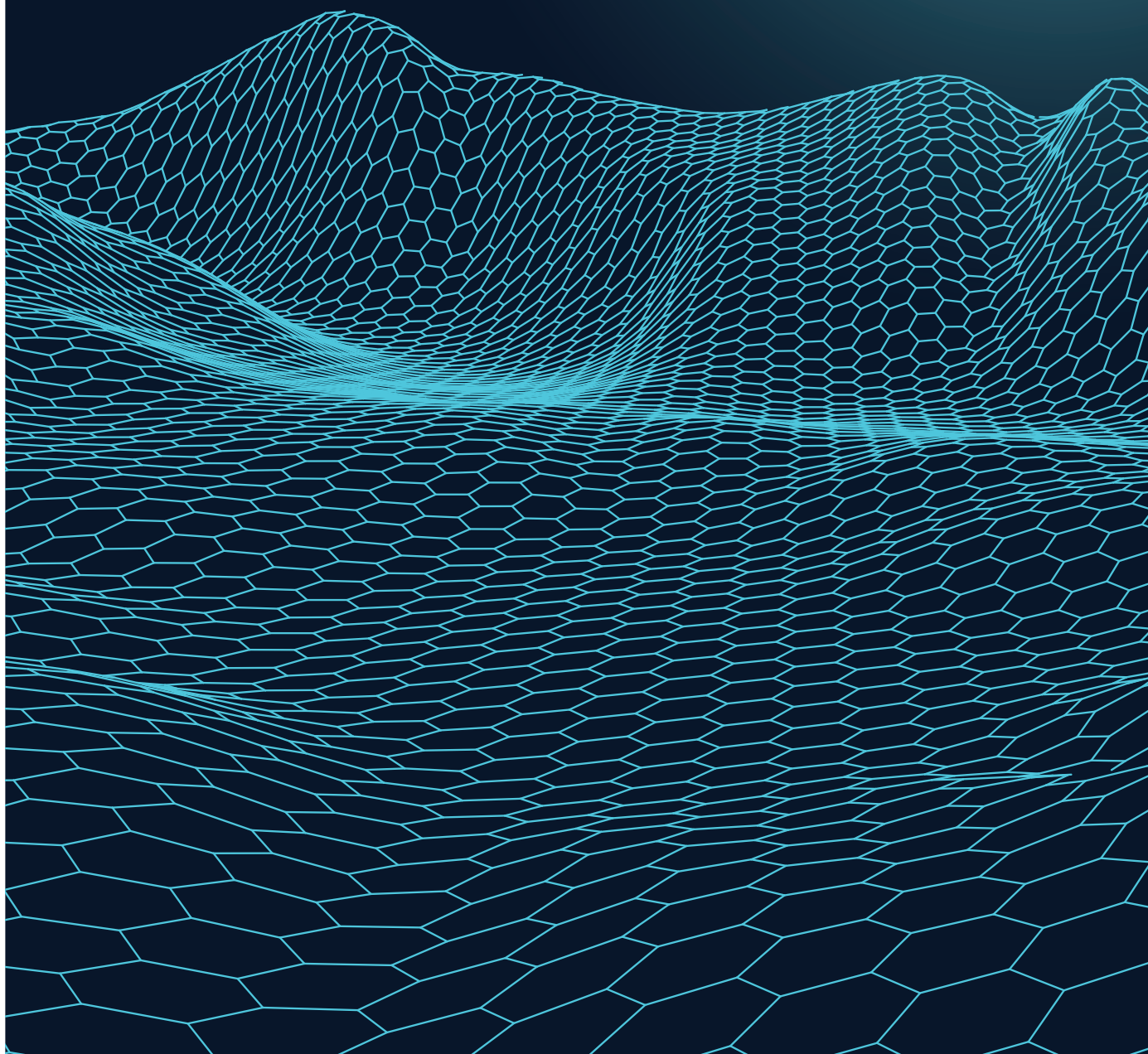


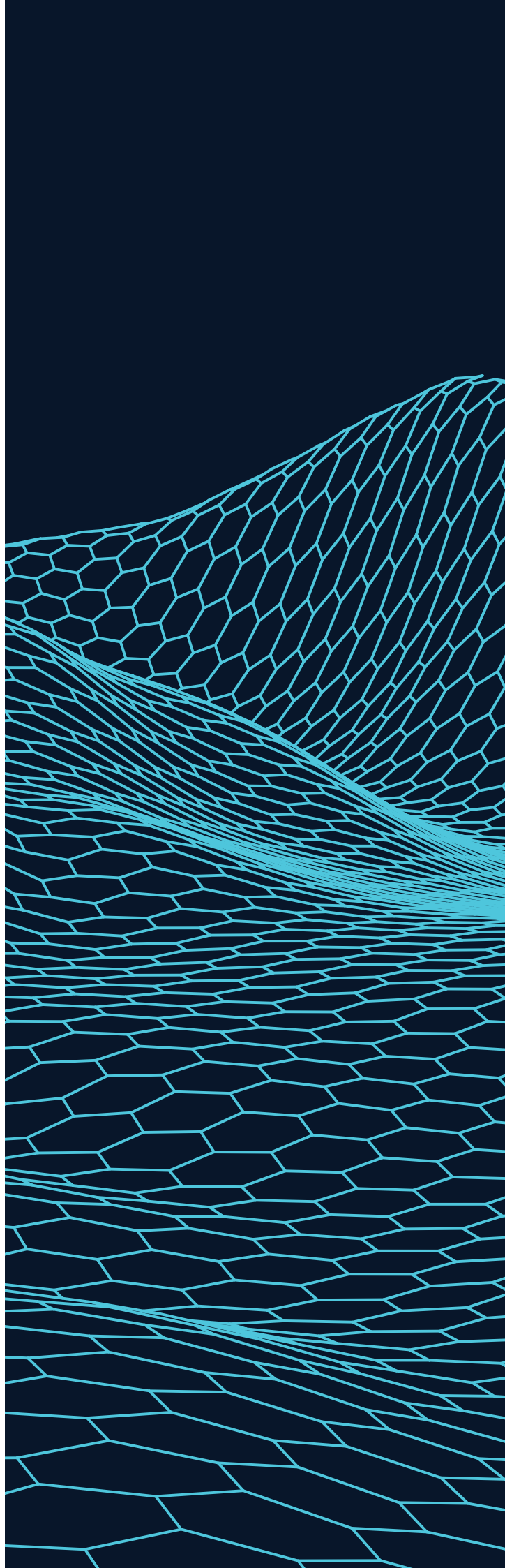
networktasman
Your consumer-owned electricity distributor

2022 ANNUAL REPORT



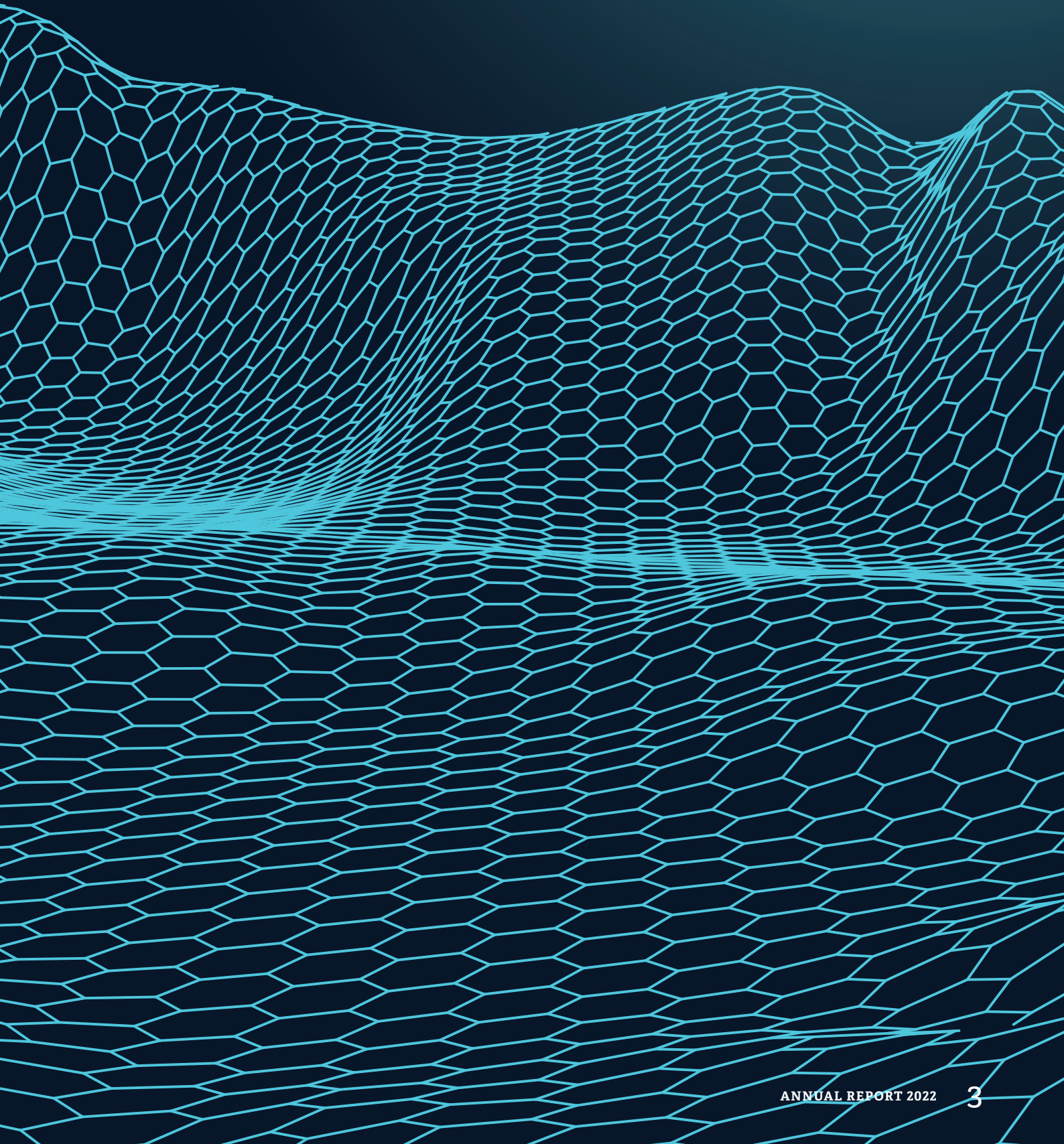
Contents

<i>2022 Highlights</i>	4
<i>Directors' and CEO Report</i>	6
<i>Board of Directors</i>	11
<i>Financial Performance</i>	12
<i>Operational Performance</i>	15
<i>Financial Statements</i>	25
<i>Audit Report</i>	58
<i>Statutory Information</i>	62
<i>Corporate Governance</i>	64
<i>Corporate Directory</i>	66

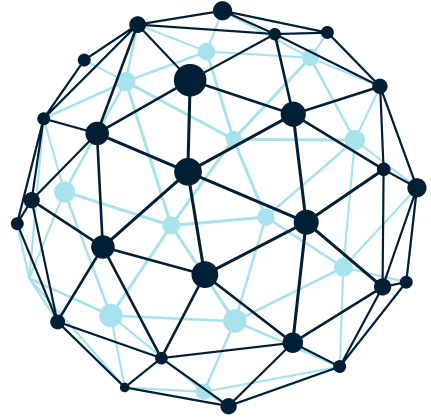


Our vision at Network Tasman is to be a successful network services company for the benefit of our consumers.

