

networktasman

Your consumer-owned electricity distributor



ANNUAL REPORT
2015



Empowering our community

“During the
year in review
Network Tasman
credited a record
\$11.6 million to
local residents
and businesses.”

Contents

Directors' Report	07
Board of Directors	11
Financial Performance	12
Operational Performance	13
Audited Financial Statements	15
Audit Report	54
Statutory Information	57
Corporate Governance	59
Five-Year Trend	61
Directory	62



Network Tasman Limited & Group Annual Report 2015

The directors are pleased to present the Annual Report of Network Tasman Limited and Group for the year ended 31 March 2015.

MJ McCliskie
Chairman
27 June 2015

CIM Turner
Director
27 June 2015

Our area of Distribution



The Network Tasman electricity distribution network distributes power in an area of 10,800 sq km in the north-western corner of the South Island.

* Excluding Nelson which is serviced by 50% owned associate Network Electricity Limited

Where do we fit in the electricity industry?



Generation

Electricity supplying the Tasman/Nelson region is generated by hydroelectric power stations throughout the South Island.



National Transmission System Grid

Transpower owns and operates the national grid. The system uses equipment that includes high voltage 220kV and 110kV lines to transport electricity from where it's generated to regional distribution networks (Network Tasman is one of 28 such 'lines companies' operating throughout New Zealand).



Distribution Network ← that's us!

Network Tasman owns and operates the power lines and equipment used to transport power from the national grid to your property.



Retailers & You

To get electricity to your property, retailers such as Contact, Meridian, Trustpower and Genesis have agreements with Network Tasman to use its distribution network.

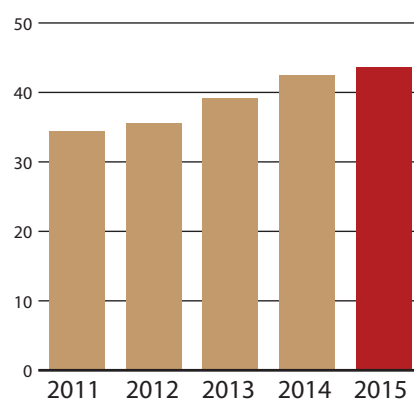
\$2m

Total cash dividends paid

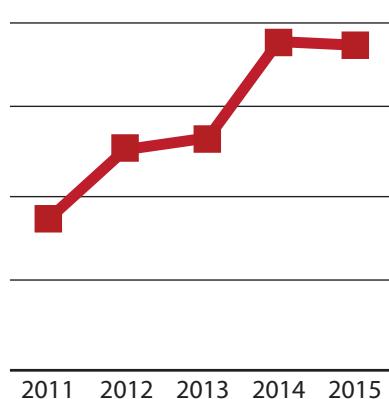
“A fully imputed dividend of \$2 million paid to the Network Tasman Trust.”

Key Performance Indicators

Revenue
(\$m)

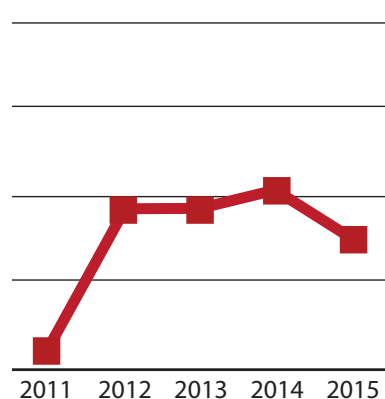


Earnings
(\$m)

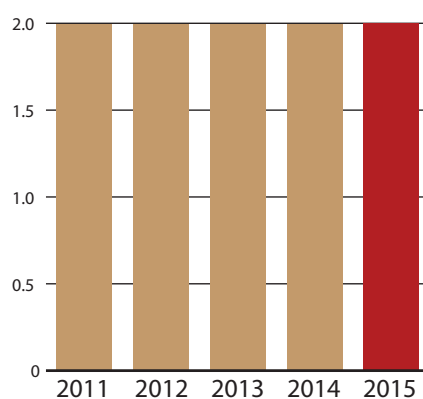


Before interest, tax, depreciation & customer contributions.

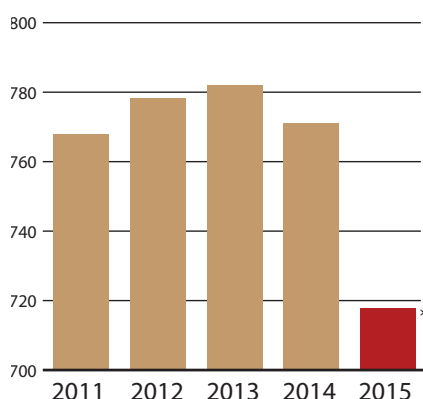
Net operating cash flow
(\$m)



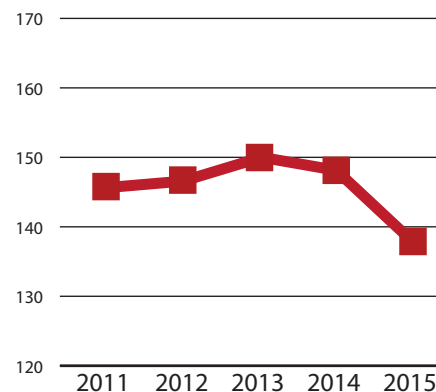
Total cash dividends
(\$m)



Total electricity distributed
(GWh)



Electricity maximum demand
(MW)



* Nelson Electricity Limited (NEL) has constructed a new separate off-take grid exit point at Transpower's Stoke substation. This now takes about 1/3 of NEL's total supply, so Network Tasman's Total Electricity Supplied (GWh) and Maximum Demand (MW) has reduced accordingly.

Directors' Report

Directors have pleasure in presenting their annual report together with the audited financial statements for the financial year ending 31 March 2015.

Operational and Financial Performance

The company again delivered another strong financial and operational performance for the 2015 financial year. The surplus before interest, tax, line discounts and customer contributions was \$17.7 million for the year which is \$0.5 million above target. Sound returns from the core electricity network were supported by the company's investments in fibre, investment properties and Nelson Electricity Limited. The company added 376 new customer connections during the year, which while down on the previous year's growth rate, is still around 1% growth per annum. Overall, the operating surplus after tax was \$7.3 million which is \$1 million above target for the year.

The Group continues to generate significant cash flow from operations that supported the capital expenditure of \$21.7 million during the year. Undoubtedly the highlight of the year was the purchase of Transpower's 66kV lines and substations in December 2014. These assets supply the Motueka and Golden Bay areas and are a natural addition to the company's existing network. The purchase, funded initially by debt, provides the company a sound return on the funds employed and has enabled the company to reduce line pricing to consumers. Other significant capital works included the commencement of significant new investments in advanced meters and a new investment property leased to the Nelson Marlborough District Health Board.

Network reliability was affected by a significant Easter storm (Cyclone Ita) in 2014 which affected our overall SAIDI performance. Network SAIDI minutes (average duration of supply interruptions per connected consumer, excluding Transpower planned and unplanned faults) were 158 minutes against a target of 115 minutes (129 minutes in 2014). In addition to the significant renewal capital expenditures during the year, NTL continues to focus on planned maintenance on the network and vegetation control to ensure improvement of the long-term safety and reliability of the electricity network.

