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CENTRALINES LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

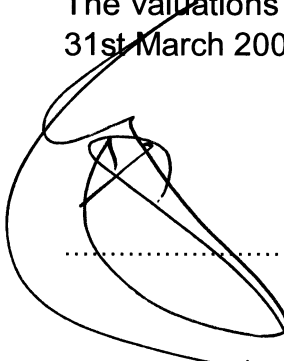



**CERTIFICATION OF FINANCIAL STATEMENTS,
PERFORMANCE MEASURES, AND STATISTICS
DISCLOSED BY DISCLOSING ENTITIES
(OTHER THAN TRANSPower)**

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

The valuations on which those financial performance measures are based are as at 31st March 2005.


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18/8/05
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DATED


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CENTRALINES LIMITED - Lines Business
Statement of Significant Accounting Policies
For the year ended 31 March 2005

Basis of Preparation

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 Commerce Commission's Electricity Information Disclosure Requirements 2004. The financial statements comprise separate Statements of Financial Position, Financial Performance, Cash Flows and Movements in Equity for the Line Business as required by the Regulations. This 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 Commerce Commission.

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.

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 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.

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.

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 financial statements have been prepared with revenue and expense items exclusive of GST. In the Statement of Financial Position, accounts receivable and accounts payable are inclusive of GST. All other assets and liabilities are exclusive 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

Distribution Assets

Distribution assets are valued at fair value based on Optimised Depreciated Replacement Cost (ODRC) as independently determined by Craig Rice BCom, Bachelor of Laws and Lynne Taylor Bachelor of Social Science of PricewaterhouseCoopers and Eddie Graham B.E(Elec.) FIPENZ. These valuations were completed as at 31 March 2004.

Land and Buildings

Land and Buildings assets are valued at market value as independently determined by Peter A Brabyn, B Ag Comm, M Sc, (Ag Econ) ANZPI, MNZIPI. These valuations were completed as at 31 March 2005.

Vehicles, Plant, Furniture and Fittings and Office Equipment

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

Revaluations

Any revaluation surplus arising on the revaluation of a class of property, plant or equipment is transferred directly to the asset revaluation reserve. A revaluation deficit in excess of the asset revaluation reserve balance for the class of property, plant or equipment 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.

Disposal of Property, Plant and Equipment

When an item of property, plant or equipment is disposed of, any gain or loss is recognised in the Statement of Financial Performance and is calculated as the difference between the sale price and the carrying value of the asset.

The carrying values of property, plant and equipment do not exceed their estimated recoverable value.

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 |
| GIS | 10 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.

Financial Instruments

Financial instruments recognised in 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:

- (1) Operating activities include all transactions and other events that are not investing or financing activities.
- (2) 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.
- (3) 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.
- (4) Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

Changes in Accounting Policies

There has been a change in accounting policy for the value of land and buildings from historical cost to modified historical cost. There have been no other changes from the accounting policies adopted in the last audited financial statements. All other policies have been applied consistently with the previous period.

CENTRALINES LIMITED - Lines Business
Statement of Financial Performance

For the year ended 31 March 2005

| | Notes | 2005 \$000 | 2004 \$000 |
|--|-------|---------------|---------------|
| Operating Revenue | 4 | 7,334 | 7,181 |
| Surplus before discounts and tax | 4 | 1,884 | 2,164 |
| Discount | | 495 | 484 |
| Operating Surplus before taxation | 4 | 1,389 | 1,680 |
| Taxation expense/(benefit) | 3 | 493 | 5 |
| Net Surplus after income tax | | 896 | 1,675 |

CENTRALINES LIMITED - Lines Business
Statement of Movements in Equity

For the year ended 31 March 2005

| | Notes | 2005 \$000 | 2004 \$000 |
|---|-------|---------------|---------------|
| Net Surplus for the year | | 896 | 1,675 |
| Other recognised revenues and expenses | | | |
| Revaluation of land and buildings | 13 | 62 | - |
| Revaluation of network assets | 13 | (14) | 5,678 |
| Total recognised revenues and expenses for the period | | 944 | 7,353 |
| Distribution to owners | 14 | (50) | (160) |
| Adjustment to Equity | | | (1,973) |
| Movements in equity for the year | | 894 | 5,220 |
| Equity at start of the year | | 34,003 | 28,783 |
| Equity at end of the year | | 34,897 | 34,003 |

The accompanying notes and significant accounting policies form part of these financial statements.