We support our vision by our values of safe & wellbeing, one team, innovative, collaborative and trusted.



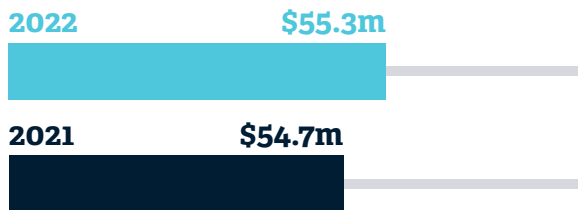
2022 Highlights



Financial



Operating revenue



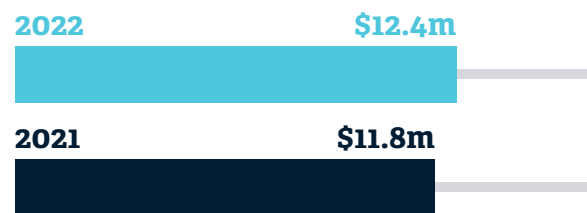
EBITDA



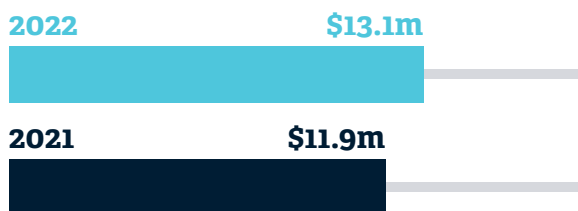
Discounts



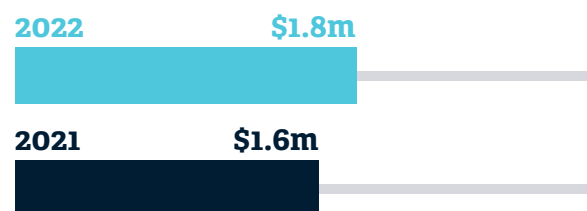
Surplus after tax



Capital spend



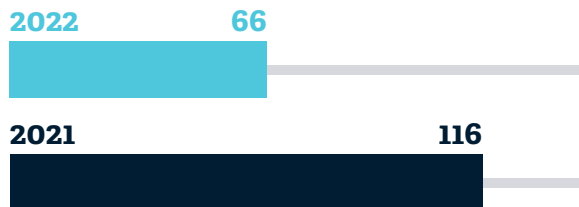
Dividends



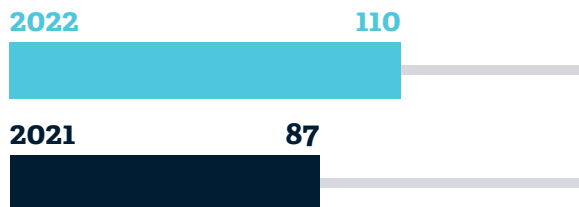
Reliability



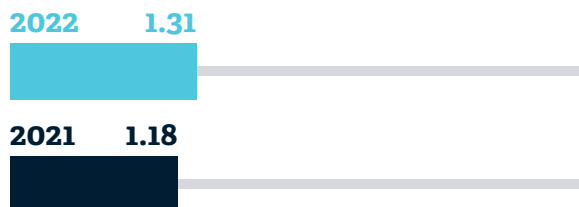
Planned SAIDI (minutes)



Unplanned SAIDI (minutes)



SAIFI (outages)



Network



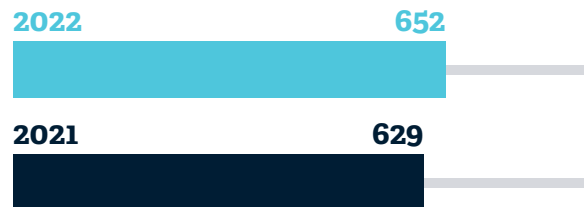
Network Connections



Advanced meters installed



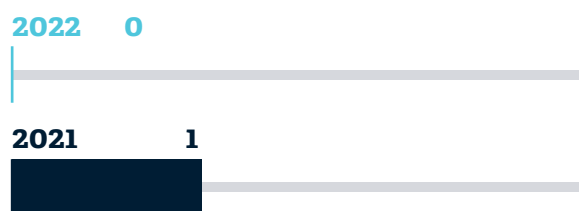
Energy volumes delivered (GWh)



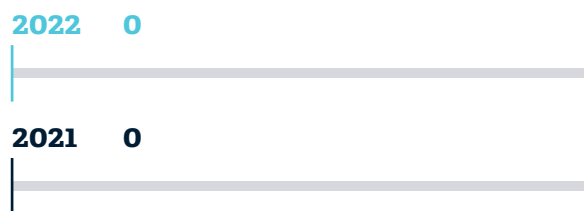
Safety



Public safety or property damage



Lost time injury



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 2022.

The company is pleased to report an operating surplus of \$12.4 million against our SCl target of \$8.2 million (\$11.8 million in 2021). 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 \$11.5 million in the network for the year (\$9.1 million in 2021). Unplanned outages were impacted by three severe storm events during the year while planned outages were lower than target during the year benefiting from careful planning of our programme to replace our aging light copper conductor and the use of generators to better manage the annual Golden Bay maintenance shutdown. Overall, SAIDI was 176 minutes for the year a reduction from 203 minutes last 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, backed by long-term contracts with retailers, are realising increasing returns.

The company remains in a sound financial position with a balanced portfolio of regulated and non-regulated businesses, low-term debt and strong cash flow that funds 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 has continued to disrupt the communities we serve. Network Tasman has continued to adapt and successfully navigate through the events of the COVID-19 pandemic. A number of initiatives were used to manage risk including flexible working arrangements, separate teams and limiting face-to-face contact. Network

Five Year Trend

	2022	2021	2020	2019	2018
Revenue (\$m)	55.3	54.7	48.3	51.6	50.7
Earnings before interest, tax, depreciation & customer contributions (\$m)	22.6	22.4	19.0	20.0	21.1
Net operating cash flow (\$m)	17.1	16.2	14.9	21.2	17.7
Total cash dividends paid (\$m)	1.8	1.6	2.0	2.0	2.0
Total electricity delivered (GWh)	652	629	619	635	617
Electricity maximum demand (MW)	146	144	142	132	139

Tasman's staff have largely returned to working in the office with the ability to work remotely as required.

The COVID-19 pandemic has had no material financial or reliability impact on Network Tasman for the year.

Risk Management

We maintain a 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. Through the past two years of the COVID-19 pandemic we have proven and enhanced our ability to manage the network remotely and 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. These reviews inform our ongoing programme of continual improvement of our security maturity level. We also receive security advice and support from recognised leaders in cyber security and deploy tools to assist cyber security prevention.

Health and Safety

Workplace health, safety and wellbeing remain 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 are an integral part of our approach to reflect the dynamic 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 conduct networking forums as a proactive way of strengthening our relationships and connection to a 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.

Asset Management

During the year we implemented the new maintenance and minor capital projects contract with Delta for a further 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 proactive programme of maintenance and asset renewals. The company is facing a significant increase in capital spending in the next ten years to \$170 million, reflecting ongoing regional growth and inflationary pressures. Over the next ten years, we expect that there will be a lift in demand across the region as initiatives to decarbonise the economy begin to impact energy use. Part of the increase in capital spending is aimed at replacing ageing assets to improve reliability and to prepare for delivery of increased renewable electricity to support decarbonisation.

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

Accordingly, we are underway with upgrades to both the Motueka and Motupipi substations over the next two years.

Financial Position

The company remains in a sound financial position with strong operating cash flows and a low level of term debt. Going forward, we have the financial capacity to meet our Asset Management Plan's 10-year capital expenditure programme as well as look at complementary investments should they arise.

Network Tasman paid a fully imputed dividend of \$1.8 million to our shareholder, the Network Tasman Trust.

Sustainability and Decarbonisation

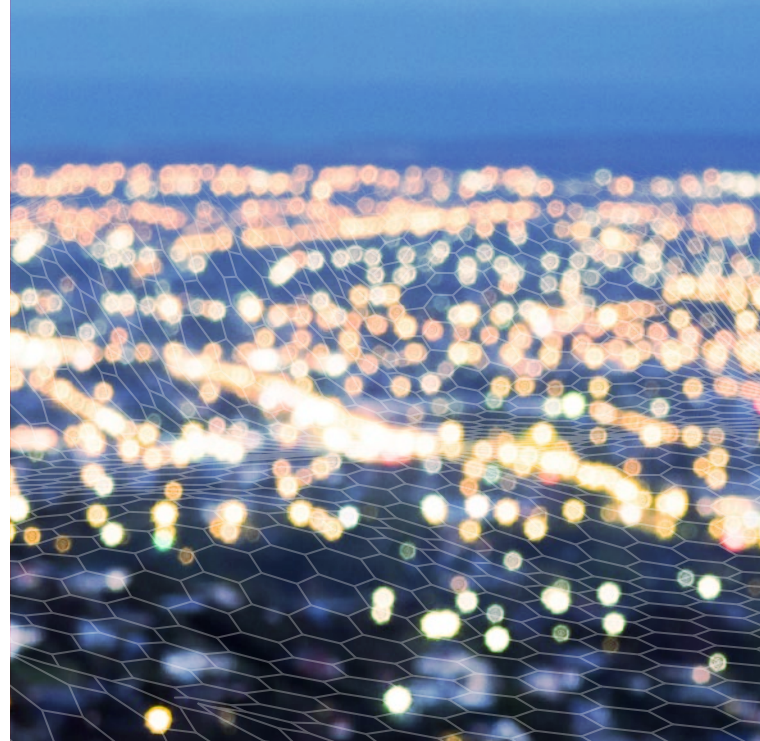
The potential impacts of climate change on the distribution network assets are also considered by the company and are a major consideration when preparing our Asset Management Plan. The Climate Change Response (Zero-Carbon) Amendment Act 2019 and Climate Change Commission are accelerating the drive for decarbonisation of the economy. Electrification of transport and industrial heat processes are likely to result in significantly increased loads on the network although the speed at which this occurs remains uncertain.

Network Tasman has undertaken significant modelling of the potential load from EVs (electric vehicles) under a range of uptake scenarios. We are currently reviewing our network design standards to ensure that networks being constructed in the future will provide sufficient capacity to meet expected loads under a range of scenarios.

