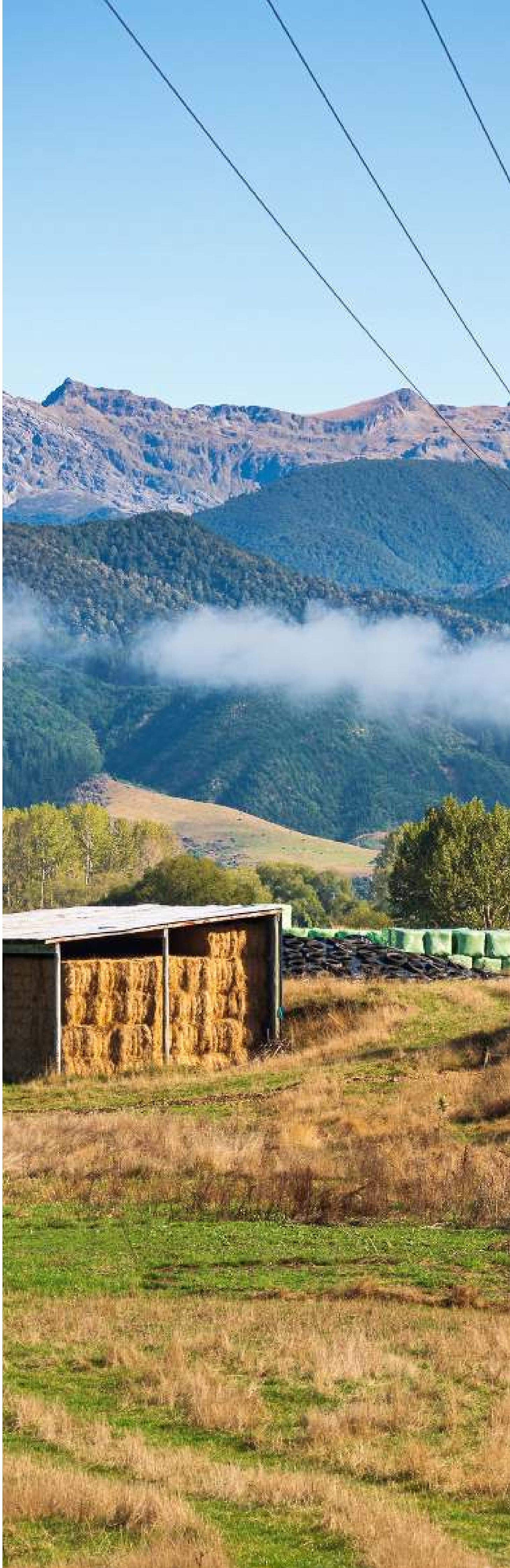
networktasman
Your consumer-owned electricity distributor

2021 ANNUAL REPORT

Contents



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 safe & wellbeing, one team, innovative, collaborative and trusted.

2021 Highlights

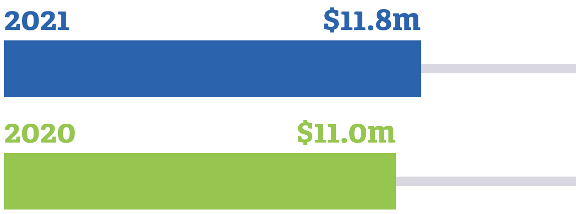
Financial

Operating revenue

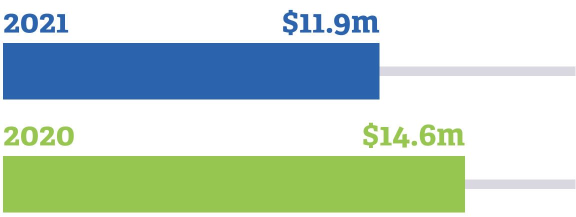
EBITDA

Discounts

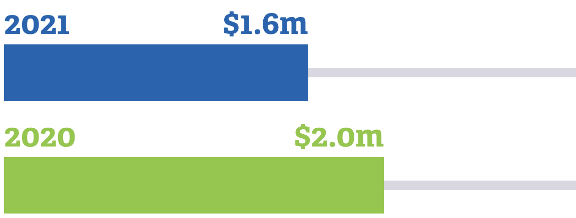
Surplus after tax



Capital spend



Dividends



Reliability

Planned SAIDI (minutes)

2021 116

2020 102

Unplanned SAIDI (minutes)

2021 87

2020 83

SAIFI (outages)

2021 1.18

2020 1.24

Network

Network Connections

2021 41,735

2020 41,031

Advanced meters installed

2021 38,258

2020 36,071

Energy volumes delivered (GWh)

2021 662

2020 654

Safety

Public safety or property damage

2021 1

2020 0

Lost time injury

2021 0

2020 2

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 2021.

The company is pleased to report an operating surplus of $11.8 million against our SCI target of $5.0 million ($11.0 million in 2019/20). Regional growth has continued to support strong contributions across all of the businesses and allowed us to continue to invest in the safety and reliability of our networks.

The company invested a total of $11.9 million in the network for the year ($14.6 million in 2020). A major project completed during the year was development of a new 33kV/11kV substation at Wakapuaka and associated feeder cables.

Planned outages were again high during the year as we continued our programme to replace our aging light copper conductor. Overall, SAIDI was 203 minutes for the year.

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.

The company remains in a sound financial position with a balanced portfolio of regulated and non-regulated businesses, no term debt and strong cash flows that fund our re-investment in the network.

Our network provides an open network to all customers with Network Tasman taking a neutral role between retailers and generators.

COVID-19

The COVID-19 pandemic had the potential to have a significant impact on the communities we serve. During the Government response to the COVID-19 pandemic Alert Levels 3 and 4, Network Tasman's staff worked remotely. With field work limited to emergency response work under Alert Level 4, this initially delayed maintenance and capital work by about one month which

Five Year Trend

	2021	2020	2019	2018	2017
Revenue ($m)	**54.7**	48.3	51.6	50.7	46.2
Earnings before interest, tax, depreciation & customer contributions ($m)	**22.4**	19	20	21.1	17.9
Net operating cash flow ($m)	**16.2**	14.9	21.2	17.7	13.8
Total cash dividends paid ($m)	**1.6**	2.0	2.0	2.0	2.0
Total electricity into network (GWh)	**752**	746	761	747	737
Electricity maximum demand (MW)	**144**	142	132	139	137

was caught up over the following months. Field operations resumed under Alert Level 3 in late April 2021. With staff working from home, there was a small reduction in some overhead costs, for example electricity and vehicle expenses. With working remotely being more common, travel expenses were less than in the past. Network Tasman did not to apply for the Government's wage subsidy.

There was no impact on supply under Alert Levels 3 and 4. In respect of SAIFI, the number of interruptions was consistent with the balance of the financial year, and similar to previous years. Although our staff were working remotely, this did not affect our response times to emergency repairs. This meant that there was also no significant impact on our SAIDI results.

While electricity usage by different groups of customers was affected by the COVID-19 restrictions, overall electricity line revenue was not impacted. Due to the challenges faced by consumers from COVID-19, payment of the winter discount was brought forward from September to July 2020. This discount payment was also increased by $1 million to offset the 4% price increase Network Tasman applied from 1 April 2020. Revenue from our investments in metering and fibre services was largely unaffected although Network Tasman did provide some rental relief to tenants affected by the shutdown.

Risk Management

This year we have maintained our continuous review of our risk matrix across all of the company's activities. This matrix identifies the key risks facing the company and is reviewed by the Board on a regular basis.

We have a robust risk management and insurance programme in place and are confident in our restoration capability to deal with a natural disaster affecting our network. Covid-19 confirmed our ability to manage the network remotely and we have reviewed where we can further strengthen our resilience for future events.

Network Tasman continues to engage leading cyber security consultants to complete annual cyber security reviews including penetration testing and assessment of controls. Overall their reviews found that our IT systems are adequate with a programme of continual improvement of the security maturity level. We also receive security advice and support from recognised leaders in cyber security and deploy tools to improve the security of our systems.

Health and Safety

Workplace health, safety and wellbeing 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.

Regular review and improvement of our health and safety systems is an integral part of our approach to reflect the dynamic and ever changing nature of health and safety. Effective communication, creating opportunities for engagement, and providing resources and support are priorities to ensure our people work safely at all times.

Contractors are an essential part of our business and as such present a unique combination of risks across each contractor interaction. We have introduced networking forums as a pro-active way of strengthening our relationships and connection to this vital part of our business.

New initiatives continue to strengthen and refine Network Tasman's health and safety management systems. The commitment to review and improve, alongside building a 'just' safety culture focused on learning from incidents rather than finding blame, is resulting in improved engagement and more effective risk management practices. The events of the Covid-19 pandemic assisted us to develop greater rigour and flexibility to respond to organisational, national and global challenges and influences.

DIRECTORS' AND CEO REPORT

Asset Management

During the year we completed the re-tendering of our maintenance and minor capital projects contract with Delta being reappointed for an initial term of 5 years.

Management and the Board devoted considerable time to developing our Asset Management Plan (AMP). The company continues to focus on network condition and the implementation of a pro-active programme of maintenance and asset renewals. 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. Over the next ten years, we expect that there will be a lift in demand across the region as efforts to decarbonise the economy begin to impact energy use.

The growth in the region has brought forward a number of projects to ensure security of supply.

We completed development of a new 33kV/11kV zone substation at Wakapuaka and associated 33kV feeder cables and are well underway with plans to upgrade both the Motueka and Motupipi sub-stations over the next two years.

Financial Position

The company remains in a sound financial position with strong operating cash flows and no term debt. Going forward, we have the financial capacity to meet our Asset Management Plan's 10-year capital expenditure programme as well as fund complementary investments should they arise.

Network Tasman again paid a fully imputed dividend of $1.6 million to our shareholder, the Network Tasman Trust. Local consumer ownership of the network has returned in excess of $245 million by way of discounts and dividends since the company was established in 1993.

Sustainability and Decarbonisation

The final report of the Climate Change Commission contains a number of recommendations which will have far reaching implications for the New Zealand electricity sector. Decarbonisation of industrial process heat and transport sectors will over a period of time significantly increase the load on our network and require investment in our electricity distribution networks.

