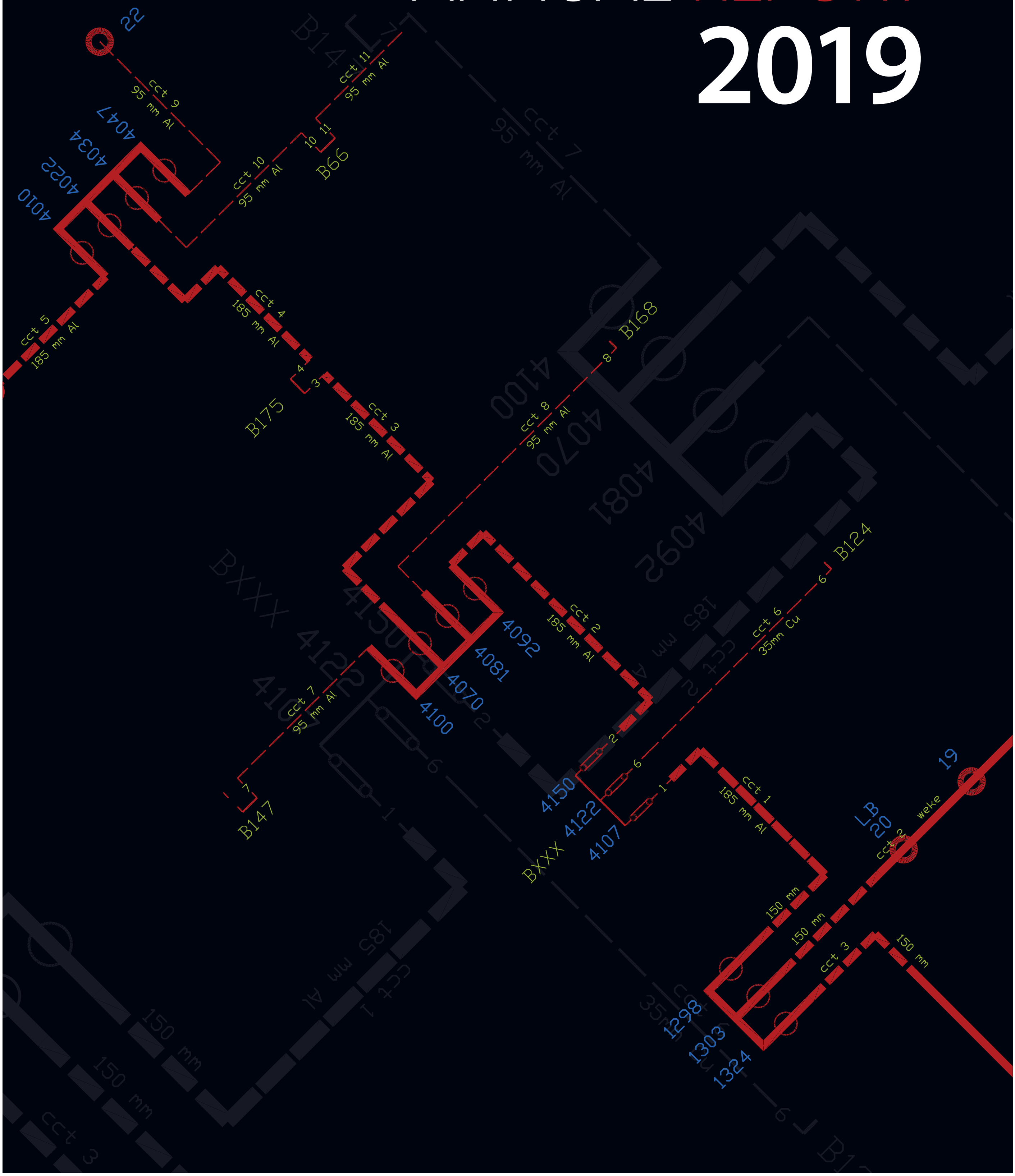
networktasman

Your consumer-owned electricity distributor

ANNUAL REPORT 2019



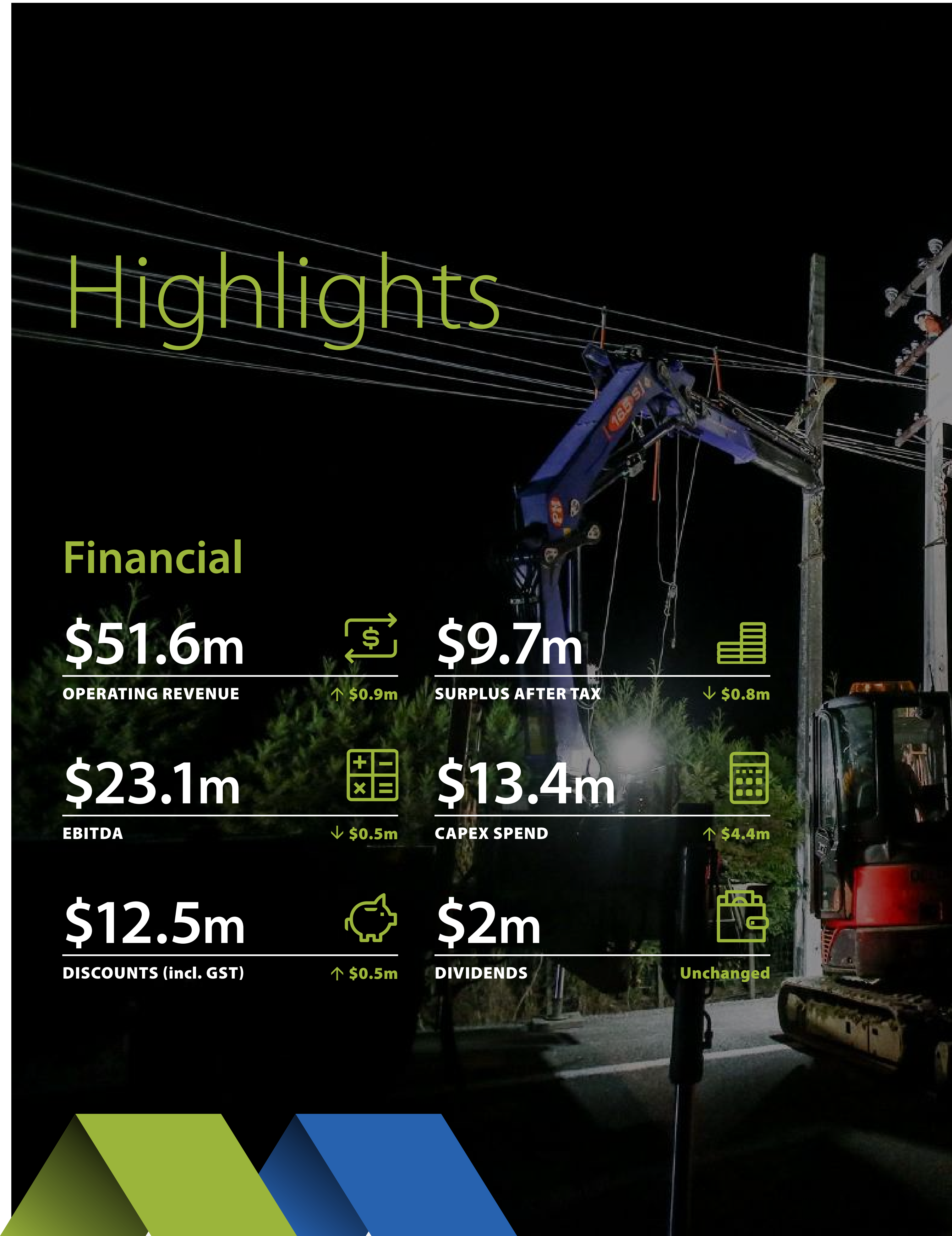
Contents

Front cover: Ellis Street, Brightwater undergrounding design

Our vision at Network Tasman is to be a successful network services company for the benefit of our consumers.

We support our vision by our values of safety and wellbeing, reliability, efficiency and consumer value.

Highlights



Financial

$51.6m
OPERATING REVENUE ↑ $0.9m

$9.7m
SURPLUS AFTER TAX ↓ $0.8m

$23.1m
EBITDA ↓ $0.5m

$13.4m
CAPEX SPEND ↑ $4.4m

$12.5m
DISCOUNTS (incl. GST) ↑ $0.5m

$2m
DIVIDENDS Unchanged

Network

40,390
NETWORK CONNECTIONS
↑ 529

666Gwh
ENERGY VOLUMES DELIVERED
↑ 14

33,539
ADVANCED METERS INSTALLED
↑ 1376

Safety

01
PUBLIC SAFETY OR PROPERTY DAMAGE
↑ 1

03
LOST TIME INJURY
↑ 2

Reliability

240
SAIDI (MINUTES)
↑ 8

1.34
SAIFI (OUTAGES)
↑ 0.03

Directors' and CEO Report

On behalf of the Directors and CEO of Network Tasman, we have pleasure in presenting the annual report and audited financial statements for the financial year ended 31 March 2019.

The year produced an operating surplus of $9.7 million against our SCI target of $8.6 million. Buoyant regional growth has continued to support strong contributions across the business with key highlights from our core electricity, fibre and investment property business units.

Consumers received two line discounts off their power accounts during the year. This year a record $12.5 million including GST ($12.0 million in 2018) was credited to consumers' power accounts.

Strong cash flow from operations enabled 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. 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.

From a safety perspective, we did not meet our targets with three lost time injuries (LTI's) and one public property damage event involving contractors on the company's network.

We also did not meet our reliability target and the regulated reliability compliance limits set by the Commerce Commission, due to the impact of our light copper re-conductoring planned renewal programme and the impact of outages on the Mapua area caused by three Appleby Highway incidents. We have taken steps to migrate any incidents in 2019/20 through completion of the 33kv Appleby bypass cable project.

In line with other EDB's (Electricity Distribution Businesses) we are managing the ever increasing cost and workload of increasing regulatory oversight.

Five Year Trend	**2019**	**2018**	**2017**	**2016**	**2015**
Revenue ($m)	**51.6**	50.7	46.2	43.9	44.4
Earnings before interest, tax, depreciation & customer contributions ($m)	**20.0**	21.1	17.9	16.4	14.2
Net operating cash flow ($m)	**21.2**	17.7	13.8	14.1	11.0
Total cash dividends paid ($m)	**2.0**	2.0	2.0	2.0	2.0
Total electricity into network (GWh)	**761**	747	737	733	718
Electricity maximum demand (MW)	**132**	139	137	146	139

> "Network Tasman is proud of our record of delivering a safe and reliable network service to our customers."

