



New Zealand Gazette

OF THURSDAY, 28 AUGUST 2003

WELLINGTON: WEDNESDAY, 3 SEPTEMBER 2003 — ISSUE NO. 125

CENTRALINES LIMITED

INFORMATION FOR DISCLOSURE

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



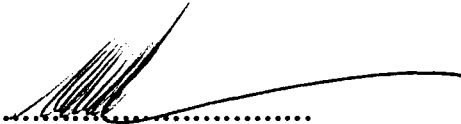
STATUTORY DECLARATION

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

I, **Michael Kenneth Luoni, of 3 Kowhai Place, Napier** 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.



.....
M K Luoni

Declared at *Waipukuruan* this *27th*.....day of *August*.....200*3*



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



CENTRALINES LIMITED

2 Peel Street, P.O. Box 59, Waipukurau
Phone: (06) 858-7770 • Fax: (06) 858-6601
<http://www.centralines.co.nz>
Email: centralines@centralines.co.nz

CERTIFICATE OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES AND STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN TRANSPower

We, *Michael Kusni* AND *Hannah 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.

[Signature]
.....

[Signature]
.....

27/08/2003
.....
DATED

27/08/03
.....
DATED



CENTRALINES LIMITED

2 Peel Street, P.O. Box 59, Waipukurau
Phone: (06) 858-7770 • Fax: (06) 858-6601
<http://www.centralines.co.nz>
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CERTIFICATE OF VALUATION REPORT OF LINE OWNERS

We, *Mahesh Khurana* AND *Hannah Donohue* 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.

[Signature]
.....

[Signature]
.....

27/08/2003
.....

DATED

27/08/03
.....

DATED



Office address
Clarendon Tower
78 Worcester Street
Christchurch
New Zealand

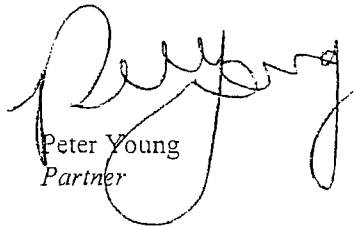
Mail address
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AUDITORS OPINION IN RELATION TO ODV VALUATION
CENTRALINES LIMITED

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	2003 \$'000	2002 \$'000
CONTINUING ACTIVITIES			
Revenue	1	8,250	7,666
Expense	1	(6,208)	(7,369)
Surplus before income tax		<u>2,042</u>	<u>297</u>
Less income tax expense	2	<u>726</u>	<u>179</u>
Net surplus after income tax		<u><u>1,316</u></u>	<u><u>118</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	2003 \$'000	2002 \$'000
EQUITY AT BEGINNING OF THE YEAR		27,467	33,594
Adjustment to equity		<u>0</u>	<u>(1,564)</u>
AMENDED EQUITY AT BEGINNING OF THE YEAR		27,467	32,030
SURPLUS AND REVALUATIONS			
Net surplus for the year		1316	118
Revaluation of fixed assets	3	<u>0</u>	<u>(4,601)</u>
Total recognised revenues and expenses for the year		1316	(4,483)
OTHER MOVEMENTS			
Distribution to owners	3	<u>0</u>	<u>(80)</u>
EQUITY AT THE END OF THE YEAR		<u><u>28,783</u></u>	<u><u>27,467</u></u>

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	2003 \$'000	2002 \$'000
EQUITY			
8,000,000 Ordinary shares of \$1 fully paid		8,000	8,000
Retained earnings	3	2,714	1,398
Reserves	3	18,069	18,069
Shareholders' Equity		<u>28,783</u>	<u>27,467</u>
REPRESENTED BY:			
CURRENT ASSETS			
Bank balances & short term investments		1,024	114
Short term investments	6	299	2,850
Receivables and prepayments	4	1,458	737
Inventories	5	376	450
Total Current Assets		<u>3,157</u>	<u>4,151</u>
NON CURRENT ASSETS			
Investments	6	936	0
Capital works in progress		22	44
Property, plant and equipment	7	25,669	25,062
Total Non-Current Assets		<u>26,627</u>	<u>25,106</u>
TOTAL ASSETS		<u>29,784</u>	<u>29,257</u>
CURRENT LIABILITIES			
Accounts payable	8	225	1,519
Hire Purchase		9	0
Proposed dividend		0	80
Employee entitlements	9	21	12
Tax provision	2	726	179
Total Current Liabilities		<u>981</u>	<u>1,790</u>
NON CURRENT LIABILITIES			
Hire Purchase		20	0
Employee entitlements	9	0	0
Total Non - Current Liabilities		<u>20</u>	<u>0</u>
TOTAL LIABILITIES		<u>1,001</u>	<u>1,790</u>
NET ASSETS		<u>28,783</u>	<u>27,467</u>

