



New Zealand Gazette

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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

Network Tasman Limited

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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: 15 November 2006

Network Tasman Limited**Line Business Financial Statements****Statement of financial performance***For the year ended 31 March 2006*

	Note	2006 \$000	2005 \$000
Total operating revenue	2	26,814	27,279
Total operating expenses	3	(19,818)	(19,207)
Operating surplus before interest expense and income tax		6,996	8,072
Interest expense		0	(6)
Operating surplus before income tax		6,996	8,066
Income tax	4	(2,387)	(2,157)
Operating surplus		4,609	5,909
Operating surplus comprises:			
Operating surplus from continuing activities		4,609	5,909
Operating surplus from discontinued activities		0	0
		4,609	5,909

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****Statement of movements in equity***For the year ended 31 March 2006*

	Note	2006 \$000	2005 \$000
Total equity at beginning of year	6	134,975	131,261
Total recognised revenues and expenses			
Operating surplus		4,609	5,909
Movement in property, plant & equipment revaluation reserve		0	0
Total recognised revenues and expenses for the year		4,609	5,909
Other movements			
Distributions to owners during the year	5	(2,000)	(1,704)
Transfer of property, plant & equipment from/(to) "Other" business		0	(491)
		(2,000)	(2,195)
Total equity at end of year	6	137,584	134,975

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

Network Tasman Limited

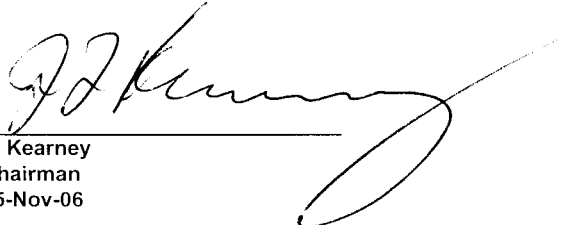
Line Business Financial Statements


Statement of financial position

As at 31 March 2006

	Note	2006 \$000	2005 \$000
Current assets			
Cash and short term deposits		6,975	8,166
Receivables	8	2,913	3,013
Total current assets		<u>9,888</u>	<u>11,179</u>
Non-current assets			
Property, plant and equipment	9	130,160	126,326
Deferred taxation	10	85	64
Total non-current assets		<u>130,245</u>	<u>126,390</u>
Total assets		<u>140,133</u>	<u>137,569</u>
Current liabilities			
Payables and accruals	11	2,234	2,231
Provisions	12	134	189
Total current liabilities		<u>2,368</u>	<u>2,420</u>
Non-current liabilities			
Provisions	12	181	174
Total non-current liabilities		<u>181</u>	<u>174</u>
Equity			
Attributable to shareholders of the company	6	137,584	134,975
Total equity		<u>137,584</u>	<u>134,975</u>
Total liabilities and equity		<u>140,133</u>	<u>137,569</u>

For and on behalf of the Board of Directors:


 IF Kearney
 Chairman
 15-Nov-06


 CIM Turner
 Director
 15-Nov-06

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****Statement of cash flows***For the year ended 31 March 2006*

	Note	2006 \$000	2005 \$000
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		23,049	22,510
Interest income received		582	670
Capital contributions from consumers		0	0
		<u>23,631</u>	<u>23,180</u>
<i>Cash was applied to:</i>			
Payments to suppliers and employees		12,950	13,779
Interest expense paid		0	0
Income tax paid		2,324	2,157
		<u>15,274</u>	<u>15,936</u>
Net cash flows from operating activities	13	<u>8,357</u>	<u>7,244</u>
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Proceeds from sale of property, plant and equipment		11	13
		<u>11</u>	<u>13</u>
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		7,559	6,174
		<u>7,559</u>	<u>6,174</u>
Net cash flows from investing activities		<u>(7,548)</u>	<u>(6,161)</u>
Cash flows from financing activities			
<i>Cash was applied to:</i>			
Dividends paid		2,000	1,704
Repayment of term loans		0	0
		<u>2,000</u>	<u>1,704</u>
Net cash flows from financing activities		<u>(2,000)</u>	<u>(1,704)</u>
Net increase (decrease) in cash balances		<u>(1,191)</u>	<u>(621)</u>
Cash balances at beginning of year		8,166	8,787
Cash balances at end of year		<u>6,975</u>	<u>8,166</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 2006

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 2005.

