

New Zealand Gazette

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WELLINGTON: MONDAY, 16 JULY 2001 — ISSUE NO. 73

NETWORK TASMAN LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1999 AND THE
ELECTRICITY (INFORMATION DISCLOSURE)
AMENDMENT REGULATIONS 2000

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 Electricity Act and information disclosure regulations. 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 Electricity Act 1992 and information disclosure regulations 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) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000. There are also additional activities of the company that are not required to be reported under the Regulations.

NetworkTasman

Network Tasman Limited 281 Queen Street Tel: 64-3-544 8098
 PO Box 3005 Toll-free: 0800 508 098
 Richmond 7031 Fax: 64-3-544 6066
 Nelson, New Zealand

**IN ACCORDANCE WITH THE ELECTRICITY (INFORMATION
 DISCLOSURE) REGULATIONS 1999**

Reg. 32 (6)

CERTIFICATION OF VALUATION REPORT OF LINE OWNERS

We, Graeme John Sutton and Michael John Glover, directors of Network Tasman Limited certify that, having made all reasonable enquiry, to the best of our knowledge

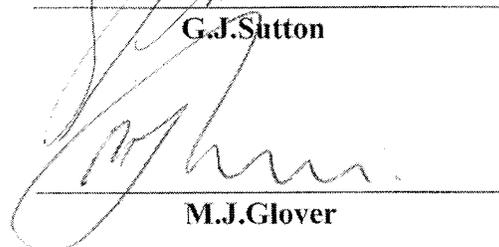
- (a) The attached valuation report of Network Tasman Limited, prepared for the purposes of regulation 20 of the Electricity (Information Disclosure) Regulations 1999, complies with the requirements of that regulation; and
- (b) The replacement cost of the line business system fixed assets of Network Tasman Limited is \$136,331,264; and
- (c) The depreciated replacement cost of the line business system fixed assets of Network Tasman Limited is \$70,686,275; and
- (d) The optimised depreciated replacement cost of the line business system fixed assets of Network Tasman Limited is \$70,417,938; and
- (e) The optimised deprival valuation of the line business system fixed assets of Network Tasman Limited is \$70,417,938; and
- (f) The values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook.

These valuations are as at 31 March 2001.

SIGNATURES OF DIRECTORS:



G.J.Sutton



M.J.Glover

07 / 06 / 01

Date

07- 06 - 01

Date

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**IN ACCORDANCE WITH THE ELECTRICITY (INFORMATION
 DISCLOSURE) REGULATIONS 1999**

Reg. 32 (2)

CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN TRANS POWER FOR THE YEAR ENDING 31 MARCH 2001.

We, Graeme John Sutton and Michael John Glover, 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 regulation 6 of the Electricity (Information Disclosure) Regulations 1999 comply with the requirements of those regulations; 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 regulations 15, 16, 21, and 22 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of those regulations.

The valuations on which those financial performance measures are based are as at 31 March 2001.

SIGNATURES OF DIRECTORS:



G.J.Sutton



Date



M.J.Glover



Date



PricewaterhouseCoopers
23-29 Albert Street
Private Bag 92162
Auckland, New Zealand
DX CP24073
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

CERTIFICATION BY AUDITOR IN RELATION TO VALUATION

We have examined the valuation report of Network Tasman Limited and dated 25 May 2001, which report contains valuations of system fixed assets as at 31 March 2001.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, the valuations contained in the report, including the total valuation of system fixed assets of \$70,417,938, have been made in accordance with the ODV Handbook.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers
Chartered Accountants
Auckland
29 June 2001

Network Tasman Limited
Line Business Financial Statements**Statement of financial performance***For the year ended 31 March 2001*

	Note	2001 \$000	2000 \$000
Operating revenue	2, 3	27,199	23,613
Operating expenses	4	<u>19,838</u>	<u>17,903</u>
Operating surplus before interest expense and income tax		7,361	5,710
Interest expense		<u>(19)</u>	<u>(22)</u>
Operating surplus before income tax		7,342	5,688
Income tax	5	<u>(2,480)</u>	<u>(1,808)</u>
Operating surplus after income tax	3	<u>4,862</u>	<u>3,880</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

Statement of movements in equity

For the year ended 31 March 2001

	Note	2001 \$000	2000 \$000
Total equity at beginning of year	7	80,029	83,989
Total recognised revenues and expenses			
Operating surplus after income tax		4,862	3,880
Revaluation of fixed assets		(737)	0
Total recognised revenues and expenses for the year		<u>4,125</u>	<u>3,880</u>
Other movements			
Distributions to owners during the year	6	(2,100)	(6,330)
Transfer of land & buildings to "Other" business		(509)	(1,510)
Total equity at end of year	7	<u>81,545</u>	<u>80,029</u>

