(484)
Computer equipment		111	133
Motor vehicles		19	21
Assets leased from Transpower		19	152
Intangible assets		96	103
<b>Total depreciation of property, plant and equipment and amortisation of intangible assets</b>		<b>6,066</b>	6,073
<b>Auditors' fees</b>			
Audit fee - Network Tasman Ltd		54	51
Audit fee - non-trading subsidiaries		13	-
Other assurance services - Audit New Zealand		56	27

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.

## Network Tasman Limited & Group

### Notes to and forming part of the financial statements

for the year ended 31 March 2014

### 3. Operating expenses (cont')

#### Costs of offering credit

Bad debts written off  
Change in provision for doubtful debts

#### Governance expenses

Directors' fees

#### Other expenses

Donations  
Employment costs  
Loss on disposal of assets  
Decrease in fair value of investment properties

#### Interest Expense

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

Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
	18	16
	(8)	3
	202	198
	2	2
	2,815	2,622
	318	117
	-	1,451
	196	48
	19	7
	1	2

**Network Tasman Limited & Group**  
**Notes to and forming part of the financial statements**  
for the year ended 31 March 2014

**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 2014 \$000	12 months 31 March 2013 \$000
	10,025	8,644
	2,807	2,420
	(546)	(511)
	529	467
	(483)	(264)
	(208)	406
	369	(332)
	41	38
	(298)	(196)
	8	18
	2,517	2,242
	2,148	2,574
21	369	(332)

## Network Tasman Limited & Group

### Notes to and forming part of the financial statements

for the year ended 31 March 2014

#### 5. Imputation credit account

Imputation credits available for use in subsequent reporting periods

#### 6. Dividends

Dividends during the period:  
Dividends paid

#### Total dividends paid

#### 7. Equity

Issued and paid up capital  
Share premium reserve  
Retained earnings

#### Total equity

Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
	12,222	10,926
	2,000	2,000
	2,000	2,000
	57,185	57,185
	1,938	1,938
8	110,741	105,233
	169,864	164,356

**Network Tasman Limited & Group**  
**Notes to and forming part of the financial statements**  
for the year ended 31 March 2014

**7. Equity (cont')**

**Issued and paid up capital**

Balance at beginning of period

**Balance at end of period**

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

**Share premium reserve**

Balance at beginning of period

Premium paid during year

**Balance at end of period**

**8. Retained earnings**

Balance at beginning of period

Operating surplus for the period

**Total available for appropriation**

Dividends paid

**Balance at end of period**

Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
	57,185	57,185
	<b>57,185</b>	<b>57,185</b>
	1,938	1,938
	-	-
	<b>1,938</b>	<b>1,938</b>
	105,233	100,831
	7,508	6,402
	<b>112,741</b>	<b>107,233</b>
6	<b>(2,000)</b>	<b>(2,000)</b>
	<b>110,741</b>	<b>105,233</b>



## Network Tasman Limited & Group

### Notes to and forming part of the financial statements

for the year ended 31 March 2014

#### 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 2.6% to 3.6% (31 March 2013: 3% to 4.2%).

#### 10. Other financial assets

Term deposits  
Loan to SmartCo Ltd

#### 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 0% to 0% (31 March 2013: 4.19% to 4.21%).

#### SmartCo Limited

Opening balance  
Plus advances  
Less repayments

#### Closing balance at end of period

No interest is charged on the loan to SmartCo Limited.

Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
	66	88
	6,760	7,900
	<b>6,826</b>	<b>7,988</b>
	-	-
	-	2,500
	<b>158</b>	-
	<b>158</b>	<b>2,500</b>
	-	-
	<b>360</b>	-
	<b>(202)</b>	-
	<b>158</b>	-

## Network Tasman Limited & Group

### Notes to and forming part of the financial statements

for the year ended 31 March 2014

#### 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 2014 and 31 March 2013 the receivables have been assessed for impairment and appropriate provisions applied, as detailed below.

