

networktasman

Your consumer-owned electricity distributor



ANNUAL REPORT
2016

Building on quality and reliability

“Our core network
business remains
competitive and
responsive to the
opportunities that
become available.”

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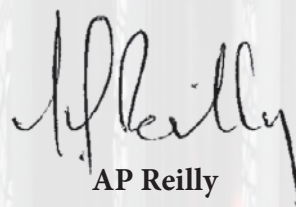


Network Tasman Limited & Group Annual Report 2016

The directors are pleased to present the Annual Report of Network Tasman Limited and Group for the year ended 31 March 2016.



MJ McCliskie
Chairman
24 June 2016



AP Reilly
Director
24 June 2016



Directors' Report

Directors have pleasure in presenting their annual report together with the audited financial statements for the financial year ending 31 March 2016.

Operational and Financial Performance

The company again delivered another strong financial and operational performance. The earnings before interest, tax, line discounts and customer contributions were \$19 million for the year, \$1.3 million above target.

The company's investments in fibre, investment properties and Nelson Electricity Limited again all contributed to overall profitability. The company added 447 new customer connections during the year, which is up on the previous year's growth rate, and is 1.2% per annum. Overall, the operating surplus after tax was \$7.5 million, \$0.9 million above target for the year.

The company generated cash from operations of \$14.1 million, an increase of \$3.1 million on the previous year. The company continues to maintain a strong balance sheet with shareholders' funds of \$180 million and term debt of \$12.5 million. This conservative financial position is desirable given the challenges facing the sector and will enable the company to selectively invest in new technologies to support the core electricity network.

Network SAIDI minutes (average duration of supply interruptions per connected consumer, excluding Transpower planned and unplanned faults) were 186 minutes against a target of 115 minutes (158 minutes in 2014/15). Network reliability was affected by the planned shutdown of the Golden Bay area required to undertake maintenance works on the 66kV network lines. This is the first time the Golden Bay shutdown has been included in Network Tasman's reliability statistics following the purchase of these assets from Transpower NZ. Network Tasman 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.

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, which is tasked with ensuring that health and safety are key considerations in every operational decision made within the company. Management and the board remain

Our strong balance sheet, robust cash flows and a balanced portfolio of complementary businesses will enable us to face the challenges ahead with confidence.





focused on ensuring that best practice health and safety practices are implemented across all business units of the company.

Repositioning for the future

There is no doubt that 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 technologies will be required to manage this flow of energy and the overall health of the network.

The Nelson/Tasman region has the highest penetration of photovoltaic systems (PV) in the country. Indications are that prices for residential scale battery storage systems will decline significantly 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 fixed cost businesses, 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.

The board's key priority is to ensure that our core network business remains competitive and responsive to the opportunities that become available. The company, as part of the Electricity Networks Association, continues to lobby Government to ensure that regulators are aware of the impacts of this regime.



Advanced Meters

Deployment of advanced meters is now well underway in both the Network Tasman and On Metering (MainPower) regions. Mass deployment is scheduled to be completed by 2018 and once completed the advanced meters and RF mesh networks will provide retailers and network companies the ability to improve the overall service provided to consumers.

The company has utilised its investment in the RF mesh network to automate the management of our electricity network. This is the first stage of using our investment to achieve significant network benefits from our investment in the mesh network and advanced meters.

SmartCo, on behalf of the shareholding networks, is continuing negotiations with a number of non-contracted electricity retailers.



Electric Vehicles

The company has commissioned its first electric vehicle fast charging station in the Richmond area and will install two similar units in Takaka and Nelson. These units can fully charge an electric vehicle in around half an hour and will greatly increase the ability of EVs to travel within the company's distribution area. The company has noted the increased awareness of the benefits of electric vehicles and is actively reviewing options to promote the use of EVs in our region.

Consumer Returns

Line charge discounts to consumers for the year increased by 1.14% to a record \$11.7 million inclusive of GST. 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.

Fibre Network

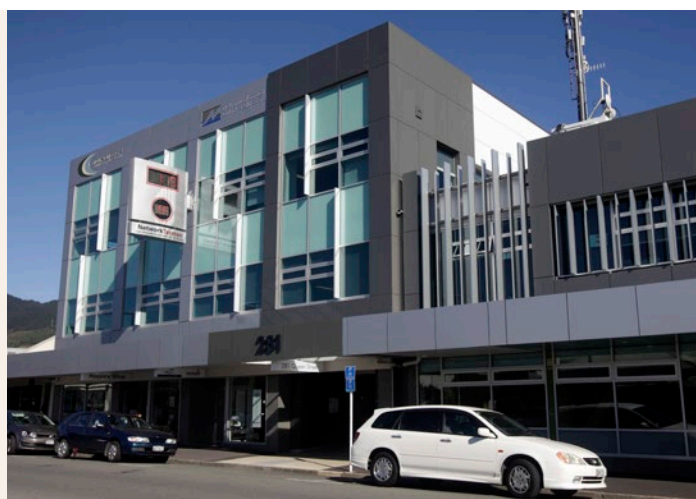
The company's existing fibre networks continue to provide solid returns on capital employed despite the increasing competitive pressure from Chorus' Ultra-Fast Broadband network. The company has secured a number of agreements to reticulate residential sub-divisions and plans to continue to grow the business in niche markets where a commercial return can be achieved.

The company submitted a response to the Government's UFB2 Initiative and is awaiting the final outcome of that process. Meanwhile management continues to review options for the growth and development of Network Tasman's fibre business.

Investment Properties

Redevelopment of the company's investment property at 281 Queen Street, Richmond is now completed and fully leased to the Nelson Marlborough Public Health and DHB.

The remaining industrial properties held by Network Tasman continue to be fully tenanted. While 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

Nelson Electricity has again delivered a credible return on funds employed despite increased funding costs for the recent capital investment programme together with declining electricity volumes.

Regulation

As a non-exempt electricity distribution company, Network Tasman continues to be subject to price and quality control by the Commerce Commission. The company's audited annual compliance statement shows that it was fully compliant with both the price and quality controls for 2015/16.