CENTRALINES LIMITED - Lines Business
Statement of Financial Position

As at 31 March 2005

| | Notes | 2005 \$000 | 2004 \$000 |
|-------------------------------|-------|---------------|---------------|
| EQUITY | | | |
| Share capital | | 8,000 | 8,000 |
| Asset revaluation reserve | 13 | 23,795 | 23,746 |
| Retained earnings | 14 | 3,102 | 2,256 |
| | | 34,897 | 34,002 |
| Represented by: | | | |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 6 | 32,514 | 32,337 |
| | | 32,514 | 32,337 |
| CURRENT ASSETS | | | |
| Cash | | 692 | 1,016 |
| Short term investments | 5 | 1,116 | 264 |
| Receivables | 7 | 642 | 585 |
| Tax benefit | | 613 | - |
| Inventories | | 383 | 461 |
| | | 3,446 | 2,326 |
| TOTAL ASSETS | | | |
| | | 35,960 | 34,663 |
| CURRENT LIABILITIES | | | |
| Accounts payable and accruals | 17 | 1,050 | 637 |
| Tax Payable | | - | 5 |
| Employee entitlements | 15 | 13 | 18 |
| | | 1,063 | 660 |
| TOTAL LIABILITIES | | | |
| | | 1,063 | 660 |
| NET ASSETS EMPLOYED | | | |
| | | 34,897 | 34,003 |

CENTRALINES LIMITED - Lines Business
Statement of Cash Flows

For the year ended 31 March 2005

| | Notes | 2005 \$000 | 2004 \$000 |
|--|-------|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash was provided from: | | | |
| Receipts from customers | | 6,863 | 7,249 |
| Contributions for capital works | | 326 | 246 |
| Interest received | | 89 | 182 |
| | | <u>7,278</u> | <u>7,677</u> |
| Cash was disbursed to: | | | |
| Payments to suppliers and employees | | 4,482 | 4,327 |
| Interest paid and finance charges on leased assets | | - | 5 |
| Income taxes paid | | 556 | 586 |
| | | <u>5,038</u> | <u>4,918</u> |
| Net cash flows from operating activities | 10 | <u>2,240</u> | <u>2,759</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash was provided from: | | | |
| Proceeds from disposal of investments | | 264 | - |
| Proceeds from disposal of property, plant and equipment | | - | - |
| | | <u>264</u> | <u>-</u> |
| Cash was applied to: | | | |
| Purchase of investments | | 1,116 | (35) |
| Purchase and construction of property, plant and equipment | | 1,662 | 1,585 |
| | | <u>2,778</u> | <u>1,550</u> |
| Net cash flows from investing activities | | <u>(2,514)</u> | <u>(1,550)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Cash was applied to: | | | |
| Payment of dividends | | 50 | 160 |
| Repayment of Loans | | - | 20 |
| | | <u>(50)</u> | <u>(180)</u> |
| Net cash flow from financing activities | | <u>(50)</u> | <u>(180)</u> |
| Net increase (decrease) in cash held | | (324) | 1,029 |
| Less Investments transferred to other business | | | (1,037) |
| Cash balances at beginning of year | | 1,016 | 1,024 |
| Cash balances at end of year | | <u>692</u> | <u>1,016</u> |

The accompanying notes and significant accounting policies form part of these financial statements.

CENTRALINES LIMITED - Lines Business
Notes to the Financial Statements

For the year ended 31 March 2005

| | | |
|--|------------|----------|
| Note 3: Income Tax | 2005 | 2004 |
| | \$000 | \$000 |
| <u>Taxation</u> | | |
| Operating surplus before taxation | 1,389 | 1,680 |
| Prima facie tax @ 33% | 458 | 554 |
| Permanent differences | 378 | 172 |
| Timing differences not recognised | (328) | (479) |
| Prior period adjustments | (15) | (242) |
| Taxation expense/(benefit) | 493 | 5 |
| <u>Taxation expense/(benefit) is represented by:</u> | | |
| Current tax | 493 | 5 |
| | 493 | 5 |

The Company has not recognised a deferred tax liability of \$3.4 million (2004 \$2.5 million)

| | | |
|---|--------------|--------------|
| <u>Imputation credit account</u> | | |
| Opening balance | 1,677 | 699 |
| Prior period adjustment | - | - |
| Taxation paid | 556 | 1,056 |
| Taxation refund received | - | - |
| Imputation credits attached to dividends paid | (25) | (78) |
| Closing balance | 2,208 | 1,677 |