While there remains uncertainty around the speed of change, what is clear is that demand for renewable energy will increase significantly and electricity transmission and distribution networks will be at the heart of the country's efforts to decarbonise. Network Tasman has always taken a long term view on asset management planning and we are actively reviewing plans to ensure we can meet expected load growth as it occurs.

We have reviewed the impact climate change will have on our assets and how our asset management plans can increase the resilience of our network.

Network Tasman believes that environmental sustainability is integral to operating as a successful well managed business and we are looking to improve the environmental sustainability in all of our operations. We are committed to reducing our environmental impact and continually improving our environmental performance.

Pricing and Discounts

Network Tasman continues to have one of the lowest residential line charges in the country. Consumers received $13.5 million including GST credited to their power accounts ($12.1 million in 2020). This included bringing forward and increasing by $1 million, the winter discount paid to consumers. The winter discount was increased and brought forward in response to the COVID-19 pandemic and its effects on consumers across our network.

As a regulated business, Network Tasman remains subject to the Commerce Commission's Default Price Path regime (DPP). The DPP regime was re-set for a five-year period from 1 April 2020. The 2020 reset saw a reduction in the weighted average cost of capital (WACC) permitted for

regulated distributors from 7.19% to 4.57%.

The reduced WACC significantly lowered the maximum revenue the company is allowed to recover each year from prices. Network Tasman remains well below the revenue cap set by the Commerce Commission ($1.5 million below the cap for the current year).

Network Tasman Fibre

Network Tasman Fibre continues to expand the range of fibre services we provide to the local market. Connections on the network continue to grow, as previously contracted residential and commercial sub-divisions are completed, and our valued added services such as our managed CCTV service increases. The fibre business continues to have a strong forward work programme of new contracted residential and commercial sub-divisions.

While competition from wireless service providers is likely to intensify as new generations of technology are developed, fibre networks have demonstrated their resilience and ability to meet the ever increasing demands for data capacity.

Advanced Meters

Network Tasman provides advanced metering services to 75% of our ICPs. Returns from the investment are underpinned by long term contracts with major retailers. Our associate company, SmartCo Limited is developing a number of tools that will enable us to more effectively manage our network.

With the mass deployment of electronic meters by Network Tasman now complete, the focus has shifted to how we can use the data provided by the meters to improve how we manage our network assets.

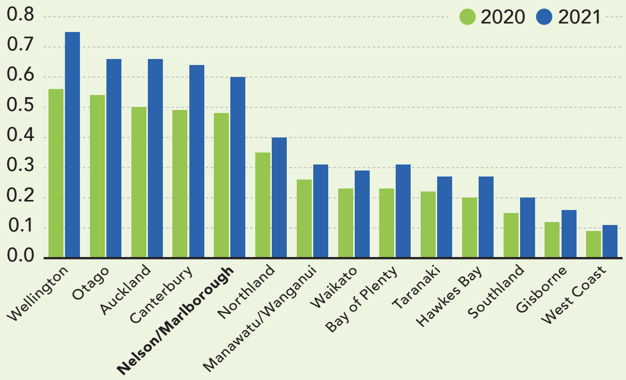
Emerging Technologies

New technologies are becoming increasingly mainstream and their economic viability continues to improve. The Tasman region has one of the highest penetration rates for 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. Co-operation and knowledge sharing will contribute to an environment that allows for more efficient investment in and use of new technologies.

The company works closely with solar installers to ensure all installations comply with our technical and safety standards and balance benefits for consumers and the load management needs of the network. As part of this process we have trialed grid tied battery/ inverter options, firstly with a system that will be set up in "energy arbitrage" mode and secondly an "on demand discharge" mode. As with controlled hot water storage, distributed batteries may form an integral part of the future energy solution for our customers and to maximise our network performance.

Electric Vehicles per 1000 people



DIRECTORS' AND CEO REPORT

On Metering Limited (OML) our joint venture with Alpine Energy Limited, currently has 28,928 meters installed on the MainPower network (75% of the total ICP's). After a period of significant investment in its advanced meter deployment, On Metering is forecast to deliver returns to shareholders going forward.

Nelson Electricity Limited (50% owned)

Nelson Electricity Limited supplies electricity to 9,278 consumers in the Nelson city area. The network is primarily underground and provides consumers with one of the most reliable networks in the country. Nelson Electricity paid a fully imputed dividend of $1.4 million (Network Tasman's share $0.7 million) for the year.

Investment Properties

The investment property portfolio of commercial and industrial properties continues to provide a high standard of quality office and industrial accommodation. The company completed re-scheduling of the land at Hope purchased in 2018. This re-scheduling will allow commercial and industrial developments to occur as demand permits and has significantly enhanced development options for the site.

Returns from the company's investment properties continue to be underpinned by the buoyant property sector and changes to market yields. A number of rental reviews were completed during the year with increases reflecting market movements. The weighted average lease term for the portfolio is currently 6.2 years. Returns were also supported by an uplift in valuation for the portfolio as yields firmed from 6.75% to 6.0% for the Queen Street property and from 7.5% to 6.75% for our industrial holdings.

Associate Director

The Board welcome the appointment of Venus Sood Guy as an Associate Director with Board observer status. The Associate Director Programme, a joint initiative of Network Tasman and shareholder Network Tasman Trust, is designed to offer emerging directors the opportunity to accelerate their boardroom experience for a period of sixteen months on the board of Network Tasman.

Outlook

The Government's recently announced initiatives to stimulate electric vehicle ownership is likely to lead to increasing demand across our network. Decarbonisation of the industrial process heat and transport sectors will require us to make significant new investments in our core electricity distribution network.

Network Tasman is fortunate to have the financial strength and capability to manage this additional investment. We remain confident that our dedicated team will continue to deliver a safe and reliable service to our customers and the communities in which we operate.

Acknowledgments

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. We would like to acknowledge the staff of Network Tasman who have delivered another successful year.

John McCliskie
Chairman

Oliver Kearney
Chief Executive Officer

Board of Directors

Michael J McCliskie (John)
Dip. Horticulture, CFInstD

Chairman (since 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 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 a number of private companies.

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

Director (since 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 Independent Chair of Nelson Bays Primary Health and a director of Nelson Regional Development Agency Limited, Rata Foundation, on the National Council for Institute of Directors and is active in the not-for-profit sector.

Sarah Smith
BCom, CFInstD

Director (since 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 World of Wearable Arts. Sarah is also a trustee of The Lion Foundation and for several charitable organisations. She is a Chartered Fellow of the Institute of Directors.

Lindsay R McKenzie
BSc, IOD

Director (since 2019)

Lindsay has enjoyed a successful public sector career as General Manager of Southland Regional Council and latterly, Chief Executive of Gisborne District Council. From 2012 to 2018 he served as Chief Executive of Tasman District Council. More recently he has been contracted as an external adviser to two Crown Entities and is currently a director of Taylors Contracting Limited. Lindsay is the President of the Nelson YMCA Inc, a Justice of the Peace and active in the voluntary sector.

Allan J V Miller
PhD, B.E. Hons, MInstD, M.EEANZ, SMIEEE

Director (since 2020)

Allan is an electrical engineer and has held roles in high-tech product development and the electricity industry. He is a member of the Innovation and Participation Advisory Group (IPAG) to the Electricity Authority and the NZ Battery Project Technical Reference Group. Previously he worked at Transpower and Western Power (Perth) and was a director of the Electric Power Engineering Centre (EPECentre), where he established and led the GREEN Grid research programme. Prior to that Allan was Managing Director of Allied Telesis Labs, a product development centre for the Japanese internet infrastructure and security company Allied Telesis.

Financial Performance

Network Tasman maintains a robust financial position to meet the ongoing needs of our customers and shareholder.

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 2020/21, delivering an operating surplus of $11.8 million, $6.8 million above the target of $5.0 million and $0.8 million above last year.

The major variance from last year was an increase in distribution revenue of $1.9 million, property revaluation of $2.8 million and vested assets of $1.9 million offset by increased expenses of $1.5 million and a deferred tax charge of $3.1 million resulting from impact the property portfolio revaluations, vested assets and financing arrangements (2020 $1.5 million deferred tax credit). 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 $4.1 million reflect the continued buoyant nature of the residential property market with a number of large subdivisions being developed across the region.

Consumers received two line discounts totalling a record $13.5 million including GST ($12.1 million in 2020) that were credited to consumers' power accounts during the year.

Cash flow from operations was $16.2 million for the year, $1.3 million above last year with a stronger than expected recovery from COVID-19.

The 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 $4.1 million.

Financial performance targets

		Actual Result 2021	SCI Target 2021	Actual Result 2020
Total company:				
Surplus before interest, tax, line discount and customer contributions	$mil	**24.8**	16.1	20.3
Operating surplus after tax and customer contributions	$mil	**11.8**	5.0	11.0
Operating surplus to shareholders' funds	%	**5.32%**	2.35%	5.20%
Line business only:				
Cash operating costs per consumer	$	**283**	277	304
Line Charge Discounts (Excluding GST)	$mil	**11.8**	10.5	10.5

Network Tasman spent $11.9 million on capital expenditure during the year.

Our capital investment in the electricity network has been concentrated on accommodating the growth that is occurring on our region and improving network safety and reliability.

The reliability of the electricity distribution network is a key company objective. To meet this objective directors continue to review capital expenditure plans, network design and management options to improve feeder reliability across the network.

Non-Regulated Businesses

In the non-regulated business units, 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 the steady growth in rural sub-divisions in the Tasman Region.

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 2021.

The company paid a fully imputed dividend of $1.6 million to the Network Tasman Trust.

2021 Financial Highlights

OPERATING REVENUE

$54.7m

↑ $6.4m

SURPLUS AFTER TAX

$11.8m

↑ $0.8m

EBITDA

$26.5m

↑ $5.1m

CAPEX SPEND

$11.9m

↓ $2.7m

DISCOUNTS (INCL. GST)

$13.5m

↑ $1.4m

DIVIDENDS

$1.6m

↓ $0.4m

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 2021, On Metering had deployed a total of 28,928 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 $0.7 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 100% 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

Network Tasman is committed to ensuring the health and safety of all people affected by the work we do, including employees, contractors, visitors and members of the public.