Governance

The Board of Network Tasman follows the best practice governance principles as laid out by the Institute of Directors. The Board has established a strong policy framework and standing committees - Audit and Risk, Health and Safety, and Remuneration are in place. We have refreshed our environmental sustainability policy and implemented a diversity and inclusion policy during the year.

During the year the company and the shareholder Network Tasman Trust jointly introduced an Associate Director Programme designed to offer emerging directors the opportunity to accelerate their boardroom experience for a period of twelve months on the board of Network Tasman. Robyn Wilson joined the Board as the inaugural Associate Director with observer status in March 2019.

Risk Management

This year we have focused on reviewing our risk matrix across all of the company's activities with a keen focus on maintaining resilience in the face of unexpected or rare events. This matrix identifies the key risks facing the company and is reviewed by the Board on a regular basis. We have a strong risk management and insurance programme in place and are confident in our restoration capability to deal with a natural disaster affecting our network.

We have also focused on the security of our core information technology networks. Our risk mitigations include an annual cyber security review including penetration testing, maintaining a regime of regular software patching, educating staff on the importance of reporting suspicious emails, collaboration with fellow South Island lines businesses and monitoring securities advisories on identified risks from the National Cyber Security Centre.

While the recent Pigeon Valley Fire had little impact on our network, it has highlighted the potential risk from forest fires to our infrastructure assets and, along with the ongoing risks from natural disasters such as earthquakes and severe storms, reminded us all of the need for preparedness and robust disaster recovery plans.

Health and Safety

Workplace health and safety remains a key priority across all activities of the company. Our goal is to maintain a "zero harm" workplace so our staff and contractors arrive home safely. During the year, we have made further progress embedding a safety-focused culture within the company and our contractors.

For the protection of staff and the public, the Health and Safety Committee of the board is tasked with ensuring that health and safety is a key consideration in every operational decision made within the company.

In future, we will continue to work with our staff and contractors to ensure that health and safety is a key consideration in all our activities. We monitor our contractors health and safety processes and practice through a regular contractor audit programme thereby ensuring that the safety first culture is instilled across all of our activities.

Finally, we continue to focus on the development of the company's health and safety systems including change management, data collection and reporting systems within Network Tasman and our contractors.

Health and safety is a process of continual refinement and we remain committed to delivering a safe workplace for all.

Electricity Retail Pricing Review

The government appointed Electricity Price Review Panel has been conducting a full review of the electricity sector during 2018/19. The review looked at all aspects of the electricity sector, with a key consideration being whether consumers are paying fair prices.

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.

Network Tasman is proud of our record of delivering a safe and reliable network service to our customers and we believe that local ownership of the company continues to meet the needs of our customers and the communities in which we operate.

> "The company remains in a sound financial position with strong operating cash flows and a low level of term debt."

Asset Management

Management and the Board devotes considerable time to developing our Asset Management Plan (AMP) including annually reviewing the capital development, renewals and maintenance sections of the AMP. This includes a keen focus on network condition and implementation of a pro-active programme of maintenance and asset renewals. A balance must be found by careful management of planned outages in implementing this programme, with the lower tolerance for outages from consumers. As part of the AMP, the company maintains a rolling 10-year capital expenditure plan as regulations require.

The company is facing a significant increase in capital spend in the next ten years, as is the general case with infrastructure in New Zealand but also reflecting ongoing regional growth. During the next five years, we have identified significant increased demand in the industrial sector, driven by cold storage, shellfish processing/extraction, rest homes, hop processing and dairy irrigation.

Land subdivision for residential growth is strong. In the later part of the 10-year planning period, electric vehicle charging is expected to have an impact, with work underway to identify the low voltage (LV) networks in our system that will require investment to accommodate this.

The growth in the region has brought forward a number of projects to ensure security of supply. It is proposed to advance the most significant of these projects, the development of the new Brightwater Grid Exit Point (GXP) by two years to 2023. Transpower has completed a GRS (Grid Reliability Standards) review of the Brightwater GXP proposal and the management team has provided feedback on the review for revision.

Financial Position

The company remains in a sound financial position with strong operating cash flows and a low level of term debt. These cash flows, together with an ungeared balance sheet, provides us with significant financial capacity to meet our 10-year capital expenditure programme as well look at complementary investments should they arise.

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.

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.

Nelson Electricity Limited (50% owned)

Our 50% owned joint venture Nelson Electricity Limited continues to supply electricity to approximately 9,200 consumers in the Nelson city area. The network is primarily underground and provides consumers with one of the most reliable networks in the country. During the year, the company paid a fully imputed dividend of $1.90 million (Network Tasman's share $0.95 million).

As a regulated electricity distributor, the Commerce Commission's draft Default Price Pathway (DPP) is likely to significantly affect the level of profits and therefore returns from Nelson Electricity from 2020/21 onwards. Nelson Electricity continues to pay down debt and remains in a sound financial position to fund the ongoing investment in the network.

Investment Properties

We are continuing to see solid returns from our portfolio of legacy properties. The portfolio has a weighted average lease term of 7.2 years and is ideally located to benefit from the on-going growth in the region. The company purchased a small block of land adjoining our offices at Hope and is in the process of seeking a changed zoning to allow future development of the combined land in the future.

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.

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).

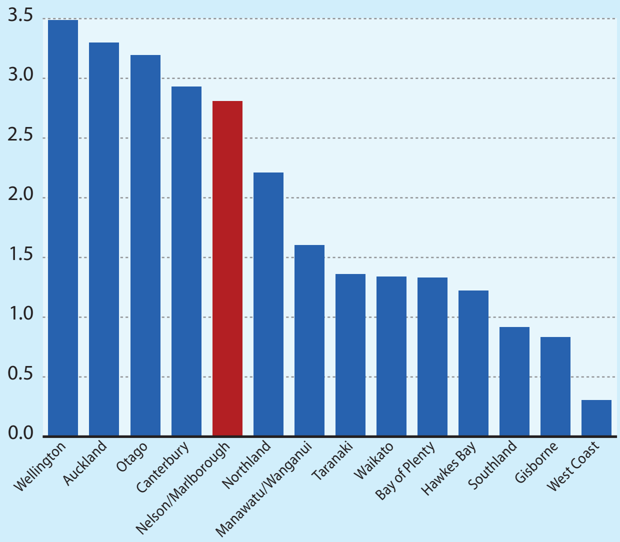
The company is spending a considerable amount of time identifying, researching and preparing for the impact and opportunities of these new technologies. We firmly believe the key to the effective implementation of new technologies will be collaboration between lines companies to share knowledge and experience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

Percent (%) of EVs per head of population



Outlook

Network Tasman, like all electricity distribution businesses, faces a range of challenges in the future. Aging assets, increased penetration of distributed generation, battery storage and electric vehicles all present opportunities and challenges for the sector.

We operate an open access network and welcome all of these technologies onto our network. We believe that these new and emerging technologies will present opportunities for network owners and consumers to innovate in the way energy is delivered and consumed.

With a balanced portfolio of regulated and non-regulated activities, a strong financial position and a dedicated team, Network Tasman remains well positioned to meet the needs of our customers and our shareholders into the future.

Acknowledgments

We acknowledge the retirement of Mr. Jim Williamson, following 12 years of service as a director of the company. We would like to thank Mr. Williamson for his wise counsel over those years and wish him well for the future.

We would also like to acknowledge the many contractors that work on our network including our key contractors Delta Utilities, Treescape and ElectroNet. We are fortunate to have the support of a strong and stable shareholding Trust and trustees that continue to support the on-going direction of the company.

The Board acknowledges the staff of Network Tasman for another successful year. Finally, we would like to offer our thanks to fellow board members for their efforts during the year.

John McCliskie
Chairman

Oliver Kearney
Chief Executive Officer

Board of Directors

Michael J McCliskie (John)
Dip. Horticulture, CFInstD

Chairman
(since February 2008)

John has a background in international fruit marketing and is a director of a number of local and national companies involved in primary production. John is an experienced company director with past involvement in a range of SMEs, corporates, co-operatives and government entities. He is a director of Nelson Electricity and a number of private companies.

Tony Reilly
B.Agr.Com, CFInstD

Director
(since July 2008)

Tony has been involved in agricultural governance since 1995 at a local and national level, particularly in the dairy sector. Tony is also a director of Landcorp Farming and a number of private companies.

Sarah Smith
BCom, CFInstD

Director
(since August 2017)

Sarah has extensive business and governance experience in both the private and public sectors. As an independent director, Sarah has more than 20 years of experience and is currently chair of Ngai Tahu Tourism. Sarah is also a director of WhereScape Software, EcoCentral, The Lion Foundation and a trustee for several charitable organisations. She is a Chartered Fellow of the Institute of Directors.

Roger Sutton
BE Mechanical, FIPENZ

Director
(since August 2015)

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

Sarah-Jane Weir
LLB, Master of Intellectual Property Law CMInstD

Director
(since September 2013)

Sarah-Jane has a background in commercial law, advising in infrastructure, local and central government and with a strong digital, communications and regulated industry emphasis. She is a director of Nelmac Limited, Nelson Regional Development Agency Limited, Rata Foundation, on the National Council for Institute of Directors and is active in the not for profit sector.

James O Williamson (Jim)
BE (Hons) Electrical, NZCE (Telecommunications), Dip Management, MInstD

Director
(since July 2007)

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

Financial Performance

Highlights

$9.7m

SURPLUS AFTER TAX **↓ $0.8m**

Operating surplus of $9.7 million against $10.5 million last year.

$12.5m

DISCOUNTS (incl. GST) **↑ $0.5m**

Record line charge discounts credited to consumers of $12.5 million including GST.

$13.4m

CAPEX SPEND **↑ $4.4m**

Cash flow from operations of $21.2 million for the year allowed Network Tasman to invest $13.4 million in capital expenditure while maintaining a conservatively funded balance sheet.

$2m

DIVIDENDS **Unchanged**

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

Continued regional growth supported strong contributions across the business with key highlights from the core electricity, fibre and investment property business units.

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 sub-divisions being developed across the region.

Consumers received two line discounts totaling 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.