CENTRALINES LIMITED - Lines Business
Notes to the Financial Statements

For the year ended 31 March 2005

| | | |
|---|--------------|--------------|
| Note 4: Surplus before Taxation | 2005 | 2004 |
| | \$000 | \$000 |
| <u>Operating Revenue</u> | | |
| Network | 6,663 | 6,399 |
| AC loss-rental rebates | 256 | 82 |
| Customer contributions | 326 | 246 |
| Interest revenue | 89 | 182 |
| Newly Identified Assets | - | 272 |
| | <hr/> | <hr/> |
| | 7,334 | 7,181 |
| <u>Depreciation</u> | | |
| Electrical distribution system | 1,473 | 1,038 |
| Motor vehicles | 6 | 6 |
| GIS | 55 | 25 |
| | <hr/> | <hr/> |
| | 1,534 | 1,069 |
| <u>Operating Expenses</u> | | |
| Audit New Zealand - audit services | 42 | 36 |
| Audit New Zealand - disclosure accounts | 6 | 7 |
| Fees paid to other auditors | 20 | 22 |
| Remuneration paid to directors | 85 | 85 |
| Interest paid | - | 5 |
| All other operating expenses | 3,763 | 3,793 |
| | <hr/> | <hr/> |
| | 3,916 | 3,948 |
| Surplus before discounts and tax | <hr/> | <hr/> |
| | 1,884 | 2,164 |
| Discount | 495 | 484 |
| Surplus before taxation | <hr/> | <hr/> |
| | 1,389 | 1,680 |

| | | |
|--|-------|-------|
| Note 5: Investments | 2005 | 2004 |
| | \$000 | \$000 |
| <u>Current</u> | | |
| Short term deposits held with registered banks | 900 | - |
| Current Investments of other listed securities | 216 | 264 |
| | <hr/> | <hr/> |
| | 1,116 | 264 |

Market fluctuations in interest rates affect the earnings on these investments but Company policy of placing deposits with high credit quality financial institutions minimises the credit exposure

Non-Current

| | | |
|-------------------|-------|-------|
| Listed securities | - | - |
| | <hr/> | <hr/> |
| | - | - |

Fair and market value information

| | | |
|-------------------|-----|-----|
| Listed securities | 422 | 218 |
|-------------------|-----|-----|

The market value is based on prices quoted on the stock exchanges at balance date

Fixed interest securities - interest rates

The range of interest rates on investments were:

| | | |
|-----------------------------|-------------|-------------|
| Short term bank investments | 6.6% - 6.8% | 5.0% - 5.8% |
| Listed securities: | 8.0% - 8.0% | |

CENTRALINES LIMITED - Lines Business
Notes to the Financial Statements

For the year ended 31 March 2005

| | | |
|--|----------------------|----------------------|
| Note 6: Property, Plant and Equipment | 2005 | 2004 |
| | \$000 | \$000 |
| <u>Electrical distribution network</u> | | |
| at valuation | 31,588 | 31,588 |
| additions at cost | 1,666 | - |
| Work in progress | 163 | 187 |
| accumulated depreciation | (1,473) | - |
| | <u>31,944</u> | <u>31,775</u> |
| <u>Freehold Land</u> | | |
| at valuation | 80 | - |
| at cost | - | 18 |
| | <u>80</u> | <u>18</u> |
| <u>Motor vehicles</u> | | |
| at cost | 31 | 31 |
| accumulated depreciation | (12) | (6) |
| | <u>19</u> | <u>25</u> |
| <u>GIS</u> | | |
| at cost | 551 | 544 |
| accumulated depreciation | (80) | (25) |
| | <u>471</u> | <u>519</u> |
| Total net carrying value | <u>32,514</u> | <u>32,337</u> |

This is represented by:

| | | |
|--|----------------------|----------------------|
| Property, plant and equipment at valuation | 31,668 | 31,588 |
| Property, plant and equipment at cost | 2,248 | 593 |
| Work in progress | 163 | 187 |
| Accumulated depreciation | (1,565) | (31) |
| | <u>32,514</u> | <u>32,337</u> |

| | | |
|-------------------------------------|-------------------|-------------------|
| Note 7: Receivables and prepayments | 2005 | 2004 |
| | \$000 | \$000 |
| Trade debtors | 619 | 535 |
| Sundry Receivables and Accruals | 15 | 36 |
| Prepayments | 8 | 14 |
| | <u>642</u> | <u>585</u> |