For and on behalf of the Board



DIRECTOR

August 27, 2003



CHIEF EXECUTIVE OFFICER

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	2003 \$'000	2002 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from customers		7,232	7,221
Interest received		260	351
		7,492	7,572
<i>Cash was applied to:</i>			
Payments to employees and suppliers		6,472	8,258
Taxes paid		127	0
Interest paid		3	27
		6,602	8,285
Net cash inflows from operating activities	10	890	(714)
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Proceeds from disposal of investments		1,479	1,375
Proceeds from disposal of property, plant and equipment		56	24
		1,535	1,399
<i>Cash was applied to:</i>			
Purchase and construction of property, plant and equipment		1,435	1,248
Purchase of investments		0	150
		1,435	1,398
Net cash inflows from investment activities		100	1
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was applied to:</i>			
Dividends paid		80	50
Net cash outflows from financing activities		(80)	(50)
NET INCREASE / (DECREASE) IN CASH HELD		910	(763)
Opening Cash Brought Forward		114	877
CASH AT END OF THE YEAR		1,024	114
REPRESENTED BY:			
Cash and bank balances		1,024	114
		1,024	114

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 2003**

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.

CENTRALINES LIMITED - LINES BUSINESS
STATEMENT OF ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED 31 MARCH 2003

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	0 - 70 years
Motor vehicles	3 - 15 years
Plant, equipment and tools	5 - 10 years

Employee Entitlements

A liability for annual leave, long service leave and retirement gratuities is accrued and recognised in the Statement of Financial Position. Liabilities for annual and long service leave are calculated on an entitlement basis at current rates. Retirement gratuity liability is calculated using current rates and appropriate probabilities.

Investments

All investments are stated at cost price and then adjusted to account for amortisation of premiums or discounts to face value.

Leases

Centralines leases its telephone equipment, and photocopier. Under the terms of the leases, all the risks and benefits of ownership effectively remain with the lessors. These two 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. The photocopier was replaced February 2003 with a new lease which is recognised as a financial lease. The photocopy has been recognised as an asset and depreciated. The lease payments are recognised as a liabilities.

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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 MARCH 2003

	2003 \$'000	2002 \$'000
Note 1: (i) OPERATING REVENUE		
Continuing activities		
Network line rentals net of customer rebates	6,762	6,925
AC loss-rental rebates	1,231	361
Customer contributions	0	32
Interest income	257	348
Total revenue	<u>8,250</u>	<u>7,666</u>
(ii) OPERATING EXPENSES		
Continuing activities		
Audit fees	29	28
Auditors fees for other services	7	16
Fees paid to other auditors	6	23
Bad debts written off	0	0
Bad debts recovered	0	0
Depreciation		
Buildings		
Office and computer equipment		
Distribution system	1,013	598
Motor vehicles	3	2
Plant, equipment and tools		
Total depreciation	<u>1,016</u>	<u>600</u>
Directors fees	85	68
Donations	0	1
Change in provision for doubtful debts	0	0
Interest paid	2	27
Lease payments	21	25
Loss on sale of assets	0	4
Loss on sale of investments	0	0
Customer Discount	1,430	3,067
Cost of sales & other operating expenses	3,612	3,510
Total operating expenses	<u>6,208</u>	<u>7,369</u>
Surplus Before Income Tax	<u>2,042</u>	<u>297</u>

The 2002 customer discount has been split out for comparative purposes.

Note 2: Taxation

Taxation Reconciliation

Accounting net operating surplus before taxation	2,042	297
Taxation at 33%	674	98
Plus tax effect of:		
Non deductible expenditure		
Timing differences not recognised	(200)	(122)
Permanent differences	250	202
Prior year adjustment	2	1
Income tax charge for the year	<u>726</u>	<u>179</u>
Income tax charge for the year comprises:		
Current taxation (liability)	726	179
Deferred taxation	0	0
	<u>726</u>	<u>179</u>

The company has not recognised deferred taxation liabilities on cumulative timing differences of \$2,988,000 (2002: \$2,853,734) as these are not expected to reverse in the foreseeable future.