##### Trade receivables

	31 March 2014 \$'000			31 March 2013 \$'000		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	4,561	-	4,561	4,910	-	4,910
Past due 1 - 30 days	277	-	277	224	-	224
Past due 31 - 60 days	12	-	12	10	-	10
Past due 61 - 90 days	2	-	2	15	-	15
Past due > 90 days	121	(11)	110	122	(19)	103
	4,973	(11)	4,962	5,281	(19)	5,262

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 2014 \$000	12 months 31 March 2013 \$000
	4,962	5,262
	4	34
	10	45
	302	288
	<b>5,278</b>	<b>5,629</b>

19	16
10	19
(18)	(16)
<b>11</b>	<b>19</b>

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

for the year ended 31 March 2014

**12. Advances to associates**

**On Metering Limited**

Opening balance

Plus advances

Less repayments

**Closing balance at end of period**

**Total advances to associates**

Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
	-	-
	2,375	-
	-	-
	2,375	-
	2,375	-

## Network Tasman Limited & Group

Notes to and forming part of the financial statements as at year ended 31 March 2014

### 13. 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 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>
	-	-	-	-	-	-	-
Balance at 1 April 2013	10,156	154,937	3,283	12,289	1,698	623	7,250
Additions / adjustments	4,140	6,104	3	715	-	-	395
Assets intended for sale	-	-	-	-	-	-	-
Disposals	(1)	(197)	-	-	-	-	-
<b>Balance at 31 March 2014</b>	<b>14,295</b>	<b>160,844</b>	<b>3,286</b>	<b>13,004</b>	<b>1,698</b>	<b>623</b>	<b>7,645</b>
<b>Accumulated depreciation</b>							
Balance at 31 March 2012	1,769	31,856	-	2,424	955	236	1,935
Depreciation expense	225	4,697	-	323	93	15	229
Adjustment	-	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>
	-	-	-	-	-	-	-
Balance at 1 April 2013	1,994	37,033	-	2,747	1,048	251	2,164
Depreciation expense	223	4,850	-	338	86	15	232
Assets intended for sale	-	-	-	-	-	-	-
Elimination on disposal	-	(49)	-	-	-	-	-
<b>Balance at 31 March 2014</b>	<b>2,217</b>	<b>41,834</b>	<b>-</b>	<b>3,085</b>	<b>1,134</b>	<b>266</b>	<b>2,396</b>
<b>Carrying amounts</b>							
As at 31 March 2013	8,162	117,904	3,283	9,542	650	372	5,086
As at 31 March 2014	12,078	119,010	3,286	9,919	564	357	5,249

## Network Tasman Limited &amp; Group

## Notes to and forming part of the financial statements as at year ended 31 March 2014

## 13. Property, plant and equipment (cont'd)

	Buildings	Land	Plant and equipment	Computer equipment	Motor vehicles	Assets leased from Transpower	Assets under construction	Total Assets
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Cost or Valuation</b>								
Balance at 31 March 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>
	-	-	-	-	-	-	-	-
Balance at 1 April 2013	2,431	3,012	562	661	256	2,181	5,866	205,205
Additions / adjustments	6	-	37	20	65	134	(109)	11,510
Assets intended for sale	(261)	(2,630)	-	-	-	-	-	(2,891)
Disposals	-	(43)	(56)	(8)	-	-	-	(305)
<b>Balance at 31 March 2014</b>	<b>2,176</b>	<b>339</b>	<b>543</b>	<b>673</b>	<b>321</b>	<b>2,315</b>	<b>5,757</b>	<b>213,519</b>
<b>Accumulated depreciation</b>								
Balance at 31 March 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>
	-	-	-	-	-	-	-	-
Balance at 1 April 2013	358	339	413	471	172	1,813	-	48,803
Depreciation expense	50	-	27	111	19	19	-	5,970
Assets intended for sale	(29)	(338)	-	-	-	-	-	(367)
Impairment/(impairment reversal)	-	-	-	-	-	-	-	-
Elimination on disposal	-	(1)	(35)	(6)	-	-	-	(91)
<b>Balance at 31 March 2014</b>	<b>379</b>	<b>-</b>	<b>405</b>	<b>576</b>	<b>191</b>	<b>1,832</b>	<b>-</b>	<b>54,315</b>
<b>Carrying amounts</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>
<b>As at 31 March 2014</b>	<b>1,797</b>	<b>339</b>	<b>138</b>	<b>97</b>	<b>130</b>	<b>483</b>	<b>5,757</b>	<b>159,204</b>

for the year ended 31 March 2014

## Valuation information

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.

