



# ANNUAL REPORT

FOR THE YEAR ENDED - 31 MARCH 2019

# NetworkTasman TRUST

## Index to 2019 Annual Report

Index .....	A
Chair's Report .....	1
Directory .....	6
<b>Network Tasman Trust &amp; Subsidiaries</b>	
Group Statement of Comprehensive Income / (Loss) .....	7
Group Statement of Changes in Equity .....	8
Group Balance Sheet .....	9
Group Statement of Cash Flows .....	10
Group Notes to and Forming part of the Financial Statements .....	11
Auditors Report .....	39



# Network Tasman Trust

## Chair's Report to Annual Meeting

### Friday 26 July 2019

The Trust has continued to hold regular meetings throughout the year dealing with a range of issues. The Trust has maintained an excellent relationship with the Board and Directors of Network Tasman Limited.

The Trust and Board have met on two occasions to discuss matters of common interest and particularly to review the Company's Statement of Corporate Intent. As Chair of the Trust I have met regularly with Board Chairman John McCliskie who has kept us well informed of the Company's activities.

The Trust continues to support the ETNZ (Energy Trust of New Zealand) with some Trustees attending two conferences/workshops this year.

#### Finance

The Trust received interest income of \$48,200 from various investments held during the year and a net dividend of \$2,000,000 from Network Tasman Ltd. After deducting operating expenses of \$302,175, consumer distributions of \$3,159,360 and Income Tax of \$55,077 the Trust was left with an after tax operating deficit of \$1,468,412 (2018: \$1,392,388). This was a planned deficit and is expected to continue for the next few years while interest rates remain low and while the Trust maintains a minimum \$80 rebate to consumers at Christmas, which is now paid via consumers' power accounts. The transition from posting out cheques has gone smoothly with very little concern expressed from consumers.

In addition to the above income, funds accumulated from the sale of the Company's retail arm are invested with Jarden and other financial institutions. These total \$15.7 million and showed a surplus of \$782,753 (2018: \$800,309) after taking into account a donation of \$200,000 to the Network Tasman Charitable Trust, operating expenses, income tax and write down of investments.

#### Community Activities

This year the Network Tasman Charitable Trust paid out \$98,249 in grants.

#### Sir Wallace Rowling Scholarships

Our congratulations to Maria Phillips of Garin College and Alisha Olney of Collingwood Area School as the recipients of the above award. They received \$3,000 each. We wish them both well as they continue their studies. Once again the standard of the applicants was very high. It is a pleasure to interview these students and to be able to help the awardees with these scholarships.

#### Guidelines for Access to Info

We operate within the Guidelines for access to information agreed upon between Energy Trusts of New Zealand and the Minister of Energy. These guidelines are available for inspection at our secretary's office and on the Network Tasman website. During the year Network Tasman received no request for information other than requests specified in clause 6.2 of the guidelines.

In this next section of this Report, we detail some activities of Network Tasman Limited. This information has been extracted from the Network Tasman Limited Annual Report.

#### Operational and Financial Performance

We have exceeded our SCI financial targets for 2018/19, delivering an operating surplus of \$9.7 million, \$1.1 million above the target of \$8.6 million but \$0.8 million below last year. The major variance from last year was a deferred tax charge of \$1.0 million (2018 \$0.3 million). Prudent financial management has seen operating costs per connection continue to lie below the national average for electricity distribution businesses (EDB's). Customer contributions of \$3.2 million reflect the buoyant nature of the residential property market with

a number of large subdivisions being developed across the region.

Consumers received two line discounts totalling a record \$12.5 million including GST (\$12.0 million in 2018) were credited to consumers' power accounts during the year.

Cash flow from operations was \$21.2 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. At the end of the financial year, the group had total cash of \$2.1 million and term loans of \$0.3 million.

Network Tasman spent \$13.4 million on capital expenditure during the year. Our capital investment in the electricity network has been concentrated on improving network safety and reliability and to accommodate the growth that is occurring on our network.

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.

In the non-regulated business units, additions to the company's investment properties and investments in advanced meters by Network Tasman and On Metering are realising increasing returns, backed by long-term contracts with retailers.

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 and upgrading the core network technology.

The financial targets as set down in Network Tasman's Statement of Corporate Intent, are compared (in the company's annual report) with the actual results for the year ended 31 March 2019.

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

## Health and Safety

Network Tasman is committed to ensuring the health and safety of every employee, contractor and visitor to our workplace, to ensuring healthy and safe working conditions, and to the safe operation of all equipment in the workplace.

Health and Safety continues to be a high priority for Network Tasman with the board and management reviewing all aspects of our operations. The annual Health and Safety Improvement Plan is maintaining focus through a philosophy of continuous improvement. We now have systems that are designed around a proactive maturity.

Management continues to work closely with contractors and staff to ensure that safety is a key consideration in all activities.

Our goal is to maintain a "zero harm" status at all times and continuously improve our Health and Safety systems. We believe safety goes hand in hand, not in competition and all injuries are preventable – none are acceptable. Unsafe acts and conditions are never acceptable. All our people are empowered to prevent and correct unsafe acts and conditions and no one will be directed to do anything that they genuinely believe is unsafe. Everyone is responsible for ensuring no other person comes to harm.

Contractors are an essential part of our business, and when used, their Health and Safety is our concern. We operate a "zero tolerance" drug and alcohol policy and expect all workers and contractors will be fit for work and unaffected by drugs or alcohol.

Our Key Health and Safety activities during the year have included a number of proactive initiatives.

The Health and Safety Committee (comprising staff and management) has been constructive in ensuring worker

participation and consultation are more effective within the business. Monthly Health and Safety Toolbox meetings are also being conducted by managers and feedback from staff indicates this is a helpful way to raise any health and safety concerns or positive observations.

Driver and vehicle safety was a priority this year. To help mitigate the risk to staff when working alone out in the field a Smartrak tracking system, vehicle road safety signage, flashing lights, dash cams and new first aid kits have been installed across the company's vehicle fleet. We also continue to encourage staff to report any incidents they may see while out driving and have provided staff with road safety information.

We have undertaken a programme of regular training sessions for staff and management on Health and Safety issues. Training completed includes first aid, mental first aid, Level 1 Basic Traffic Controller (TC) and Level 1 Site Traffic Management Supervisor (STMS).

Quarterly Health and Safety Management System awareness sessions are held for major contractors. Ongoing independent random bi-monthly operational audits of contractors were conducted against a criteria aligned to the Network Tasman Health and Safety System requirements and standard operational practice.

Emergency preparedness has included participation in the New Zealand ShakeOut 2018, the national earthquake drill and tsunami hikoi on the 30 October 2018 and engaging Vodafone to set up a companywide text messaging system to keep staff members and contractors up to date on any major events that may occur. The safety performance targets as set down in Network Tasman's Statement of Corporate Intent are compared (in the company's annual report) with the actual results for the year.

There were three lost time injuries recorded during the year. The LTI's were two occasions where contractor's staff suffered back strains and a serious injury

to an arborist while felling trees in Upper Moutere.

The Network Tasman safety culture is based on the principles of "good faith" and "reasonable care" and it recognises that we are all "human". Honest mistakes may occur in the performance of our everyday duties. What is important is that we all have a responsibility to learn from this.

As such, Network Tasman has a "no blame" approach towards those who have made an honest error and encourages all workers to report their own mistake or unsafe act as a means of implementing preventative measures to ensure that others don't make the same mistake in the future.

## Emerging Technologies

We are now seeing new technologies becoming mainstream and economic viability becoming a reality. The Tasman region has the highest penetration of solar rooftop generation in New Zealand and, more generally, our region appears to have a relatively high number of early adopters of new technologies, including Electric Vehicles (EVs).

The company is spending a considerable amount of time identifying, researching and preparing for the impact and opportunities of these new technologies. We firmly believe the key to the effective implementation of new technologies will be collaboration between lines companies to share knowledge and experience and fostering relationships with organisations at the forefront of the various technologies.

An example is a recently completed assessment of the impact of growth of EVs on our line network. Co-operation and knowledge sharing will drive efficiencies by assessing the appropriateness of adopting new technologies and thereby ensuring that our shareholders achieve the greatest returns from their investment.

The company also is undertaking a small-scale trial to investigate ways to manage distributed generation and



particularly battery storage to manage peak loads on our network.

The Board maintains an open mind to funding research and development and engaging new technologies where necessary.

### **Pricing and Discounts**

Network Tasman has continued to hold its network prices well below Commerce Commission pricing limits and has held movements in the distribution network component of our price close to the rate of inflation for more than a decade.

Network Tasman has maintained line charges at the lower end of EDB line charges. With the future capital expenditure programme to facilitate asset renewal and growth, there will be a need to increase prices in the future.

In spite of the large rural geographical footprint and resulting high servicing costs, our network prices for residential connections continue to be among the lowest in the country. During the past three years our line charges have averaged \$1.4 million per annum below the maximum level allowable set by the Commerce Commission.

The company continues to provide discounts in line with our SCI targets. In the context of regulatory developments and the IRD review of discounts, from 1 April 2018 our discounts were posted, rather than discretionary.

Changes in the way that customers use electricity, including through the adoption of emerging technology, means that it will be increasingly important that the structure of our prices reflect underlying costs. The company continues to engage closely with other lines companies in the coordinated assessment of pricing best practice.

### **Network Tasman Fibre**

Network Tasman Fibre continues to grow the number of connections to our fibre network and has increased the range of products and services we can offer our customers.

During the year, we completed the upgrade to our core network infrastructure that has enhanced our ability to offer a range of new products and services to the residential market. We continue to work with a number of residential and commercial developers to deploy fibre to greenfield developments primarily outside the Government's UFB areas.

We have continued to develop and refine the range of added-value services we provide. The number of customers on our managed CCTV services continue to grow and increase the overall network utilisation on our fibre networks. Business as usual capital investment in the fibre networks remains low and with continued growth in connections, our investment in the fibre business continues to provide an adequate rate of return on the funds employed.

