

NETWORK TASMAN LIMITED

INFORMATION FOR DISCLOSURE

Pursuant to the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000 and the Electricity (Information Disclosure) Amendment Regulations 2001

For the Year Ended 31 March 2003

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Network Tasman Limited
PO Box 3005
Richmond 7031**

NETWORK TASMAN LIMITED INFORMATION DISCLOSURE

Information Disclosure Disclaimer

The information disclosed has been prepared in accordance with and for the specific use intended in the Electricity Act and information disclosure regulations. No responsibility will be accepted for any third party that may use or rely on this report or any part thereof without the express written permission of Network Tasman Limited.

Except as allowed for by the Electricity Act 1992 and information disclosure regulations promulgated by the Act, neither the whole or any part of the information disclosed or any reference thereto may be included in any published document, circular or statement or published in any way without Network Tasman's written approval of the form and context in which it may appear.

The information disclosed is for the line business as described in the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000 & 2001. There are also additional activities of the company that are not required to be reported under the Regulations.

NetworkTasman

Network Tasman Limited

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IN ACCORDANCE WITH THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999 (AS AMENDED BY THE ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT REGULATIONS 2000 & 2001)

Reg. 32 (2)

CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN TRANS POWER FOR THE YEAR ENDING 31 MARCH 2003.

We, Ian Francis Kearney and Christopher Ian Menzies Turner, directors of Network Tasman Limited certify that, having made all reasonable enquiry, to the best of our knowledge,

- (a) The attached audited financial statements of Network Tasman Limited, prepared for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1999 comply with the requirements of those regulations; and
- (b) The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Network Tasman Limited, and having been prepared for the purposes of regulations 15, 16, 21, and 22 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of those regulations.

The valuations on which those financial performance measures are based are as at 31 March 2001.

SIGNATURES OF DIRECTORS:



I.F. Kearney

Date: 30th May 2003



C.I.M Turner

Date: 30th May 2003



**REPORT OF THE AUDITOR-GENERAL
TO THE READERS OF THE FINANCIAL STATEMENTS OF
NETWORK TASMAN LIMITED
FOR THE YEAR ENDED 31 MARCH 2003**

We have audited the financial statements and performance information on pages 1 to 17. The financial statements provide information about the past financial performance of Network Tasman Limited and its financial position as at 31 March 2003. The performance information specifies the performance targets and other measures by which the performance of Network Tasman Limited can be judged in relation to its objectives. This information is stated in accordance with the accounting policies set out on pages 5 to 8.

Responsibilities of the Board of Directors

The Energy Companies Act 1992 and the Financial Reporting Act 1993 require the Board of Directors (the Board) to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the financial position of Network Tasman Limited as at 31 March 2003 and the results of its operations and cash flows for the year ended on that date. The Energy Companies Act 1992 also requires the Board to report the performance targets and other measures by which the performance of Network Tasman Limited can be judged in relation to its objectives.

Auditor's responsibilities

Section 15 of the Public Audit Act 2001 and Section 45(1) of the Energy Companies Act 1992 require the Auditor-General to audit the financial statements and the performance information presented by the Board. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and the performance information and report that opinion to you.

The Auditor-General has appointed Bede Kearney, of Audit New Zealand, to undertake the audit.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements and performance information. It also includes assessing:

- ▲ the significant estimates and judgements made by the Board in the preparation of the financial statements and performance information; and
- ▲ whether the accounting policies are appropriate to Network Tasman Limited's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporates the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with

sufficient evidence to give reasonable assurance that the financial statements and performance information are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have carried out an audit related assignment for Network Tasman Limited. This involved issuing an audit certificate pursuant to the Electricity (Information Disclosure) Regulations 1999. Other than this assignment and in our capacity as auditor acting on behalf of the Auditor-General, we have no other relationship with or interests in Network Tasman Limited.

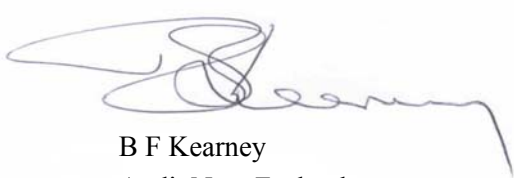
Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- ▲ proper accounting records have been kept by Network Tasman Limited as far as appears from our examination of those records;
- ▲ the financial statements of Network Tasman Limited on pages I to 17
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of:
 - Network Tasman Limited's financial position as at 31 March 2003; and
 - the results of its operations and cash flows for the year ended on that date; and
- ▲ the performance information of Network Tasman Limited on page 17 gives a true and fair view of the achievements in relation to the performance targets and other measures adopted for the year ended 31 March 2003.

Our audit was completed on 30 May 2003 and our unqualified opinion is expressed as at that date.