An unconditional offer has been signed for the sale of the following with settlement date October 2014:

Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
	2,524 (105) (203)	-
	2,216	-



**Network Tasman Limited & Group**  
**Notes to and forming part of the financial statements**  
for the year ended 31 March 2014

**14. Investment properties**

**Movement in investment properties**

Opening balance  
Plus Additions  
Plus / (less) fair value gain / (loss) on valuation  
Plus increase / (decrease) in assets under construction  
Less disposals

**Closing balance**

**Investment properties are represented by:**

Land  
Buildings  
Assets under construction

**Total investment properties**

**Valuation information**

The Group's investment properties primarily consist of two commercial properties in the Richmond area. 281 Queen Street is a mixed commercial and office development that has been substantially strengthened and refurbished. The other property is an industrial sub-division at 24 Main Road Hope. The property's main tenants are Farmlands Limited, Delta Utilities Limited (the company's main network contractor) and vacant land scheduled for development. The Group has no restrictions on the realisability of its investment properties.

Investment properties were last valued by M W Lauchlan FNZIV, FPINZ, AREINZ, an independent registered valuer of Duke & Cooke Limited as at 31 March 2014. The valuation was based on fair value. Assets under construction have been valued at cost. In determining fair value, using the capitalisation of net income method, Mr Lauchlan used significant unobservable inputs (level 3 as defined by NZIFRS 13). This method is based upon assumptions including future rental income and appropriate discount rates.

Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
	16,684	14,664
	973	3,678
	741	(1,451)
	1,134	(127)
	0	(80)
	<b>19,532</b>	16,684
	<b>8,972</b>	8,688
	<b>9,295</b>	7,865
	<b>1,265</b>	131
	<b>19,532</b>	16,684

## Network Tasman Limited & Group Notes to and forming part of the financial statements for the year ended 31 March 2014

### 14. Investment properties

#### Reconciliation of Fair Value

Opening Balance  
Additions  
Change in Fair Value

#### Closing Balance

Office/ Commercial	Industrial	Other	Total
6,471	6,888	3,325	16,684
2,089	2	16	2,107
403	202	136	741
<b>8,963</b>	<b>7,092</b>	<b>3,477</b>	<b>19,532</b>

#### The following discount rates were used.

281 Queen Street  
24 Main Road Hope

Valuation Technique	Discount Rate	Weighted Average Lease Term
DCF Method	7.25% - 8.50%	6.1 years
DCF Method	8.00% - 8.50%	1.9 years

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value. Generally, a change in the assumption made for the estimated rental value is accompanied by:

- A directionally similar change in the rent growth per annum and discount rate (and exit yield)
- An opposite change in the long term vacancy rate

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

for the year ended 31 March 2014

### 15. 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 2014

Computer software

#### Total Intangible assets

#### Intangible assets - 31 March 2013

Computer software

#### Total Intangible assets

Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
	189	170
	86	122
	(96)	(103)
	(11)	-
	11	-
	<b>179</b>	<b>189</b>
At cost \$000	Accum. amortisation \$000	Carrying amount \$000
1,622	1,443	179
<b>1,622</b>	<b>1,443</b>	<b>179</b>
1,548	1,359	189
<b>1,548</b>	<b>1,359</b>	<b>189</b>

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 2014

### 16. Investment in associate

#### Associate company

**Name of entity**  
**Nelson Electricity Limited**  
*Ownership interest*

**Activity**  
Distribution network owner & operator

Nelson Electricity Limited is incorporated in New Zealand, and has a balance date of 31 March.

#### Results of associate

Share of surplus before income tax  
Movement in NEL deferred tax  
Income tax

#### Share of comprehensive income

#### Total recognised revenues and expenses

#### Carrying value of associate

Opening balance at beginning of period  
Share of comprehensive income  
Dividends received

#### Closing balance at end of period

Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
	<b>10,822</b>	9,096
	<b>50%</b>	50%
	<b>1,688</b>	1,839
	<b>507</b>	(355)
	<b>(469)</b>	(542)
	<b>1,726</b>	942
	<b>1,726</b>	942
	<b>9,096</b>	9,054
	<b>1,726</b>	942
	<b>-</b>	(900)
	<b>10,822</b>	9,096

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

for the year ended 31 March 2014

### 16. Investment in associate (cont')

#### Summarised financial information of associate

Nelson Electricity Limited applied the small company exemption and has not adopted NZ IFRS. It also has a different accounting policy for property, plant and equipment, continuing to revalue rather than adopting deemed cost.

The following is a summary of Network Tasman Limited's share of Nelson Electricity Limited's financial information adjusted to be prepared on the same basis as Network Tasman Limited financial statements.