The company continues to monitor the effects climate change has on our network assets including the possibility of sea-level rise, coastal inundation and the frequency of major storms.

We are also focused on ensuring that Network Tasman can play a leading role as the wider community looks to decarbonise the economy.

Network Tasman believes that environmental sustainability is integral to operating as a successful well managed business and we are looking to improve 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 \$13.3 million including GST credited to their power accounts (\$13.5 million in 2021 including the \$1 million COVID-19 discount).

As a regulated business, Network Tasman remains subject to the Commerce Commission's Default Price-quality Path regime (DPP). The DPP regime was re-set for a 5-year period from 1 April 2020. The current weighted average cost of capital (WACC) permitted for regulated distributors is 4.57%.

With the current and likely future volatility in the economy, Network Tasman works to ensure a smooth transition of prices across regulatory periods and as a result of the company's moderate price rises, we remain well below the revenue cap set by the Commission (\$4.2 million below the cap) in the next 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 contracted residential and commercial sub-divisions are completed, and value-added services such as our managed CCTV service increase. The fibre business continues to have a strong forward work programme of new contracted residential and commercial sub-divisions.

A refresh/consolidation of the core electronics that provide premium-level services and retailer interconnects was undertaken over the past year. This refresh has allowed the continued delivery of superior services to the market and to future proof our core network as customer demand increases and higher connection speeds are demanded.



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 76% 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 and utilise the data the advanced meters provide. The Smartco roadmap provides for the continued development of analytics tools for networks utilising their newly developed platform. Enhancement and development of these tools will continue in 2022 to make them more usable and better suited to distributors' particular issues as members work out how best to solve everyday problems with the newly available information.

On Metering Limited (OML) our joint venture with Alpine Energy Limited, currently has 30,527 meters installed on the MainPower network (72% 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 9,292 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 \$1.1 million (Network

Emerging Technologies

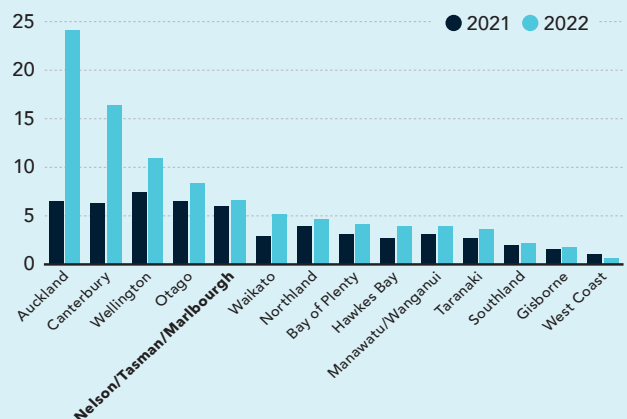
New technologies are now becoming mainstream and economically viable. The Tasman region has one of the highest penetration rates for solar rooftop (PV) generation in New Zealand and, more generally, our region is an increasing adopters of new technologies, including EV's.

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 is collaboration between lines companies to share knowledge and experience and foster 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.

A current focus is to find solutions to close three gaps in the Tasman region roading network for the provision of EV charging capability. A project has been approved to enable charging at St Arnaud and Kohatu and we are working with EECA (Energy Efficiency & Conservation Authority) who have issued a tender by for a charging solution at Springs Junction.

Electric Vehicles per 1000 people



DIRECTORS' AND CEO REPORT

Tasman's share \$0.55 million) for the year.

Nelson Electricity faces a number of challenges going forward. As a regulated electricity distributor, the Commerce Commission's Default Price Pathway (DPP3) has reduced returns for the current 5-year regulatory period.

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's investment properties are fully leased to a number of blue chip tenants on long term leases.

Demand for well-located industrial sections remains strong in the Tasman region but the company's decision to retain ownership of the land and offer design-build packages has limited the short-term options for the site. We continue to believe that ownership of this well-located land will generate sound returns over the long term.

Returns from the company's investment properties continue to be underpinned by the buoyant property sector and changes in market yields. A number of rental reviews were completed during the year with increases reflecting market movements and CPI adjustments underpinned by the current high level of inflation. A number of key tenants have also completed lease renewals since balance date. Returns were also supported by an uplift in valuation for the portfolio as yields firmed from 6.0% to 5.85% for the Queen Street property and to between 5.75% and 6.5% for our industrial holdings.

Outlook

The Government's initiatives to stimulate electric vehicle ownership introduced during 2021 are expected to lead to the increasing demand across our network. Further decarbonisation of the industrial process heat and transport sectors will also lead to significant new loads across our network and will require us to make significant new investments in our core electricity distribution network.

The company is managing cost pressures being experienced across the economy due to the current inflation levels unseen in decades. Delays due to supply line pressures, as well as key raw material price increases, are all likely to put upward pressure on our capital investment and maintenance programmes.

Network Tasman continues to experience a strong level of load growth and new connections across the network. This growth as well as the need to replace aging equipment will drive significant capital investment in the network over the next 10 years.

Network Tasman is fortunate to be in a robust financial position to meet these challenges. However, we will need to ensure that future pricing is sustainable to fund the actual cost of the network while also prudently investing in the future capacity of the network.

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 would like to acknowledge the staff of Network Tasman who has 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, CFInstD
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, 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.

Sustained 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 2021/22, delivering an operating surplus of \$12.4 million, \$4.2 million above the target of \$8.2 million and \$0.6 million above last year.

The major variance from last year was an increase in distribution revenue of \$2.4 million, customer contributions of \$0.7 million and a lower deferred tax charge of \$1.9 million (resulting from the impact of the property portfolio revaluations, vested assets and financing arrangements), offset by lower property revaluations of \$0.9 million and vested assets of \$2.1 million, and increased expenses of \$1.8 million.

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 2022.

The company again paid a fully imputed dividend of \$1.8 million to the Network Tasman Trust.

Prudent financial management has seen operating costs per connection continue to lie below the national average for electricity distribution businesses (EDB's).

Customer contributions of \$3.0 million reflect the continued buoyant nature of the residential property market with a number of large subdivisions being developed across the region.

Consumers received line discounts totalling \$13.3 million including GST (\$13.5 million in 2021 including an additional COVID-19 discount of \$1 million) were credited to consumers' power accounts during the year.

Financial performance targets		Actual Result 2022	SCI Target 2022	Actual Result 2021
TOTAL COMPANY				
Surplus before interest, tax, line discount and customer contributions	\$mil	24.7	19.8	24.8
Operating surplus after tax and customer contributions	\$mil	12.4	8.2	11.8
Operating surplus to shareholders' funds	%	5.32%	3.65%	5.32%
LINE BUSINESS ONLY				
Cash operating costs per consumer	\$	284	294	283
Line Charge Discounts (Excluding GST)	\$mil	11.6	11.3	11.8

Cash flow from operations was \$17.1 million for the year, \$0.9 million above last year.

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 \$7.3 million.

Network Tasman spent \$13.1 million on capital expenditure during the year.

Our capital investment in the electricity network has been concentrated on accommodating the growth that is occurring in 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 area.

2022 Financial Highlights

OPERATING REVENUE

\$55.3m



↑ \$0.6m

SURPLUS AFTER TAX

\$12.4m



↑ \$0.6m

EBITDA

\$25.6m



↓ \$0.9m

CAPEX SPEND

\$13.1m



↓ \$1.2m

DISCOUNTS (INCL. GST)

\$13.3m



↓ \$0.2m

DIVIDENDS

\$1.8m



↑ \$0.2m

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 2021/22 year, Network Tasman continued to adapt and successfully navigate the changing impacts of the COVID-19 Pandemic. The challenges to our daily business were experienced more keenly as transmission within our local community unfolded.

Network Tasman incorporated a range of initiatives to manage risk including flexible working arrangements, separate work teams, and doing business differently wherever possible to limit face-to-face contact. The close of the 2021/22 year, was the second year operating under the umbrella of COVID-19.

Despite these challenges, Network Tasman continued to refine health and safety

arrangements and showed dexterity in adapting and applying policies and procedures in an uncertain environment.

A future focus expressed in last year’s Annual Report is to continue strengthening Network Tasman’s safety maturity.

By focusing on our review and audit processes to accurately gauge the quality of our system, the assessment of Network Tasman’s actual versus intended health and safety performance is continuing.

This work has extended across all sections of Network Tasman’s Health and Safety Management System and aligns with internationally recognised Occupational Health and Safety Management System requirements.

Safety of electricity supply

		Actual Result 2022	SCI Target 2022	Actual Result 2021
Lost time injuries not to exceed –	number	0	0	0
Public Safety and Damage Events				
Public Injury Events	number	0	0	0
Public Property Damage Events	number	0	0	1
Public Safety Management System (PSMS) certified & audited by Telarc		Yes	Yes	Yes

There were no lost-time injuries, public safety injuries or property damage incidents 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.



In addition to this high-level focus, many existing initiatives have continued to add value and improve our management of risk. These include contractor and sub-contractor management strategies, internal monitoring and audit functions, safe work observations, incident reporting and investigation practices, and in-house training and development.

Alongside our safety focus, supporting and promoting personal wellbeing in the workplace is recognised as a critical consideration. Network Tasman offers several initiatives and resources to staff to support wellbeing and is continuing to focus on how we keep these relevant to ensure our workplace is safe and enjoyable to work in.

In summary, Network Tasman is taking a rigorous approach to the ongoing development of safety maturity across our business operations. Checking what we do against planned outcomes and expectations, and adjusting our approach where needed, will be front and centre as we continue to enhance our health and safety relevance and performance over the coming year.

Network Maintenance

Network Tasman spent \$6.6 million on network maintenance, including \$1.5 million on vegetation management, during the 2021/22 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.

2022 Operational Highlights

PLANNING

Network Tasman has undertaken significant work in preparation for the decarbonisation of industry and transportation in the Nelson Tasman region.

COMMENCED

Commenced new upgrade of the Motupipi and Motueka Substations.

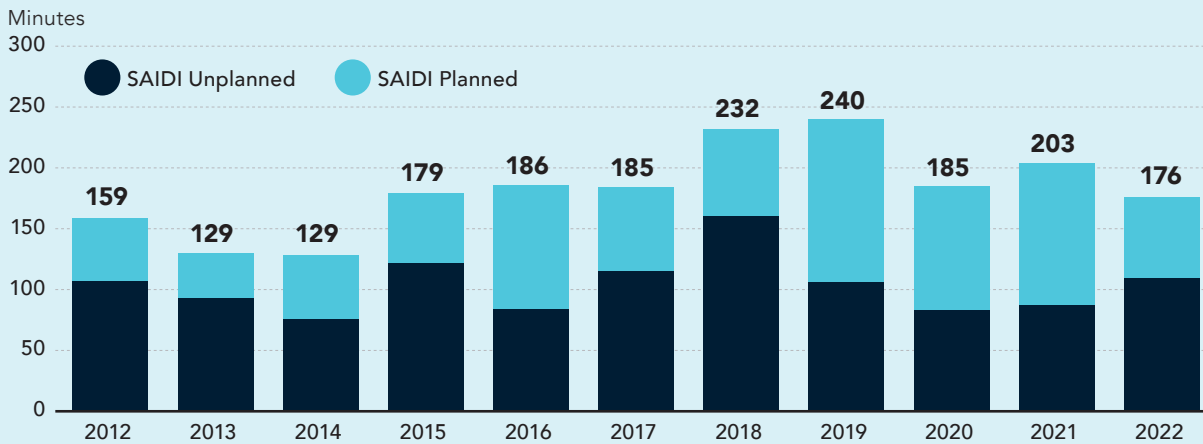
REPLACED

Completed replacement of a further 20km of the 10-year light copper conductor replacement programme.