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 last 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	1.33% - 6.16%
Secondary distribution assets	Straight line	1.33% - 9.20%
Substation assets	Straight line	1.43% - 13.31%
Load control plant	Straight line	1.82% - 17.33%
Streetlights	Straight line	1.67% - 33.33%
Consumer connection assets	Straight line	2.22% - 33.33%
Communication assets	Straight line	4.00% - 5.00%
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 2004) 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 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.

(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) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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 2006*

2006	2005
\$000	\$000

2. Operating revenue**Continuing activities****Trading revenue**

Line revenue (net of discounts)	23,086	22,447
Customer contributions	1,641	3,291
Gain on sale of assets	(194)	20
Other revenue	1,699	851
Non-recurring income	0	0

Investment revenue

Interest income	582	670
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Total operating revenue from continuing activities

26,814	27,279
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3. Operating expenses**Operating expenses include:****Depreciation of property, plant & equipment**

Primary distribution assets	211	190
Secondary distribution assets	3,398	3,291
Substation assets	300	285
Load control plant	69	58
Streetlights	43	43
Consumer connections	278	277
Communications	19	84
Plant and equipment	102	129
Computer equipment	219	145
Motor vehicles	34	34

Total depreciation of property, plant & equipment

4,673	4,536
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Auditors' fees

Audit fees	28	27
Other remuneration paid to auditor	4	4

Costs of offering credit

Bad debts written off	4	15
Change in provision for doubtful debts	(0)	(1)

Governance expenses

Directors' fees	150	129
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Donations

Donations	2	2
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Interest expense	0	6
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Impairment loss to property, plant & equipment	0	0
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Rental and operating lease costs	253	253
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Network Tasman Limited**Line Business Financial Statements****Notes to and forming part of the financial statements***For the year ended 31 March 2006*

2006	2005
\$000	\$000

4. Income tax

Operating surplus before income tax	6,996	8,066
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Permanent differences:

Non-taxable customer contributions	(1,641)	(3,291)
Depreciation	1,840	1,756
Other permanent differences	38	6
	237	(1,529)

Taxable income	7,233	6,537
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Tax expense @ 33%	2,387	2,157
Income tax (over) under provided in prior year	0	0

Income tax expense recognised in statement of financial performance	2,387	2,157
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Comprising:

Current period tax assessment	2,408	2,162
Deferred income tax liability	(21)	(5)
	2,387	2,157

5. Dividends

Dividends during the year:		
Dividends paid	2,000	1,704

Total dividends paid	2,000	1,704
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6. Equity

Ordinary shares fully paid	14,280	14,280
Property, plant & equipment revaluation reserve	84,874	84,874
Share premium reserve	1,938	1,938
Retained earnings	36,492	33,883

Total equity	137,584	134,975
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7. Retained earnings

Retained earnings at beginning of year	33,883	30,169
Operating surplus	4,609	5,909
Total available for appropriation	38,492	36,078
Dividends paid	(2,000)	(1,704)
Transfer of property, plant & equipment from/(to) "Other" business	0	(491)

Retained earnings at end of year	36,492	33,883
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Network Tasman Limited

Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2006

2,006	2,005
\$000	\$000

8. Receivables

Current receivables

Trade receivables	2,676	2,625
Less doubtful debts	3	3
	2,673	2,622
Interest accrued	63	100
Tax refund due	0	121
Prepayments	177	170
Total current receivables	2,913	3,013

