

New Zealand Gazette

OF THURSDAY, 9 DECEMBER 2004

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NETWORK TASMAN LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

NETWORK TASMAN LIMITED INFORMATION DISCLOSURE

Information Disclosure Disclaimer

The information disclosed has been prepared in accordance with and for the specific use intended in the Commerce Commission's Electricity Information Disclosure Requirements 2004. No responsibility will be accepted for any third party that may use or rely on this report or any part thereof without the express written permission of Network Tasman Limited.

Except as allowed for by the Commerce Act 1986 and information disclosure requirements promulgated by the Act, neither the whole or any part of the information disclosed or any reference thereto may be included in any published document, circular or statement or published in any way without Network Tasman's written approval of the form and context in which it may appear.

The information disclosed is for the line business as described in the Electricity Information Disclosure Requirements 2004. There are also additional activities of the company that are not required to be reported under the Requirements.

NetworkTasman

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IN ACCORDANCE WITH THE ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004

Requirement 31 (1)

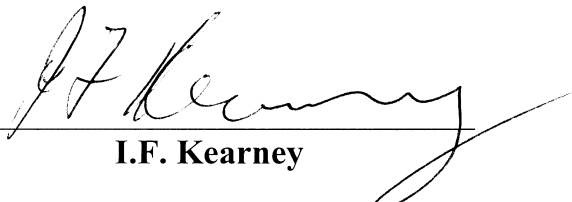
CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY DISCLOSING ENTITIES (OTHER THAN TRANSPower).

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

- (a) The attached audited financial statements of Network Tasman Limited, prepared for the purposes of requirement 6 of the Commerce Commission’s Electricity Information Disclosure Requirements 2004 comply with those requirements; and
- (b) The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Network Tasman Limited, and having been prepared for the purposes of requirements 14, 15, 20, and 21 of the Electricity Information Disclosure Requirements 2004, comply with those requirements.

The valuations on which those financial performance measures are based are as at 31 March 2004.

SIGNATURES OF DIRECTORS:

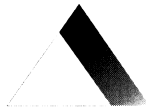


 I.F. Kearney



 C.I.M Turner

Dated: 1/12/2004



Audit New Zealand

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF NETWORK TASMAN LIMITED FOR THE YEAR ENDED 31 MARCH 2004

We have audited the financial statements of Network Tasman Limited on pages 5 to 23. The financial statements provide information about the past financial performance of Network Tasman Limited and its financial position as at 31 March 2004. This information is stated in accordance with the accounting policies set out on pages 9 to 12.

Directors' responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of Network Tasman Limited as at 31 March 2004, and the results of its operations and cash flows for the year ended on that date.

Auditor's responsibilities

Section 15 of the Public Audit Act 2001 and Regulation 30 of the Electricity (Information Disclosure) Requirements 2004 require the Auditor-General to audit the financial statements. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed Scott Tobin of Audit New Zealand to undertake the audit.

Basis of opinion

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

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

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Network Tasman Limited.


Unqualified opinion

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

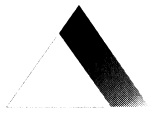
In our opinion:

- ▲ proper accounting records have been maintained by Network Tasman Limited as far as appears from our examination of those records; and
- ▲ the financial statements of Network Tasman Limited on pages 5 to 23:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of Network Tasman Limited's financial position as at 31 March 2004 and the results of its operations and cash flows for the year ended on that date; and
 - comply with the Electricity (Information Disclosure) Requirements 2004.

Our audit was completed on 7 December 2004 and our unqualified opinion is expressed as at that date.



S M Tobin
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand



Audit New Zealand

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

We have examined the information on pages 23 to 26, being:

- a the derivation table in requirement 15;
- b the annual ODV reconciliation report in requirement 16;
- c the financial performance measures in clause 1 of Part 3 of Schedule 1; and
- d the financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1, –

that were prepared by Network Tasman Limited and dated 1 December 2004 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

In our opinion, having made all reasonable enquiry, and to the best of our knowledge, that information has been prepared in accordance with those Electricity (Information Disclosure) Requirements 2004.

S M Tobin
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
7 December 2004

Network Tasman Limited
Line Business Financial Statements

Statement of financial performance

For the year ended 31 March 2004

	Note	2004 \$000	2003 \$000
Total operating revenue	2	26,264	25,107
Total operating expenses	3	<u>(17,320)</u>	<u>(16,575)</u>
Operating surplus before interest expense and income tax		8,944	8,532
Interest expense		<u>(8)</u>	<u>(15)</u>
Operating surplus before income tax		8,936	8,517
Income tax	4	<u>(2,581)</u>	<u>(2,431)</u>
Operating surplus		<u>6,355</u>	<u>6,086</u>
 Operating surplus comprises:			
Operating surplus from continuing activities		6,355	6,086
Operating surplus from discontinued activities		<u>0</u>	<u>0</u>
		<u>6,355</u>	<u>6,086</u>

