



New Zealand Gazette

OF THURSDAY, 5 SEPTEMBER 2002

WELLINGTON: FRIDAY, 6 SEPTEMBER 2002 — ISSUE NO. 132

CENTRALINES LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1999 AND THE
ELECTRICITY (INFORMATION DISCLOSURE)
AMENDMENT REGULATIONS 2000 AND 2001



STATUTORY DECLARATION

**IN RESPECT OF STATEMENTS AND INFORMATION
SUPPLIED TO THE
MINISTRY OF ECONOMIC DEVELOPMENT**

I, **HAMISH ARTHUR DONALD**, of **8 PETERSEN PLACE WAIPUKURAU**, being a Director of **CENTRALINES LIMITED**, solemnly and sincerely declare that having made all reasonable enquiry, to the best of my knowledge, the information attached to this declaration is a true copy of information made available to the public under the Electricity (Information Disclosure) Regulations 1999

AND

I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957.

Handwritten signature of H A Donald

H A DONALD

DECLARED AT *Waipukurau* THIS *2nd* DAY OF *September* 2002

Signature of Justice of the Peace

Justice of the Peace (or Solicitor or
Other person Authorised to take a
Statutory Declaration)





2 Peel Street, P.O. Box 59, Waipukurau
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**CERTIFICATE OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES
 AND STATISTICS
 DISCLOSED BY LINE OWNERS OTHER THAN TRANSPower**

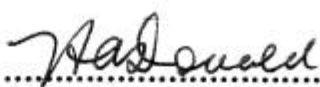
We, **MICHAEL KENNETH LUONI AND HAMISH ARTHUR DONALD**, Directors of **CENTRALINES LIMITED**, certify that, having made all reasonable enquiry, to the best of our knowledge:

- (a) The attached audited financial statements of **CENTRALINES 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 **CENTRALINES 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.




M K LUONI



H A DONALD



DATED



DATED



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CERTIFICATE OF VALUATION REPORT OF LINE OWNERS

We, **MICHAEL KENNETH LUONI AND HAMISH ARTHUR DONALD**, Directors of **CENTRALINES LIMITED** certify that, having made all reasonable enquiry, to the best of our knowledge,

- (a) the attached valuation report of **CENTRALINES LIMITED**, prepared for the purposes of Regulation 20 of the Electricity (Information Disclosure) Amendment Regulations 2000, complies with the requirements of those Regulations; and
- (b) the replacement cost of the line business system fixed assets of **CENTRALINES** is \$49.349M; and
- (c) the depreciated replacement cost of the line business system fixed assets of **CENTRALINES** is \$24.495M; and
- (d) the optimised depreciated replacement cost of the line business system fixed assets of **CENTRALINES** is \$24.412M; and
- (e) the optimised deprival valuation of the line business system fixed assets of **CENTRALINES** is \$24.257M; 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.



M K LUONI



H A DONALD

30/08/02

DATED

30-08-02

DATED



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Clarendon Tower
78 Worcester Street
Christchurch
New Zealand

Mail address
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AUDITORS OPINION IN RELATION TO ODV VALUATION
CENTRALINES LIMITED

I have examined the valuation report of Centralines Limited prepared by KPMG and dated 20 August 2001, which contains valuations of system fixed assets as at 31 March 2001.

In my opinion, having made all reasonable enquiry, to the best of my knowledge, the ODV valuations contained in the report, including the total valuation of system fixed assets of \$24,257,000 have been made in accordance with the ODV Handbook.



Peter Young
Partner

20 August 2001

CENTRALINES LIMITED - LINES BUSINESS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEARS ENDED 31 MARCH

	Notes	2002 \$'000	2001 \$'000
CONTINUING ACTIVITIES			
Revenue	1	4,599	5,468
Expense	1	(4,302)	(4,314)
Surplus before income tax		<u>297</u>	<u>1,154</u>
Less income tax expense	2	<u>179</u>	<u>459</u>
Net surplus after income tax		<u><u>118</u></u>	<u><u>695</u></u>

The accompanying notes and policies form an integral part of these financial statements

CENTRALINES LIMITED - LINES BUSINESS
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEARS ENDED 31 MARCH

	Notes	2002 \$'000	2001 \$000
EQUITY AT BEGINNING OF THE YEAR		33,594	32,949
Adjustment to equity	**	<u>(1,564)</u>	<u>32,949</u>
SURPLUS AND REVALUATIONS		32,030	32,949
Net surplus for the year		118	695
Revaluation of fixed assets	3	<u>(4,601)</u>	<u>0</u>
Total recognised revenues and expenses for the year		(4,483)	695
 OTHER MOVEMENTS			
Distribution to owners	3	<u>(80)</u>	<u>(50)</u>
EQUITY AT THE END OF THE YEAR		<u><u>27,467</u></u>	<u><u>33,594</u></u>

** - An adjustment has been made through equity in 2002 to account for the transfers to the Other Business of short and long-term investments as required by the avoidable cost methodology.