9. Property, plant & equipment

	At cost	At valuation	Accum. depreciation	Carrying Amount
Property, plant & equipment - March 2006				
Primary distribution assets	1,866	6,867	400	8,333
Secondary distribution assets	10,118	96,002	6,689	99,431
Substation assets	2,699	7,817	585	9,931
Building NI	1,952	0	44	1,908
Load control plant	364	617	127	854
Streetlights	8	278	87	199
Consumer connections	38	6,242	555	5,725
Communications	1,465	0	0	1,465
Plant and equipment	931	0	407	524
Computer equipment	1,140	0	821	319
Motor vehicles	269	0	133	136
Assets under construction	1,335	0	0	1,335
Total	22,185	117,823	9,848	130,160

Network Tasman Limited**Line Business Financial Statements****Notes to and forming part of the financial statements***For the year ended 31 March 2006*

	At cost	At valuation	Accum. depreciation	Carrying Amount
Property, plant & equipment - March 2005				
Primary distribution assets	1,174	6,867	190	7,851
Secondary distribution assets	5,539	96,002	3,291	98,250
Substation assets	741	7,817	285	8,273
Load control plant	312	617	58	871
Streetlights	3	278	43	238
Consumer connections	38	6,242	277	6,003
Communications	86	2,044	84	2,046
Plant and equipment	1,739	0	1,202	537
Computer equipment	2,250	0	1,981	269
Motor vehicles	268	0	123	145
Assets under construction	1,843	0	0	1,843
Total	13,991	119,867	7,534	126,326

Valuation information

The distribution system assets were last 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.

2006	2005
\$000	\$000

Review of useful lives of property, plant and equipment

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

1,312	1,312
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10. Deferred taxation

Balance at beginning of year
Deferred tax on timing differences

64	59
21	5

Balance at end of year

85	64
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11. Payables and accruals**Current**

Trade payables and accruals

2,234	2,231
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Total current payables and accruals

2,234	2,231
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Network Tasman Limited**Line Business Financial Statements****Notes to and forming part of the financial statements***For the year ended 31 March 2006*

2006	2005
\$000	\$000

12. Provisions**Current**

Employee entitlements	134	126
Sundry provisions	0	63
Total current provisions	134	189

Non-current

Employee entitlements	181	174
Sundry provisions	0	0
Total non-current provisions	181	174

Provision for employee entitlements

Balance at beginning of year	300	270
Additional provisions made	166	110
Amount utilised	(150)	(80)
Provision reversed	0	0
Balance at end of year	316	300

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	63	85
Additional provisions made		63
Amount utilised	0	0
Provision reversed	(63)	(85)
Balance at end of year	0	63

Sundry provisions relate to contractor bonuses.

Network Tasman Limited**Line Business Financial Statements****Notes to and forming part of the financial statements***For the year ended 31 March 2006*

2006	2005
\$000	\$000

13. Reconciliation of operating surplus after income tax with net cash flows from operating activities

Operating surplus after tax	4,609	5,909
Add (less) non-cash items and non-operating items:		
Depreciation	4,673	4,536
Movement in deferred taxation	(21)	(5)
Customer contributions	(1,641)	(3,291)
Bad debts written-off	4	15
Change in provision for doubtful debts	(0)	(1)
Impairment loss to property, plant & equipment	0	0
Movement in capital expenditure in creditors	678	(103)
	3,693	1,151
Movement in working capital:		
Increase (decrease) in payables and provisions	(45)	525
(Increase) decrease in receivables	(21)	(352)
Increase (decrease) in taxation payable	121	11
	55	184
Net cash flows from operating activities	8,357	7,244

14. Related parties

There were no related party transactions in relation to the following (2005: 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% (2005: 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 2006*

	2006	2005
	\$000	\$000
Net transmission costs on-charged (1 April 2005 to 31 March 2006)	1,492	1,666
Balance due from Nelson Electricity Limited as at 31 March 2006	133	154

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 4.7 percent of total gross sales (2005: 5.2%).