CENTRALINES LIMITED - LINES BUSINESS
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING 31 MARCH 2003

	2003 \$'000	2002 \$'000
Imputation Credit Account:		
Opening balance	642	658
Tax paid during the year	127	0
Tax refunds during the year	(33)	0
Resident withholding tax paid	2	9
Credits attached to dividends paid	(39)	(25)
Closing balance at end of the year	<u>699</u>	<u>642</u>
Note 3: Retained Earnings & Reserves		
Retained Earnings		
Balance at beginning of the year	1,398	2,924
Adjustment to opening equity	0	(1,564)
Net surplus for the year	1,316	118
Dividends paid and proposed	0	(80)
Balance at end of the year	<u>2,714</u>	<u>1,398</u>
Reserves		
General	420	420
Share premium reserve	0	0
Capital reserve	0	0
Asset revaluation reserve - distribution system	17,649	17,649
Balance at end of the year	<u>18,069</u>	<u>18,069</u>
Note 4: Receivable and prepayments		
Trade debtors	1,407	550
Estimated doubtful receivables	0	0
GST clearing account	0	110
Miscellaneous prepayments	22	20
Accruals	29	57
	<u>1,458</u>	<u>737</u>
<p>The Company incurs credit risk from transactions with trade receivables and financial institutions in the normal course of its business.</p> <p>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.</p>		
Note 5: Inventories		
Network stocks	<u>376</u>	<u>450</u>
	<u>376</u>	<u>450</u>
<p>Certain inventories are subject to restriction of title, including Romalpa Clauses.</p>		
Note 6: Investments		
(i) Current		
Current Investments of other listed securities	299	0
Short term deposits held with registered banks	0	2,850
	<u>299</u>	<u>2,850</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. The company has an investment policy which restricts the amount into any individual investment.</p>		
NZ Government bonds	239	0
Listed securities	697	0
	<u>936</u>	<u>0</u>

CENTRALINES LIMITED - LINES BUSINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 MARCH 2003

	2003	2002
	\$'000	\$'000
(iii) Fair and market value information		
Listed securities	1,275	1,442
The market value is based on prices quoted on the stock exchanges at balance date.		
(iv) Fixed interest securities - maturity dates		
The range of interest rates on investments were:		
Short term bank investments	5.1% - 5.85%	4.8% - 6.55%
Listed Securities and Government Bonds		
Maturing	Interest rate ranges	
1 year	6.0% - 6.5%	
2 years	7.6% - 9.0%	
3 years	8.0% - 9.3%	
4 years and beyond	6.8% - 7.5%	

(v) Fixed interest securities - maturity dates

The fixed interest securities held at balance date will mature at varying times between 15 April 2003 and 15 March 2007 and any related discount or premium at acquisition is amortised over the lives of these assets.

Note 7: Property, plant equipment

Distribution assets

At valuation - 31 March 2001	24,257	24,257
At cost	3,020	1,399
Accumulated depreciation	(1,637)	(624)
Total carrying amount of distribution assets	<u>25,640</u>	<u>25,032</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	14
Accumulated depreciation	(3)	(2)
Total carrying amount of motor vehicles	<u>11</u>	<u>12</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	0
Accumulated depreciation	0	0
Total carrying amount of office and computer equipment	<u>0</u>	<u>0</u>

Total Property, plant equipment

At valuation	24,257	24,257
At cost	3,052	1,431
Accumulated depreciation	(1,640)	(626)
Total carrying amount of property, plant equipment	<u><u>25,669</u></u>	<u><u>25,062</u></u>

The fair value of the land and buildings is not materially different from their carrying amounts.