The accompanying notes and policies form an integral part of these statements

CENTRALINES LIMITED - LINES BUSINESS
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH

	Notes	2002 \$'000	2001 \$'000
EQUITY			
8,000,000 Ordinary shares of \$1 fully paid		8,000	8,000
Retained earnings	3	1,398	2,924
Reserves	3	18,069	22,670
Shareholders' Equity		<u>27,467</u>	<u>33,594</u>
REPRESENTED BY:			
CURRENT ASSETS			
Cash and bank balances		114	877
Short term investments	6	2,850	3,500
Receivables and prepayments	4	737	892
Inventories	5	450	350
Total Current Assets		<u>4,151</u>	<u>5,619</u>
NON CURRENT ASSETS			
Investments	6	0	2,154
Capital works in progress		44	0
Property, plant and equipment	7	25,062	29,058
Total Non-Current Assets		<u>25,106</u>	<u>31,212</u>
TOTAL ASSETS		<u>29,257</u>	<u>36,831</u>
CURRENT LIABILITIES			
Accounts payable	8	1,519	3,116
Proposed dividend		80	0
Employee entitlements	9	12	121
Tax provision		179	0
Total Current Liabilities		<u>1,790</u>	<u>3,237</u>
NON CURRENT LIABILITIES			
Employee entitlements	9	0	0
Total Non - Current Liabilities		<u>0</u>	<u>0</u>
TOTAL LIABILITIES		<u>1,790</u>	<u>3,237</u>
NET ASSETS		<u>27,467</u>	<u>33,594</u>

For and on behalf of the Board

W. McDonald

DIRECTOR

August 30, 2002

A. F. A.
GENERAL MANAGER

The accompanying notes and policies form an integral part of these financial statements

CENTRALINES LIMITED - LINES BUSINESS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 MARCH

	Notes	2002 \$'000	2001 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from customers		7,221	8,302
Interest received		351	246
		<u>7,572</u>	<u>8,548</u>
<i>Cash was applied to:</i>			
Payments to employees and suppliers		8,258	3,424
Taxes paid		0	384
Interest paid		27	0
		<u>8,285</u>	<u>3,808</u>
Net cash inflows from operating activities	10	<u>(714)</u>	<u>4,740</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Proceeds from disposal of investments		1,375	0
Proceeds from disposal of property, plant and equipment		24	41
		<u>1,399</u>	<u>41</u>
<i>Cash was applied to:</i>			
Purchase and construction of property, plant and equipment		1,248	1,284
Purchase of investments		150	3,500
		<u>1,398</u>	<u>4,784</u>
Net cash inflows from investment activities		<u>1</u>	<u>(4,743)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was applied to:</i>			
Dividends paid		50	50
Net cash outflows from financing activities		<u>(50)</u>	<u>(50)</u>
NET INCREASE / (DECREASE) IN CASH HELD		(763)	(53)
Opening Cash Brought Forward		<u>877</u>	<u>930</u>
CASH AT END OF THE YEAR		<u><u>114</u></u>	<u><u>877</u></u>
REPRESENTED BY:			
Cash and bank balances		<u>114</u>	<u>877</u>
		<u><u>114</u></u>	<u><u>877</u></u>

The accompanying notes and policies form an integral part of these financial statements

CENTRALINES LIMITED - LINES BUSINESS
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2002

CENTRALINES Limited ("CENTRALINES") is a public company registered under the Companies Act 1993. These financial statements have been prepared for the purposes of complying with the requirements of the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity(Information Disclosure) Amendment Regulations 2000 and 2001. The financial statements comprise separate Statements of Financial Position, Financial Performance, Cash Flows and Movements in Equity for the Line and Other Businesses as required by the Regulations. These businesses operate in and around the Central Hawke's Bay area. The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by the Company, with the exception that certain assets have been revalued.

Methodology and Separation of Businesses

CENTRALINES has generally followed the guidelines in the Electricity Information Disclosure Handbook issued by the Energy Markets Policy Group of the Ministry of Economic Development.

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain assets as identified in specific accounting policies below.

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

Operating Revenue

Sales revenue represents revenue earned for the sale of the company's products and services net of returns, trade allowances and taxes paid. Other revenue includes interest income on investments.

Income Tax

The taxation charge against the surplus of the period is the estimated liability in respect of that surplus after allowance for all the permanent differences and timing differences not expected to crystallise in the foreseeable future. This is the partial basis for the calculation of deferred tax.

The Company uses the liability method of accounting for deferred taxation. Future taxation benefits attributable to timing differences or losses carried forward are recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences will be realised or any losses utilised.

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 are prepared inclusive of GST).

Receivables

Receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

Inventories

Inventories are valued at the lower of weighted average cost and net realisable value.

Property, Plant and Equipment

Land and Buildings

Land is recorded at cost. Buildings are recorded at cost less depreciation.

Vehicles, Plant, Furniture and Fittings and Office Equipment

The value of motor vehicles, plant, office equipment, furniture and fittings are at cost less depreciation.

STATEMENT OF ACCOUNTING POLICIES (Continued)**Distribution Assets**

Distribution assets are stated at Optimised Deprival Value (ODV) as valued by independent valuer, Bruce Gemmill of KPMG, Christchurch on 31 March 2001, plus additions at cost since that date and less depreciation. These valuations are conducted at least once every three years and in accordance with guidelines established by the Commerce Commission.