As at 31 March 2006, the balance owing by Nelson Pine Industries Limited was \$88,984 (2005: \$110,317).

No related party debts have been written off or forgiven during the year (2005: nil).

15. 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 67 days. The interest rates on these investments range from 7.25% to 7.61% (2005: 6.68% to 6.97%).

16. 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.

17. Commitments**Capital commitments**

Capital commitments as at 31 March 2006 were \$2,837,935 (2005: \$4,846,682).

Network Tasman Limited**Line Business Financial Statements****Notes to and forming part of the financial statements***For the year ended 31 March 2006***Operating lease commitments**

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

Less than one year	247	253
Between one and two years	247	253
Between two and five years	741	758
Greater than five years	1,107	1,383
Total operating lease commitments	2,342	2,647

18. Contingencies

As at 31 March 2006 there were no material contingent liabilities or contingent assets (2005: nil).

19. 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.

20. Mandatory specific disclosures

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

	2006 \$000	2005 \$000
1. Current assets		
(a) Cash & bank balances	141	312
(b) Short-term investments	6,833	7,854
(c) Inventories	0	0
(d) Accounts receivable	2,736	2,722
(e) Other receivables	0	0
(f) Prepayments	177	170
(g) Other current assets not listed in (a) to (f)	0	121
(h) Total current assets	9,887	11,179
2. Fixed assets		
(a) System fixed assets	125,938	123,532
(b) Consumer billing and information system assets	319	269
(c) Motor vehicles	137	145
(d) Office equipment	99	84
(e) Land and buildings	1,908	0
(f) Capital works under construction	1,335	1,843
(g) Other fixed assets not listed in (a) to (f)	425	453
(h) Total fixed assets	130,160	126,326
3. Other tangible assets not listed above	85	64
4. Total tangible assets	140,133	137,569

Network Tasman Limited**Line Business Financial Statements****Notes to and forming part of the financial statements***For the year ended 31 March 2006*

	2006 \$000	2005 \$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	140,133	137,569
7. Current liabilities		
(a) Bank overdraft	0	0
(b) Short-term borrowings	0	0
(c) Payables & accruals	2,234	2,231
(d) Accrued payroll	134	126
(e) Provision for dividend payable	0	0
(f) Provision for income tax	0	0
(g) Other current liabilities not listed in (a) to (f)	0	63
(h) Total current liabilities	<u>2,368</u>	<u>2,420</u>
8. Non-current Liabilities		
(a) Payables & accruals	181	174
(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>181</u>	<u>174</u>
9. Equity		
(a) Shareholders' equity		
(i) Share capital	14,280	14,280
(ii) Retained earnings	36,492	33,883
(iii) Reserves	86,812	86,812
(iv) Total shareholders equity	<u>137,584</u>	<u>134,975</u>
(b) Minority interests in subsidiaries	0	0
(c) Total equity	<u>137,584</u>	<u>134,975</u>
(d) Capital notes	0	0
(e) Total capital funds	<u>137,584</u>	<u>134,975</u>
10. Total equity and liabilities	140,133	137,569
11. Operating revenue		
(a) Revenue from line/access charges	28,218	27,120
(b) Line charge discounts to consumers	(5,132)	(4,673)
(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	582	670
(e) AC loss rental rebates	1,449	654
(f) Other revenue not listed in (a) to (e)	1,697	3,508
(g) Total operating revenue	<u>26,814</u>	<u>27,279</u>