CENTRALINES LIMITED - LINES BUSINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 MARCH 2003

	2003 \$'000	2002 \$'000
Note 8: Accounts Payable		
GST clearing account	112	0
Trade creditors	113	916
Other creditors & accruals	0	603
	<u>225</u>	<u>1,519</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	1,316	118
Add Non Cash Items		
Depreciation	1,016	600
Bad Debts	0	0
Increase/(decrease) in doubtful debts	0	0
Obsolete stock	0	0
Interest and dividends reinvested	0	0
Changes in Working Capital		
Increase/(decrease) in accounts payable & accruals	(1,294)	(1,597)
(Increase)/decrease in accounts receivable	(721)	155
(Increase)/decrease in inventory	74	(100)
Increase/(decrease) in employee entitlements	10	(109)
Increase/(decrease) in provision for taxation	547	179
Increase/(decrease) in provision for dividend	(80)	80
(Increase)/decrease in work in progress	22	(44)
Items Classified as Investing Activities		
Net (surplus)/loss on disposal of investments	0	0
Net (surplus)/loss on disposal of property, plant and equipment	0	4
Net Cashflow from Operating Activities	<u>890</u>	<u>(714)</u>
Note 11: Analysis of non-cancelable operating lease commitments		
Payable not later than one year	6	25
Payable later than one year, not later than two years	0	19
	<u>6</u>	<u>44</u>
One of last years operating lease was replaced with a financial lease.		
Analysis of non-cancelable finance lease commitments		
Payable not later than one year	12	0
Payable later than one year, not later than two years	12	0
Payable later than two year, not later than three years	10	0
Future finance charges	(5)	0
	<u>29</u>	<u>0</u>
Representing lease liabilities		
Current	9	0
Non-Current	20	0
	<u>29</u>	<u>0</u>
Note 12: Contingent Liabilities		
On 6 June 2003 the Commerce Commission published the final gazette notice in relation to the regulation of electricity lines businesses. These draft regulations focus primarily on quality and pricing of services and will be fully effective by April 2004. The Company will not know how the specific application of these regulations will impact on operations until later in the 2003 calendar year.		
As at 31 March 2003 the company had no other contingent liabilities (2002 nil).		
Note 13: Capital Commitments		
As at 31 March 2003 Centralines had no capital commitments (2002 nil).		

CENTRALINES LIMITED - LINES BUSINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 MARCH 2003

2003
\$'000

2002
\$'000

Note 14: Related Party Information

CHB Consumers Power Trust owns all of the issued capital of Centralines Limited.

Centralines terminated its management contract with Scanpower 30 September 2002, and entered into an agreement with Unison Networks Limited for managerial services from 1 October 2002.

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.

As at 31 March 2003, the total outstanding was \$2,934 (2002 - \$nil)

During the year Mr H Donald, who is a director provided services totaling \$1,875 (2002 \$701) and Mr Luoni who is also a director provided services through his company totaling \$22,196.

	2003	2002
	\$	\$
J Aitken	1,059	
G Smith	0	
M Luoni	0	1,161
H Donald	1,875	

Contestable contracting services in asset construction and maintenance were provided by Centralines contracting division at cost, including overheads, and as detailed, respectively, here and in Note 16.12b below.

	2003		2002
	Construction	Maintenance	
Subtransmission assets	10	24	0
Zone substations	0	21	0
Distribution lines and cables	792	343	0
Medium voltage switchgear	0	19	0
Distribution transformers	95	21	0
Distribution substations	10	20	0
Low voltage lines and cables	48	107	534
Other system fixed assets	0	0	0

Note 15: 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 11.80%.

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

Credit risk

Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivables. No collateral is held on these amounts.

Maximum exposure to credit risk is the amount stated in the Financial Statements and is net of any recognised provision for losses on these financial instruments.

Concentration of credit risk

The Company has exposure to one electricity retailer that may account for 60% of accounts receivables.

To minimise this risk, the company has contractual requirements contained within the use of system agreements operating with this party. A bond may be required where deemed necessary. At balance date no such bond was held.

Note 16: Significant Events after Balance Date

The Commerce Commission has published (6 June 2003) in the New Zealand gazette the final determinations for the future regulation of electricity lines businesses within New Zealand. (see note 12)

A winter task force has been established to co-ordinate nationwide measures to conserve electricity as a direct result of reduced supply levels at hydro generation stations. If these measures extend to lengthy water heating controlling and rolling blackouts, the Company will see a reduction in network charges.