CENTRALINES LIMITED - Lines Business
Notes to the Financial Statements

For the year ended 31 March 2005

Note 8: 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. No discounts were given during the year.

| | 2005 | 2004 |
|------------|------|------|
| J Aitken | - | 294 |
| M Luoni | - | - |
| J Loughlin | - | - |
| H Donald | 817 | - |

As at 31 March 2005, the total amount outstanding was nil (2004 nil)

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 18.12b below. Unit price and quantities have not been determined.

| | | |
|-------------------------------|-----|-----|
| Sub transmission assets | 9 | 22 |
| Zone substations | 32 | 35 |
| Distribution lines and cables | 997 | 954 |
| Medium voltage switchgear | 19 | 19 |
| Distribution transformers | 93 | 85 |
| Distribution substations | 27 | 26 |
| Low voltage lines and cables | 212 | 153 |
| Other system fixed assets | - | - |

Note 9: Capital Commitments

As at 31 March 2005 Centralines had no capital commitments (2004 nil).

| Note 10: Reconciliation of Cashflow with Operating Surplus | 2005 | 2004 |
|--|---------------------|---------------------|
| | \$000 | \$000 |
| Reported surplus after taxation | 896 | 1,675 |
| <u>Add Non Cash Items</u> | | |
| Newly Identified Assets | - | (272) |
| Depreciation | 1,534 | 1,069 |
| | <u>1,534</u> | <u>797</u> |
| <u>Changes in Working Capital</u> | | |
| (Increase) decrease in receivables and prepayments | (57) | 873 |
| Decrease (increase) in inventories | 78 | (85) |
| Increase (decrease) in accounts payable, accruals | 412 | 223 |
| (Decrease) increase in employee entitlements | (5) | (3) |
| (Decrease) Increase provision for taxation | (618) | (721) |
| | <u>(190)</u> | <u>287</u> |
| Net cash flow from operating activities | <u><u>2,240</u></u> | <u><u>2,759</u></u> |

Note 11: Contingent Liabilities

As at 31 March 2005 the company had no contingent liabilities (2004 nil).

CENTRALINES LIMITED - Lines Business
Notes to the Financial Statements

For the year ended 31 March 2005

Note 12: 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 12.70%.

The interest rates on the company's deposits are presented in note 5.

Interest Rate Risk

Interest Rate risk is the risk that the value of the assets and liabilities will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk primarily through cash balances, investments and finance leases.

Credit risk

Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable. 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 up to 54% of accounts receivable. 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 13: Reserves | 2005 | 2004 |
|--|---------------|---------------|
| | \$000 | \$000 |
| <u>Asset revaluation reserve</u> | | |
| Balance at beginning of year | 23,747 | 18,069 |
| Revaluation of electrical distribution network | (14) | 5,678 |
| Revaluation of Land/Buildings | 62 | - |
| Balance at end of year | <u>23,795</u> | <u>23,747</u> |
| <u>Detailed as:</u> | | |
| Land/Buildings | 62 | - |
| General | 420 | 420 |
| Revaluation of electrical distribution network | 23,313 | 23,327 |
| | <u>23,795</u> | <u>23,747</u> |

| Note 14: Retained Earnings | 2005 | 2004 |
|------------------------------|--------------|--------------|
| | \$000 | \$000 |
| Balance at beginning of year | 2,256 | 2,714 |
| Adjustment to Equity | - | (1,973) |
| Net surplus | 896 | 1,675 |
| Dividends paid | (50) | (160) |
| Balance at end of year | <u>3,102</u> | <u>2,256</u> |

CENTRALINES LIMITED - Lines Business**Notes to the Financial Statements**

For the year ended 31 March 2005

Note 15: Employee Entitlements

Employee entitlements expected to be taken within the 12 months following balance date are recorded as current liabilities. All other employee entitlements are recorded as term liabilities

Note 16: Events Subsequent to Balance Date

There have been no significant reporting events subsequent to balance date.

| Note 17: Accounts payable and accruals | 2005 \$000 | 2004 \$000 |
|--|---------------|---------------|
| Trade creditors | 885 | 495 |
| Sundry creditors and accruals | 165 | 142 |
| | 1,050 | 637 |