Network Tasman Limited

Line Business Financial Statements

Notes to and forming part of the financial statements

For the year ended 31 March 2005

	2006 \$000	2005 \$000
12. Operating expenditure		
(a) Payment for transmission charges	8,536	8,500
(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	92	63
(viii) Total transfer payment to the "Other" business	92	63
(c) Expense to entities that are not related parties for:		
(i) Asset maintenance	2,860	2,928
(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) Total of specified expenses to non-related parties	2,860	2,928
(d) Employee salaries, wages and redundancies	1,607	1,566
(e) Consumer billing and information system expense	229	205
(f) Depreciation on:		
(i) System fixed assets	4,318	4,228
(ii) Other assets not listed in (i)	390	308
(iii) Total depreciation	4,708	4,536
(g) Amortisation of:		
(i) Goodwill	0	0
(ii) Other intangibles	0	0
(iii) Total amortisation of intangibles	0	0
(h) Corporate and administration	486	383
(i) Human resource expenses	49	54
(j) Marketing/advertising	84	73
(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	146	164
(o) Donations	2	2
(p) Directors' fees	150	129
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors	28	27
(ii) Audit fees paid to other auditors	0	0
(iii) Fees paid for other services provided by principal and other auditors	4	4
(iv) Total auditors' fees	32	31
(r) Costs of offering credit:		
(i) Bad debts written off	4	15
(ii) Increase in estimated doubtful debts	(0)	(1)
(iii) Total cost of offering credit	4	14
(s) Local authority rates expense	14	11
(t) AC loss-rentals rebates expense	566	264
(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)	253	284
13. Total operating expenditure	19,818	19,207

Network Tasman Limited**Line Business Financial Statements****Notes to and forming part of the financial statements***For the year ended 31 March 2006*

2006	2005
\$000	\$000

14. Operating surplus before interest and income tax

6,996	8,072
--------------	--------------

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)

0	6
----------	----------

(d) Total interest expense

0	6
----------	----------

16. Operating surplus before income tax

6,996	8,066
--------------	--------------

17. Income tax

2,387	2,157
--------------	--------------

18. Net surplus after tax

4,609	5,909
--------------	--------------

19. Annual valuation reconciliation report

System fixed assets at ODV - end of the previous financial year

113,136	108,091
----------------	----------------

Add system fixed assets acquired during the year at ODV

7,351	9,487
--------------	--------------

Less system fixed assets disposed of during the year at ODV

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

Less depreciation on system fixed assets at ODV

(4,521)	(4,442)
----------------	----------------

Add revaluations of system fixed assets

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

System fixed assets at ODV - end of the financial year

115,966	113,136
----------------	----------------

Network Tasman Limited
Line Business Performance Measures

Performance Measures and Statistics
For the year ended 31 March 2005

	2006	2005	2004	2003
Financial performance measures				
(a) Return on Funds	5.31%	6.41%	8.88%	10.27%
(b) Return on Equity	3.54%	4.72%	6.06%	6.96%
(c) Return on Investment	3.43%	4.68%	42.93%	7.33%
Return on Investment - as restated (excludes revaluation)			6.30%	
Efficiency performance measures				
(a) Direct Line Costs per Kilometre	\$1,308	\$1,318	\$1,258	\$1,232
(b) Indirect Line Costs per Consumer	\$50	\$48	\$43	\$42
Energy delivery efficiency performance measures and statistics				
1. Energy delivery efficiency performance measures				
(a) Load Factor	63.20%	65.10%	64.39%	66.12%
(b) Loss Ratio	4.20%	4.40%	3.88%	4.25%
(c) Capacity Utilisation	41.90%	42.80%	42.50%	43.24%
2. Statistics				
(a) System Length				
33 kV system	135.86	136.35	133.73	126.78
22 kV system	58.66	29.92	0.00	0.00
11 kV system	1992.08	2012.2	2060.85	2001.64
6.6 kV system	34.37	34.37	34.37	34.37
400 V system	1044.12	1034.01	1015.33	998.00
Total Kilometres	3265.09	3246.85	3244.28	3160.79
(b) System Length - Overhead				
33 kV system	123.95	124.04	121.83	121.12
22 kV system	46.96	18.22	0.00	0.00
11 kV system	1831.07	1858.61	1908.09	1873.27
6.6 kV system	33.03	33.03	33.03	33.03
400 V system	565.49	575.63	581.08	589.69
Total Kilometres	2600.5	2609.53	2644.03	2617.11
(c) System Length - Underground				
33 kV system	11.91	12.31	11.90	5.66
22 kV system	11.70	11.70	0.00	0.00
11 kV system	161.01	153.59	152.76	128.37
6.6 kV system	1.34	1.34	1.34	1.34
400 V system	478.63	458.38	434.25	408.31
Total Kilometres	664.59	637.32	600.25	543.68
(d) Transformer Capacity (kVA)	331,138	315,001	304,205	291,626
(e) Maximum Demand (kW)	138,746	134,977	129,290	126,103
(f) Total electricity entering the system (before losses) (kWh)	768,208,898	770,267,682	729,267,287	730,401,537
(g) Total amount of electricity supplied from the system (after losses of electricity) on behalf of each person (kWh)				
Retailer A	460,754,459	469,201,721	412,727,633	304,463,864
Retailer B	79,888,137	63,899,825	102,072,527	9,507,894
Retailer C	183,794,923	186,074,455	174,954,119	1,042,196
Retailer D	1,622,126	1,581,408	673,561	191,883,213
Retailer E	9,817,540	15,330,318	10,574,262	192,477,170
Retailer F	345,497			
Retailer G				
Generator 1	728,664	1,822,725	1,835,341	1,631,325