### **Advanced Meters**

Our deployment of advanced meters on behalf of retailers is now complete. Network Tasman now has advanced meters on 69% of our customers premises and returns from the investment are underpinned by long term contracts with all of the major retailers. Similarly, deployment has been completed by On Metering Limited (OML), our joint venture with Alpine Energy Limited. An initial return of shareholders advances has been received during the year from OML and further returns will be received as cash flows permit.

Our joint venture company SmartCo has contracted with WEL Networks to deliver a network focused technology solution for members including Network Tasman. These solutions have been prepared in consultation with the engineering and operational teams from each of the networks and will provide us with tools to manage and control our networks as well as allowing retailers to offer new and innovative products to their customers.

### **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 2018/19. In 2018/19, Network Tasman's total line revenue was \$12 million below the regulated maximum allowable revenue set by the Commission.

The allowable revenue that each regulated lines company can earn is reset every five years by the Commerce Commission with the next reset from 1 April 2020.

Network Tasman is also subject to regulations administered by the Electricity Authority. The Authority is in the process of reviewing the distribution pricing principles. It has asked distributors to develop plans for transitioning to distribution prices that better reflect services provided and the underlying costs of providing those services. Network Tasman is working in coordination with the Electricity Networks Association (ENA) and with other lines companies to identify more cost-reflective pricing options and transition paths towards them.

A significant input to Network Tasman's costs and prices is the transmission charges payable to Transpower for access to and use of the national grid. The Electricity Authority oversees the methodology used to determine transmission prices. The Authority has identified

difficulties with the existing methodology and conducted consultations on possible changes but the matter remains unresolved. As such, there is uncertainty around the future of transmission charges.

The government appointed Electricity Price Review Panel has been conducting a full review of the electricity sector during 2018/19. Network Tasman has worked with the ENA in providing submissions to the Panel. The Panel

released its Options Discussion paper on 20 February 2019, which is largely supportive of current EDB models. It promotes options that reflect the importance of new technology, greater resilience and improved customer choice, as well as options that improve market transparency and address practices that may hinder competition or unfairly penalise some consumers. The Panel expects to deliver its final recommendations to the Minister by mid-2019.

## Dividend

Network Tasman again paid a fully imputed dividend of \$2 million to our shareholder, the Network Tasman Trust. Local consumer ownership of the network has returned in excess of \$220 million by way of discounts and dividends since the company was established in 1993.

## Conclusion

To all Trustees, thank you for your continued support in making the Chair a satisfying position. Thank you also to our Secretary Marina Buonocore and her staff at Craig Anderson Ltd and finally thank you to the Directors and Management of the Company. When we compare Network Tasman Ltd alongside other lines companies, the Trustees and beneficiaries/consumers are very grateful for how you have positioned the Company. We look forward to working with you in dealing with the challenges of the future.



Gwenny Davis

Chair



## Network Tasman Trust & Subsidiaries

### Directory

As at 31 March 2019

#### Network Tasman Trust

<b>Legal Name</b>	Network Tasman Trust
<b>Nature of Trust</b>	Electricity Consumer Investment Trust
<b>Date Settled</b>	1 May 1993
<b>Trustees</b>	S G Davis (Chair) I F Kearney T M Kreft I P Barker P J Adamson J L Edgar
<b>Secretary</b>	M Buonocore
<b>Registered Office</b>	270a Queen Street Richmond 7020
<b>Postal Address</b>	P O Box 3115 Richmond 7050
<b>Accountants</b>	Craig Anderson Limited Richmond
<b>Auditors</b>	NMA Nelson Marlborough Audit Limited

#### Network Tasman Limited

<b>Directors</b>	M J McCliskie (Chair) A P Reilly S L Smith R A Sutton S J Weir J O Williamson
<b>Associate Director</b>	R Wilson
<b>Registered Office</b>	52 Main Road Hope 7020
<b>Postal Address</b>	P O Box 3005 Richmond 7050

**NMA Nelson  
Marlborough Audit  
Limited**

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

**Statement of comprehensive income / (loss)**

For the year ended 31 March 2019

	Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
Total operating revenue	2, 36	53,245	51,905	2,048	2,059
Total operating expenses	3	(42,825)	(41,949)	(3,461)	(3,376)
<b>Operating surplus / (loss) before income tax</b>		<b>10,420</b>	<b>9,956</b>	<b>(1,413)</b>	<b>(1,317)</b>
Share of surplus of associate	17, 36	537	959	0	0
<b>Operating surplus / (loss)</b>		<b>10,957</b>	<b>10,915</b>	<b>(1,413)</b>	<b>(1,317)</b>
Income tax (expense) / income	4	(3,943)	(2,973)	(55)	(75)
<b>Operating surplus / (loss) for the period</b>		<b>7,014</b>	<b>7,942</b>	<b>(1,468)</b>	<b>(1,392)</b>
Other comprehensive income		0	0	0	0
Network Tasman share revaluation		0	0	8,482	9,334
<b>Total comprehensive income / (loss)</b>		<b>7,014</b>	<b>7,942</b>	<b>7,014</b>	<b>7,942</b>
<b>Total comprehensive income / (loss):</b>					
Comprehensive income from continuing activities		7,014	7,942	7,014	7,942
Comprehensive income from discontinued activities		0	0	0	0
		<b>7,014</b>	<b>7,942</b>	<b>7,014</b>	<b>7,942</b>

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

NMA Nelson  
Marlborough Audit  
Limited

**Statement of changes in equity**

For the year ended 31 March 2019

	<b>GROUP</b> <b>12 months</b> <b>31 March 2019</b>	<b>GROUP</b> <b>12 months</b> <b>31 March 2018</b>	<b>PARENT</b> <b>12 months</b> <b>31 March 2019</b>	<b>PARENT</b> <b>12 months</b> <b>31 March 2018</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Total equity at beginning of period</b>	<b>213,307</b>	205,280	<b>213,307</b>	205,280
Operating surplus / (loss)	<b>7,014</b>	7,942	<b>(1,468)</b>	(1,392)
<b>Other comprehensive income</b>				
Network Tasman subsidiaries share revaluation	<b>0</b>	0	<b>8,482</b>	9,334
Consumer distribution adjustment	<b>75</b>	85	<b>75</b>	85
Transfers from revaluation reserve	<b>0</b>	0	<b>0</b>	0
<b>Total equity at end of period</b>	<b>220,396</b>	213,307	<b>220,396</b>	213,307

# Balance sheet

As at 31 March 2019

## Current assets

Cash and cash equivalents  
Other financial assets  
Trade receivables  
Other current assets

## Total current assets

## Non-current assets

Property, plant and equipment  
Advances to subsidiaries  
Investment properties  
Intangible assets  
Investment in associates and joint ventures  
Investment in subsidiaries  
Financial assets held at fair value through profit or loss  
Other investments

## Total non-current assets

## Total assets

## Current liabilities

Payables and accruals  
Provisions  
Loans and Borrowings

## Total current liabilities

## Non-current liabilities

Provisions  
Loans and Borrowings  
Deferred taxation

## Total non-current liabilities

## Equity

Attributable to trustees of the trust

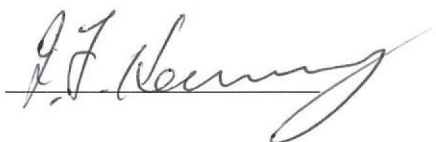
## Total equity

## Total liabilities and equity

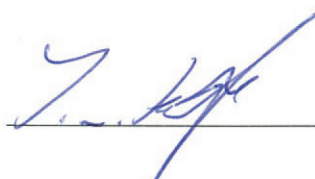
Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
9	4,942	5,092	2,088	1,165
10	1,769	2,927	0	1,000
11	5,414	5,000	0	0
12	1,378	1,039	10	1
	<b>13,503</b>	<b>14,058</b>	<b>2,098</b>	<b>2,166</b>
13	190,316	184,648	0	0
14	0	0	9,419	10,913
15	29,459	27,157	0	0
16	350	254	0	0
17, 36	13,327	13,740	0	0
18	0	0	209,368	200,886
19, 36	4,239	4,595	0	0
20	13,195	12,193	0	0
	<b>250,886</b>	<b>242,587</b>	<b>218,787</b>	<b>211,799</b>
	<b>264,389</b>	<b>256,645</b>	<b>220,885</b>	<b>213,965</b>
21	13,269	7,719	489	658
22	255	273	0	0
23	121	3,111	0	0
	<b>13,645</b>	<b>11,103</b>	<b>489</b>	<b>658</b>
22	221	211	0	0
23	250	3,129	0	0
24	29,877	28,895	0	0
	<b>30,348</b>	<b>32,235</b>	<b>0</b>	<b>0</b>
7	220,396	213,307	220,396	213,307
	<b>220,396</b>	<b>213,307</b>	<b>220,396</b>	<b>213,307</b>
	<b>264,389</b>	<b>256,645</b>	<b>220,885</b>	<b>213,965</b>

For and on behalf of the Trustees;

Trustee:



Trustee:



Date:

8 July 2019

NMA Nelson  
Marlborough Audit  
Limited

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

## Statement of cash flows

For the year ended 31 March 2019

## Cash flows from operating activities

Cash was provided from:

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
	52,340	45,636	0	0
	1,093	1,119	2,000	2,000
	413	156	49	59
	0	0	0	0

Cash was applied to:

	29,969	26,618	304	258
	2,762	2,525	66	62
	193	440	0	0
	3,250	2,966	3,250	2,966

## Net cash flows from operating activities

26

## Cash flows from investing activities

Cash was provided from:

	61	13	0	0
	2,927	1,700	1,000	0
	500	0	1,494	993
	12,618	1,515	0	0
	0	1,055	0	0

Cash was applied to:

	13,472	9,889	0	0
	1,769	750	0	750
	0	850	0	0
	12,817	0	0	0

## Net cash flows from investing activities

## Cash flows from financing activities

Cash was provided from:

	0	0	0	0
--	---	---	---	---

Cash was applied to:

	0	0	0	0
	5,750	7,000	0	0
	120	174	0	0

## Net cash flows from financing activities

27

## Net increase (decrease) in cash held

	(150)	(18)	923	(984)
--	-------	------	-----	-------

Cash balances at beginning of period

	5,092	5,110	1,165	2,149
--	-------	-------	-------	-------

Cash balances at end of period

## Composition of cash balances at end of year

	2,228	1,242	2,088	1,012
--	-------	-------	-------	-------

	2,714	3,850	0	153
--	-------	-------	---	-----

9	4,942	5,092	2,088	1,165
---	-------	-------	-------	-------



**Notes to and forming part of the Financial Statements**

*For the year ended 31 March 2019*

**1. Statement of Accounting Policies**

**Statement of Compliance**

The reporting entity is Network Tasman Trust. Network Tasman Trust is an Electricity Consumer Investment Trust and holds all shares in NTT Investments Limited and Network Tasman Limited.