Note 18: Electricity Information Disclosure Requirements 2004 - Requirement 6 Information to be disclosed in Financial Statements:

| | 2005 \$000 | 2004 \$000 |
|--|---------------|---------------|
| 1 Current Assets | | |
| (a) Cash and bank balances | 692 | 1,016 |
| (b) Short-term investments | 1,116 | 264 |
| (c) Inventories | 383 | 461 |
| (d) Accounts receivable | 642 | 585 |
| (e) Other current assets not listed in (a) to (d) | 613 | - |
| (f) Total current assets | 3,446 | 2,326 |
| 2 Fixed Assets | | |
| (a) System fixed assets | 31,781 | 31,588 |
| (b) Consumer billing and information system assets | 471 | 519 |
| (c) Motor vehicles | 19 | 25 |
| (d) Office equipment | - | - |
| (e) Land and buildings | 80 | 18 |
| (f) Capital works under construction | 163 | 187 |
| (g) Other fixed assets not listed in (a) to (f) | - | - |
| (h) Total fixed assets | 32,514 | 32,337 |
| 3 Other tangible assets not listed above | - | - |
| 4 Total tangible assets | 35,960 | 34,663 |
| 5 Intangibles | | |
| (a) Goodwill | - | - |
| (b) Other intangibles not listed in (a) above | - | - |
| (c) Total Intangibles | - | - |
| 6 Total assets | 35,960 | 34,663 |
| 7 Current liabilities | | |
| (a) Bank overdraft | - | - |
| (b) Short-term borrowings | - | - |
| (c) Payables and Accruals | 1,050 | 637 |
| (d) Provision for dividends payable | - | - |
| (e) Provision for income tax | - | 5 |
| (f) Other current liabilities not listed in (a) to (e) above | 13 | 18 |
| (g) Total current liabilities | 1,063 | 660 |

CENTRALINES LIMITED - Lines Business
Notes to the Financial Statements

For the year ended 31 March 2005

Note 18: Electricity Information Disclosure Requirements 2004 - Requirement 6 Information to be disclosed in Financial Statements: (cont)

| | 2005 | 2004 |
|--|--------|--------|
| | \$000 | \$000 |
| 8 <u>Non-current liabilities</u> | | |
| (a) Payables and accruals | - | - |
| (b) Borrowings | - | - |
| (c) Deferred tax | - | - |
| (d) Other non-current liabilities not listed in (a) to (c) above | - | - |
| (e) Total non-current liabilities | - | - |
| 9 <u>Equity</u> | | |
| (a) Shareholders' equity | | |
| (i) Share capital | 8,000 | 8,000 |
| (ii) Retained earnings | 3,102 | 2,256 |
| (iii) Reserves | 23,795 | 23,746 |
| (iv) Total shareholders' equity | 34,897 | 34,002 |
| (b) Minority interests in subsidiaries | - | - |
| (c) Total equity | 34,897 | 34,002 |
| (d) Capital notes | - | - |
| (e) Total capital funds | 34,897 | 34,002 |
| 10 Total equity and liabilities | 35,960 | 34,662 |
| 11 <u>Operating revenue</u> | | |
| (a) Revenue from line/access charges | 6,663 | 6,399 |
| (b) Revenue from "Other" business for services carried out by the line business (transfer payment) | - | - |
| (c) Interest on cash, bank balances and short term investments: | 89 | 182 |
| (d) AC loss-rental rebates | 256 | 82 |
| (e) Other revenue not listed in (a) to (d) | 326 | 518 |
| (f) Total operating revenue | 7,334 | 7,181 |
| 12 <u>Operating expenditure</u> | | |
| (a) Payment for transmission charges | 2,354 | 2,245 |
| (b) Transfer payments to the "Other" business for: | | |
| (i) Asset maintenance | 670 | 652 |
| (ii) Consumer disconnection/reconnection services | - | - |
| (iii) Meter data | - | - |
| (iv) Consumer-based load control services | - | - |
| (v) Royalty and patent expenses | - | - |
| (vi) Avoided transmission charges on account of own generation | - | - |
| (vii) Other goods and services not listed in (i) to (vi) above | 43 | 30 |
| (viii) Total transfer payment to the "Other" business | 713 | 682 |
| (c) Expense to entities that are not related parties for: | | |
| (i) Asset maintenance | - | 207 |
| (ii) Consumer disconnection/reconnection services | - | - |
| (iii) Meter data | - | - |
| (iv) Consumer-based load control services | - | - |
| (v) Royalty and patent expenses | - | - |
| (vi) Total of specified expenses to non-related parties (sum of (i)) | - | 207 |
| (d) Employee salaries, wages and redundancies | 152 | 145 |
| (e) Consumer billing and information system expense | - | - |
| (f) Depreciation on: | | |
| (i) System fixed assets | 1,473 | 1,038 |
| (ii) Other assets not listed in (i) | 61 | 31 |
| (iii) Total depreciation | 1,534 | 1,069 |