B F Kearney
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand



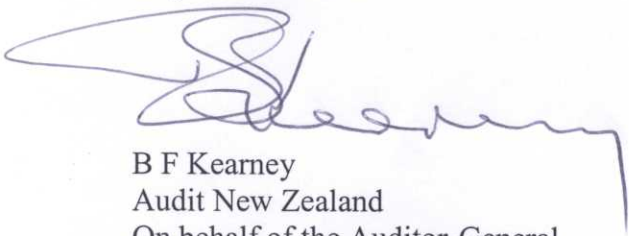
**AUDITOR- GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF
NETWORK TASMAN LIMITED**

We have examined the information on pages 23 to 25, being –

- (a) the derivation table specified in regulation 16;
- (b) the annual ODV reconciliation report in regulation 16A;
- (c) the financial performance measures specified in clause 1 of Part 3 of the Schedule 1;
and
- (d) the financial components of the efficiency performance measures specified in clause
2 of Part 3 of that schedule 1, -

that were prepared by Network Tasman Limited and dated 31 March 2003 for the purposes of regulation 15 of the Electricity (Information Disclosure) Regulations 1999.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with the Electricity (Information Disclosure) Regulations 1999.



B F Kearney
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
30 May 2003



Network Tasman Limited

Line Business Financial Statements

Statement of financial performance

For the year ended 31 March 2003

	Note	2003 \$000	2002 \$000
Total operating revenue	2	25,107	23,270
Total operating expenses	3	<u>(16,575)</u>	<u>(15,287)</u>
Operating surplus before interest expense and income tax		8,532	7,983
Interest expense		<u>(15)</u>	<u>(13)</u>
Operating surplus before income tax		8,517	7,970
Income tax	4	<u>(2,431)</u>	<u>(2,503)</u>
Operating surplus		<u>6,086</u>	5,467
Operating surplus comprises:			
Operating surplus from continuing activities		6,086	5,467
Operating surplus from discontinued activities		<u>0</u>	<u>0</u>
		<u>6,086</u>	5,467

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

Network Tasman Limited

Line Business Financial Statements

Statement of movements in equity

For the year ended 31 March 2003

	Note	2003 \$000	2002 \$000
Total equity at beginning of year	6	84,459	81,545
Total recognised revenues and expenses			
Operating surplus		6,086	5,467
Adjustment to property, plant & equipment from previous year		0	(575)
Total recognised revenues and expenses for the year		6,086	4,892
Other movements			
Distributions to owners during the year	5	(1,598)	(1,497)
Transfer of land & buildings to "Other" business		0	(481)
		(1,598)	(1,978)
Total equity at end of year	6	88,947	84,459

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

Network Tasman Limited
Line Business Financial Statements

Statement of financial position

As at 31 March 2003

	Note	2003 \$000	2002 \$000
Current assets			
Cash and short term deposits		11,553	11,771
Receivables	8	<u>2,685</u>	<u>2,517</u>
Total current assets		14,238	14,288
Non-current assets			
Property, plant and equipment	9	77,239	72,586
Deferred taxation	10	<u>97</u>	<u>115</u>
Total non-current assets		77,336	72,701
Total assets		91,574	86,989
Current liabilities			
Payables and accruals	11	2,165	2,009
Provisions	12	<u>319</u>	<u>379</u>
Total current liabilities		2,484	2,388
Non-current liabilities			
Provisions	12	<u>143</u>	<u>142</u>
Total non-current liabilities		143	142
Equity			
Attributable to shareholders of the company	6	<u>88,947</u>	<u>84,459</u>
Total equity		88,947	84,459
Total liabilities and equity		91,574	86,989

For and on behalf of the Board of Directors:



IF Kearney
Chairman
30 May 2003



CIM Turner
Director
30 May 2003

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

Network Tasman Limited

Line Business Financial Statements

Statement of cash flows

For the year ended 31 March 2003

	Note	2003 \$000	2002 \$000
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		20,478	19,920
Interest income received		785	583
Capital contributions from consumers		0	0
		<u>21,263</u>	<u>20,503</u>
<i>Cash was applied to:</i>			
Payments to suppliers and employees		11,952	11,147
Interest expense paid		15	0
Income tax paid		2,825	2,020
		<u>14,792</u>	<u>13,167</u>
Net cash flows from operating activities	13	<u>6,471</u>	<u>7,336</u>
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Proceeds from sale of property, plant and equipment		16	10
		<u>16</u>	<u>10</u>
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		5,107	2,357
		<u>5,107</u>	<u>2,357</u>
Net cash flows from investing activities		<u>(5,091)</u>	<u>(2,347)</u>
Cash flows from financing activities			
<i>Cash was applied to:</i>			
Dividends paid		1,598	1,497
Repayment of term loans		0	0
		<u>1,598</u>	<u>1,497</u>
Net cash flows from financing activities		<u>(1,598)</u>	<u>(1,497)</u>
Net increase (decrease) in cash balances		(218)	3,492
Cash balances at beginning of year		<u>11,771</u>	<u>8,279</u>
Cash balances at end of year		<u>11,553</u>	<u>11,771</u>

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

Network Tasman Limited

Line Business Financial Statements

Notes to and forming part of the financial statements
For the year ended 31 March 2003

1. Statement of accounting policies

Reporting entity

The reporting entity is Network Tasman Limited.

Statutory base

Network Tasman Limited is a company registered under the Companies Act 1993.

The financial statements have been prepared in accordance with, and for the purposes of, complying with the requirements of the Electricity (Information Disclosure) Regulations 1999, the Electricity (Information Disclosure) Amendment Regulations 2000 and the Electricity (Information Disclosure) Amendment Regulations 2001.

Measurement base

The financial statements have been prepared on the basis of historical cost with the exception of distribution system assets which are stated at valuation.

The financial statements comprise statements of financial performance, movements in equity, financial position, cash flows and notes to these statements.