Depreciation

Depreciation of property, plant and equipment, other than freehold land, is calculated on a straight line basis so as to expense the cost of the assets, or the revalued amounts, to their residual values over their useful lives as follows:

Estimated useful lives

Buildings	50 - 100 years
Office and computer equipment	5 - 15 years
Distribution system	40 years
Motor vehicles	5 years
Plant, equipment and tools	5 years

Employee Entitlements

Employee entitlements to salaries and wages, annual leave, long service leave and other benefits are accrued annually on an actual entitlement basis.

Investments

All investments are stated at cost.

Leases

Centralines leases its telephone equipment, photocopier and some of its computer equipment. Under the terms of the leases, all the risks and benefits of ownership effectively remain with the lessors. Lease payments are recognised as an expense in the periods the amounts are payable and a full disclosure of future commitments is provided in note 11.

Financial Instruments

Financial instruments carried on the statement of financial position include cash and bank balances, investments, receivables and trade creditors. These financial assets and financial liabilities are, generally, carried at their estimated fair values and, where appropriate, particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Statement of Cash Flows

The following are the definitions of the terms used in the statement of cash flows:

- (a) Operating activities include all transactions and other events that are not investing or financing activities.
- (b) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments include securities not falling within the definition of cash.
- (c) Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash.
- (d) Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

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.

CENTRALINES LIMITED - LINES BUSINESS
PERFORMANCE INDICATORS
FOR THE YEARS ENDED 31 MARCH

Regulation		2002	2001	2000	1999	1998
15	FINANCIAL PERFORMANCE MEASURES					
15 a	Return on Funds	-1.41%	2.82%	3.60%	-0.04%	3.72%
15 b	Return on Equity	-0.66%	1.84%	2.40%	3.15%	3.75%
15 c	Return on Investment	-19.59%	1.44%	2.10%	3.28%	14.13%
15	EFFICIENCY PERFORMANCE INDICATORS					
15 a	Direct Line Costs per Kilometre	\$ 574	\$ 468	\$ 551	\$ 889	\$ 479
15 b	Indirect Line Costs per Customer	\$ 97	\$ 125	\$ 71	\$ 114	\$ 79
	The 2001 value has been restated to exclude depreciation and interest income in the numerator					
21.1	ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES					
21 a	Load Factor	30.41%	63.00%	68.00%	65.00%	65.00%
21 b	Loss Ratio	7.39%	8.02%	8.50%	7.80%	9.70%
21 c	Capacity Utilisation	58.36%	29.00%	26.00%	27.00%	28.00%
21.2	STATISTICS					
21 a	System Length (km)					
	33kV	91	91.0	91.0	91.0	91.0
	11kV	1434	1435.0	1366.0	1364.0	1362.0
	400V	91.0	86.0	86.0	85.6	84.8
	Total	1,616.0	1,612.0	1,543.0	1,540.6	1,537.8
21 b	Total Length of Overhead System (km)					
	33kV	90	90.0	90.0	90.0	90.0
	11kV	1425	1,428.0	1,359.0	1,357.0	1,355.0
	400V	68.2	67.8	66.6	66.6	66.6
	Total	1,583.2	1,585.8	1,515.6	1,513.6	1,511.6
21 c	Total Length of Underground System (km)					
	33kV	0.5	0.5	0.5	0.5	0.5
	11kV	8.4	7.3	7.3	7.2	7.2
	400 V	22.7	20.6	19.5	19.1	18.2
	Total	31.6	28.4	27.3	26.8	25.9
21 d	Transformer Capacity (KVA)	71,492	69,837	64,635	63,993	63,178
21 e	Maximum Demand (KW)	41,724*	20,286	17,000	17,000	17,420
	* This maximum demand was the result of loss of metering pulses during the commissioning phase of the second transformer bank at Transpower's GXP. A waiver was in place during this phase as a result.					
21 f	Total Electricity Supplied into Systems (before losses) Kwhr	111,117,752	102,341,989	93,369,416	89,547,354	89,343,000
	Comparatives are for total electricity supplied from the system after losses of electricity					
21 g	Electricity on behalf of other entities (after losses) Kwhr					
	Retailer 1	81,571,915	100,199,186	90,546,442	76,200,117	-
	Retailer 2	12,009,511	2,822,255	1,853,841	13,174,033	-
	Retailer 3	1,532,778	629,106	665,073	173,204	-
	Retailer 4	7,038,256	7,397,053	199,947		
	Retailer 5	113,799	117,873	104,114		
	Retailer 6	687,278				
	Total	102,953,537				
	Comparative figures are for the total amount of electricity conveyed through the system before the losses of electricity					
21 h	Total Customers (average for year)	7,431	7,432	7,454	7,432	7,769
22	Number of Faults per 100 circuit kilometre overhead					
7 & 5a	33kV	21.978	4.397	0.000	0.000	0.000
7 & 5a	11kV	16.702	18.935	9.934	8.101	9.717
7 & 5a	Total	38.68	23.332	9.934	8.101	9.717
	Number of Faults per 100 circuit kilometre underground					
6 & 5a	33kV	1.00	0.00	0.00	0.00	0.00
6 & 5a	11kV	0.00	0.00	0.00	0.00	0.00
6 & 5a	Total	1.00	0.00	0.00	0.00	0.00
4a	Percentage of Faults greater than or equal to 3 hours	6.6	10.7	na	na	na
4b	Percentage of Faults greater than or equal to 24 hours	0	0	na	na	na