CENTRALINES LIMITED - Lines Business
Notes to the Financial Statements

For the year ended 31 March 2005

Note 18: Electricity Information Disclosure Requirements 2004 - Requirement 6 Information to be disclosed in Financial Statements: (cont)

| | 2005 | 2004 |
|--|--------------|--------------|
| | \$000 | \$000 |
| (g) Amortisation of: | | |
| (i) Goodwill | - | - |
| (ii) Other intangibles | - | - |
| (iii) Total amortisation of intangibles | - | - |
| (h) Corporate and administration | 218 | 188 |
| (i) Human resource expenses | 1 | 5 |
| (j) Marketing/advertising | 25 | 35 |
| (k) Merger and acquisition expenses | - | - |
| (l) Takeover defense expenses | - | - |
| (m) Research and development expenses | - | - |
| (n) Consultancy and legal expenses | 33 | 27 |
| (o) Donations | | |
| (p) Directors' fees | 85 | 85 |
| (q) Auditors' fees | - | - |
| (i) Audit fees paid to principal auditors | 42 | 50 |
| (ii) Audit fees paid to other auditors | 20 | 22 |
| (iii) Fees paid for other services provided by principal and other | 6 | 1 |
| (iv) Total auditors' fees | 68 | 73 |
| (r) Costs of offering credit | | |
| (i) Bad debts written off | - | - |
| (ii) Increase in estimated doubtful debts | - | - |
| (iii) Total cost of offering credit | - | - |
| (s) Local authority rates expense | - | - |
| (t) AC loss-rentals (distribution to retailers/customers) expense | - | - |
| (u) Rebates to consumers due to ownership interest | 495 | 484 |
| (v) Subvention payments | - | - |
| (w) Unusual expenses | - | - |
| (x) Other expenditure not listed in (a) to (w) | 267 | 253 |
| 13 <u>Total operating expenditure</u> | 5,945 | 5,498 |
| 14 <u>Operating surplus before interest and income tax</u> | 1,389 | 1,683 |
| 15 <u>Interest expense</u> | | |
| (a) Interest expense on borrowings | - | - |
| (b) Financing charges related to finance leases | - | - |
| (c) Other interest expense not listed in (a) or (b) | - | 3 |
| (d) Total interest expense | - | 3 |
| 16 <u>Operating surplus before income tax</u> | 1,389 | 1,680 |
| 17 <u>Income tax</u> | 493 | 5 |
| 18 <u>Net surplus after tax</u> | 896 | 1,675 |

CENTRALINES LIMITED - Lines Business
Electricity Information Disclosure Requirements 2004 - Requirement 14
Financial Performance and Efficiency Measures

| Financial Measures | 2005 | 2004 | 2003 | 2002 | 2001 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|
| Return On Funds | 3.99% | 5.47% | 7.09% | -1.40% | 2.82% |
| Return On Equity | 2.59% | 5.76% | 4.80% | -0.66% | 1.85% |
| Return on Investment * | 2.57% | 28.52% | 4.55% | -2.34% | -11.06% |

| Efficiency Measures | 2005 | 2004 | 2003 | 2002 | 2001 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| Direct Line Cost Per Kilometre | \$ 559 | \$ 517 | \$ 530 | \$ 574 | \$ 468 |
| Indirect Line Cost Per Customer | \$ 85 | \$ 114 | \$ 103 | \$ 97 | \$ 125 |

CENTRALINES LIMITED - LINES BUSINESS
Electricity Information Disclosure Requirements 2004 - Requirement 20 Energy
Efficiency Performance Measures and Statistics