Network Tasman Limited
Line Business Financial Statements

Statement of movements in equity

For the year ended 31 March 2004

	Note	2004 \$000	2003 \$000
Total equity at beginning of year	6	88,947	84,459
Total recognised revenues and expenses			
Operating surplus		6,355	6,086
Movement in property, plant & equipment revaluation reserve		37,716	0
Total recognised revenues and expenses for the year		44,071	6,086
Other movements			
Distributions to owners during the year	5	(1,843)	(1,598)
Transfer of land & buildings from "Other" business		86	0
		(1,757)	(1,598)
Total equity at end of year	6	131,261	88,947

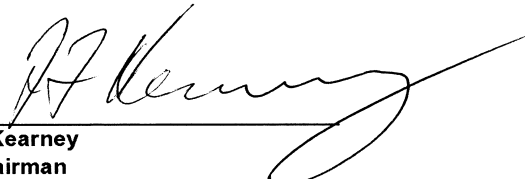
Network Tasman Limited Line Business Financial Statements


Statement of financial position

As at 31 March 2004

	Note	2004 \$000	2003 \$000
Current assets			
Cash and short term deposits		8,787	11,553
Receivables	8	<u>2,672</u>	<u>2,685</u>
Total current assets		11,459	14,238
Non-current assets			
Property, plant and equipment	9	121,812	77,239
Deferred taxation	10	<u>59</u>	<u>97</u>
Total non-current assets		121,871	77,336
Total assets		<u>133,330</u>	<u>91,574</u>
Current liabilities			
Payables and accruals	11	1,714	2,165
Provisions	12	<u>198</u>	<u>319</u>
Total current liabilities		1,912	2,484
Non-current liabilities			
Provisions	12	<u>157</u>	<u>143</u>
Total non-current liabilities		157	143
Equity			
Attributable to shareholders of the company	6	<u>131,261</u>	<u>88,947</u>
Total equity		131,261	88,947
Total liabilities and equity		<u>133,330</u>	<u>91,574</u>

For and on behalf of the Board of Directors:


 IF Kearney
 Chairman
 1 December 2004


 CIM Turner
 Director
 1 December 2004

Network Tasman Limited

Line Business Financial Statements

Statement of cash flows

For the year ended 31 March 2004

	Note	2004 \$000	2003 \$000
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		20,535	20,478
Interest income received		607	785
Capital contributions from consumers		0	0
		<u>21,142</u>	<u>21,263</u>
<i>Cash was applied to:</i>			
Payments to suppliers and employees		11,736	11,952
Interest expense paid		0	15
Income tax paid		2,558	2,825
		<u>14,294</u>	<u>14,792</u>
Net cash flows from operating activities	13	<u>6,848</u>	<u>6,471</u>
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Proceeds from sale of property, plant and equipment		0	16
		<u>0</u>	<u>16</u>
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		7,771	5,107
		<u>7,771</u>	<u>5,107</u>
Net cash flows from investing activities		<u>(7,771)</u>	<u>(5,091)</u>
Cash flows from financing activities			
<i>Cash was applied to:</i>			
Dividends paid		1,843	1,598
Repayment of term loans		0	0
		<u>1,843</u>	<u>1,598</u>
Net cash flows from financing activities		<u>(1,843)</u>	<u>(1,598)</u>
Net increase (decrease) in cash balances		<u>(2,766)</u>	<u>(218)</u>
Cash balances at beginning of year		11,553	11,771
Cash balances at end of year		<u>8,787</u>	<u>11,553</u>

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

Network Tasman Limited Line Business Financial Statements

Notes to and forming part of the financial statements For the year ended 31 March 2004

1. Statement of accounting policies

Reporting entity

The reporting entity is Network Tasman Limited.

Statutory base

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

The financial statements have been prepared in accordance with, and for the purposes of, complying with the requirements of the Electricity Information Disclosure Requirements 2004.

Measurement base

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

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

Accounting policies

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

(a) Revenue

Line revenue

Retailer-owned electricity meters are read on the basis of constant cycles each year. Line revenues include an estimated amount for accrued sales as at 31 March 2004.

Customer contributions

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

(b) Property, plant and equipment

Recognition of property, plant and equipment

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

Distribution system assets

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

Non-distribution system assets

- Plant and equipment
- Computer equipment
- Motor vehicles

Initial recording

All owned items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment comprises its purchase price plus any other costs directly attributable to bringing the item to working condition for its intended use. Donated assets are recorded at fair value.

Distribution system assets are stated at valuation as determined every three years by an independent registered valuer. Plant and equipment, computer equipment and motor vehicles are recorded at cost.