"The existing fibre networks continue to generate excellent returns on the funds invested..."

Health and Safety

Workplace health and safety is a key priority across all activities of the company. The board has established a Health and Safety Committee, comprising the full board, that is tasked with ensuring that health and safety are key considerations in every operational decision made within the company. It is pleasing to note there were no Public Injury Events or Public Property Damage Events during the year.

The board has committed significant resources to review the findings and recommendations arising from the Report of the Independent Task Force on Health and Safety in New Zealand. Independent advice has been received on the implications of the current Health and Safety Reform Bill currently before Parliament. Management has reviewed current policies and procedures and is establishing clear goals and expectations across the organisation. Each of our business units is developing long-term plans for prioritising and addressing general workplace health and safety issues.

Repositioning for the Future

The electricity distribution sector is facing a number of structural changes that will impact upon the future structure of the core electrical network. Declining consumption, allied with declining costs of alternative distributed generation technologies, present both a threat and an opportunity for traditional utilities. What was once a single directional electricity distribution network, from generation to consumers, is likely to change into a bi-directional network where distributed generation at a business and household level will both draw and inject electricity to and from the company's distribution system. Advanced metering overlaid with advanced digital communications and other smart grid

"The board remains committed to delivering the core services to consumers in an efficient and cost-effective manner."

technologies will be required to manage this flow of energy and the overall health of the network.

At a residential level, the Nelson/Tasman region has the highest penetration of photovoltaic systems (PV) in the country. With the significant decline in PV prices over the past five years, indications are that residential-scale battery storage systems will follow a similar trend over the next 3-5 years. It is likely that consumers will increasingly look towards residential-scale energy management systems while remaining connected to the grid.

As largely a fixed cost business, network companies are required to recover the cost of their networks via fixed and variable charges. The board remains concerned that while the low-user fixed charging regime remains in place, network companies are prevented from sending consumers economically rational pricing signals.

It is an irony of the current low-user charging regime that those able to purchase distributed generation technologies such as PV/battery storage systems are effectively subsidised by those unable to do so. The company, as part of the Electrical Networks Association, continues to lobby Government to ensure that regulators are aware of the impacts of this regime.

With the evolution of these new technologies, the board's key priority is to ensure our core network business remains competitive and responsive to the opportunities that become available. The board remains focused on ensuring the company is well positioned to respond to these challenges and can continue to be central to delivering the electrical needs of our consumers as part of a smart network environment.

Shared Services

While there are a number of structural barriers to industry consolidation, the board remains committed to delivering the core services to consumers in an efficient and cost-effective manner. Management has commenced discussions with like-minded distributors to investigate options for shared services to deliver efficiency gains through centralising transactional tasks, and increasing

productivity by leveraging the joint scale of operations. The project is targeting operational and administrative functions where efficiencies can be achieved without compromising the safety and reliability of the company's existing assets.

Consumer Returns

Network Tasman's line charges continue to be among the lowest in the country and 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 more than a decade. The company's focus on low-cost service delivery together with low distribution prices is a tangible benefit of local consumer ownership.

Line charge discounts to consumers for the year increased by 1.8% to a record \$11.6 million inclusive of GST.

Fibre Network

Despite increased competition from Chorus and the UFB rollout, the company continues to retain a sound market position in the industrial and commercial communication market in the top of the South. The fibre business continues to develop the Layer 2 lit services with agreements to reticulate a number of rural and industrial subdivisions. These low cost extensions to the company's existing network deliver competitively priced services to these new green field developments.

Management continues to implement several CCTV networks across the top of the South Island. Contracts are already in place with the Nelson City Council, Marlborough District Council and private organisations.

The company is currently evaluating the business case for participating in the Government's next round of rural broadband funding. Where a sensible business case exists, the company may utilise its existing networks to deliver fast and reliable broadband to these rural communities.

Advanced Meters

Deployment of advanced meters is now well underway in both the Network Tasman and On Metering (Mainpower) regions. While a number of challenges have been overcome, mass deployment is scheduled to be completed during the next three years, providing retailers and network companies the ability to improve the overall service provided to consumers.

Investment Properties

Redevelopment of the company's investment property at 281 Queen Street, Richmond is scheduled for completion in July 2015. The building, previously the head office of Tasman Energy, has been strengthened to current building standards and is fully leased to a number of blue chip tenants on long-term leases.

The company welcomed staff from the Nelson Marlborough Public Health and DHB to the first stage of the redevelopment in June 2014 with the second stage due for completion in July 2015. Once completed the site will serve as the District Health Board's Community Health Hub for the region.

The remaining properties held by Network Tasman continue to be fully tenanted. Underlying demand for well-located industrial properties in the Tasman region remains strong. Network Tasman will continue to cautiously develop its remaining land holdings when suitable long-term, quality tenants can be secured on favourable commercial terms.

Nelson Electricity Limited

After a period of significant capital investment, Nelson Electricity has again delivered a credible return on funds employed despite increased funding costs for the capital investment together with declining electricity volumes. The board of Nelson Electricity has commenced investigations into options to share back office services with other lines companies where these are likely to achieve operational savings without compromising network safety and reliability.

Regulation

As a non-exempt electricity distribution company, Network Tasman continues to be subject to price control by the Commerce Commission. In late November 2014, the Commission released its decision on the default price path that will apply to the company's electricity business over the five years to 31 March 2020. In setting Network Tasman's prices, the Commerce Commission has assumed capital expenditure over the regulatory period beginning 1 April 2015 will be around half the figures stated in the most recent Asset Management Plan submitted to the Commission.

At the same time, the Commerce Commission introduced a quality incentive scheme that penalises lines companies that breach an upper limit ("cap") of quality measures, by reducing the amount of revenue

that can be earned. The Commission's targets differ for each network and have been determined using an historical average. Regardless of how well run a lines business is, significant weather events can cause a breach of the regulatory limit. While the Commission's approach does reduce the effect of individual extreme weather events, a series of bad weather events can still cause a breach.

Dividend

Network Tasman Limited again paid a fully imputed dividend of \$2 million to its shareholder, the Network Tasman Trust. This dividend is funded largely by the company's investments in non-regulated businesses including the fibre network, Nelson Electricity Limited and the investment property portfolio. Since Network Tasman Limited was established in 1993 more than \$175 million has been paid to consumers by way of discounts and dividends.

"Nelson Electricity has again delivered a credible return on funds employed..."

Board Governance

The board continues to provide oversight and governance of the company's activities. In addition to regular board meetings, the board has established a number of committees to review and analyse policies and strategies for specific areas of the company's activities.

Currently there are four standing committees of the board:

1. Health and Safety Committee;
2. Audit and Risk;
3. Remuneration; and
4. Advanced Meters and New Technologies.

Committees do not take action or make decisions on behalf of the board unless mandated specifically by prior board authority to do so. Each committee examines proposals and, where appropriate, makes recommendations to the full board.

Directors

The board would like to note the retirement of Mr. Christopher Turner as a director of Network Tasman. Chris joined the board in 1997 and the board would like to thank Chris for his long service and wish him well for the future.

“New technologies are likely to impact significantly upon Network Tasman’s consumption based revenues but not on peak demand and capital investment requirements.”

Conclusion

The company, along with all industry participants, is facing a number of structural and technological challenges. Residential and commercial demand remains 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, predominately PV systems.