	2006	2005	2004	2003
Generator 2	1,333,715	887,434	894,009	85,647
Generator 3	1,691,823	3,769,506		
Total		742,567,392	703,731,452	701,091,309
(h) Total Consumers	34,400	33,830	33,335	32,205
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	138.00	110.00	76.00	66.00
Class C Line Owner Unplanned	97.00	126.00	101.00	118.00
Class D Transpower Unplanned	5.00	3.00	3.00	1.00
Total	243.00	243.00	183.00	189.00
2. Interruption Targets (next year)	2006/07	2005/06	2004/05	2003/04
(a) Planned Interruptions by Line Owner (Class B)	100.00	100.00	100.00	100.00
(b) Unplanned Interruptions by Line Owner (Class C)	130.00	130.00	130.00	130.00
3. Average Interruption Targets (5 years)	2007/11	2006/10	2005/09	2004/08
(a) Planned Interruptions by Line Owner (Class B)	100.00	100.00	100.00	100.00
(b) Unplanned Interruptions by Line Owner (Class C)	130.00	130.00	130.00	130.00
4. Fault Restoration Times (Class C) not restored within				
(a) 3 hours	19%	22%	23%	17%
(b) 24 hours	0%	0%	0%	0%
5. Number of faults per 100km of prescribed voltage line				
(a) Total number of faults	4.37	5.69	4.53	5.45
(b) Number of faults targeted (next year)	2006/07	2005/06	2004/05	2003/04
	6.00	6.00	6.00	6.00
(c) Average number of faults targeted (5 years)	2007/11	2006/10	2005/09	2004/08
	6.00	6.00	6.00	6.00
(d) Number of faults per nominal line voltages				
Total number of faults				
33 kV system	2.21	2.21	2.24	1.58
22kV system	0.00	0.00	0.00	0.00
11 kV system	4.71	6.06	4.76	5.70
6.6 kV system	0.00	2.91	0.00	5.82
Number of faults targeted (next year)	2006/07	2005/06	2004/05	2003/04
33 kV system	1.50	1.50	1.50	1.50
22kV system	0.00	0.00	0.00	0.00
11 kV system	6.40	6.40	6.40	6.30
6.6 kV system	0.00	0.00	0.00	0.00
Average number of faults targeted (5 years)	2007/11	2006/10	2005/09	2004/08
33 kV system	1.50	1.50	1.50	1.50
22 kV system	0.00	0.00	0.00	0.00
11 kV system	6.40	6.40	6.40	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
22 kV system	0.00	0.00	0.00	0.00
11 kV system	3.10	4.56	6.54	4.67
6.6 kV system	0.00	0.00	0.00	0.00
Total	2.69	3.91	6.02	4.43
7. Number of faults per 100km of prescribed voltage overhead line				
33 kV system	2.42	2.42	2.46	1.65
22 kV system	0.00	0.00	0.00	0.00
11 kV system	4.86	6.21	4.61	5.87