Robert Derks, operations manager with Brendan Sidwell, operations technical support officer.

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 below 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.

Financial performance targets

		Actual Result 2019	SCI Target 2019	Actual Result 2018
Total company:				
Surplus before interest, tax, line discount and customer contributions	$mil	**21.4**	19.6	21.8
Operating surplus after tax and customer contributions	$mil	**9.7**	8.6	10.5
Operating surplus to shareholders' funds	%	**4.78%**	4.30%	5.40%
Line business only:				
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

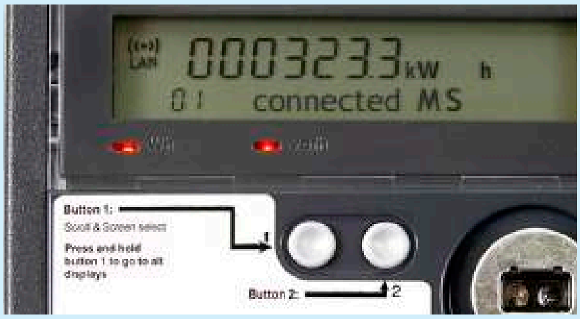
Investments

The company's investments in fibre, Nelson Electricity Limited and our legacy investment properties all contributed to the overall profitability of the company.

Network Tasman Fibre

The company has implemented a strategy to retain market share in the face of increasingly ubiquitous fibre coverage and lower wholesale pricing.

Capital expenditure on the fibre network is being targeted at growing customer connections around our existing fibre network and providing value added services. Niche services such as the CCTV network continue to grow in terms of utilisation and returns from our investment.



On Metering Limited

On Metering Limited (OML), our 50% joint venture with Alpine Energy completed deployment of advanced meters in the North Canterbury region as part of the SmartCo consortium.

As at 31 March 2019, On Metering had deployed a total of 27,157 meters. Returns from this investment are supported by long-term fixed price contracts with major electricity retailers.

Nelson Electricity Limited

The company has held a long-term 50% investment. Nelson Electricity Limited provides electricity distribution services for Nelson City.

The company has continued to repay debt incurred in the redevelopment of the Haven Road substation. Network Tasman received a fully imputed dividend of $0.95 million from Nelson Electricity during the year.

Investment Properties

After a period of re-investment, the company's investment properties have delivered another sound return. The company's investment property at 281 Queen Street, Richmond is 93% leased with long term leases to Nelson Marlborough DHB, Primary Health and Stantec.

The balance of the portfolio comprises industrial properties and vacant land at Hope that can be developed as quality tenants can be secured on favourable commercial terms.

Operational Performance

We believe following our workplace key values, beliefs and guiding principles form the basis of good Health and Safety practice.

Highlights

Deployed

Deployment of advanced meters in the Tasman region complete for contracted retailers.

Completed

Completed the Motueka substation transformer upgrade.

Implemented

Network Tasman Fibre business implemented a core technology upgrade.

Replaced

Completed replacement of the first 20km of the ten year light copper conductor replacement programme.

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

> "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."

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 table below 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.

Safety of electricity supply

		Actual Result 2019	SCI Target 2019	Actual Result 2018
Lost time injuries not to exceed -	number	3	0	1
Public Safety and Damage Events				
Public Injury Events	number	0	0	0
Public Property Damage Events	number	1	0	0

There was no public safety injury and one property damage recorded during the year. The public property damage resulted from a low voltage line down on a house roof causing a fire in the roof cavity.

Reliability of the Network

All our customers require and need a reliable electricity supply. One of the key ways we measure our network reliability is the average duration of supply interruptions per connected consumer, measured by the SAIDI index (System Average Interruption Duration Index).

The SAIDI index was 240 minutes for the year (232 minutes for 2017/18). During the last three years our network achieved a 99.96% reliability measure.

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

We must continually balance tension between our AMP objectives, including provision for asset renewals and growth, with our planned outage (from scheduled maintenance and capital work) and unplanned outage (from incidents outside our control – traffic accidents, storm damage) limits which are enforced by regulation.

Unplanned outages from three traffic related incidents on the Appleby Highway impacted reliability to the Mapua area affecting supply to 2,200 customers. These events generated a total of 34 unplanned SAIDI minutes.

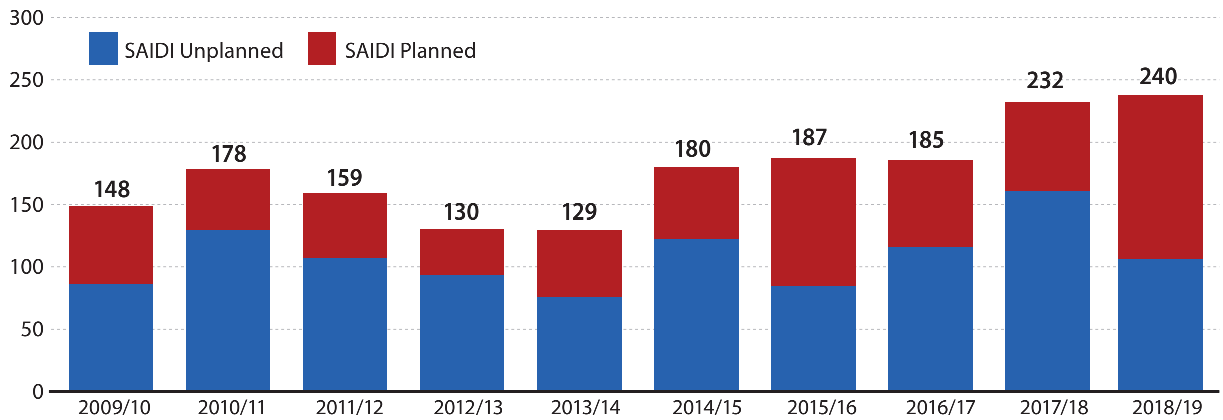
A major $2.9 million capital expenditure project to provide an alternative supply has commenced and is scheduled to be completed in the 2019/20 financial year. This project will significantly improve the security of supply to the Mapua area.

Planned SAIDI was from the impact of our light copper re-conductoring renewal project on our high voltage network. Necessary outages of 46 SAIDI minutes were incurred during 2018/19 year as we reconductored 20.5km of line. This work will continue for the next nine years and we now expect planned SAIDI to be around 100 minutes per annum during this period.

Planning to support future regional growth every year Network Tasman undertakes a review of its AMP.

Our AMP Plan takes maintenance of a reliable electricity supply into account through our planned maintenance activities including our vegetation management.
A further consideration is the way we monitor and manage our network assets as they approach the end of their life.

Measuring our SAIDI performance



In 2014/15 Network Tasman ceased light copper live line work and purchased the Golden Bay 66KV line assets.

Reliability performance targets

(excludes Transpower planned and unplanned outages)

		Actual Result 2019	SCI Target 2019	Actual Result 2018
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%

> "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."

Network Maintenance

Network Tasman spent $6.2 million on network maintenance during the 2018/19 financial year. Network Tasman operates a comprehensive network maintenance programme based on condition-based assessment and planned replacement of system components. Our maintenance contractors Delta Utility Services, ElectroNet and vegetation services provider Treescape, continue to deliver a high level of service..

Capital Expenditure

The company spent $9.1 million on the distribution network with $4.1 million in system growth, $2.4 million on replacement and renewal and $0.9 million on reliability and safety. During the year, 529 consumer connections were added to the network, a growth rate of 1.3%. Network Tasman is budgeting to spend $120 million in the next ten years.

Network Tasman produces an annual Asset Management Plan (AMP) that documents the company's asset management practices and management strategy for its network distribution assets. The key drivers for the network development plan are maintaining security of supply and reliability of the network.

Key planned projects for 2019/20 include the completion of the new Wakapuaka substation, 33kV Wakapuaka cable extension, Appleby bypass to the Mapua substation, new Annesbrook 11kV feeder, continuation of the light copper conductor replacement programme and the undergrounding of power lines running along Ellis Street, Brightwater.

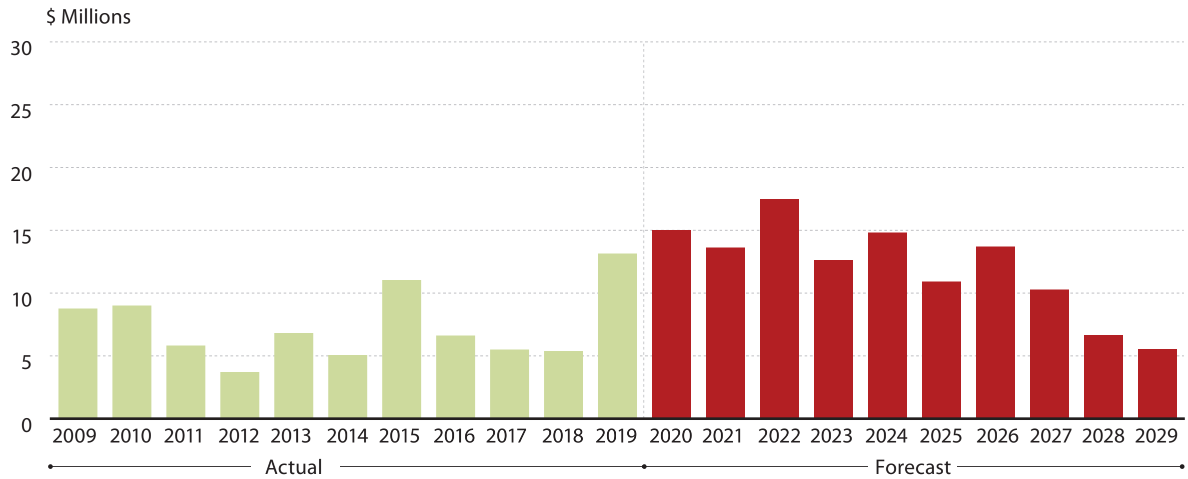
Regulation

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

Projected network capital expenditure



Capital Expenditure: four major projects progressed

1 A programme to replace the remaining iron rail poles on our network. These poles date back to the 1950's and are now showing signs of reaching the end of their useful life. There was a total of approximately 200 iron rail poles on the network with over half replaced during the year. While the majority of the replacement programme will be completed in the 2019/20 financial year, the balance of difficult sites will be completed over the next five years.