The registered office of Network Tasman Trust and NTT Investments Limited is 270a Queen Street, Richmond, Nelson. The registered office of Network Tasman Limited is 52 Main Road, Hope, Nelson.

NTT Investments Limited is an Investment Company holding the Trust's long term investments other than the investment in Network Tasman Limited.

Network Tasman Limited is a profit-oriented company registered under the Companies Act 1993. The company is a reporting entity for the purposes of the Companies Act 1993 and its financial statements comply with that of the Act and section 44 of the Energy Companies Act 1992.

The financial statements are for Network Tasman Trust, NTT Investments Limited and Network Tasman Limited, which is referenced to as 'the "Group"'. Network Tasman Limited includes its interest in associate and joint venture entities (Nelson Electricity Limited and On Metering Limited) and wholly owned non-trading subsidiary company Tasman Energy Limited.

These financial statements have been prepared in accordance with Generally Accepted Accounting practice in New Zealand (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for profit-orientated entities. The Group is a tier 1 entity.

**Basis of Preparation**

These financial statements are presented in New Zealand dollars, which is the groups functional and presentation currency, rounded to the nearest thousand dollars (\$'000) unless otherwise stated. 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.

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.

The financial statements comprise a Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flow, and notes to these statements.

**Goods and Services Tax (GST)**

Network Tasman Trust and NTT Investments Limited are exempt from GST. Network Tasman Limited is registered for GST.

The statement of comprehensive income and cash flow statement have been prepared so that all components are stated exclusive of GST except those relating to Network Tasman Trust and NTT Investments Limited, which include a GST component.

All components in the balance sheet which relate to Network Tasman Limited are stated net of GST, except for receivables and payables which are stated inclusive of GST.

**Statutory Base**

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 2013.

**Historical Cost Convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities, certain classes of property, plant and equipment, which have been included at fair value through the Statement of Comprehensive Income.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements.

**Notes to and forming part of the Financial Statements**

For the year ended 31 March 2019

**New and amended standards adopted**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2018:

**i) NZ IFRS 9 Financial Instruments**

NZ IFRS 9 Financial Instruments replaces the provisions of NZ IAS 39 that relate to the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments and impairment of financial assets. The adoption of NZ IFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and impairment methodology for amounts recognised in the financial statements. The new accounting policy is set out in Note 29. The impact of the change in impairment methodology did not result in a material change to Network Tasman's net trade receivables in the current or prior reporting periods. In accordance with the transitional provision in NZ IFRS 9, comparative figures have been restated.

The company has assessed the contractual cash flow characteristics and assessed which business model to apply to its financial instruments to determine any changes in classification and measurement. The following table summarises the classification changes by balance sheet asset and liability class to the Group's financial instruments on 1 April 2018.

	Previous valuation method under NZ IAS 39	Current valuation method under NZ IFRS 9
<b>Financial Assets</b>		
Cash and cash equivalents	amortised cost	amortised cost
Trade receivables	amortised cost	amortised cost
Other financial assets and investments	amortised cost	amortised cost
Financial assets held at fair value through profit or loss	amortised cost	fair value
<b>Financial Liabilities</b>		
Payables and accruals	amortised cost	amortised cost
Loans and Borrowings	amortised cost	amortised cost

With the introduction of NZ IFRS 9, the shareholder advances to SmartCo Limited have been reviewed, and recategorised under investment in associate. The reason for this recategorisation is that the advances are interest free and can effectively never be fully repaid as there will always be a need to fund working capital. Therefore, the advance is a capital contribution. This also means that prior year figures have been recategorised. This recategorisation has only affected the balance sheet.

The shareholder advances to On Metering Limited have been reviewed, and recategorised as financial assets held at fair value through profit or loss. The reason for this is under NZ IFRS 9 the loan does not meet the SPPI (solely payments of interest and principal) test and therefore needs to be measured at fair value. Subsequent changes in the measure of fair value are accounted for in the Income Statement.

The parent advance to NTT Investments Limited has been reviewed, and remained as a financial asset at amortised cost. The reason for this is that the advance is interest free, repayable on demand and the company has sufficient liquid assets which could be converted in a short timeframe to repay the debt in full. The funds are not required to fund working capital and the company has no other internal or external loans to be repaid. There would be no impairment loss to recognise.

**ii) NZ IFRS 15 Revenue from Contracts with Customers**

NZ IFRS 15 Revenue from Contracts with Customers became effective on 1 April 2018. The Group has adopted NZ IFRS 15 using the retrospective approach. Network Tasman Limited has performed an assessment of its contracts with customers in accordance with NZ IFRS 15 and determined that the standard has no material impact on the timing of revenue recognition for all major revenue streams and therefore no material impact on reported revenue in the prior year or opening retained earnings. The adoption of NZ IFRS 15 resulted in changes in accounting policies and presentation adjustments to the financial statements. Refer to note 2 for further information.

**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 following are new standards that may impact Network Tasman Limited. The Group does not intend to adopt any of the new pronouncements before their effective dates.

**NZ IFRS 16 Leases - Effective 1 April 2019**

NZ IFRS 16 will remove the distinction between operating and finance leases and therefore requires lessees to show almost all leases on the balance sheet. The adoption of NZ IFRS 16 is not expected to have a material impact on the Group.

## Notes to and forming part of the financial statements

For the year ended 31 March 2019

## Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2019.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parents share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

## Summary of Key Accounting Policies

Key accounting policies have been adopted in preparation and presentation of the financial statements and can be found in the specific note to which the policy applies.

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.

These accounting policies have been applied consistently to all years presented unless otherwise stated.

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

## 2. Operating revenue

## Continuing activities

Revenue from contracts with customers  
Revenue from property rental  
Vested assets  
Insurance proceeds  
Interest income  
Dividend income  
Increase in fair value of investment properties  
Change in fair value of loan to joint venture  
Gain on sale of assets  
Depreciation Recovered  
Other revenue

## Total operating revenue from continuing activities

## Revenue from contracts with customers

Distribution network revenue  
Technology networks revenue  
Connection fees and levies  
Customer contributions  
Management fees  
Sundry income

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
	44,985	43,282	0	0
	1,894	1,859	0	0
	2,883	2,007	0	0
	0	1,019	0	0
	289	298	48	59
	143	69	2,000	2,000
	1,243	1,683	0	0
	144	188	0	0
	1,291	955	0	0
	11	3	0	0
	362	542	0	0
	53,245	51,905	2,048	2,059
	37,571	36,064	0	0
	5,923	5,703	0	0
	511	436	0	0
	519	632	0	0
	192	190	0	0
	269	257	0	0
	44,985	43,282	0	0

NMA Nelson  
Marlborough Audit  
Limited

## Notes to and forming part of the financial statements

For the year ended 31 March 2019

### 2. Operating revenue (cont')

#### Revenue

The new standard, NZ IFRS 15 Revenue from Contracts with Customers, does not require a change to any of the revenue recognition methods used to date.

Due to time between performing the service and payment being less than one year, Network Tasman has not made any adjustment for financing costs.

#### Distribution network revenue

Network Tasman Limited provides electricity distribution services to electricity retailers and a small number of directly contracted customers based on both a variable (units consumed) and fixed (daily or capacity charge) component. Therefore, there is a single performance obligation. Electricity distribution services are performed on a daily basis and considered as a series of distinct services provided over time. Revenue is recognised as electricity is provided, reduced for an estimated discount based on usage. This method meets the requirements of NZ IFRS 15 in that the performance obligation is satisfied over time, as the services are delivered on a daily basis. Revenue is recognised over time using an output method. Network Tasman Limited applies the practical expedient in NZ IFRS 15 para. B16 which enables the company to revenue in the amount to which the entity has a right to invoice. This is because Network Tasman Limited has a right to consideration from the customer in an amount that corresponds directly with the value to the customer of the company's performance. Customers are invoiced monthly and payment is due in the month following invoice. Discounts are considered variable consideration, which is constrained because Network Tasman Limited has a practice of providing discounts on a biannual basis. Therefore, the amount of revenue recognised is reduced for an accrual for the expected discount to be applied based on usage.

#### Technology networks revenue

The technology networks revenue relates to the provision of access to Network Tasman's telecommunication and metering networks. Telecommunication customers are provided with fibre optic services and the metering customers are provided with their customers' remote meter reading data. Therefore, each contract contains a single performance obligation. These services are performed on a daily basis and considered as a series of distinct services provided over time. Retail telecommunications and electricity providers gain access as the benefit, and then consume that benefit by earning revenue from the end user for data or electricity. They are invoiced at fixed rates on a monthly basis. Network Tasman recognises revenue over time based on the output method. Network Tasman applies the practical expedient in NZ IFRS 15 para. B16 which enables the company to recognise revenue in the amount to which the entity has a right to invoice. This is because Network Tasman has a right to consideration from the customer in an amount that corresponds directly with the value to the customer of the company's performance. The transaction price includes a variable component relating to service credits and liquidated damages that may be payable by Network Tasman if the company fails to meet contractual levels of service. As it is not probable that Network Tasman will be required to pay these amounts, no adjustment to revenue is required.

#### Connection fees and levies

Customer connection fees and levies are set out in Network Tasman Limited's Connection of New Loads to the Distribution Network policy. Performance obligations are satisfied at a point in time. Network Tasman recognises this revenue when the connections are lived.

#### Capital contributions

Cash contributions are cash payments from customers towards the cost of new connections and network extensions. The performance obligation is satisfied at a point in time when the asset is connected. At this point, the revenue is recognised in an amount equal to the payment received from the customer. Amounts received in advance are treated as a liability until the connection or network extension is live and operational.