Asset components

When the components of an item of property, plant and equipment have different useful lives, the cost of the item is allocated to its components and each component is accounted for separately in accordance with the company's Asset Management Plan (AMP).

Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that the expenditure increases the economic benefits over the total life of the item beyond those most recently assessed in determining the basis of the item's carrying amount.

Revaluations

Distribution system assets are revalued every three years to fair value, or more regularly if necessary to ensure that no individual item of property, plant and equipment within a class is included at a valuation that is materially different from its fair value. Fair value is determined using optimised depreciated replacement cost.

Distribution system assets were revalued as at 31 March 2004 to optimised depreciated replacement cost (ODRC) as assessed by independent valuers PricewaterhouseCoopers.

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

Disposal of property, plant and equipment

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

Depreciation

Depreciation of property, plant and equipment is calculated so as to expense the cost or revalued amount of the assets, less any residual value, over the assets useful lives.

The depreciation methods and depreciation rates used are as follows:

Asset class	Depreciation method	Depreciation rates
Primary distribution assets	Straight line	1.43% - 3.66%
Secondary distribution assets	Straight line	1.33% - 10.31%
Substation assets	Straight line	2.22% - 14.58%
Load control plant	Straight line	5.00% - 36.39%
Streetlights	Straight line	1.67% - 2.55%
Consumer connection assets	Straight line	1.82% - 6.59%
Communication assets	Straight line	1.43% - 4.00%
Plant and equipment	Diminishing value	20%
Motor vehicles	Diminishing value	20%
Computer equipment	Diminishing value	48%

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

New assets (as from 1 April 2001) 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 (4th edition) as issued by the Ministry of Economic Development and dated October 2000.

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

(c) Income tax

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

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

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

(d) Receivables

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

(e) Financial instruments

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

Credit risk

The company places short-term investments with registered banks only. The company has a credit policy which is used to manage this exposure to credit risk. As part of this policy, limits on the amount of surplus funds placed with any one banking institution have been set and approved by the Board of Directors.

Concentrations of credit risk

The company's customers are electricity retailers. The credit risk is not considered to be high. The company does not have any other significant concentrations of credit risk.

Interest rate risk

Short-term investments mature within the range of on-call to 180 days. The interest rates on these investments range from 5.25% to 5.57%.

(f) Impairment

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

(g) Cash and cash equivalents

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

(h) Employee entitlements

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

(i) Operating leases

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

(j) Changes In accounting policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the prior year.

Network Tasman Limited Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2004

	2004	2003
	\$000	\$000
2. Operating revenue		
Continuing activities		
Trading revenue		
Line revenue (net of discounts)	21,273	21,043
Customer contributions	2,078	2,279
Gain on sale of assets	0	17
Other revenue	1,366	963
Non-recurring income	940	0
Investment revenue		
Interest income	607	805
Total operating revenue from continuing activities	26,264	25,107
3. Operating expenses		
Operating expenses include:		
Depreciation of property, plant & equipment		
Primary distribution assets	100	89
Secondary distribution assets	2,236	2,145
Substation assets	223	204
Load control plant	132	130
Streetlights	4	5
Consumer connections	66	66
Communications	47	2
Plant and equipment	132	110
Computer equipment	186	217
Motor vehicles	27	22
Total depreciation of property, plant & equipment	3,153	2,990
Auditors' fees		
Audit fees	24	24
Other remuneration paid to auditor	0	0
Costs of offering credit		
Bad debts written off	19	3
Change in provision for doubtful debts	(2)	3
Governance expenses		
Directors' fees	129	129
Donations	2	1
Interest expense	8	15
Impairment loss to property, plant & equipment	72	0
Rental and operating lease costs	256	263

Network Tasman Limited

Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2004

	2004 \$000	2003 \$000
4. Income tax		
Operating surplus before income tax	8,936	8,517
Permanent differences:		
Non-taxable customer contributions	(2,078)	(2,279)
Depreciation	887	1,113
Other permanent differences	76	15
	<u>(1,115)</u>	<u>(1,151)</u>
Taxable income	<u>7,821</u>	<u>7,366</u>
Tax expense @ 33%	2,581	2,431
Income tax (over) under provided in prior year	0	0
Income tax expense recognised in statement of financial performance	<u>2,581</u>	<u>2,431</u>
Comprising:		
Current period tax assessment	2,543	2,413
Deferred income tax liability	38	18
	<u>2,581</u>	<u>2,431</u>
5. Dividends		
Dividends during the year:		
Dividends paid	1,843	1,598
Total dividends paid	<u>1,843</u>	<u>1,598</u>
6. Equity		
Ordinary shares fully paid	14,280	14,280
Property, plant & equipment revaluation reserve	84,874	47,158
Share premium reserve	1,938	1,938
Retained earnings	7 30,169	25,571
Total equity	<u>131,261</u>	<u>88,947</u>
7. Retained earnings		
Retained earnings at beginning of year	25,571	21,083
Operating surplus	6,355	6,086
Total available for appropriation	<u>31,926</u>	<u>27,169</u>
Dividends paid	5 (1,843)	(1,598)
Transfer of land & buildings from "Other" business	86	0
Retained earnings at end of year	<u>30,169</u>	<u>25,571</u>