CENTRALINES LIMITED - LINES BUSINESS
PERFORMANCE INDICATORS (contd.)
FOR THE YEARS ENDED 31 MARCH

Regulation

22

Total Interruptions 2002

	CLASS	A	B	C	D	E	F	G	TOTAL
8 & 11	SAIDI	0.00	105.00	250.00	6.00	0.00	0.00	0.00	361.00
12 & 15	SAIFI	0.00	0.36	7.69	1.00	0.00	0.00	0.00	9.05
16 & 19	CAIDI	0.00	291.00	32.00	6.00	0.00	0.00	0.00	39.89
1	INTERRUPTIONS	0.00	127.00	258.00	1.00	0.00	0.00	0.00	386.00

Regulation

22

Total Interruptions 2001

	CLASS	A	B	C	D	E	F	G	TOTAL
8 & 11	SAIDI	60.00	77.00	301.00	0.00	0.00	0.00	0.00	438.00
12 & 15	SAIFI	1.00	0.39	6.06	0.00	0.00	0.00	0.00	7.45
16 & 19	CAIDI	60.00	197.00	50.00	0.00	0.00	0.00	0.00	58.79
1	INTERRUPTIONS	2.00	115.00	272.00	0.00	0.00	0.00	0.00	389.00

Regulation

22

Total Interruptions 2000

	CLASS	A	B	C	D	E	F	G	TOTAL
8 & 11	SAIDI	420.00	163.00	163.00	0.00	0.00	0.00	0.00	746.00
12 & 15	SAIFI	2.00	0.70	4.24	0.00	0.00	0.00	0.00	6.94
16 & 19	CAIDI	210.00	242.00	38.00	0.00	0.00	0.00	0.00	107.49
1	INTERRUPTIONS	2.00	140.00	144.00	0.00	0.00	0.00	0.00	286.00

Regulation

22

Total Interruptions 1999

	CLASS	A	B	C	D	E	F	G	TOTAL
8 & 11	SAIDI	240.00	65.00	188.00	0.00	0.00	0.00	0.00	493.00
12 & 15	SAIFI	1.00	0.55	2.18	0.00	0.00	0.00	0.00	3.73
16 & 19	CAIDI	240.00	116.00	86.00	0.00	0.00	0.00	0.00	132.17
1	INTERRUPTIONS	1.00	68.00	155.00	0.00	0.00	0.00	0.00	224.00

22

Total Interruptions 1998

	CLASS	A	B	C	D	E	F	G	TOTAL
8 & 11	SAIDI	0.00	16.00	85.00	75.00	0.00	0.00	0.00	176.00
12 & 15	SAIFI	0.00	0.11	0.80	1.00	0.00	0.00	0.00	1.91
16 & 19	CAIDI	0.00	144.00	106.00	75.00	0.00	0.00	0.00	92.15
1	INTERRUPTIONS	0.00	21.00	116.00	1.00	0.00	0.00	0.00	138.00

22

Total Interruptions 1997

	CLASS	A	B	C	D	E	F	G	TOTAL
8 & 11	SAIDI	240.00	36.00	124.00	0.00	0.00	0.00	0.00	400.00
12 & 15	SAIFI	1.00	0.17	1.36	0.00	0.00	0.00	0.00	2.53
16 & 19	CAIDI	240.00	208.00	91.00	0.00	0.00	0.00	0.00	158.10
1	INTERRUPTIONS	1.00	41.00	121.00	0.00	0.00	0.00	0.00	163.00

22

	CLASS	TARGET	AVERAGE	TARGET	AVERAGE
		YEAR	2003	2003-2007	2002
9a & 10a	SAIDI B		75	75	75
9b & 10b	SAIDI C		200	150	200
13a & 14b	SAIFI B		0.55	0.5	0.55
13b & 14b	SAIFI C		3.5	3.08	3.5
17a & 18a	CAIDI B		136	150	136
17b & 18b	CAIDI C		57	49	57
2a & 3a	No. of Interruptions B		100	80	100
2b & 3b	No. of Interruptions C		200	150	200
	No. of faults/100km 33Kv		4	2	4
5b-c	No. of faults/100km 11Kv		15	10	18.9
	Total faults/100km		19	12	22.9

CENTRALINES LIMITED - LINES BUSINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 MARCH

	2002	2001
	\$'000	\$'000
Note 1:		
(i) OPERATING REVENUE		
Continuing activities		
Network line rentals net of customer rebates	3,858	4,876
AC loss-rental rebates	361	314
Customer contributions	32	0
Interest income	348	278
Total revenue	<u>4,599</u>	<u>5,468</u>
(ii) OPERATING EXPENSES		
Continuing activities		
Audit fees	28	32
Auditors fees for other services	16	0
Fees paid to other auditors	23	0
Bad debts written off	0	38
Bad debts recovered	0	0
Depreciation		
Buildings		
Office and computer equipment		
Distribution system	598	739
Motor vehicles	2	9
Plant, equipment and tools		
Total depreciation	<u>600</u>	<u>748</u>
Directors fees	68	62
Donations	1	1
Change in provision for doubtful debts	0	0
Interest paid	27	0
Lease payments	25	0
Loss on sale of assets	4	4
Loss on sale of investments	0	0
Cost of sales & other operating expenses	3,510	3,429
Total operating expenses	<u>4,302</u>	<u>4,314</u>

The comparative figure for "Donations" above has been adjusted from 29 to 0 to properly reflect the incorrect analysis of sponsorship costs in the financial statements for the year ended 31 March 2001.