The board is concerned that the regulatory regime is becoming increasingly complex, cumbersome and costly to administer. The falling price of PV and battery storage units has the potential to disrupt the industry and will require a regulatory framework that can ensure that each consumer group bears a fair cost for connecting to the grid. The Commerce Commission is in the process of reviewing aspects of the regime that may provide additional flexibility in future. The company has actively engaged directly with the Commission and will continue to provide feedback through regulatory review consultation processes. However, the very nature of a single regime that is applied to 17 diverse non-exempt networks inevitably means that regulatory error and associated market distortions will occur as a result of the one-size fits all approach.

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 \$188 million has been paid to consumers by way of discounts and dividends.

Conclusion

Network Tasman is proud to be a locally owned company that provides high quality, reliable infrastructure to our consumer owners. The company continues to focus on its core electricity distribution network and a limited number of complementary businesses.

The company is facing a number of structural and technological challenges with declining consumption at the residential and commercial level. While new connections offset the decline in consumption per ICP, the company's existing pricing methodology needs review. The marked increase in the number of predominantly PV systems on the network and the advances in battery storage systems have the potential to disrupt the electricity distribution sector.

The board remains committed to ensuring that the company is well positioned to respond to these challenges. Our strong balance sheet, robust cash flows and a balanced portfolio of complementary businesses will enable us to face the challenges ahead with confidence.

The company is fortunate to have a highly skilled and experienced board and management team to navigate what is likely to be a period of rapid change in the industries in which we operate. I would like to thank my fellow board members, management and staff for their efforts over that last 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.



Roger Sutton

BE Mechanical, FIPENZ

Director

(since August 2015)

Roger has an extensive background in the energy industry as both an executive but also as a director. He was Chief Executive of Orion NZ from 2003 until 2011. His directorships have been of private, listed and government organisations. He was Chief Executive of the Canterbury Earthquake Recovery Authority from 2011 until 2015.



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 Nelmec Limited and has involvement with a number of trusts and other community organisations.



James O Williamson (Jim)

BE (Hons) Electrical, NZCE (Telecommunications), Dip Management, IOD

Director

(since July 2007)

Jim is an experienced company director with a track record of governance and executive management over several different industries. His employment career has principally been in the operation and development of large-scale public infrastructural assets. He is the past Chief Executive of Port Nelson Ltd.

Financial Performance

The following financial and reliability performance targets for the 12 months ending 31 March 2016 are specified in the company's Statement of Corporate Intent (SCI). Forecast results are compared to the performance targets below:

Financial performance targets		Actual Result 2016	SCI Target 2016	Actual Result 2015
<i>Total company:</i>				
Surplus before interest, tax, line discount and customer contributions	\$mil	19.1	17.6	17.7
Operating surplus after tax and customer contributions	\$mil	7.5	6.6	7.3
Operating surplus to shareholders' funds	%	4.18%	3.60%	4.17%
<i>Line business only:</i>				
Total network costs per consumer	\$	439	428	423
Cash operating costs per consumer	\$	277	279	263
Line Charge Discounts (Excluding GST)	\$mil	10.2	10.1	10.1

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 \$1.7 million reflect the buoyant nature of the residential property market with a number of large sub-divisions 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 \$11.7 million including GST (\$11.6 million in 2015).

The financial targets as set down in Network Tasman's 2016 Statement of Corporate Intent are compared below with the actual results for the year and target for 2016:

Cash flow from operations was \$14.1 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 \$15.8 million on capital expenditure during the year. 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 2016/17 financial year

Highlights

- ▶ Operating surplus of \$7.5 million against a target of \$6.6 million.
- ▶ Record line charge discounts credited to consumers of \$11.7 million including GST.
- ▶ Cash flow from operations of \$14.1 million for the year allows Network Tasman to invest \$15.8 million in capital expenditure while maintaining a conservatively funded balance sheet.
- ▶ A fully imputed dividend of \$2 million paid to the Network Tasman Trust.

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

Cash operating costs per customer were on target at \$277 p.a.

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 \$2.1 million and term loans of \$11.5 million. Term loans are forecast to peak in the 2016/17 as investments in advanced meters and the Queen Street property are completed.



Operational Performance

Health and Safety

Network Tasman is committed to providing a safe environment for the public, our staff and contractors. Health and Safety continues to be a high priority for the company with the board and management reviewing all aspects of the company's operations. Management continues to work closely with contractors and staff to ensure that safety is a key consideration in all activities.

There was one lost time injury recorded during the year. The incident was investigated by the contractor concerned and by Network Tasman management.

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.

Network Maintenance

Network Tasman spent \$5.6 million on network maintenance during the 2015/16 financial year. Maintenance contractor Delta Utility Services and vegetation services provider Treescape continue to deliver a high level of service to our consumers.

Capital Expenditure

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



Highlights

- ▶ Completed the construction of a new zone substation at Upper Takaka and a new switch room at the Hope substation.
- ▶ Commenced stage 2 of the undergrounding of the electricity network on High Street Motueka.
- ▶ Selected as preferred supplier to reticulate a number of rural and industrial subdivisions to provide Network Tasman fibre services.

Upper Takaka Zone Substation, opened on 3 June 2016. Pictured from left to right are Jim Williamson (Network Tasman Ltd Director), Sue Brown (Provincial President, Federated Farmers), John McCliskie (Network Tasman Ltd Chairman of Board of Directors), Elva Harwood, David Harwood, Murray Hendrickson (Network Manager for Network Tasman Ltd), and Tony Reilly (Network Tasman Director).

outlines the capital expenditure requirements for the network based on demand growth rates for the Network Tasman distribution area. The key drivers for the network development plan are maintaining security of supply and reliability of the network.

The company spent \$6.6 million on the distribution network with \$2.4 million in system growth and \$1.2 million on reliability and safety. During the year 447 consumer connections were added to the network, a growth rate of 1.2%. Network Tasman is budgeting to spend \$108 million in the next ten years. A copy of the AMP is available on the company's website at: www.networktasman.co.nz.

Advanced Meters

Deployment of advanced meters is now well underway on both the Network Tasman and On Metering networks. SmartCo is negotiating contracts with several additional retailers that will extend the penetration of Network Tasman and On Metering controlled advanced meters on those networks. SmartCo is also reviewing options for member networks to achieve the network benefits identified at the time the investments were made. 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.

Fibre Network

The focus of the fibre business unit during the year has been on increasing utilisation of the company's existing investments in fibre. The company was selected as the preferred supplier to a number of large rural and industrial sub-divisions and is providing layer 2 lit services as sections are developed. The fibre business unit continues to provide an excellent return on funds employed and management continues to review market opportunities to grow the business.