Network Tasman Limited
Line Business Financial Statements

Statement of financial position

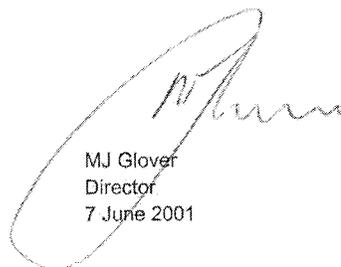
As at 31 March 2001

	Note	2001 \$000	2000 \$000
Current assets			
Cash and short term deposits		8,279	6,844
Receivables and prepayments	9	<u>3,146</u>	<u>2,819</u>
Total current assets		11,425	9,663
Non-current assets			
Fixed assets	10	72,620	73,180
Assets under construction		0	0
Deferred taxation	11	<u>68</u>	<u>113</u>
Total non-current assets		72,688	73,293
Total assets		<u>84,113</u>	<u>82,956</u>
Current liabilities			
Payables and provisions	12	<u>2,568</u>	<u>2,927</u>
Total current liabilities		2,568	2,927
Equity			
Attributable to shareholders of the company	7	<u>81,545</u>	<u>80,029</u>
Total Equity		81,545	80,029
Total liabilities and equity		<u>84,113</u>	<u>82,956</u>

For and on behalf of the board



GJ Sutton
 Director
 7 June 2001



MJ Glover
 Director
 7 June 2001

Network Tasman Limited
Line Business Financial Statements

Statement of cash flows

For the year ended 31 March 2001

	Note	2001 \$000	2000 \$000
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		22,392	21,354
Interest income received		714	412
Capital contributions from customers		0	0
		<u>23,106</u>	<u>21,766</u>
<i>Cash was applied to:</i>			
Payments to suppliers and employees		13,841	14,573
Interest expense paid		19	22
Income tax paid		3,254	2,840
		<u>17,114</u>	<u>17,435</u>
Net cash flows from operating activities	13	<u>5,992</u>	<u>4,331</u>
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Proceeds from sale of fixed assets		4	44
		<u>4</u>	<u>44</u>
<i>Cash was applied to:</i>			
Purchase of fixed assets		2,461	1,623
		<u>2,461</u>	<u>1,623</u>
Net cash flows from investing activities		<u>(2,457)</u>	<u>(1,579)</u>
Cash flows from financing activities			
<i>Cash was applied to:</i>			
Dividends paid		2,100	6,430
Repayment of term loans		0	0
		<u>2,100</u>	<u>6,430</u>
Net cash flows from financing activities		<u>(2,100)</u>	<u>(6,430)</u>
Net increase (decrease) in cash balances		1,435	(3,678)
Cash balances at beginning of year		6,844	10,522
Cash balances at end of year		<u>8,279</u>	<u>6,844</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 2001

1. Statement of accounting policies

Reporting entity

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) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000.

Network Tasman Limited is a reporting entity for the purposes of the Financial Reporting Act 1993. The financial statements of Network Tasman Limited have been prepared pursuant to the Energy Companies Act 1992 and in accordance with the requirements of the Financial Reporting Act 1993.

Measurement base

The financial statements have been prepared on the historical cost basis with the exception of certain items for which specific accounting policies are disclosed.

The assets and liabilities of Network Tasman Limited were vested from the Tasman Electric Power Board on 1 May 1993 in accordance with the Establishment Plan approved by the Governor General by Order of Council on 26 April 1993.

Specific accounting policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

(a) Recognition of revenue

Retailer-owned electricity meters are read on the basis of constant cycles each year. Distribution revenues include an estimated amount for accrued sales as at 31 March 2001.

(b) Goods and services tax (GST)

The statement of financial performance and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST with the exception of receivables and payables which include GST.

(c) Fixed assets

The Company has six classes of fixed assets:

- Freehold land
- Freehold buildings
- Distribution assets
- Plant and equipment
- Computer equipment
- Motor vehicles

All fixed assets are initially stated at cost.

Revaluations

Freehold land and buildings are revalued on a cyclical basis every three years. Valuations are at net current value as determined by an independent valuer.

Distribution system assets were revalued as at 31 March 2001 to optimised depreciated replacement cost (ODRC) as assessed by independent valuers PricewaterhouseCoopers and Meritec Limited. The previous revaluation of the distribution system assets undertaken in 1997 revalued the assets to 80% of the optimised deprival valuation (ODV).

Distribution system assets are revalued on a cyclical basis with no asset being recognised at a valuation undertaken more than three years previously.

Any revaluation surplus arising on the revaluation of a class of fixed assets is transferred directly to the asset revaluation reserve. A revaluation deficit in excess of the asset revaluation reserve balance for the class of fixed assets is recognised in the statement of financial performance in the period it arises. Revaluation surpluses which reverse previous revaluation deficits recognised in the statement of financial performance are recognised as revenue in the statement of financial performance.

Plant and equipment, computer equipment and motor vehicles are valued at cost less depreciation.