Accounting policies

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. The accounting policies that materially affect the measurement of financial performance, financial position and cash flows are set out below:

(a) 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 2003.

Customer contributions

Distribution system assets vested from consumers to the company are credited to the statement of financial performance at fair value.

(b) Property, plant and equipment

Recognition of property, plant and equipment

The company has the following classes of property, plant and equipment:

Distribution system assets

- Primary distribution assets
- Secondary distribution assets
- Substation assets
- Load control plant
- Streetlights
- Consumer connection assets
- Communication assets

Non-distribution system assets

- Plant and equipment
- Computer equipment
- Motor vehicles

Initial recording

All owned items of property, plant and equipment are initially recorded at cost. 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 valuation as determined every three years by an independent registered valuer. 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).

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.

Revaluations

Distribution system assets are revalued every three years to fair value, or more regularly if necessary to ensure that no individual item of property, plant and equipment within a class is included at a valuation that is materially different from its fair value. Fair value is determined using optimised depreciated replacement cost. The distribution system assets were last revalued by an independent registered valuer as at 31 March 2001.

Any revaluation increment or decrement is recognised in the statement of movements in equity. If the revaluation results in a revaluation deficit, the revaluation deficit is recognised in the statement of financial performance. To the extent that a revaluation reverses a previous revaluation deficit that was recognised in the statement of financial performance, such revaluation increment is recognised in the statement of financial performance.

Disposal of property, plant and equipment

Where an item of property, plant and equipment is disposed of, the difference between net disposal proceeds and the carrying amount is recognised in the statement of financial performance.

Depreciation

Depreciation of property, plant and equipment is calculated so as to expense the cost or revalued amount 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	1.43% - 3.66%
Secondary distribution assets	Straight line	1.33% - 10.31%
Substation assets	Straight line	2.22% - 14.58%
Load control plant	Straight line	5.00% - 36.39%
Streetlights	Straight line	1.67% - 2.55%
Consumer connection assets	Straight line	1.82% - 6.59%
Communication assets	Straight line	1.43%
Plant and equipment	Diminishing value	20%
Motor vehicles	Diminishing value	20%
Computer equipment	Diminishing value	48%

The depreciation rates on distribution system assets in existence at the time of the last revaluation (31 March 2001) are based on the assessed residual lives as determined in the calculation of the Optimised Depreciated Replacement Cost (ODRC).

New assets (as from 1 April 2001) are assessed based on the standard useful lives as contained in the Handbook for Optimised Deprival Valuation of System Fixed Assets of Electricity Line Businesses (4th edition) as issued by the Ministry of Economic Development and dated October 2000.

Pole structures, which have a physical life well in excess of the assessed residual life, were assessed by the company's qualified engineers.

(c) Income tax

Income tax expense is recognised on the operating surplus before taxation, adjusted for permanent differences between taxable and accounting income.

Deferred tax is calculated using the comprehensive basis under the liability method. This involves recognising the tax effect of all timing differences between accounting and taxable income as a deferred tax asset or liability in the statement of financial position.

A deferred tax asset is recognised only where there is virtual certainty that the benefit will be utilised.

(d) Receivables

Receivables are carried at estimated net realisable value after providing for debts where collection is in doubt.

(e) Financial instruments

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

Credit risk

The company places short-term investments with registered banks only. The company has a credit 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 customers are electricity retailers. The credit risk is not considered to be high. The company does not have any other significant concentrations of credit risk.

Interest rate risk

Short-term investments mature within the range of on-call to 180 days. The interest rates on these investments range from 5.75% to 5.86%.

(f) Impairment

Where the estimated recoverable amount of an asset is less than the carrying amount, the asset is written down. The impairment loss is recognised in the statement of financial performance.

(g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes cash on hand, deposits held at call with banks and investments in money market instruments.

(h) Employee entitlements

A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet received at balance date. Employee benefits include annual leave and long service leave. The provision is the estimated amount expected to be paid out by the company.

(i) Operating leases

Payments made under operating leases are recognised in the statement of financial performance on a basis representative of the pattern of benefits expected to be derived from the leased asset.

(j) Changes In accounting policies

Uniform accounting policies have been applied on a consistent basis with those of the previous year.

Network Tasman Limited

Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2003

	2003	2002
	\$000	\$000
2. Operating revenue		
Continuing activities		
Trading revenue		
Line revenue (net of discounts)	21,043	19,549
Customer contributions	2,279	1,332
Gain on sale of assets	17	0
Other revenue	963	1,765
Investment revenue		
Interest income	805	624
Total operating revenue from continuing activities	<u>25,107</u>	<u>23,270</u>
3. Operating expenses		
Operating expenses include:		
Depreciation of property, plant & equipment		
Freehold buildings	0	0
Primary distribution assets	89	86
Secondary distribution assets	2,145	2,079
Substation assets	204	196
Load control plant	130	122
Streetlights	5	4
Consumer connections	66	65
Communications	2	0
Plant and equipment	110	121
Computer equipment	217	257
Motor vehicles	22	11
Total depreciation of property, plant & equipment	<u>2,990</u>	2,941
Auditors' fees		
Audit fees	24	26
Other remuneration paid to auditor	0	0
Costs of offering credit		
Bad debts written off	3	1
Change in provision for doubtful debts	3	2
Governance expenses		
Directors' fees	129	129
Donations	1	1
Interest expense	15	13
Net loss on sale of property, plant & equipment	0	2
Rental and operating lease costs	263	238