These new technologies are likely to impact significantly upon Network Tasman’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, however the board will ensure that those charged with regulating the industry are made aware of the distortions the regulations are having.

The board remains committed to ensuring that the company is well positioned to respond to the structural and technological challenges facing electricity networks. The convergence of economically priced PV systems, distributed storage and electric vehicles all have the potential to impact upon the core electrical networks. Networks that were previously one-directional flows of electricity from generators to consumers will need to respond to the two-way demand and injections of a smart network.

The company’s investments in advanced meters and RF mesh networks, together with work being undertaken on new technologies, will allow the company to participate in the smart networks of the future. The board believes that the projects currently being completed will allow it to manage its electrical networks in a more efficient and effective manner.

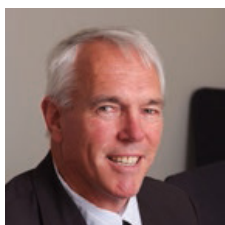
Network Tasman has a strong balance sheet and operating cash flows that will continue to underpin performance and provide a sound base for future capital investment. The company is fortunate to have a good relationship with its shareholding trust and I thank the trustees for their support and guidance over the year.

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



John McCliskie
Chairman

Board of Directors



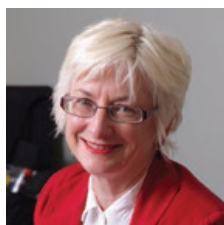
Michael J McCliskie (John)

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. He is a director of Nelson Electricity, Heartland Group, Speirs Foods and is a Councillor of the Institute of Directors of NZ.



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.



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, Landcorp Farming and a number of private companies.



Christopher IM Turner

BSc, CA

Director

(since June 1997)

Chris is Chief Executive of Nelson Pine Industries, 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.



Sarah-Jane Weir

LLB, Masters of Intellectual Property Law

Director

(since September 2013)

Sarah-Jane practised as a commercial lawyer for more than 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 a director of Nelmac, a trustee of The Canterbury Community Trust 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.

Financial Performance

Highlights

- Operating surplus of \$7.3 million against a target of \$6.34 million.
- Record line charge discounts credited to consumers of \$11.6 million including GST.
- Net cash flow from operations of \$10.9 million for the year allowed Network Tasman to invest \$21.6 million in capital expenditure while maintaining a conservatively funded balance sheet.
- A fully imputed dividend of \$2 million paid to the Network Tasman Trust.

Financial Performance

Strong contributions from the core electricity, fibre and investment property business units were off-set by start-up costs for the advanced metering activities. Non-cash customer contributions of \$2.4 million reflect the buoyant nature of the residential property market with a number of large subdivisions being developed across the region.

Consumers continue to receive significant discounts off their power accounts. During the year Network Tasman paid two line discounts to consumers in August and December. This year line discounts credited to consumers' power accounts reached a record \$11.4 million including GST (\$11.2 million in 2014).

The financial targets as set down in the Network Tasman's 2015 Statement of Corporate Intent are compared below with the actual results for the year and target for 2015:

		Actual Result	SCI Target
Financial performance targets			
<i>Total company:</i>			
Surplus before interest, tax, line discount and customer contributions	\$mil	17.7	17.2
Operating surplus after tax and customer contributions	\$mil	7.3	6.3
Operating surplus to shareholders' funds	%	4.17%	3.60%
<i>Line business only:</i>			
Total network costs per consumer	\$	423	405
Cash operating costs per consumer	\$	263	248
Line Charge Discounts (Excluding GST)	\$mil	10.1	9.8

Net cash flow from operations was \$10.9 million for the year. 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 \$21.6 million on capital expenditure during the year with the most significant capital expenditure during the year being purchase of Transpower's 66kV lines west of the Stoke GXP. Other capital investment in the electricity network has been concentrated on improving network safety and reliability.

In the non-regulated business units, additions to the company's investment properties and investments in advanced meters by Network Tasman and On Metering will see increasing returns in the 2015/16 financial year

onwards. Capital expenditure on the fibre network has been focused on organic growth around the existing network including reticulating several rural subdivisions in the Tasman area.

Cash operating costs per customer were above target due to the additional maintenance costs incurred due to the purchase of Transpower's 66kV lines in December 2014.

The company again paid a fully imputed dividend of \$2 million to the Network Tasman Trust.

At the end of the financial year the group had total cash of \$4.1 million and term loans of \$7.5 million. Term loans are forecast to peak in 2015/16 as investments in advanced meters and the Queen Street property are completed.

Operational Performance

Highlights

- Completed the purchase of Transpower's 66kV lines west of the Stoke GXP.
- Commenced undergrounding of electricity network on High Street Motueka.
- Commenced deployment of advanced meters on the Network Tasman and On Metering networks on behalf of Contact Energy Limited.

Network Maintenance

Network Tasman spent \$5.5 million on network maintenance during the 2014/15 financial year. Maintenance contractor Delta Utility Services and vegetation services provider Treescape continue to deliver a high level of service to our consumers.

Network Tasman operates a comprehensive network maintenance programme based on condition-based assessment and replacement of system components. Continual surveys of the network are performed to determine the condition and serviceability of the network components, with a comprehensive database recording all components that make up the network and the likely replacement requirements. It is pleasing to note that subsequent to balance date, the company's existing maintenance contractor (Delta Utilities Services) agreed to extend its agreement with Network Tasman for a further term of five years.

Capital Expenditure

During the year 376 consumer connections were added to the network, a growth rate of 1%.

The company also spent \$13.8 million on network distribution enhancements and renewals, with \$445,000 of this focused on system safety and reliability improvements.

The main capital expenditure during the year was the purchase of Transpower's 66kV lines west of Stoke. This transaction was completed in December 2014. The lines are a natural fit as they are entirely within the geographic areas serviced by the company's existing distribution network and are long-life network infrastructure assets.

As a long-term infrastructure owner, Network Tasman produces an annual Asset Management Plan (AMP) that documents the company's asset management practices and management strategy for its network distribution assets. The network development plan within the AMP 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.

Network Tasman is budgeting to spend \$21.9 million on capital expenditure projects in the 2015/16 financial year and \$115 million in the next ten years. A copy of the AMP is available on the company's website at: www.networktasman.co.nz.



“Directors continue to review capital expenditure plans, network design and management options to improve feeder reliability.”

Advanced Meters

Deployment of advanced meters has now commenced on both the Network Tasman and Mainpower networks. Ultimately advanced meters will allow distribution companies to pro-actively manage the service provided by their networks and allow consumers to ultimately control their energy use and therefore their power costs.

Reliability of the Network

The average duration of supply interruptions per connected consumer, measured by the SAIDI index, was 158 minutes for the year (129 minutes for 2013/14).

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 (61% in 2013/14). Network losses were 5.3% for the year compared with 5.5% in the previous financial year.

Fibre Network

The fibre business unit continues to provide excellent returns on funds employed. During the year, the focus of the fibre business unit has been on increasing utilisation of the company's existing investments in fibre. The company completed reticulation of fibre networks throughout several large rural subdivisions and is providing Layer 2 lit services as sections are developed.

The company is currently investigating the business case for participating in the Government's next round of rural broadband funding. Where a sensible business case exists, the company may utilise its existing networks to deliver fast and reliable broadband to these rural communities.