Disposal of fixed assets

Where a fixed asset is disposed of, the gain or loss recognised in the statement of financial performance is calculated as the difference between the sale price and the carrying amount of the fixed asset.

(d) Depreciation

Fixed assets have been depreciated in order to write off cost less estimated residual value over their estimated useful life on the following basis:

Distribution assets	depreciated based on assessed residual life	
Buildings (revalued)	2%	SL
Plant and equipment	20%	DV
Motor vehicles	20%	DV
Computer equipment	48%	DV

(e) Taxation

The income tax expense charged to the statement of financial performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method.

Tax effect accounting has been applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is recognised only if there is virtual certainty of realisation.

(f) Vested assets

Vested assets from consumers are credited to the statement of financial performance.

(g) Receivables

Receivables are stated at their estimated realisable value. Bad debts are written off during the period in which they are identified.

(h) Financial instruments

Pursuant to FRS 31: *Disclosure of Information about 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 only registered banks. 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

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

Interest rate risk

Short term investments mature within the range of on call to 150 days. The interest rates on these investments range from 6.25% to 6.90%.

(i) Cash flows

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.

(j) 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.

(k) 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.

(l) 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 the financial statements

For the year ended 31 March 2001

	2001	2000
	\$000	\$000
2. Operating revenue		
Operating revenue comprises:		
Distribution revenue (net of line discounts)	22,995	21,339
Interest income	714	412
Other revenue	3,490	1,862
Total operating revenue	27,199	23,613
3. Continuing & Discontinued operations		
Continuing operations		
Operating revenue	27,199	23,613
Net surplus	4,862	3,880
Discontinued operations		
Operating revenue	0	0
Net surplus	0	0
Totals		
Operating revenue	27,199	23,613
Net surplus	4,862	3,880
4. Operating expenses		
Operating expenses include:		
Audit fees	27	26
Bad debts written off	9	9
Depreciation of fixed assets	2,641	2,500
Directors' fees	124	124
Donations	1	1
Change in provision for doubtful debts	(4)	4
Interest expense	19	22
Loss on sale of fixed assets	63	0
Other remuneration paid to auditor	0	4
Rental and operating lease costs	164	1
5. Taxation		
Operating surplus before income tax	7,342	5,688
Permanent differences:		
Vested asset income reversal	(1,140)	(1,228)
Depreciation	1,026	1,030
Other permanent differences	(76)	(12)
	(190)	(210)
Taxable income	7,152	5,478
Tax expense @ 33%	2,360	1,808
Income tax (over) under provided in prior year	120	0
Total income tax expense	2,480	1,808
The income tax expense is represented by:		
Current taxation	2,435	1,840
Deferred taxation	45	(32)
	2,480	1,808

Network Tasman Limited Line Business Financial Statements

Notes to the financial statements

For the year ended 31 March 2001

	2001 \$000	2000 \$000
6. Dividends		
Dividends paid	2,100	6,330
Total distributions paid or payable	<u>2,100</u>	<u>6,330</u>

7. Equity

Authorised, issued and fully paid capital	14,280	14,280
Asset revaluation reserve	47,158	47,895
Share premium reserve	1,938	1,938
Retained earnings	8 18,169	15,916
Total equity	<u>81,545</u>	<u>80,029</u>

Asset revaluation reserve

The electricity distribution system assets were revalued as at 31 March 2001 to net current value. The valuation, on an optimised depreciated replacement cost basis (ODRC) was carried out by independent valuers, PricewaterhouseCoopers and Meritec Limited. The valuation report is dated 25 May 2001. The valuation was undertaken in accordance with the methodology detailed 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.

Share premium reserve

The share premium reserve was created on 1 May 1993, recognising the difference between the share capital issued and the closing value of corporate ownership of the Tasman Electric Power Board at 30 April 1993.

8. Retained earnings

Retained earnings at beginning of year	15,916	19,870
Net surplus for the year	4,862	3,880
Total available for appropriation	20,778	23,750
Dividends paid	6 (2,100)	(6,330)
Transfer of asset revaluation reserve	0	6
Transfer of land & buildings to "Other" business	(509)	(1,510)
Retained earnings at end of year	<u>18,169</u>	<u>15,916</u>

9. Receivables

Trade receivables	2,791	2,748
Less doubtful debts	0	4
	<u>2,791</u>	<u>2,744</u>
Hire purchase receivables	0	0
Tax refund due	257	0
Prepayments	98	75
Total receivables	<u>3,146</u>	<u>2,819</u>