Network Tasman Limited Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2004

	2004	2003
	\$000	\$000
8. Receivables		
Current receivables		
Trade receivables	2,275	2,346
Less doubtful debts	4	5
	<u>2,271</u>	<u>2,341</u>
Interest accrued	82	69
Tax refund due	132	126
Prepayments	187	149
Total current receivables	<u>2,672</u>	<u>2,685</u>

9. Property, plant & equipment

	At cost	At valuation	Accum. depreciation	Carrying Amount
Property, plant & equipment - March 2004				
Primary distribution assets	0	6,867	0	6,867
Secondary distribution assets	0	96,002	0	96,002
Substation assets	0	7,817	0	7,817
Load control plant	0	617	0	617
Streetlights	0	278	0	278
Consumer connections	0	6,242	0	6,242
Communications	0	2,535	0	2,535
Plant and equipment	1,719	0	1,072	647
Computer equipment	2,078	0	1,836	242
Motor vehicles	267	0	120	147
Assets under construction	418	0	0	418
Total	<u>4,482</u>	<u>120,358</u>	<u>3,028</u>	<u>121,812</u>

Network Tasman Limited Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2004

	At cost	At valuation	Accum. depreciation	Carrying Amount
Property, plant & equipment - March 2003				
Primary distribution assets	606	2,590	176	3,020
Secondary distribution assets	6,523	60,793	4,224	63,092
Substation assets	811	5,109	402	5,518
Load control plant	439	810	252	997
Streetlights	0	169	9	160
Consumer connections	179	948	131	996
Communications	76	0	1	75
Plant and equipment	1,543	0	940	603
Computer equipment	2,004	0	1,653	351
Motor vehicles	221	0	93	128
Assets under construction	2,299	0	0	2,299
Total	14,701	70,419	7,881	77,239

Valuation information

The distribution system assets were revalued as at 31 March 2004 to a net current value of \$120.4 million. The valuation to optimised depreciated replacement cost (ODRC) was carried out by independent valuers, PricewaterhouseCoopers. The valuation report is dated 25 May 2004.

	2004	2003
	\$000	\$000

Review of useful lives of property, plant and equipment

Estimate of increase in depreciation charge following a review of useful lives

	0	0
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10. Deferred taxation

Balance at beginning of year	97	115
Deferred tax on timing differences	(38)	(18)
Balance at end of year	59	97

11. Payables and accruals

Current

Trade payables and accruals	1,714	2,165
Total current payables and accruals	1,714	2,165

Network Tasman Limited

Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2004

	2004	2003
	\$000	\$000
12. Provisions		
Current		
Employee entitlements	113	208
Sundry provisions	85	111
Total current provisions	198	319
Non-current		
Employee entitlements	157	128
Sundry provisions	0	15
Total non-current provisions	157	143
Provision for employee entitlements		
Balance at beginning of year	336	352
Additional provisions made	105	183
Amount utilised	(152)	(175)
Provision reversed	(19)	(24)
Balance at end of year	270	336
The provision for employee entitlements relates to employee benefits such as accrued annual leave and long service leave.		
Sundry provisions		
Balance at beginning of year	126	169
Additional provisions made	0	86
Amount utilised	(0)	(2)
Provision reversed	(41)	(127)
Balance at end of year	85	126

Sundry provisions relate to line charge discounts and allowances for revenue wash-ups.

Network Tasman Limited Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2004

	2004 \$000	2003 \$000
13. Reconciliation of operating surplus after income tax with net cash flows from operating activities		
Operating surplus after tax	6,355	6,086
Add (less) non-cash items and non-operating items:		
Depreciation	3,153	2,990
Movement in deferred taxation	38	18
Customer contributions	(2,078)	(2,279)
Bad debts written-off	19	3
Change in provision for doubtful debts	(2)	3
Impairment loss to property, plant & equipment	72	(17)
Movement in capital expenditure in creditors	(164)	(262)
	1,038	456
Movement in working capital:		
Increase (decrease) in payables and provisions	(558)	383
(Increase) decrease in receivables	19	(42)
Increase (decrease) in taxation payable	(6)	(412)
	(545)	(71)
Net cash flows from operating activities	6,848	6,471

14. Related parties

There were no related party transactions in relation to the following (2003: nil):

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

Parent entity

The holding entity of the company is the Network Tasman Trust which holds 100% (2003: 100%) of the company's shares.