	2006	2005	2004	2003
6.6 kV system	0.00	3.03	0.00	6.06
Total	4.52	5.85	4.41	5.52
8. SAIDI for the total number of interruptions	224.66	210.15	164.10	151.23
9. SAIDI targets (next year)	2006/07	2005/06	2004/05	2003/04
(a) Planned Interruptions by Line Owner (Class B)	25.00	25.00	25.00	25.00
(b) Unplanned Interruptions by Line Owner (Class C)	85.00	59.00	60.00	60.00
10. Average SAIDI targets (5 years)	2007/11	2006/10	2005/09	2004/08
(a) Planned Interruptions by Line Owner (Class B)	25.00	25.00	25.00	25.00
(b) Unplanned Interruptions by Line Owner (Class C)	81.00	57.00	57.00	58.00
11. Classification of SAIDI interruptions by Class				
Class A Transpower Planned	33.47	55.25	35.73	43.29
Class B Line Owner Planned	24.89	28.04	25.92	16.77
Class C Line Owner Unplanned	96.56	118.30	95.26	90.96
Class D Transpower Unplanned	69.74	8.56	7.19	0.20
Total	224.66	210.15	164.10	151.22
12. SAIFI for the total number of interruptions	2.53	2.47	1.73	1.86
13. SAIFI targets (next year)	2006/07	2005/06	2004/05	2003/04
(a) Planned Interruptions	0.18	0.18	0.18	0.18
(b) Unplanned Interruptions	1.22	0.98	1.00	1.00
14. Average SAIFI targets (5 years)	2007/11	2006/10	2005/09	2004/08
(a) Planned Interruptions by Line Owner (Class B)	0.18	0.18	0.18	0.18
(b) Unplanned Interruptions by Line Owner (Class C)	1.16	0.95	0.95	0.97
15. Classification of SAIFI interruptions by Class				
Class A Transpower Planned	0.15	0.23	0.14	0.17
Class B Line Owner Planned	0.13	0.23	0.15	0.19
Class C Line Owner Unplanned	0.92	1.48	1.07	1.30
Class D Transpower Unplanned	1.33	0.53	0.37	0.20
Total	2.53	2.47	1.73	1.86
16. CAIDI for the total number of interruptions	88.80	85.08	94.30	81.25
17. CAIDI Targets (next year)	2006/07	2005/06	2004/05	2003/04
(a) Planned Interruptions	140.00	140.00	140.00	139.00
(b) Unplanned Interruptions	60.00	60.00	60.00	60.00
18. Average CAIDI targets (5 years)	2007/11	2006/10	2005/09	2004/08
(a) Planned Interruptions by Line Owner (Class B)	140.00	140.00	140.00	139.00
(b) Unplanned Interruptions by Line Owner (Class C)	60.00	60.00	60.00	60.00
19. Classification of CAIDI interruptions by Class				
Class A Transpower Planned	233.13	240.22	246.86	258.11
Class B Line Owner Planned	191.46	121.91	169.23	86.47
Class C Line Owner Unplanned	104.95	79.93	88.97	69.84
Class D Transpower Unplanned	52.44	16.15	19.35	1.00