The company submitted a response to the Government's UFB2 Initiative and is awaiting the final outcome of that process. Meanwhile management continues to review options for the growth and development of Network Tasman's fibre business.

Reliability of the Network

The average duration of supply interruptions per connected consumer, measured by the SAIDI index, was 186 minutes for the year (158 minutes for 2014/15).

The reliability performance targets as set down in Network Tasman's 2016 Statement of Corporate Intent are compared in the table below with the actual results for the year.

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 57% for the year (61% in 2014/15). Network losses were 6.0% for the year compared with 5.3% in the previous financial year.

Reliability performance targets (excludes Transpower planned and unplanned outages)

		Actual Result 2016	SCI Target 2016	Actual Result 2015
Average duration of supply interruptions per connected consumer (SAIDI) not to exceed -	minutes	186	115	158
Average number of supply interruptions per connected consumer (SAIFI) not to exceed -	number	1.59	1.36	1.40
Average duration of supply interruptions (CAIDI) not to exceed -	minutes	117	85	113
Faults per 100 km of line not to exceed -	number	5.2	6.0	5.9
% faults not restored within three hours not to exceed -	%	19	20	24

Financial Statements

The directors of Network Tasman Limited are responsible for preparing the company and Group's financial statements and ensuring that they give a true and fair view of the Group's financial position as at 31 March 2016 and the results of their operations and cash flows for the year ended 31 March 2016.

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.

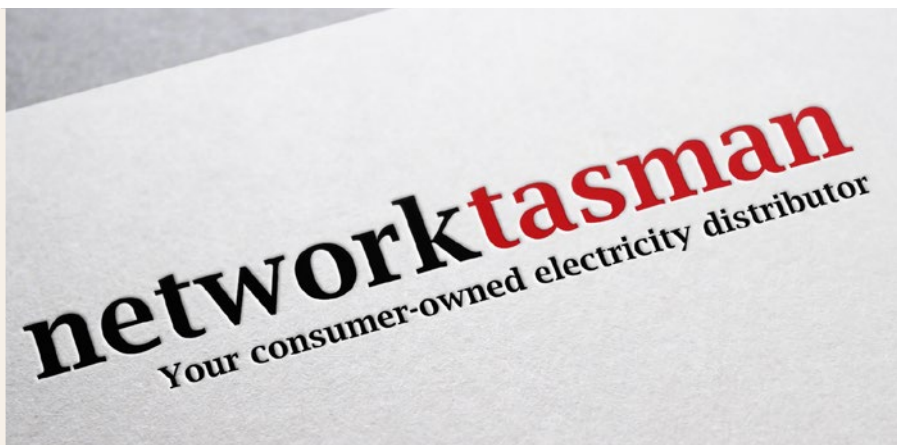
The directors are pleased to present the financial statements of Network Tasman Limited & Group for the year ended 31 March 2016.

For and on behalf of the board of directors:

MJ McCliskie *AP Reilly*

MJ McCliskie
Chairman
24 June 2016

AP Reilly
Director
24 June 2016



Network Tasman Limited & Group

Statement of comprehensive income

For the year ended 31 March 2016

	Note	12 months 31 March 2016	12 months 31 March 2015
Total operating revenue	2	43,963	44,412
Total operating expenses	3	(35,068)	(35,762)
OPERATING SURPLUS		8,895	8,650
Share of surplus of associate	16	1,241	972
OPERATING SURPLUS BEFORE INCOME TAX		10,136	9,622
Income tax (expense) / income	4	(2,589)	(2,312)
OPERATING SURPLUS FOR THE PERIOD		7,547	7,310
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		7,547	7,310
TOTAL COMPREHENSIVE INCOME			
Comprehensive income from continuing activities		7,547	7,310
Comprehensive income from discontinued activities		-	-
		7,547	7,310

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 2016

	Note	12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
TOTAL EQUITY AT BEGINNING OF PERIOD	7	175,174	169,864
Total comprehensive income		7,547	7,310
OTHER MOVEMENTS			
Distributions to owners during the period	6	(2,000)	(2,000)
TOTAL EQUITY AT END OF PERIOD	7	180,721	175,174

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

Network Tasman Limited & Group

Balance sheet

For the year ended 31 March 2016

	Note	12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
CURRENT ASSETS			
Cash and cash equivalents	9	2,115	4,124
Other financial assets	10	259	159
Debtors and receivables	11	5,671	5,609
Advances to associates	12	4,475	2,375
Property, plant and equipment intended for sale	13	-	-
TOTAL CURRENT ASSETS		12,520	12,267
NON-CURRENT ASSETS			
Property, plant and equipment	13	179,726	171,175
Investment properties	14	24,270	22,672
Intangible assets	15	208	316
Investment in associate	16	11,195	10,794
TOTAL NON-CURRENT ASSETS		215,399	204,957
TOTAL ASSETS		227,919	217,224
CURRENT LIABILITIES			
Payables and accruals	17	4,936	4,949
Tax Payable	18	707	377
Provisions	19	799	659
Loans and Borrowings	20	217	117
TOTAL CURRENT LIABILITIES		6,659	6,102
NON-CURRENT LIABILITIES			
Provisions	19	255	248
Loans and Borrowings	20	12,194	7,755
Deferred taxation	21	28,090	27,945
TOTAL NON-CURRENT LIABILITIES		40,539	35,948
EQUITY			
Attributable to shareholders of the company	7	180,721	175,174
TOTAL EQUITY		180,721	175,174
TOTAL LIABILITIES AND EQUITY		227,919	217,224

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 2016

	Note	12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from customers		51,213	51,152
Dividend income received		840	1,000
Interest income received		66	129
		52,119	52,281
<i>Cash was applied to:</i>			
Payments to suppliers and employees		35,401	38,915
Income tax paid		2,114	2,193
Interest expense paid		511	213
		38,026	41,321
NET CASH FLOWS FROM OPERATING ACTIVITIES	23	14,093	10,960
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Proceeds from sale of property, plant and equipment		8	2,215
Bank term investments		-	-
		8	2,215
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment and investment properties		15,801	21,690
Investment in Joint Ventures		2,200	(202)
		18,001	21,488
NET CASH FLOWS FROM INVESTING ACTIVITIES		(17,993)	(19,273)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Term Loans		4,000	7,500
		4,000	7,500
<i>Cash was applied to:</i>			
Dividends paid		2,000	2,000
Finance lease repayments		227	253
		2,227	2,253
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,773	5,247
NET INCREASE (DECREASE) IN CASH HELD		(2,127)	(3,066)
Cash balances at beginning of period		4,124	6,826
Exchange gain / (losses) on cash balance for the year		118	364
CASH BALANCES AT END OF PERIOD		2,115	4,124
COMPOSITION OF CASH BALANCES AT END OF YEAR			
Cash on hand and at bank		90	15
Cash equivalents - term deposits		2,025	4,109
TOTAL	9	2,115	4,124

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

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

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

In preparing financial statements to conform to 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 Associate

The associates are entities in which Network Tasman holds a substantial shareholding and exerts significant influence, but not control, over the operating and financial policies of the entity.