The reliability performance targets as set down in Network Tasman's 2014 Statement of Corporate Intent are compared below with the actual results for the year and target for 2015:

		Actual Result	SCI Target
Reliability performance targets (excludes Transpower planned and unplanned outages)			
Average duration of supply interruptions per connected consumer (SAIDI) not to exceed -	minutes	158	115
Average number of supply interruptions per connected consumer (SAIFI) not to exceed -	number	1.40	1.36
Average duration of supply interruptions (CAIDI) not to exceed -	minutes	113	85
Faults per 100 km of line not to exceed -	number	5.9	6.0
% faults not restored within three hours not to exceed -	%	24	20
Safety of electricity supply			
Lost time injuries not to exceed -	number	1	0
Public Safety and Damage Events			
Public Injury Events		0	0
Public Property Damage Events		0	0

The lost time injury was a sub-contractor on the company's Queen Street redevelopment. The main contractor investigated the incident and provided a full report to Network Tasman management.

Financial Statements

The directors of Network Tasman Limited are responsible for preparing the company and Group's financial statements, ensuring they give a true and fair view of the Group's financial position as at 31 March 2015 and the results of their operations and cash flows for the year ended 31 March 2015.

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 2013.

The directors are pleased to present the financial statements of Network Tasman Limited & Group for the year ended 31 March 2015.

For and on behalf of the board of directors:



MJ McCliskie
Chairman

26 June 2015



CIM Turner
Director

26 June 2015



Network Tasman Limited & Group

Statement of comprehensive income

For the year ended 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
Total operating revenue	2	44,412	41,960
Total operating expenses	3	(35,762)	(33,661)
Operating surplus		8,650	8,299
Share of surplus of associate	16	972	1,726
Operating surplus before income tax		9,622	10,025
Income tax (expense) / income	4	(2,312)	(2,517)
Operating surplus for the period		7,310	7,508
Other comprehensive income		-	-
Total comprehensive income		7,310	7,508
Total comprehensive income:			
Comprehensive income from continuing activities		7,310	7,508
Comprehensive income from discontinued activities		-	-
		7,310	7,508

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

Network Tasman Limited & Group

Statement of changes in equity

For the year ended 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
Total equity at beginning of period	7	169,864	164,356
Total comprehensive income		7,310	7,508
Other movements			
Distributions to owners during the period	6	(2,000)	(2,000)
Total equity at end of period	7	175,174	169,864

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

Network Tasman Limited & Group

Balance Sheet

As at 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
Current assets			
Cash and cash equivalents	9	4,124	6,826
Other financial assets	10	159	158
Debtors and receivables	11	5,609	5,278
Advances to associates	12	2,375	2,375
Property, plant and equipment intended for sale	13	-	2,216
Total current assets		12,267	16,853
Non-current assets			
Property, plant and equipment	13	171,175	159,204
Investment properties	14	22,672	19,532
Intangible assets	15	316	179
Investment in associate	16	10,794	10,822
Total non-current assets		204,957	189,737
Total assets		217,224	206,590
Current liabilities			
Payables and accruals	17	4,949	7,027
Tax Payable	18	377	296
Provisions	19	659	579
Loans and Borrowings	20	117	227
Total current liabilities		6,102	8,129
Non-current liabilities			
Provisions	19	248	293
Loans and Borrowings	20	7,755	397
Deferred taxation	21	27,945	27,907
Total non-current liabilities		35,948	28,597
Equity			
Attributable to shareholders of the company	7	175,174	169,864
Total equity		175,174	169,864
Total liabilities and equity		217,224	206,590

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 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		51,152	48,125
Dividend income received		1,000	-
Interest income received		129	320
		52,281	48,445
<i>Cash was applied to:</i>			
Payments to suppliers and employees		38,915	33,502
Income tax paid		2,193	2,726
Interest expense paid		213	96
		41,321	36,324
Net cash flows from operating activities	23	10,960	12,121
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Proceeds from sale of property, plant and equipment		2,215	204
Bank term investments		-	2,500
		2,215	2,704
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment and investment properties		21,690	10,780
Investment in Joint Ventures		(202)	2,735
		21,488	13,515
Net cash flows from investing activities		(19,273)	(10,811)
Cash flows from financing activities			
<i>Cash was provided from:</i>			
Term Loans		7,500	-
		7,500	-
<i>Cash was applied to:</i>			
Dividends paid		2,000	2,000
Finance lease repayments		253	240
		2,253	2,240
Net cash flows from financing activities		5,247	(2,240)
Net increase (decrease) in cash held		(3,066)	(930)
Cash balances at beginning of period		6,826	7,988
Exchange gain / (losses) on cash balance for the year		364	(232)
Cash balances at end of period		4,124	6,826
Composition of cash balances at end of year			
Cash on hand and at bank		15	66
Cash equivalents - term deposits		4,109	6,760
Total	9	4,124	6,826

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 ending 31 March 2015

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 and its financial statements comply with 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. Network Tasman is a tier 1 entity.

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.

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, calculating provisions for employee entitlements, assessing useful lives and impairment of property, plant and equipment, income tax and deferred tax.

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 Associates

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 the company'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.

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 2015.

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.

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% - 6.67%
Secondary distribution assets	Straight line	1.33% - 6.63%
Sub-station assets	Straight line	1.33% - 5.88%
Load control plant	Straight line	2.50% - 17.33%
Streetlights	Straight line	1.67% - 3.09%
Consumer connection assets	Straight line	2.22% - 33.33%
Communication assets	Straight line	6.15% - 6.67%
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.

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.

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.

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.

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.

Changes in accounting policies and disclosures

The accounting policies detailed above have been applied in the preparation of these financial statements and have been consistently applied throughout the year.

New and amended standards and interpretations

The following new and amended New Zealand equivalents to International Financial Reporting Standards have been adopted as of 1 April 2014:

(a) Offsetting financial assets and financial liabilities – amendments to NZ IAS 32 (effective for accounting periods commencing on or after 1 January 2014)

Amendments to IAS 32 added application guidance in applying the criteria for offsetting financial assets and financial liabilities. Two areas were addressed by the amendments:

- (i) Clarification that a right of set-off is required to be legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties.
- (ii) The second amendment relates to gross settlement, such as clearing houses used by the banks and other financial institutions. The amendment included an example of a gross settlement system with characteristics that would satisfy the criterion for net settlement.

The adoption of the amendments will have no impact on the recognition or measurement of financial asset and liabilities, and changes will be limited to presentation adjustments.

New standards issued but not yet effective

A number of new standards and interpretations have been issued but are not yet effective for the current year-end. The reported results and financial position of the Group is not expected to change on adoption of these pronouncements as they do not result in any changes to the Group's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements.

The Group does not intend to adopt any of the new pronouncements before their effective dates.