Network Tasman Limited

Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2003

	2003	2002
	\$000	\$000
4. Income tax		
Operating surplus before income tax	8,517	7,970
Permanent differences:		
Non-taxable customer contributions	(2,279)	(1,332)
Depreciation	1,113	1,182
Other permanent differences	15	(237)
	<u>(1,151)</u>	<u>(387)</u>
Taxable income	<u>7,366</u>	<u>7,583</u>
Tax expense @ 33%	2,431	2,503
Income tax (over) under provided in prior year	0	0
Income tax expense recognised in statement of financial performance	<u>2,431</u>	<u>2,503</u>
Comprising:		
Current period tax assessment	2,413	2,550
Deferred income tax liability	18	(47)
	<u>2,431</u>	<u>2,503</u>
5. Dividends		
Dividends during the year:		
Dividends paid	1,598	1,497
Total dividends paid	<u>1,598</u>	<u>1,497</u>
6. Equity		
Ordinary shares fully paid	14,280	14,280
Property, plant & equipment revaluation reserve	47,158	47,158
Share premium reserve	1,938	1,938
Retained earnings	7 25,571	21,083
Total equity	<u>88,947</u>	<u>84,459</u>
7. Retained earnings		
Retained earnings at beginning of year	21,083	18,169
Operating surplus	6,086	5,467
Adjustment to property, plant & equipment from previous year	0	(575)
Total available for appropriation	<u>27,169</u>	<u>23,061</u>
Dividends paid	5 (1,598)	(1,497)
Transfer of land & buildings to "Other" business	0	(481)
Retained earnings at end of year	<u>25,571</u>	<u>21,083</u>

Network Tasman Limited

Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2003

	At cost	At valuation	Accum. depreciation	Carrying Amount
Property, plant & equipment - March 2002				
Primary distribution assets	198	2,589	86	2,701
Secondary distribution assets	2,761	60,793	2,079	61,475
Substation assets	358	5,109	196	5,271
Load control plant	292	810	122	980
Streetlights	0	169	4	165
Consumer connections	179	948	65	1,062
Plant and equipment	1,369	0	834	535
Computer equipment	1,788	0	1,436	352
Motor vehicles	144	0	99	45
Total	7,089	70,418	4,921	72,586

Valuation information

The distribution system assets were last revalued as at 31 March 2001 to a net current value of \$70.418 million. The valuation to optimised depreciated replacement cost (ODRC) was carried out by independent valuers, PricewaterhouseCoopers and Meritec Limited. The valuation report is dated 25 May 2001. The valuation was undertaken in accordance with the methodology detailed in the Handbook for Optimised Deprival Valuation of System Fixed Assets of Electricity Line Businesses (4th edition) as issued by the Ministry of Economic Development and dated October 2000.

2003	2002
\$000	\$000

Review of useful lives of property, plant and equipment

Estimate of increase in depreciation charge following a review of useful lives	0	705
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10. Deferred taxation

Balance at beginning of year	115	68
Deferred tax on timing differences	(18)	47
Balance at end of year	97	115

11. Payables and accruals

Current

Trade payables and accruals	2,165	1,723
Taxation payable	0	286
Total current payables and accruals	2,165	2,009

Network Tasman Limited
Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2003

	2003	2002
	\$000	\$000
12. Provisions		
Current		
Employee entitlements	208	210
Sundry provisions	111	169
Total current provisions	<u>319</u>	<u>379</u>
Non-current		
Employee entitlements	128	142
Sundry provisions	15	0
Total non-current provisions	<u>143</u>	<u>142</u>
Provision for employee entitlements		
Balance at beginning of year	352	337
Additional provisions made	183	222
Amount utilised	(175)	(184)
Provision reversed	(24)	(23)
Balance at end of year	<u>336</u>	<u>352</u>
The provision for employee entitlements relates to employee benefits such as accrued annual leave and long service leave.		
Sundry provisions		
Balance at beginning of year	169	46
Additional provisions made	86	139
Amount utilised	(2)	(9)
Provision reversed	(127)	(7)
Balance at end of year	<u>126</u>	<u>169</u>

Sundry provisions relate to easements in progress and allowances for revenue wash-ups.

Network Tasman Limited

Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2003

2003
\$000

2002
\$000

13. Reconciliation of operating surplus after income tax with net cash flows from operating activities

Operating surplus after tax	6,086	5,467
Add (less) non-cash items and non-operating items:		
Depreciation	2,990	2,941
Movement in deferred taxation	18	(47)
Customer contributions	(2,279)	(1,332)
Bad debts written-off	3	1
Change in provision for doubtful debts	3	2
(Gain) loss on sale of fixed assets	(17)	2
Movement in capital expenditure in creditors	(262)	(289)
	456	1,278
Movement in working capital:		
Increase (decrease) in payables and provisions	383	(324)
(Increase) decrease in receivables	(42)	372
Increase (decrease) in taxation payable	(412)	543
	(71)	591
Net cash flows from operating activities	6,471	7,336

14. Related parties

There were no related party transactions in relation to the following (2002: nil):

- Construction of subtransmission assets
- Construction of zone substations
- Construction of distribution lines and cables
- Construction of medium voltage switchgear
- Construction of distribution transformers
- Construction of distribution substations
- Construction of low voltage reticulation
- Construction of other system fixed assets
- Maintenance of assets
- Consumer connections and disconnections

Parent entity

The holding entity of the company is the Network Tasman Trust which holds 100% (2002: 100%) of the company's shares.