Network Tasman Limited
Line Business Financial Statements

Notes to the financial statements

For the year ended 31 March 2001

	2001 \$000	2000 \$000
10. Fixed assets		
Freehold land (at valuation)	584	572
	<u>584</u>	<u>572</u>
Freehold buildings (at valuation)	569	1,154
Accumulated depreciation	93	33
	<u>476</u>	<u>1,121</u>
System fixed assets (at valuation)	70,418	77,349
Accumulated depreciation	0	6,564
	<u>70,418</u>	<u>70,785</u>
Plant and equipment (at cost)	1,317	1,290
Accumulated depreciation	714	788
	<u>603</u>	<u>502</u>
Computer equipment (at cost)	1,691	1,559
Accumulated depreciation	1,208	1,410
	<u>483</u>	<u>149</u>
Motor vehicles (at cost)	144	143
Accumulated depreciation	88	92
	<u>56</u>	<u>51</u>
Total net carrying amount	<u>72,620</u>	<u>73,180</u>

Valuation

The electricity distribution system assets were revalued as at 31 March 2001 to optimised depreciated replacement cost (ODRC). The valuation was carried out by independent valuers, PricewaterhouseCoopers and Meritec Limited.

Land and buildings were last independently valued by registered Valuer Duke & Cooke Limited on 31 March 1999. The valuations were based on net current value on an existing use basis.

11. Deferred taxation

Balance at beginning of year	113	81
Under (over) provision in prior years	0	0
Deferred tax on timing differences	(45)	32
Balance at end of year	<u>68</u>	<u>113</u>

12. Payables and provisions

Trade payables and accruals	2,185	1,879
Taxation payable	0	563
Employee provisions	337	311
Dividend provision	0	0
Sundry provisions	46	174
Total payables and provisions	<u>2,568</u>	<u>2,927</u>

Network Tasman Limited
Line Business Financial Statements

Notes to the financial statements

For the year ended 31 March 2001

	2001	2000
	\$000	\$000
13. Reconciliation of operating surplus after income tax with net cash flows from operating activities		
Operating surplus after income tax	4,862	3,880
Add (less) non-cash items and non-operating items:		
Depreciation and revaluations	2,641	2,500
Movement in deferred taxation	45	(32)
Vested assets	(1,140)	(1,228)
Bad debts written-off	9	9
Change in provision for doubtful debts	(4)	4
Loss on sale of fixed assets	63	0
Movement in capital expenditure in creditors	202	101
	1,816	1,354
Movement in working capital:		
Increase (decrease) in payables and provisions	204	102
(Increase) decrease in receivables	(70)	(4)
Increase (decrease) in taxation payable	(820)	(1,001)
	(686)	(903)
Net cash flows from operating activities	5,992	4,331

14. Related parties

Network Tasman Limited disposed of its remaining shareholding in Mainpower Contracting Limited (previously Tasman Electrical Limited) in October 1999. Therefore, there were no related party transactions in the period under review.

Construction of subtransmission assets	0	0
Construction of zone substations	0	0
Construction of distribution lines and cables	0	73
Construction of medium voltage switchgear	0	0
Construction of distribution transformers	0	53
Construction of distribution substations	0	6
Construction of low voltage reticulation	0	58
Construction of other system fixed assets	0	0
Maintenance of assets	0	900
Consumer connections and disconnections	0	57

The holding entity of the company is the Network Tasman Trust which holds 100% (2000: 100%) of the company's shares.

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

Network Tasman Limited provided management and administrative services to Nelson Electricity Limited, an associate company, for nominal consideration.

There were no outstanding related party balances as at 31 March 2001 (2000: Nil). No related party debts have been written off or forgiven during the year.

15. Segmental information

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

Network Tasman Limited
Line Business Financial Statements**Notes to the financial statements***For the year ended 31 March 2001***16. Commitments*****Capital commitments***

There were no capital commitments as at 31 March 2001 (2000: \$560,000).

Operating lease commitments

Lease commitments under non-cancellable operating leases:

Less than one year	217
Between one and two years	217
Between two and five years	652
Greater than five years	2,012
Total operating lease commitments	<u>3,098</u>

17. Contingencies

Network Tasman Limited has issued court proceedings against Transpower New Zealand Limited in respect of the Output Connection Contract.

There is no adverse financial exposure to Network Tasman Limited except for associated legal costs.

As at 31 March 2001 there were no material contingent liabilities.

18. Comparative information

Certain comparative information in the financial statements has been reclassified in order to provide a more appropriate basis for comparison.