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

CENTRALINES LIMITED - LINES BUSINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 MARCH 2003

	2003 \$'000	2002 \$'000
Note 17: Electricity (Information Disclosure) Regulations 1999 (Schedule 1 Part 2) requirements:		
1	Current Assets	
a	1,024	114
b	299	2,850
c	376	450
d	1,458	737
e	0	0
f	<u>3,157</u>	<u>4,151</u>
2	Fixed Assets	
a	25,640	25,032
b	0	0
c	11	12
d	0	0
e	18	18
f	22	44
g	0	0
h	<u>25,691</u>	<u>25,106</u>
3	936	0
4	29,784	29,257
5	Intangibles	
a	0	0
b	0	0
c	0	0
6	<u>29,784</u>	<u>29,257</u>
7	Current liabilities	
a	0	0
b	0	0
c	225	1,519
d	0	80
e	726	179
f	30	12
g	<u>981</u>	<u>1,790</u>
8	Non-current liabilities	
a	0	0
b	0	0
c	0	0
d	20	0
e	<u>20</u>	<u>0</u>
9	Equity	
a	Shareholders' equity	
(i)	8,000	8,000
(ii)	2,714	1,398
(iii)	18,069	18,069
(iv)	<u>28,783</u>	<u>27,467</u>
b	0	0
c	<u>28,783</u>	<u>27,467</u>
d	0	0
e	<u>28,783</u>	<u>27,467</u>
10	<u>29,784</u>	<u>29,257</u>
11	Operating revenue	
a	6,762	6,925
b	0	0
c	257	348
d	1,231	361
e	0	32
f	<u>8,250</u>	<u>7,666</u>

CENTRALINES LIMITED - LINES BUSINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 MARCH 2003

	2003	2002	
	\$'000	\$'000	
12	Operating expenditure		
a	Payment for transmission charges	2,181	2,004
b	Transfer payments to the "Other" business for:		
(i)	Asset maintenance	556	534
(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	27	0
(viii)	Total transfer payment to the "Other" business	<u>583</u>	<u>534</u>
c	Expense to entities that are not related parties for		
(i)	Asset maintenance	222	376
(ii)	Consumer disconnection/reconnection services	0	0
(iii)	Meter data	2	18
(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>224</u>	<u>394</u>
d	Employee salaries, wages and redundancies	130	121
e	Consumer billing and information system expense	0	0
f	Depreciation on:		
(i)	System fixed assets	1,013	598
(ii)	Other assets not listed in (i)	3	2
(iii)	Total depreciation	<u>1,016</u>	<u>600</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	208	157
i	Human resource expenses	8	0
j	Marketing/advertising	81	45
k	Merger and acquisition expenses	0	0
l	Takeover defense expenses	0	0
m	Research and development expenses	0	7
n	Consultancy and legal expenses	8	31
o	Donations	0	1
p	Directors' fees	85	68
q	Auditors' fees		
(i)	Audit fees paid to principal auditors	29	28
(ii)	Audit fees paid to other auditors	0	23
(iii)	Fees paid for other services provided by principal and other auditors	11	16
(iv)	Total auditors' fees	<u>40</u>	<u>67</u>
r	Costs of offering credit		
(i)	Bad debts written off	0	0
(ii)	Increase in estimated doubtful debts	0	0
(iii)	Total cost of offering credit	<u>0</u>	<u>0</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	1,430	3,067
v	Subvention payments	0	0
w	Unusual expenses	0	0
x	Other expenditure not listed in (a) to (w)	206	246
13	Total operating expenditure	<u>6,201</u>	<u>7,342</u>
14	Operating surplus before interest and income tax	<u>2,048</u>	<u>324</u>
15	Interest expense		
a	Interest expense on borrowings	0	0
b	Financing charges related to finance leases	5	0
c	Other interest expense not listed in (a) or (b)	2	27
d	Total interest expense	<u>7</u>	<u>27</u>
16	Operating surplus before income tax	<u>2,042</u>	<u>297</u>
17	Income tax	726	179
18	Net surplus after tax	<u>1,316</u>	<u>118</u>

CENTRALINES LIMITED - LINES BUSINESS
ANNUAL VALUATION RECONCILIATION REPORT - (Part 8)
FOR THE YEAR ENDED 31 MARCH 2003

	2003	2002	2001
	\$000	\$000	\$000
System fixed assets at ODV at end of previous financial year	24,345	24,414	27,924
ADD system fixed assets acquired during the year at ODV	1,677	1,275	907
LESS system fixed assets disposed of during the year at ODV	56	297	30
LESS depreciation on system fixed assets at ODV	1013	901	864
ADD revaluation of system fixed assets		(146)	(3,523)
System fixed assets at ODV at end of the financial year	<u>24,953</u>	<u>24,345</u>	<u>24,414</u>