2 Ten year programme to replace aging light copper conductors. These older light copper conductors are reaching the end of their useful life. The company has a total of 210kms of light copper conductor and replaced 20.5kms during the year. This project significantly increased the level of planned SAIDI during the year and will continue to impact upon our reported planned SAIDI over the period of the project.

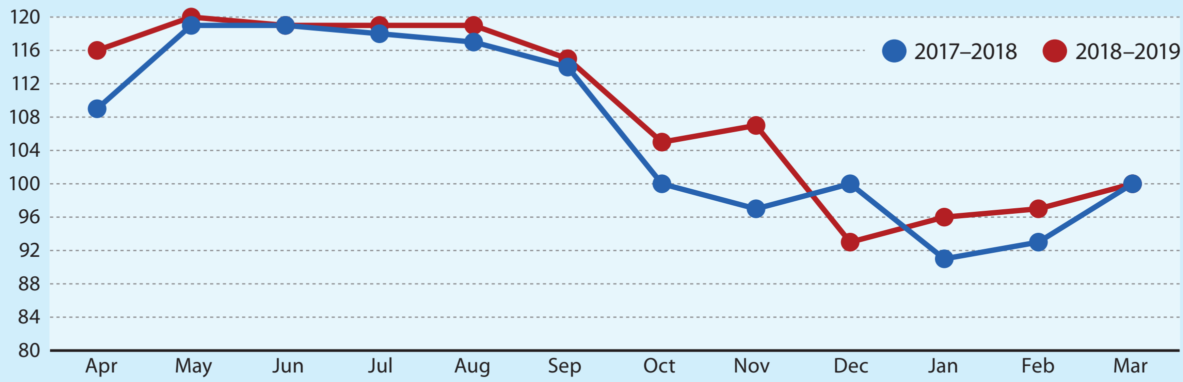
3 An on-going programme to replace pole-mounted transformers with pad (ground) mounted units. The company has a total of 480 pole mounted transformers and has commenced a risk based programme to replace 24 urban platform substations with older heavy 300kva transformers, the 12 urban platform substations erected since 2001 and the 13 remaining highest access risk substations with pad mounts at an estimated cost of $4.5 million over the next seven years.

4 Development of a new zone sub-station at Wakapuaka commenced during the year. This project is to accommodate load growth in the area and will be completed in the 2019/20 financial year.

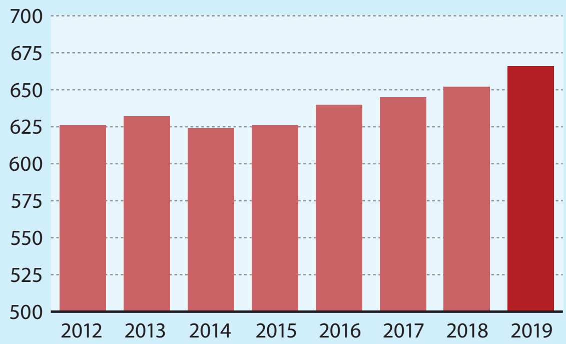
Network supply and demand profile

The fundamental requirement for long term network planning is a sound demand forecast. The risks to NTL's asset management program associated with a poor demand forecast includes amongst other things; the potential for over or under investment, inability to meet demand, severely underutilised assets and the potential for significant optimisation of assets in future valuations with corresponding impacts in price movements and financial performance. Our AMP is based on a comprehensive demand forecast using the most current information available.

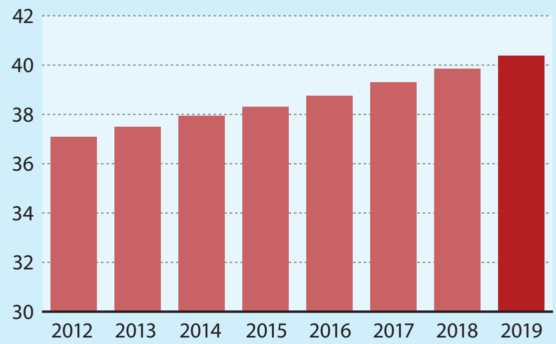
Total Monthly Max System Demand



Energy delivered to NTL's network (GWh)



Consumer connections (000's)



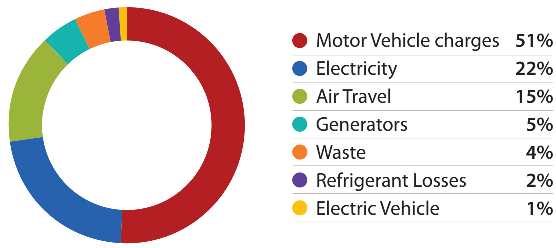
> "The government appointed Electricity Price Review Panel has been conducting a full review of the electricity sector during 2018/19."

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.

Our carbon footprint emissions profile



Environmental Sustainability

Network Tasman's aim is to work towards environmental sustainability in our operations. This objective fits within our principle objective, which is to operate as a successful commercially focused business, prudently managed and financially stable. We also have a long-term focus on the management of our assets and investments for the long-term benefit of our customers and shareholders.

Network Tasman believes that businesses are responsible for achieving good environmental practice and operating in a sustainable manner. We are currently in the process of establishing the necessary policies and procedures to ensure we can meet our objectives in this area.

Over the past year we completed the process of measuring and reporting our carbon footprint. The Board is now in a position to review the outcomes and actively determine an appropriate plan. At this point in time we have not had our assessment verified by an independent auditor.

We have included the calculation of the electricity transmission and distribution losses (TDL) which is by far our largest emission but currently excludes our contractors' carbon footprint. The graphs above exclude the TDL emissions to make the graphics meaningful as we have virtually no control over the TDL emissions.

Our carbon footprint primarily arises from network operations (61%) and our corporate activities (39%).

Financial Statements

The directors of Network Tasman Limited are responsible for preparing the company and Group's financial statements and ensuring that they give a true and fair view of the Group's financial position as at 31 March 2019 and the results of their operations and cash flows for the year ended 31 March 2019.

The directors consider that the financial statements of Network Tasman Limited and Group have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgments and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors also believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of Network Tasman Limited and Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The directors are pleased to present the financial statements of Network Tasman Limited & Group for the year ended 31 March 2019.

The directors have the power to amend and reissue the financial statements.

For and on behalf of the board of directors:

MJ McCliskie
Chairman
1 July 2019

AP Reilly
Director
1 July 2019

Network Tasman Limited & Group

Statement of Comprehensive Income

For the year ended 31 March 2019

	Note	**12 months 31 March 2019 $000**	12 months 31 March 2018 $000
Total operating revenue	2, 33	**51,586**	50,653
Total operating expenses	3	**(38,635)**	(38,262)
Operating surplus		**12,951**	12,391
Share of surplus of associate and joint ventures	15, 33	**537**	959
Operating surplus before income tax		**13,488**	13,350
Income tax (expense) / income	4	**(3,789)**	(2,816)
Operating surplus for the period		**9,699**	10,534
Other comprehensive income		**-**	-
Total comprehensive income		**9,699**	10,534
TOTAL COMPREHENSIVE INCOME			
Comprehensive income from continuing activities		**9,699**	10,534
Comprehensive income from discontinued activities		**-**	-
		9,699	10,534

Statement of Changes in Equity

For the year ended 31 March 2019

	Note	2019	2018
TOTAL EQUITY AT BEGINNING OF PERIOD	7	**195,222**	186,688
Total comprehensive income		**9,699**	10,534
OTHER MOVEMENTS			
Distributions to owners during the period	6	**(2,000)**	(2,000)
Total equity at end of period	7	**202,921**	195,222

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

Network Tasman Limited & Group

Balance Sheet

As at 31 March 2019

	Note	**As at 31 March 2019 $000**	As at 31 March 2018 $000	**Note 33** As at 31 March 2017 $000
CURRENT ASSETS				
Cash and cash equivalents	9	**2,069**	1,611	2,758
Trade receivables	10	**5,414**	5,000	5,569
Other current assets	11	**1,229**	846	259
Total current assets		**8,712**	7,457	8,586
NON-CURRENT ASSETS				
Property, plant and equipment	12	**190,316**	184,648	183,715
Investment properties	13	**29,459**	27,157	25,279
Intangible assets	14	**350**	254	208
Investment in associate and joint ventures	15, 33	**13,327**	13,740	13,247
Financial assets held at fair value through profit or loss	16, 33	**4,239**	4,595	3,882
Total non-current assets		**237,691**	230,394	226,331
Total assets		**246,403**	237,851	234,917
CURRENT LIABILITIES				
Trade and other payables	17	**11,716**	6,273	4,942
Tax payable	18	**1,042**	737	635
Provisions	19	**255**	273	360
Loans and borrowings	20	**121**	3,111	174
Total current liabilities		**13,134**	10,394	6,111
NON-CURRENT LIABILITIES				
Provisions	19	**221**	211	276
Loans and borrowings	20	**250**	3,129	13,241
Deferred taxation	21	**29,877**	28,895	28,601
Total non-current liabilities		**30,348**	32,235	42,118
EQUITY				
Attributable to shareholders of the company	7	**202,921**	195,222	186,688
Total equity		**202,921**	195,222	186,688
Total liabilities and equity		**246,403**	237,851	234,917

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

Network Tasman Limited & Group

Statement of Cash Flows

For the year ended 31 March 2019

	Note	**12 months 31 March 2019 $000**	12 months 31 March 2018 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		**52,340**	45,636
Dividend income received		**950**	1,050
Interest income received		**62**	70
		53,352	46,756
Cash was applied to:			
Payments to suppliers and employees		**29,418**	26,198
Income tax paid		**2,502**	2,420
Interest expense paid		**193**	440
		32,113	29,058
Net cash flows from operating activities	23	**21,239**	17,698
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		**61**	13
Insurance proceeds		**-**	1,055
		61	1,068
Cash was applied to:			
Purchase of property, plant and equipment and investment properties		**13,472**	9,889
Investment in joint ventures		**(500)**	850
		12,972	10,739
Net cash flows from investing activities		**(12,911)**	(9,671)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was applied to:			
Term Loans		**5,750**	7,000
Dividends Paid		**2,000**	2,000
Finance Lease Repayments		**120**	174
		7,870	9,174
Net cash flows from financing activities	24	**(7,870)**	(9,174)
NET INCREASE (DECREASE) IN CASH HELD		**458**	(1,147)
Cash balances at beginning of period		**1,611**	2,758
Exchange gain / (losses) on cash balance for the year		**-**	-
Cash balances at end of period		**2,069**	1,611
COMPOSITION OF CASH BALANCES AT END OF YEAR			
Cash on hand and at bank		**106**	142
Cash equivalents - term deposits		**1,963**	1,469
Total	9	**2,069**	1,611

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

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

1. STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The reporting entity is Network Tasman Limited and Group. Network Tasman Limited is a profit-oriented company registered under the Companies Act 1993 and its financial statements comply with section 44 of the Energy Companies Act 1992. The financial statements are for Network Tasman Limited and its interest in associate and joint venture entities (Nelson Electricity Limited and On Metering Limited) and wholly-owned non-trading subsidiary company Tasman Energy Limited, are referred to as "The Group".