#### Management fees

Management fees are charged for financial and engineering services. The performance obligation is recognised over-time mirroring the revenue received.

#### Sundry income

Sundry income includes amounts for direct on-charges of costs and charges for services. These typically are small charges. Performance obligations are satisfied at a point in time. Revenue is recognised at that point in time.

#### Revenue from property rental

The income from leases is recognised in the statement of comprehensive income as it accrues.

#### Vested Assets

The Group acquires certain distribution assets for less than their replacement cost. Such assets are recognised at fair value and the fair value is recognised as revenue in the year of acquisition.

#### Investment income

Interest 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.

#### Change in fair value of investment properties

The increase or decrease arising from the investment property valuation is recognised in the statement of comprehensive income.

#### KEY JUDGEMENT

Network Tasman Limited invoices its customers (predominantly electricity retailers) monthly for electricity delivery services on the basis of metered usage figures provided by those retailers. Network Tasman Limited is entirely reliant upon the accuracy of the monthly metered data supplied by the retailers. With the majority of customers on advanced meters, the reliance on estimates has reduced. 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.

## Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

## 3. Operating expenses

## Operating expenses include:

Gross transmission costs  
Operation & Maintenance

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

Distribution network  
Technology networks  
Land & buildings  
Plant & equipment  
Computer equipment  
Assets leased from Transpower  
Intangible assets

## Total depreciation of property, plant and equipment and amortisation of intangible assets

## Auditors' fees

Audit fee - Trust  
Audit fee - Company  
Audit fee - Non trading subsidiaries  
Other assurance services - Audit New Zealand

Other assurance services comprise of an independent assurance report on Network Tasman Limited'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  
Change in provision for doubtful debts

## Governance expenses

Directors' and Trustees' fees

## Other expenses

Distributions  
Donations  
Employment costs  
Loss on disposal of assets  
Other expenses

## Interest Expense

Notional interest expense on Transpower new investment agreements  
Other interest paid

## Total expenses from continuing activities

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
	14,912	14,588	0	0
	6,479	6,394	0	0
	5,721	5,354	0	0
	2,408	2,390	0	0
	277	185	0	0
	66	115	0	0
	244	152	0	0
	97	153	0	0
	152	131	0	0
	8,965	8,480	0	0
	11	11	11	11
	57	57	0	0
	0	2	0	0
	35	28	0	0
	26	64	0	0
	0	0	0	0
	351	343	106	109
	3,159	3,125	3,159	3,125
	218	110	0	0
	3,653	3,402	0	0
	498	1,320	0	0
	4,270	3,583	185	131
	7	29	0	0
	184	413	0	0
	42,825	41,949	3,461	3,376

## ACCOUNTING POLICY

## Consumer distributions

Consumers of Network Tasman Trust are allocated a distribution each year. For the year ended 31 March 2019 this was distributed by way of a credit on consumers power bills, a change from prior years where a cheque was issued. Consumer distributions are measured at cost.

The total distributions to consumers for the current year are recorded as an expense in the statement of comprehensive income / (loss) when authorised and issued. A provision for prior years outstanding cheques is recorded as a liability in the balance sheet.

NMA Nelson  
Marlborough Audit  
Limited



# Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

## 4. Income tax

Operating surplus before income tax

Prima facie taxation at 28% (Company)	14371
Prima facie taxation at 33% (Trust)	-3413
	<u>10958</u>

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

Non-deductible expenditure

Non-taxable revenue

Movement in deferred tax

Prior year adjustments

### Income tax expense recognised in statement of comprehensive income / (loss)

Comprising:

Current tax liability

Deferred tax on temporary differences

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
	0	0	0	0
	4,024	3,985	0	0
	(1,126)	(1,095)	0	(1)
	1,680	1,507	1,042	1,031
	(1,617)	(1,719)	(521)	(521)
	982	294	0	0
	0	0	0	0
	1,045	82	521	510
	3,943	2,973	521	509
24	2,961	2,679	55	75
	982	294	0	0
	3,943	2,973	55	75

Balances payable and receivable at year end are recorded in note 12 and 21.

## ACCOUNTING POLICY

### 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 Statement of Comprehensive Income, except where they relate to items that are recognised outside the Statement of Comprehensive Income (whether in other comprehensive income or directly in equity) in which case the tax is also recognised outside the Statement of Comprehensive Income.

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.

## 5. Imputation credit account

Imputation credits available for use in subsequent reporting periods

## 6. Dividends

Dividends during the period:

Dividends paid

Bonus share issue

Total dividends paid

23,559	20,977	0	0
0	0	0	0
0	0	0	0
0	0	0	0

# Notes to and forming part of the financial statements

For the year ended 31 March 2019

## 7. Equity

Trust capital  
Share premium reserve  
Revaluation reserve  
Retained earnings  
Consumer distribution adjustment

### Total equity

### Issued and paid up capital

Balance at beginning of period  
Bonus share issue

### Balance at end of period

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

### Share premium reserve

Balance at beginning of period  
Premium paid during year

### Balance at end of period

The share premium reserve was created on 1 May 1993, recognising the difference between the share capital issues and the closing value of corporate ownership of the Tasman Electric Power Board at 30 April 1993.

### Revaluation reserve

Balance at beginning of period  
Revaluation during year

### Balance at end of period

### Consumer distribution adjustment

Balance at beginning of period  
Adjustment during year

### Balance at end of period

## 8. Retained earnings

Balance at beginning of period  
Operating surplus / (deficit) for the period

### Balance at end of period

## 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 Westpac New Zealand Limited. Their Standards & Poors ratings are AA-.

The interest rates on these investments range from 1.55% to 3.58% (31 March 2018: 1.0% to 3.75%).

NMA Nelson  
Marlborough Audit  
Limited

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
	57,185	57,185	29,500	29,500
	1,938	1,938	0	0
	0	0	152,184	143,702
8	161,191	154,177	38,630	40,098
	82	7	82	7
	220,396	213,307	220,396	213,307
	57,185	57,185	29,500	29,500
	0	0	0	0
	57,185	57,185	29,500	29,500
	1,938	1,938	0	0
	0	0	0	0
	1,938	1,938	0	0
	0	0	143,702	134,368
	0	0	8,482	9,334
	0	0	152,184	143,702
	7	(78)	7	(78)
	75	85	75	85
	82	7	82	7
	154,177	146,235	40,098	41,490
	7,014	7,942	(1,468)	(1,392)
	161,191	154,177	38,630	40,098
	2,228	1,242	2,088	1,012
	2,714	3,850	0	153
	4,942	5,092	2,088	1,165

## Notes to and forming part of the financial statements

For the year ended 31 March 2019

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
------	--	--	---	---

## 9. Cash and equivalents (cont')

## ACCOUNTING POLICY

## 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.

## 10. Other financial assets

Term deposits

1,769	2,927	0	1,000
1,769	2,927	0	1,000

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 short term deposit is with the Bank of New Zealand. The Bank of New Zealand holds a Standards & Poors rating of AA-.

The interest rates on this investment is 3.86% (31 March 2018: 3.53% to 4.06%).

## 11. Trade receivables

## Current

Trade receivables  
Less loss allowance

5,429 (15)	5,015 (15)	0 0	0 0
5,414	5,000	0	0

Total current receivables

The carrying value of receivables approximates their fair value. As at 31 March 2019 and 31 March 2018 the receivables have been assessed for expected credit losses. Refer to the calculation in note 29.

## ACCOUNTING POLICY

## Receivables

Receivables are initially measured at fair value and subsequently measured at amortised cost using effective interest method, less any loss allowance.

## 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 groups assets, other than inventory, investment property and deferred tax assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists for an asset, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amounts are the higher of fair value (less costs to sell) and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Equity instruments are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price. Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the operating surplus.

## KEY JUDGEMENT

Judgement is exercised in choosing the levels of loss allowance and assessing the factors impacting recoverability.

## Notes to and forming part of the financial statements

For the year ended 31 March 2019

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
	69	193	0	1
	729	481	0	0
	80	0	10	0
	500	365	0	0
	<b>1,378</b>	<b>1,039</b>	<b>10</b>	<b>1</b>

## 12. Other current assets

Interest accrued  
Sundry receivables  
Tax Provision  
Prepayments

## 13. Property, plant and equipment

	Electricity distribution network \$000	Technology networks \$000	Land & buildings \$000	Plant & equipment \$000	Computer equipment \$000	Assets leased from Transpower \$000	Assets under construction \$000	Total assets \$000
<b>Cost or Valuation</b>								
Balance at 1 April 2017	206,488	30,093	10,588	1,541	1,244	2,823	6,260	259,037
Additions / adjustments	7,554	3,116	590	77	304	-	(1,947)	9,694
Assets intended for sale	-	-	-	-	-	-	-	-
Disposals	(491)	(209)	(4)	(126)	(18)	-	-	(848)
<b>Balance at 31 March 2018</b>	<b>213,551</b>	<b>33,000</b>	<b>11,174</b>	<b>1,492</b>	<b>1,530</b>	<b>2,823</b>	<b>4,313</b>	<b>267,883</b>
Balance at 1 April 2018	213,551	33,000	11,174	1,492	1,530	2,823	4,313	267,883
Additions / adjustments	8,621	2,197	334	223	304	-	2,933	14,612
Assets intended for sale	-	-	-	-	-	-	-	-
Disposals	(183)	(18)	(3)	(44)	(47)	-	-	(295)
<b>Balance at 31 March 2019</b>	<b>221,989</b>	<b>35,179</b>	<b>11,505</b>	<b>1,671</b>	<b>1,787</b>	<b>2,823</b>	<b>7,246</b>	<b>282,200</b>

## Accumulated depreciation

Balance at 1 April 2017	61,062	8,550	1,683	817	733	2,478	-	75,323
Depreciation expense	5,356	2,389	180	115	152	153	-	8,345
Assets intended for sale	-	-	-	-	-	-	-	-
Elimination on disposal	(264)	(29)	(4)	(118)	(18)	-	-	(433)
<b>Balance at 31 March 2018</b>	<b>66,154</b>	<b>10,910</b>	<b>1,859</b>	<b>814</b>	<b>867</b>	<b>2,631</b>	<b>-</b>	<b>83,235</b>
Balance at 1 April 2018	66,154	10,910	1,859	814	867	2,631	-	83,235
Depreciation expense	5,721	2,408	275	66	244	97	-	8,811
Assets intended for sale	-	-	-	-	-	-	-	-
Elimination on disposal	(71)	(5)	(2)	(39)	(45)	-	-	(162)
<b>Balance at 31 March 2019</b>	<b>71,804</b>	<b>13,313</b>	<b>2,132</b>	<b>841</b>	<b>1,066</b>	<b>2,728</b>	<b>-</b>	<b>91,884</b>

## Carrying amounts

<b>As at 31 March 2018</b>	<b>147,397</b>	<b>22,090</b>	<b>9,315</b>	<b>678</b>	<b>663</b>	<b>192</b>	<b>4,313</b>	<b>184,648</b>
<b>As at 31 March 2019</b>	<b>150,185</b>	<b>21,866</b>	<b>9,373</b>	<b>830</b>	<b>721</b>	<b>95</b>	<b>7,246</b>	<b>190,316</b>

## 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 costs 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 property, plant and equipment pledged as security for liabilities.