The comparative figure for "Cost of sales & other operating expenses" above has been restated due to the incorrect disclosure of consumer rebates last year.

Note 2: Taxation

Taxation Reconciliation

Accounting net operating surplus before taxation	297	1,154
Taxation at 33%	98	381
Plus tax effect of:		
Non deductible expenditure		
Timing differences not recognised	(122)	(230)
Permanent differences	202	310
Prior year adjustment	1	(2)
Income tax charge for the year	<u>179</u>	<u>459</u>

NOTES TO THE FINANCIAL STATEMENTS

	2002 \$'000	2001 \$'000
Note 2: Taxation (contd.)		
Income tax charge for the year comprises:		
Current taxation (liability)	179	160
Deferred taxation	0	299
	<u>179</u>	<u>459</u>
Deferred Tax Asset / (Liability):		
Opening balance	0	299
Prior period adjustment	0	0
Current year movement	0	(299)
Tax losses	0	0
Closing balance	<u>0</u>	<u>0</u>

A deferred tax liability of \$2,853,734 (2001: \$2,703,587) has not been recognised. The proposed revision of the financial reporting standard is expected to require deferred taxation to be accounted for on a comprehensive basis and the liability to be recognised in the statement of financial position in future.

Imputation Credit Account:

Opening balance	658	299
Tax paid during the year	0	384
Tax refunds during the year	0	0
Resident withholding tax paid	9	0
Credits attached to dividends paid	(25)	(25)
Closing balance at end of the year	<u>642</u>	<u>658</u>

Comparative tax paid during the year has been adjusted to correct an omission last year.

Note 3: Retained Earnings & Reserves**Retained Earnings**

Balance at beginning of the year	2,924	2,279
Adjustment to opening equity	(1,564)	0
Net surplus for the year	118	695
Dividends paid and proposed	(80)	(50)
Balance at end of the year	<u>1,398</u>	<u>2,924</u>

Reserves

General	420	0
Share premium reserve	0	398
Capital reserve	0	22
Asset revaluation reserve - distribution system	17,649	22,250
Balance at end of the year	<u>18,069</u>	<u>22,670</u>

Amounts previously held as share premium and capital reserves were transferred to a General reserve account

Note 4: Receivable and prepayments

Trade debtors	550	847
Estimated doubtful receivables	0	0
GST clearing account	110	0
Miscellaneous prepayments	20	45
Accruals	57	0
	<u>737</u>	<u>892</u>

The Company incurs credit risk from transactions with trade receivables and financial institutions in the normal course of its business.

The Company has a credit policy which restricts the exposure to individual trade receivables and the Board of Directors reviews exposure to trade receivables on a regular basis. Where there is a significant concentration of credit risk, the exposure is minimised by provisions in use of systems agreements between the parties. Amounts owed by trade receivables are unsecured.

Note 5: Inventories

Network and contracting stocks	450	350
	<u>450</u>	<u>350</u>

Certain inventories are subject to restriction of title, including Romalpa Clauses.

	2002	2001
	\$'000	\$'000
Note 6: Investments		
(i) Current		
Short term deposits held with registered banks	2,850	3,500
	<u>2,850</u>	<u>3,500</u>
<p>Market fluctuations in interest rates affect the earnings on these investments but company policy of placing deposits with high credit quality financial institutions minimises its credit exposure.</p>		
(ii) Non-Current		
<p>These investments were established to contribute towards the cost of a catastrophe on the network assets.</p>		
Listed securities	0	2,154
	<u>0</u>	<u>2,154</u>
(iii) Fair and market value information		
Listed securities	1,442	2,187
<p>The market value is based on prices quoted on the stock exchanges at balance date.</p>		
(iv) Fixed interest securities - maturity dates		
<p>The range of interest rates on investments were:</p>		
Short term bank investments	4.8% - 6.55%	6% - 10%
Bonds	6% - 9.30%	6% - 10%
(v) Fixed interest securities - maturity dates		
<p>The fixed interest securities held at balance date will mature at varying times between 15 February 2003 and 15 March 2007 and any related discount or premium at acquisition is amortised over the lives of these assets.</p>		
Note 7: Property, plant equipment		
Distribution assets		
At valuation - 31 March 2001	24,257	27,847
At cost	1,399	2,476
Accumulated depreciation	(624)	(1,465)
Total carrying amount of distribution assets	<u>25,032</u>	<u>28,858</u>
Freehold land		
At cost	18	18
Total carrying amount of freehold land	<u>18</u>	<u>18</u>
Freehold buildings		
At cost	0	0
Accumulated depreciation	0	0
Total carrying amount of freehold buildings	<u>0</u>	<u>0</u>
Motor vehicles		
At cost	14	31
Accumulated depreciation	(2)	(3)
Total carrying amount of motor vehicles	<u>12</u>	<u>28</u>
Plant and equipment and tools		
At cost	0	0
Accumulated depreciation	0	0
Total carrying amount of plant and equipment and tools	<u>0</u>	<u>0</u>
Office and Computer equipment		
At cost	0	338
Accumulated depreciation	0	(184)
Total carrying amount of office and computer equipment	<u>0</u>	<u>154</u>
Total Property, plant equipment		
At valuation	24,257	27,847
At cost	1,431	2,863
Accumulated depreciation	(626)	(1,652)
Total carrying amount of property, plant equipment	<u>25,062</u>	<u>29,058</u>