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for for-profit entities. Network Tasman Limited and 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 Statement of Comprehensive Income and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All components in the Balance Sheet are stated net of GST except for receivables and payables which are stated inclusive of GST.

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

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.

NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

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

- **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 26. The impact of the change in impairment methodology did not result in a material change to the company'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 Company's financial instruments on 1 April 2018.

Financial Assets	Previous valuation method under NZ IAS 39	Current valuation method under NZ IFRS 9
Cash and cash equivalents	amortised cost	amortised cost
Trade receivables	amortised cost	amortised cost
Financial assets held at fair value through profit or loss	amortised cost	fair value
Financial Liabilities		
Trade and other payables	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 categorised 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.

- **NZ IFRS 15, Revenue from Contracts with Customers**, became effective on 1 April 2018. The company has adopted NZ IFRS 15 using the retrospective approach. The company 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.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

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 is a new standard that may impact Network Tasman Limited. The Group does not intend to adopt this new pronouncement before its effective date.

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 company.

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 stated on the previous page, there have been no changes in accounting policies and disclosures.

2. OPERATING REVENUE

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000
CONTINUING ACTIVITIES			
Revenue from contracts with customers		**44,985**	43,282
Revenue from property rental		**1,894**	1,859
Vested assets		**2,883**	2,007
Insurance proceeds		**-**	1,019
Interest income		**62**	70
Increase in fair value of investment properties		**1,243**	1,683
Change in fair value of joint venture		**144**	188
Gain on sale of assets		**2**	-
Depreciation Recovered		**11**	3
Other revenue		**363**	542
Total operating revenue from continuing activities		**51,586**	50,653
REVENUE FROM CONTRACTS WITH CUSTOMERS			
Distribution network revenue		**37,571**	36,064
Technology networks revenue		**5,923**	5,703
Connection fees and levies		**511**	436
Customer contributions		**519**	632
Management fees		**192**	190
Sundry income		**269**	257
		44,985	43,282

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

2. OPERATING REVENUE (cont')

ACCOUNTING POLICY

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 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 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. Customers are invoiced monthly and payment is due in the month following invoice. Discounts are considered variable consideration, which is constrained because Network Tasman 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'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 livened.

Capital contributions

Capital 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 to the electricity, telecommunication or metering network. 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 invoices its customers (predominantly electricity retailers) monthly for electricity delivery services on the basis of metered usage figures provided by those retailers. Network Tasman is entirely reliant upon the accuracy of the monthly metered data supplied by the retailers. 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.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

	Note	**12 months 31 March 2019 $000**	12 months 31 March 2018 $000
3. OPERATING EXPENSES			
Operating expenses include:			
Gross transmission costs		**14,912**	14,588
Operation & Maintenance		**6,479**	6,394
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT AND AMORTISATION OF INTANGIBLE ASSETS			
Distribution network		**5,721**	5,354
Technology networks		**2,408**	2,390
Land & buildings		**277**	185
Plant & equipment		**66**	115
Computer equipment		**244**	152
Assets leased from Transpower		**97**	153
Intangible assets		**152**	131
Total depreciation of property, plant and equipment and amortisation of intangible assets		**8,965**	8,480
AUDITORS' FEES			
Audit fee - Network Tasman Ltd		**57**	57
Audit fee - non-trading subsidiaries		**-**	2
Other assurance services - Audit New Zealand		**35**	28
Other assurance services comprise an independent assurance report on the company's regulatory disclosure in accordance with the Electricity (Information Disclosure) Requirements 2008 and the default price - quality path compliance statement.			
COSTS OF OFFERING CREDIT			
Bad debts written off		**26**	64
INTEREST EXPENSE			
Interest expense on Transpower new investment agreements		**7**	29
Other Interest Paid		**184**	413
OTHER EXPENSES			
Directors' fees		**245**	234
Donations		**18**	10
Employment costs		**3,653**	3,402
Loss on disposal of assets		**498**	1,320
Other expenses		**3,556**	3,241
Total expenses from continuing activities		**38,635**	38,262

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

4. INCOME TAX

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000
Operating surplus before income tax		**13,488**	13,350
Prima facie taxation at 28%		**3,777**	3,738
PLUS / (LESS) TAXATION EFFECT OF:			
Non-taxable customer contributions		**(890)**	(690)
Depreciation		**482**	329
Equity accounted earnings from associate and joint ventures		**(149)**	(321)
Change in fair value of investment properties		**(367)**	(471)
Change in fair value of loans to joint venture		**11**	-
Movement in deferred tax		**982**	294
Other adjustments		**(57)**	(63)
		12	(922)
Income tax expense recognised in statement of financial performance		**3,789**	2,816
Comprising:			
Current tax liability		**2,807**	2,522
Deferred tax on temporary differences	21	**982**	294
		3,789	2,816

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 Statement of Comprehensive Income (whether in other comprehensive income or directly in equity) in which case the tax is also recognised outside 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.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000
5. IMPUTATION CREDIT ACCOUNT			
Imputation credits available for use in subsequent reporting periods		**22,392**	19,993
6. DIVIDENDS			
Dividends during the period:			
Dividends paid (3.497 cents per share)		**2,000**	2,000
Total dividends paid		**2,000**	2,000
7. EQUITY			
Issued and paid up capital		**57,185**	57,185
Share premium reserve		**1,938**	1,938
Retained earnings	8	**143,798**	136,099
Total equity		**202,921**	195,222
ISSUED AND PAID UP CAPITAL			
Balance at beginning of period		**57,185**	57,185
Balance at end of period		**57,185**	57,185

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

SHARE PREMIUM RESERVE		
Balance at beginning of period	**1,938**	1,938
Premium paid during year	**-**	-
Balance at end of period	**1,938**	1,938

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.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

	Note	**12 months 31 March 2019 $000**	12 months 31 March 2018 $000
8. RETAINED EARNINGS			
Balance at beginning of period		**136,099**	127,565
Operating surplus for the period		**9,699**	10,534
Total available for appropriation		**145,798**	138,099
Dividends paid	6	**(2,000)**	(2,000)
Balance at end of period		**143,798**	136,099

9. CASH AND EQUIVALENTS			
Cash on hand and at bank		**106**	142
On call deposits		**1,963**	1,469
Total cash and equivalents		**2,069**	1,611

The carrying value of on call deposits approximates their fair value. The on call deposits are with the Bank of New Zealand and their Standard & Poor's ratings is AA-. The interest rate on this investment is 1.55% (31 March 2018: 1%).

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.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

	Note	**12 months 31 March 2019 $000**	12 months 31 March 2018 $000
10. TRADE RECEIVABLES			
Current			
Trade receivables		**5,429**	5,015
Less loss allowance		**(15)**	(15)
Total current receivables		**5,414**	5,000

The carrying value of receivables approximates their fair value. As at 31 March 2019 and 31 March 2018 the trade receivables have been assessed for expected credit losses. See the calculation in note 26.

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

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

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

KEY JUDGEMENT

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

	Note	**12 months 31 March 2019 $000**	12 months 31 March 2018 $000
11. OTHER CURRENT ASSETS			
Sundry receivables		**729**	481
Prepayments		**500**	365
		1,229	846

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

12. PROPERTY, PLANT AND EQUIPMENT

	Electricity distribution network	Technology networks	Land & buildings	Plant and equipment	Computer equipment	Assets leased from Transpower	Assets under construction	Total assets
	$000	$000	$000	$000	$000	$000	$000	$000
COST OR VALUATION								
Balance at 31 March 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
Disposals	(491)	(209)	(4)	(126)	(18)	-	-	(848)
Balance at 31 March 2018	**213,551**	**33,000**	**11,174**	**1,492**	**1,530**	**2,823**	**4,313**	**267,883**
	-	-	-	-	-	-	-	-
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
Disposals	(183)	(18)	(3)	(44)	(47)	-	-	(295)
Balance at 31 March 2019	**221,989**	**35,179**	**11,505**	**1,671**	**1,787**	**2,823**	**7,246**	**282,200**
ACCUMULATED DEPRECIATION								
Balance at 31 March 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
Elimination on disposal	(264)	(29)	(4)	(118)	(18)	-	-	(433)
Balance at 31 March 2018	**66,154**	**10,910**	**1,859**	**814**	**867**	**2,631**	**-**	**83,235**
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
Elimination on disposal	(71)	(5)	(2)	(39)	(45)	-	-	(162)
Balance at 31 March 2019	**71,804**	**13,313**	**2,132**	**841**	**1,066**	**2,728**	**-**	**91,884**
CARRYING AMOUNTS								
As at 31 March 2018	**147,397**	**22,090**	**9,315**	**678**	**663**	**192**	**4,313**	**184,648**
As at 31 March 2019	**150,185**	**21,866**	**9,373**	**830**	**721**	**95**	**7,246**	**190,316**

VALUATION INFORMATION

The company elected to use the deemed cost approach on adoption of NZ IFRS, in accordance with NZ IFRS1. This approach has used the fair value determined for each asset category at its most recent valuation and then adjusted for subsequent additions at cost. Distribution assets are valued at deemed cost based upon an independent valuation completed by PricewaterhouseCoopers as at 31 March 2004

There are no restrictions over the title of the property, plant and equipment, except for the assets leased from Transpower, nor are any items of property, plant and equipment pledged as security for liabilities.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

12. PROPERTY, PLANT AND EQUIPMENT (cont')

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 from de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the operating surplus in the year the item is de-recognised.

Depreciation

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

Asset class	Depreciation method	Depreciation rates
Distribution networks	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 Deprival Valuation of System Fixed Assets of Electricity Line Businesses as issued by the Commerce Commission and dated 30 August 2004. Pole structures, which have a physical life well in excess of the standard useful lives, were assessed by the company's qualified engineers.