Network Tasman Limited

Line Business Financial Statements

Notes to the financial statements

For the year ended 31 March 2001

19. Mandatory specific disclosures

Items required to be separately listed in the financial statements as required under regulation 6 (1) of the Electricity (Information Disclosure) Regulations 1999 are as follows:

	2001	2000
	\$000	\$000
1. Current assets		
(a) Cash & bank balances	9	4
(b) Short-term investments	8,270	6,840
(c) Inventories	0	0
(d) Accounts receivable	2,791	2,744
(e) Other receivables	257	0
(f) Prepayments	98	75
(g) Other current assets not listed in (a) to (f)	0	0
(h) Total current assets	11,425	9,663
2. Fixed assets		
(a) System fixed assets	70,418	70,785
(b) Consumer billing and information system assets	483	149
(c) Motor vehicles	56	51
(d) Office equipment	200	271
(e) Land and buildings	1,060	1,693
(f) Capital works under construction	0	0
(g) Other fixed assets not listed in (a) to (f)	403	231
(h) Total fixed assets	72,620	73,180
3. Other tangible assets not listed above	68	113
4. Total tangible assets	84,113	82,956
5. Intangible assets		
(a) Goodwill	0	0
(b) Other intangibles not listed in (a) above	0	0
(c) Total intangible assets	0	0
6. Total assets	84,113	82,956
7. Current liabilities		
(a) Bank overdraft	0	0
(b) Short-term borrowings	0	0
(c) Payables & accruals	2,185	2,053
(d) Accrued payroll	337	311
(e) Provision for dividend payable	0	0
(f) Provision for income tax	0	563
(g) Other current liabilities not listed in (a) to (f)	46	0
(h) Total current liabilities	2,568	2,927
8. Non-current Liabilities		
(a) Payables & accruals	0	0
(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	0	0

Network Tasman Limited

Line Business Financial Statements

Notes to the financial statements

For the year ended 31 March 2001

	2001 \$000	2000 \$000
9. Equity		
(a) Shareholders' equity		
(i) Share capital	14,280	14,280
(ii) Retained earnings	18,169	15,916
(iii) Reserves	49,096	49,833
(iv) Total shareholders equity	<u>81,545</u>	<u>80,029</u>
(b) Minority interests in subsidiaries	0	0
(c) Total equity	<u>81,545</u>	<u>80,029</u>
(d) Capital notes	0	0
(e) Total capital funds	<u>81,545</u>	<u>80,029</u>
10. Total equity and liabilities	<u>84,113</u>	<u>82,956</u>
11. Operating revenue		
(a) Revenue from line/access charges	27,331	25,609
(b) Line charge discounts to consumers	(4,336)	(4,270)
(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	714	412
(e) AC loss rental rebates	2,336	615
(f) Other revenue not listed in (a) to (e)	1,154	1,247
(g) Total operating revenue	<u>27,199</u>	<u>23,613</u>
12. Operating expenditure		
(a) Payment for transmission charges	11,758	11,071
(b) Transfer payments to the "other" business for:		
(i) Asset maintenance	0	900
(ii) Consumer disconnections/reconnection services	0	57
(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	0	3
(viii) Total transfer payment to the "Other" business	<u>0</u>	<u>960</u>
(c) Expense to entities that are not related parties for:		
(i) Asset maintenance	2,587	1,169
(ii) Consumer disconnections/reconnection services	6	46
(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	<u>2,593</u>	<u>1,215</u>
(d) Employee salaries, wages and redundancies	1,138	1,205
(e) Consumer billing and information system expense	65	56
(f) Depreciation on:		
(i) System fixed assets	2,347	2,252
(ii) Other assets not listed in (i)	294	248
(iii) Total depreciation	<u>2,641</u>	<u>2,500</u>
(g) Amortisation of:		
(i) Goodwill	0	0
(ii) Other intangibles	0	0
(iii) Total amortisation of intangibles	<u>0</u>	<u>0</u>
(h) Corporate and administration	250	212
(i) Human resource expenses	33	35
(j) Marketing/advertising	94	32
(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	220	257

Network Tasman Limited
Line Business Financial Statements

Notes to the financial statements

For the year ended 31 March 2001

	2001 \$000	2000 \$000
(o) Donations	1	1
(p) Directors' fees	124	124
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors	27	26
(ii) Audit fees paid to other auditors	0	0
(iii) Fees paid for other services provided by principal and other auditors	0	4
(iv) Total auditors' fees	<u>27</u>	<u>30</u>
(r) Costs of offering credit:		
(i) Bad debts written off	9	9
(ii) Increase in estimated doubtful debts	(4)	4
(iii) Total cost of offering credit	<u>5</u>	<u>13</u>
(s) Local authority rates expense	7	4
(t) AC loss-rentals rebates expense	547	0
(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)	335	188
13. Total operating expenditure	<u>19,838</u>	<u>17,903</u>
14. Operating surplus before interest and income tax	<u>7,361</u>	<u>5,710</u>
15. Interest expense		
(a) Interest expense on borrowings	0	0
(b) Financing charges related to finance leases	0	0
(c) Other interest expense	19	22
(d) Total interest expense	<u>19</u>	<u>22</u>
16. Operating surplus before income tax	<u>7,342</u>	<u>5,688</u>
17. Income tax	2,480	1,808
18. Net surplus after tax	<u>4,862</u>	<u>3,880</u>
19. Annual valuation reconciliation report		
System fixed assets at ODV - end of the previous financial year	86,988	86,917
Add system fixed assets acquired during the year at ODV	2,722	2,817
Less system fixed assets disposed of during the year at ODV	0	0
Less depreciation on system fixed assets at ODV	(2,562)	(2,582)
Add revaluations of system fixed assets	(16,730)	0
Adjustment for variance between certified ODV and ODV accounted for per the ODV method set out in the ODV Handbook	0	(164)
System fixed assets at ODV - end of the financial year	<u>70,418</u>	<u>86,988</u>