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

Associate company

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

Transmission costs charged by national grid operator Transpower NZ Limited for connection by Nelson Electricity Limited to the national grid are on-charged, at cost, by Network Tasman Limited to Nelson Electricity Limited.

Network Tasman Limited Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2004

	2004	2003
	\$000	\$000
Net transmission costs on-charged (1 April 2003 to 31 March 2004)	1,528	1,620
Balance due from Nelson Electricity Limited as at 31 March 2004	138	151

Mr C Turner - Nelson Pine Industries Limited

Nelson Pine Industries Limited, a company in which Mr C Turner (a director of Network Tasman Limited) is General Manager, contracts directly on an arms length basis with Network Tasman Limited, for distribution services. The services amount to 5.6% of total net sales revenue.

As at 31 March 2004, the balance owing by Nelson Pine Industries Limited was \$2,450.

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

15. Segmental Information

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

16. Commitments

Capital commitments

Capital commitments as at 31 March 2004 were \$1,511,632 (2003: \$1,924,756).

Operating lease commitments

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

Less than one year	253	265
Between one and two years	253	265
Between two and five years	758	796
Greater than five years	1,635	1,983
Total operating lease commitments	2,899	3,309

17. Contingencies

As at 31 March 2004 there were no material contingent liabilities or assets (2003: nil).

Network Tasman Limited Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2004

18. Events occurring after balance date

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

19. Mandatory specific disclosures

Items required to be separately listed in the financial statements as required under the Electricity Information Disclosure Requirements 2004:

	2004 \$000	2003 \$000
1. Current assets		
(a) Cash & bank balances	978	3
(b) Short-term investments	7,809	11,550
(c) Inventories	0	0
(d) Accounts receivable	2,353	2,410
(e) Other receivables	0	0
(f) Prepayments	187	149
(g) Other current assets not listed in (a) to (f)	132	126
(h) Total current assets	11,459	14,238
2. Fixed assets		
(a) System fixed assets	120,358	73,858
(b) Consumer billing and information system assets	242	351
(c) Motor vehicles	147	128
(d) Office equipment	104	128
(e) Land and buildings	0	0
(f) Capital works under construction	418	2,299
(g) Other fixed assets not listed in (a) to (f)	543	475
(h) Total fixed assets	121,812	77,239
3. Other tangible assets not listed above	59	97
4. Total tangible assets	133,330	91,574

Network Tasman Limited

Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2004

	2004 \$000	2003 \$000
5. Intangible assets		
(a) Goodwill	0	0
(b) Other intangibles not listed in (a) above	0	0
(c) Total intangible assets	<u>0</u>	<u>0</u>
6. Total assets	<u>133,330</u>	<u>91,574</u>
7. Current liabilities		
(a) Bank overdraft	0	0
(b) Short-term borrowings	0	0
(c) Payables & accruals	1,714	2,165
(d) Accrued payroll	113	208
(e) Provision for dividend payable	0	0
(f) Provision for income tax	0	0
(g) Other current liabilities not listed in (a) to (f)	85	111
(h) Total current liabilities	<u>1,912</u>	<u>2,484</u>
8. Non-current Liabilities		
(a) Payables & accruals	157	143
(b) Borrowings	0	0
(c) Deferred tax	0	0
(d) Other non-current liabilities not listed in (a) to (c) above	0	0
(e) Total non-current liabilities	<u>157</u>	<u>143</u>
9. Equity		
(a) Shareholders' equity		
(i) Share capital	14,280	14,280
(ii) Retained earnings	30,169	25,571
(iii) Reserves	86,812	49,096
(iv) Total shareholders equity	<u>131,261</u>	<u>88,947</u>
(b) Minority interests in subsidiaries	0	0
(c) Total equity	<u>131,261</u>	<u>88,947</u>
(d) Capital notes	0	0
(e) Total capital funds	<u>131,261</u>	<u>88,947</u>
10. Total equity and liabilities	<u>133,330</u>	<u>91,574</u>
11. Operating revenue		
(a) Revenue from line/access charges	25,876	25,552
(b) Line charge discounts to consumers	(4,603)	(4,509)
(c) Revenue from "other" business for services carried out by the line business	0	0
(d) Interest on cash, bank balances and short-term investments	607	805
(e) AC loss rental rebates	1,155	836
(f) Other revenue not listed in (a) to (e)	3,229	2,423
(g) Total operating revenue	<u>26,264</u>	<u>25,107</u>