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

For the year ended 31 March 2019

**13. Property, plant and equipment (con't)****ACCOUNTING POLICY****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 on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the operating surplus in the year the item is de-recognised.

**Depreciation**

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

Asset class	Depreciation method	Depreciation rates
Distribution	Straight line	1.33% - 33.33%
Buildings	Straight line / Diminishing value	2% - 20%
Meters	Diminishing value	13% - 25%
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 Depreciation 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.

**Assets under construction**

Assets under construction are 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 to by the Group.



## Notes to and forming part of the financial statements

For the year ended 31 March 2019

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
------	--	--	---	---

## 13. Property, plant and equipment (con't)

## ACCOUNTING POLICY

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.

## KEY JUDGEMENT

Significant judgement is exercised in assessing potential indicators of impairment and carrying out any required impairment tests. No impairments have been recognised in the current year.

## 14. Advances to subsidiaries

## NTT Investments Limited

Opening balance

Plus advances

Less repayments

Closing balance at end of period

Total advances

Current advances

Non current advances

Total advances

	0	0	10,913	11,907
	0	0	0	0
	0	0	(1,494)	(994)
	0	0	9,419	10,913
	0	0	9,419	10,913
	0	0	0	0
	0	0	9,419	10,913
	0	0	9,419	10,913

## ACCOUNTING POLICY

Advances to subsidiaries are recorded at cost less any impairment. The loan is repayable on demand. Recovery strategies indicate that the outstanding balance of the loan would be fully recoverable, therefore the expected credit loss would be limited to the effect of discounting the amount due on the loan (at the loan's effective interest rate, which is 0% as the loan is interest free) over the period until cash is realised.

As the borrower has sufficient liquid assets which can be accessed within a short timeframe and no other debt obligations there are no indicators of impairment on these advances.

## Notes to and forming part of the financial statements

For the year ended 31 March 2019

## 15. Investment properties

## Movement in investment properties

Opening balance	27,157	25,279	0	0
Plus Additions	1,388	197	0	0
Depreciation expense	(2)	0	0	0
Plus / (less) fair value gain / (loss) on valuation	1,243	1,683	0	0
Plus increase / (decrease) in assets under construction	58	0	0	0
Less disposals	(385)	(2)	0	0

## Closing balance

## Investment properties are represented by:

Land	11,902	9,737	0	0
Buildings	17,499	17,420	0	0
Assets under construction	58	0	0	0

## Total investment properties

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
	27,157	25,279	0	0
	1,388	197	0	0
	(2)	0	0	0
	1,243	1,683	0	0
	58	0	0	0
	(385)	(2)	0	0
Closing balance	29,459	27,157	0	0
	11,902	9,737	0	0
	17,499	17,420	0	0
	58	0	0	0
Total investment properties	29,459	27,157	0	0

## 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 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, FPNZ, AREINZ, an independent registered valuer of Duke & Cooke Limited as at 31 March 2019. 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.

## Reconciliation of Fair Value

	Office / Commercial \$000	Industrial \$000	Other \$000	Total 2019 \$000	Total 2018 \$000
Opening Balance	14,309	11,296	1,552	27,157	25,279
Additions	47	1,341	0	1,388	197
Disposals	0	(385)	0	(385)	(2)
Depreciation expense	(2)	0	0	(2)	0
Change in use	(1)	618	(617)	0	0
Plus increase / (decrease) in assets under construction	0	58	0	58	0
Change in fair value	253	939	51	1,243	1,683
Closing Balance	14,606	13,867	986	29,459	27,157

## The following discount rates were used.

	Valuation Technique	Capitalisation Rate	Weighted Average Lease Term
281 Queen Street	Income Capitalisation	6.75%	4.4 years
24 Main Road Hope	Income Capitalisation	7.5%	1.7 years

NMA Nelson  
Marlborough Audit  
Limited

The valuation of commercial or industrial property is generally from two main approaches. First, the cost approach being a summation of the land value and depreciated value of all buildings and site improvements, and the second, the income capitalisation approach which involves establishing the net maintainable income which the property can produce and then capitalising this at an appropriate rate of return.

In many cases, there can be a significant difference between the two methods for the same property. With properties traded for investment reasons the ultimate market value adopted is generally arrived at by the income capitalisation approach. The cost approach provides a guide to value and is most appropriately used when dealing with properties which are so specialised in their design that there is little or no comparable open market sales evidence.

Adequate market evidence exists for the assessment of the fair value of this property by the income capitalisation approach. Residential property is valued using a statistical analysis of recent sales and comparison with Rating Valuation data. Bare land is valued using a direct sales comparison approach, reflecting the future development potential of the land.

## Notes to and forming part of the financial statements

For the year ended 31 March 2019

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
------	--	--	---	---

## 15. Investment properties (con't)

## ACCOUNTING POLICY

## 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.

## KEY JUDGEMENT

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

## 16. Intangible assets

## Movement in intangible assets

Opening balance  
Plus additions  
Less amortisation  
Less disposals  
Plus accumulated provision write back on disposal

	254	208	0	0
	248	177	0	0
	(152)	(131)	0	0
	0	(3)	0	0
	0	3	0	0
<b>Closing balance</b>	<b>350</b>	<b>254</b>	<b>0</b>	<b>0</b>

## Intangible assets are represented by:

	At cost \$000	Accum. amortisation \$000	Carrying amount \$000
<b>Intangible assets - 31 March 2019</b>			
Computer software	2,210	1,860	350
<b>Total Intangible assets</b>	<b>2,210</b>	<b>1,860</b>	<b>350</b>

## Intangible assets - 31 March 2018

Computer software	1,962	1,708	254
<b>Total Intangible assets</b>	<b>1,962</b>	<b>1,708</b>	<b>254</b>

NMA Nelson  
Marlborough Audit  
Limited

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

## ACCOUNTING POLICY

## 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.

## KEY JUDGEMENT

Significant judgement is exercised in assessing potential indicators of impairment and carrying out any required impairment tests. No impairments have been recognised in the current year.

# Notes to and forming part of the financial statements

For the year ended 31 March 2019

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
------	--	--	---	---

## 17. Investment in associates and joint ventures

### Associate company

Name of entity	Activity
Nelson Electricity Limited <i>Ownership interest</i>	Distribution network owner & operator

11,676 50%	11,601 50%		
---------------	---------------	--	--

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

### Results of associate

Share of surplus / (deficit) before income tax	1,421	1,648	0	0
Movement in NEL deferred tax	(31)	15	0	0
Income tax	(365)	(516)	0	0

1,025	1,147	0	0
-------	-------	---	---

### Share of comprehensive income / (loss)

### Total recognised revenues and expenses

### Carrying value of associate

Opening balance at beginning of period	11,601	11,504	0	0
Share of recognised revenues and expenses	1,025	1,147	0	0
Dividends received	(950)	(1,050)	0	0

1,025	1,147	0	0
11,676	11,601	0	0

### Closing balance at end of period

### Summarised financial information of associate

Nelson Electricity Limited applied the NZ IFRS's reduced disclosure regime from 1 April 2015. 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	18,250	18,029	0	0
Liabilities	6,575	6,422	0	0
Revenues	5,099	5,258	0	0
Surplus / (deficit)	1,025	1,147	0	0

1,392 50%	1,880 50%		
--------------	--------------	--	--

Name of entity	Activity
On Metering Limited <i>Ownership interest</i>	Meter deployment company

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

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

### Results of joint venture

Share of surplus / (deficit) before income tax	(236)	(350)	0	0
Recognition of previous years loss	(277)	162	0	0
Movement in deferred tax	(1)	0	0	0
Income tax	26	0	0	0

(488)	(188)	0	0
-------	-------	---	---

### Share of comprehensive income / (loss)

### Total recognised revenues and expenses

### Carrying value of joint venture

Opening balance at beginning of period	1,880	1,743	0	0
Share of comprehensive income	(488)	(188)	0	0
Initial recognition fair value change	0	325	0	0

(488)	(188)	0	0
1,392	1,880	0	0

### Closing balance at end of period

NMA Nelson  
Marlborough Audit  
Limited

**Notes to and forming part of the financial statements**  
For the year ended 31 March 2019

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
------	--	--	---	---

### 17. Investment in associates and joint ventures (con't)

The fair value of the loan to On Metering Limited was assessed as at 31 March 2017, and the difference between the loan balance at its fair value was treated as an investment in joint venture. See note 36. With this adjustment there is now positive equity in On Metering and the loss is now equity accounted.

#### Summarised financial information of joint venture

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

Assets	5,638	6,354	0	0
Liabilities	4,246	4,860	0	0
Unrecognised losses	0	0	0	0
Revenues	980	824	0	0
Surplus / (deficit)	(488)	(188)	0	0
<b>Name of entity</b>	<b>Activity</b>			
SmartCo Limited	Meter deployment company			
Ownership interest	14%	14%		

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

SmartCo Limited applied NZ IFRS's reduced disclosure regime.