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 by the Group.

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

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

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

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

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

12. PROPERTY, PLANT AND EQUIPMENT (cont')

ACCOUNTING POLICY

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.

13. INVESTMENT PROPERTIES

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000
Movement in investment properties			
Opening balance		**27,157**	25,279
Plus additions		**1,388**	197
Depreciation expense		**(2)**	-
Plus / (less) fair value gain / (loss) on valuation		**1,243**	1,683
Plus increase / (decrease) in assets under construction		**58**	-
Less disposals		**(385)**	(2)
Closing balance		**29,459**	27,157
Investment properties are represented by:			
Land		**11,902**	9,737
Buildings		**17,499**	17,420
Assets under construction		**58**	-
Total investment properties		**29,459**	27,157

VALUATION INFORMATION

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

Investment properties were last valued by M W Lauchlan FNZIV, FPINZ, AREINZ, an independent registered valuer of Duke & Cooke Limited as at 31 March 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 NZ IFRS 13). This method is based upon assumptions including future rental income and appropriate discount rates.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

13. INVESTMENT PROPERTIES (cont')

Reconciliation of Fair Value	Office / commercial $000	Industrial $000	Other $000	12 months 31 March 2019 $000	12 months 31 March 2018 $000
Opening balance	14,309	11,296	1,552	27,157	25,279
Additions	47	1,341	-	1,388	197
Disposals	-	(385)	-	(385)	(2)
Depreciation expense	(2)	-	-	(2)	-
Change in use	(1)	618	(617)	-	-
Plus increase / (decrease) in assets under construction	-	58	-	58	-
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

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.

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.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000
14. INTANGIBLE ASSETS			
Movement in intangible assets			
Opening balance		**254**	208
Plus additions		**248**	177
Less amortisation		**(152)**	(131)
Less disposals		**-**	(3)
Plus accumulated provision write back on disposal		**-**	3
Closing balance		**350**	254

Intangible assets are represented by:

	At cost $000	Accum. amortisation $000	Carrying amount $000
Intangible assets - 31 March 2019			
Computer software	2,210	1,860	350
Total Intangible assets	**2,210**	**1,860**	**350**
Intangible assets - 31 March 2018			
Computer software	1,962	1,708	254
Total Intangible assets	1,962	1,708	254

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.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000
15. INVESTMENT IN ASSOCIATE AND JOINT VENTURES			
Name of entity / **Activity**			
Nelson Electricity Limited / Distribution network owner & operator		**11,676**	11,601
Ownership interest		**50%**	50%
Nelson Electricity Limited is incorporated in New Zealand, and has a balance date of 31 March.			
Results of associate			
Share of surplus before income tax		**1,421**	1,648
Movement in NEL deferred tax		**(31)**	15
Income tax		**(365)**	(516)
Share of comprehensive income		**1,025**	1,147
Total recognised revenues and expenses		**1,025**	1,147
Carrying value of associate			
Opening balance at beginning of period		**11,601**	11,504
Share of comprehensive income		**1,025**	1,147
Dividends received		**(950)**	(1,050)
Closing balance at end of period		**11,676**	11,601

Summarised financial information of associate

Nelson Electricity Limited applied NZ IFRS's reduced disclosure regime from 1 April 2015. It 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's financial statements.

	2019	2018
Assets	**18,250**	18,029
Liabilities	**6,575**	6,422
Revenues	**5,099**	5,258
Surplus / (deficit)	**1,025**	1,147

Name of entity	**Activity**		
On Metering Limited	Meter deployment company	**1,392**	1,880
Ownership interest		**50%**	50%

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.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000
15. INVESTMENT IN ASSOCIATE AND JOINT VENTURES (cont')			
Results of joint venture			
Share of surplus before income tax		**(236)**	(350)
Recognition of previous years loss		**(277)**	162
Movement in deferred tax		**(1)**	-
Income tax		**(26)**	-
Share of comprehensive income / (loss)		**(488)**	(188)
Total recognised revenues and expenses		**(488)**	(188)
Carrying value of joint venture			
Opening balance at beginning of period		**1,880**	1,743
Share of comprehensive income		**(488)**	(188)
Initial recognition fair value change		**-**	325
Closing balance at end of period		**1,392**	1,880

The fair value of the loan to On Metering Limited was assessed at 31 March 2017, and the difference between the loan balance at its fair value was treated as a investment in joint venture. See note 33. 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.

	2019	2018
Assets	**5,638**	6,354
Liabilities	**4,246**	4,860
Revenues	**980**	824
Surplus / (deficit)	**(488)**	(188)

Name of entity	**Activity**		
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.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000
15. INVESTMENT IN ASSOCIATE AND JOINT VENTURES (cont')			
Results of associate			
Share of surplus before income tax		**1**	-
Movement in deferred tax		**0**	-
Income tax		**(1)**	-
Share of comprehensive income		**-**	-
Total recognised revenues and expenses		**-**	-
Carrying value of associate			
Opening balance at beginning of period		**259**	259
Share of comprehensive income		**-**	-
Dividends received		**-**	-
Closing balance at end of period		**259**	259
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
Liabilities		**2,426**	2,758
Revenues		**1,946**	2,441
Surplus / (deficit)		**-**	-
Total carrying value of associates and joint ventures			
Nelson Electricity Limited		**11,676**	11,601
On Metering Limited		**1,392**	1,880
SmartCo Limited		**259**	259
Total		**13,327**	13,740

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 joint venture equals or exceeds its interest in the associate or joint venture, the entity discontinues recognising its share of further losses.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000
16. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS			
Loan to On Metering Limited		**4,239**	4,595
Total financial assets held at fair value through profit or loss		**4,239**	4,595
On Metering Limited			
Opening balance		**4,595**	3,882
Initial recognition fair value change		**-**	(325)
Plus advances		**-**	850
Less repayments		**(500)**	-
Change in fair value		**144**	188
Closing balance at end of period		**4,239**	4,595
Total financial assets held at fair value through profit or loss		**4,239**	4,595

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 33.

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 decrease 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.

17. TRADE AND OTHER PAYABLES

	12 months 31 March 2019 $000	12 months 31 March 2018 $000
Current		
Trade payables and accruals	**11,716**	6,273
Total current payables and accruals	**11,716**	6,273

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

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000
18. TAX PAYABLE			
Current			
Tax Payable		**1,042**	737
Total tax payable		**1,042**	737
19. PROVISIONS			
Current			
Employee entitlements		**255**	273
Sundry provisions		**-**	-
Total current provisions		**255**	273
Non-current			
Employee entitlements		**221**	211
Total non-current provisions		**221**	211
Total Provisions		**476**	484
Provision for employee entitlements			
Balance at beginning of period		**484**	536
Additional provisions made		**308**	320
Amount utilised		**(316)**	(372)
Provision reversed		**-**	-
Balance at end of period		**476**	484

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

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000
Sundry provisions			
Balance at beginning of period		**-**	100
Additional provisions made		**-**	-
Amount utilised		**-**	(40)
Provision reversed		**-**	(60)
Balance at end of period		**-**	-
Total Provisions		**476**	484

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

19. PROVISIONS (cont')

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 at the full value of the estimated future cash outflows to be made by the Group taking into account the years of service, years of entitlement and the likelihood staff will reach the point of entitlement.

KEY JUDGEMENT

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

20. LOANS AND BORROWINGS

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000
Current			
Secured bank loans		-	3,000
Finance lease liabilities		**121**	111
Total current loans and borrowings		**121**	3,111
Non-current			
Secured bank loans		**250**	3,000
Finance lease liabilities		-	129
Total non- current loans and borrowings		**250**	3,129
Total loans and borrowings		**371**	6,240

All financial liabilities are classified as financial liabilities measured at amortised cost.
All loans and borrowings are held on market terms; therefore their carrying amount approximates their fair value.

(a) TERMS AND DEBT REPAYMENT SCHEDULE

The terms and conditions of outstanding loans were as follows:	Facility Expiry	Interest Rate	Year of Maturity	March 2019 $000	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.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

20. LOANS AND BORROWINGS (cont')

(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	**-**	129
Later than five years	**-**	-	**-**	-
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			**-**	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, the Group recognises finance leases as assets and liabilities in the balanace 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.

	Note	**12 months 31 March 2019 $000**	12 months 31 March 2018 $000
(d) LOAN FACILITIES			
The Company has the following undrawn borrowing facilities			
Bank of New Zealand Limited		**9,750**	9,000
Total		**9,750**	9,000

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000

21. DEFERRED TAXATION

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000
Balance at beginning of period		**28,895**	28,601
Deferred tax on temporary differences		**982**	294
Balance at end of period		**29,877**	28,895

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

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 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.

22. OPERATING LEASE ARRANGEMENTS

Network Tasman has 18 non-cancellable operating leases as lessor of land and buildings that comprise the investment property portfolio.

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000
No later than one year		**1,271**	1,489
Later than one year and not later than five years		**3,640**	3,882
Later than five years		**174**	818
		5,085	6,189

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 (2018: $1,859,000)

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000
23. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating surplus after tax		**9,699**	10,534
Items not involving cash flows:			
Depreciation & amortisation		**8,965**	8,480
Movement in deferred taxation		**982**	294
Non cash customer contributions		**(2,883)**	(2,007)
Change in fair value		**(1,272)**	(1,683)
Equity accounted earnings from associate and joint ventures		**253**	(98)
Bad debts written off		**26**	64
(Gain) / loss on sale assets		**486**	1,317
		6,557	6,367
Movement in working capital:			
Increase (decrease) in non capital payables		**5,879**	1,161
Increase (decrease) in provisions		**(7)**	(152)
(Increase) decrease in non capital receivables		**(889)**	(212)
		4,983	797
Net cash flows from operating activities		**21,239**	17,698

24. CASH FLOWS FROM FINANCING ACTIVITIES

There are no significant non-cash movements arising in relation to the carrying amount of Network Tasman'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.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

25. RELATED PARTY INFORMATION

Parent entity

The holding entity of the company is the Network Tasman Trust which holds 100% of the company's shares (100% 31 March 2018). Refer to Note 6 for dividends paid to the holding entity.