Assets  
Liabilities  
Revenues  
Surplus / (deficit)

Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
------	--	--

19,426	12,517
8,603	3,421
5,105	5,008
1,726	942

**Name of entity**  
**On Metering Limited**  
*Ownership interest*

**Activity**  
Meter deployment company

50%

On Metering Limited is incorporated in New Zealand, and has a balance date of 31 March.

#### Results of associate

Share of surplus / (deficit) before income tax  
Income tax (expense) / benefit

#### Share of comprehensive income / (loss)

#### Total recognised revenues and expenses

-	-
-	-
-	-
-	-



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

for the year ended 31 March 2014

### 16. Investment in associate (cont')

#### Summarised financial information of associate

On Metering Limited applied NZ IFRS's reduced disclosure regime.

The following is a summary of Network Tasman Limited's share of On Metering Limited's financial information.

Assets  
Liabilities  
Revenues  
Surplus / (deficit)

#### Total carrying value of associates

Nelson Electricity Limited  
On Metering Limited

#### Total

Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
	2,332	-
	2,480	-
	-	-
	-	-
	10,822	9,096
	-	-
	10,822	9,096

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

for the year ended 31 March 2014

### 17. Payables and accruals

#### Current

Trade payables and accruals

#### Total current payables and accruals

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.

### 18. Tax payable

#### Current

Tax Payable

#### Total tax payable

Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
	7,027	4,504
	<b>7,027</b>	<b>4,504</b>
	296	875
	<b>296</b>	<b>875</b>

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

for the year ended 31 March 2014

### 19. Provisions

#### Current

Employee entitlements  
Sundry provisions

#### Total current provisions

#### Non-current

Employee entitlements

#### Total non-current provisions

#### Total Provisions

#### Provision for employee entitlements

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

#### Balance at end of period

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

#### Sundry provisions

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

#### Balance at end of period

#### Total Provisions

Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
	279	230
	300	100
	<b>579</b>	<b>330</b>
	293	275
	<b>293</b>	<b>275</b>
	<b>872</b>	<b>605</b>
	505	484
	255	253
	(187)	(232)
	(1)	-
	<b>572</b>	<b>505</b>
	100	100
	200	-
	-	-
	-	-
	<b>300</b>	<b>100</b>
	<b>872</b>	<b>605</b>

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

for the year ended 31 March 2014

### 20. Finance leases

#### Finance Lease Liability as at 31 March 2014

	Total Liability		Principal	
	March 2014	March 2013	March 2014	March 2013
No later than one year	288	292	227	258
Later than one year and not later than five years	451	368	357	352
Later than five years	42	1	40	-
Minimum Lease Payments	781	661	624	610
Less Future Finance Charges	157	51		
Present Value of Minimum Lease Payments	624	610	624	610
Included in the financial statements as:				
Current Borrowings			227	258
Non-current borrowings			397	352
			624	610

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 10 or 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 2014

### 21. Deferred taxation

Balance at beginning of period  
Deferred tax on temporary differences

#### Balance at end of period

Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
	27,538 369	27,870 332
	<b>27,907</b>	27,538

### Analysis of temporary deferred tax differences

#### For the year ended 31 March 2014

Opening balance  
Change to income  
Change to equity

Closing balance

Fixed assets	Provisions	Finance leases	Total
27,876	167	171	27,538
421	48	4	369
-	-	-	-
28,297	215	175	27,907

#### For the year ended 31 March 2013

Opening balance  
Change to income  
Change to equity

Closing balance

Fixed assets	Provisions	Finance leases	Total
28,251	161	220	27,870
375	6	49	332
-	-	-	-
27,876	167	171	27,538

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 2014

### 22. 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

Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
	831	877
	1,414	1,830
	131	215
	<b>2,376</b>	<b>2,922</b>

The lease arrangements are renewed on a periodic basis as disclosed in the lessors' individual contracts; no agreement exceeds 6 years. In 2014 rental income received from leases with non-cancellable operating lease arrangements amounted to \$1,301,000 (2013: \$1,164,000)

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

for the year ended 31 March 2014

### 23. Reconciliation of operating surplus to net cash flows from operating activities

#### Operating surplus after tax

#### Items not involving cash flows:

Depreciation & amortisation  
Movement in deferred taxation  
Non cash customer contributions  
Change in fair value of investment properties  
Impairment of property, plant and equipment  
Equity accounted earnings from associate  
Exchange gains / (losses)  
Bad debts written off  
(Gain) loss on sale assets