#### Results of associate

Share of surplus / (deficit) before income tax	1	0	0	0
Movement in deferred tax	0	0	0	0
Income tax	(1)	0	0	0
<b>Share of comprehensive income / (loss)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total recognised revenues and expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Carrying value of associate</b>				
Opening balance at beginning of period	259	259	0	0
Share of recognised revenues and expenses	0	0	0	0
Dividends received	0	0	0	0
<b>Closing balance at end of period</b>	<b>259</b>	<b>259</b>	<b>0</b>	<b>0</b>

#### Summarised financial information of associate

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

Assets	3,713	4,045	0	0
Liabilities	2,426	2,758	0	0
Revenues	1,946	2,441	0	0
Surplus / (deficit)	0	0	0	0
<b>Total carrying value of associates and joint ventures</b>				
Nelson Electricity Limited	11,676	11,601	0	0
On Metering Limited	1,392	1,880	0	0
SmartCo Limited	259	259	0	0
<b>Total</b>	<b>13,327</b>	<b>13,740</b>	<b>0</b>	<b>0</b>

# Notes to and forming part of the financial statements

For the year ended 31 March 2019

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
------	--	--	---	---

## 17. Investment in associates and joint ventures (con't)

### ACCOUNTING POLICY

#### Investment in associates and joint ventures

Associate and joint venture companies are accounted for using the equity method.

On initial recognition the investment in an associate or joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If an entity's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the entity discontinues recognising its share of further losses.

## 18. Investments in subsidiaries

### Network Tasman Limited Shares

Cost price

Bonus share issue

Share revaluation

0	0	29,500	29,500
0	0	27,685	27,685
0	0	145,736	138,037
0	0	202,921	195,222

0	0	6,447	5,664
0	0	6,447	5,664

0	0	209,368	200,886
---	---	---------	---------

### NTT Investments Limited Shares

Share revaluation

### Total investments in subsidiaries

Both investments are carried at fair value.

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
- 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

The fair value measurements are categorised within Level 3 of the fair value hierarchy.

Significant unobservable valuation inputs are provided below:

The following discount rates were used.

	Valuation Technique	Discount Rate (WACC)	Terminal value plus growth rate
Network Tasman Limited	DCF Method	7.19%	1%
NTT Investments Limited	DCF Method	6.60%	1%

### Network Tasman Limited

Growth rate

0.5% increase in the growth rate would result in an increase in fair value of 7.29% \$15,723,374

0.5% decrease in the growth rate would result in a decrease in fair value of 6.20% (\$13,373,094)

WACC

1% increase in WACC would result in a decrease in fair value of 11.51% (\$24,831,828)

1% decrease in WACC would result in an increase in fair value of 15.96% \$34,420,689

## Notes to and forming part of the financial statements

For the year ended 31 March 2019

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
------	--	--	---	---

## 18. Investments in subsidiaries (con't)

## NTT Investments Limited

Investment growth rate	1% increase in the investment growth rate would result in an increase in fair value of 8.46% \$504,529
	1% decrease in the investment growth rate would result in an decrease in fair value of 8.14% (\$485,264)
WACC	1% increase in WACC would result in an decrease in fair value of 12.66% (\$754,873)
	1% decrease in WACC would result in an increase in fair value of 17.96% \$1,071,102

Fair value of the unquoted ordinary shares has been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Based on this assessment, the Group has identified no impairment.

## ACCOUNTING POLICY

## Investment in subsidiaries

Subsidiaries are entities where the parent holds the shareholding.

The Group financial statements consolidate all entities where the parent has the capacity to control their financing and operating policies as to obtain benefits from the activities of the subsidiaries.

The Group's investments in its subsidiaries are recorded at fair value. After initial measurement the changes in fair value are recognised in the other comprehensive income / (loss) and credited to the revaluation reserve.

## 19. Financial assets held at fair value through profit or loss

Loan to On Metering Limited

## Total financial assets held at fair value

## On Metering Limited

Opening balance  
Initial recognition fair value change  
Plus advances  
Less repayments  
Change in fair value

## Closing balance at end of period

## Total financial assets held at fair value

4,239	4,595	0	0
0	0	0	0
4,239	4,595	0	0
4,595	3,882	0	0
0	(325)	0	0
0	850	0	0
(500)	0	0	0
144	188	0	0
0	0	0	0
4,239	4,595	0	0
4,239	4,595	0	0

Loans to associated companies have been reclassified to financial assets at fair value on adoption of NZ IFRS 9 Financial Instruments. A prior period adjustment has been made to value the loan at fair value as at 31 March 2017. See note 36.

An assessment of the movement in fair value from 1 April 2018 to 31 March 2019 has calculated a \$29,000 (2018: \$15,000) increase in the value of the loan to On Metering Limited due to an increase in the discount rate.

The loan is a limited recourse loan and fair value is determined, pursuant to NZ IFRS 13 – Fair Value Measurement (Level 3), using valuation techniques and models where all significant inputs are unobservable. The discount rate used is 4.38% (2018: 4.43%). The discount rate is based on 90 day bank bill rate plus 2.5%. A discount rate increase/(decrease) of 1% would (decrease)/increase fair value by (\$517,000)/\$635,000. The loan repayment assumptions are based on On Metering Limited's forecast future revenues, operating expenditure and cash flow forecasts.

## ACCOUNTING POLICY

The balance is classified as a non-current asset as the advances are repayable over time.



# Notes to and forming part of the financial statements

For the year ended 31 March 2019

## 20. Other investments

Term Deposits, Bonds & Debenture Stock  
Property, plant & equipment intended for sale

Total other investments

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
13	13,195	12,193	0	0
	0	0	0	0
	13,195	12,193	0	0

## ACCOUNTING POLICY

### Other investments

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are being accounted for as an increase or decrease in expenses. This is not shown separately in the financial statement notes.

Realised gains on other investments are presented in operating revenue.

## 21. Payables and accruals

### Current

Trade payables and accruals  
Tax Payable

Total current payables and accruals

12,227	6,940	489	655
1,042	779	0	3
13,269	7,719	489	658

Trade payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade payables approximate their fair value.

## ACCOUNTING POLICY

### Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

## 22. Provisions

### Current

Employee entitlements  
Sundry provisions

Total current provisions

### Non-current

Employee entitlements

Total non-current provisions

Total Provisions

### Provision for employee entitlements

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

Balance at end of period

255	273	0	0
0	0	0	0
255	273	0	0
221	211	0	0
221	211	0	0
476	484	0	0
484	536	0	0
308	320	0	0
(316)	(372)	0	0
0	0	0	0
476	484	0	0

NMA Nelson  
Marlborough Audit  
Limited

## Notes to and forming part of the financial statements

For the year ended 31 March 2019

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
------	--	--	---	---

## 22. Provisions (con't)

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	0	100	0	0
Additional provisions made	0	0	0	0
Amount utilised	0	(40)	0	0
Provision reversed	0	(60)	0	0

## Balance at end of period

## Total Provisions

0	100	0	0
0	0	0	0
0	(40)	0	0
0	(60)	0	0
0	0	0	0
476	484	0	0

## ACCOUNTING POLICY

## Employee entitlements

Employee entitlements include annual leave, a provision for sick leave entitlement and long service leave. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months, such as long service leave, are measured as the full value of the estimated future cash outflows to be made by the company taking into account the years of service, years of entitlement and the likelihood staff will reach the point of entitlement.

## KEY JUDGEMENT

Judgement is exercised in using consumer price index, long run usage index and discount rates to determine the company's liability for non-vested long service and retiring leave entitlements.

## 23. Loans and Borrowings

## Current

Secured bank loans	0	3,000	0	0
Finance lease liabilities	121	111	0	0
<b>Total current loans and borrowings</b>	<b>121</b>	<b>3,111</b>	<b>0</b>	<b>0</b>

## Non-current

Secured bank loans	250	3,000	0	0
Finance lease liabilities	0	129	0	0
<b>Total non-current loans and borrowings</b>	<b>250</b>	<b>3,129</b>	<b>0</b>	<b>0</b>

## Total loans and borrowings

0	3,000	0	0
121	111	0	0
121	3,111	0	0
250	3,000	0	0
0	129	0	0
250	3,129	0	0
371	6,240	0	0

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

## a) Terms and Debt Repayment Schedule

The terms and conditions of outstanding loans were as follows:

	Facility Expiry Date	Interest Rate	Year of Maturity	31 March 2019 \$000	31 March 2018 \$000
Bank of New Zealand Limited - Secured	29 Sep 2020	3.65%	2020	250	6,000
				250	6,000

## 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.

NMA Nelson  
Marlborough Audit  
Limited

# Notes to and forming part of the financial statements

For the year ended 31 March 2019

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000

## 23. Loans and Borrowings (con't)

### c) Finance Lease Liability

	Total Liability		Principal	
	March 2019 \$000	March 2018 \$000	March 2019 \$000	March 2018 \$000
No later than one year	125	127	121	111
Later than one year and not later than five years	-	136	0	129
Later than five years	-	-	0	0
Minimum Lease Payments	125	263	121	240
Less Future Finance Charges	4	23		
Present Value of Minimum Lease Payments	121	240	121	240
Included in the financial statements as:				
Current Borrowings			121	111
Non-current borrowings			0	129
			121	240

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 5 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.

## ACCOUNTING POLICY

### Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

At the commencement of the lease term, Network Tasman Limited recognises finance leases as assets and liabilities in the balance sheet 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.

### d) Loan facilities

Network Tasman Limited has the following undrawn borrowing facilities

Bank of New Zealand Limited

### Total

9,750	9,000	0	0
9,750	9,000	0	0

## 24. Deferred taxation

Balance at beginning of period  
Deferred tax on temporary differences

### Balance at end of period

28,895	28,601	0	0
982	294	0	0
29,877	28,895	0	0

### Analysis of temporary deferred tax differences

#### For the year ended 31 March 2019

	Fixed assets \$000	Provisions \$000	Finance leases \$000	Total \$000
Opening balance	29,092	(130)	(67)	28,895
Charge to income	951	(3)	34	982
Charge to equity	-	-	-	-
Closing balance	30,043	(133)	(33)	29,877

## Notes to and forming part of the financial statements

For the year ended 31 March 2019

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
------	--	--	---	---

## 24. Deferred taxation (cont')

For the year ended 31 March 2018

	Fixed assets \$000	Provisions \$000	Finance leases \$000	Total \$000
Opening balance	28,888	(171)	(116)	28,601
Charge to income	204	41	49	294
Charge to equity	-	-	-	-
Closing balance	29,092	(130)	(67)	28,895

Under current accounting standards, Network Tasman Limited 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.