Health and Safety

Over the 2020/21 year, Network Tasman has faced many new challenges resulting from the worldwide COVID-19 pandemic. It has been a year of intense health and safety growth, and the resulting momentum and increased capability is continuing as we refine our existing health and safety management system. This will ensure we have the rigour and flexibility to respond to organisational, national, and global influences appropriately.

Ensuring our health and safety management system reflects Network Tasman's business scope, and as such protects our workers, contractors and all others affected by the work we do, remains our ultimate priority. We are actively reviewing the quality of our system through internal and external audit procedures, and are continuing to implement initiatives that engage workers and stakeholders so we remain aware of and responsive to needs. Supporting our staff by ensuring appropriate resources are available, promoting training, creating processes that encourage incident reporting, and promoting overall personal wellbeing in the workplace, are some of the ways we are striving to ensure our workplace is one that is both safe and enjoyable to work in.

A focus on early hazard identification and ongoing analysis of safety performance for both internal and external groups is continuing to clarify where we can improve. This is providing a solid framework for monitoring existing and identifying new business risks, and positive gains are evident in Network Tasman's

2021 Operational Highlights

RE-TENDERED

Completed a successful re-tender process for the maintenance and minor capital works programme.

COMPLETED

Completed new Wakapuaka substation and 33kV Wakapuaka cable extension.

REPLACED

Completed replacement of a further 22km of the ten-year light copper conductor replacement programme.

management of these and the remedial actions implemented in response.

Contractors are an essential part of our business operations. As part of Network Tasman's contract management initiatives, networking forums have continued to be a pro-active way of increasing our relationships and connection to this vital part of our business.

Alongside new initiatives, our existing health and safety protocols continue to strengthen Network Tasman's Health and Safety Management System. This includes routine drug and alcohol testing, an active staff Health and Safety Committee, internal and external auditing of safety equipment, site inspections, management of fleet vehicle safety, and on-site safe work observations by management and directors. Training completed over the year included first aid, defensive driving, staff and contractor health and safety inductions, safety toolbox training sessions, and contractor forums targeting key safety obligations.

Review of core safety policies continued through the year, particularly our Working Alone, Fatigue, and Covid-19 Alert Level Operational Protocols. These developments underpinned an upgrade of personnel and vehicle tracking systems, and greater utilisation of a bulk text messaging facility to assist staff communication in emergency situations.

In summary, the deepening resourcefulness and commitment of Network Tasman to health and safety is continuing to grow. Looking forward, our focus remains on strengthening our safety maturity in practical integrated ways over the coming year.

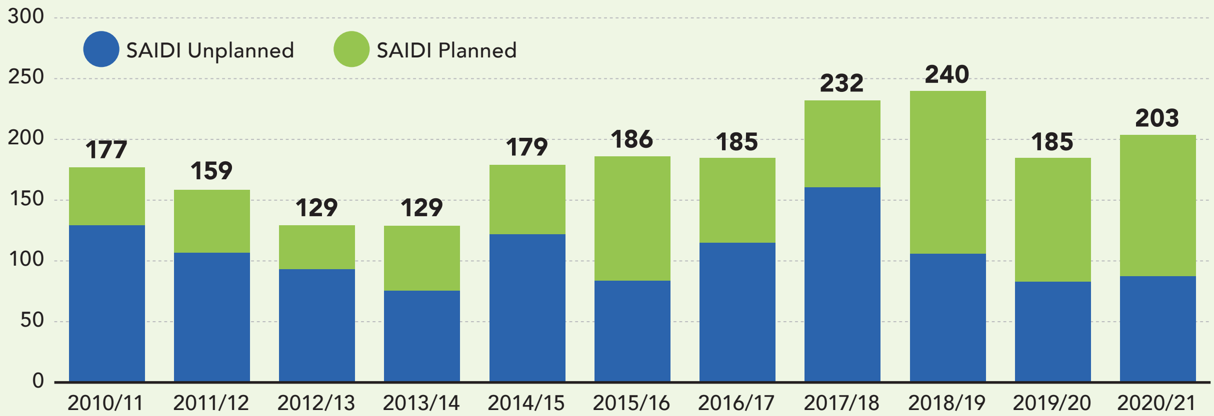
Safety of electricity supply

		Actual Result 2021	SCI Target 2021	Actual Result 2020
Lost time injuries not to exceed -	number	**0**	0	2
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

There was no public safety injury and one public property damage incident recorded during the year. Network Tasman's safety incidents reported over the year capture both internal incidents and those reported by our major contractor organisations.

Measuring our SAIDI performance

Reliability performance targets (excludes Transpower planned and unplanned outages)



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 Planned SAIDI index was 116 minutes for the year (102 minutes for 2019/20) and Unplanned SAIDI index was 87 minutes for the year (83 minutes for 2019/20). 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 with the actual results for the year.

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

There were no extreme weather events during the year, but unplanned outages occurred from a mix of common causes, these being car versus pole, trees felled over lines, bird strikes, broken insulators and a small number cable faults.

Planned SAIDI was above target for the year as a result of our ongoing light copper reconductoring renewal project on our high voltage network. This work will continue for the next seven years and we now expect planned SAIDI to be around 100 minutes per annum during this period.

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.

OPERATIONAL PERFORMANCE

Capital Expenditure

The company spent $9.1 million on the distribution network with $0.9 million in new customer connections, $3.5 million in system growth, $3.3 million on replacement and renewal and $1.2 million on reliability and safety.

During the year, 704 consumer connections were added to the network, representing a growth rate of 1.7%. Network Tasman is budgeting to spend $135 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.

Major projects completed during the year included completion of the new Wakapuaka substation and 33kV Wakapuaka cable extension and undergrounding of power lines running along Ellis Street, Brightwater.

Key planned/projects for 2021/22 include continuation of the light copper conductor replacement programme, upgrades of the Motupipi and Motueka zone substations and a Founders Park to Wakapuaka 33 kV cable.

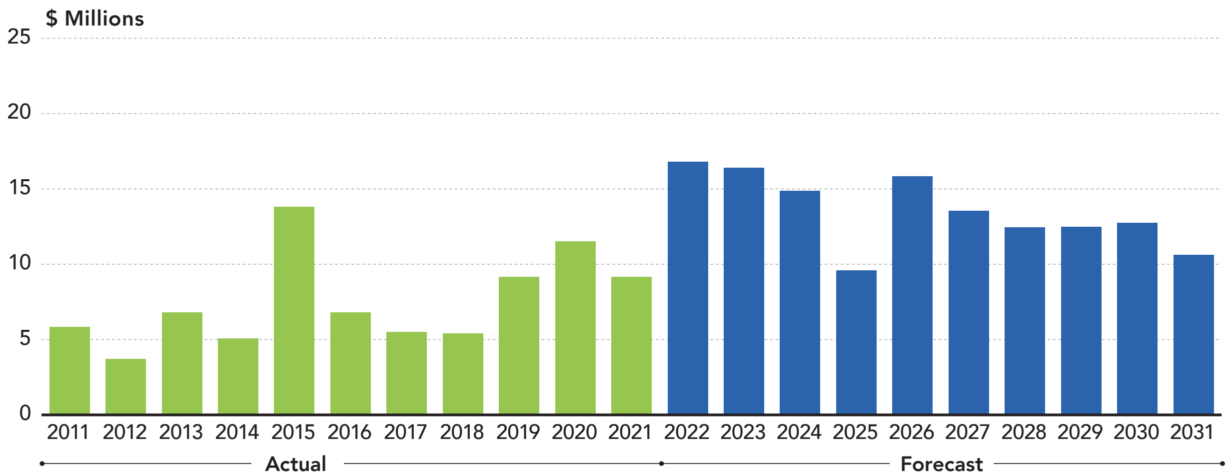
Network Maintenance

Network Tasman spent $6.6 million on network maintenance, including $1.5 million on vegetation management, during the 2020/21 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.

Projected network capital expenditure



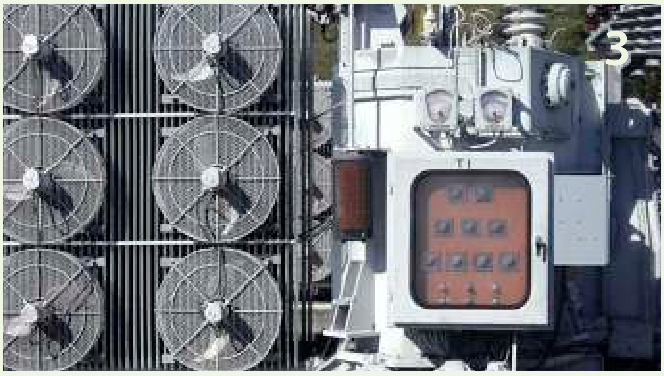
Capital expenditure

Four major projects progressed during 2021

1 Ten year programme to replace 210kms of aging light copper conductors. These older light copper conductors are reaching the end of their useful life. The company replaced 22kms during the year and now has a total of 148kms of light copper conductor to be replaced. 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.

2 An on-going programme to replace pole-mounted transformers with pad (ground) mounted units. The company had a total of 480 pole mounted transformers and is completing a risk based programme to replace forty-nine urban platform substations with older heavy 300kva transformers, urban platform substations erected since 2001 and the remaining highest access risk substations with pad mounts. The remaining thirty-five will be replaced over the next 5 years at an estimated cost of over $3 million.

3 Progressed the upgrade of the Motupipi substation project to replace existing aged equipment that has reached end of life and improves the security of the supply for Golden Bay through the provision of upgraded and expanded assets (n-1 security).



4 Commenced planning for the upgrade of the Motueka substation project that replaces existing aged equipment that has reached end of life. The upgrade will improve the security of the supply for the Motueka area through the provision of upgraded and expanded assets to support growth in the area.

OPERATIONAL PERFORMANCE

Regulation

As a non-exempt electricity distribution company, Network Tasman continues to be subject to price and quality regulation 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 2020/21.