#### Movement in working capital:

Increase (decrease) in non capital payables  
Increase (decrease) in provisions  
(Increase) decrease in receivables

#### Net cash flows from operating activities

Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
	7,508	6,402
	6,066	6,073
	369	(332)
	(1,540)	(1,400)
	(741)	1,451
	-	(42)
	(1,727)	(42)
	232	-
	18	54
	318	152
	2,995	5,914
	1,000	47
	267	22
	351	(455)
	1,618	(386)
	12,121	11,930



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

for the year ended 31 March 2014

### 24. Related party information (con't)

#### Associate company - On Metering Limited

Network Tasman Limited provided operational and management services to On Metering Limited, an associate company. Fees for management and operational services were charged at fair value.

*Charges from Network Tasman Limited to On Metering Limited*

Management services and project cost oncharges

92

0

*Charges from On Metering Limited to Network Tasman Limited*

Sundry oncharges

827

0

*Advances from Network Tasman Limited to On Metering Limited*

Shareholder advances

2,375

0

Balance due from On Metering Limited as at period end

3

0

Balance due to On Metering Limited as at period end

834

0

Note

12 months  
31 March  
2014  
\$000

12 months  
31 March  
2013  
\$000

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

for the year ended 31 March 2014

Note	12 months 31 March 2014 \$000	12 months 31 March 2013 \$000
<b>24. Related party information (con't)</b>		
<b>Related company - SmartCo Limited</b>		
Network Tasman Limited provided management services to SmartCo Limited, a related company. Management fees were charged at fair value.		
<i>Charges from Network Tasman Limited to SmartCo Limited</i>		
Management services	35	0
<i>Charges from SmartCo Limited to Network Tasman Limited</i>		
Project management fees	354	0
Sundry oncharges	25	0
<i>Advances from Network Tasman Limited to SmartCo Limited</i>		
Shareholder advances	159	0
Balance due from SmartCo Limited as at period end	7	0
Balance due to SmartCo Limited as at period end	103	0



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

for the year ended 31 March 2014

### **24. Related party information (con't)**

#### **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 with Network Tasman Limited, for distribution services. Total sales to Nelson Pine Industries Limited for the year ending 31 March 2014 were \$1,876,000 (31 March 2013 : \$1,780,000). As at 31 March 2014, the balance owing by Nelson Pine Industries Limited was \$194,000 ( 31 March 2013 : \$185,000).

#### **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 with Network Tasman Limited. As at 31 March 2014, the balance owing by Heartland Group Limited was \$1000 (31 March 2013 : \$0). Total sales to Heartland Group Limited for the year ending 31 March 2014 were \$9,800 (31 March 2013 : \$7,500).

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

Institute of Directors in NZ Inc, a membership organisation in which Mr MJ McCliskie (a director of Network Tasman Limited) is a councillor, was paid \$1,900 during the year ending 31 March 2014 (31 March 2013 : \$5,700).

#### **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 with Network Tasman Limited. Total sales to Cold Storage Nelson Limited for the year ending 31 March 2014 were \$175,000 (31 March 2013 : \$150,000). As at 31 March 2014, the balance owing by Cold Storage Nelson Limited was \$21,600 (31 March 2013 : \$11,600).

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

for the year ended 31 March 2014

### 24. Related party information (con't)

#### Ms SJ Weir - Nelmac Limited

Nelmac Limited, a company in which Ms Weir (a director of Network Tasman Limited) is a director, contracts directly with Network Tasman Limited. Nelmac Limited was paid \$33,000 during the year ending 31 March 2014.

There are close family members of key management personnel employed by the Company. The terms and conditions of those arrangements are no more favourable than the Company would have adopted if there were no relationship to key management personnel.

No related party debts have been written off or forgiven during the period (31 March 2013 : nil)

#### Key Management personnel compensation

Salaries and other short-term benefits  
Post employment benefits  
Other long term benefits  
Termination benefits

#### Total key management personnel compensation

<b>1,381</b>	1,326
<b>0</b>	0
<b>20</b>	27
<b>0</b>	0
<b>1,401</b>	<b>1,353</b>

## Network Tasman Limited & Group Notes to the financial statements for the year ended 31 March 2014

### 25. 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 31% (2013 : 29%) at balance date. The credit risk is not considered to be high. Apart from the advances of 2.3 million to On Metering Limited, 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 26.