NOTES TO THE FINANCIAL STATEMENTS

	2002 \$'000	2001 \$'000
Note 7: Property, plant equipment (contd.)		
The fair value of the land and buildings is not materially different from their carrying amounts.		
Note 8: Accounts Payable		
GST clearing account	0	84
Trade creditors	916	403
Other creditors & accruals	603	2,629
	<u>1,519</u>	<u>3,116</u>
Note 9: Employee Entitlements		
The comparative figures have been restated to distinguish current from non-current liabilities.		
Note 10: Reconciliation of CashFlow with Operating Surplus		
Reported surplus after taxation	118	695
Add Non Cash Items		
Depreciation	600	748
Bad Debts	0	0
Increase/(decrease) in doubtful debts	0	0
Change in deferred tax provision	0	299
Obsolete stock	0	0
Interest and dividends reinvested	0	0
Changes in Working Capital		
Increase/(decrease) in accounts payable & accruals	(1,597)	2,611
(Increase)/decrease in accounts receivable	155	207
(Increase)/decrease in inventory	(100)	97
Increase/(decrease) in employee entitlements	(109)	88
Increase/(decrease) in provision for taxation	179	0
Increase/(decrease) in provision for dividend	80	0
(Increase)/decrease in work in progress	(44)	0
Items Classified as Investing Activities		
Net (surplus)/loss on disposal of investments	0	0
Net (surplus)/loss on disposal of property, plant and equipment	4	(4)
Write down of asset values	0	
Net Cashflow from Operating Activities	<u>(714)</u>	<u>4,740</u>
Note 11: Analysis of non-cancellable operating lease commitments		
Payable not later than one year	25	27
Payable later than one year, not later than two years	19	24
Payable later than two years, not later than five years	0	19
Payable later than five years	0	0
	<u>44</u>	<u>70</u>
Note 12: Capital Commitments and Contingent Liabilities		
As at 31 March 2002 the company had no contingent liabilities (2001 also Nil).		
As at 31 March 2002 there were no capital commitments (2001 \$23,000).		

NOTES TO THE FINANCIAL STATEMENTS

	2002 \$'000	2001 \$000
Note 13: Related Party Information		
CHB Consumers Power Trust owns all of the issued capital of Centralines Limited.		
Directors' transactions with the company were made under normal terms and conditions of supply and sale available to members of staff. No discounts were given during the year.		
Contestable contracting services in asset construction and maintenance were provided by CENTRALINES's contracting division at cost, including overheads, and as detailed, respectively, here and in Note 16.12b below.		
Subtransmission assets	0	0
Zone substations	0	0
Distribution lines and cables	0	0
Medium voltage switchgear	0	0
Distribution transformers	0	0
Distribution substations	0	0
Low voltage lines and cables	534	713
Other system fixed assets	0	0

As at 31 March 2002, the total outstanding was nil (2001 - \$nil)

During the year Mr H Donald, who is a director provided services totalling \$701. (2001 Nil)

Note 14: Financial Instruments

Centralines has no off balance sheet financing (other than those disclosed in these notes), nor any foreign exchange exposure.

The fair value of financial instruments is the carrying amount disclosed in the Statement of Financial Position.

Centralines has an approved overdraft facility with the ANZ Bank for \$100,000 at an interest rate of 11.70%.

The interest rates on the company's deposits are presented in note 6.

Note 15: Significant Events after Balance Date

Centralines has terminated its management contract with Scanpower effective 30 September and has entered into an agreement with Hawkes Bay Network for the provision of managerial services from 1 October 2002.

The company is not aware of any other post balance date events which would have a significant effect on the business activities of **Centralines**.

Note 16: Electricity (Information Disclosure) Regulations 1999 (Schedule 1 Part 2) requirements:

1	Current Assets		
a	Cash and bank balances	114	877
b	Short-term investments	2,850	3,500
c	Inventories	450	350
d	Accounts receivable	737	847
e	Other current assets not listed in (a) to (d)	0	45
f	Total current assets	4,151	5,619
2	Fixed Assets		
a	System fixed assets	25,032	28,858
b	Consumer billing and information system assets	0	0
c	Motor vehicles	12	28
d	Office equipment	0	154
e	Land and buildings	18	18
f	Capital works under construction	44	0
g	Other fixed assets not listed in (a) to (f)	0	0
h	Total fixed assets	25,106	29,058