In 2020/21, Network Tasman's total line revenue was $1.5 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 DPP3 reset applying from 1 April 2020.

Network Tasman is also subject to regulation from the Electricity Authority. The Electricity Authority's areas of focus that are relevant for the distribution sector include:

- Encouraging more cost-reflective distribution and transmission pricing; and
- Removing inefficient barriers to the development and use of evolving technologies and business models across the electricity supply chain.

The Government's Electricity Price Review working group published its final report in October 2019. The review's primary focus was on consumer interests and concerns - particularly affordability, energy hardship and giving consumers more influence on the direction of the industry.

Although the distribution sector undoubtedly has an influence on these matters, the report's recommendations on these issues largely related to other parts of the electricity sector. Of most relevance to Network Tasman were the recommendations to repeal the low fixed charge tariff regulations and give the Commerce Commission more power to exempt distributors from price and quality regulation.

The Government has an ongoing work programme to implement many of the report's recommendations, including the two recommendations most relevant to Network Tasman.

Looking forward, industry regulation will need to evolve to ensure the distribution sector can efficiently assist New Zealand to make a smooth transition to a low carbon economy. At this stage, it is not clear how the Government and industry regulators (the Electricity Authority and the Commerce Commission) will alter Network Tasman's regulatory environment. However, notwithstanding this regulatory uncertainty, the company continues to proactively prepare the network, and its processes and practices, to ensure Network Tasman is a facilitator of the transition to a low carbon economy.

Network supply and demand profile

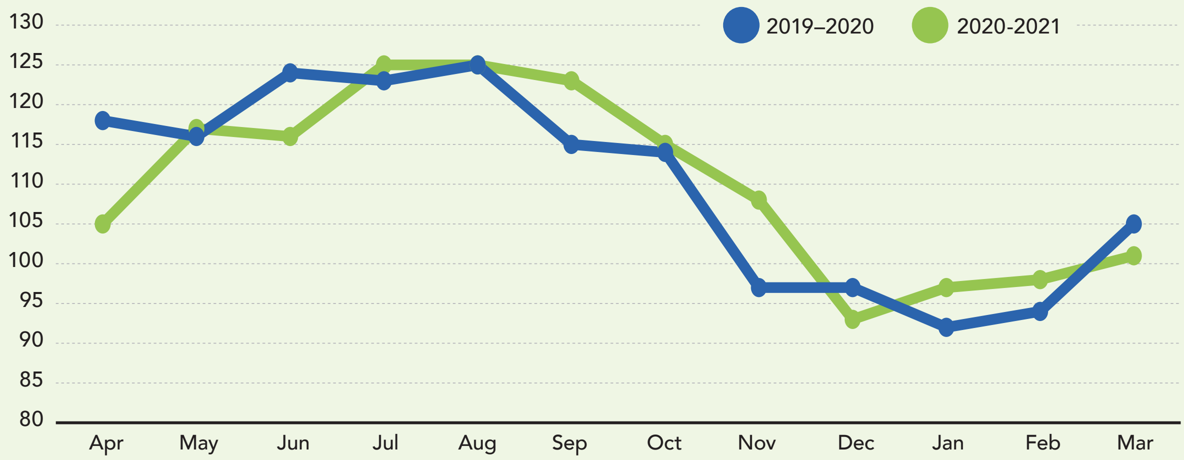
The fundamental requirement for long term network planning is a sound demand forecast.

The risks to the company'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 and severely under-utilised assets.

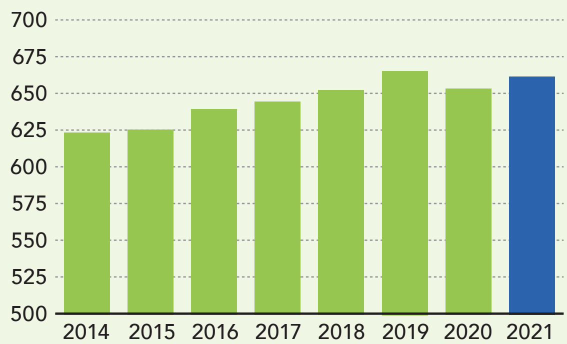
It provides potential for significant optimisation of assets in future valuations with corresponding impacts in price movements and financial performance.

Our AMP is based on a comprehensive demand forecast using the most current information available. This year's review was undertaken with the background of the COVID-19 pandemic gripping the world. Regional activity in some sectors has been negatively impacted but in general the impact has been resilient and ahead of expectations.

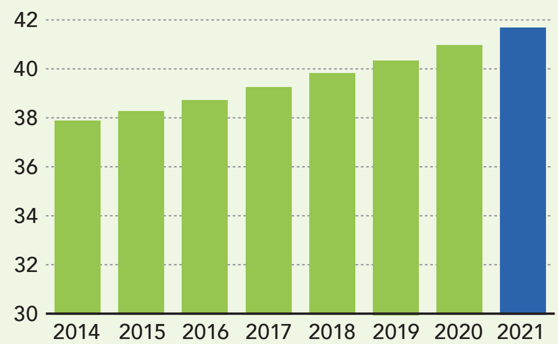
Total Monthly Max System Demand (MWh)



Energy delivered to NTL's network (GWh)



Consumer connections (000's)



OPERATIONAL PERFORMANCE

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.

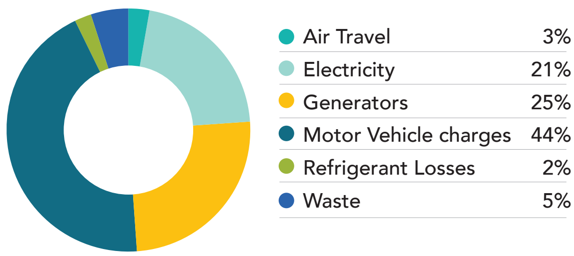
The company has considered the impact of climate change, adding this to our risk register and taking the necessary steps to identify threats and to protect our network assets.

Network Tasman believes that businesses are responsible for achieving good environmental practice and operating in a sustainable manner. As such we are committed to reducing our environmental impact and continuing to improve our environmental performance as an integral and fundamental part of our business strategy and operating methods.

We have seen continued progress achieved from last year with the exception of generator usage. Overall we have seen an 11.8% increase in our emissions over the past year.

The challenges between reliability and carbon neutrality are evident. The lower activity from COVID-19 is balanced against the need to utilise generators to support planned outages in Golden Bay and prevent breaching our DPP reliability

Our carbon footprint emissions profile



limits. The necessary generator use contributed 24.9% of the increase for the year. Excluding the generator impact, emissions reduced by 13.1% largely driven by a significant reduction in air travel and the use of Zoom meetings during and after the COVID-19 lockdowns. This is expected to be an ongoing benefit.

At this point in time we have not had our assessment verified by an independent auditor.

We have excluded the calculation of the electricity transmission and distribution losses (TDL) which is our largest emission and currently exclude our contractors' carbon footprint. Excluding the TDL emissions make the graphics above meaningful as we have virtually no control over the TDL emissions.

Our carbon footprint primarily arises from network operations (74%) and our corporate activities (26%).

We are establishing an ESG (Environmental, Social and Governance) reporting framework during 2021.

Financial Statements

The directors of Network Tasman Limited (Network Tasman) 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 2021 and the results of their operations and cash flows for the year ended 31 March 2021.

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 the determination of the financial position of Network Tasman Limited and Group and facilitate compliance of the financial statements with New Zealand equivalents to International Financial Reporting Standards.

The directors are pleased to present the financial statements of Network Tasman Limited and Group for the year ended 31 March 2021.

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

For and on behalf of the board of directors:

MJ McCliskie
Chairman
30 June 2021

AP Reilly
Director
30 June 2021

Network Tasman Limited & Group

Statement of Comprehensive Income

For the year ended 31 March 2021

	Note	**12 months 31 March 2021 $000**	12 months 31 March 2020 $000
Total operating revenue	2	**54,662**	48,314
Total operating expenses	3	**(38,233)**	(37,141)
Operating surplus		**16,429**	11,173
Share of surplus of associate and joint ventures	15	**704**	954
Operating surplus before income tax		**17,133**	12,127
Income tax (expense) / income	4	**(5,322)**	(1,097)
Operating surplus for the period		**11,811**	11,030
Other comprehensive income		**-**	-
Total comprehensive income		**11,811**	11,030
TOTAL COMPREHENSIVE INCOME			
Comprehensive income from continuing activities		**11,811**	11,030
Comprehensive income from discontinued activities		**-**	-
		11,811	11,030

Statement of Changes in Equity

For the year ended 31 March 2021

	Note	2021	2020
TOTAL EQUITY AT BEGINNING OF PERIOD	7	**211,951**	202,921
Total comprehensive income		**11,811**	11,030
OTHER MOVEMENTS			
Distributions to owners during the period	6	**(1,600)**	(2,000)
Total equity at end of period	7	**222,162**	211,951

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 Financial Position

As at 31 March 2021

	Note	**As at 31 March 2021 $000**	As at 31 March 2020 $000
CURRENT ASSETS			
Cash and cash equivalents	9	**4,069**	517
Trade receivables	10	**5,357**	5,063
Other current assets	11	**958**	867
Loans to joint ventures	17	**3,739**	3,989
Total current assets		**14,123**	10,436
NON-CURRENT ASSETS			
Property, plant and equipment	12	**204,581**	197,955
Investment properties	13	**34,040**	30,323
Intangible assets	14	**447**	404
Investment in associate and joint ventures	15	**13,235**	13,231
Other non-current assets	16	**933**	-
Total non-current assets		**253,236**	241,913
Total assets		**267,359**	252,349
CURRENT LIABILITIES			
Trade and other payables	18	**12,720**	10,512
Tax payable	19	**396**	742
Provisions	20	**328**	265
Loans and borrowings	21	**-**	250
Total current liabilities		**13,444**	11,769
NON-CURRENT LIABILITIES			
Provisions	20	**250**	238
Deferred taxation	22	**31,503**	28,391
Total non-current liabilities		**31,753**	28,629
EQUITY			
Attributable to shareholders of the company	7	**222,162**	211,951
Total equity		**222,162**	211,951
Total liabilities and equity		**267,359**	252,349

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 2021

	Note	**12 months 31 March 2021 $000**	12 months 31 March 2020 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		**50,667**	44,559
Dividend income received		**700**	1,050
Interest income received		**2**	11
		51,369	45,620
Cash was applied to:			
Payments to suppliers and employees		**32,589**	27,783
Income tax paid		**2,556**	2,883
Interest expense paid		**50**	35
		35,195	30,701
Net cash flows from operating activities	24	**16,174**	14,919
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		**123**	67
Repayment of investment in associates and joint ventures		**250**	250
		373	317
Cash was applied to:			
Purchase of property, plant and equipment and investment properties		**11,145**	14,667
		11,145	14,667
Net cash flows from investing activities		**(10,772)**	(14,350)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was applied to:			
Term loans	21	**250**	-
Dividends paid		**1,600**	2,000
Lease repayments	21	**-**	121
		1,850	2,121
Net cash flows from financing activities	25	**(1,850)**	(2,121)
NET INCREASE (DECREASE) IN CASH HELD		**3,552**	(1,552)
Cash balances at beginning of period		**517**	2,069
Cash balances at end of period		**4,069**	517
COMPOSITION OF CASH BALANCES AT END OF YEAR			
Cash on hand and at bank		**90**	90
Cash equivalents - term deposits		**3,979**	427
Total	9	**4,069**	517

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 2021

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 Statement of Financial Position 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, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and notes to these statements.