The equity method of accounting has been adopted to account for Network Tasman's interest in its associates. The investment in associates is initially recognised at cost and the carrying amount is increased or decreased to recognise 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 2016.

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.

Network Tasman Limited & Group

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For the year ended 31 March 2016

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.

Network Tasman Limited & Group

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For the year ended 31 March 2016

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 at the full 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 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 ended 31 March 2016

	Note	12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
2 OPERATING REVENUE			
CONTINUING ACTIVITIES			
TRADING REVENUE			
Line revenue (net of discounts)		34,786	35,612
Customer contributions		2,094	2,410
Exchange gains		118	364
Other revenue		5,025	4,424
INVESTMENT REVENUE			
Interest income		66	130
Rental income from investment properties		1,874	1,472
TOTAL OPERATING REVENUE FROM CONTINUING ACTIVITIES		43,963	44,412

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

	Note	12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
3 OPERATING EXPENSES			
OPERATING EXPENSES INCLUDE:			
Gross transmission costs		14,212	17,088
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT AND AMORTISATION OF INTANGIBLE ASSETS			
Primary distribution assets		522	405
Secondary distribution assets		4,775	4,840
Substation assets		491	397
Load control plant		89	87
Streetlights		15	15
Consumer connections		817	396
Freehold buildings		50	44
Plant and equipment		65	44
Computer equipment		206	39
Motor vehicles		47	26
Assets leased from Transpower		251	164
Intangible assets		111	105
TOTAL DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT AND AMORTISATION OF INTANGIBLE ASSETS		7,439	6,562
AUDITORS' FEES			
Audit fee - Network Tasman Ltd		56	55
Audit fee - non-trading subsidiaries		7	9
Other assurance services - Audit New Zealand		32	33
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		5	11
Change in provision for doubtful debts		1	(6)
GOVERNANCE EXPENSES			
Directors' fees		226	226
OTHER EXPENSES			
Donations		9	2
Employment costs		3,301	2,994
Loss on disposal of assets		190	262
Decrease in fair value of investment properties		346	360

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

	Note	12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
3 OPERATING EXPENSES (CONT')			
INTEREST EXPENSE			
Interest expense on Transpower new investment agreements		140	60
Other Interest Paid		372	133
4 INCOME TAX			
Operating surplus before income tax		10,136	9,622
Prima facie taxation at 28%		2,838	2,694
PLUS / (LESS) TAXATION EFFECT OF:			
Non-taxable customer contributions		(531)	(703)
Depreciation		361	479
Equity accounted earnings from associate		(348)	(273)
Change in fair value of investment properties		97	101
Movement in deferred tax		145	37
Other adjustments		24	(20)
		(252)	(379)
Under/(Over) provision from prior years		3	(3)
INCOME TAX EXPENSE RECOGNISED IN STATEMENT OF FINANCIAL PERFORMANCE		2,589	2,312
Comprising:			
Current tax liability		2,444	2,274
Deferred tax on temporary differences	21	145	38
		2,589	2,312

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

	Note	12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
5 IMPUTATION CREDIT ACCOUNT			
Imputation credits available for use in subsequent reporting periods		16,174	14,181
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	121,598	116,051
TOTAL EQUITY		180,721	175,174
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
8 RETAINED EARNINGS			
Balance at beginning of period		116,051	110,741
Operating surplus for the period		7,547	7,310
TOTAL AVAILABLE FOR APPROPRIATION		123,598	118,051
Dividends paid	6	(2,000)	(2,000)
BALANCE AT END OF PERIOD		121,598	116,051

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

9 CASH AND EQUIVALENTS

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

TOTAL CASH AND EQUIVALENTS

The carrying value of short-term deposits with original maturity dates of three months or less approximates their fair value.
The 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 1.00 % to 1.00 % (31 March 2015: 2.8% to 2.8%).

10 OTHER FINANCIAL ASSETS

Loan to SmartCo Ltd

TOTAL OTHER FINANCIAL ASSETS

The carrying value of short-term deposits with original maturity dates of three months or more approximates their fair value.
The interest rates on these investments range from 0% to 0% (31 March 2015: 0% to 0%).

SMARTCO LIMITED

Opening balance
Plus advances
Less repayments

CLOSING BALANCE AT END OF PERIOD

No interest is charged on the loan to SmartCo Limited.

12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
90	15
2,025	4,109
2,115	4,124
259	159
259	159
159	159
100	-
-	-
259	159

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

11 DEBTORS AND RECEIVABLES

CURRENT

	12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
Trade receivables	4,886	5,491
Interest accrued	-	-
Sundry receivables	463	(153)
Prepayments	322	271
TOTAL CURRENT RECEIVABLES	5,671	5,609

TOTAL CURRENT RECEIVABLES

The carrying value of receivables approximates their fair value. As at 31 March 2016 and 31 March 2015 the receivables have been assessed for impairment and appropriate provisions applied, as detailed below.