Network Tasman Limited

Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2004

	2004	2003
	\$000	\$000
12. Operating expenditure		
(a) Payment for transmission charges	8,197	8,019
(b) Transfer payments to the "other" business for:		
(i) Asset maintenance	0	0
(ii) Consumer disconnections/reconnection services	0	0
(iii) Meter data	0	0
(iv) Consumer-based load control services	0	0
(v) Royalty and patent expenses	0	0
(vi) Avoided transmission charges on account of own generation	0	0
(vii) Other goods and services not listed in (i) to (vi) above	63	56
(viii) Total transfer payment to the "Other" business	63	56
(c) Expense to entities that are not related parties for:		
(i) Asset maintenance	2,617	2,572
(ii) Consumer disconnections/reconnection services	0	4
(iii) Meter data	0	0
(iv) Consumer-based load control services	0	0
(v) Royalty and patent expenses	0	0
(vi) Total of specified expenses to non-related parties	2,617	2,576
(d) Employee salaries, wages and redundancies	1,479	1,365
(e) Consumer billing and information system expense	215	128
(f) Depreciation on:		
(i) System fixed assets	2,808	2,641
(ii) Other assets not listed in (i)	345	349
(iii) Total depreciation	3,153	2,990
(g) Amortisation of:		
(i) Goodwill	0	0
(ii) Other intangibles	0	0
(iii) Total amortisation of intangibles	0	0
(h) Corporate and administration	393	396
(i) Human resource expenses	44	65
(j) Marketing/advertising	73	86
(k) Merger and acquisition expenses	0	0
(l) Takeover defence expenses	0	0
(m) Research and development expenses	0	0
(n) Consultancy and legal expenses	201	280
(o) Donations	2	1
(p) Directors' fees	129	129
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors	24	24
(ii) Audit fees paid to other auditors	0	0
(iii) Fees paid for other services provided by principal and other auditors	0	0
(iv) Total auditors' fees	24	24
(r) Costs of offering credit:		
(i) Bad debts written off	19	3
(ii) Increase in estimated doubtful debts	(2)	3
(iii) Total cost of offering credit	17	6
(s) Local authority rates expense	8	6
(t) AC loss-rentals rebates expense	464	338
(u) Rebates to consumers due to ownership interest	0	0
(v) Subvention payments	0	0
(w) Unusual expenses	0	0
(x) Other expenditure not listed in (a) to (w)	241	110
13. Total operating expenditure	17,320	16,575

Network Tasman Limited
Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2004

	2004	2003
	\$000	\$000
14. Operating surplus before interest and income tax	8,944	8,532
15. Interest expense		
(a) Interest expense on borrowings	0	0
(b) Financing charges related to finance leases	0	0
(c) Other interest expense not listed in (a) or (b)	8	15
(d) Total interest expense	8	15
16. Operating surplus before income tax	8,936	8,517
17. Income tax	2,581	2,431
18. Net surplus after tax	6,355	6,086
19. Annual valuation reconciliation report		
System fixed assets at ODV - end of the previous financial year	73,721	71,654
Add system fixed assets acquired during the year at ODV	9,462	4,846
Less system fixed assets disposed of during the year at ODV	0	0
Less depreciation on system fixed assets at ODV	(2,947)	(2,779)
Add revaluations of system fixed assets	27,855	0
System fixed assets at ODV - end of the financial year	108,091	73,721

Schedule 1 - Part 7
Form for the Derivation of Financial Performance Measures from Financial Statements

Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	8,943,860				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	8,943,860				
Interest on cash, bank balances, and short-term investments (ISTI)	607,449				
OSBIT minus ISTI	8,336,411	a	8,336,411		8,336,411
Net surplus after tax from financial statements	6,354,872	n		6,354,872	
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	6,354,872	g	add	add	add
Amortisation of goodwill and amortisation of other intangibles	0	s	add	add	add
Subvention payment	0				
Depreciation of SFA at BV (x)	2,808,443				
Depreciation of SFA at ODV (y)	2,946,765				
ODV depreciation adjustment	-138,322	d	add	add	add
Subvention payment tax adjustment	0	s†			
Interest tax shield	-197,762	q			
Revaluations	27,855,947	r			
Income tax	2,580,817	p			
Numerator			OSBIT ^{ALUJ} = a + g + s + d	NSAT ^{ALUJ} = n + g + s - s† + d	NSAT ^{ALUJ} = a + g - q + r + s + d - p - s†
			8,198,090	6,216,550	33,670,981
Fixed assets at end of previous financial year (FA _{t-1})	77,238,763				
Fixed assets at end of current financial year (FA _t)	121,811,538				
Adjusted net working capital at end of previous financial year (ANWC _{t-1})	131,565				
Adjusted net working capital at end of current financial year (ANWC _t)	677,479				
Average total funds employed (ATFE)	99,929,672 (or regulation 33 time-weighted average)	c	99,929,672		99,929,672
Total equity at end of previous financial year (TE _{t-1})	88,947,136				
Total equity at end of current financial year (TE _t)	131,260,743				
Average total equity	110,103,939 (or regulation 33 time-weighted average)	k		110,103,939	
WUC at end of previous financial year (WUC _{t-1})	2,298,858				
WUC at end of current financial year (WUC _t)	418,087				
Average total works under construction	1,358,473 (or regulation 33 time-weighted average)	e	deduct	deduct	deduct
			1,358,473	1,358,473	1,358,473