OPERATIONAL PERFORMANCE

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 66 minutes for the year (116 minutes for 2021) and the Unplanned SAIDI index was 110 minutes for the year (87 minutes for 2021). During the last three years, our network achieved a 99.97% reliability measure.

The reliability performance targets as set down in Network Tasman’s Statement of Corporate Intent, are compared in the table on page 56 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 the 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 – such as traffic accidents, storm damage) limits which are enforced by regulation.

Three extreme weather events occurred during the year that were the main contributors to unplanned outages along with the usual mix of common causes (these being car versus pole, trees felled over lines, bird strikes, broken insulators and a small number of cable faults) were the main cause of the higher Unplanned SAIDI minutes for the year.

Planned SAIDI was below target for the year with the careful management of our light copper reconductoring renewal project on our high voltage network and the utilisation of our mobile generators to mitigate the impact of the annual Golden Bay maintenance shutdown. 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.

Capital Expenditure

The company spent \$11.5 million on the distribution network with \$0.8 million on new customer connections, \$2.9 million on system growth, \$6.7 million on replacement and renewal and \$1.1 million on reliability and safety.

During the year, 643 consumer connections were added to the network, a growth rate of 1.5%. Network Tasman is budgeting to spend \$170 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

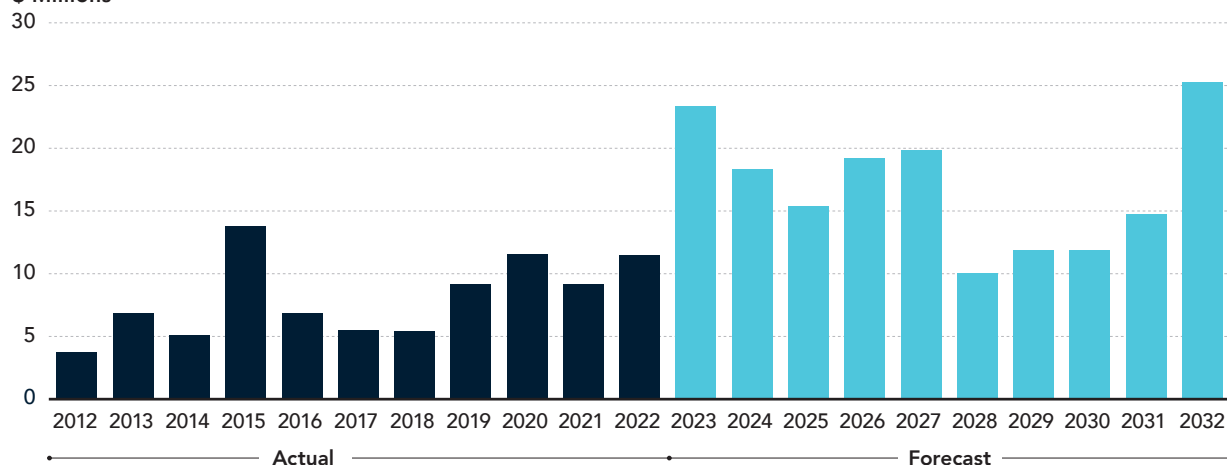
plan are maintaining the security of supply and reliability of the network. During the year a further 20km of the ten-year light copper conductor replacement programme was completed.

Key planned/projects for 2022/23 include the continuation of the light copper conductor replacement programme, upgrades of the Motupipi and Motueka zone substations, the Founders Park to Wakapuaka 33 kV cable and the Railway Reserve Feeder Reconductor upgrade to 600A from Annesbrook to Hope Substations.

The purpose of increased capital expenditure in the AMP considers a future where more of our energy use, such as transport, is concentrated in renewably generated electricity.

Projected network capital expenditure

\$ Millions



Four major projects progressed during 2022

- 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 is into the fifth year of our ten year programme and to date 65 route km of the total 210km light copper conductor has been replaced. This project significantly increased the level of planned SAIDI during recent years and will continue to impact upon our reported planned SAIDI over the period of the project.
- 2 Upgrade of the Motupipi substation project is multi-faceted in that it replaces existing aged equipment that has reached end of life, it improves the security of the supply for Golden Bay through the provision of upgraded and expanded assets (n-1 security) and it provides voltage support for the 66kV network that supplies the Motueka and Golden Bay areas.
- 3 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 24 urban platform substations with older heavy 300kva transformers, the 12 urban platform substations erected since 2001 and the 13 remaining highest access risk substations with pad mounts at an estimated cost of over \$2.5 million in the next four years.
- 4 Upgrade of the Motueka substation project replaces existing aged equipment that has reached end of life, it improves 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 2021/22.

In 2021/22, Network Tasman's total line revenue was \$4.1 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 Commission with the DPP3 reset applying from 1 April 2020.

The electricity sector is entering a time of change and opportunity as a result of climate change, decarbonisation and the ongoing impact of COVID-19. These issues are prominent in the minds of both of the organisations that are primarily responsible for regulating the electricity distribution sector: the Commerce Commission and the Electricity Authority.

Both regulators are undertaking reviews to ensure that the regulatory framework is updated to ensure that regulation assists and empowers distributors to manage these changing circumstances appropriately and efficiently.

The Commission is currently reviewing the Input Methodologies and Information Disclosure requirements applying to electricity distribution businesses.

The Input Methodologies are the rules and processes that underpin the Commission's regulation of electricity lines services. The Input Methodologies apply to key components of the regulatory regime such as how the Commission values assets, allocates costs, shares risk between businesses and consumers, and determines how businesses are compensated for their investments. As the Commission must apply the Input Methodologies when setting price-quality paths, decisions it makes as part of this review will influence the price and quality regulation that Network Tasman is subject to following the next price-quality reset in 2025.

The Information Disclosure obligations require electricity distribution businesses to disclose information about their performance with the aim of encouraging them to improve efficiency



and quality as well as incentives to innovate and invest.

The Electricity Authority is reviewing the framework under which distribution networks are regulated to ensure the right regulatory settings are in place to promote competition and best support the transition to a low-emissions future. The Authority has published a paper that considered a broad range of themes, including:

- How to improve the availability of information on power flows and hosting capacity on distribution networks;
- Whether additional electricity supply standards will be required to address power quality issues associated with greater penetration of distributed energy resources, such as solar PV and EVs.
- Whether there are barriers to some market participants connecting to and operating on distribution networks;
- Whether more regulation is needed regarding the terms and conditions under which third parties connect to distribution networks;
- Reviewing the capacity and capability of the distribution sector to coordinate and integrate the growing penetration of distributed energy resources connecting to distribution networks;
- How to improve the accuracy and efficiency of the signals sent by distribution prices.

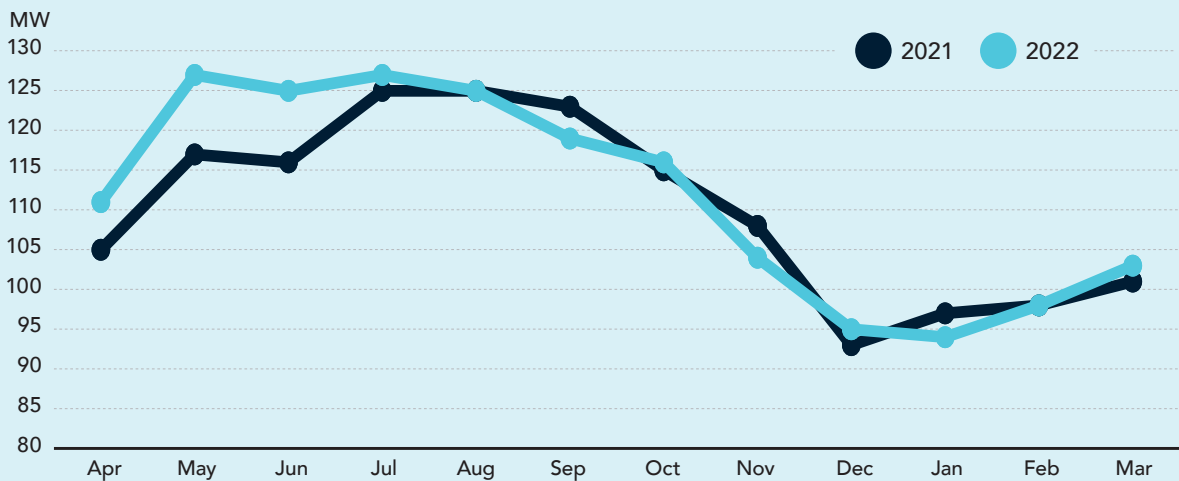
Network Tasman is actively participating in each of these regulatory work streams, either directly or via the ENA.

Network supply and demand profile

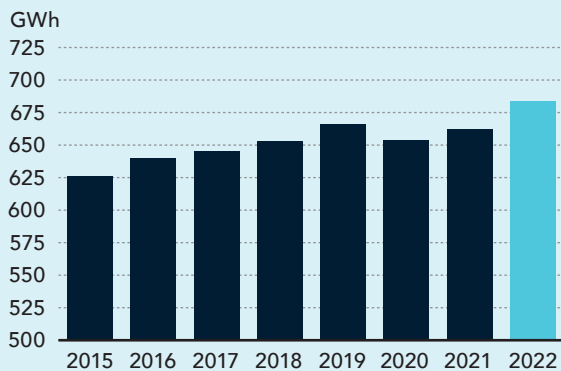
The fundamental requirement for long term network planning is a sound demand forecast. The risks to the company’s asset management program associated with a poor demand forecast includes amongst other things; the potential for over or under investment, inability to meet demand, severely underutilised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



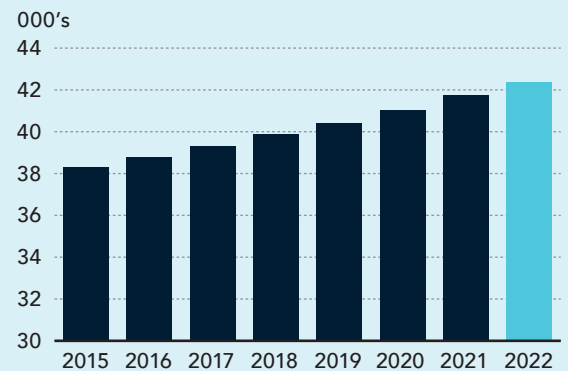
Total monthly max system demand



Energy delivered to NTL’s network



Consumer connections



Decarbonisation

Network Tasman has undertaken significant work in preparation for the decarbonisation of industry and transportation in the Nelson Tasman areas. Further work in this area is ongoing.