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

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015	12 months 31 March 2014
2 Operating revenue		\$000	\$000
Continuing activities			
Trading revenue			
Line revenue (net of discounts)		35,612	32,951
Customer contributions		2,410	1,949
Exchange gains		364	-
Other revenue		4,424	4,711
Investment revenue			
Interest income		130	307
Rental income from investment properties		1,472	1,301
Increase in fair value of investment properties		-	741
Reversal of Impairment of asset value		-	-
Gain on sale of assets		-	-
Total operating revenue from continuing activities		44,412	41,960

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
3 Operating expenses			
Operating expenses include:			
Gross transmission costs		17,088	16,730
Depreciation of property, plant and equipment and amortisation of intangible assets			
Primary distribution assets		405	223
Secondary distribution assets		4,840	4,850
Substation assets		397	338
Load control plant		87	86
Streetlights		15	15
Consumer connections		396	232
Freehold buildings		44	50
Plant and equipment		44	27
Computer equipment		39	111
Motor vehicles		26	19
Assets leased from Transpower		164	19
Intangible assets		105	96
Total depreciation of property, plant and equipment and amortisation of intangible assets		6,562	6,066
Auditors' fees			
Audit fee - Network Tasman Ltd		55	54
Audit fee - non-trading subsidiaries		9	13
Other assurance services - Audit New Zealand		33	56
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.			
Costs of offering credit			
Bad debts written off		11	18
Change in provision for doubtful debts		(6)	(8)
Governance expenses			
Directors' fees		226	202
Other expenses			
Donations		2	2
Employment costs		2,994	2,815
Loss on disposal of assets		262	318
Decrease in fair value of investment properties		360	(741)

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
3 Operating expenses (cont')			
Interest Expense			
Interest expense on Transpower new investment agreements		60	196
Use of Money interest		-	19
Other Interest Paid		133	1
4 Income tax			
Operating surplus before income tax		9,622	10,025
Prima facie taxation at 28%		2,694	2,807
Plus / (less) taxation effect of:			
Non-taxable customer contributions		(703)	(546)
Depreciation		479	529
Equity accounted earnings from associate		(273)	(483)
Change in fair value of investment properties		101	(208)
Movement in deferred tax		37	369
Other adjustments		(20)	41
		(379)	(298)
Under/(Over) provision from prior years		(3)	8
Income tax expense recognised in statement of financial performance		2,312	2,517
Comprising:			
Current tax liability		2,274	2,148
Deferred tax on temporary differences	21	38	369
		2,312	2,517

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014
5 Imputation credit account			
Imputation credits available for use in subsequent reporting periods		14,181	12,222
6 Dividends			
Dividends during the period:			
Dividends paid		2,000	2,000
Total dividends paid		2,000	2,000
7 Equity			
Issued and paid up capital		57,185	57,185
Share premium reserve		1,938	1,938
Retained earnings	8	116,051	110,741
Total equity		175,174	169,864
Issued and paid up capital			
Balance at beginning of period		57,185	57,185
Balance at end of period		57,185	57,185
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		1,938	1,938
Premium paid during year		-	-
Balance at end of period		1,938	1,938

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

8 Retained earnings

Balance at beginning of period	110,741	105,233
Operating surplus for the period	7,310	7,508
Total available for appropriation	118,051	112,741
Dividends paid	(2,000)	(2,000)
Balance at end of period	116,051	110,741

6

9 Cash and equivalents

Cash on hand and at bank	15	66
Cash equivalents - short term deposits	4,109	6,760
Total cash and equivalents	4,124	6,826

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

The short term deposits are with the Bank of New Zealand and their Standard & Poors ratings is AA-.

The interest rates on these investments range from 2.8% to 2.8% (31 March 2014: 2.6% to 3.6%).

10 Other financial assets

Term deposits	-	-
Loan to SmartCo Ltd	159	158
Total other financial assets	159	158

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 2014: 0% to 0%).

SmartCo Limited

Opening balance	159	-
Plus advances	-	360
Less repayments	-	(202)
Closing balance at end of period	159	158

No interest is charged on the loan to SmartCo Limited.

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015 \$'000	12 months 31 March 2014 \$'000
11 Debtors and receivables			
Current			
Trade receivables		5,491	4,962
Interest accrued		-	4
Sundry receivables		(153)	10
Prepayments		271	302
Total current receivables		5,609	5,278

The carrying value of receivables approximates their fair value. As at 31 March 2015 and 31 March 2014 the receivables have been assessed for impairment and appropriate provisions applied, as detailed below.

Trade receivables

	31 March 2015 \$'000			31 March 2014 \$'000		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	5,192	-	5,192	4,561	-	4,561
Past due 1 - 30 days	224	-	224	277	-	277
Past due 31 - 60 days	15	-	15	12	-	12
Past due 61 - 90 days	1	-	1	2	-	2
Past due > 90 days	62	(5)	57	121	(11)	110
	5,494	(5)	5489	4,973	(11)	4,962

Movement in provision for impairment of receivables are as follows:

Movement in provision for impairment

Opening balance	11	19
Additional provisions made during the year	5	10
Receivables written off during period	(11)	(18)
Closing balance	5	11

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
12 Advances to associates			
On Metering Limited			
Opening balance		2,375	-
Plus advances		-	2,375
Less repayments		-	-
 Closing balance at end of period		 2,375	 2,375
Total advances to associates		2,375	2,375



Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

13 Property, plant and equipment

	Primary distribution assets	Secondary distribution assets	Substation land	Substation assets	Load control plant	Streetlights	Consumer connections
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost or Valuation							
Balance at 31 March 2013	10,156	154,937	3,283	12,289	1,698	623	7,250
Additions / adjustments	4,140	6,104	3	715	-	-	395
Disposals	(1)	(197)	-	-	-	-	-
Balance at 31 March 2014	14,295	160,844	3,286	13,004	1,698	623	7,645
	-	-	-	-	-	-	-
Balance at 1 April 2014	14,295	160,844	3,286	13,004	1,698	623	7,645
Additions / adjustments	5,380	7,069	343	2,653	46	-	1,617
Assets intended for sale	-	-	-	-	-	-	-
Disposals	-	(330)	-	-	-	-	-
Balance at 31 March 2015	19,675	167,583	3,629	15,657	1,744	623	9,262
Accumulated depreciation							
Balance at 31 March 2013	1,994	37,033	-	2,747	1,048	251	2,164
Depreciation expense	223	4,850	-	338	86	15	232
Adjustment	-	-	-	-	-	-	-
Elimination on disposal	-	(49)	-	-	-	-	-
Balance at 31 March 2014	2,217	41,834	-	3,085	1,134	266	2,396
	-	-	-	-	-	-	-
Balance at 1 April 2014	2,217	41,834	-	3,085	1,134	266	2,396
Depreciation expense	405	4,840	-	397	87	15	396
Assets intended for sale	-	-	-	-	-	-	-
Elimination on disposal	-	(109)	-	-	-	-	-
Balance at 31 March 2015	2,622	46,565	-	3,482	1,221	281	2,792
Carrying amounts							
As at 31 March 2014	12,078	119,010	3,286	9,919	564	357	5,249
As at 31 March 2015	17,053	121,018	3,629	12,175	523	342	6,470

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

13 Property, plant and equipment

	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
Cost or Valuation								
Balance at 31 March 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)
Balance at 31 March 2014	2,176	339	543	673	321	2,315	5,757	213,519
	-	-	-	-	-	-	-	-
Balance at 1 April 2014	2,176	339	543	673	321	2,315	5,757	213,519
Additions / adjustments	23	(13)	162	148	3	(25)	1,270	18,676
Disposals	(6)	(21)	(9)	-	-	-	-	(366)
Balance at 31 March 2015	2,193	305	696	821	324	2,290	7,027	231,829