Network Tasman Limited
Line Business Performance Measures

Performance Measures and Statistics
For the year ended 31 March 2004

	2004	2003	2002	2001
Financial performance measures				
(a) Return on Funds	8.88%	10.27%	10.08%	7.90%
(b) Return on Equity	6.06%	6.96%	6.59%	5.23%
(c) Return on Investment	42.93%	7.33%	6.93%	-13.97%
Return on Investment - as restated (excludes revaluation)	6.30%			5.13%
Efficiency performance measures				
(a) Direct Line Costs per Kilometre	\$1,258	\$1,232	\$934	\$1,181
(b) Indirect Line Costs per Consumer	\$43	\$42	\$38	\$39
Energy delivery efficiency performance measures and statistics				
1. Energy delivery efficiency performance measures				
(a) Load Factor	64.39%	66.12%	63.30%	65.28%
(b) Loss Ratio	3.88%	4.25%	3.39%	4.12%
(c) Capacity Utilisation	42.50%	43.24%	44.67%	43.24%
2. Statistics				
(a) System Length				
33 kV system	133.73	126.78	125.51	125.24
11 kV system	2060.85	2001.64	1989.13	1983.89
6.6 kV system	34.37	34.37	34.37	34.37
400 V system	1015.33	998.00	972.70	978.42
Total Kilometres	3244.28	3160.79	3121.71	3121.92
(b) System Length - Overhead				
33 kV system	121.83	121.12	120.04	120.55
11 kV system	1908.09	1873.27	1867.89	1864.96
6.6 kV system	33.03	33.03	33.03	33.03
400 V system	581.08	589.69	604.88	626.19
Total Kilometres	2644.03	2617.11	2625.84	2644.73
(c) System Length - Underground				
33 kV system	11.90	5.66	5.47	4.69
11 kV system	152.76	128.37	121.24	118.93
6.6 kV system	1.34	1.34	1.34	1.34
400 V system	434.25	408.31	367.82	352.23
Total Kilometres	600.25	543.68	495.87	477.19
(d) Transformer Capacity (kVA)	304,205	291,626	276,450	272,605
(e) Maximum Demand (kW)	129,290	126,103	123,500	117,886
(f) Total electricity entering the system (before losses) (kWh)	729,267,287	730,401,537	684,837,910	646,403,247
<i>(The comparative figure for 2001 is for total electricity supplied from the system after losses of electricity)</i>				
(g) Total amount of electricity supplied from the system (after losses of electricity) on behalf of each person (kWh)				
Retailer A	412,727,633	304,463,864	286,066,967	318,775,514
Retailer B	102,072,527	9,507,894	6,774,941	15,607,381
Retailer C	174,954,119	1,042,196	931,754	8,813,481
Retailer D	673,561	191,883,213	165,792,163	140,099,112
Retailer E	10,574,262	192,477,170	187,190,919	10,223,036
Retailer F			13,127,997	178,900,081
Retailer G			39,774	105,660
Generator 1	1,835,341	1,631,325	1,670,828	1,650,939
Generator 2	894,009	85,647		
Total	703,731,452	701,091,309	661,595,344	674,175,204
<i>(The comparative figure for 2001 is for the total amount of electricity conveyed through the system before losses of electricity)</i>				