TRADE RECEIVABLES

	31 March 2016 \$'000			31 March 2015 \$'000		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	4,529	-	4,529	5,194	-	5,194
Past due 1 - 30 days	230	-	230	224	-	224
Past due 31 - 60 days	10	-	10	15	-	15
Past due 61 - 90 days	25	-	25	1	-	1
Past due > 90 days	98	(6)	92	62	(5)	57
	4,892	(6)	4,886	5,496	(5)	5,491

Movement in provision for impairment of receivables are as follows:

MOVEMENT IN PROVISION FOR IMPAIRMENT

OPENING BALANCE

	12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
Additional provisions made during the year	6	5
Receivables written off during period	(5)	(11)
CLOSING BALANCE	6	5

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

12 ADVANCES TO ASSOCIATES**ON METERING LIMITED**

Opening balance

2,375

2,375

Plus advances

2,100

-

Less repayments

-

-

CLOSING BALANCE AT END OF PERIOD

4,475

2,375

TOTAL ADVANCES TO ASSOCIATES

4,475

2,375

12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
2,375	2,375
2,100	-
-	-
4,475	2,375
4,475	2,375



Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

13 PROPERTY, PLANT AND EQUIPMENT

	Primary distribution assets \$000	Secondary distribution assets \$000	Substation land \$000	Substation assets \$000	Load control plant \$000	Streetlights \$000	Consumer connections \$000
COST OR VALUATION							
Balance at 31 March 2014	14,295	160,844	3,286	13,004	1,698	623	7,645
Additions / adjustments	5,380	7,072	343	2,653	46	-	1,617
Disposals	-	(331)	-	-	-	-	-
Balance at 31 March 2015	19,675	167,585	3,629	15,657	1,744	623	9,262
	-	-	-	-	-	-	-
Balance at 1 April 2015	19,675	167,585	3,629	15,657	1,744	623	9,262
Additions / adjustments	14	6,324	467	2,044	2	-	5,573
Disposals	-	(249)	-	-	-	-	-
Balance at 31 March 2016	19,689	173,660	4,096	17,701	1,746	623	14,835
ACCUMULATED DEPRECIATION							
Balance at 31 March 2014	2,216	41,831	-	3,085	1,133	266	2,396
Depreciation expense	405	4,841	-	397	87	15	396
Adjustment	-	-	-	-	-	-	-
Elimination on disposal	-	(109)	-	-	-	-	-
Balance at 31 March 2015	2,621	46,563	-	3,482	1,220	281	2,792
	-	-	-	-	-	-	-
Balance at 1 April 2015	2,621	46,563	-	3,482	1,220	281	2,792
Depreciation expense	522	4,775	1	490	89	15	817
Elimination on disposal	-	(79)	-	-	-	-	-
Balance at 31 March 2016	3,143	51,259	1	3,972	1,309	296	3,609
CARRYING AMOUNTS							
As at 31 March 2015	17,054	121,022	3,629	12,175	524	342	6,470
As at 31 March 2016	16,546	122,401	4,095	13,729	437	327	11,226

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

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 2014	2,175	339	543	673	320	2,315	5,757	213,517
Additions / adjustments	23	(13)	162	148	3	(25)	1,270	18,679
Disposals	(6)	(21)	(9)	-	-	-	-	(367)
Balance at 31 March 2015	2,192	305	696	821	323	2,290	7,027	231,829
	-	-	-	-	-	-	-	-
Balance at 1 April 2015	2,192	305	696	821	323	2,290	7,027	231,829
Additions / adjustments	64	110	199	643	156	767	(282)	16,081
Disposals	-	-	(12)	(158)	(90)	-	-	(509)
Balance at 31 March 2016	2,256	415	883	1,306	389	3,057	6,745	247,401

ACCUMULATED DEPRECIATION

Balance at 31 March 2014	380	-	407	576	191	1,833	-	54,314
Depreciation expense	44	-	44	39	26	164	-	6,458
Elimination on disposal	(1)	-	(8)	-	-	-	-	(118)
Balance at 31 March 2015	423	-	443	615	217	1,997	-	60,654
	-	-	-	-	-	-	-	-
Balance at 1 April 2015	423	-	443	615	217	1,997	-	60,654
Depreciation expense	50	-	65	206	47	251	-	7,328
Elimination on disposal	-	-	(8)	(141)	(79)	-	-	(307)
Balance at 31 March 2016	473	-	500	680	185	2,248	-	67,675

CARRYING AMOUNTS

As at 31 March 2015	1,769	305	253	206	106	293	7,027	171,175
As at 31 March 2016	1,783	415	383	626	204	809	6,745	179,726

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.

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

14 INVESTMENT PROPERTIES

MOVEMENT IN INVESTMENT PROPERTIES

	12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
Opening balance	22,672	19,532
Plus Additions	3,585	3,102
Plus / (less) fair value gain / (loss) on valuation	(346)	(360)
Plus increase / (decrease) in assets under construction	(1,641)	398
Less disposals	-	-

CLOSING BALANCE

24,270 22,672

INVESTMENT PROPERTIES ARE REPRESENTED BY:

Land	8,987	8,972
Buildings	15,261	12,037
Assets under construction	22	1,663

TOTAL INVESTMENT PROPERTIES

24,270 22,672

VALUATION INFORMATION

The Group's investment properties primarily consist of two commercial properties in the Richmond area. 281 Queen Street is a mixed commercial and office development that has been substantially strengthened and refurbished. The other property is an industrial sub-division at 24 Main Road Hope. The Hope properties 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 2016. 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 ended 31 March 2016

14 INVESTMENT PROPERTIES (CONT')

RECONCILIATION OF FAIR VALUE

	Office / Commercial	Industrial	Other	Total	
Opening Balance	11,861	7,334	3,477	22,672	19,532
Additions	3,286	281	18	3,585	3,497
Change in Fair Value	(286)	(63)	3	(346)	(357)
CLOSING BALANCE	14,861	7,552	3,498	25,911	22,672

The following discount rates were used

	Valuation Technique	Discount Rate	Weighted Average Lease Term
281 Queen Street	DCF Method	7%	6.5 years
24 Main Road Hope	DCF Method	7.75% - 8.5%	3.1 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 ended 31 March 2016

15 INTANGIBLE ASSETS

MOVEMENT IN INTANGIBLE ASSETS

	12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
Opening balance	316	179
Plus additions	3	254
Less amortisation	(111)	(105)
Less disposals	-	(222)
Plus accumulated provision write back on disposal	-	210
CLOSING BALANCE	208	316

INTANGIBLE ASSETS ARE REPRESENTED BY:

	At cost \$000	Accum. amortisation \$000	Carrying amount \$000
INTANGIBLE ASSETS - 31 MARCH 2016			
Computer software	1,657	1,449	208
TOTAL INTANGIBLE ASSETS	1,657	1,449	208
INTANGIBLE ASSETS - 31 MARCH 2015			
Computer software	1,654	1,338	316
TOTAL INTANGIBLE ASSETS	1,654	1,338	316