NOTES TO THE FINANCIAL STATEMENTS

	2002 \$'000	2001 \$000	
3	Other tangible assets not listed above	0	2,154
4	Total tangible assets	29,257	36,831
5	Intangibles		
a	Goodwill	0	0
b	Other intangibles not listed in (a) above	0	0
c	Total intangibles	0	0
6	Total assets	<u>29,257</u>	<u>36,831</u>
7	Current liabilities		
a	Bank overdraft	0	0
b	Short-term borrowings	0	0
c	Payables and accruals	1,519	3,116
d	Provision for dividends payable	80	0
e	Provision for income tax	179	0
f	Other current liabilities not listed in (a) to (e) above	12	121
g	Total current liabilities	<u>1,790</u>	<u>3,237</u>
8	Non-current liabilities		
a	Payables and 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	<u>0</u>	<u>0</u>
9	Equity		
a	Shareholders' equity		
	(i) Share capital	8,000	8,000
	(ii) Retained earnings	1,398	2,924
	(iii) Reserves	18,069	22,670
	(iv) Total shareholders' equity	<u>27,467</u>	<u>33,594</u>
b	Minority interests in subsidiaries	0	0
c	Total equity	<u>27,467</u>	<u>33,594</u>
d	Capital notes	0	0
e	Total capital funds	<u>27,467</u>	<u>33,594</u>
10	Total equity and liabilities	<u>29,257</u>	<u>36,831</u>
11	Operating revenue		
a	Revenue from line/access charges	6,925	8,090
b	Revenue from "Other" business for services carried out by the line business (transfer payment)	0	0
c	Interest on cash, bank balances and short term investments:	348	278
d	AC loss-rental rebates	361	314
e	Other revenue not listed in (a) to (d)	32	0
f	Total operating revenue	<u>7,666</u>	<u>8,682</u>

NOTES TO THE FINANCIAL STATEMENTS

		2002 \$'000	2001 \$000
12	Operating expenditure		
a	Payment for transmission charges	2,004	1,773
b	Transfer payments to the "Other" business for:		
	(i) Asset maintenance	534	713
	(ii) Consumer disconnection/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	0	0
	(viii) Total transfer payment to the "Other" business	<u>534</u>	<u>713</u>
c	Expense to entities that are not related parties for:		
	(i) Asset maintenance	376	26
	(ii) Consumer disconnection/reconnection services	0	0
	(iii) Meter data	18	15
	(iv) Consumer-based load control services	0	0
	(v) Royalty and patent expenses	0	0
	(vi) Total of specified expenses to non-related parties (sum of (i) to (v))	<u>394</u>	<u>41</u>
d	Employee salaries, wages and redundancies	121	372
e	Consumer billing and information system expense	0	0
f	Depreciation on:		
	(i) System fixed assets	598	739
	(ii) Other assets not listed in (i)	2	8
	(iii) Total depreciation	<u>600</u>	<u>747</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	157	0
i	Human resource expenses	0	7
j	Marketing/advertising	45	88
k	Merger and acquisition expenses	0	0
l	Takeover defence expenses	0	0
m	Research and development expenses	7	4
n	Consultancy and legal expenses	31	66
o	Donations	1	0
p	Directors' fees	68	66
q	Auditors' fees		
	(i) Audit fees paid to principal auditors	28	32
	(ii) Audit fees paid to other auditors	23	0
	(iii) Fees paid for other services provided by principal and other auditors	16	0
	(iv) Total auditors' fees	<u>67</u>	<u>32</u>
r	Costs of offering credit		
	(i) Bad debts written off	0	38
	(ii) Increase in estimated doubtful debts	0	0
	(iii) Total cost of offering credit	<u>0</u>	<u>38</u>
s	Local authority rates expense	0	0
t	AC loss-rentals (distribution to retailers/customers) expense	0	0
u	Rebates to consumers due to ownership interest	3,067	3,214
v	Subvention payments	0	0
w	Unusual expenses	0	0
x	Other expenditure not listed in (a) to (w)	246	367
13	Total operating expenditure	<u>7,342</u>	<u>7,528</u>
14	Operating surplus before interest and income tax	<u>324</u>	<u>1,154</u>

NOTES TO THE FINANCIAL STATEMENTS

		2002 \$'000	2001 \$000
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)	27	0
d	Total interest expense	<u>27</u>	<u>0</u>
16	Operating surplus before income tax	<u>297</u>	<u>1,154</u>
17	Income tax	179	459
18	Net surplus after tax	<u><u>118</u></u>	<u><u>695</u></u>

CENTRALINES LIMITED - LINES BUSINESS
FINANCIAL PERFORMANCE MEASURES - Derivation Table (Part 7)
FOR THE YEAR ENDED 31 MARCH 2002

	Input and Calculations	Symbol in formula	ROF		ROE		ROI	
Operating surplus before interest and income tax from financial statements	324							
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	324							
Interest on cash, bank balances, and short-term investments (ISTI)	348							
OSBIT minus ISTI	(24)	a	(24)					(24)
Net surplus after tax from financial statements	118							
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	118	n		118				
Amortisation of goodwill and amortisation of other intangibles	0	g	0	add	0	add	0	0
Subvention payment	0	s	0	add	0	add	0	0
Depreciation of SFA at BV (x)	598							
Depreciation of SFA at ODV (y)	901							
ODV depreciation adjustment	(303)	d	(303)	add	(303)	add	(303)	(303)
Subvention payment tax adjustment	0	s ^t		deduct	0	deduct	0	0
Interest tax shield	(106)	q						(106)
Revaluations	(4,601)	r						(4,601)
Income tax	179	p						179
Numerator								
			OSBIT ^{adj} = a + g + s + d		(327)		NSAT ^{adj} = n + g + s + s ^t + d	OSBIT ^{adj} = a + g + s + d - p - s ^t
Fixed assets at end of previous financial year (FA ₀)	29,058							
Fixed assets at end of current financial year (FA ₁)	25,106							
Adjusted net working capital at end of previous financial year (ANWC ₀)	(1,995)							
Adjusted net working capital at end of current financial year (ANWC ₁)	(376)							
Average total funds employed (ATFE)	25,897	c	25,897					25,897
Total equity at end of previous financial year (TE ₀)	33,594							
Total equity at end of current financial year (TE ₁)	27,467							
Average total equity	30,531	k					30,531	