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	7,360,855				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	7,360,855				
Interest on cash, bank balances, and short-term investments (ISTI)	713,542				
OSBIT minus ISTI	6,647,313	a	6,647,313		6,647,313
Net surplus after tax from financial statements	4,861,649				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	4,861,649	n		4,861,649	
Amortisation of goodwill and amortisation of other intangibles	0	g	add	add	add
Subvention payment	0	s	add	add	add
Depreciation of SFA at BV (x)	2,347,442				
Depreciation of SFA at ODV (y)	2,562,150				
ODV depreciation adjustment	-214,709	d	add	add	add
Subvention payment tax adjustment	0	s†		deduct	deduct
Interest tax shield	-229,041	q			deduct
Revaluations	-16,729,667	r			add
Income tax	2,479,398	p			deduct
Numerator			OSBIT ^{ADJ} = a + g + s + d	NSAT ^{ADJ} = n + g + s - s† + d	IT ^{ADJ} = a + g - q + r + s + d - p - s†
Fixed assets at end of previous financial year (FA ₀)	73,180,754				
Fixed assets at end of current financial year (FA ₁)	72,620,190				
Adjusted net working capital at end of previous financial year (ANWC ₀)	454,820				
Adjusted net working capital at end of current financial year (ANWC ₁)	465,056				
Average total funds employed (ATFE)	73,360,410 (or regulation 33 time-weighted average)	c	73,360,410		73,360,410
Total equity at end of previous financial year (TE ₀)	80,029,017				
Total equity at end of current financial year (TE ₁)	81,544,545				
Average total equity	80,786,781 (or regulation 33 time-weighted average)	k		80,786,781	
WUC at end of previous financial year (WUC ₀)	0				
WUC at end of current financial year (WUC ₁)	0				

Average total works under construction	e	deduct	0	deduct	0	deduct	0
Revaluations	r						
Half of revaluations	r/2					deduct	-8,364,833
Intangible assets at end of previous financial year (IA ₀)			0				
Intangible assets at end of current financial year (IA _t)			0				
Average total intangible asset	m		0	add	0		
Subvention payment at end of previous financial year (S ₀)			0				
Subvention payment at end of current financial year (S _t)			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	v		0	add	0		
System fixed assets at end of previous financial year at book value (SFA _{0,rv})			70,784,872				
System fixed assets at end of current financial year at book value (SFA _{t,rv})			70,417,938				
Average value of system fixed assets at book value	f		70,601,405	deduct	70,601,405	deduct	70,601,405
System Fixed assets at year beginning at ODV value (SFA _{0,odv})			86,987,912				
System Fixed assets at end of current financial year at ODV value (SFA _{t,odv})			70,417,938				
Average value of system fixed assets at ODV value	h		78,702,925	add	78,702,925	add	78,702,925
Denominator			81,461,930		88,888,301		89,826,763
			ATFE ^{odv} = c - e - f + h		Ave TE ^{odv} = k - e - m + v - f + h		ATFE ^{odv} = c - e - 1/2r - f + h
Financial Performance Measure:			7.90		5.23		-13.97
			ROF = OSBIT ^{odv} /ATFE ^{odv} x 100		ROE = NSAT ^{odv} /ATE ^{odv} x 100		ROI = OSBIT ^{odv} /ATFE ^{odv} x 100

t = maximum statutory income tax rate applying to corporate entities
 end of the previous financial year
 subscript '1' = end of the current financial year

bv = book value
 odv = optimised deprival valuation
 ave = average
 ROF = return on funds
 ROE = return on equity
 ROI = return on investment

Network Tasman Limited

Line Business Performance Measures

Financial performance measures and efficiency performance measures

For the year ended 31 March 2001

	2001	2000	1999	1998
1. Financial performance measures				
(a) Return on Funds	7.90%	5.47%	7.45%	4.91%
(b) Return on Equity	5.23%	3.61%	5.06%	5.09%
(c) Return on Investment	-13.97%	3.62%	4.57%	-8.46%
Return on Investment - as restated (excludes revaluation)	5.13%			
2. Efficiency performance measures				
(a) Direct Line Costs per Kilometre	\$1,181	\$993	\$1,092	\$1,443
(b) Indirect Line Costs per Electricity Customer	\$39	\$41	\$86	\$107