Associate & joint venture companies		**Percentage owned by Network Tasman Limited**	
		31 March 2019	31 March 2018
Nelson Electricity Limited	Associate company	**50%**	50%
On Metering Limited	Joint venture	**50%**	50%
SmartCo Limited	Associate company	**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 meter rental to SmartCo Limited.

Transactions during the year	**12 months 31 March 2019 $000**	12 months 31 March 2018 $000
Charges from Network Tasman Limited to Nelson Electricity Limited	**2,115**	1,887
Charges from Nelson Electricity Limited to Network Tasman Limited	**8**	7
Charges from Network Tasman Limited to On Metering Limited	**178**	188
Charges from On Metering Limited to Network Tasman Limited	**0**	79
Charges from Network Tasman Limited to SmartCo Limited	**2,528**	2,367
Charges from SmartCo Limited to Network Tasman Limited	**1,025**	1,466
Outstanding balances at year end		
Balance due from Nelson Electricity Limited as at period end	**203**	181
Balance due to Nelson Electricity Limited as at period end	**1**	1
Balance due from On Metering Limited as at period end	**132**	157
Balance due to On Metering Limited as at period end	**-**	-
Balance due from SmartCo Limited as at period end	**468**	449
Balance due to SmartCo Limited as at period end	**112**	90

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

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000
25. RELATED PARTY INFORMATION (cont')			
Key Management personnel compensation			
Salaries and other short-term benefits		1,505	1,483
Post employment benefits		-	-
Other long term benefits		21	20
Termination benefits		-	-
Total key management personnel compensation		1,526	1,503

Other related party transactions

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.

26. FINANCIAL RISK MANAGEMENT

(a) 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 group 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 group 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 overdue	More than 60 days overdue	More than 90 days overdue	More than 120 days overdue	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

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

26. FINANCIAL RISK MANAGEMENT (cont')

31 March 2018	Current	More than 30 days overdue	More than 60 days overdue	More than 90 days overdue	More than 120 days overdue	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

Movement in loss allowance	**12 months 31 March 2019 $000**	12 months 31 March 2018 $000
Opening balance	**15**	-
Receivables written off during period	**(12)**	(56)
Unused amount reversed	**(3)**	-
Additional loss allowance recognised in income statement during the year	**15**	71
Closing balance	**15**	**15**

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

Concentrations of credit risk

The company's significant customers are electricity retailers of which Contact Energy Ltd was 23% (2018 : 22%) at balance date.
The credit risk is not considered to be high. Apart from the 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 27.
Short-term investments mature within the range of on-call to 90 days. The current interest rate on these investments are range from 1.55% (31 March 2018: 1%)

Interest rate sensitivity analysis

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

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

26. FINANCIAL RISK MANAGEMENT (cont')

(b) LIQUIDITY RISK

Network Tasman Ltd 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 date of the second sales discount payment from December to March. All creditors and other payables are settled within a 30 day term.

Contractual maturities of financial liabilities

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**

(c) FOREIGN CURRENCY RISK

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

Foreign exchange rate sensitivity analysis

There is no foreign currency accounts at balance date.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

	Note	12 months 31 March 2019 $000	12 months 31 March 2018 $000
27. CATEGORIES OF FINANCIAL ASSETS AND 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	**2,069**	1,611
Trade receivables	10	**5,414**	5,000
Sundry receivables	11	**729**	481
Total financial assets measured at amortised cost		**8,212**	7,092
Financial liabilities measured at amortised cost			
Trade and other payables	17	**11,716**	6,273
Finance Leases	20	**121**	240
Loans	20	**250**	6,000
Total financial liabilities measured at amortised cost		**12,087**	12,513
Financial assets held at fair value through profit or loss			
Loan to On Metering Limited	16	**4,239**	4,595

28. COMMITMENTS

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

Capital commitments

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

29. CONTINGENCIES

As at 31 March 2019 there were no material contingent assets or liabilities (31 March 2018: nil).

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

30. PERFORMANCE TARGETS

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

		Actual Result 2019	SCI Target 2019	Actual Result 2018
Financial performance targets				
Total company:				
Surplus before interest, tax, line discount and customer contributions	$mil	**21.4**	19.6	21.8
Operating surplus after tax and customer contributions	$mil	**9.7**	8.6	10.5
Operating surplus to shareholders' funds	%	**4.78%**	4.30%	5.40%
Line business only:				
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
Reliability performance targets **(excludes Transpower planned and unplanned outages)**				
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	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.

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

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

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

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

30. PERFORMANCE TARGETS (cont')

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. NTL internal reliability targets have been increased to accommodate this programme.

Safety of electricity supply		**Actual Result 2019**	**SCI Target 2019**	**Actual Result 2018**
Lost time injuries not to exceed -	number	3	0	0
Public Safety and Damage Events				
Public Injury Events	number	0	0	0
Public Property Damage Events	number	1	0	0
Public Safety Management System (PSMS) certified & audited by Telarc		Yes	Yes	Yes

31. EVENTS OCCURRING AFTER BALANCE DATE

The directors of Network Tasman Limited are not aware of any significant event occurring subsequent to balance date which, if known at balance date, would have resulted in a different assessment within the financial statements.

32. CAPITAL MANAGEMENT

Network Tasman's capital is its issued and paid up capital, share premium reserve and retained earnings. Equity is represented by net assets as disclosed in the balance sheet. The company manages its revenue, expenses, assets and liabilities and day to day financial transactions prudently. The purpose of managing Network Tasman's equity is to ensure the company achieves its goals and objectives, whilst remaining a going concern.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

33. 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 a 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).

Therefore the following are the changes to the balance sheet.

	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
Current assets		**$000**	$000	$000	**$000**	$000	$000
Cash and cash equivalents		**1,611**	-	1,611	**2,758**	-	2,758
Other financial assets	ii	**259**	(259)	-	**259**	-	259
Trade receivables	i	**-**	5,000	5,000	**-**	-	-
Debtors and receivables	i	**5,846**	(5,846)	-	**5,569**	-	5,569
Other current assets	i	**-**	846	846	**-**	-	-
Advances to joint ventures	iii	**6,475**	(6,475)	-	**5,625**	(5,625)	-
Total current assets		**14,191**	(6,734)	7,457	**14,211**	(5,625)	8,586
Non-current assets							
Property, plant and equipment		**184,648**	-	184,648	**183,715**	-	183,715
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
Financial assets held at fair value through profit or loss	iii	**-**	4,595	4,595	**-**	3,882	3,882
Total non-current assets		**223,660**	6,734	230,394	**220,706**	5,625	226,331
Total assets		**237,851**	(0)	237,851	**234,917**	-	234,917

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2019

33. PRIOR PERIOD ADJUSTMENTS (cont')

i Change in categorisation

		12 months 31 March 2018	12 months 31 March 2017
ii	**Restatement of Investment in associates and joint ventures**	**$000**	$000
	Value in previously published accounts "Investment in associates"	**11,601**	11,504
	Reclassification of Loan to SmartCo Limited as Investment in SmartCo Limited	**259**	-
	Share of investment in On Metering Limited	**1,880**	1,743
	Investment in associates and joint ventures	**13,740**	13,247
iii	**Restatement of Loan to On Metering Limited**		
	Value in previously published accounts "Advances to associates"	**6475**	5625
	Prior year change	**(1,743)**	0
	Initial recognition fair value change	**(325)**	(1,743)
	Change in fair value	**188**	0
	Total financial assets held at fair value through profit or loss	**4,595**	3,882
iv	**Restatement changes in Statement of comprehensive income**		
	Total operating revenue		
	Change in fair value	**188**	
	Share of surplus of associates and joint ventures		
	Decrease in share of loss of on Metering	**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.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Network Tasman Limited's group financial statements and performance information for the year ended 31 March 2019

The Auditor-General is the auditor of Network Tasman Limited Group (the company). The Auditor-General has appointed me, John Mackey, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the company on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 22 to 51 and 53 to 55, that comprise the balance sheet as at 31 March 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 52 to 53.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2019; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and
- the performance information of the company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 31 March 2019.

Our audit was completed on 1 July 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, and other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is also responsible on behalf of the company for preparing performance information that is fairly presented.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

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

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We 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 company's internal control.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company'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 financial statements and performance information 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 company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 21 and 60 to 64, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information 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 financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out an assurance engagement pursuant to the Electricity Distribution Information Disclosure Determination 2012 - (consolidated in 2015), which is compatible with those independence requirements. Other than the audit and the assurance engagement, we have no relationship with or interests in the company.

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

Statutory Information

The Group's principal activity is to own and operate the electricity distribution network in the wider Nelson and Tasman areas, excluding Nelson Electricity's supply area in Nelson city.

Principal activities

The Group's principal activity is to own and operate the electricity distribution network in the wider Nelson and Tasman areas, excluding Nelson Electricity's supply area in Nelson city. In addition to its principal activity, the Group has interests in complementary businesses including Network Tasman Fibre (a fibre optic communications network), commercial and industrial property, 50% shareholdings in Nelson Electricity Limited and On Metering Limited and advanced metering on the Network Tasman network.

Auditors

As required by statute the Auditor-General will appoint the auditors and directors will negotiate their fee and terms of audit. The fees paid to the auditors for audit work and other services are disclosed in the financial statements.

Directors holding office during the year were:

- MJ McCliskie (Chair)
- AP Reilly
- SL Smith
- RA Sutton
- SJ Weir
- JO Williamson

Remuneration of directors

Directors received the following fees and benefits:

Director	2019
MJ McCliskie (Chair)	66,188
AP Reilly	38,084
SL Smith	37,654
RA Sutton	37,654
SJ Weir	37,654
JO Williamson	38,084

Remuneration of employees

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

Remuneration band	2019
$100,000 - $109,999	3
$110,000 - $119,999	2
$120,000 - $129,999	1
$160,000 - $169,999	1
$180,000 - $189,999	1
$200,000 - $209,999	1
$220,000 - $229,999	1
$310,000 - $319,999	1

Directors' insurance

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

Directors' benefits

No director of the Group has received or become entitled to receive benefits other than benefits included in the total remuneration listed above. However, directors may receive benefits as consumers of Network Tasman and beneficiaries of the Network Tasman Trust. Any benefits received will be on the same terms and conditions as all other consumers and beneficiaries.

There were no loans made by the Group to any director nor has the Group guaranteed any debts incurred by a director.