**CENTRALINES LIMITED - LINES BUSINESS
FINANCIAL PERFORMANCE MEASURES - Derivation Table (Part 7)
FOR THE YEAR ENDED 31 MARCH 2002**

	Input and Calculations	Symbol in formula	ROF		ROE		ROI	
			deduct	add	deduct	add	deduct	add
WUC at end of previous financial year (WUC ₀)	0							
WUC at end of current financial year (WUC ₁)	44							
Average total works under construction	22	e	deduct		22	deduct	22	deduct
Revaluations	(4,601)	r						
Half of revaluations	(2,301)	r/2						deduct
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		add	0			
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		add	0			
System fixed assets at end of previous financial year at book value (SFA _{0,brk})	28,858							
System fixed assets at end of current financial year at book value (SFA _{1,brk})	25,032							
Average value of system fixed assets at book value	26,945	f	deduct		26,945	deduct	26,945	deduct
System Fixed assets at year beginning at ODV value (SFA _{0,odv})	24,257							
System Fixed assets at end of current financial year at ODV value (SFA _{1,odv})	24,345							
Average value of system fixed assets at ODV value	24,301	h	add		24,301	add	24,301	add
Denominator					23,232		27,866	25,532
					ATFE ^{odv} = c - e - f + h		Ave TE ^{odv} = k - e - m + v - f + h	ATFE ^{odv} = c - e - f + h
Financial Performance Measure:					(1.41)		(0.66)	(19.59)
					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 bv = book value ave = average odv = optimised deprival valuation subscript '0' = end of the previous financial year
 subscript '1' = end of the current financial year ROF = return on funds ROE = return on equity ROI = return on investment

CENTRALINES LIMITED - LINES BUSINESS
ANNUAL VALUATION RECONCILIATION REPORT - (Part 8)
FOR THE YEAR ENDED 31 MARCH 2002

	2002	2001
	\$000	\$000
System fixed assets at ODV at end of previous financial year ²	24,257	27,924
ADD system fixed assets acquired during the year at ODV ¹	1,275	907
LESS system fixed assets disposed of during the year at ODV	297	30
LESS depreciation on system fixed assets at ODV	901	864
ADD revaluation of system fixed assets	11	(3,450)
System fixed assets at ODV at end of the financial year	<u>24,345</u>	<u>24,487</u>

¹ The value of system fixed assets acquired during the financial year includes capitalised expenditure on replacement and refurbishment of system fixed assets.

² The value of system fixed assets at the end of the previous financial year was not accepted by the Commerce Commission. After reassessment and recalculation the 2001 ODV was re-audited and accepted by The Commerce Commission as per industry standards. The adjustment was made at this stage.



REPORT OF THE AUDIT OFFICE
TO THE READERS OF THE FINANCIAL STATEMENTS OF
CENTRALINES LIMITED
FOR THE YEAR ENDED 31 MARCH 2002

We have audited the financial statements of Centralines Limited on pages 1 to 6 and 9 to 16. The financial statements provide information about the past financial performance of Centralines Limited and its financial position as at 31 March 2002. This information is stated in accordance with the accounting policies set out on pages 5 to 6.

Directors' Responsibilities

The Electricity (Information Disclosure) Regulations 1999 require the Directors to prepare financial statements that give a true and fair view of the financial position of Centralines Limited as at 31 March 2002, and results of operations and cash flows for the year ended on that date.

Auditor's responsibilities

Section 15 of the Public Audit Act 2001 and Regulation 31 of the Electricity (Information Disclosure) Regulations 1999 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 V F Sears, 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 Centralines Limited's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to 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.

We have carried out two other assignments for Centralines Limited in the area of consultancy and tax compliance services. Other than these assignments and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Centralines Limited.

Unqualified opinion

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

In our opinion:

- ▲ proper accounting records have been kept by Centralines Limited as far as appears from our examination of those records *and*
- ▲ the financial statements on pages 1 to 6 and 9 to 16:
 - (a) comply with generally accepted accounting practice *and*
 - (b) give a true and fair view of the financial position of Centralines Limited as at 31 March 2002 and the results of its operations and cash flows for the year ended on that date; *and*
 - (c) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 30 August 2002 and our unqualified opinion is expressed as at that date.



V F Sears
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand



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

We have examined the information on pages 7 and 17 to 19 being –

- (a) the derivation table in regulation 16; and
- (b) the annual ODV reconciliation report in regulations 16A; and
- (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 Centralines Limited and dated 31 March 2002 for the purposes of regulation 15 of the Electricity (Information Disclosure) Regulations 1999.

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

A handwritten signature in black ink, appearing to read "V F Sears", with a long, sweeping horizontal stroke extending to the right.

V F Sears
Audit New Zealand
On behalf of the Controller and Auditor-General
Palmerston North, New Zealand

30 August 2002