#### Interest rate risk

Short-term investments mature within the range of on-call to 90 days. The interest rates on these investments range from 2.6% to 3.6% (31 March 2013: 3% to 4.21% )

#### Sensitivity analysis

As at 31 March 2014 the weighted average term deposit interest rate was 3.2% (31 March 2013: 4.1%) If this rate changed by 1%, with all other things held constant, the surplus / deficit for the year would have been \$33,000 (2013: \$104,000) 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 \$7 million (31 March 2013: \$10.5 million) of cash and short term deposits and holds \$8.1 million (31 March 2013: \$6 million) of current liabilities. The current ratio is 2.1:1 (31 March 2013 2.7:1). 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 2014

### 26. 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 2014 \$000	12 months 31 March 2013 \$000
9	6,826	7,988
10	158	2,500
11	4,962	5,262
	<b>11,946</b>	15,750
17	7,027	4,503
20	624	610
	<b>7,651</b>	5,113

### 27. 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 2014 \$1,476,000 ( 31 March 2013 : \$1,405,000).  
All capital commitments fall due in the next twelve months.

### 28. Contingencies

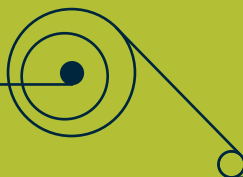
As at 31 March 2014 there were no material contingent assets or liabilities (31 March 2013: nil).

## Network Tasman Limited & Group Notes to the financial statements for the year ended 31 March 2014

### 29. Performance targets

The following financial and reliability performance targets for the 12 months ending 31 March 2014 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	18.6	16.7
Operating surplus after tax and customer contributions	\$mil	7.5	6.5
Operating surplus to shareholders' funds	%	4.42%	3.80%
<i>Line business only:</i>			
Total network costs per consumer	\$	383	398
Cash operating costs per consumer	\$	231	249
Line Charge Discounts (Excluding GST)	\$mil	9.9	9.8
<b>Reliability performance targets (excludes Transpower planned and unplanned outages)</b>			
Average duration of supply interruptions per connected consumer (SAIDI) not to exceed -	minutes	129	115
Average number of supply interruptions per connected consumer (SAIFI) not to exceed -	number	1.34	1.36
Average duration of supply interruptions (CAIDI) not to exceed -	minutes	96	85
Faults per 100 km of line not to exceed -	number	5.4	6.0
% faults not restored within three hours not to exceed -	%	21	20
Safety of electricity supply			
Lost time injuries not to exceed -	number	1	0



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

for the year ended 31 March 2014

### **30. 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.

### **31. 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 2014

### AUDIT NEW ZEALAND Mana Arotake Aotearoa

#### Independent Auditor's Report

#### To the readers of Network Tasman Limited group's financial statements and statement of service performance for the year ended 31 March 2014

The Auditor-General is the auditor of Network Tasman Limited and its subsidiaries (the group). 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 group, on her behalf.

#### We have audited:

- the financial statements of the group on pages 16 to 61, that comprise the balance sheet as at 31 March 2014, 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 group on page 60.

#### Opinion

#### Financial statements and the statement of service performance

#### In our opinion:

- the financial statements of the group on pages 16 to 61:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with the New Zealand Equivalents to International Financial Reporting Standards; and
  - give a true and fair view of the group's:
    - financial position as at 31 March 2014; and
    - financial performance and cash flows for the year ended on that date;
- the statement of service performance of the group on page 60:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the group's achievements measured against the performance targets adopted for the year ended 31 March 2014.



## Network Tasman Limited & Group - Audit Report

For the year ended 31 March 2014

### 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 group as far as appears from an examination of those records.

Our audit was completed on 27 June 2014. 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.

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 group'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 group'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 2014

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 group's financial position, financial performance and cash flows; and
- give a true and fair view of the group's 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.