STATUTORY BASE

The financial statements have been prepared in accordance with the Energy Companies Act 1992 and New Zealand equivalents to International Financial Reporting Standards.

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 not applied new standards and amendments for the year ending 31 March 2021.

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.

SUMMARY OF KEY ACCOUNTING POLICIES

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

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the period if the change affects only that period, or into future periods if it also affects future periods.

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

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

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2021

2. OPERATING REVENUE

	Note	12 months 31 March 2021 $000	12 months 31 March 2020 $000
CONTINUING ACTIVITIES			
Revenue from contracts with customers		**43,636**	42,147
Revenue from property rental		**1,961**	1,951
Vested assets		**4,535**	2,594
Interest income		**2**	11
Increase in fair value of investment properties	13	**3,440**	665
Gain on sale of assets		**5**	2
Depreciation Recovered		**14**	-
Other revenue		**1,069**	944
Total operating revenue from continuing activities		**54,662**	48,314
REVENUE FROM CONTRACTS WITH CUSTOMERS			
Distribution network revenue		**37,116**	35,260
Technology networks revenue		**5,435**	5,738
Connection fees and levies		**494**	375
Customer contributions		**116**	271
Management fees		**195**	195
Sundry income		**280**	308
		43,636	42,147

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2021

2. OPERATING REVENUE (cont')

ACCOUNTING POLICY

REVENUE

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 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 as it accrues. Dividend income is recognised 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 surplus / deficit

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 2021

	Note	12 months 31 March 2021 $000	12 months 31 March 2020 $000
3. OPERATING EXPENSES			
Operating expenses include:			
Gross transmission costs		**12,966**	12,531
Operation & Maintenance		**6,823**	6,737
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT AND AMORTISATION OF INTANGIBLE ASSETS			
Distribution network		**5,898**	5,798
Technology networks		**2,428**	2,412
Land & buildings		**168**	182
Plant & equipment		**153**	168
Computer equipment		**86**	296
Intangible assets		**403**	229
Total depreciation of property, plant and equipment and amortisation of intangible assets		**9,136**	9,085
Auditors' fees			
Audit fee - Network Tasman Ltd		**71**	69
Other assurance services - Audit New Zealand		**48**	60
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		**6**	89
Interest Expense			
Interest paid		**50**	35
Other expenses			
Directors' fees		**233**	242
Donations		**9**	7
Employment costs		**4,180**	3,973
Loss on disposal of assets		**224**	156
Short term leases	21	**6**	6
Other expenses		**4,481**	4,151
Total expenses from continuing activities		**38,233**	37,141

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2021

4. INCOME TAX

	Note	12 months 31 March 2021 $000	12 months 31 March 2020 $000
Operating surplus before income tax		**17,133**	12,127
Prima facie taxation at 28%		**4,797**	3,396
Plus / (less) taxation effect of:			
Non-taxable customer contributions		**(1,154)**	(675)
Depreciation		**(2)**	352
Equity accounted earnings from associate and joint ventures		**(197)**	(267)
Change in fair value of investment properties		**(963)**	(186)
Movement in deferred tax		**3,112**	(1,486)
Other adjustments		**(271)**	(37)
		525	(2,299)
Under/(Over) provision from prior years			-
Income tax expense recognised in statement of financial performance		**5,322**	1,097
Comprising:			
Current tax liability		**2,210**	2,583
Deferred tax on temporary differences	22	**3,112**	(1,486)
		5,322	1,097

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 2021

	Note	12 months 31 March 2021 $000	12 months 31 March 2020 $000
5. IMPUTATION CREDIT ACCOUNT			
Imputation credits available for use in subsequent reporting periods		**26,466**	24,606
6. DIVIDENDS			
Dividends during the period:			
Dividends paid (3.497 cents per share)		**1,600**	2,000
Total dividends paid		**1,600**	2,000
7. EQUITY			
Issued and paid up capital		**57,185**	57,185
Share premium reserve		**1,938**	1,938
Retained earnings	8	**163,039**	152,828
Total equity		**222,162**	211,951
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 2021

	Note	**12 months 31 March 2021 $000**	12 months 31 March 2020 $000
8. RETAINED EARNINGS			
Balance at beginning of period		**152,828**	143,798
Operating surplus for the period		**11,811**	11,030
Total available for appropriation		**164,639**	154,828
Dividends paid	6	**(1,600)**	(2,000)
Balance at end of period		**163,039**	152,828

9. CASH AND EQUIVALENTS

Cash on hand and at bank	**90**	90
On call deposits	**3,979**	427
Total cash and equivalents	**4,069**	517

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 0.1% (31 March 2020: 0.1%).

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 2021

10. TRADE RECEIVABLES

	Note	**12 months 31 March 2021 $000**	12 months 31 March 2020 $000
Current			
Trade receivables		**5,370**	5,078
Less loss allowance		**(13)**	(15)
Total current receivables		**5,357**	5,063

The carrying value of receivables approximates their fair value. As at 31 March 2021 and 31 March 2020 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.

11. OTHER CURRENT ASSETS

	Note	**12 months 31 March 2021 $000**	12 months 31 March 2020 $000
Sundry receivables		**284**	369
Prepayments	16	**674**	498
		958	867

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2021

12. PROPERTY, PLANT AND EQUIPMENT

	Electricity distribution network	Technology networks	Land & buildings	Plant and equipment	Computer equipment	Right-of-use assets	Assets under construction	Total assets
	$000	$000	$000	$000	$000	$000	$000	$000
COST OR VALUATION								
Balance at 31 March 2019	221,989	35,179	11,505	1,671	1,787	2,823	7,246	**282,200**
Additions / adjustments	12,531	2,728	1,346	75	279	-	(238)	**16,721**
Disposals	(220)	(60)	(22)	(23)	(15)	-	-	**(340)**
Balance at 31 March 2020	**234,300**	**37,847**	**12,829**	**1,723**	**2,051**	**2,823**	**7,008**	**298,581**
Balance at 1 April 2020	234,300	37,847	12,829	1,723	2,051	2,823	7,008	**298,581**
Additions / adjustments	11,672	1,969	132	147	(127)	-	1,894	**15,687**
Disposals	(321)	(153)	(36)	(66)	(404)	-	-	**(980)**
Balance at 31 March 2021	**245,651**	**39,663**	**12,925**	**1,804**	**1,520**	**2,823**	**8,902**	**313,288**
ACCUMULATED DEPRECIATION								
Balance at 31 March 2019	71,804	13,313	2,132	841	1,066	2,728	-	**91,884**
Depreciation expense	5,703	2,412	179	168	296	95	-	**8,853**
Elimination on disposal	(79)	(1)	-	(16)	(15)	-	-	**(111)**
Balance at 31 March 2020	**77,428**	**15,724**	**2,311**	**993**	**1,347**	**2,823**	**-**	**100,626**
Balance at 1 April 2020	77,428	15,724	2,311	993	1,347	2,823	-	**100,626**
Depreciation expense	5,898	2,428	173	153	86	-	-	**8,738**
Elimination on disposal	(140)	(34)	(28)	(61)	(394)	-	-	**(657)**
Balance at 31 March 2021	**83,186**	**18,118**	**2,456**	**1,085**	**1,039**	**2,823**	**-**	**108,707**
CARRYING AMOUNTS								
As at 31 March 2020	**156,872**	**22,123**	**10,518**	**730**	**704**	**-**	**7,008**	**197,955**
As at 31 March 2021	**162,465**	**21,545**	**10,469**	**719**	**481**	**-**	**8,902**	**204,581**

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, nor are any items of property, plant and equipment pledged as security for liabilities.

IMPAIRMENT

The company performed a fair value assessment of the property, plant and equipment and consider the carrying value is appropriate and no impairment is required. In assessing the need for an impairment the following was considered.

i. Discounted cashflow calculation was also performed on the electricity distribution network using a post tax WACC of 4.6% resulting in a value in excess of the carrying value at 31 March 2021. A sensitivity analysis on the discounted cashflow calculation indicates that a 0.5% change in WACC would result in a $7.0 million increase or a $7.3 million decrease in the fair value. The revenue forecast is based on pricing to the regulatory revenue cap.

ii. Two discounted cashflow calculations were prepared to estimate the value of the technology networks, which comprise the fibre and metering cash generating units. The weighted average post tax WACC rate for the two valuations is 5.5%, and with a sensitivity from this rate of 0.5%, the estimated valuation is $31 - $33 million. The revenue forecast is based on the contracted income and market driven sales.