Industrial Process Heating

Network Tasman commissioned DETA Consulting to identify intentions of industries that operate fossil-fuelled boilers to raise hot water or steam.

This study will inform Network Tasman on likely load growth on the network as industries look to decarbonise their activities.

Grid-Scale Battery Systems

Large-scale network-connected battery storage systems have been installed in other distribution networks in NZ. Network Tasman is keeping a watching brief on the operation and economics of these systems as a means of voltage support or as an alternative option for traditional network reinforcement.

Future network development project business cases will fully analyse the opportunity for solving network development or renewal issues using this technology.





Impact of EV Charging on LV Networks

Investigative work into the likely changes to loads and load diversity in LV (low voltage) networks has been undertaken during 2021.

Analysis has been undertaken of advanced meter data from hundreds of meters in urban subdivisions in the area to firstly check how closely our LV diversity formulae models existing suburban domestic loads and secondly to estimate what future load diversity formulae we could expect under various home EV charging behavioural scenarios.

The load diversity equations are a fundamental input into the design of LV reticulation.

This body of work complemented and expanded on work undertaken for Network Tasman where the hosting capacity of its existing LV networks was determined along with the identification of the constraints in the networks likely to arise as EV penetration increased.

Further work is now in progress to identify the likely changes to, and incremental costs of, LV reticulation needed to accommodate the high penetration of EV chargers into our reticulation systems under the various charging behaviour patterns.

Variations in charging behaviour have included the variation in the size types and capacities of home chargers that could become prevalent in the future. This work is expected to provide useful input into determining the value of electricity load flexibility services in the Network Tasman region. Such load flexibility implements the concept of the 'smart grid' by giving opportunities to consumers, in exchange for some reward, to contribute to support and operation of the electricity system to reliably deliver renewable electrical energy.

By closely involving consumers, this supports the decentralisation, democratisation, and decarbonisation of electricity and energy delivery.

Centralised Control of Home Battery Systems

As reported last year, Network Tasman has completed trials of remote control of distributed battery systems via the mechanism of ripple control and the company is now in a position to be able to develop and offer a reward tariff for the utilisation of domestic scale batteries.

No further work has been undertaken in this area during 2022 and we have been working with the majority owner of distributed battery systems in our network who were already using the battery system to respond to our time-of-use tariff pricing signals. As a network owner seeking to minimise peak loads on its network, it is heartening to see a solution being rolled out that already responds to our time-of-use prices.

Aggregated distributed solar energy generation and battery energy storage that can reliably affect peak load reduction or load levelling are now being made available to the electricity distribution sector as flexibility services. These services have the potential to economically defer major grid upgrade projects. Network Tasman will evaluate the deployment of these services to defer or substitute grid development projects on a case-by-case basis in the future.

Network Tasman is keeping a close watch on the developments in this space, to seek opportunities to defer capital expansion and/or limit peak load while continuing to provide a reliable electricity supply.

OPERATIONAL PERFORMANCE



Environmental Sustainability

Network Tasman’s aim is to work towards environmental sustainability in our operations. Decarbonisation covered earlier in this report remains the significant contribution the company can contribute to the region’s future sustainability initiatives.

This objective fits within our principal 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.

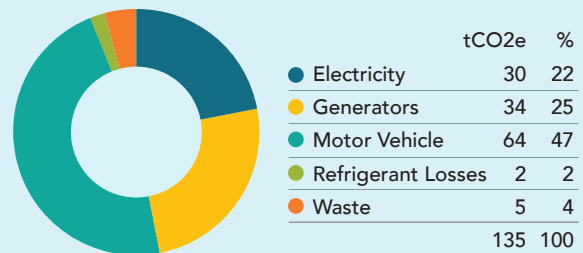
The company has considered the impact of climate change, a key risk on our risk register, taking the necessary steps to identify threats and protect our network assets.

Network Tasman believes that businesses are responsible for achieving good environmental practices 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 a 3% decrease in our emissions over the past year from 138.7 tCO₂e to 134.6 tCO₂e.

The challenges between reliability and carbon neutrality are evident. As reported last the need to utilise generators to support planned outages in Golden Bay and prevent breaching our DPP reliability limits has continued and successfully improved system reliability. The necessary

Our carbon footprint emissions profile



generator use contributed 25.2% to our carbon footprint for the year.

We use the Annual Carbon Emissions Calculator (ACE) 2021 designed by Catalyst Ltd, which is designed for businesses to determine emissions from everyday activities in our calculation. ACE uses the latest Ministry for Environment emission factors. We currently include scope 1+2 emissions.

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 by far 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 (77%) and our corporate activities (23%).

Work has continued on establishing an ESG (Environmental, Social and Governance) reporting framework during 2022 while monitoring the development of proposed new international reporting standards.

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.



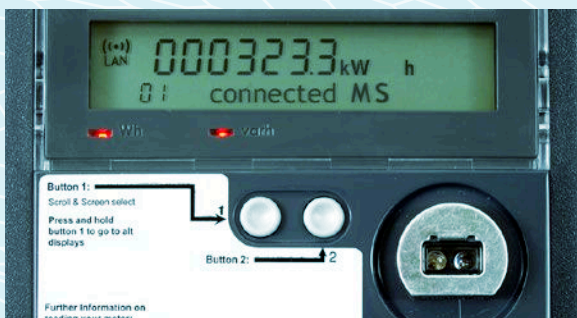
Nelson Electricity Limited

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 the 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.



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 30,527 meters.

Returns from this investment are supported by long-term fixed-price contracts with major electricity retailers.



Investment Properties

After a period of reinvestment, the company's investment properties have delivered another sound return.

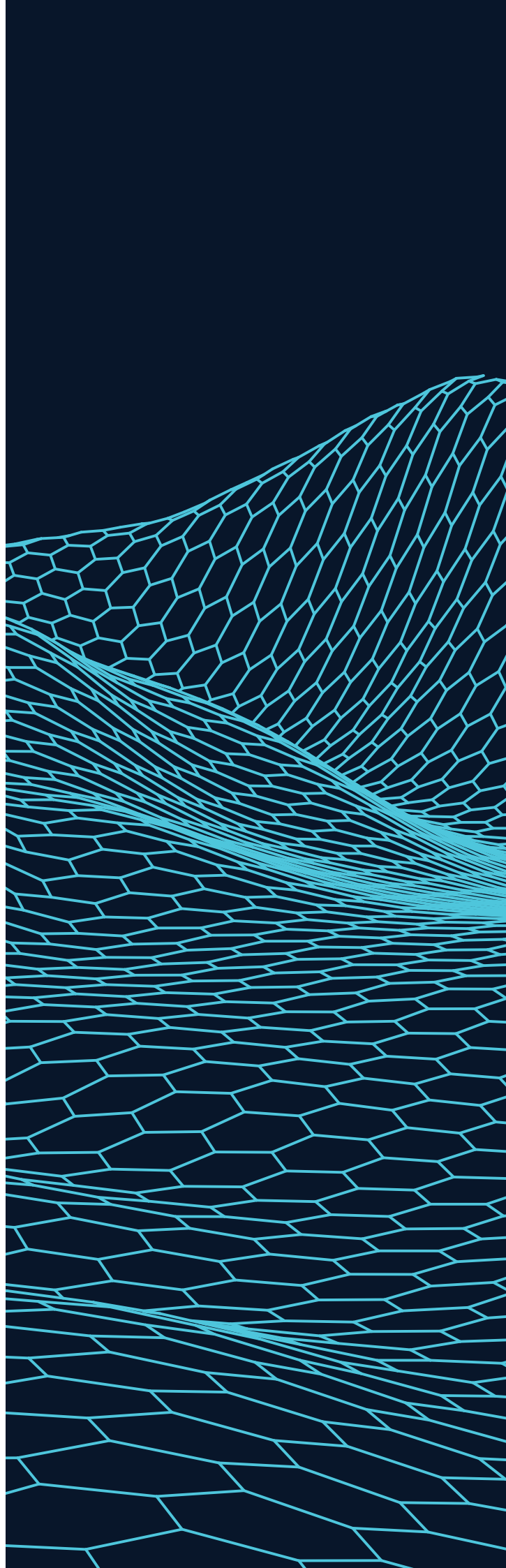
The company's investment property at 281 Queen Street, Richmond is 100% leased with long term leases to Nelson Marlborough DHB, Primary Health and Stantec.

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

Financial Statements

For the year ended 31 March 2022

<i>Statement of Comprehensive Income</i>	26
<i>Statement of Changes in Equity</i>	26
<i>Statement of Financial Position</i>	27
<i>Statement of Cash Flows</i>	28
<i>Statement of Accounting Policies</i>	29
<i>Notes to the Financial Statements</i>	30
<i>Independent Auditor's Report</i>	58



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 2022 and the results of their operations and cash flows for the year ended 31 March 2022.

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

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

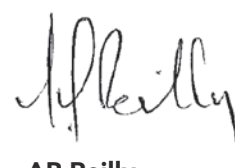
The directors are pleased to present the financial statements of Network Tasman Limited and Group for the year ended 31 March 2022.