### 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.

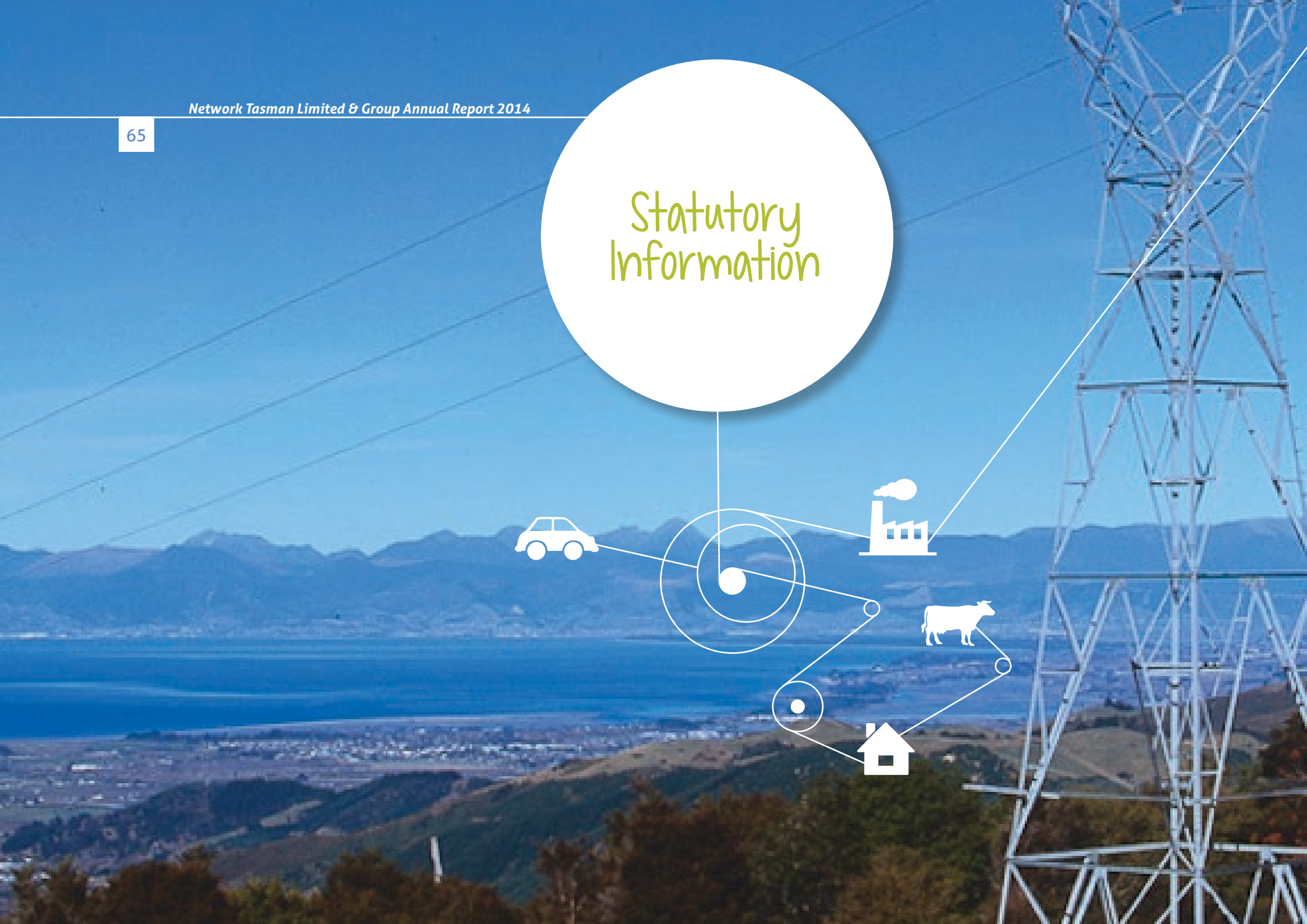
In addition to the audit, we have carried out two assurance engagements for the group. These engagements were in respect of the group's disclosure information prepared under the Commerce Commission's requirements, issued by notice in writing to the Company under section 53ZD of the Commerce Act 1986, the Electricity Distribution Information Disclosure Determination 2012 and the Annual Compliance Statement prepared under the Electricity Distribution Services Default Price-Quality Path Determination 2010. These assignments are compatible with the independence requirements.

Other than the audit and these assignments, we have no relationship with or interests in the group.



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

# Statutory Information



## Principal activities

The Group'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 Group has interests in complementary businesses, including a fibre optic communications network, commercial and industrial property and a 50% shareholding in Nelson Electricity Limited and On Metering Limited respectively.