| Energy delivery efficiency performance measures | 2005 | 2004 | 2003 | 2002 |
|--|--------------------|--------------------|--------------------|--------------------|
| Load factor | 68.00% | 67.00% | 72.00% | 30.41% |
| Loss ratio | 7.33% | 7.30% | 7.35% | 7.39% |
| Capacity utilisation | 24.30% | 26.40% | 26.00% | 58.36% |
| Energy delivery efficiency performance statistics | 2005 | 2004 | 2003 | 2002 |
| System Length | | | | |
| 33kV | 93.10 | 92.00 | 93.00 | 91.00 |
| 11kV | 1,381.30 | 1,381.00 | 1,410.00 | 1,434.00 |
| 400V | 175.50 | 165.00 | 46.00 | 91.00 |
| | <u>1,649.90</u> | <u>1,638.00</u> | <u>1,549.00</u> | <u>1,616.00</u> |
| Circuit Length - Overhead | | | | |
| 33kV | 92.40 | 91.50 | 92.40 | 90.00 |
| 11kV | 1,366.30 | 1,370.00 | 1,407.00 | 1,425.00 |
| 400V | 156.50 | 156.00 | 33.00 | 68.20 |
| | <u>1,615.20</u> | <u>1,617.50</u> | <u>1,532.40</u> | <u>1,583.20</u> |
| Circuit Length - Underground | | | | |
| 33kV | 0.70 | 0.50 | 0.50 | 0.50 |
| 11kV | 15.00 | 11.00 | 3.30 | 8.40 |
| 400V | 19.00 | 9.00 | 12.50 | 22.70 |
| | <u>34.70</u> | <u>20.50</u> | <u>16.30</u> | <u>31.60</u> |
| Transformer capacity | 78,427 | 72,117 | 71,077 | 71,492 |
| Maximum demand | 19,024 | 19,016 | 18,716 | 41,724 |
| Total Electricity entering the system (before losses) | 113,792,436 | 111,970,890 | 117,713,011 | 111,117,752 |
| Total Electricity supplied (after losses) | | | | |
| Retailer 1 | 65,305,197 | 69,543,110 | 75,525,743 | 81,571,915 |
| Retailer 2 | 8,279,653 | 13,155,263 | 24,617,535 | 12,009,511 |
| Retailer 3 | 513,664 | 553,330 | 592,803 | 1,532,778 |
| Retailer 4 | 30,891,960 | 21,083,280 | 8,224,200 | 7,038,256 |
| Retailer 5 | 1,028,221 | - | 96,155 | 113,799 |
| Retailer 6 | - | - | - | 687,278 |
| | <u>106,018,695</u> | <u>104,334,983</u> | <u>109,056,436</u> | <u>102,953,537</u> |
| Total consumers | 7,532 | 7,457 | 7,442 | 7,431 |

CENTRALINES LIMITED - LINES BUSINESS
Electricity Information Disclosure Requirements 2004 - Requirement 21
Reliability Performance Measures

| | | | | |
|---|--------------------|--------------|--------------|--------------|
| Interruptions (#) | 2005 | 2004 | 2003 | 2002 |
| Planned | 28 | 36 | 100 | 127 |
| Unplanned | 168 | 230 | 230 | 258 |
| | <u>196</u> | <u>266</u> | <u>330</u> | <u>385</u> |
| Interruptions Targets (#) | 2006 | | | |
| Planned | 50 | | | |
| Unplanned | 150 | | | |
| | <u>200</u> | | | |
| Average Interruptions Targets (#) | 2006 - 2010 | | | |
| Planned | 50 | | | |
| Unplanned | 115 | | | |
| | <u>165</u> | | | |
| Proportion of the total number of Unplanned interruptions not restored within: | 2005 | 2004 | 2003 | 2002 |
| 3 hours | 11.90% | 21.70% | 10.60% | 6.60% |
| 24 hours | 0.00% | 0.00% | 0.00% | 0.00% |
| Faults per 100 Km's | 2005 | 2004 | 2003 | 2002 |
| 33kV | 3.23 | 6.56 | 7.53 | 23.00 |
| 11kV | 12.30 | 16.35 | 15.80 | 16.60 |
| | <u>15.53</u> | <u>22.91</u> | <u>23.33</u> | <u>39.60</u> |
| | 2006 | | | |
| Targets | | | | |
| 33kV | 4 | | | |
| 11kV | 10 | | | |
| | <u>14</u> | | | |
| | 2006 - 2010 | | | |
| Average Total Faults | | | | |
| 33kV | 4 | | | |
| 11kV | 10 | | | |
| | <u>14</u> | | | |
| Faults per 100 Km's - Underground | 2005 | 2004 | 2003 | 2002 |
| 33kV | - | - | - | 1 |
| 11kV | 1 | - | - | - |
| | <u>1</u> | <u>-</u> | <u>-</u> | <u>1</u> |
| Faults per 100 Km's - Overhead | 2005 | 2004 | 2003 | 2002 |
| 33kV | 3.23 | 6.56 | 7.58 | 21.98 |
| 11kV | 12.30 | 16.35 | 15.85 | 16.70 |
| | <u>15.53</u> | <u>22.91</u> | <u>23.43</u> | <u>38.68</u> |