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

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

16 INVESTMENT IN ASSOCIATE

Name of entity	Activity	12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
Nelson Electricity Limited	Distribution network owner & operator	11,195	10,794
Ownership interest		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	1,469	1,366
Movement in NEL deferred tax	175	(45)
Income tax	(403)	(349)
SHARE OF COMPREHENSIVE INCOME	1,241	972

TOTAL RECOGNISED REVENUES AND EXPENSES

1,241	972
--------------	------------

CARRYING VALUE OF ASSOCIATE

Opening balance at beginning of period	10,794	10,822
Share of comprehensive income	1,241	972
Dividends received	(840)	(1,000)
CLOSING BALANCE AT END OF PERIOD	11,195	10,794

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	18,583	19,122
Liabilities	7,384	8,326
Revenues	5,180	5,346
Surplus / (deficit)	1,241	972

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

16 INVESTMENT IN ASSOCIATE (CONT')

Name of entity	Activity
On Metering Limited	Meter deployment company
Ownership interest	

12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
--	--

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	4,982	2,299
Liabilities	4,986	2,405
Revenues	446	212
Surplus / (deficit)	101	43

TOTAL CARRYING VALUE OF ASSOCIATES

Nelson Electricity Limited	11,195	10,794
On Metering Limited	-	-
TOTAL	11,195	10,794

Notes to and forming part of the financial statements

12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
4,936	4,949
4,936	4,949
707	377
707	377

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

19 PROVISIONS

CURRENT

Employee entitlements	299	259
Sundry provisions	500	400
TOTAL CURRENT PROVISIONS	799	659

NON-CURRENT

Employee entitlements	255	248
TOTAL NON-CURRENT PROVISIONS	255	248

TOTAL PROVISIONS

1,054 907

PROVISION FOR EMPLOYEE ENTITLEMENTS

Balance at beginning of period	507	572
Additional provisions made	288	286
Amount utilised	(238)	(351)
Provision reversed	(3)	-
BALANCE AT END OF PERIOD	554	507

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	400	300
Additional provisions made	100	100
Amount utilised	-	-
Provision reversed	-	-
BALANCE AT END OF PERIOD	500	400

TOTAL PROVISIONS

1,054 907

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

20 LOANS AND BORROWINGS**CURRENT**

Secured bank loans

-

Finance lease liabilities

117

TOTAL CURRENT LOANS AND BORROWINGS

117

NON-CURRENT

Secured bank loans

11,500

7,500

Finance lease liabilities

694

255

TOTAL NON- CURRENT LOANS AND BORROWINGS

12,194

7,755

TOTAL LOANS AND BORROWINGS

12,411

7,872

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.

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

20 LOANS AND BORROWINGS (CON'T)

(a) TERMS AND DEBT REPAYMENT SCHEDULE

The terms and conditions of outstanding loans were as follows:

	Facility Expiry Date	2016 Interest Rate	Year of Maturity	Balance
Bank of New Zealand Limited - Secured	29 September 2017	3.76%	2017	10,000
Bank of New Zealand Limited - Secured	20 August 2018	3.76%	2018	1,500
				11,500

(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.

(c) FINANCE LEASE LIABILITY AS AT 31 MARCH 2016

	Total Liability		Principal	
	March 2016	March 2015	March 2016	March 2015
No later than one year	330	146	217	117
Later than one year and not later than five years	849	285	694	246
Later than five years	-	8	-	8
Minimum Lease Payments	1,179	439	911	371
Less Future Finance Charges	268	68		
Present Value of Minimum Lease Payments	911	371	911	371
Included in the financial statements as:				
Current Borrowings			217	117
Non-current borrowings			694	254
			911	371

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	3,500	2,500
TOTAL	3,500	2,500

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

21 DEFERRED TAXATION

Balance at beginning of period
 Deferred tax on temporary differences
BALANCE AT END OF PERIOD

12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
27,945	27,907
145	38
28,090	27,945

ANALYSIS OF TEMPORARY DEFERRED TAX DIFFERENCES**For the year ended 31 March 2016**

	Fixed assets	Provisions	Finance leases	Total
Opening balance	28,294	(245)	(104)	27,945
Charge to income	339	(43)	(151)	145
Charge to equity	-	-	-	-
Closing balance	28,633	(288)	(255)	28,090

21 DEFERRED TAXATION (CONT')**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

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

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

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

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

12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
233	859
291	675
-	-
524	1,534

The lease arrangements are renewed on a periodic basis as disclosed in the lessors' individual contracts; no agreement exceeds 6 years. In 2016 rental income received from leases with non-cancellable operating lease arrangements amounted to \$1,00 ,000 (2015: \$1,472 ,000)

23 RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

OPERATING SURPLUS AFTER TAX

ITEMS NOT INVOLVING CASH FLOWS:

Depreciation & amortisation

Movement in deferred taxation

Non cash customer contributions

Charge 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

7,547	7,310
7,439	6,562
145	38
(1,665)	(1,818)
346	360
-	-
(403)	26
(118)	(364)
5	11
194	262
5,943	5,077
837	(1,132)
146	36
(380)	(331)
603	(1,427)
14,093	10,960

NET CASH FLOWS FROM OPERATING ACTIVITIES

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

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 2015). 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 on-charged 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 on-charged from Nelson Electricity Limited to Network Tasman Limited.

	12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
<i>Charges from Network Tasman Limited to Nelson Electricity Limited</i>		
Operational and management fee	49	51
Net transmission costs on-charged	2,059	3,537
Electricity Authority levies on-charged	13	12
Fibre lease charges	7	7
Sundry oncharges	27	62
<i>Charges from Nelson Electricity Limited to Network Tasman Limited</i>		
Lease charges	(14)	(6)
Sundry oncharges	0	0
Balance due from Nelson Electricity Limited as at period end	204	347
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 ended 31 March 2016

24 RELATED PARTY INFORMATION (CON'T)

Associate company - On Metering Limited

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

	12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
<i>Charges from Network Tasman Limited to On Metering Limited</i>		
Management services and project cost oncharges	88	10
<i>Charges from On Metering Limited to Network Tasman Limited</i>		
Sundry oncharges	0	108
<i>Advances from Network Tasman Limited to On Metering Limited</i>		
Shareholder advances	4,475	0
Balance due from On Metering Limited as at period end	3	3
Balance due to On Metering Limited as at period end	0	0

Related company - SmartCo Limited

Network Tasman Limited provided management services to SmartCo Limited, a related company. Management fees were charged at fair value.