**CENTRALINES LIMITED - LINES BUSINESS
FINANCIAL PERFORMANCE MEASURES - Derivation Table (Part 7)
FOR THE YEAR ENDED 31 MARCH 2003**

	Input and Calculations	Symbol in formula	ROF		ROE		ROI	
Operating surplus before interest and income tax from financial statements	2,048							
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	2,048							
Interest on cash, bank balances, and short-term investments (ISTI)	257							
OSBIT minus ISTI	1,792	a		1,792				1,792
Net surplus after tax from financial statements	1,316							
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	1,316	n				1,316		
Amortisation of goodwill and amortisation of other intangibles	0	g	add	0	add	0	add	0
Subvention payment	0	s	add	0	add	0	add	0
Depreciation of SFA at BV (x)	1,013							
Depreciation of SFA at ODV (y)	1,013							
ODV depreciation adjustment	0	d	add	0	add	0	add	0
Subvention payment tax adjustment	0	s ^t	deduct	0	deduct	0	deduct	0
Interest tax shield	(84)	q						(84)
Revaluations		r						0
Income tax	726	p						726
Numerator				1,792		1,316		1,150
				OSBIT ^(a) = a + g + s + d		NSAT ⁽ⁿ⁾ = n + g + s - s ^t + d		OSBIT ^(a) = a + g - q + r + s + d - p - s ^t
Fixed assets at end of previous financial year (FA ₀)	25,062							
Fixed assets at end of current financial year (FA ₁)	25,669							
Adjusted net working capital at end of previous financial year (ANWC ₀)	(376)							
Adjusted net working capital at end of current financial year (ANWC ₁)	1,556							
Average total funds employed (ATFE)	25,956	c		25,956				25,956
Total equity at end of previous financial year (TE ₀)	27,467							
Total equity at end of current financial year (TE ₁)	28,783							
Average total equity	28,125	k				28,125		
WUC at end of previous financial year (WUC ₀)	0							
WUC at end of current financial year (WUC ₁)								

**CENTRALINES LIMITED - LINES BUSINESS
FINANCIAL PERFORMANCE MEASURES - Derivation Table (Part 7)
FOR THE YEAR ENDED 31 MARCH 2003**

	Input and Calculations	Symbol in formula	ROF		ROE		ROI	
			deduct	add	deduct	add	deduct	add
Average total works under construction	0	e	0	deduct	0	deduct	0	0
Revaluations	0	r						
Half of revaluations	0	r/2				deduct	0	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		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 _{bv0})	25,032							
System fixed assets at end of current financial year at book value (SFA _{bv1})	25,640							
Average value of system fixed assets at book value	25,336	f	25,336	deduct	25,336	deduct	25,336	25,336
System Fixed assets at year beginning at ODV value (SFA _{odv0})	24,345							
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	24,953							
Average value of system fixed assets at ODV value	24,649	h	24,649	add	24,649	add	24,649	24,649
Denominator			25,270		27,439		25,270	25,270
			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:			7.09		4.80		4.55	4.55
			ROF = OSBIIIT ^{odv} /ATFE ^{odv} x 100		ROE = NSAIT ^{odv} /ATE ^{odv} x 100		ROI = OSBIIIT ^{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
PERFORMANCE INDICATORS
FOR THE YEARS ENDED 31 MARCH