Refer to Note 5 for dividends paid to the holding entity.

Associate company

Network Tasman Limited has a 50% shareholding in Nelson Electricity Limited. Nelson Electricity Limited owns and operates the electricity distribution network in Nelson city.

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

Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2003

	2003	2002
	\$000	\$000
Net transmission costs on-charged (1 April 2002 to 31 March 2003)	1,620	1,401
Balance due from Nelson Electricity Limited as at 31 March 2003	151	127

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 General Manager, contracts directly on an arms length basis with Network Tasman Limited, for distribution services. The services amount to 4.8% of total net line revenue.

As at 31 March 2003, the balance owing by Nelson Pine Industries Limited was \$116,355.

No related party debts have been written off or forgiven during the year.

15. Segmental Information

For reporting purposes the company operates predominantly in one industry - the distribution of electricity. The operations of the company are carried out in New Zealand and are therefore within one geographical segment for reporting purposes.

16. Commitments

Capital commitments

Capital commitments as at 31 March 2003 were \$1,924,756 (2002: \$181,763).

Operating lease commitments

Lease commitments under non-cancellable operating leases are payable as follows:

Less than one year	265	254
Between one and two years	265	254
Between two and five years	796	763
Greater than five years	1,983	2,156
Total operating lease commitments	3,309	3,427

17. Contingencies

Network Tasman Limited issued court proceedings against Transpower New Zealand Limited in respect of the Output Connection Contract.

There is no adverse financial exposure to Network Tasman Limited except for associated legal costs.

As at 31 March 2003 there were no material contingent liabilities.

Network Tasman Limited

Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2003

18. 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.

19. Mandatory specific disclosures

Items required to be separately listed in the financial statements as required under regulation 6 (1) of the Electricity (Information Disclosure) Regulations 1999 are as follows:

	2003	2002
	\$000	\$000
1. Current assets		
(a) Cash & bank balances	3	132
(b) Short-term investments	11,550	11,639
(c) Inventories	0	0
(d) Accounts receivable	2,410	2,429
(e) Other receivables	0	0
(f) Prepayments	149	88
(g) Other current assets not listed in (a) to (f)	126	0
(h) Total current assets	14,238	14,288
2. Fixed assets		
(a) System fixed assets	73,858	71,654
(b) Consumer billing and information system assets	351	352
(c) Motor vehicles	128	45
(d) Office equipment	128	160
(e) Land and buildings	0	0
(f) Capital works under construction	2,299	0
(g) Other fixed assets not listed in (a) to (f)	475	375
(h) Total fixed assets	77,239	72,586
3. Other tangible assets not listed above	97	115
4. Total tangible assets	91,574	86,989

Network Tasman Limited
Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2003

	2003	2002
	\$000	\$000
5. Intangible assets		
(a) Goodwill	0	0
(b) Other intangibles not listed in (a) above	0	0
(c) Total intangible assets	0	0
6. Total assets		
	91,574	86,989
7. Current liabilities		
(a) Bank overdraft	0	0
(b) Short-term borrowings	0	0
(c) Payables & accruals	2,165	1,723
(d) Accrued payroll	208	210
(e) Provision for dividend payable	0	0
(f) Provision for income tax	0	286
(g) Other current liabilities not listed in (a) to (f)	111	169
(h) Total current liabilities	2,484	2,388
8. Non-current Liabilities		
(a) Payables & accruals	143	142
(b) Borrowings	0	0
(c) Deferred tax	0	0
(d) Other non-current liabilities not listed in (a) to (c) above	0	0
(e) Total non-current liabilities	143	142
9. Equity		
(a) Shareholders' equity		
(i) Share capital	14,280	14,280
(ii) Retained earnings	25,571	21,083
(iii) Reserves	49,096	49,096
(iv) Total shareholders equity	88,947	84,459
(b) Minority interests in subsidiaries	0	0
(c) Total equity	88,947	84,459
(d) Capital notes	0	0
(e) Total capital funds	88,947	84,459
10. Total equity and liabilities		
	91,574	86,989
11. Operating revenue		
(a) Revenue from line/access charges	25,552	23,960
(b) Line charge discounts to consumers	(4,509)	-4,411
(c) Revenue from "other" business for services carried out by the line business	0	0
(d) Interest on cash, bank balances and short-term investments	805	624
(e) AC loss rental rebates	836	1,760
(f) Other revenue not listed in (a) to (e)	2,423	1,337
(g) Total operating revenue	25,107	23,270