Network Tasman Limited & Group

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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

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12. PROPERTY, PLANT AND EQUIPMENT (cont')

ACCOUNTING POLICY

that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Right-of-use assets

Right-of-use assets are included in property, plant and equipment on the balance sheet. Right-of-use assets relate to historic assets constructed at Transpower NZ Limited's grid exit points prior to the introduction of NZ IFRS 16. The corresponding lease liability is outlined in note 21(c).

KEY JUDGEMENT

Significant judgement is exercised in assessing potential indicators of impairment and carrying out any required impairment tests. This includes that choice of WACC rate and forecasts. No impairments have been recognised in the current year.

13. INVESTMENT PROPERTIES

	Note	12 months 31 March 2021 $000	12 months 31 March 2020 $000
Movement in investment properties			
Opening balance		**30,323**	29,459
Plus additions		**370**	150
Depreciation expense		**5**	(3)
Plus / (less) fair value gain / (loss) on valuation		**3,440**	665
Plus increase / (decrease) in assets under construction		**(98)**	52
Closing balance		**34,040**	30,323
Investment properties are represented by:			
Land		**13,165**	12,326
Buildings		**20,863**	17,887
Assets under construction Investment		**12**	110
Total investment properties		**34,040**	30,323

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 property's main tenants are Farmlands Limited, Delta Utilities Limited (the company's main network contractor) and vacant land scheduled for development. The Group has no restrictions on the realisability of it's investment properties.

Investment properties were valued by M W Lauchlan FNZIV, FPINZ, AREINZ, an independent registered valuer of Duke & Cooke Limited as at 31 March 2021. 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

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For the year ended 31 March 2021

13. INVESTMENT PROPERTIES (cont')

Reconciliation of Fair Value	Office / commercial $000	Industrial $000	Other $000	12 months 31 March 2021 $000	12 months 31 March 2020 $000
Opening balance	15,237	14,001	1,085	30,323	29,459
Additions	93	270	7	370	150
Disposals	-	-	-	-	-
Depreciation expense	4	1	-	5	(3)
Plus increase / (decrease) in assets under construction	-	(94)	(4)	(98)	52
Change in fair value	1,930	1,392	118	3,440	665
Closing Balance	**17,264**	**15,570**	**1,206**	**34,040**	**30,323**

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 these properties 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.

Three investment properties are valued using an income capitalisation valuation method. Capitalisation rates range from 5.75% - 6.75% with weighted average lease terms of .5 years – 2.6 years. A 0.25% reduction in the capitalisation rate increases the fair value of the properties by $1.0 million, and an 0.25% increase in the capitalisation rate decreases the fair value of the properties by $1.1 million.

The Valuer reported, despite early predictions, the commercial property market has remained resilient and observed property transactions have shown a continued downward trend in investment yields, especially for those properties where long-term tenant occupation is secure. Longer term uncertainty remains for properties having a reliance on travel and tourism for their income or ability to pay rent.

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

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For the year ended 31 March 2021

	Note	12 months 31 March 2021 $000	12 months 31 March 2020 $000
14. INTANGIBLE ASSETS			
Movement in intangible assets			
Opening balance		**404**	350
Plus additions		**449**	283
Less amortisation		**(403)**	(229)
Less disposals		**(272)**	-
Plus accumulated provision write back on disposal		**269**	-
Closing balance		**447**	404

Intangible assets are represented by:

	At cost $000	Accum. amortisation $000	Carrying amount $000
Intangible assets - 31 March 2021			
Computer software	2,671	2,224	447
Total Intangible assets	**2,671**	**2,224**	**447**
Intangible assets - 31 March 2020			
Computer software	2,494	2,090	404
Total Intangible assets	2,494	2,090	404

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

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For the year ended 31 March 2021

15. INVESTMENT IN ASSOCIATE AND JOINT VENTURES

Name of entity	Activity	Note	12 months 31 March 2021 $000	12 months 31 March 2020 $000
Nelson Electricity Limited	Distribution network owner & operator		**11,894**	11,676
Ownership interest			**50%**	50%

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

	Note	12 months 31 March 2021 $000	12 months 31 March 2020 $000
Results of associate			
Share of surplus before income tax		**1,264**	1,611
Movement in NEL deferred tax		**(72)**	(29)
Income tax		**(383)**	(423)
Share of comprehensive income		**809**	1,159
Total recognised revenues and expenses		**809**	1,159
Carrying value of associate			
Opening balance at beginning of period		**11,785**	11,676
Share of comprehensive income		**809**	1,159
Dividends received		**(700)**	(1,050)
Closing balance at end of period		**11,894**	11,785

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 financial statements.

	12 months 31 March 2021 $000	12 months 31 March 2020 $000
Assets	**18,076**	18,393
Liabilities	**6,182**	6,607
Revenues	**4,689**	4,945
Surplus / (deficit)	**809**	1,159

Network Tasman Limited & Group

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15. INVESTMENT IN ASSOCIATE AND JOINT VENTURES (cont')

Name of entity	Activity	Note	12 months 31 March 2021 $000	12 months 31 March 2020 $000
On Metering Limited	Meter deployment company		**1,082**	1,187
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.

	Note	12 months 31 March 2021 $000	12 months 31 March 2020 $000
Results of joint venture			
Share of deficit before income tax		**(67)**	(70)
Late adjustment from last year		**(38)**	(135)
Movement in deferred tax		**(12)**	(2)
Income tax		**12**	2
Share of comprehensive income / (loss)		**(105)**	(205)
Total recognised revenues and expenses		**(105)**	(205)
Carrying value of joint venture			
Opening balance at beginning of period		**1,187**	1,392
Share of comprehensive income		**(105)**	(205)
Closing balance at end of period		**1,082**	1,187

On Metering loss is 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.

	Note	12 months 31 March 2021 $000	12 months 31 March 2020 $000
Assets		**4,985**	5,321
Liabilities		**3,904**	4,134
Revenues		**1,059**	1,095
Surplus / (deficit)		**(105)**	(205)

Network Tasman Limited & Group

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For the year ended 31 March 2021

15. INVESTMENT IN ASSOCIATE AND JOINT VENTURES (cont')

	Note	12 months 31 March 2021 $000	12 months 31 March 2020 $000
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.			
Results of associate			
Share of surplus before income tax		**11**	2
Income tax		**(11)**	(2)
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		**-**	-
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		**600**	618
Liabilities		**417**	434
Revenues		**2,538**	2,463
Surplus / (deficit)		**-**	-
Total carrying value of associates and joint ventures			
Nelson Electricity Limited		**11,894**	11,785
On Metering Limited		**1,082**	1,187
SmartCo Limited		**259**	259
Total		**13,235**	13,231

Impairment

An impairment assessment for Nelson Electricity Limited and On Metering Limited has been completed with no impairment identified.

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 associates and joint ventures is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. If an entity's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the entity discontinues recognising its share of further losses.

Network Tasman Limited & Group

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For the year ended 31 March 2021

16. OTHER NON-CURRENT ASSETS

Prepayment

	Total Cost $000	Life of Asset	Annual Payment $000
Asset Constructed by Transpower under a New Investment Agreement (Asset completed June 2019)	6,220	55 years	113

	Note	12 months 31 March 2021 $000	12 months 31 March 2020 $000
Expense for year		**113**	-
Prior period expense (June 2019 to March 2020)		**85**	-
		198	-
Payments for year		**1,244**	-
Less expense for year		**(198)**	-
Total prepayment		**1,046**	-
Current prepayment	11	**113**	-
Non-current prepayment		**933**	-
		1,046	-

17. LOANS TO JOINT VENTURES

Loan to On Metering Limited		**3,739**	3,989
Total loans to joint ventures		**3,739**	3,989
On Metering Limited			
Opening balance		**3,989**	4,239
Less repayments		**(250)**	(250)
Closing balance at end of period		**3,739**	3,989

ACCOUNTING POLICY

With the loan repayable on demand, it is measured at amortised cost.

18. TRADE AND OTHER PAYABLES

Current

Trade payables and accruals	**12,720**	10,512
Total current payables and accruals	**12,720**	10,512

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

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	Note	12 months 31 March 2021 $000	12 months 31 March 2020 $000
19. TAX PAYABLE			
Current			
Tax Payable		**396**	742
Total tax payable		**396**	742
20. PROVISIONS			
Current			
Employee entitlements		**328**	265
Total current provisions		**328**	265
Non-current			
Employee entitlements		**250**	238
Total non-current provisions		**250**	238
Total Provisions		**578**	503
Provision for employee entitlements			
Balance at beginning of period		**503**	476
Additional provisions made		**341**	356
Amount utilised		**(266)**	(329)
Balance at end of period		**578**	503
The provision for employee entitlements relates to employee benefits such as accrued annual leave, long service leave and sick leave.			
Total Provisions		**578**	503

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 determining the Group's liability for non-vested long service and retiring leave entitlements.

Network Tasman Limited & Group

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For the year ended 31 March 2021

21. LOANS AND BORROWINGS

	Note	12 months 31 March 2021 $000	12 months 31 March 2020 $000
Current			
Secured bank loans		-	250
Total loans and borrowings		-	250

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

(a) TERMS AND DEBT REPAYMENT SCHEDULE

The terms and conditions of outstanding loans were as follows:	Maturity	Interest Rate	Face Value	March 2021 $000	March 2020 $000
Bank of New Zealand Limited - Secured	25 Sep 2023	2.45%	$10 million	-	250
				-	**250**

(b) SECURITY

Bank of New Zealand Limited

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

(c) LEASE LIABILITIES

ACCOUNTING POLICY

Loans and borrowing include term loans and lease liabilities.

LEASE LIABILITIES

Except for certain short-term and low-value leases, NZ IFRS 16 requires all leases to be recognised as leases and shown in loans and borrowings on the statement of financial position.

Network Tasman applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term, (note 3).

At the commencement of the lease term, the Group recognises leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The amount recognised as an asset is depreciated over its useful life or the shorter of the lease term and useful life.