Regulation		2003	2002	2001	2000	1999
15	FINANCIAL PERFORMANCE MEASURES					
15 a	Return on Funds	7.09%	-1.40%	2.82%	3.60%	-0.04%
15 b	Return on Equity	4.80%	-0.66%	1.85%	2.40%	3.15%
15 c	Return on Investment	4.55%	-2.34%	-11.06%	2.10%	3.28%
15	EFFICIENCY PERFORMANCE INDICATORS					
15 a	Direct Line Costs per Kilometre	\$ 530	\$ 574	\$ 468	\$ 551	\$ 889
15 b	Indirect Line Costs per Customer	\$ 103	\$ 97	\$ 125	\$ 71	\$ 114
21.1	ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES					
21 a	Load Factor	72.00%	30.41%	62.56%	62.53%	60.10%
21 b	Loss Ratio	7.35%	7.39%	8.02%	8.50%	7.80%
21 c	Capacity Utilisation	26.00%	58.36%	29.00%	26.00%	27.00%
21.2	STATISTICS					
21 a	System Length (km)					
	33kV	93	91	91.0	91.0	91.0
	11kV	1410	1433	1435.0	1366.0	1364.0
	400V	46	91.0	86.0	86.0	85.6
	Total	1,549.0	1,615.0	1,612.0	1,543.0	1,540.6
21 b	Total Length of Overhead System (km)					
	33kV	92.4	90	90.0	90.0	90.0
	11kV	1407	1425	1,428.0	1,359.0	1,357.0
	400V	33	68.2	67.8	66.6	66.6
	Total	1,532.4	1,583.2	1,585.8	1,515.6	1,513.6
21 c	Total Length of Underground System (km)					
	33kV	0.5	0.5	0.5	0.5	0.5
	11kV	3.3	8.4	7.3	7.3	7.2
	400 V	12.5	22.7	20.6	19.5	19.1
	Total	16.3	31.6	28.4	27.3	26.8
21 d	Transformer Capacity (KVA)	71077	71,492	69,837	64,635	63,993
21 e	Maximum Demand (KW)	18,716	41,724*	20,286	17,000	17,000
	* 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	117,713,011	111,117,752	111,165,473	93,369,416	89,547,354
	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	75,525,743	81,571,915	92,163,213	82,849,994	70,256,508
	Retailer 2	24,617,535	12,009,511	2,595,910	1,696,994	12,146,508
	Retailer 3	592,803	1,532,778	578,652	608,542	159,694
	Retailer 4	8,224,200	7,038,256	6,803,809	182,951	
	Retailer 5	96,155	113,799	108,420	95,264	
	Retailer 6	-	687,278			
	Total	109,056,436	102,953,537	102,250,004	85,433,745	82,562,710
	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)	7442	7,431	7,432	7,454	7,432
22	Number of Faults per 100 circuit kilometre overhead					
7 & 5a	33kV	7.58	22	4.4	0.0	0.0
7 & 5a	11kV	15.85	16.7	18.9	9.9	9.7
7 & 5a	Total	15.34	17	18.1	9.3	9.1
	Number of Faults per 100 circuit kilometre underground					
6 & 5a	33kV	0	200.00	0.00	0.00	0.00
6 & 5a	11kV	0	0.00	0.00	0.00	0.00
6 & 5a	Total	0.00	11.20	0.00	0.00	0.00
	Total Number of Faults per 100 kilometre of lines					
	33kV	7.53	23.0	4.4	0.0	0.0
	11kV	15.8	16.6	18.8	9.9	9.7
	Total	14.85	17.0	18.0	9.3	9.1
4a	Percentage of Faults greater than or equal to 3 hours	10.3	6.6	10.7	2.1	17
4b	Percentage of Faults greater than or equal to 24 hours	0	0	0	na	na

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

Regulation
22

Total Interruptions 2003

CLASS	A	B	C	D	E	F	G	H	I	TOTAL
SAIDI	0.00	67.00	187.00	6.00	0.00	0.00	0.00	0.00	0.00	260.00
SAIFI		0.49	6.42	0.31	0.00	0.00	0.00	0.00	0.00	7.22
CAIDI		137.00	29.00	19.40	0.00	0.00	0.00	0.00	0.00	36.01
INTERRUPTIONS		100.00	230.00	1.00	0.00	0.00	0.00	0.00	0.00	331.00

22

Total Interruptions 2002

CLASS	A	B	C	D	E	F	G	H	I	TOTAL
SAIDI	0.00	105.00	250.00	6.00	0.00	0.00	0.00	0.00	0.00	361.00
SAIFI	0.00	0.36	7.69	1.00	0.00	0.00	0.00	0.00	0.00	9.05
CAIDI	0.00	291.67	32.00	6.00	0.00	0.00	0.00	0.00	0.00	39.89
INTERRUPTIONS	0.00	127.00	258.00	1.00	0.00	0.00	0.00	0.00	0.00	386.00