Energy delivery efficiency performance measures and statistics

1. Energy delivery efficiency performance measures

(a) Load Factor	65.28%	63.65%	63.91%	63.26%
(b) Loss Ratio	4.12%	5.01%	5.04%	6.05%
(c) Capacity Utilisation	43.24%	42.95%	34.62%	37.56%

2. Statistics

(a) System Length

33 kV system	125.24	124.89	124.67	124.00
11 kV system	1983.89	1977.04	1970.14	1957.00
6.6 kV system	34.37	34.37	34.37	34.00
400 V system	978.42	977.46	972.02	964.00
Total Kilometres	3121.92	3113.76	3101.20	3079.00

(b) System Length - Overhead

33 kV system	120.55	121.13	121.18	121.00
11 kV system	1864.96	1863.08	1859.69	1855.00
6.6 kV system	33.03	33.03	33.03	33.00
400 V system	626.19	638.21	643.90	651.00
Total Kilometres	2644.73	2655.45	2657.80	2660.00

(c) System Length - Underground

33 kV system	4.69	3.76	3.49	3.00
11 kV system	118.93	113.96	110.45	102.00
6.6 kV system	1.34	1.34	1.34	1.00
400 V system	352.23	339.25	328.12	313.00
Total Kilometres	477.19	458.31	443.40	419.00

(d) Transformer Capacity (kVA)	272,605	271,270	314,717	296,476
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(e) Maximum Demand (kW)	117,886	116,520	108,944	111,370
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(f) Total Electricity Supplied from the system (kWh)	646,403,247	624,462,165	586,496,577	580,688,970
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	2001	2000	1999	1998
(g) Total amount of electricity conveyed through the system on behalf of each person (kWh):				
Retailer A	318,775,514	18,489,649	15,032,189	
Retailer B	15,607,381	9,503,102	103,261,877	
Retailer C	8,813,481	53,538,368	293,098,776	
Retailer D	140,099,112	389,318,020	174,863,015	
Retailer E	10,223,036	151,458,083	59,350	
Retailer F	178,900,081	2,154,944	181,370	
Retailer G	105,660			
Generator 1	1,650,939	1,947,361		
Total	674,175,203	626,409,527	586,496,577	
(h) Total Consumers	30,790	30,246	29,750	29,272

Reliability performance measures to be disclosed by line owners

1. Total number of Interruptions

Class A Transpower Planned	4.00	2.00	6.00	0.00
Class B Line Owner Planned	138.00	185.00	162.00	182.00
Class C Line Owner Unplanned	112.00	124.00	140.00	140.00
Class D Transpower Unplanned	0.00	1.00	6.00	6.00
Total	254.00	312.00	314.00	328.00

2. Interruption Targets (next year)

	2001/02	2000/01	1999/00
(a) Planned Interruptions by Line Owner	160.00	180.00	172.00
(b) Unplanned Interruptions by Line Owner	120.00	125.00	108.00

3. Average Interruption Targets (5 years)

	2002/06	2001/05	2000/04
(a) Planned Interruptions by Line Owner	124.00	140.00	130.00
(b) Unplanned Interruptions by Line Owner	120.00	121.00	90.00

4. Fault Restoration Times (Class C) not restored within

3 hours	13%	24%	20%
24 hours	0%	0%	0%

5. Number of faults per 100km of prescribed voltage line

(a) Total number of faults	5.22	5.80	6.57	6.71
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(b) Number of faults targeted (next year)

	2001/02	2000/01	1999/00
	6.00	6.00	5.00

(c) Average number of faults targeted (5 years)

	2002/06	2001/05	2000/04
	6.00	6.00	4.00

(d) Number of faults per nominal line voltages

Total number of faults

33 kV system	1.59	3.20	9.60
11 kV system	5.39	6.07	6.50
6.6 kV system	8.75	0.00	0.00

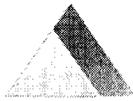
Number of faults targeted (next year)

	2001/02	2000/01	1999/00
33 kV system	1.50	1.50	7.00
11 kV system	6.30	6.30	5.00
6.6 kV system	0.00	0.00	0.00

Average number of faults targeted (5 years)

	2002/06	2001/05	2000/04
33 kV system	1.50	1.50	6.00
11 kV system	6.30	6.30	4.00
6.6 kV system	0.00	0.00	0.00