Network Tasman Limited & Group

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For the year ended 31 March 2021

21. LOANS AND BORROWINGS (cont')

	Note	12 months 31 March 2021 $000	12 months 31 March 2020 $000
(d) LOAN FACILITIES			
The Company has the following undrawn borrowing facilities			
Bank of New Zealand Limited		**10,000**	5,750
Total		**10,000**	5,750

22. DEFERRED TAXATION

	Note	12 months 31 March 2021 $000	12 months 31 March 2020 $000
Balance at beginning of period		**28,391**	29,877
Deferred tax on temporary differences		**3,112**	(1,486)
Balance at end of period		**31,503**	28,391

Analysis of temporary deferred tax differences

For the year ended 31 March 2021	**Fixed assets $000**	**Provisions $000**	**Prepayments $000**	**Total $000**
Opening balance	28,529	(138)	-	28,391
Charge to income	2,840	(21)	293	3,112
Closing balance	31,369	(159)	293	31,503

For the year ended 31 March 2020	**Fixed assets $000**	**Provisions $000**	**Lease $000**	**Total $000**
Opening balance	30,043	(133)	(33)	29,877
Charge to income	(1,515)	(5)	34	(1,486)
Closing balance	28,528	(138)	1	28,391

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 result in reducing the deferred tax liability. Adjustments for prepayments result in increasing the deferred tax liability.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2021

23. OPERATING LEASE ARRANGEMENTS

Network Tasman has 17 non-cancellable operating leases as lessor of land and buildings that comprise the investment property portfolio.

	Note	**12 months 31 March 2021 $000**	12 months 31 March 2020 $000
Analysis of operating leases			
No later than one year		**1,363**	1,586
Later than one year and not later than five years		**1,649**	3,071
Later than five years		**-**	5
		3,012	4,663

The lease arrangements are renewed on a periodic basis as disclosed in the lessors' individual contracts.
In 2021 rental income received from leases with non-cancellable operating lease arrangements amounted to $1,961,000 (2020: $1,951,000)

24. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Note	**12 months 31 March 2021 $000**	12 months 31 March 2020 $000
Operating surplus after tax		**11,811**	11,030
Items not involving cash flows:			
Depreciation & amortisation		**9,136**	9,085
Movement in deferred taxation		**3,112**	(1,486)
Non cash customer contributions		**(4,535)**	(2,594)
Change in fair value		**(3,440)**	(665)
Equity accounted earnings from associate and joint ventures		**(3)**	96
Bad debts written off		**6**	89
(Gain) / loss on sale assets		**205**	154
		4,481	4,679
Movement in working capital:			
Increase (decrease) in non capital payables		**1,103**	(1,430)
Increase (decrease) in provisions		**76**	26
(Increase) decrease in non capital receivables and prepayments		**(1,297)**	614
		(118)	(790)
Net cash flows from operating activities		**16,174**	14,919

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2021

25. 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.

26. 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 2020). Refer to Note 6 for dividends paid to the holding entity.

Associate & joint venture companies		**Percentage owned by Network Tasman Limited**	
		31 March 2021	31 March 2020
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.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2021

26. RELATED PARTY INFORMATION (cont')

	12 months 31 March 2021 $000	12 months 31 March 2020 $000
Transactions during the year		
Charges from Network Tasman Limited to Nelson Electricity Limited	**1,767**	1,638
Charges from Nelson Electricity Limited to Network Tasman Limited	**8**	8
Charges from Network Tasman Limited to On Metering Limited	**199**	140
Charges from On Metering Limited to Network Tasman Limited	**-**	0
Charges from Network Tasman Limited to SmartCo Limited	**2,821**	2,631
Charges from SmartCo Limited to Network Tasman Limited	**932**	968
Outstanding balances at year end		
Balance due from Nelson Electricity Limited as at period end	**175**	161
Balance due to Nelson Electricity Limited as at period end	**1**	1
Balance due from On Metering Limited as at period end	**144**	130
Balance due to On Metering Limited as at period end	**-**	-
Balance due from SmartCo Limited as at period end	**525**	498
Balance due to SmartCo Limited as at period end	**97**	111

Network Tasman received a dividend from Nelson Electricity (note 15), and a loan repayment from On Metering (note 16). No related party debts have been written off or forgiven during the period (31 March 2020 : nil).

Key Management personnel compensation		
Salaries and other short-term benefits	1,600	1,570
Post employment benefits	-	-
Other long term benefits	26	23
Termination benefits	-	-
Total key management personnel compensation	1,626	1,593

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.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2021

27. FINANCIAL RISK MANAGEMENT

(a) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in 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
- Loans to joint ventures

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 determined for trade receivables is:

31 March 2021	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	0.21%	0.36%	0.41%	0.55%	2.09%	
Carrying amount trade receivables	5,206	54	18	2	90	5,370
Loss allowance	11	-	-	-	2	13

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2021

27. FINANCIAL RISK MANAGEMENT (cont')

31 March 2020	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	0.14%	2.65%	2.00%	2.28%	2.91%	
Carrying amount trade receivables	4,722	293	15	9	39	5,078
Loss allowance	6	8	-	-	1	15

Movement in loss allowance	12 months 31 March 2021 $000	12 months 31 March 2020 $000
Opening balance	**15**	15
Receivables written off during period	**(8)**	(96)
Unused amount reversed / additional amount provided	**(7)**	81
Additional loss allowance recognised in income statement during the year	**13**	15
Closing balance	**13**	**15**

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

Concentrations of credit risk

The company's significant customers are electricity retailers of which Contact Energy Ltd was 21% (2020 : 22%) at balance date.

The credit risk is not considered to be high. Apart from the advances of $3.7 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 28.

The loan to joint ventures is repayable on demand, therefore no interest is charged. An assessment of the value of On Metering Ltd has been performed showing the business value is in excess of the value of Network Tasman's investment and there is no impairment required.

Short-term investments mature within the range of on-call to 90 days. The current interest rate on these investments are in the range from 0.1% (31 March 2020: 0.1%)

Interest rate sensitivity analysis

As at 31 March 2021 the weighted average term deposit interest rate was 0.1% (31 March 2020: 0.1%). If this rate changed by 1%, with all other things held constant, the surplus for the year would have been $4,000 (2020: $4,000) higher or lower.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2021

27. FINANCIAL RISK MANAGEMENT (cont')

(b) LIQUIDITY RISK

Liquidity risk is the risk that the company will encounter difficulty raising liquid funds to meet commitments as they fall due.
Network Tasman Ltd currently holds $4.1 million (31 March 2020: $0.5 million) of cash and short term deposits and holds $13.4 million (31 March 2020: $11.8 million) of current assets to current liabilities. The current ratio is 1.1:1 (31 March 2020 0.9:1).
All creditors and other payables are settled within a 30 day term.

Contractual maturities of financial liabilities

31 March 2021	Less than 12 months	12 months to 2 years	2 to 3 years	Total
Trade payables	12,720	-	-	12,720
	12,720	**-**	**-**	**12,720**

31 March 2020	Less than 12 months	12 months to 2 years	2 to 3 years	Total
Trade payables	10,512	-	-	10,512
Secured bank loans	250	-	-	250
	10,762	**-**	**-**	**10,762**

(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 are 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 2021

28. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	Note	**12 months 31 March 2021 $000**	12 months 31 March 2020 $000
Financial assets measured at amortised cost			
Cash and cash equivalent	9	**4,069**	517
Trade receivables	10	**5,357**	5,063
Sundry receivables	11	**284**	369
Loans to joint ventures	17	**3,739**	3,989
Total financial assets measured at amortised cost		**13,449**	9,938
Financial liabilities measured at amortised cost			
Trade and other payables	18	**12,720**	10,512
Loans	21	**–**	250
Total financial liabilities measured at amortised cost		**12,720**	10,762

29. 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 2021 $7.9 million (31 March 2020 : $8.2 million).
All capital commitments fall due within the next five years.

30. CONTINGENCIES

As at 31 March 2021 there were no material contingent assets or liabilities (31 March 2020: nil).

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2021

31. PERFORMANCE TARGETS

The following financial and reliability performance targets for the 12 months ending 31 March 2021 are specified in the company's Statement of Corporate Intent (SCI). Forecast results are compared to the performance targets below:

		Actual Result 2021	SCI Target 2021	Actual Result 2020
Financial performance targets				
Total company:				
Surplus before interest, tax, line discount and customer contributions	$mil	**24.8**	16.1	20.3
Operating surplus after tax and customer contributions	$mil	**11.8**	5.0	11.0
Operating surplus to shareholders' funds	%	**5.3%**	2.3%	5.2%
Line business only:				
Cash operating costs per consumer	$	**283**	277	304
Line Charge Discounts (Excluding GST)	$mil	**11.8**	10.5	10.5
Reliability performance targets **(excludes Transpower planned and unplanned outages)**				
Average duration of supply interruptions per connected consumer (SAIDI) not to exceed -	minutes	**203**	175	185
Average number of supply interruptions per connected consumer (SAIFI) not to exceed -	number	**1.18**	1.61	1.24
Average duration of supply interruptions (CAIDI) not to exceed -	minutes	**172**	109	148
Faults per 100 km of line not to exceed -	number	**5**	6	5
% faults not restored within three hours not to exceed -	%	**29%**	20%	26%

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.

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

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

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

Unplanned SAIDI was over target for the 2020/21 year (87/75). There was a normal mix of outage causes for the year. There were no major storm events.

Planned SAIDI was also marginally over target for the 2020/21 year (116/100). A high number of long shutdowns were needed to complete the light copper conductor replacement programme for the year. This is the third year of a ten year programme of conductor replacements. NTL internal reliability targets have been increased to accommodate this programme.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2021

31. PERFORMANCE TARGETS (cont')

SAIFI targets (the average number of interruptions experienced by consumers) were not exceeded during the year. Faults per 100km of line were also below previous years. These results reflect the good condition of the network and the good state of vegetation clearance. In some circumstances, an unplanned loss of supply event can be followed by restoration of supply and then by a successive interruption as a result of isolating the initial cause, making repairs and completing the permanent restoration of supply to all consumers. Where this occurs, NTL's reported SAIFI records the initial outage and not any subsequent short duration outages required to effect the restoration of supply. NTL's reported SAIDI includes the customer minutes from subsequent short duration outages required to effect the restoration of supply. This treatment is consistent with that of previous years.