Accumulated depreciation

Balance at 31 March 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)
Elimination on disposal	-	(1)	(35)	(6)	-	-	-	(91)
Balance at 31 March 2014	379	-	405	576	191	1,832	-	54,315
	-	-	-	-	-	-	-	-
Balance at 1 April 2014	379	-	405	576	191	1,832	-	54,315
Depreciation expense	44	-	44	39	26	164	-	6,457
Elimination on disposal	(1)	-	(8)	-	-	-	-	(118)
Balance at 31 March 2015	422	-	441	615	217	1,996	-	60,654

Carrying amounts

As at 31 March 2014	1,797	339	138	97	130	483	5,757	159,204
As at 31 March 2015	1,771	305	255	206	107	294	7,027	171,175

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
13 Property, plant and equipment (cont')			
Valuation information			
The company elected to use the deemed cost approach on adoption of NZ IFRS, in accordance with NZ IFRS1. This approach has used the fair value determined for each asset category at its most recent valuation and then adjusted for subsequent additions at cost. Distribution assets are valued at deemed cost based upon an independent valuation completed by PricewaterhouseCoopers as at 31 March 2004.			
There are no restrictions over the title of the property, plant and equipment, except for the assets leased from Transpower, nor are any items of property, plant and equipment pledged as security for liabilities.			
Property, plant & equipment intended for sale			
An unconditional offer has been signed for the sale of the following with settlement date October 2014:			
Land and Buildings		-	2,524
Loss on sale		-	(105)
Less net cash received		-	(203)
		-	2,216

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
14 Investment properties			
Movement in investment properties			
Opening balance		19,532	16,684
Plus Additions		3,102	973
Plus / (less) fair value gain / (loss) on valuation		(360)	741
Plus increase / (decrease) in assets under construction		398	1,134
Less disposals		-	-
Closing balance		22,672	19,532
Investment properties are represented by:			
Land		8,972	8,972
Buildings		12,037	9,295
Assets under construction		1,663	1,265
Total investment properties		22,672	19,532

Valuation information

The Group's investment property's 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 Hope 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 2015. 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.

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

			Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
14 Investment properties (cont')					
Reconciliation of Fair Value					
	Office/ Commercial	Industrial	Other	Total	
Opening Balance	8,963	7,092	3,477	19,532	16,684
Additions	3,409	89	-	3,498	2,107
Change in Fair Value	(510)	153	-	(357)	741
Closing Balance	11,862	7,334	3,477	22,673	19,532

The following discount rates were used

	Valuation Technique	Discount Rate	Weighted Average Lease Term
281 Queen Street	DCF Method	7% - 8%	5.8 years
24 Main Road Hope	DCF Method	8% - 8.5%	2.5 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 and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
15 Intangible assets			
Movement in intangible assets			
Opening balance		179	189
Plus additions		254	86
Less amortisation		(105)	(96)
Less disposals		(222)	(11)
Plus accumulated provision write back on disposal		210	11
Closing balance		316	179

Intangible assets are represented by:

	At Cost \$000	Accum. amortisation \$000	Carrying amount \$000
Intangible assets - 31 March 2015			
Computer software	1,654	1,338	316
Total Intangible assets	1,654	1,338	316
Intangible assets - 31 March 2014			
Computer software	1,622	1,443	179
Total Intangible assets	1,622	1,443	179

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

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2015 \$000
16 Investment in associate			
Name of entity	Activity		
Nelson Electricity Limited	Distribution network	10,794	10,822
<i>Ownership interest</i>	owner and operator	50%	50%
Nelson Electricity Limited is incorporated in New Zealand, and has a balance date of 31 March.			
Results of associate			
Share of surplus before income tax		1,366	1,688
Movement in NEL deferred tax		(45)	507
Income tax		(349)	(469)
Share of comprehensive income		972	1,726
Total recognised revenues and expenses		972	1,726
Carrying value of associate			
Opening balance at beginning of period		10,822	9,096
Share of comprehensive income		972	1,726
Dividends received		(1,000)	-
Closing balance at end of period		10,794	10,822
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		19,122	19,426
Liabilities		8,326	8,603
Revenues		5,346	5,105
Surplus / (deficit)		972	1,726

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
16 Investment in associate (cont')			
Name of entity	Activity		
On Metering Limited	Meter deployment company		
<i>Ownership interest</i>		50%	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		-	-
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		2,299	2,332
Liabilities		2,405	2,480
Revenues		212	-
Surplus / (deficit)		43	-
Total carrying value of associates			
Nelson Electricity Limited		10,794	10,822
On Metering Limited		-	-
Total		10,794	10,822

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
17 Payables and accruals			
Current			
Trade payables and accruals		4,949	7,027
Total current payables and accruals		4,949	7,027
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		377	296
Total tax payable		377	296

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
19 Provisions			
Current			
Employee entitlements		259	279
Sundry provisions		400	300
Total current provisions		659	579
Non-current			
Employee entitlements		248	293
Total non-current provisions		248	293
Total Provisions		907	872
Provision for employee entitlements			
Balance at beginning of period		572	505
Additional provisions made		286	255
Amount utilised		(351)	(187)
Provision reversed		-	(1)
Balance at end of period		507	572
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		300	100
Additional provisions made		100	200
Amount utilised		-	-
Provision reversed		-	-
Balance at end of period		400	300
Total Provisions		907	872

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
20 Loans and Borrowings			
Current			
Secured bank loans		-	-
Finance lease liabilities		117	227
Total current loans and borrowings		117	227
Non-current			
Secured bank loans		7,500	-
Finance lease liabilities		255	397
Total non-current loans and borrowings		7,755	397
Total loans and borrowings		7,872	624

All financial liabilities are classified as financial liabilities measured at amortised cost.

All loans and borrowings are held on market terms; therefore their carrying amount approximates their fair value.

(a) Terms and Debt Repayment Schedule

The terms and conditions of outstanding loans were as follows:

	Facility Expiry Date	2015 Interest Rate	Year of Maturity	Balance
Bank of New Zealand Limited - Secured	29 Sept 2017	5.18%	2017	7,500

(b) Security

Bank of New Zealand Limited

The bank loans are secured over a Negative Pledge Agreement where Network Tasman Limited undertakes not to dispose of, encumber or grant a security interest in any asset of the company without written permission from the Bank.

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

(c) Finance Lease Liability as at 31 March 2015

	Total Liability		Principal	
	March 2015	March 2014	March 2015	March 2014
No later than one year	145	288	117	227
Later than one year and not later than five years	285	451	246	357
Later than five years	8	42	8	40
Minimum Lease Payments	438	781	371	624
Less Future Finance Charges	68	157		
Present Value of Minimum Lease Payments	370	624	371	624

Included in the financial statements as:

Current Borrowings	117	227
Non-current Borrowings	255	397
	372	624

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.