## 25. Operating lease arrangements

Network Tasman Limited has 18 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	1,271	1,489	0	0
Later than one year and not later than five years	3,640	3,882	0	0
Later than five years	174	818	0	0
	5,085	6,189	0	0

The lease arrangements are renewed on a periodic basis as disclosed in the lessors' individual contracts; no agreement exceeds 8 years. In 2019 rental income received from leases with non-cancellable operating lease arrangements amounted to \$1,894,000 (31 March 2018: \$1,859,000).

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

	7,014	7,942	7,014	7,942
<b>Total comprehensive income</b>				
<b>Items not involving cash flows:</b>				
Depreciation & amortisation	8,965	8,480	0	0
Movement in deferred taxation	982	294	0	0
Non cash customer contributions	(2,883)	(2,007)	0	0
Charge in fair value	(1,272)	(1,683)	0	0
Equity accounted earnings from associate	253	(98)	0	0
Bad debts written off	26	64	0	0
(Gain) loss on sale of assets	(317)	520	0	0
Tax refund	(31)	56	(9)	22
RWT paid	(90)	(20)	(4)	(17)
Consumer distribution adjustment	(91)	159	(91)	159
Network Tasman share revaluation	0	0	(8,482)	(9,334)
	5,542	5,765	(8,586)	(9,170)
<b>Movement in working capital:</b>				
Increase (decrease) in non capital payables	5,888	1,161	0	1
Increase (decrease) in provisions	(7)	(152)	0	0
(Increase) decrease in receivables	(889)	(212)	0	0
(Increase) decrease in interest accrued	124	(142)	1	0
(Increase) decrease in prepayments	0	0	0	0
	5,116	655	1	1
<b>Net cash flows from operating activities</b>	<b>17,672</b>	<b>14,362</b>	<b>(1,571)</b>	<b>(1,227)</b>

## 27. Cash flows from financing activities

There are no significant non-cash movements arising in relation to the carrying amount of the Group's liabilities arising from financing activities. The movement in these liabilities is therefore reflected by cash flows as presented above in the financing section of the statement of cash flows.

# Notes to and forming part of the financial statements

For the year ended 31 March 2019

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
------	--	--	---	---

## 28. Related party information

### a) Company

#### Parent entity

The holding entity of the company is the Network Tasman Trust which holds 100% of the company's shares (31 March 2018: 100%).

#### Subsidiary company

NTT Investments Limited was incorporated 14 February 2008 as an investment company. The holding entity of the company is the Network Tasman Trust which holds 100% of the company's shares (31 March 2018: 100%).

#### Associate & joint venture companies

	Percentage owned by Network Tasman Limited	
	2019	2018
Nelson Electricity Limited	50%	50%
On Metering Limited	50%	50%
SmartCo Limited	14%	14%

Network Tasman Limited provided the following services to Nelson Electricity Limited

- Management and operational services
- Oncharge at cost of charges from Transpower NZ Limited for connection by Nelson Electricity Limited to the national grid.
- Fibre services

Network Tasman Limited leases a room from Nelson Electricity Limited for fibre equipment.

Network Tasman Limited provided operational and management services to On Metering Limited.

Network Tasman Limited provided management services and charges metering services to SmartCo Limited.

#### Transactions during the year

Charges from Network Tasman Limited to Nelson Electricity Limited  
Charges from Nelson Electricity Limited to Network Tasman Limited

Charges from Network Tasman Limited to On Metering Limited  
Advances from Network Tasman Limited to On Metering Limited

Charges from Network Tasman Limited to SmartCo Limited  
Charges from SmartCo Limited to Network Tasman Limited

#### Outstanding balances at year end

Balance due from Nelson Electricity Limited as at period end  
Balance due to Nelson Electricity Limited as at period end

Balance due from On Metering Limited as at period end  
Balance due to On Metering Limited as at period end

Balance due from SmartCo Limited as at period end  
Balance due to SmartCo Limited as at period end

2,115	1,887	0	0
8	7		
178	188	0	0
0	79	0	0
2,528	2,367	0	0
1,025	1,466	0	0
203	181	0	0
1	1	0	0
132	157	0	0
0	0	0	0
468	449	0	0
112	90	0	0

No related party debts have been written off or forgiven during the period (31 March 2018: nil)

#### Key Management personnel compensation

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

Total key management personnel compensation

NMA Nelson  
Marlborough Audit  
Limited

1,611	1,592	106	109
0	0	0	0
21	20	0	0
0	0	0	0
1,632	1,612	106	109

## Notes to and forming part of the financial statements

For the year ended 31 March 2019

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
------	--	--	---	---

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

## Other related party transactions

Trustees were paid an honoraria and meeting fees. Directors were only paid directors' fees and reimbursement of company related expenses. All other related party transactions were of a minor nature and at an arm's length value.

## b) Trust

The Network Tasman Charitable Trust was established to hold the W E Rowling Scholarship Fund. This trust has the same trustees as Network Tasman Trust. During the year NTT Investments Limited donated \$200,000 (31 March 2018: \$100,000) to the Network Tasman Charitable Trust to allow the Trust to make grants and low interest loans to Network Tasman Trust consumers and to maintain a loan fund cover.

NTT Investments Limited was established as a subsidiary of Network Tasman Trust as an investment company. The directors of the company are the same as the trustees of Network Tasman Trust. The balance of the advance from Network Tasman Trust as at 31 March 2019 was \$9,419,123 (31 March 2018: \$10,913,454). During the year \$1,494,330 was repaid (31 March 2018: \$993,996) and no interest was charged (31 March 2018: \$0).

Mr P J Adamson is a Trustee of Network Tasman Trust and a Partner at Craig Anderson Limited who supply secretarial and accounting services to the Trust.

## 29. Financial risk management

## a) Company - Network Tasman Limited

## Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting financial loss to the group. Financial instruments that potentially subject the company to concentration of credit risk consist of cash, short term investments and trade receivables.

## - Risk management

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.

With new connection charges, the payment needs to be received prior to connection.

## - Impairment of financial assets

The company has the following types of financial assets that are subject to the expected credit loss model:

- Cash and cash equivalents
- Trade receivables
- Sundry receivables

The company applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped into groups of similar payment profiles.

The expected loss rates are based on the payment profiles of sales over a period of 6 years and the corresponding historical credit losses.

On that basis, the loss allowance was determined as follows for trade receivables is:

31 March 2019	Current	More than 30 days	More than 60 days	More than 90 days	More than 120 days	Total
Expected loss rate	0.06%	0.15%	2.91%	0.20%	11.60%	
Carrying amount trade receivables	4,988	131	252	19	39	5,429
Loss allowance	3	-	7	-	5	15

31 March 2018	Current	More than 30 days	More than 60 days	More than 90 days	More than 120 days	Total
Expected loss rate	0.01%	0.20%	0.69%	10.29%	11.49%	
Carrying amount trade receivables	4,498	227	178	16	96	5,015
Loss allowance	1	-	1	2	11	15

NMA Nelson  
Marlborough Audit  
Limited

*For the year ended 31 March 2019*

## 29. Financial risk management (cont')

Opening balance	
Receivables written off during period	
Unused amount reversed	
Additional loss allowance recognised in income statement during the year	

Trade receivables are written off when all avenues for recovery have be exhausted.

The company's significant customers are electricity retailers of which Contact Energy Ltd was 23% (31 March 2018: 22%) at balance date. The credit risk is not considered to be high. Apart from advances of \$6 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 30.

Short-term investments mature within the range of on-call to 90 days. The current interest rate on these investments are 1.55% (31 March 2018: 1.0%).

As at 31 March 2019 the weighted average term deposit interest rate was 1.6% (31 March 2018: 1.0%) If this rate changed by 1%, with all other things held constant, the surplus / deficit for the year would have been \$20,000 (31 March 2018: \$15,000) higher or lower.

Network Tasman Limited currently holds \$2.1 million (31 March 2018: \$1.6 million) of cash and short term deposits and holds \$13.1 million (31 March 2018: \$10.4 million) of current liabilities. The current ratio is 1.1:1 (31 March 2018 1.4:1). The movement in the current ratio is due to the change in the date of the second sales discount payment from December to March. All creditors and other payables are settled within a 30 day term.

31 March 2019	Less than 12 months	12 months to 2 years	2 to 3 years	Total
Trade payables	11,716	-	-	11,716
Secured bank loans	-	250	-	250
Finance lease liabilities	121	-	-	121
	11,837	250	-	12,087

31 March 2018	Less than 12 months	12 months to 2 years	2 to 3 years	Total
Trade payables	6,273	-	-	6,273
Secured bank loans	3,000	-	3,000	6,000
Finance lease liabilities	111	129	-	240
	9,384	129	3,000	12,513

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.

There are no foreign currency accounts at balance date.



## Notes to and forming part of the financial statements

For the year ended 31 March 2019

Note	GROUP 12 months 31 March 2019 \$000	GROUP 12 months 31 March 2018 \$000	PARENT 12 months 31 March 2019 \$000	PARENT 12 months 31 March 2018 \$000
------	--	--	---	---

## 29 Financial risk management (con't)

## b) Company - NTT Investments Limited

The company recognises that in respect of the reported financial instruments, being cash and short-term investments, fair value is equivalent to the carrying amount as stated in the balance sheet. Bonds and debenture stock are stated at market value.

**Credit risk**

Credit risks are limited by making deposits with registered banks or licensed non-bank deposit takers and a Funds Manager. The investment policy for NTT Investments Limited set and approved by the Board of Directors is to split the investment on a basis of 45% growth assets (equities) and 55% income generating assets (cash and fixed interest) managed by an independent custodian.