## Directors holding office during the year were:

MJ McCliskie (Chairman)

AM Milligan

AP Reilly

CIM Turner

SJ Weir (from September 2013)

JO Williamson

IF Kearney (retired July 2013)

## Remuneration of directors

### Directors received the following fees:

Director:	2014
MJ McCliskie (Chairman)	44,666
AP Reilly	30,500
JO Williamson	30,500
CIM Turner	30,500
AM Milligan	30,500
SJ Weir (appointed September 2013)	18,000
IF Kearney (retired July 2013)	17,666

## Remuneration of employees

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

Remuneration band:	2014
\$100,000 - \$109,999	1
\$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
\$350,000 - \$359,999	1

## Directors' insurance

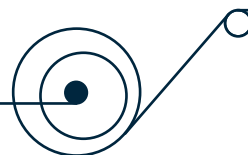
The Group has Directors' and Officers' liability insurance cover to a value of \$10 million which covers directors of Network Tasman Limited and directors representing Network Tasman Limited on associated company boards. The insurance does not cover liabilities arising from criminal actions.

## Directors' benefits

No director of the Group 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 Group to any director nor has the Group guaranteed any debts incurred by a director.

# Statutory Information



## Entries recorded in the interests register

The following represents the particulars of the entries made in Network Tasman's interests register for the year ended 31 March 2014:

### MJ McCliskie

Heartland Group Limited	Chairman
Alandale Orchards Limited	Chairman
Seventeen Ltd	Chairman
Nelson Electricity Limited	Director
Institute of Directors NZ Ltd	Councillor
Spiers Foods Limited	Director
Compass Fruit	Chairman

### A Milligan

Ramazzini Limited	Director
Health Click Limited	Director
Independent Nursing Practice Limited	Director
London Plane Limited (Property)	Director
Clinical Director Women, Child and Youth	Clinical Director

### AP Reilly

AP & KM Reilly Limited	Chairman
Co-operative Business New Zealand	Director
Cold Storage Nelson Limited	Director
Ravensdown Fertiliser Co-op Limited	Director
Dos Rios Dairy Ltd	Director

### Clm Turner

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

### SJ Weir

Nelmac Limited	Director
Marriott Orthodontics Limited	Director
Anderson Lloyd Lawyers	Consultant to & former partner
Tasman Broadcasting Trust	Trustee

### IF Kearney

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

## 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.

# Corporate Governance

The Board of Directors of Network Tasman Limited and Group (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 Network Tasman’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 and that the business complies fully with legislative health and safety requirements.

## Board operations and membership

Network Tasman’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 2014.

## 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.

### Telecommunications and AMI

The Board has a Telecommunications and AMI Subcommittee. The Committee is responsible for overseeing the company’s fibre network and advanced metering activities including the development of new business opportunities. The committee met four 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)



# Corporate Governance

## Risk management

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

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

## Treasury policy

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

## The role of the shareholder Trust

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

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





## Five Year Trends

	2014	2013	2012	2011	2010
Revenue (\$m)	43.7	39.6	36.8	35.5	36.6
Earnings before interest, tax, depreciation & customer contributions (\$m)	14.7	13.0	12.9	11.7	12.9
Net operating cash flow (\$m)	12.1	11.9	11.9	9.5	10.7
Total cash dividends paid (\$m)	2.0	2.0	2.0	2.0	3.9
Total electricity supplied (GWh)	772	781	779	767	734
Electricity maximum demand (MW)	148	150	147	146	146
Consumer connections (ICPs)	37,938	37,500	37,089	36,679	36,219

## Directory

Network Tasman's head office is at  
**52 Main Road Hope, Richmond.**  
The company employs 26 staff.

**Telephone:** 64 3 989 3600  
or 0800 508 098

**Facsimile:** 64 3 989 3631

**Email:** [info@networktasman.co.nz](mailto:info@networktasman.co.nz)

[www.networktasman.co.nz](http://www.networktasman.co.nz)



## Directors

John McCliskie - Chairman  
Annette Milligan  
Tony Reilly  
Christopher Turner  
Sarah-Jane Weir  
James Williamson

## 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)

## Network Tasman Trust

Trevor Tuffnell - Chairman  
Ted Anderson  
Ian Barker  
Gweny Davis  
Nathan Fa'avae  
Terry Kreft

## Executive

Wayne Mackey  
Chief Executive Officer  
  
Kevin Hartshorne  
Customer Services Manager  
  
Murray Hendrickson  
Network Manager  
  
Oliver Kearney  
Finance & Administration Manager  
  
Andrew Stanton  
Advanced Metering &  
Telecommunications Manager  
  
Colin Starnes  
Commercial Manager

## 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)