Entries recorded in the interests register

The following represents the particulars of the entries made in the Network Tasman's interests register for the year ended 31 March 2019:

MJ McCliskie	Alandale Orchards Limited	Chair
	Nelson Electricity Limited	Director
	Tribunal to consider protection for the Ngaruroro and Clive rivers	Member
	High Health Alliance Limited	Chair (appointed 18 June 2018)
AP Reilly	AP & KM Reilly Limited	Chair
	Ravensdown Limited	Director (ceased 17 September 2018)
	Dos Rios Dairy Limited	Director
	Landcorp Farming Limited	Director
	Queens Farms Limited	Supervisor
SL Smith	Ngai Tahu Tourism Limited	Chair
	EcoCentral Limited	Director
	SLI Systems Limited	Director (ceased 30 January 2019)
	WhereScape Software Limited	Director
	The Lion Foundation	Trustee
	Ohinetahi Charitable Trust	Trustee
	Warren Architects Education Trust	Trustee
	World of Wearable Art Ltd	Chair (appointed 27 February 2019)
RA Sutton	Big Brothers Big Sisters	Board Member
	Roger Sutton Consulting	Principal
	Anglican Church Property Trust	Trustee
	Independent Line Services	Director
	The Lines Company Limited	Consultant/Director
	Christchurch Youth Hub	Trustee (ceased 22 February 2019)
	Christchurch District Energy Company Limited	General Manager (ceased 22 February 2019)
	Wells Group Advisory Board	Member
	EA Networks Limited	Director
	EECA Low Emission Vehicles Contestable Fund Panel	Member (appointed 23 May 2018)
	Christchurch City Mission	Anglican Missioner (appointed 22 February 2019)
SJ Weir	Nelmac Limited	Director
	Marriott Orthodontics Limited	Director
	Anderson Lloyd Lawyers	Consultant to & Former Partner
	Copyright Tribunal	Trustee
	Rata Foundation	Trustee
	Institute of Directors - Nelson/Marlborough Branch	Chair
	Institute of Directors - National Council	Councillor
	Nelson Marlborough Tasman Community Services Forum	Consultant (ceased 28 September 2018)
	Cawthron Institute Trust Board	Trustee
	Care Foundation	Co-Chair (appointed 18 May 2018)
	Nelson Regional Development Agency	Director (appointed 22 October 2018)
JO Williamson	Nelson Tasman Region Hospice Trust Board	Trustee

Corporate Governance

The Board of Directors of Network Tasman Limited and Group (the "board") are guided by a Board Charter which recognises the requirement to adopt best practice in relation to its corporate governance policies and procedures.

The Board is committed to a high standard of corporate governance and is guided by the "Code of Proper Practice for Directors" as recommended by the Institute of Directors in New Zealand.

Role of the Board of Directors

The Board is appointed by the shareholders to supervise the management of the company. The Board establishes the company's objectives, strategies for achieving objectives, the overall policy framework within which the Network Tasman's business is conducted and monitors management's performance. The Board has delegated the day-to-day management of the company to the chief executive.

The Board also ensures that appropriate procedures are in place to provide for effective internal control and that the business complies fully with legislative health and safety requirements.

Board operations and membership

Network Tasman's constitution allows for a maximum of eight directors of the company.

The Board currently comprises six directors: a non-executive Chair and five non-executive directors. Board members have an appropriate range of proficiencies, experience and skills to ensure that all governance responsibilities are completed to ensure the best possible management of resources.

Network Tasman's constitution sets out policies and procedures for the operation of the Board, including the appointment and removal of directors.

The full board met 12 times during the financial year ended 31 March 2019.

Associate Director Programme

During the year Network Tasman Limited and shareholder Network Tasman Trust introduced an Associate Director Programme designed to offer emerging directors the opportunity to accelerate their boardroom experience for a period of twelve months with observer status on the Board of Network Tasman.

The aim of the programme is to enhance the capability of senior leaders embarking on a governance career and to increase the availability of talented people for appointment to boards within the Nelson/Tasman region. It will provide support to emerging directors with ongoing mentoring and opportunities for professional development and social networking within the governance environment.

Board Committees

Health and Safety Committee

The Board has a Health and Safety Committee, comprising the full Board, to maintain an effective governance framework in accordance with relevant legislation and achieve the safety vision of "everyone safe, all of the time". The committee is tasked with ensuring that health and safety are key considerations in every operational decision made within the company.

Management and the Board are focused on ensuring a thorough health and safety management system (HSMS) oversight process is operating across all business units of the company. Activities include reviews with contractors and site visits. The committee met three times during the year.

Remuneration Sub-committee

The Board has a Remuneration Sub-committee comprising three non-executive directors. The Remuneration Sub-committee is responsible for assisting the Board in overseeing the appointment, performance and remuneration of the chief executive and members of the executive team (including succession planning) and reviewing the Remuneration Policy with the objective of being a good employer. The committee met once during the year.

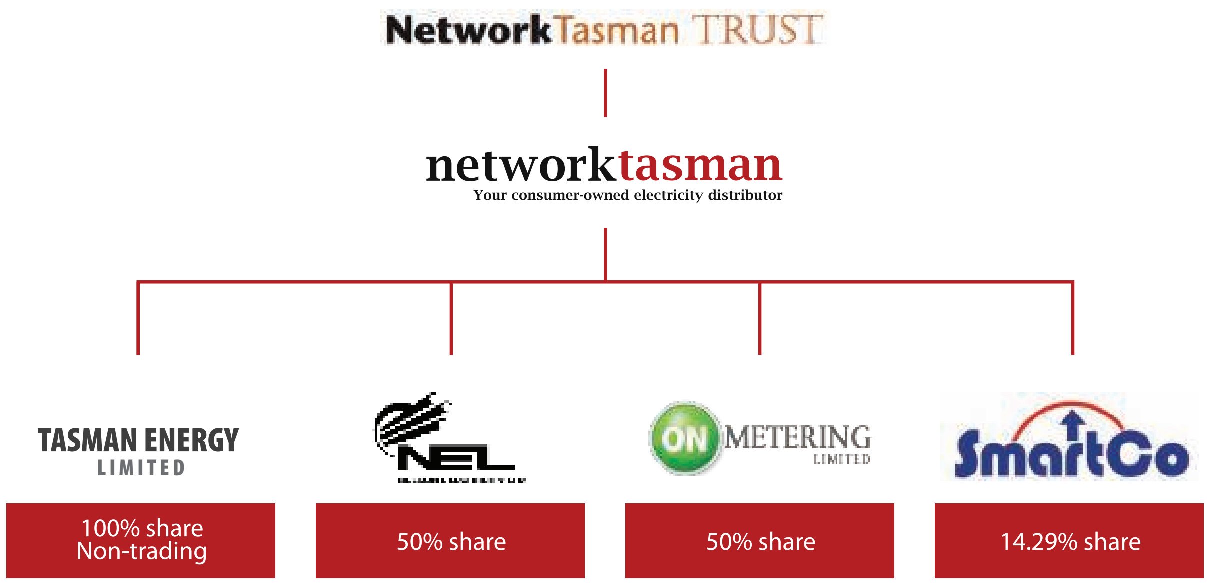
Audit and Risk Sub-committee

The Board has an Audit and Risk Sub-committee comprising two non-executive directors. The Audit and Risk Sub-committee is responsible for overseeing the financial, accounting and internal and external audit activities of the company, including reviewing the adequacy and effectiveness of internal controls and monitoring of corporate risk assessment, meeting with and reviewing the performance of the external auditors, reviewing the financial statements and making recommendations on financial and accounting policies. The committee met three times during the year. Specific areas overseen by the Audit Sub-committee include the following:

- **Risk Management**

  The Board has overall responsibility for the company's risk management and internal control systems. The Board has established policies and procedures that are designed to provide effective internal control. Annual budgets, asset management plans, business plans and longer-term strategic plans are prepared and agreed by the Board, as well as a delegated authority

Network Tasman Ownership Structure as at 31 March 2019



policy. Financial statements and operational reports are prepared on a monthly basis and reviewed by the Board throughout the year to monitor performance against budget targets and objectives.

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

- **Internal Audit**

  The Board maintained an internal audit programme during 2018/19, utilising an experienced independent internal auditor. Four audits were completed during the year.

- **Treasury Policy**

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

Pricing Sub-committee

The Board has a Pricing Sub-committee comprising two non-executive directors. The Pricing Sub-committee is responsible for assisting management and the Board to monitor and implement the current pricing strategy and in developing future pricing strategy based on key principles including "no surprises"/predictability, economic efficiency and equity. Activities include benchmarking with other electricity lines businesses, maintaining common standards, sending consumers signals on future price changes ahead of time and overseeing the five yearly price resets. The committee met four times during the year.

Telecommunications and AMI Sub-committee

The Board has a Telecommunications and AMI Sub-committee comprising two non-executive directors. The committee is responsible for overseeing the company's fibre network and advanced metering activities including the development of new business opportunities. The committee did not meet during the year with all activities overseen by the full board.

Statement of Corporate Intent

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

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

The Role of the Shareholder Trust

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

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

networktasman
Your consumer-owned electricity distributor

Corporate Directory

Directors

John McCliskie – Chair
Tony Reilly
Roger Sutton
Sarah Smith
Sarah-Jane Weir
James Williamson

Associate Director

Robyn Wilson

Executive

Oliver Kearney
Chief Executive Officer

Robert Derks
Operations Manager

Kerry Haycock
Corporate Services Manager

Murray Hendrickson
Network Manager

Andrew Stanton
Advanced Metering & Telecommunications Manager

Daniel Vincent
Regulatory & Commercial Manager

Network Tasman Trust

Gwenny Davis – *Chair*
Patrick Adamson
Ian Barker
Judene Edgar
Ian Kearney
Terry Kreft

Head Office

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

Telephone: 64 3 989 3600 or 0800 508 098
Facsimile: 64 3 989 3631
E-mail: info@networktasman.co.nz
Website: www.networktasman.co.nz

Auditor

Audit New Zealand on behalf of the Auditor-General

Bankers

Bank of New Zealand

Solicitors

Pitt & Moore

Trust Secretary

Marina Buonocore
C/- Craig Anderson Limited

270A Queen Street, Richmond
PO Box 3115, Richmond 7050

Telephone: 64 3 544 6179
Facsimile: 64 3 544 5979
E-mail: marina@caca.co.nz