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	6,996,174				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	6,996,174				
Interest on cash, bank balances, and short-term investments (IST)	582,000				
OSBIT, minus (ST)	6,414,174	a	6,414,174		6,414,174
Net surplus after tax from financial statements	4,609,174	n		4,609,174	
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	4,609,174	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)	4,318,000				
Depreciation of SFA at ODV (y)	4,520,366	d	add	add	add
ODV depreciation adjustment	-202,366	s ^t		-202,366	-202,366
Subvention payment tax adjustment	0	q	deduct	deduct	deduct
Interest tax shield	-192,060	r			
Revaluations	0	p			
Income tax	2,387,000				
Numerator			OSBIT ^{NUJ} = a + g + s + d	NSAT ^{NUJ} = n + g + s - s ^t + d	SBIT ^{NUJ} = a + g - q + r + s + d - p - s ^t
	6,211,808		6,211,808	4,406,808	4,016,868
Fixed assets at end of previous financial year (FA _n)	126,326,446				
Fixed assets at end of current financial year (FA ₊₁)	130,160,302				
Adjusted net working capital at end of previous financial year (ANWC _n)	492,390				
Adjusted net working capital at end of current financial year (ANWC ₊₁)	482,000				
Average total funds employed (ATFE)	128,730,569 (or regulation 33 time-weighted average)	c	128,730,569		128,730,569
Total equity at end of previous financial year (TE _n)	134,974,714				
Total equity at end of current financial year (TE ₊₁)	137,584,174				
Average total equity	136,279,444 (or regulation 33 time-weighted average)	k		136,279,444	
WUC at end of previous financial year (WUC _n)	1,842,532				
WUC at end of current financial year (WUC ₊₁)	1,335,000				
Average total works under construction	1,588,766 (or regulation 33 time-weighted average)	e	deduct 1,588,766	deduct 1,588,766	deduct 1,588,766

Revaluations	0	r				
Half of revaluations	0	r/2				0
Intangible assets at end of previous financial year (IA ₀)	0					
Intangible assets at end of current financial year (IA ₁)	0					
Average total intangible asset	0	m				0
	(or regulation 33 time-weighted average)					add
Subvention payment at end of previous financial year (S ₀)	0					
Subvention payment at end of current financial year (S ₁)	0					
Subvention payment tax adjustment at end of previous financial year	0					
Subvention payment tax adjustment at end of current financial year	0					
Average subvention payment & related tax adjustment	0	v				0
System fixed assets at end of previous financial year at book value (SFA _{book})	123,532,468					
System fixed assets at end of current financial year at book value (SFA _{book})	125,938,000					
Average value of system fixed assets at book value	124,735,234	f				deduct
	(or regulation 33 time-weighted average)					deduct
System Fixed assets at year beginning at ODV value (SFA _{odv0})	113,135,728					
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	115,966,046					
Average value of system fixed assets at ODV value	114,550,887	h				add
	(or regulation 33 time-weighted average)					add
Denominator						
	116,957,456					116,957,456
	ATFE ^{AUJ} = c - e - f + h					ATFE ^{AUJ} = c - e - 1/2f - f + h
	124,506,331					124,506,331
	Ave TE ^{AUJ} = k - e - m + v - f + h					Ave TE ^{AUJ} = k - e - m + v - f + h
Financial Performance Measures:						
	5.31					3.43
	ROF = OSBIT ^{AUJ} /ATFE ^{AUJ} x 100					ROE = NSAT ^{AUJ} /ATE ^{AUJ} x 100
						ROI = OSBIT ^{AUJ} /ATFE ^{AUJ} x 100

t = maximum statutory income tax rate applying to corporate entities the previous financial year

bv = book value

ave = average

odv = optimised deprival valuation

subscript '0' = end of

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 2006**

We have audited the financial statements of Network Tasman Limited on pages 1 to 19. The financial statements provide information about the past financial performance of Network Tasman Limited and its financial position as at 31 March 2006. This information is stated in accordance with the accounting policies set out on pages 5 to 8.

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 2005, 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 Requirement 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 S M 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 the 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 1 to 19:
 - (a) comply with generally accepted accounting practice in New Zealand; and
 - (b) give a true and fair view of Network Tasman Limited's financial position as at 31 March 2006 and the results of its operations and cash flows for the year ended on that date; and
 - (c) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 22 November 2006 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 19, 20, 23 and 24, 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 15 November 2006 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
22 November 2006