Network Tasman Limited

Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2003

	2003 \$000	2002 \$000
12. Operating expenditure		
(a) Payment for transmission charges	8,019	7,507
(b) Transfer payments to the "other" business for:		
(i) Asset maintenance	0	0
(ii) Consumer disconnections/reconnection services	0	0
(iii) Meter data	0	0
(iv) Consumer-based load control services	0	0
(v) Royalty and patent expenses	0	0
(vi) Avoided transmission charges on account of own generation	0	0
(vii) Other goods and services not listed in (i) to (vi) above	56	53
(viii) Total transfer payment to the "Other" business	<u>56</u>	<u>53</u>
(c) Expense to entities that are not related parties for:		
(i) Asset maintenance	2,572	1,878
(ii) Consumer disconnections/reconnection services	4	5
(iii) Meter data	0	0
(iv) Consumer-based load control services	0	1
(v) Royalty and patent expenses	0	0
(vi) Total of specified expenses to non-related parties	<u>2,576</u>	<u>1,884</u>
(d) Employee salaries, wages and redundancies	1,365	1,213
(e) Consumer billing and information system expense	128	96
(f) Depreciation on:		
(i) System fixed assets	2,641	2,552
(ii) Other assets not listed in (i)	349	389
(iii) Total depreciation	<u>2,990</u>	<u>2,941</u>
(g) Amortisation of:		
(i) Goodwill	0	0
(ii) Other intangibles	0	0
(iii) Total amortisation of intangibles	<u>0</u>	<u>0</u>
(h) Corporate and administration	396	355
(i) Human resource expenses	65	40
(j) Marketing/advertising	86	77
(k) Merger and acquisition expenses	0	0
(l) Takeover defence expenses	0	0
(m) Research and development expenses	0	0
(n) Consultancy and legal expenses	280	132
(o) Donations	1	1
(p) Directors' fees	129	129
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors	24	26
(ii) Audit fees paid to other auditors	0	0
(iii) Fees paid for other services provided by principal and other auditors	0	0
(iv) Total auditors' fees	<u>24</u>	<u>26</u>
(r) Costs of offering credit:		
(i) Bad debts written off	3	1
(ii) Increase in estimated doubtful debts	3	2
(iii) Total cost of offering credit	<u>6</u>	<u>3</u>
(s) Local authority rates expense	6	6
(t) AC loss-rentals rebates expense	338	728
(u) Rebates to consumers due to ownership interest	0	0
(v) Subvention payments	0	0
(w) Unusual expenses	0	0
(x) Other expenditure not listed in (a) to (w)	110	96
13. Total operating expenditure	<u>16,575</u>	<u>15,287</u>

Network Tasman Limited
Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2003

	2003	2002
	\$000	\$000
14. Operating surplus before interest and income tax	8,532	7,983
15. Interest expense		
(a) Interest expense on borrowings	0	0
(b) Financing charges related to finance leases	0	0
(c) Other interest expense not listed in (a) or (b)	15	13
(d) Total interest expense	15	13
16. Operating surplus before income tax	8,517	7,970
17. Income tax	2,431	2,503
18. Net surplus after tax	6,086	5,467
19. Annual valuation reconciliation report		
System fixed assets at ODV - end of the previous financial year	71,654	70,418
Add system fixed assets acquired during the year at ODV	4,846	3,788
Less system fixed assets disposed of during the year at ODV	0	0
Less depreciation on system fixed assets at ODV	-2,779	-2,552
Add revaluations of system fixed assets	0	0
System fixed assets at ODV - end of the financial year	73,721	71,654

Form for the Derivation of Financial Performance Measures from Financial Statements

Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	8,531,871				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	8,531,871				
Interest on cash, bank balances, and short-term investments (ISTI)	0				
OSBIIT minus ISTI	8,531,871	a	8,531,871		8,531,871
Net surplus after tax from financial statements	6,085,614				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	6,085,614	n		6,085,614	
Amortisation of goodwill and amortisation of other intangibles	0	g	add 0	add 0	add 0
Subvention payment	0	s	add 0	add 0	add 0
Depreciation of SFA at BV (x)	0				
Depreciation of SFA at ODV (y)	138,146				
ODV depreciation adjustment	-138,146	d	add -138,146	add -138,146	add -138,146
Subvention payment tax adjustment	0	s*t		deduct 0	deduct 0
Interest tax shield	0	q			deduct 0
Revaluations	0	r			add 0
Income tax	2,430,828	p			deduct 2,430,828
Numerator			8,393,725 OSBIIT ^{ADJ} = a + g + s + d	5,947,468 NSAT ^{ADJ} = n + g + s - s*t + d	5,962,897 SBIIT ^{ADJ} = a + g - q + r + s + d - p - s*t
Fixed assets at end of previous financial year (FA ₀)	72,586,414				
Fixed assets at end of current financial year (FA ₁)	0				
Adjusted net working capital at end of previous financial year (ANWC ₀)	301,667				
Adjusted net working capital at end of current financial year (ANWC ₁)	-69,237				
Average total funds employed (ATFE) (or regulation 33 time-weighted average)	36,409,422	c	36,409,422		36,409,422
Total equity at end of previous financial year (TE ₀)	84,458,607				
Total equity at end of current financial year (TE ₁)	0				
Average total equity (or regulation 33 time-weighted average)	42,229,304	k		42,229,304	
WUC at end of previous financial year (WUC ₀)	0				
WUC at end of current financial year (WUC ₁)	0				
Average total works under construction (or regulation 33 time-weighted average)	0	e	deduct 0	deduct 0	deduct 0