Regulation
22

Total Interruptions 2001

CLASS	A	B	C	D	E	F	G	H	I	TOTAL
SAIDI	60.00	77.00	301.00	0.00	0.00	0.00	0.00	0.00	0.00	438.00
SAIFI	1.00	0.39	6.06	0.00	0.00	0.00	0.00	0.00	0.00	7.45
CAIDI	60.00	197.00	50.00	0.00	0.00	0.00	0.00	0.00	0.00	58.79
INTERRUPTIONS	2.00	115.00	272.00	0.00	0.00	0.00	0.00	0.00	0.00	389.00

Regulation
22

Total Interruptions 2000

CLASS	A	B	C	D	E	F	G	H	I	TOTAL
SAIDI	420.00	163.00	163.00	0.00	0.00	0.00	0.00	0.00	0.00	746.00
SAIFI	2.00	0.70	4.24	0.00	0.00	0.00	0.00	0.00	0.00	6.94
CAIDI	210.00	242.00	38.00	0.00	0.00	0.00	0.00	0.00	0.00	107.49
INTERRUPTIONS	2.00	140.00	144.00	0.00	0.00	0.00	0.00	0.00	0.00	286.00

Regulation
22

Total Interruptions 1999

CLASS	A	B	C	D	E	F	G	H	I	TOTAL
SAIDI	240.00	65.00	188.00	0.00	0.00	0.00	0.00	0.00	0.00	493.00
SAIFI	1.00	0.55	2.18	0.00	0.00	0.00	0.00	0.00	0.00	3.73
CAIDI	240.00	116.00	86.00	0.00	0.00	0.00	0.00	0.00	0.00	132.17
INTERRUPTIONS	1.00	68.00	155.00	0.00	0.00	0.00	0.00	0.00	0.00	224.00

22

Total Interruptions 1998

CLASS	A	B	C	D	E	F	G	H	I	TOTAL
SAIDI	0.00	16.00	85.00	75.00	0.00	0.00	0.00	0.00	0.00	176.00
SAIFI	0.00	0.11	0.80	1.00	0.00	0.00	0.00	0.00	0.00	1.91
CAIDI	0.00	144.00	106.00	75.00	0.00	0.00	0.00	0.00	0.00	92.15
INTERRUPTIONS	0.00	21.00	116.00	1.00	0.00	0.00	0.00	0.00	0.00	138.00

22

Total Interruptions 1997

CLASS	A	B	C	D	E	F	G	H	I	TOTAL
SAIDI	240.00	36.00	124.00	0.00	0.00	0.00	0.00	0.00	0.00	400.00
SAIFI	1.00	0.17	1.36	0.00	0.00	0.00	0.00	0.00	0.00	2.53
CAIDI	240.00	208.00	91.00	0.00	0.00	0.00	0.00	0.00	0.00	158.10
INTERRUPTIONS	1.00	41.00	121.00	0.00	0.00	0.00	0.00	0.00	0.00	163.00

22

CLASS	TARGET	AVERAGE	TARGET	AVERAGE
YEAR	2004	2004-2008	2003	2002-2006
SAIDI B	70	60	75	75
SAIDI C	150	140	200	150
SAIFI B	0.5	0.5	0.55	0.5
SAIFI C	3	3	3.5	3.08
CAIDI B	140	120	136	150
CAIDI C	50	47	57	49
No. of Interruptions B	100	80	100	80
No. of Interruptions C	200	150	200	150
No. of faults/100km 33Kv	4	2	4	2
No. of faults/100km 11Kv	15	10	15	10
Total faults/100km	14	10	14	10



Audit New Zealand

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF CENTRALINES LIMITED FOR THE YEAR ENDED 31 MARCH 2003

We have audited the financial statements of Centralines Limited on pages 1 to 13. The financial statements provide information about the past financial performance of Centralines Limited and its financial position as at 31 March 2003. 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 2003, 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 R L Tomlinson, 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 one other assignment for Centralines Limited. This was in the area of tax compliance. Other than this assignment and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Centralines Limited.

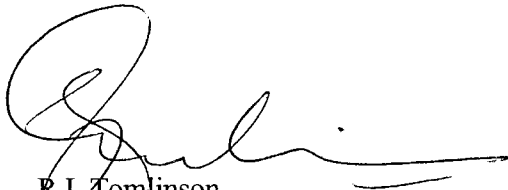
Unqualified opinion

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 13:
 - (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 2003 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 27 August 2003 and our unqualified opinion is expressed as at that date.



R L Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand



Audit New Zealand

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

We have examined the information on pages 14 to 17 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 2003 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.

R L Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

27 August 2003