Safety of electricity supply		**Actual Result 2021**	**SCI Target 2021**	**Actual Result 2020**
Lost time injuries not to exceed -	number	0	0	2
Public Safety and Damage Events				
Public Injury Events	number	0	0	0
Public Property Damage Events	number	1	0	1
Public Safety Management System (PSMS) certified & audited by Telarc		Yes	Yes	Yes

32. COVID-19

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. From this, the country was in lockdown at Alert Level 4 for the period 26 March to 27 April 2020 and remained in lockdown at Alert Level 3 until 13 May 2020 inclusive.

During the Government response to the COVID-19 pandemic Alert Levels 3 and 4, Network Tasman's staff worked remotely. Under Alert Level 4 network operations were reduced to emergency response only. With field work limited to emergency response work, this initially delayed maintenance and capital work by about one month which was caught up over the following months. Field operations resumed under Alert Level 3 in late April 2021. With staff working from home, there was a small reduction in some overhead costs, for example electricity and vehicle expenses. With working remotely being more common, travel expenses were less than in the past. Network Tasman did not apply for the Government's wage subsidy.

There was no impact on supply under Alert Levels 3 and 4. In respect of SAIFI, the number of interruptions was consistent with the balance of the financial year, and similar to previous years. Although our staff were working remotely, this did not affect our response times to emergency repairs. This meant that there was also no significant impact on our SAIDI results.

At year end Network Tasman has assessed its property, plant and equipment (note 12), investment in associates and joint venture (note 13) for impairment in accordance with the impairment accounting standard, NZ IAS 36 for any residual impacts of COVID-19. Property, plant and equipment (note 12) and intangible asset (note 14) values and investment properties (note 13) valuation process we also considered for any residual the impact of COVID-19.

While electricity usage by different groups of customers was affected by the COVID-19 restrictions, overall electricity line revenue was not impacted. Due to the challenges faced by consumers from COVID-19, payment of the Winter discount was brought forward from September to July 2020. This discount payment was increased to offset the 4% price increase applying from 1 April 2020. Revenue from metering and fibre services was not affected. Network Tasman worked with its tenants to help with the impact of COVID-19. As the impact was insignificant there has been no material impact on the Statement of Comprehensive Income or Statement of Financial Position. Network Tasman required no additional funding as a result of COVID-19.

33. 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.

34. 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 statement of financial position. 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.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Network Tasman Limited Limited's group financial statements and performance information for the year ended 31 March 2021

The Auditor-General is the auditor of Network Tasman Limited Group (the Group). 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 Group on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 24 to 53 and 55, that comprise the statement of financial position as at 31 March 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 54 to 55.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2021; 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 Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2021.

Our audit was completed on 30 June 2021. 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, we comment on 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 Group 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 Group 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 Group 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 Group 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.

For the budget information reported in the performance information, our procedures were limited to checking that the information agreed to the Group's statement of corporate intent.

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 Group's internal control.

- We evaluate the appropriateness of the reported performance information within the Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Group 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 obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements and performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 23 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 Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International 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 assurance engagements pursuant to the Electricity Distribution Information Disclosure Determination 2012 – (consolidated in 2018) and the Electricity Distribution Services Default Price-Quality Path Determination 2020. These assurance engagements are compatible with those independence requirements. Other than the audit and these assurance engagements, we have no relationship with or interests in the Group.

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

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.

Directors holding office during the year were:

- MJ McCliskie (Chair)
- LR McKenzie
- AJV Miller (appointed 3 August 2020)
- AP Reilly
- SL Smith
- SJ Weir

Remuneration and benefits of directors

Directors received the following fees and benefits:

Director	2021
MJ McCliskie (Chair)	64,705
LR McKenzie	36,154
AJV Miller	24,102
AP Reilly	36,619
SL Smith	36,154
SJ Weir	36,154

Remuneration of employees

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

Remuneration band	2021
$100,000 - $109,999	3
$110,000 - $119,999	6
$120,000 - $129,999	2
$170,000 - $179,999	1
$190,000 - $199,999	1
$200,000 - $209,999	1
$210,000 - $219,999	1
$240,000 - $249,999	1
$330,000 - $339,999	1

Directors' insurance

The Group has Directors' and Officers' liability insurance cover to a value of $10 million and Defence Costs liability insurance of $5 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 the 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.

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.

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 2021:

MJ McCliskie	Alandale Orchards Limited		Chair
	Nelson Electricity Limited		Director
	High Health Alliance Limited		Chair
	BT Mining Limited		Chair
AP Reilly	AP & KM Reilly Limited		Chair
	Landcorp Farming Limited	To 30 June 2020	Director
	Dos Rios Dairy Limited		Director
	Queens Farm Limited		Supervisor
	Browns Pastoral Farm Management Limited	From 10 June 2020	Shareholder
SL Smith	The Lion Foundation		Trustee
	Ohinetahi Charitable Trust		Trustee
	Warren Architects Education Trust		Trustee
	World of Wearablearts Limited		Chair
	Sasco Holdings Limited		Director
SJ Weir	Nelmac Limited	To 25 September 2020	Director
	Marriott Orthodontics Limited		Director
	Anderson Lloyd Lawyers		Consultant to & Former Partner
	Copyright Tribunal		Tribunal Member
	Rata Foundation		Trustee
	Institute of Directors		Branch Chair
	Cawthron Institute Trust Board		Trustee
	Institute of Directors NZ Limited - National Council		Councillor
	Care Foundation		Co-Chair
	Nelson Regional Development Agency		Director
	Financial Advisers Disciplinary Committee		Committee Member
	SJ Weir Law Limited	From 9 June 2020	Director
	Nelson Orthodontics Limited	From 9 June 2020	Shareholder
	Canterbury Trust House Limited	From 9 June 2020	Director
	Nelson Bays Primary Health	From 4 December 2020	Independent Chair
LR McKenzie	Taylors Contracting Limited		Director
	YMCA Nelson Inc		Chair/President
	Nelson Training Centre Limited		Director
	Richmond Rotary Club	From 6 July 2020	Director
	Richmond Rotary Club Charitable Trust	From 6 July 2020	Trustee
	Christchurch City Council	From 17 September 2020	External committee advisor
	Invercargill City Council	From 1 January 2021	External advisor
AJV Miller	(Appointed 3 August 2020)		
	Allan Miller Consulting Limited	From 12 August 2020	Director
	Electricity Authority IPAG	From 12 August 2020	Member

The following are entries made in the Network Tasman's interests register after the year ended 31 March 2021:

AJV Miller	NZ Battery Project Technical Reference Group	From 23 April 2021	Member
AJV Miller	ANSA Holdings Limited	From 4 June 2021	Director/Shareholder

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 11 times during the financial year ended 31 March 2021.

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 legislative 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 one time during the year.

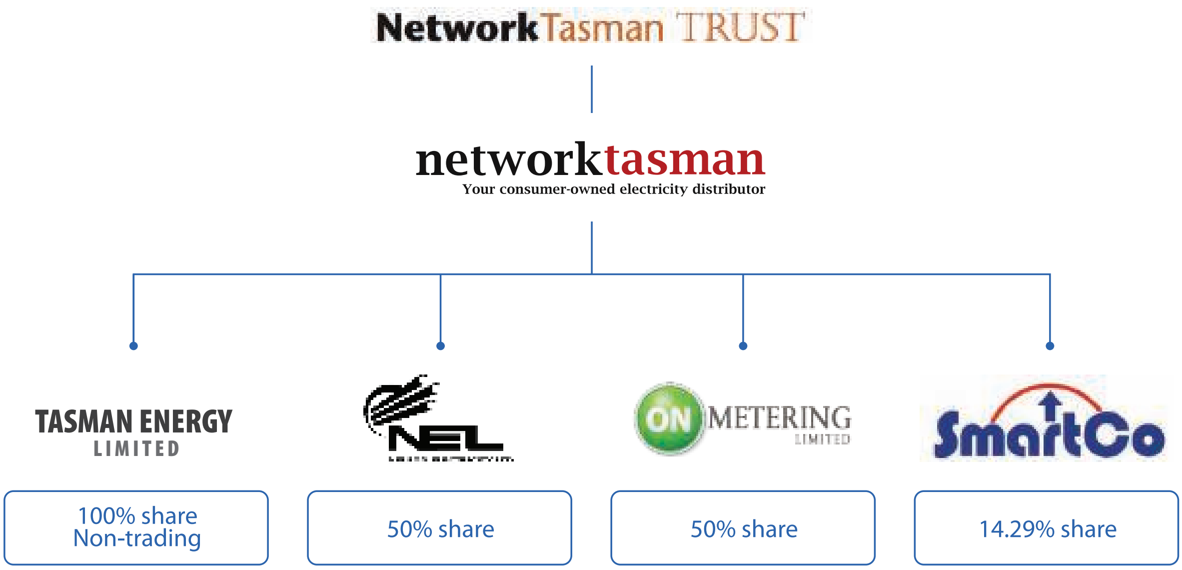
Audit and Risk Sub-committee

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 and Risk 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

Network Tasman Ownership Structure as at 31 March 2021



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

In addition, the Board 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, and considers the recommendations made by the internal and external auditors.

- **Internal Audit**

  The Board maintained an internal audit programme during 2020/21, 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 transparency, 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 once during the year.

Statement of Corporate Intent

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

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

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.

Corporate Directory

Directors

John McCliskie – *Chair*

Lindsay McKenzie

Allan Miller

Tony Reilly

Sarah Smith

Sarah-Jane Weir

Executive

Oliver Kearney
Chief Executive Officer

Robert Derks
Operations Manager

Kerry Haycock
Corporate Services Manager

Murray Hendrickson
Network Strategy & Development Manager

Andrew Stanton
Advanced Metering & Telecommunications Manager

Daniel Vincent
Regulatory & Commercial Manager

Head Office

52 Main Road Hope, 7020

PO Box 3005, Richmond 7050

Telephone: 64 3 989 3600 or 0800 508 098

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

Network Tasman Trust

Gwenny Davis – *Chair*

Patrick Adamson

Ian Barker

Judene Edgar

Ian Kearney

Terry Kreft

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