	2001	2000	1999	1998
6. Number of faults per 100km of prescribed voltage underground line				
33 kV system	0.00	52.63	28.65	0.00
11 kV system	8.31	3.51	10.86	5.88
6.6 kV system	0.00	0.00	0.00	0.00
Total	7.86	5.04	11.28	5.66
7. Number of faults per 100km of prescribed voltage overhead line				
33 kV system	1.67	1.65	9.08	2.48
11 kV system	5.21	6.23	6.24	7.06
6.6 kV system	9.09	0.00	0.00	6.06
Total	5.06	5.85	6.31	6.77
8. SAIDI for the total number of interruptions	172.57	215.00	340.20	292.22
9. SAIDI targets (next year)				
	2001/02	2000/01	1999/00	
(a) Planned Interruptions	40.00	75.00	86.00	
(b) Unplanned Interruptions	90.00	134.00	146.00	
10. Average SAIDI targets (5 years)				
	2002/06	2001/05	2000/04	
(a) Planned Interruptions	35.00	56.00	65.00	
(b) Unplanned Interruptions	77.00	111.80	122.00	
11. Classification of interruptions				
Class A Transpower Planned	67.28	19.00	56.27	0.00
Class B Line Owner Planned	34.86	62.00	80.59	100.27
Class C Line Owner Unplanned	70.14	122.00	188.72	147.62
Class D Transpower Unplanned	0.29	12.00	14.62	44.33
Total	172.57	215.00	340.20	292.22
12. SAIFI for the total number of interruptions	1.92	2.94	4.51	4.31
13. SAIFI targets (next year)				
	2001/02	2000/01	1999/00	
(a) Planned Interruptions	0.29	0.54	0.61	
(b) Unplanned Interruptions	1.50	2.23	2.43	
14. Average SAIFI targets (5 years)				
	2002/06	2001/05	2000/04	
(a) Planned Interruptions	0.25	0.40	0.00	
(b) Unplanned Interruptions	1.29	1.86	2.00	
15. Classification of interruptions				
Class A Transpower Planned	0.23	0.05	0.22	0.00
Class B Line Owner Planned	0.29	0.65	0.57	0.76
Class C Line Owner Unplanned	1.34	2.01	3.22	2.02
Class D Transpower Unplanned	0.06	0.23	0.50	1.53
Total	1.92	2.94	4.51	4.31
16. CAIDI for the total number of interruptions	90.27	73.00	75.43	67.80
17. CAIDI Targets (next year)				
	2001/02	2000/01	1999/00	
(a) Planned Interruptions	138.00	140.00	140.00	
(b) Unplanned Interruptions	60.00	60.09	60.00	
18. Average CAIDI targets (5 years)				
	2002/06	2001/05	2000/04	
(a) Planned Interruptions	141.00	140.00	140.00	
(b) Unplanned Interruptions	60.00	59.97	60.00	
19. Classification of interruptions				
Class A Transpower Planned	296.57	391.00	260.05	0.00
Class B Line Owner Planned	120.29	95.00	140.89	131.93
Class C Line Owner Unplanned	52.38	60.00	58.56	73.08
Class D Transpower Unplanned	5.10	54.00	29.27	28.97



Audit New Zealand

AUDITOR'S REPORT TO THE READERS OF THE FINANCIAL STATEMENTS OF NETWORK TASMAN LIMITED

We have audited the accompanying financial statements of Network Tasman Limited on pages 5 to 19. The financial statements provide information about the past financial performance of Network Tasman Limited and its financial position as at 31 March 2001. This information is stated in accordance with the accounting policies set out on pages 9 to 11.

Directors' Responsibilities

The Electricity (Information Disclosure) Regulations 2000 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 2001 and the results of its operations and cash flows for the year then ended.

Auditor's Responsibilities

It is the responsibility of the Audit Office to express an independent opinion on the financial statements presented by the Directors and report its opinion to you.

The Controller and Auditor-General has appointed Bede Kearney, 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 and performance information. It also includes assessing:

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

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give 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 Controller and 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:

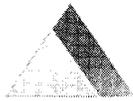
- proper accounting records have been kept by Network Tasman Limited as far as appears from our examination of those records; and
- the financial statements of Network Tasman Limited on pages 5 to 19:
 - comply with generally accepted accounting practice; and
 - give a true and fair view of the financial position of Network Tasman Limited as at 31 March 2001 and the results of its operations and cash flows for the year then ended; and
 - comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 7 June 2001 and our opinion is expressed as at that date.



B F Kearney
Audit New Zealand
On behalf of the Controller and Auditor-General
Christchurch, New Zealand





Audit New Zealand

AUDITOR'S OPINION OF PERFORMANCE MEASURES

I have examined the attached information, being –

- (a) the derivation table specified in regulation 16; and
- (b) the annual ODV reconciliation report in regulation 16A; and
- (c) the financial performance measures specified in clause 1 of Part 3 of the Schedule 1; and
- (d) the financial components of the efficiency performance measures specified in clause 2 of Part 3 of that schedule 1, -

that were prepared by Network Tasman Limited and dated 7 June 2001 for the purposes of regulation 15 of the Electricity (Information Disclosure) Regulations 1999.

In my opinion, having made all reasonable enquiry, to the best of my knowledge, that information has been prepared in accordance with the Electricity (Information Disclosure) Regulations 1999.

B F Kearney
Audit New Zealand
On behalf of the Controller & Auditor-General
Christchurch, New Zealand
8 June 2001