**Interest rate risk**

Interest rate risk has been managed by spreading investments into a number of short and long-term deposits and investments. The interest rates on these investments range from 3.43% to 3.86% (31 March 2018: 3.75% to 4.06%).

## c) Trust

The Trust recognises 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 balance sheet.

**Credit risk**

Credit risks are limited by making deposits only with registered banks, building societies or licensed non-bank deposit takers.

**Interest rate risk**

Interest rate risk has been managed by splitting investments into a number of short term deposits. At year end money was placed in a short term investment with an interest rate of 1.00% (31 March 2018: 3.00% to 3.60%).

## 30. Financial assets and financial liabilities

The carrying amounts of financial assets and liabilities in each of the NZ IFRS 9 categories are as follows:

**Financial assets measured at amortised cost**

Cash and cash equivalent	9	4,942	5,092	2,088	1,165
Other financial assets: term deposits and loans	10	1,769	2,927	0	1,000
Debtors and other receivables	11	5,414	5,000	0	0
Sundry receivables	12	729	481	0	0
Advance to associates and subsidiaries	14	0	0	9,419	10,913

**Total financial assets measured at amortised cost****Financial liabilities measured at amortised cost**

Trade payables and accruals	21	13,269	7,719	489	658
Finance Leases	23	121	240	0	0
Secured bank loans	23	250	6,000	0	0

**Total financial liabilities measured at amortised cost****Financial assets held at fair value through profit or loss**

Loan to On Metering Limited	19	4,239	4,595	0	0
<b>Total financial assets held at fair value through profit or loss</b>		<b>4,239</b>	<b>4,595</b>	<b>0</b>	<b>0</b>

**Fair value financial assets**

Other investments	20	13,195	12,193	0	0
<b>Total fair value financial assets</b>		<b>13,195</b>	<b>12,193</b>	<b>0</b>	<b>0</b>

**Available for sale financial assets**

Investment in subsidiaries	18	0	0	209,368	200,886
<b>Total available for sale financial assets</b>		<b>0</b>	<b>0</b>	<b>209,368</b>	<b>200,886</b>

NMA Nelson  
Marlborough Audit  
Limited

## Notes to and forming part of the financial statements

For the year ended 31 March 2019

## 31. Commitments

The following amounts have been committed to by Network Tasman Limited, but not recognised in the financial statements:

## Capital Commitments

Capital commitments as at 31 March 2019 \$2.7 million (31 March 2018: \$5.4 million). All capital commitments fall due in the next twelve months.

The Parent has no capital commitments (31 March 2018: nil).

## 32. Contingencies

As at 31 March 2019 there were no material contingent assets or liabilities for the Group and Parent (31 March 2018: nil).

## 33. Performance targets

The following financial and reliability performance targets for the 12 months ending 31 March 2019 are specified in Network Tasman Limited's Statement of Corporate Intent (SCI). Forecast results are compared to the performance targets below:

		Actual Result 2019	SCI Target 2019	Actual Result 2018
<b>Financial performance targets</b>				
<i>Total company:</i>				
Surplus before interest, tax, line discount and customer contributions	\$mil	21.4	19.6	21.8
Operating surplus after tax and before customer contributions	\$mil	9.7	8.6	10.5
Operating surplus to shareholders' funds	%	4.78%	4.30%	5.40%
<i>Line business only:</i>				
Total network costs per consumer	\$	452	438	443
Cash operating costs per consumer	\$	293	292	289
Line Charge Discounts (Excluding GST)	\$mil	10.9	10.7	10.5
<b>Reliability performance targets (excludes Transpower planned and unplanned outages)</b>				
Average duration of supply interruptions per connected consumer (SAIDI) not to exceed -	minutes	240	150	232
Average number of supply interruptions per connected consumer (SAIFI) not to exceed -	number	1.34	1.61	1.31
Average duration of supply interruptions (CAIDI) not to exceed -	minutes	179	93	177
Faults per 100 km of line not to exceed -	number	4.2	6.0	5.1
% faults not restored within three hours not to exceed -	%	33%	20%	33%

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.

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

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

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

Unplanned SAIDI was over target for the 2018/19 year (106/75).

The total was impacted by three unusual vehicle related events on the Appleby Highway which interrupted supply to Mapua Substation. These events contributed 34 SAIDI points in total. A capital expenditure project to provide a supply circuit bypassing the Appleby Highway is underway.

Planned SAIDI was also over target for the 2018/19 year (134/75).

A high number of long shutdowns were needed to complete the light copper conductor replacement programme for the year. This is the first year of a ten year replacement programme. The Company's internal reliability targets have been increased to accommodate this programme.

## Notes to and forming part of the financial statements

For the year ended 31 March 2019

### 33. Performance targets (cont')

#### Safety of electricity supply

Lost time injuries not to exceed -

#### Public safety and damage events

Public Injury Events

Public Property Damage Events

Public Safety Management System (PSMS) certified &amp; audited by Telarc

	Actual Result 2019	SCI Target 2019	Actual Result 2018
number	3	0	0
number	0	0	0
number	1	0	0
	Yes	Yes	Yes

### 34. Events occurring after balance date

The trustees of Network Tasman Trust 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.

### 35. 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.

### 36. Prior period adjustments

The loan to On Metering Limited was incorrectly valued at 31 March 2017. Due to a change from on-demand to limited recourse loan, the loan should have been initially valued at fair value as per NZ IAS 39, Financial Instruments: Recognition and Measurement, and then subsequently accounting for at amortised cost.

The fair value assessment has created a difference between the fair value and the previously recorded loan balance. The difference has been treated as an equity contribution and added to the investment in On Metering Limited.

In addition, certain other items not related to the On Metering Limited loan have been recategorised in the balance sheet (indicated by note i).

	Notes below	As at 31 March 2018 As previously reported	As at 31 March 2018 Change	As at 31 March 2018 As Restated	As at 31 March 2017 As previously reported	As at 31 March 2017 Change	As at 31 March 2017 As Restated
<b>Current assets</b>							
Cash and cash equivalents		5,092	-	5,092	5,110	-	5,110
Other financial assets	ii	3,186	(259)	2,927	509	-	509
Trade receivables	i	-	5,000	5,000	-	-	-
Debtors and receivables	i	6,039	(5,846)	193	5,621	-	5,621
Other current assets	i	-	846	846	-	-	-
Advances to joint ventures	iii	6,475	(6,475)	-	5,625	(5,625)	-
<b>Total current assets</b>		<b>20,792</b>	<b>(6,734)</b>	<b>14,058</b>	<b>16,865</b>	<b>(5,625)</b>	<b>11,240</b>
<b>Non-current assets</b>							
Property, plant and equipment		184,648	-	184,648	183,715	-	183,715
Advances to subsidiaries		-	-	-	-	-	-
Investment properties		27,157	-	27,157	25,279	-	25,279
Intangible assets		254	-	254	208	-	208
Investment in associates and joint ventures	ii	11,601	2,139	13,740	11,504	1,743	13,247
Investment in subsidiaries		-	-	-	-	-	-
Financial assets held at fair value through profit or loss	iii	-	4,595	4,595	-	3,882	3,882
Other investments		12,193	-	12,193	16,530	-	16,530
<b>Total non-current assets</b>		<b>235,853</b>	<b>6,734</b>	<b>242,587</b>	<b>237,236</b>	<b>5,625</b>	<b>242,861</b>
		<b>256,645</b>	<b>-</b>	<b>256,645</b>	<b>254,101</b>	<b>-</b>	<b>254,101</b>

NMA Nelson  
Marlborough Audit  
Limited

## 36. Prior period adjustments (cont')

*i* Change in categorisation*ii* Restatement of Investment in associates and joint ventures

Value in previously published accounts "Investment in associates"

Reclassification of Loan to SmartCo Limited as Investment in SmartCo Limited

Share of investment in On Metering Limited

**Investment in associates and joint ventures***iii* Restatement of Loan to On Metering Limited

Value in previously published accounts "Advances to associates"

Prior year change

Initial recognition fair value change

Change in fair value

**Total financial assets held at fair value through profit or loss***iv* Restatement changes of Statement of Comprehensive Income

Total operating revenue

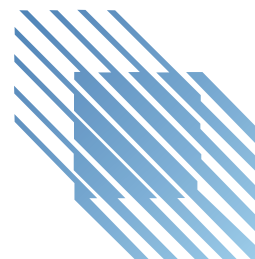
Change in fair value

Share of surplus of associates and joint ventures

Decrease in share of loss of on Metering

GROUP 12 months 31 March 2018 \$000	GROUP 12 months 31 March 2017 \$000
11,601	11,504
259	0
1,880	1,743
<b>13,740</b>	<b>13,247</b>
6,475	5,625
(1,743)	0
(325)	(1,743)
188	0
<b>4,595</b>	<b>3,882</b>
188	

The fair value of the loan to On Metering Limited was assessed as at 31 March 2018. This produced a fair value increase in the loan and was included in income. Due to equity accounting for the share of the loss of On Metering Limited, this produced a matching reduction in the surplus from associates and joint ventures. Neither of these transactions were included in previous years published financial statements.



NMA Nelson Marlborough Audit Ltd

## INDEPENDENT AUDITOR'S REPORT

To the Beneficiaries of Network Tasman Trust

### Report on the Consolidated Financial Statements

#### **Opinion**

We have audited the accompanying consolidated financial statements of Network Tasman Trust and its subsidiaries which comprise the consolidated balance sheet as at 31 March 2019, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Network Tasman Trust as at 31 March 2019 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

#### **Basis for Opinion**

We conducted our audit of the consolidated financial statements in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)).

Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the group.

#### **Other Information**

The Trustees are responsible for the other information. The other information comprises the Chair's Report for the year ended 31 March 2019.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***The Responsibility of the Trustees for the Consolidated Financial Statements***

The Trustees are responsible on behalf of the group for the preparation and fair presentation of these consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards, and for such internal control as the Trustees determine is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Trustees are responsible on behalf of the group for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

### ***Auditor's Responsibility for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could be reasonably expected to influence the decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*NMA Nelson Marlborough Audit Ltd*

NMA Nelson Marlborough Audit Limited  
PO Box 732  
Nelson 7040

8 July 2019