(e) Loan facilities

The Company has the following undrawn borrowing facilities:

Bank of New Zealand Limited	2,500	-
Total	2,500	-

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
21 Deferred taxation			
Balance at beginning of period		27,907	27,538
Deferred tax on temporary differences		38	369
Balance at end of period		27,945	27,907

Analysis of temporary deferred tax differences

For the year ended 31
March 2015

	Fixed assets	Provisions	Finance leases	Total
Opening balance	28,297	(215)	(175)	27,907
Charge to income	(3)	(30)	71	38
Charge to equity	-	-	-	-
Closing balance	28,294	(245)	(104)	27,945

21 Deferred taxation (cont')

For the year ended 31
March 2014

	Fixed assets	Provisions	Finance leases	Total
Opening balance	27,876	(167)	(171)	27,538
Charge to income	421	(48)	(4)	369
Charge to equity	-	-	-	-
Closing balance	28,297	(215)	(175)	27,907

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 reducing the deferred tax liability.

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

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

The lease arrangements are renewed on a periodic basis as disclosed in the lessors' individual contracts; no agreement exceeds 6 years. In 2015 rental income received from leases with non-cancellable operating lease arrangements amounted to \$1,472,000 (2014: \$1,301,000)

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

Operating surplus after tax

Items not involving cash flows:

Depreciation and 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

12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
859	831
675	1,414
-	131
1,534	2,376
7,310	7,508
6,562	6,066
38	369
(1,818)	(1,540)
360	(741)
-	-
26	(1,727)
(364)	232
11	18
262	318
5,077	2,995
(1,132)	1,000
36	267
(331)	351
(1,427)	1,618
10,960	12,121

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
24 Related party information		
Parent entity		
The holding entity of the company is the Network Tasman Trust which holds 100% of the company's shares (100% 31 March 2014). Refer to Note 6 for dividends paid to the holding entity.		
Associate company - Nelson Electricity Limited		
Network Tasman Limited provided operational and management services to Nelson Electricity Limited, an associate company. Fees for management and operational services were charged at fair value. Transmission costs charged by national grid operator Transpower NZ Limited for connection by Nelson Electricity Limited to the national grid are on-charged, at cost, by Network Tasman Limited to Nelson Electricity Limited.		
Network Tasman Limited also provides fibre services to Nelson Electricity Limited at normal commercial terms.		
A share of some joint costs are oncharged from Network Tasman Limited to Nelson Electricity Limited.		
Network Tasman Limited leases a room from Nelson Electricity Limited for fibre equipment.		
A share of some joint costs are oncharged from Nelson Electricity Limited to Network Tasman Limited.		
<i>Charges from Network Tasman Limited to Nelson Electricity Limited</i>		
Operational and management fee	51	51
Net transmission costs on-charged	3,537	2,941
Electricity Authority levies on-charged	12	61
Fibre lease charges	7	7
Sundry oncharges	62	947
<i>Charges from Nelson Electricity Limited to Network Tasman Limited</i>		
Lease charges	(6)	(7)
Sundry oncharges	0	0
Balance due from Nelson Electricity Limited as at period end	347	596
Balance due to Nelson Electricity Limited as at period end	(1)	(1)

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
24 Related Party Information			
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.			
<i>Charges from Network Tasman Limited to On Metering Limited</i>			
Management services and project cost oncharges		10	92
<i>Charges from On Metering Limited to Network Tasman Limited</i>			
Sundry oncharges		108	827
<i>Advances from Network Tasman Limited to On Metering Limited</i>			
Shareholder advances		0	2,375
Balance due from On Metering Limited as at period end		3	3
Balance due to On Metering Limited as at period end		0	834
Related company - SmartCo Limited			
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 and meter rental		117	35
<i>Charges from SmartCo Limited to Network Tasman Limited</i>			
Project management fees, deployment and sundry charges		963	379
<i>Advances from Network Tasman Limited to SmartCo Limited</i>			
Shareholder advances		0	159
Balance due from SmartCo Limited as at period end		34	7
Balance due to SmartCo Limited as at period end		168	103

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

24 Related Party Information

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 2015 were \$1,949,000 (31 March 2014 : \$1,876,000).

As at 31 March 2015, the balance owing by Nelson Pine Industries Limited was \$189,000 (31 March 2014 : \$194,000).

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 2015, the balance owing by Heartland Group Limited was \$1000 (31 March 2014 : \$1000).

Total sales to Heartland Group Limited for the year ending 31 March 2015 were \$14,200 (31 March 2014 : \$9,800).

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 \$8,200 during the year ending 31 March 2015 (31 March 2014 : \$1,900).

Mr M J McCliskie - Compass Fruit Limited

Compass Fruit Limited, a company in which Mr MJ McCliskie (a director of Network Tasman Limited) is chair, contracts directly with Network Tasman Limited.

Total sales to Compass Fruit Limited for the year ending 31 March 2015 were \$300 (31 March 2014 : \$0,0).

Total payments to Compass Fruit Limited for the year ending 31 March 2015 were \$6,000 (31 March 2014 : \$0,0).

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 2015 were \$158,000 (31 March 2014 : \$175,000).

As at 31 March 2015, the balance owing by Cold Storage Nelson Limited was \$14,000 (31 March 2014 : \$21,600).

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 \$4,600 during the year ending 31 March 2015. (31 March 2014 : \$33,000).

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
24 Related party information (cont')			
Mr J Williamson - Nelson Tasman Region Hospice Trust Board			
Mr J Williamson (a director of Network Tasman Limited) is a board member of The Nelson Tasman Regional Hospice Trust Board.			
As at 31 March 2015, the balance owing by Nelson Tasman Region Hospice Trust Board was \$0 (31 March 2014 : \$0).			
Total charges to the Nelson Tasman Region Hospice Trust Board for the year ending 31 March 2015 were \$24,100 (31 March 2014 : \$26,600).			
As at 31 March 2015, the balance owing to Nelson Tasman Region Hospice Trust Board was \$0 (31 March 2014 : \$0).			
Total payments to Nelson Tasman Region Hospice Trust Board for the year ending 31 March 2015 were \$400 (31 March 2014 : \$700).			
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 2014 : nil)			
Key Management personnel compensation			
Salaries and other short-term benefits		1,472	1,381
Post employment benefits		-	-
Other long term benefits		20	20
Termination benefits		-	-
Total key management personnel compensation		1,492	1,401

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

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 28% (2014 : 31%) 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 2.8% to 2.8% (31 March 2014: 2.6% to 3.6%)

Interest rate sensitivity analysis

As at 31 March 2015 the weighted average term deposit interest rate was 2.8% (31 March 2014: 3.2%). If this rate changed by 1%, with all other things held constant, the surplus / deficit for the year would have been \$18,000 (2014: \$33,000) higher or lower.

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

	Note	12 months 31 March 2015 \$000	12 months 31 March 2014 \$000
25 Financial Instruments (cont')			
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.			
Foreign exchange rate sensitivity analysis			
If the exchange rates were to change by 10%, with all other things held constant, the surplus for the year would have been \$214,000 higher or lower.			
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 \$4.3 million (31 March 2014: \$7 million) of cash and short-term deposits and holds \$6.1 million (31 March 2014: \$8.1 million) of current liabilities.			
The current ratio is 2:1 (31 March 2014 2.1:1).			
All creditors and other payables are settled within a 30 day term.			
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	9	4,124	6,826
Other financial assets: term deposits	10	159	158
Debtors and other receivables	11	5,491	4,962
Total loans and receivables		9,774	11,946
Financial liabilities measured at amortised cost			
Trade payables and accruals	17	4,949	7,027
Finance Leases	20	371	624
Total financial liabilities measured at amortised cost		5,320	7,651

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

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 2015 \$4,129,000 (31 March 2014 : \$1,476,000).