Revaluations	0	r			
Half of revaluations	0	r/2			deduct 0
Intangible assets at end of previous financial year (IA ₀)	0				
Intangible assets at end of current financial year (IA ₁)	0				
Average total intangible asset (or regulation 33 time-weighted average)	0	m		add 0	
Subvention payment at end of previous financial year (S ₀)	0				
Subvention payment at end of current financial year (S ₁)	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	0	v		add 0	
System fixed assets at end of previous financial year at book value (SFA _{bv0})	71,654,414				
System fixed assets at end of current financial year at book value (SFA _{bv1})	0				
Average value of system fixed assets at book value (or regulation 33 time-weighted average)	35,827,207	f	deduct 35,827,207	deduct 35,827,207	deduct 35,827,207
System Fixed assets at year beginning at ODV value (SFA _{odv0})	71,654,414				
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	-138,146				
Average value of system fixed assets at ODV value (or regulation 33 time-weighted average)	35,758,134	h	add 35,758,134	add 35,758,134	add 35,758,134
Denominator			36,340,349 ATFE ^{ADJ} = c - e - f + h	42,160,231 Ave TE ^{ADJ} = k - e - m + v - f + h	36,340,349 ATFE ^{ADJ} = c - e - 1/2r - f + h
Financial Performance Measures:					
			23.10 ROF = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100	14.11 ROE = NSAT ^{ADJ} /ATE ^{ADJ} x 100	16.41 ROI = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100

t = maximum statutory income tax rate applying to corporate entities
the previous financial year

bv = book value

ave = average

odv = optimised deprival valuation

subscript '0' = end of

Network Tasman Limited
Line Business Performance Measures

Performance Measures and Statistics

For the year ended 31 March 2003

	2003	2002	2001	2000
Financial performance measures				
(a) Return on Funds	23.10%	10.08%	7.90%	5.47%
(b) Return on Equity	14.11%	6.59%	5.23%	3.61%
(c) Return on Investment	16.41%	6.93%	-13.97%	3.62%
Return on Investment - as restated (excludes revaluation)			5.13%	
Efficiency performance measures				
(a) Direct Line Costs per Kilometre	\$1,232	\$934	\$1,181	\$993
(b) Indirect Line Costs per Consumer	\$42	\$38	\$39	\$41
Energy delivery efficiency performance measures and statistics				
1. Energy delivery efficiency performance measures				
(a) Load Factor	66.12%	63.30%	65.28%	63.65%
(b) Loss Ratio	4.25%	3.39%	4.12%	5.01%
(c) Capacity Utilisation	43.24%	44.67%	43.24%	42.95%
2. Statistics				
(a) System Length				
33 kV system	126.78	125.51	125.24	124.89
11 kV system	2001.64	1989.13	1983.89	1977.04
6.6 kV system	34.37	34.37	34.37	34.37
400 V system	998.00	972.70	978.42	977.46
Total Kilometres	3160.79	3121.71	3121.92	3113.76
(b) System Length - Overhead				
33 kV system	121.12	120.04	120.55	121.13
11 kV system	1873.27	1867.89	1864.96	1863.08
6.6 kV system	33.03	33.03	33.03	33.03
400 V system	589.69	604.88	626.19	638.21
Total Kilometres	2617.11	2625.84	2644.73	2655.45
(c) System Length - Underground				
33 kV system	5.66	5.47	4.69	3.76
11 kV system	128.37	121.24	118.93	113.96
6.6 kV system	1.34	1.34	1.34	1.34
400 V system	408.31	367.82	352.23	339.25
Total Kilometres	543.68	495.87	477.19	458.31
(d) Transformer Capacity (kVA)	291,626	276,450	272,605	271,270
(e) Maximum Demand (kW)	126,103	123,500	117,886	116,520
(f) Total electricity entering the system (before losses) (kWh)	730,401,537	684,837,910	646,403,247	624,462,165
<i>(Comparative figures for 2000 & 2001 are for total electricity supplied from the system after losses of electricity)</i>				
(g) Total amount of electricity supplied from the system (after losses of electricity) on behalf of each person (kWh)				
Retailer A	304,463,864	286,066,967	318,775,514	18,489,649
Retailer B	9,507,894	6,774,941	15,607,381	9,503,102
Retailer C	1,042,196	931,754	8,813,481	53,538,368
Retailer D	191,883,213	165,792,163	140,099,112	389,318,020
Retailer E	192,477,170	187,190,919	10,223,036	151,458,083
Retailer F		13,127,997	178,900,081	2,154,944
Retailer G		39,774	105,660	
Generator 1	1,631,325	1,670,828	1,650,939	1,947,361
Generator 2	85,647			