	2004	2003	2002	2001
(h) Total Consumers	33,335	32,205	31,293	30,790
Reliability performance measures to be disclosed by line owners				
1. Total number of Interruptions				
Class A Transpower Planned	3.00	4.00	3.00	4.00
Class B Line Owner Planned	76.00	66.00	80.00	138.00
Class C Line Owner Unplanned	101.00	118.00	84.00	112.00
Class D Transpower Unplanned	3.00	1.00	0.00	0.00
Total	183.00	189.00	167.00	254.00
2. Interruption Targets (next year)				
(a) Planned Interruptions by Line Owner (Class B)	2004/05	2003/04	2002/03	2001/02
(a) Planned Interruptions by Line Owner (Class B)	100.00	100.00	120.00	160.00
(b) Unplanned Interruptions by Line Owner (Class C)	130.00	130.00	128.00	120.00
3. Average Interruption Targets (5 years)				
(a) Planned Interruptions by Line Owner (Class B)	2005/09	2004/08	2003/07	2002/06
(a) Planned Interruptions by Line Owner (Class B)	100.00	100.00	110.00	124.00
(b) Unplanned Interruptions by Line Owner (Class C)	130.00	130.00	128.00	120.00
4. Fault Restoration Times (Class C) not restored within				
(a) 3 hours	23%	17%	14%	13%
(b) 24 hours	0%	0%	0%	0%
5. Number of faults per 100km of prescribed voltage line				
(a) Total number of faults	4.53	5.45	3.91	5.22
(b) Number of faults targeted (next year)				
	2004/05	2003/04	2002/03	2001/02
(b) Number of faults targeted (next year)	6.00	6.00	6.00	6.00
(c) Average number of faults targeted (5 years)				
	2005/09	2004/08	2003/07	2002/06
(c) Average number of faults targeted (5 years)	6.00	6.00	6.00	6.00
(d) Number of faults per nominal line voltages				
Total number of faults				
33 kV system	2.24	1.58	1.59	1.59
11 kV system	4.76	5.70	4.12	5.39
6.6 kV system	0.00	5.82	0.00	8.75
Number of faults targeted (next year)				
	2004/05	2003/04	2002/03	2001/02
33 kV system	1.50	1.50	1.50	1.50
11 kV system	6.40	6.30	6.30	6.30
6.6 kV system	0.00	0.00	0.00	0.00
Average number of faults targeted (5 years)				
	2005/09	2004/08	2003/07	2002/06
33 kV system	1.50	1.50	1.50	1.50
11 kV system	6.40	6.30	6.30	6.30
6.6 kV system	0.00	0.00	0.00	0.00
6. Number of faults per 100km of prescribed voltage underground line				
33 kV system	0.00	0.00	0.00	0.00
11 kV system	6.54	4.67	2.47	8.31
6.6 kV system	0.00	0.00	0.00	0.00
Total	6.02	4.43	2.34	7.86
7. Number of faults per 100km of prescribed voltage overhead line				
33 kV system	2.46	1.65	1.67	1.67
11 kV system	4.61	5.87	4.28	5.21
6.6 kV system	0.00	6.06	0.00	9.09
Total	4.41	5.52	4.06	5.06
8. SAIDI for the total number of interruptions	164.10	151.23	114.68	172.57
9. SAIDI targets (next year)				
(a) Planned Interruptions by Line Owner (Class B)	2004/05	2003/04	2002/03	2001/02
(a) Planned Interruptions by Line Owner (Class B)	25.00	25.00	35.00	40.00

	2004	2003	2002	2001
(b) Unplanned Interruptions by Line Owner (Class C)	60.00	60.00	60.00	90.00
10. Average SAIDI targets (5 years)	2005/09	2004/08	2003/07	2002/06
(a) Planned Interruptions by Line Owner (Class B)	25.00	25.00	32.00	35.00
(b) Unplanned Interruptions by Line Owner (Class C)	57.00	58.00	55.00	77.00
11. Classification of SAIDI interruptions by Class				
Class A Transpower Planned	35.73	43.29	43.92	67.28
Class B Line Owner Planned	25.92	16.77	21.39	34.86
Class C Line Owner Unplanned	95.26	90.96	49.37	70.14
Class D Transpower Unplanned	7.19	0.20	0.00	0.29
Total	164.10	151.22	114.68	172.57
12. SAIFI for the total number of interruptions	1.73	1.86	1.14	1.92
13. SAIFI targets (next year)	2004/05	2003/04	2002/03	2001/02
(a) Planned Interruptions	0.18	0.18	0.27	0.29
(b) Unplanned Interruptions	1.00	1.00	1.33	1.50
14. Average SAIFI targets (5 years)	2005/09	2004/08	2003/07	2002/06
(a) Planned Interruptions by Line Owner (Class B)	0.18	0.18	0.23	0.25
(b) Unplanned Interruptions by Line Owner (Class C)	0.95	0.97	1.00	1.29
15. Classification of SAIFI interruptions by Class				
Class A Transpower Planned	0.14	0.17	0.14	0.23
Class B Line Owner Planned	0.15	0.19	0.13	0.29
Class C Line Owner Unplanned	1.07	1.30	0.87	1.34
Class D Transpower Unplanned	0.37	0.20	0.00	0.06
Total	1.73	1.86	1.14	1.92
16. CAIDI for the total number of interruptions	94.30	81.25	100.59	90.27
17. CAIDI Targets (next year)	2004/05	2003/04	2002/03	2001/02
(a) Planned Interruptions	140.00	139.00	128.00	138.00
(b) Unplanned Interruptions	60.00	60.00	45.00	60.00
18. Average CAIDI targets (5 years)	2005/09	2004/08	2003/07	2002/06
(a) Planned Interruptions by Line Owner (Class B)	140.00	139.00	139.00	141.00
(b) Unplanned Interruptions by Line Owner (Class C)	60.00	60.00	55.00	60.00
19. Classification of CAIDI interruptions by Class				
Class A Transpower Planned	246.86	258.11	313.71	296.57
Class B Line Owner Planned	169.23	86.47	164.54	120.29
Class C Line Owner Unplanned	88.97	69.84	56.75	52.38
Class D Transpower Unplanned	19.35	1.00	0.00	5.10