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 2022



AP Reilly
Director
30 June 2022

FINANCIAL STATEMENTS

Network Tasman Limited & Group

Statement of Comprehensive Income

For the year ended 31 March 2022

	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
Total operating revenue	2	55,271	54,662
Total operating expenses	3	(40,004)	(38,233)
Operating surplus		15,267	16,429
Share of surplus of associate and joint ventures	15	907	704
Operating surplus before income tax		16,174	17,133
Income tax (expense) / income	4	(3,802)	(5,322)
Operating surplus for the period		12,372	11,811
Other comprehensive income		-	-
Total comprehensive income		12,372	11,811
TOTAL COMPREHENSIVE INCOME			
Comprehensive income from continuing activities		12,372	11,811
Comprehensive income from discontinued activities		-	-
		12,372	11,811

Statement of Changes in Equity

For the year ended 31 March 2022

TOTAL EQUITY AT BEGINNING OF PERIOD	7	222,162	211,951
Total comprehensive income		12,372	11,811
OTHER MOVEMENTS			
Distributions to owners during the period	6	(1,800)	(1,600)
Total equity at end of period	7	232,734	222,162

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 2022

	Note	As at 31 March 2022 \$000	As at 31 March 2021 \$000
CURRENT ASSETS			
Cash and cash equivalents	9	7,298	4,069
Trade receivables	10	5,425	5,357
Other current assets	11	1,084	958
Loans to joint ventures	17	3,489	3,739
Total current assets		17,296	14,123
NON-CURRENT ASSETS			
Property, plant and equipment	12	210,319	204,581
Investment properties	13	36,897	34,040
Intangible assets	14	598	447
Investment in associate and joint ventures	15	13,592	13,235
Other non-current assets	16	2,252	933
Total non-current assets		263,658	253,236
Total assets		280,954	267,359
CURRENT LIABILITIES			
Trade and other payables	18	14,177	12,720
Tax payable	19	681	396
Provisions	20	375	328
Total current liabilities		15,233	13,444
NON-CURRENT LIABILITIES			
Provisions	20	264	250
Deferred taxation	22	32,723	31,503
Total non-current liabilities		32,987	31,753
EQUITY			
Attributable to shareholders of the company	7	232,734	222,162
Total equity		232,734	222,162
Total liabilities and equity		280,954	267,359

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

FINANCIAL STATEMENTS

Network Tasman Limited & Group

Statement of Cash Flows

For the year ended 31 March 2022

	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from customers		48,943	50,667
Dividend income received		550	700
Interest income received		18	2
		49,511	51,369
<i>Cash was applied to:</i>			
Payments to suppliers and employees		30,100	32,589
Income tax paid		2,296	2,556
Interest expense paid		13	50
		32,409	35,195
Net cash flows from operating activities	24	17,102	16,174
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Proceeds from sale of property, plant and equipment		-	123
Repayment of investment in associates and joint ventures		250	250
		250	373
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment and investment properties		12,323	11,145
		12,323	11,145
Net cash flows from investing activities		(12,073)	(10,772)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was applied to:</i>			
Term loans	21	-	250
Dividends paid		1,800	1,600
		1,800	1,850
Net cash flows from financing activities	25	(1,800)	(1,850)
NET INCREASE (DECREASE) IN CASH HELD			
Cash balances at beginning of period		4,069	517
Cash balances at end of period		7,298	4,069
COMPOSITION OF CASH BALANCES AT END OF YEAR			
Cash on hand and at bank		190	90
Cash equivalents - term deposits		7,108	3,979
Total	9	7,298	4,069

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 2022

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 Group's 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 Group'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 Group has not applied new standards and amendments for the year ending 31 March 2022.

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.

FINANCIAL STATEMENTS

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

2. OPERATING REVENUE	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
CONTINUING ACTIVITIES			
Revenue from contracts with customers		47,045	43,636
Revenue from property rental		2,089	1,961
Vested assets		2,431	4,535
Interest income		18	2
Increase in fair value of investment properties	13	2,545	3,440
Gain on sale of assets		-	5
Depreciation Recovered		-	14
Other revenue		1,143	1,069
Total operating revenue from continuing activities		55,271	54,662
REVENUE FROM CONTRACTS WITH CUSTOMERS			
Distribution network revenue		39,560	37,116
Technology networks revenue		5,582	5,435
Connection fees and levies		483	494
Customer contributions		836	116
Management fees		195	195
Sundry income		389	280
		47,045	43,636

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

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 consumers' 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 lived.

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.

FINANCIAL STATEMENTS

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
3. OPERATING EXPENSES			
Operating expenses include:			
Gross transmission costs		13,890	12,966
Operation & Maintenance		7,009	6,823
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT AND AMORTISATION OF INTANGIBLE ASSETS			
Distribution network		6,122	5,898
Technology networks		2,392	2,428
Land & buildings		180	168
Plant & equipment		120	153
Information technology		114	86
Intangible assets		241	403
Total depreciation of property, plant and equipment and amortisation of intangible assets		9,169	9,136
Auditors' fees			
Audit fee - Network Tasman Ltd		73	71
Other assurance services - Audit New Zealand		51	48
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		18	6
Interest Expense			
Interest paid		13	50
Other expenses			
Directors' fees		260	233
Donations		9	9
Employment costs		4,407	4,180
Loss on disposal of assets		520	224
Short term leases	21	6	6
Other expenses		4,579	4,481
Total expenses from continuing activities		40,004	38,233

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
4. INCOME TAX			
Operating surplus before income tax		16,174	17,133
Prima facie taxation at 28%		4,529	4,797
Plus / (less) taxation effect of:			
Non-taxable customer contributions		(840)	(1,154)
Depreciation		154	(2)
Equity accounted earnings from associate and joint ventures		(255)	(197)
Change in fair value of investment properties		(712)	(963)
Movement in deferred tax		1,220	3,112
Other adjustments		(294)	(271)
		(727)	525
Under/(Over) provision from prior years			
Income tax expense recognised in statement of financial performance		3,802	5,322
Comprising:			
Current tax liability		2,582	2,210
Deferred tax on temporary differences	22	1,220	3,112
		3,802	5,322

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 surplus or deficit, except where they relate to items that are recognised outside surplus or deficit (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.

FINANCIAL STATEMENTS

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
5. IMPUTATION CREDIT ACCOUNT			
Imputation credits available for use in subsequent reporting periods		28,561	26,466
6. DIVIDENDS			
Dividends during the period:			
Dividends paid (3.148 cents per share)		1,800	1,600
Total dividends paid		1,800	1,600
7. EQUITY			
Issued and paid up capital		57,185	57,185
Share premium reserve		1,938	1,938
Retained earnings	8	173,611	163,039
Total equity		232,734	222,162
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 2022

	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
8. RETAINED EARNINGS			
Balance at beginning of period		163,039	152,828
Operating surplus for the period		12,372	11,811
Total available for appropriation		175,411	164,639
Dividends paid	6	(1,800)	(1,600)
Balance at end of period		173,611	163,039
9. CASH AND EQUIVALENTS			
Cash on hand and at bank		190	90
Short-term deposits		7,108	3,979
Total cash and equivalents		7,298	4,069

The carrying value of on call deposits approximates their fair value. The short-term deposits are with the Bank of New Zealand and Westpac Bank Limited. The Standard & Poor's ratings is AA- for both banks. The interest rates on these investments are 0.8% to 1.2% (31 March 2021: 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.

FINANCIAL STATEMENTS

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
10. TRADE RECEIVABLES			
Current			
Trade receivables		5,427	5,370
Less loss allowance		(2)	(13)
Total current receivables		5,425	5,357

The carrying value of receivables approximates their fair value. As at 31 March 2022 and 31 March 2021 the trade receivables have been assessed for expected credit losses. See the calculation in note 27.

ACCOUNTING POLICY

RECEIVABLES

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

Impairment

Where an indicator of impairment exists either at an individual asset or at the cash generating unit level, the fair value of the asset will be determined by assessing the recoverable amount of the individual asset or the cash generating unit.

A cash generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. An impairment loss for a non-revalued asset is recognised in the operating surplus for the year.

The carrying amounts of the Group's assets, other than inventory, investment property and deferred tax assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists for an asset, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not

generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

KEY JUDGEMENT

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

	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
11. OTHER CURRENT ASSETS			
Sundry receivables		376	284
Prepayments		708	674
		1,084	958

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

12. PROPERTY, PLANT AND EQUIPMENT

	Electricity distribution network	Technology networks	Land & buildings	Plant and equipment	Information technology	Right-of-use assets	Assets under construction	Total assets
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
COST OR VALUATION								
Balance at 31 March 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
Balance at 1 April 2021	245,651	39,663	12,925	1,804	1,520	2,823	8,902	313,288
Additions / adjustments	12,810	1,702	148	16	18	-	737	15,431
Change of treatment	-	-	-	-	(557)	-	-	(557)
Disposals	(731)	(24)	-	-	-	-	-	(755)
Balance at 31 March 2022	257,730	41,341	13,073	1,820	981	2,823	9,639	327,407
ACCUMULATED DEPRECIATION								
Balance at 31 March 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
Balance at 1 April 2021	83,186	18,118	2,456	1,085	1,039	2,823	-	108,707
Depreciation expense	6,122	2,392	180	120	114	-	-	8,928
Change of treatment	-	-	-	-	(313)	-	-	(313)
Elimination on disposal	(224)	(10)	-	-	-	-	-	(234)
Balance at 31 March 2022	89,084	20,500	2,636	1,205	840	2,823	-	117,088
CARRYING AMOUNTS								
As at 31 March 2021	162,465	21,545	10,469	719	481	-	8,902	204,581
As at 31 March 2022	168,646	20,841	10,437	615	141	-	9,639	210,319

CHANGE OF TREATMENT

Recent IFRIC agenda decisions by the IASB have provided some clarity over the accounting for cloud computing arrangements. The Group has adjusted its financial statements to implement this guidance, and this has had the effect of reducing the carrying value of its information technology assets by \$244,000.

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 review of indicators of impairment of the property, plant and equipment and consider the carrying value is appropriate and no impairment is required.

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

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, information technology 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%
Information technology	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

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

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.

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

Movement in investment properties

	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
Opening balance		34,040	30,323
Plus additions		136	370
Depreciation expense		-	5
Change in use		116	-
Plus / (less) fair value gain / (loss) on valuation		2,545	3,440
Plus increase / (decrease) in assets under construction		60	(98)
Closing balance		36,897	34,040
Investment properties are represented by:			
Land		14,413	13,165
Buildings		22,412	20,863
Assets under construction Investment		72	12
Total investment properties		36,897	34,040

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 subdivision 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 its investment properties.

Investment properties were valued by S Charles B.Com (VPM), ANZIV, MPINZ, an independent registered valuer of Duke & Cooke Limited as at 31 March 2022. 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 Charles 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.

FINANCIAL STATEMENTS

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

13. INVESTMENT PROPERTIES (cont')

Reconciliation of Fair Value	Office / commercial \$000	Industrial \$000	Other \$000	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
Opening balance	17,264	15,570	1,206	34,040	30,323
Additions	85	29	22	136	370
Depreciation expense	-	-	-	-	5
Change in use	-	111	5	116	-
Plus increase / (decrease) in assets under construction	-	60	-	60	(98)
Change in fair value	1,073	1,264	208	2,545	3,440
Closing Balance	18,422	17,034	1,441	36,897	34,040

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% - 6.5% with weighted average lease terms of 0.6 years – 2.5 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 \$1.4 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 initially measured at cost including transaction costs. Subsequent to initial recognition investment properties are stated at fair value.

Gains or losses arising from changes in the fair values of investment properties are recognised in the operating surplus in the year in which they arise. Valuations are determined on an annual basis by independent registered valuers, Duke & Cooke Limited.

KEY JUDGEMENT

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

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
14. INTANGIBLE ASSETS		
Movement in intangible assets		
Opening balance	447	404
Plus additions	225	449
Less amortisation	(241)	(403)
Plus increase/(decrease) in assets under construction	167	-
Less disposals	-	(272)
Plus accumulated provision write back on disposal	-	269
Closing balance	598	447

Intangible assets are represented by:

	At cost \$000	Accum. amortisation \$000	Carrying amount \$000
Intangible assets - 31 March 2022			
Computer software	2,896	2,465	431
Assets under construction	167	-	167
Total Intangible assets	3,063	2,465	598
Intangible assets - 31 March 2021			
Computer software	2,671	2,224	447
Total Intangible assets	2,671	2,224	447

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.