	12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
<i>Charges from Network Tasman Limited to SmartCo Limited</i>		
Management services and meter rental	117	117
<i>Charges from SmartCo Limited to Network Tasman Limited</i>		
Project management fees, deployment and sundry charges	963	963
<i>Advances from Network Tasman Limited to SmartCo Limited</i>		
Shareholder advances	0	0
Balance due from SmartCo Limited as at period end	34	34
Balance due to SmartCo Limited as at period end	168	168

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

24 RELATED PARTY INFORMATION (CON'T)

Mr C Turner - Nelson Pine Industries Limited

Nelson Pine Industries Limited, a company in which Mr C Turner (a director of Network Tasman Limited) is Chief Executive, contracts directly with Network Tasman Limited, for distribution services.

Total sales to Nelson Pine Industries Limited for the year ending 31 March 2016 were \$1,851,000 (31 March 2015: \$1,949,000).

As at 31 March 2016, the balance owing by Nelson Pine Industries Limited was \$178,000 (31 March 2015: \$189,000).

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 2016, the balance owing by Heartland Group Limited was \$1,000 (31 March 2015: \$1,000).

Total sales to Heartland Group Limited for the year ending 31 March 2016 were \$14,400 (31 March 2015: \$14,200).

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

Institute of Directors in NZ Inc, a membership organisation in which Mr MJ McCliskie (a director of Network Tasman Limited) is a councillor, was paid \$11,000 during the year ending 31 March 2016 (31 March 2015: \$8,200).

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 2016 were \$0 (31 March 2015: \$300).

Total payments to Compass Fruit Limited for the year ending 31 March 2016 were \$0 (31 March 2015: \$6,000).

Mr A Reilly - Cold Storage Nelson Limited

Cold Storage Nelson Limited, a company in which Mr A Reilly (a director of Network Tasman Limited) was a director, until 26 May 2015, contracts directly with Network Tasman Limited.

Total sales to Cold Storage Nelson Limited to 26 May 2015 were \$2,000 (31 March 2015: \$158,000).

As at 31 March 2016, the balance owing by Cold Storage Nelson Limited was \$0 (31 March 2015: \$14,000).

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 2016. (31 March 2015: \$4,600).

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 2016, the balance owing by Nelson Tasman Region Hospice Trust Board was \$0 (31 March 2015: \$0).

Total charges to the Nelson Tasman Region Hospice Trust Board for the year ending 31 March 2016 were \$29,000 (31 March 2015: \$24,100).

As at 31 March 2016, the balance owing to Nelson Tasman Region Hospice Trust Board was \$0 (31 March 2015: \$0).

Total payments to Nelson Tasman Region Hospice Trust Board for the year ending 31 March 2016 were \$700 (31 March 2015: \$400).

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 2015: nil)

	12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
KEY MANAGEMENT PERSONNEL COMPENSATION		
Salaries and other short-term benefits	1,476	1,472
Post employment benefits	-	-
Other long-term benefits	23	20
Termination benefits	-	-
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION	1,499	1,492

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

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 29% (2015 : 28%) at balance date.

The credit risk is not considered to be high. Apart from the advances of \$4.5 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 1% to 1% (31 March 2015: 2.8% to 2.8%)

Interest rate sensitivity analysis

As at 31 March 2016 the weighted average term deposit interest rate was 1% (31 March 2015: 2.8%) If this rate changed by 1%, with all other things held constant, the surplus / deficit for the year would have been \$20,000 (2015: \$18,000) higher or lower.

Foreign currency risk

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

Foreign exchange rate sensitivity analysis

There are no foreign currency accounts at balance date.

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 \$2.4 million (31 March 2015: \$4.3 million) of cash and short term deposits and holds \$6.7 million (31 March 2015: \$6.1 million) of current liabilities. The current ratio is 1.9:1 (31 March 2015 2.1:1).

All creditors and other payables are settled within a 30 day term.

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

	Note	12 months 31 March 2016 \$000	12 months 31 March 2015 \$000
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:			
<i>Loans and receivables</i>			
Cash and cash equivalent	9	2,115	4,124
Other financial assets: term deposits	10	259	159
Debtors and other receivables	11	4,886	5,491
TOTAL LOANS AND RECEIVABLES		7,260	9,774
<i>Financial liabilities measured at amortised cost</i>			
Trade payables and accruals	17	4,936	4,949
Finance Leases	20	911	371
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		5,847	5,320

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 2016 \$2,086,000 (31 March 2015 : \$4,129,000).

All capital commitments fall due in the next twelve months.

28 CONTINGENCIES

As at 31 March 2016 there were no material contingent assets or liabilities (31 March 2015: nil).

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

29 PERFORMANCE TARGETS

The following financial and reliability performance targets for the 12 months ending 31 March 2016 are specified in the company's Statement of Corporate Intent (SCI). Forecast results are compared to the performance targets below:

		Actual Result 2016	SCI Target 2016	Actual Result 2015
FINANCIAL PERFORMANCE TARGETS				
Total company:				
Surplus before interest, tax, line discount and customer contributions	\$mil	19.1	17.6	17.7
Operating surplus after tax and customer contributions	\$mil	7.5	6.6	7.3
Operating surplus to shareholders' funds	%	4.18%	3.60%	4.17%
Line business only:				
Total network costs per consumer	\$	439	428	423
Cash operating costs per consumer	\$	277	279	263
Line Charge Discounts (Excluding GST)	\$mil	10.2	10.1	10.1
RELIABILITY PERFORMANCE TARGETS (EXCLUDES TRANSPower PLANNED AND UNPLANNED OUTAGES)				
Average duration of supply interruptions per connected consumer (SAIDI) not to exceed -	minutes	186	115	158
Average number of supply interruptions per connected consumer (SAIFI) not to exceed -	number	1.59	1.36	1.40
Average duration of supply interruptions (CAIDI) not to exceed -	minutes	117	85	113
Faults per 100 km of line not to exceed -	number	5.2	6.0	5.9
% faults not restored within three hours not to exceed -	%	19	20	24

The SAIDI, SAIFI and CAIDI measures are industry standards, which enable assessment and comparison of network performance. Industry statistics include rural and urban networks. The Network Tasman network includes a significant rural component.

$$\text{SAIDI} = \frac{\text{Total Annual Consumer Minutes of Non Supply}}{\text{Total Number of Consumers}}$$

$$\text{SAIFI} = \frac{\text{Total Annual Consumer Supply Interruptions}}{\text{Total Number of Consumers}}$$

$$\text{CAIDI} = \frac{\text{Total Annual Consumer Minutes of Non Supply}}{\text{Total Annual Consumer Supply Interruptions}}$$

Network Tasman Limited & Group

Notes to and forming part of the financial statements

For the year ended 31 March 2016

29 PERFORMANCE TARGETS (CONT')

The SAIDI and SAIFI statistics for unplanned outages were slightly over target for 2015/16 (84/76 and 1.20/1.07). There was nothing unusual in the mix of fault outages, just slightly more than expected. Most fault outages are external influence (car vs pole, tree felled over line etc) that we do not have direct control over.