	2003	2002	2001	2000
Total	701,091,309	661,595,344	674,175,204	626,409,527
<i>(Comparative figures for 2000 & 2001 are for the total amount of electricity conveyed through the system before losses of electricity)</i>				
(h) Total Consumers	32,205	31,293	30,790	30,246
Reliability performance measures to be disclosed by line owners				
1. Total number of Interruptions				
Class A Transpower Planned	4.00	3.00	4.00	2.00
Class B Line Owner Planned	66.00	80.00	138.00	185.00
Class C Line Owner Unplanned	118.00	84.00	112.00	124.00
Class D Transpower Unplanned	1.00	0.00	0.00	1.00
Total	189.00	167.00	254.00	312.00
2. Interruption Targets (next year)				
(a) Planned Interruptions by Line Owner (Class B)	2003/04 100.00	2002/03 120.00	2001/02 160.00	2000/01 180.00
(b) Unplanned Interruptions by Line Owner (Class C)	130.00	128.00	120.00	125.00
3. Average Interruption Targets (5 years)				
(a) Planned Interruptions by Line Owner (Class B)	2004/08 100.00	2003/07 110.00	2002/06 124.00	2001/05 140.00
(b) Unplanned Interruptions by Line Owner (Class C)	130.00	128.00	120.00	121.00
4. Fault Restoration Times (Class C) not restored within				
(a) 3 hours	17%	14%	13%	24%
(b) 24 hours	0%	0%	0%	0%
5. Number of faults per 100km of prescribed voltage line				
(a) Total number of faults	5.45	3.91	5.22	5.80
(b) Number of faults targeted (next year)	2003/04 6.00	2002/03 6.00	2001/02 6.00	2000/01 6.00
(c) Average number of faults targeted (5 years)	2004/08 6.00	2003/07 6.00	2002/06 6.00	2001/05 6.00
(d) Number of faults per nominal line voltages				
Total number of faults				
33 kV system	1.58	1.59	1.59	3.20
11 kV system	5.70	4.12	5.39	6.07
6.6 kV system	5.82	0.00	8.75	0.00
Number of faults targeted (next year)				
33 kV system	2003/04 1.50	2002/03 1.50	2001/02 1.50	2000/01 1.50
11 kV system	6.30	6.30	6.30	6.30
6.6 kV system	0.00	0.00	0.00	0.00
Average number of faults targeted (5 years)				
33 kV system	2004/08 1.50	2003/07 1.50	2002/06 1.50	2001/05 1.50
11 kV system	6.30	6.30	6.30	6.30
6.6 kV system	0.00	0.00	0.00	0.00
6. Number of faults per 100km of prescribed voltage underground line				
33 kV system	0.00	0.00	0.00	52.63
11 kV system	4.67	2.47	8.31	3.51
6.6 kV system	0.00	0.00	0.00	0.00
Total	4.43	2.34	7.86	5.04
7. Number of faults per 100km of prescribed voltage overhead line				
33 kV system	1.65	1.67	1.67	1.65
11 kV system	5.87	4.28	5.21	6.23
6.6 kV system	6.06	0.00	9.09	0.00
Total	5.52	4.06	5.06	5.85
8. SAIDI for the total number of interruptions	151.23	114.68	172.57	215.00

	2003	2002	2001	2000
9. SAIDI targets (next year)	2003/04	2002/03	2001/02	2000/01
(a) Planned Interruptions by Line Owner (Class B)	25.00	35.00	40.00	75.00
(b) Unplanned Interruptions by Line Owner (Class C)	60.00	60.00	90.00	134.00
10. Average SAIDI targets (5 years)	2004/08	2003/07	2002/06	2001/05
(a) Planned Interruptions by Line Owner (Class B)	25.00	32.00	35.00	56.00
(b) Unplanned Interruptions by Line Owner (Class C)	58.00	55.00	77.00	111.80
11. Classification of SAIDI interruptions by Class				
Class A Transpower Planned	43.29	43.92	67.28	19.00
Class B Line Owner Planned	16.77	21.39	34.86	62.00
Class C Line Owner Unplanned	90.96	49.37	70.14	122.00
Class D Transpower Unplanned	0.20	0.00	0.29	12.00
Total	151.22	114.68	172.57	215.00
12. SAIFI for the total number of interruptions	1.86	1.14	1.92	2.94
13. SAIFI targets (next year)	2003/04	2002/03	2001/02	2000/01
(a) Planned Interruptions	0.18	0.27	0.29	0.54
(b) Unplanned Interruptions	1.00	1.33	1.50	2.23
14. Average SAIFI targets (5 years)	2004/08	2003/07	2002/06	2001/05
(a) Planned Interruptions by Line Owner (Class B)	0.18	0.23	0.25	0.40
(b) Unplanned Interruptions by Line Owner (Class C)	0.97	1.00	1.29	1.86
15. Classification of SAIFI interruptions by Class				
Class A Transpower Planned	0.17	0.14	0.23	0.05
Class B Line Owner Planned	0.19	0.13	0.29	0.65
Class C Line Owner Unplanned	1.30	0.87	1.34	2.01
Class D Transpower Unplanned	0.20	0.00	0.06	0.23
Total	1.86	1.14	1.92	2.94
16. CAIDI for the total number of interruptions	81.25	100.59	90.27	73.00
17. CAIDI Targets (next year)	2003/04	2002/03	2001/02	2000/01
(a) Planned Interruptions	139.00	128.00	138.00	140.00
(b) Unplanned Interruptions	60.00	45.00	60.00	60.09
18. Average CAIDI targets (5 years)	2004/08	2003/07	2002/06	2001/05
(a) Planned Interruptions by Line Owner (Class B)	139.00	139.00	141.00	140.00
(b) Unplanned Interruptions by Line Owner (Class C)	60.00	55.00	60.00	59.97
19. Classification of CAIDI interruptions by Class				
Class A Transpower Planned	258.11	313.71	296.57	391.00
Class B Line Owner Planned	86.47	164.54	120.29	95.00
Class C Line Owner Unplanned	69.84	56.75	52.38	60.00
Class D Transpower Unplanned	1.00	0.00	5.10	54.00