All capital commitments fall due in the next twelve months.

28 Contingencies

As at 31 March 2015 there were no material contingent assets or liabilities (31 March 2014: nil).

29 Performance targets

The following financial and reliability performance targets for the 12 months ending 31 March 2015 are specified in the company's Statement of Corporate Intent (SCI). Forecast results are compared to the performance targets below:

		Actual Result	SCI Target
Financial performance targets			
<i>Total company:</i>			
Surplus before interest, tax, line discount and customer contributions	\$mil	17.7	17.2
Operating surplus after tax and customer contributions	\$mil	7.3	6.3
Operating surplus to shareholders' funds	%	4.17%	3.60%
<i>Line business only:</i>			
Total network costs per consumer	\$	423	405
Cash operating costs per consumer	\$	263	248
Line Charge Discounts (Excluding GST)	\$mil	10.1	9.8

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ending 31 March 2015

		Actual Result	SCI Target
Reliability performance targets (excludes Transpower planned and unplanned outages)			
Average duration of supply interruptions per connected consumer (SAIDI) not to exceed -	minutes	158	115
Average number of supply interruptions per connected consumer (SAIFI) not to exceed -	number	1.40	1.36
Average duration of supply interruptions (CAIDI) not to exceed -	minutes	113	85
Faults per 100 km of line not to exceed -	number	5.9	6.0
% faults not restored within three hours not to exceed -	%	24	20
Safety of electricity supply			
Lost time injuries not to exceed -	number	1	0
Public Safety and Damage Events			
Public Injury Events		0	0
Public Property Damage Events		0	0

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, while remaining a going concern.

Auditor Report

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 2015

The Auditor-General is the auditor of Network Tasman Limited and its subsidiaries. The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the statement of service performance of the group, consisting of Network Tasman Limited and its subsidiaries (collectively referred to as "the Group"), on her behalf.

Opinion on the financial statements and the statement of service performance

We have audited:

- the financial statements of the Group on pages 13 to 41, that comprise the balance sheet as at 31 March 2015, 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 41.

In our opinion:

- The financial statements of the Group:
 - present fairly, in all material respects:
 - its financial position as at 31 March 2015; and
 - its financial performance and cash flows for the year then ended; and
 - have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards.
- The statement of service performance of the Group:
 - presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2015; and
 - has been prepared in accordance with generally accepted accounting practice.

Our audit was completed on 26 June 2015. 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 the 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 the 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 in the statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the 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 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 the disclosures in the financial statements and in the statement of service performance; and
- the overall presentation of the financial statements and the statement of service performance.

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

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 the preparation and fair presentation of financial statements and a statement of service performance for the Group, in accordance with New Zealand equivalents to International Financial Reporting Standards and generally accepted accounting practice.

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 the statement of service performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the statement of service performance 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 requirement in the Electricity Distribution Information Disclosure Determination 2012 and the Annual Compliance Statement prepared under the Electricity Distribution Services Default Price-Quality Path Determination 2012. 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.



Ian Lothian
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 50% shareholdings 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

JO Williamson

Remuneration of directors

Directors received the following fees:

Director:	2015
MJ McCliskie (Chairman)	\$59,250
AP Reilly	\$33,350
JO Williamson	\$33,350
CIM Turner	\$33,350
AM Milligan	\$33,350
SJ Weir	\$33,350

Remuneration of employees

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

Remuneration band:	2015
\$100,000 - \$109,999	3
\$110,000 - \$119,999	2
\$140,000 - \$149,999	1
\$170,000 - \$179,999	1
\$180,000 - \$189,999	1
\$220,000 - \$229,999	1
\$340,000 - \$349,999	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.



Entries recorded in the interests register

The following represents the particulars of the entries made in the Network Tasman's interests register for the year ended 31 March 2015:

MJ McCliskie	Heartland Group Limited	Chairman
	Alandale Orchards Limited	Chairman
	Seventeen Limited	Chairman
	Nelson Electricity Limited	Director
	Institute of Directors NZ	Councillor
	Spiers Foods Limited	Director
	Compass Fruit	Chairman
AM Milligan	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
	Cold Storage Nelson Limited	Director
	Ravensdown Fertiliser Co-op Limited	Director
	Dos Rios Dairy Limited	Director
	Landcorp Farming Limited	Director
CIM Turner	Nelson Pine Industries Limited <i>Nelson Pine Industries Limited is a customer of Network Tasman Limited. Nelson Pine Industries contracts with Network Tasman on an arm's length basis.</i>	Chief Executive
SJ Weir	Nelmac Limited	Director
	Marriott Orthodontics Limited	Director
	Anderson Lloyd Lawyers	Consultant to & former Partner
	Tasman Broadcasting Trust	Trustee
	Copyright Tribunal	Trustee
	Canterbury Community Trust	Trustee
JO Williamson	Nelson Tasman Region Hospice Trust Board	Trustee

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 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 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 2015.

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

“The board is appointed by the shareholders to supervise the management of the company.”

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

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.

“The board remains committed to delivering the core services to consumers in an efficient and cost-effective manner.”

In addition, the board reviews ways to enhance 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.



Five-Year Trend

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.

	2015	2014	2013	2012	2011
Revenue (\$m)	44.4	43.7	39.6	36.8	35.5
Earnings before interest, tax, depreciation & customer contributions (\$m)	14.2	14.7	13.0	12.9	11.7
Net operating cash flow (\$m)	11.0	12.1	11.9	11.9	9.5
Total cash dividends paid (\$m)	2.0	2.0	2.0	2.0	2.0
Total electricity supplied (GWh)	718*	772	781	779	767
Electricity maximum demand (MW)	139*	148	150	147	146
Consumer connections (ICPs)	38,314	37,938	37,500	37,089	36,679

* Nelson Electricity Limited (NEL) has constructed a new separate off-take grid exit point at Transpower's Stoke substation. This now takes about 1/3 of NEL's total supply, so Network Tasman's Total Electricity Supplied (GWh) and Maximum Demand (MW) has reduced accordingly.

Directory

Directors

John McCliskie
Chairman

Annette Milligan

Tony Reilly

Christopher Turner

Sarah-Jane Weir

James Williamson

Executive

Wayne Mackey
Chief Executive Officer

Kevin Hartshorne
Customer Services Manager

Murray Hendrickson
Network Manager

Oliver Kearney
Finance & Administration Manager

Emma Lanigan
Commercial Manager

Andrew Stanton
Advanced Metering &
Telecommunications Manager

Network Tasman Trust

Trevor Tuffnell
Chairman

Ted Anderson

Ian Barker

Gweny Davis

Nathan Fa'avae

Terry Kreft

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Nelson

Telephone: 64 3 989 3600 or 0800 508 098
Facsimile: 64 3 989 3631

E-mail: info@networktasman.co.nz

Website: www.networktasman.co.nz

Auditor: **Audit New Zealand**

Bankers: **Bank of New Zealand**

Solicitors: **Pitt & Moore**

Trust Secretary: **Patrick Adamson**
C/- Craig Anderson Limited
270A Queen Street, Richmond
PO Box 3115
Richmond 7050
Telephone: 64 3 544 6179
Facsimile: 64 3 544 5979
E-mail: patrick@caca.co.nz