FINANCIAL STATEMENTS

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
15. INVESTMENT IN ASSOCIATE AND JOINT VENTURES			
Name of entity	Activity		
Nelson Electricity Limited	Distribution network owner & operator	12,105	11,894
<i>Ownership interest</i>		50%	50%
Nelson Electricity Limited is incorporated in New Zealand, and has a balance date of 31 March.			
Results of associate			
Share of surplus before income tax		1,061	1,264
Movement in NEL deferred tax		34	(72)
Income tax		(334)	(383)
Share of comprehensive income		761	809
Total recognised revenues and expenses		761	809
Carrying value of associate			
Opening balance at beginning of period		11,894	11,785
Share of comprehensive income		761	809
Dividends received		(550)	(700)
Closing balance at end of period		12,105	11,894
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.			
Assets		18,070	18,076
Liabilities		5,965	6,182
Revenues		4,626	4,689
Surplus / (deficit)		761	809

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
15. INVESTMENT IN ASSOCIATE AND JOINT VENTURES (cont')			
Name of entity	Activity		
On Metering Limited	Meter deployment company	1,228	1,082
<i>Ownership interest</i>		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.			
Results of joint venture			
Share of surplus / (deficit) before income tax		48	(67)
Prior period restatement		(117)	-
Late adjustment from last year		-	(38)
Movement in deferred tax		41	(12)
Income tax		174	12
Share of comprehensive income / (loss)		146	(105)
Total recognised revenues and expenses		146	(105)
The prior period restatement is the result in change in treatment of cloud computing arrangements. The recognition of tax losses has increased the income tax benefit in the year ending 31 March 2022.			
Carrying value of joint venture			
Opening balance at beginning of period		1,082	1,187
Share of comprehensive income / (loss)		146	(105)
Closing balance at end of period		1,228	1,082
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.			
Assets		4,845	4,985
Liabilities		3,617	3,904
Revenues		1,094	1,059
Surplus / (deficit)		146	(105)

FINANCIAL STATEMENTS

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
15. INVESTMENT IN ASSOCIATE AND JOINT VENTURES (cont')			
Name of entity	Activity		
SmartCo Limited	Meter deployment company		
<i>Ownership interest</i>		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		12	11
Income tax		(12)	(11)
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		627	600
Liabilities		443	417
Revenues		2,608	2,538
Surplus / (deficit)		-	-
Total carrying value of associates and joint ventures			
Nelson Electricity Limited		12,105	11,894
On Metering Limited		1,228	1,082
SmartCo Limited		259	259
Total		13,592	13,235

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

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

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)	6,008	55 years	109
	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
Expense for year		109	113
Prior period expense (June 2019 to March 2020)		-	85
		109	198
Opening prepayment		1,046	-
Additional expenditure		180	-
Payments for year		1,244	1,244
Less expense for year		(109)	(198)
Total prepayment		2,361	1,046
Current prepayment		109	113
Non-current prepayment		2,252	933
		2,361	1,046

17. LOANS TO JOINT VENTURES

Loan to On Metering Limited		3,489	3,739
Total loans to joint ventures		3,489	3,739
On Metering Limited			
Opening balance		3,739	3,989
Less repayments		(250)	(250)
Closing balance at end of period		3,489	3,739

ACCOUNTING POLICY

The loan is repayable on demand and is measured at amortised cost.

18. TRADE AND OTHER PAYABLES

Current

Trade payables and accruals		14,177	12,720
Total current payables and accruals		14,177	12,720

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.

FINANCIAL STATEMENTS

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
19. TAX PAYABLE			
Current			
Tax Payable		681	396
Total tax payable		681	396
20. PROVISIONS			
Current			
Employee entitlements		375	328
Total current provisions		375	328
Non-current			
Employee entitlements		264	250
Total non-current provisions		264	250
Total Provisions		639	578
Provision for employee entitlements			
Balance at beginning of period		578	503
Additional provisions made		359	341
Amount utilised		(298)	(266)
Balance at end of period		639	578
The provision for employee entitlements relates to employee benefits such as accrued annual leave, long service leave and sick leave.			
Total Provisions		639	578

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

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

21. LOANS AND BORROWINGS	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
Current			
Secured bank loans		-	-
Total loans and borrowings		-	-

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 2022 \$000	March 2021 \$000
Bank of New Zealand Limited - Secured	25 Sep 2023	3.75%	\$10 million	-	-
				-	-

(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.

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.

FINANCIAL STATEMENTS

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

21. LOANS AND BORROWINGS (cont')

	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
(c) LOAN FACILITIES			
The company has the following undrawn borrowing facilities			
Bank of New Zealand Limited		10,000	10,000
Total		10,000	10,000

	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
Balance at beginning of period		31,503	28,391
Deferred tax on temporary differences		1,220	3,112
Balance at end of period		32,723	31,503

22. DEFERRED TAXATION

Analysis of temporary deferred tax differences

For the year ended 31 March 2022	Fixed assets \$000	Provisions \$000	Prepayments \$000	Total \$000
Opening balance	31,369	(159)	293	31,503
Charge to income	869	(17)	368	1,220
Closing balance	32,238	(176)	661	32,723

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

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 2022

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 2022 \$000	12 months 31 March 2021 \$000
Analysis of operating leases			
No later than one year		1,231	1,363
Later than one year and not later than five years		2,282	1,649
Later than five years		-	-
		3,513	3,012

The lease arrangements are renewed on a periodic basis as disclosed in the lessors' individual contracts. In 2022 rental income received from leases with non-cancellable operating lease arrangements amounted to \$2,089,000 (2021: \$1,961,000)

	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
24. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating surplus after tax		12,372	11,811
Items not involving cash flows:			
Depreciation & amortisation		8,856	9,136
Movement in deferred taxation		1,220	3,112
Non cash customer contributions		(2,431)	(4,535)
Change in fair value		(2,545)	(3,440)
Equity accounted earnings from associate and joint ventures		(360)	(3)
Bad debts written off		18	6
(Gain) / loss on sale assets		520	205
		5,278	4,481
Movement in working capital:			
Increase (decrease) in non capital payables		967	1,103
Increase (decrease) in provisions		60	76
(Increase) decrease in non capital receivables and prepayments		(1,575)	(1,297)
		(548)	(118)
Net cash flows from operating activities		17,102	16,174

FINANCIAL STATEMENTS

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

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 2021). Refer to Note 6 for dividends paid to the holding entity.

Associate & joint venture companies		Percentage owned by Network Tasman Limited	
		31 March 2022	31 March 2021
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 2022

26. RELATED PARTY INFORMATION (cont')

	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
Transactions during the year		
<i>Charges from Network Tasman Limited to Nelson Electricity Limited</i>	1,799	1,767
<i>Charges from Nelson Electricity Limited to Network Tasman Limited</i>	8	8
<i>Charges from Network Tasman Limited to On Metering Limited</i>	140	199
<i>Charges from Network Tasman Limited to SmartCo Limited</i>	2,964	2,821
<i>Charges from SmartCo Limited to Network Tasman Limited</i>	907	932
Outstanding balances at year end		
<i>Balance due from Nelson Electricity Limited as at period end</i>	166	175
<i>Balance due to Nelson Electricity Limited as at period end</i>	1	1
<i>Balance due from On Metering Limited as at period end</i>	3	144
<i>Balance due from SmartCo Limited as at period end</i>	546	525
<i>Balance due to SmartCo Limited as at period end</i>	182	97

Network Tasman received a dividend from Nelson Electricity (note 15), and a loan repayment from On Metering (note 17). No related party debts have been written off or forgiven during the period (31 March 2021 : nil).

Key Management personnel compensation

Salaries and other short-term benefits	1,794	1,600
Other long term benefits	31	26
Total key management personnel compensation	1,825	1,626

No post employment or termination benefits were paid during the year. (31 March 2021 : nil)

Other related party transactions

Transactions during the year

<i>Charges from Network Tasman Limited to Nelmac Limited</i>	3	-
<i>Charges from Nelmac Limited to Network Tasman Limited</i>	14	17
<i>Charges from Institute of Directors in New Zealand to Network Tasman Limited</i>	2	1
<i>Charges from Taylors Contracting Co Limited to Network Tasman Limited</i>	2	-
<i>Charges from Network Tasman Limited to Taylors Contracting Co Limited</i>	1	14
<i>Charges from ANSA Holdings Limited to Network Tasman Limited</i>	14	-
<i>Charges from Network Tasman Limited to the Cawthron Institute</i>	235	-
<i>Charges from Network Tasman Limited to Nelson Bays Primary Health</i>	670	642

Outstanding balances at year end

<i>Balance due from Taylors Contracting Co Limited as at period end</i>	1	-
<i>Balance due from Nelmac Limited as at period end</i>	-	11

FINANCIAL STATEMENTS

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

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:

		More than 30 days overdue	More than 60 days overdue	More than 90 days overdue	More than 120 days overdue	Total
31 March 2022	Current					
Expected loss rate	0.05%	0.25%	0.19%	0.19%	0.52%	
Carrying amount trade receivables	5,223	84	28	22	70	5,427
Loss allowance	2	-	-	-	-	2
31 March 2021	Current					
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 2022

27. FINANCIAL RISK MANAGEMENT (cont')

	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
Movement in loss allowance		
Opening balance	13	15
Receivables written off during period	(28)	(8)
Unused amount reversed / additional amount provided	15	(7)
Additional loss allowance recognised in income statement during the year	2	13
Closing balance	2	13

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 the largest 4 have 73% (2021 : 74%) of total line charge sales.

The credit risk is not considered to be high. Apart from the advances of \$3.5 million to On Metering Limited, the company does not have any other significant concentrations of credit risk.

The maximum credit exposure for each class of financial instrument is the same as the carrying values stated in note 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 0.8% to 1.2% (31 March 2021: 0.1%)

Interest rate sensitivity analysis

As at 31 March 2022 the weighted average term deposit interest rate was 1% (31 March 2021: 0.1%). If this rate changed by 1%, with all other things held constant, the surplus for the year would have been \$69,000 (2021: \$4,000) higher or lower.

FINANCIAL STATEMENTS

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

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 \$7.3 million (31 March 2021: \$4.1 million) of cash and short term deposits and holds \$15.2 million (31 March 2021: \$13.4 million) of current liabilities. The current assets to current liabilities ratio is 1.1:1 (31 March 2021 1.1:1).