The SAIDI and SAIFI statistics for planned outages were well over target for the year. (102/40 and 0.39/0.29). This was due to two main causes. The first is a planned shutdown of the Golden Bay area that prior to 2015, would have been attributed to Class A (Transpower Planned). We had not adjusted our SAIDI/SAIFI targets when the asset transfer of the 66kV network occurred. The second reason was a higher than normal number of shutdowns resulting from less live line work being undertaken for safety reasons.

We have adjusted our Class B planned outages for SAIDI and SAIFI statement of corporate intent targets upward for 2017/18 to account for the above.

		Actual Result 2016	SCI Target 2016	Actual Result 2015
SAFETY OF ELECTRICITY SUPPLY				
Lost time injuries not to exceed -	number	1	0	1
PUBLIC SAFETY AND DAMAGE EVENTS				
Public Injury Events		0	0	0
Public Property Damage Events		1	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, whilst remaining a going concern.

Independent Auditor's Report**To the readers of Network Tasman Limited group's
financial statements and performance information
for the year ended 31 March 2016**

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

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the group on pages 12 to 41, that comprise the balance sheet as at 31 March 2016, 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 performance information of the group on pages 40 to 41.

In our opinion:

- The financial statements of the group:
 - present fairly, in all material respects:
 - its financial position as at 31 March 2016; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the New Zealand equivalents to International Financial Reporting Standards.
- The performance information 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 2016.

Our audit was completed 24 June 2016. 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 performance information 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 performance information. 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 performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information 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 performance information 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 appropriateness of the performance information within the group's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

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

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 in accordance with New Zealand equivalents to International Financial Reporting Standards and generally accepted accounting practice, and for the preparation and fair presentation of performance information for the group.

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

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information 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 performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

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 2015. 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

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.

Principal activities

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
- RA Sutton (appointed 25 August 2015)
- CIM Turner (resigned 31 July 2015)
- SJ Weir
- JO Williamson

Remuneration of directors

Directors received the following fees:

Director	2016
MJ McCliskie (Chairman)	59,250
AP Reilly	33,350
JO Williamson	33,350
CIM Turner	11,117
AM Milligan	33,350
SJ Weir	33,350
RA Sutton	22,233

Remuneration of employees

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

Remuneration band	2016
\$100,000 - \$109,999	3
\$110,000 - \$119,999	1
\$120,000 - \$129,999	2
\$140,000 - \$149,999	1
\$160,000 - \$169,999	1
\$180,000 - \$189,999	1
\$190,000 - \$199,999	1
\$210,000 - \$219,999	1
\$350,000 - \$359,999	1

Directors' insurance

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

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.

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 2016:

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 Limited	Chairman
A Milligan	Health Click Limited	Director
	Independent Nursing Practice Limited	Director
	London Plane Limited (Property)	Director
	Clinical Director Women, Child and Youth	Clinical Director
	The Quit Group	Trustee
AP Reilly	AP & KM Reilly Limited	Chairman
	Ravensdown Fertiliser Co-op Limited	Director
	Dos Rios Dairy Limited	Director
	Landcorp Farming Limited	Director
	Nelson Cold Storage Limited	Director (ceased 26 May 2015)
RA Sutton	(appointed 25 August 2015)	
	Big Brothers Big Sisters	Board Member
	Roger Sutton Consulting	Principal
	Network Waitaki Limited	Consultant
	Anglican Church Property Trust	Trustee
CIM Turner	(resigned 31 July 2015)	
	Nelson Pine Industries Limited	Chief Executive
	<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>	
SJ Weir	Nelmac Limited	Director
	Marriott Orthodontics Limited	Director
	Anderson Lloyd Lawyers	Consultant to & former Partner
	Copyright Tribunal	Trustee
	Rata Foundation	Trustee
	Nelson Law Society Standards Committee	Member
	Nelson Bays Rugby Union Audit Committee	Member
	Institute of Directors Nelson	Member
	Nelson City Council Arts Festival Transition Board	Member
J Williamson	Nelson Tasman Region Hospice Trust Board	Trustee

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.

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 2016.

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

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.

effectiveness of internal controls, meeting with and reviewing the performance of the external auditors, reviewing the financial statements and making recommendations on financial and accounting policies. The committee met four times during the year.

Telecommunications and AMI

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

Statement of Corporate Intent

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

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



Risk management

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

In addition, the Board reviews ways 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.

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

Five Year Trend

	2016	2015	2014	2013	2012
Revenue (\$m)	44.0	44.4	43.7	39.6	36.8
Earnings before interest, tax, depreciation & customer contributions (\$m)	16.4	14.2	14.7	13.0	12.9
Net operating cash flow (\$m)	14.0	11.0	12.1	11.9	11.9
Total cash dividends paid (\$m)	2.0	2.0	2.0	2.0	2.0
Total electricity into network (GWh)	733*	718*	772	781	779
Electricity maximum demand (MW)	146*	139*	148	150	147
Consumer connections (ICPs)	38,761	38,314	37,938	37,500	37,089

* 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 has reduced accordingly.

Corporate Directory

Directors

John McCliskie
Chairman

Annette Milligan

Tony Reilly

Roger Sutton

Sarah-Jane Weir

James Williamson

Head Office

52 Main Road Hope, 7020
PO Box 3005, Richmond 7050
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

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*

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

Network Tasman Trust

Gweny Davis - Chair

Ian Barker

Nathan Fa'avae

Ian Kearney

Terry Kreft

Trevor Tuffnell