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

Contractual maturities of financial liabilities

31 March 2022	Less than 12 months	12 months to 2 years	2 to 3 years	Total
Trade payables	14,177	-	-	14,177
	14,177	-	-	14,177

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

(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 2022

	Note	12 months 31 March 2022 \$000	12 months 31 March 2021 \$000
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:			
Financial assets measured at amortised cost			
Cash and cash equivalent	9	7,298	4,069
Trade receivables	10	5,425	5,357
Sundry receivables	11	376	284
Loans to joint ventures	17	3,489	3,739
Total financial assets measured at amortised cost		16,588	13,449
Financial liabilities measured at amortised cost			
Trade and other payables	18	14,177	12,720
Loans	21	-	-
Total financial liabilities measured at amortised cost		14,177	12,720

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 2022 \$8.5 million (31 March 2021 : \$7.9 million).
 All capital commitments fall due within the next five years.

30. CONTINGENCIES

As at 31 March 2022 there were no material contingent assets or liabilities (31 March 2021: nil).

FINANCIAL STATEMENTS

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

31. PERFORMANCE TARGETS

The following financial and reliability performance targets for the 12 months ending 31 March 2022 are specified in the company's Statement of Corporate Intent (SCI). Forecast results are compared to the performance targets below:

		Actual Result 2022	SCI Target 2022	Actual Result 2021
Financial performance targets				
Total company:				
Surplus before interest, tax, line discount and customer contributions	\$mil	24.7	19.8	24.8
Operating surplus after tax and customer contributions	\$mil	12.4	8.2	11.8
Operating surplus to shareholders' funds	%	5.3	3.6	5.3
Line business only:				
Cash operating costs per consumer	\$	284	294	283
Line Charge Discounts (Excluding GST)	\$mil	11.6	11.3	11.8
Reliability performance targets (excludes Transpower planned and unplanned outages)				
Average duration of planned supply interruptions per connected consumer (SAIDI) not to exceed -	minutes	66	100	116
Average duration of unplanned supply interruptions per connected consumer (SAIDI) not to exceed -	minutes	110	75	87
Average number of supply interruptions per connected consumer (SAIFI) not to exceed -	number	1.31	1.77	1.18
Average duration of supply interruptions (CAIDI) not to exceed -	minutes	134	99	172
Faults per 100 km of line not to exceed -	number	6	6	5
% faults not restored within three hours not to exceed -	%	35	20	29

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.

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

Network Tasman Limited & Group

Notes to and forming part of the Financial Statements

For the year ended 31 March 2022

31. PERFORMANCE TARGETS (cont')

Unplanned SAIDI of 110 was over the target of 75 for the 2021/22 year. Three lightning storm events in July and August 2021 and February 2022 resulted in a loss of supply to consumers and accumulated 32 SAIDI points.

Planned SAIDI of 66 was under the target of 100 for the 2021/22 year. Maintenance works were disrupted by Covid-19 lockdowns during the year. The disruption has not impacted the reliability of the network and it is expected that the planned works will be caught up during 2022/23.

SAIFI targets (the average number of interruptions experienced by consumers) were not exceeded during the year. Faults per 100km of line were in line with targets. 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.

The percentage of faults not restored within three hours was significantly higher for 2021/22 than in previous years. A significant contributing factor was a high number of fall distance tree toppling events during the year of 16, against the previous ten year average of 3. This represents a reflection of increased high rainfall and high wind events experienced during the year.

		Actual Result 2022	SCI Target 2022	Actual Result 2021
Safety of electricity supply				
Lost time injuries not to exceed -	number	0	0	0
Public Safety and Damage Events				
Public Injury Events	number	0	0	0
Public Property Damage Events	number	0	0	1
Public Safety Management System (PSMS) certified & audited by Telarc		Yes	Yes	Yes

32. COVID-19

The COVID-19 pandemic has had no material adverse financial impact on Network Tasman Limited in either of the years ending 31 March 2021 or 31 March 2022.

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.

Independent Auditor's Report

To the readers of Network Tasman Limited's group financial statements and performance information for the year ended 31 March 2022

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 26 to 57, that comprise the statement of financial position as at 31 March 2022, 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 56 and 57.

In our opinion:

- the financial statements of the Group:
 - present fairly, in all material respects:
 - its financial position as at 31 March 2022; 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 2022.

Our audit was completed on 30 June 2022. 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 the 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 the 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 Group'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.

AUDIT REPORT

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 the 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 and the performance information of the entities or business activities within the group to express an opinion on the consolidated financial statements and the consolidated 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 3 to 25 and 62 to 66, 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
- AP Reilly
- SL Smith
- SJ Weir

Remuneration of directors

Directors received the following fees:

Director	2022
MJ McCliskie (Chair)	68,164
LR McKenzie	38,367
AJV Miller	38,367
AP Reilly	38,367
SL Smith	38,367
SJ Weir	38,367

Remuneration of employees

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

Remuneration band	2022
\$100,000 - \$109,999	2
\$110,000 - \$119,999	5
\$120,000 - \$129,999	5
\$130,000 - \$139,999	2
\$180,000 - \$189,999	1
\$200,000 - \$209,999	1
\$210,000 - \$219,999	1
\$220,000 - \$229,999	1
\$250,000 - \$259,999	1
\$340,000 - \$349,999	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. Cover is also provided for Statutory Liability to a value of \$5 million and Defence Cost Liability insurance of \$5 million. 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 2022:

MJ McCliskie	Alandale Orchards Limited		Chair
	Nelson Electricity Limited		Director
	High Health Alliance Limited		Chair
	BT Mining Limited		Chair
LR McKenzie	Taylor's Contracting Limited		Director
	YMCA Nelson Inc		Chair/President
	Nelson Training Centre Limited		Director
	Richmond Rotary Club	Ceased 31 July 2021	Director
	Richmond Rotary Club Charitable Trust	Ceased 31 July 2021	Trustee
	Christchurch City Council		External committee advisor
	Invercargill City Council		External advisor
AJV Miller	Allan Miller Consulting Limited		Director
	Electricity Authority IPAG		Member
	NZ Battery Project Technical Reference Group	Appointed 23 April 2021	Member
	ANSA Holdings Limited	Appointed 4 June 2021	Director
AP Reilly	AP & KM Reilly Limited		Chair
	Dos Rios Dairy Limited		Director
	Queens Farm Limited		Supervisor
	Browns Pastoral Farm Management Limited		Shareholder
SL Smith	The Lion Foundation		Trustee
	Ohinetahi Charitable Trust		Chair
	Warren Architects Education Trust		Trustee
	World of Wearablearts Limited		Chair
	Sasco Holdings Limited		Director
SJ Weir	Marriott Orthodontics Limited		Director
	Anderson Lloyd Lawyers		Consultant to & Former Partner
	Copyright Tribunal		Tribunal Member
	Rata Foundation	Ceased 17 August 2021	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		Director
	Nelson Orthodontics Limited		Shareholder
	Canterbury Trust House Limited	Ceased 17 August 2021	Director
	Nelson Bays Primary Health		Independent Chair

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 2022.

Associate Director Programme

Network Tasman Limited and shareholder Network Tasman Trust operate 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 provides 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 four times during the year.

Remuneration Subcommittee

The Board has a Remuneration Subcommittee comprising three non-executive directors. The Remuneration Subcommittee 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 twice during the year.

Audit and Risk Subcommittee

The Board has an Audit and Risk Subcommittee comprising two non-executive directors. The Audit and Risk Subcommittee 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 Subcommittee include the following:

- **Risk Management**

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

by the Board, as well as a delegated authority 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 2021/22, 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 Subcommittee

The Board had a Pricing Subcommittee comprising two non-executive directors that was discontinued during the year. The Pricing Subcommittee was 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. With the strategic importance of pricing strategy this is now covered by the full Board in conjunction with management.

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.

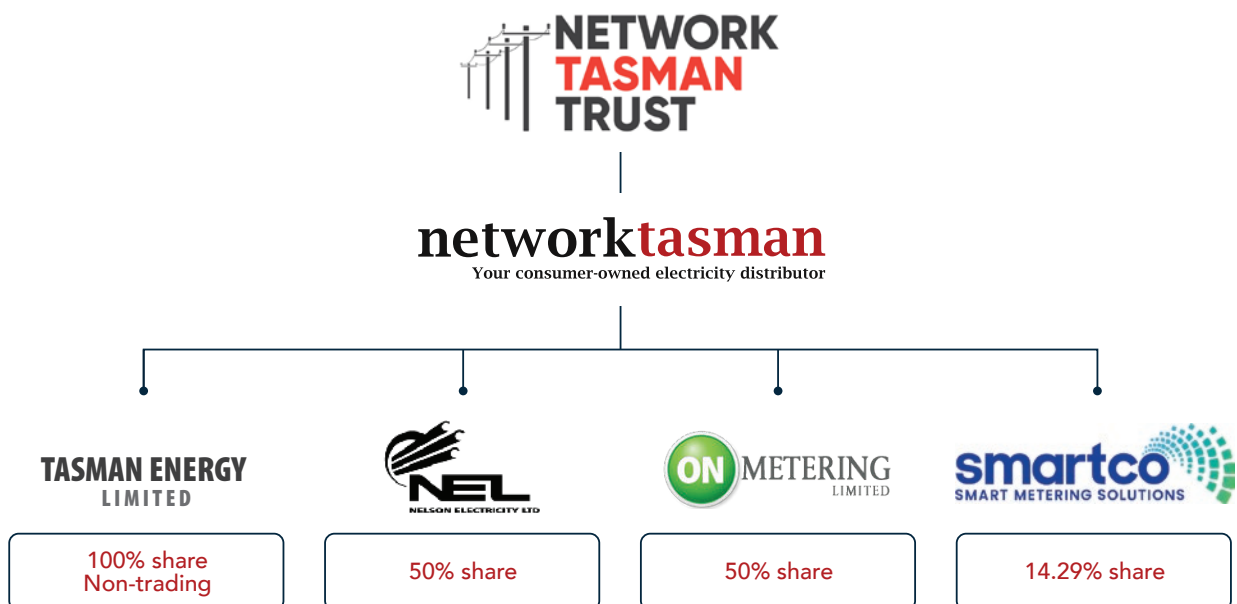
A copy of the Statement of Corporate Intent is available on the company’s website www.networktasman.co.nz

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.

Network Tasman Ownership Structure as at 31 March 2022



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 Manager – Strategy
& Development*
Darren Jurgens
*Network Manager – Planning
& Delivery*
Andrew Stanton
Fibre & Technology Manager
Daniel Vincent
*Regulatory & Commercial
Manager*

Network Tasman Trust

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

Head Office

52 Main Road Hope, 7020
PO Box 3005, Richmond 7050
Telephone: 64 3 989 3600 or 0800 508 098
E-mail: info@networktasman.co.nz
Website: www.networktasman.co.nz
Facebook: @networktasman
Twitter: @networktasman

Auditor

Audit New Zealand on behalf of
the Auditor-General

Bankers

Bank of New Zealand

Solicitors

Pitt & Moore

Trust Secretary

Marina Buonocore
C/- Craig Anderson Limited
270A Queen Street, Richmond
PO Box 3115, Richmond 7050
Telephone: 64 3 544 6179
E-mail: reception@caca.co.nz