| SAIDI | 2005 | 2004 | 2003 | 2002 |
|--------------|---------------|---------------|---------------|---------------|
| Planned | 15.60 | 7.00 | 67.00 | 105.00 |
| Unplanned | 155.79 | 375.00 | 187.00 | 250.00 |
| Class A | - | - | - | - |
| Class D | - | 6.00 | 6.00 | 6.00 |
| | <u>171.39</u> | <u>388.00</u> | <u>260.00</u> | <u>361.00</u> |

| SAIDI Targets | 2006 |
|----------------------|-------------|
| Planned | 50 |
| Unplanned | 150 |
| | <u>200</u> |

| Average SAIDI | 2006 - 2010 |
|----------------------|--------------------|
| Planned | 50 |
| Unplanned | 115 |
| | <u>165</u> |

| SAIFI | 2005 | 2004 | 2003 | 2002 |
|--------------|-------------|-------------|-------------|-------------|
| Planned | 0.07 | 0.03 | 0.49 | 0.36 |
| Unplanned | 4.36 | 7.13 | 6.42 | 7.69 |
| Class A | - | - | - | - |
| Class D | - | 0.28 | 0.31 | 1.00 |
| | <u>4.43</u> | <u>7.44</u> | <u>7.22</u> | <u>9.05</u> |

| SAIFI Targets | 2006 |
|----------------------|-------------|
| Planned | 0.55 |
| Unplanned | 3.35 |

| Average SAIFI | 2006 - 2010 |
|----------------------|--------------------|
| Planned | 0.50 |
| Unplanned | 2.90 |

| CAIDI | 2005 | 2004 | 2003 | 2002 |
|--------------|--------------|--------------|--------------|---------------|
| Planned | 232.22 | 214.00 | 137.00 | 291.00 |
| Unplanned | 35.72 | 53.00 | 29.00 | 32.00 |
| Class A | - | - | - | - |
| Class D | - | 21.00 | 19.40 | 6.00 |
| | <u>38.70</u> | <u>36.00</u> | <u>36.00</u> | <u>329.00</u> |

| CAIDI Targets | 2006 |
|----------------------|-------------|
| Planned | 91 |
| Unplanned | 45 |

| Average CAIDI | 2006 - 2010 |
|----------------------|--------------------|
| Planned | 100 |
| Unplanned | 40 |

CENTRALINES LIMITED - Lines Business
Electricity Information Disclosure Requirements 2004 - Requirement 15 Form for the Derivation of Financial Performance Measures from Financial Statements

| | Input and Calculations | Symbol in formula | ROF | | ROE | | ROI | |
|--|------------------------|-------------------|---------------------------|--------|----------------------------|--|-------------------------------------|--------|
| | | | | | | | | |
| Operating surplus before interest and income tax from financial statements | 1,389 | | | | | | | |
| Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT) | 1,389 | | | | | | | |
| Interest on cash, bank balances, and short-term investments (ISTI) | 89 | | | | | | | |
| OSBIIT minus ISTI | 1,300 | a | 1,300 | | | | | 1,300 |
| Net surplus after tax from financial statements | 896 | | | | | | | |
| Net surplus after tax adjusted pursuant to regulation 18 (NSAT) | 896 | n | | | | | 896 | |
| Amortisation of goodwill and amortisation of other intangibles | - | g | | add | | | | add |
| Subvention payment | - | s | | add | | | | add |
| Depreciation of SFA at BV (x) | 1,473 | | | | | | | |
| Depreciation of SFA at ODV (y) | 1,473 | | | | | | | |
| ODV depreciation adjustment | 0 | d | | add | | | | add |
| Subvention payment tax adjustment | - | s*t | | deduct | | | | deduct |
| Interest tax shield | (29) | q | | | | | | deduct |
| Revaluations | - | r | | | | | | add |
| Income tax | 493 | p | | | | | | deduct |
| Numerator | | | 1,300 | | 896 | | 896 | 836 |
| | | | OSBIITADJ = a + g + s + d | | TADJ = n + g + s - s*t + d | | J = a + g - q + r + s + d - p - s*t | |
| Fixed assets at end of previous financial year (FA ₀) | 32,150 | | | | | | | |
| Fixed assets at end of current financial year (FA ₁) | 32,351 | | | | | | | |
| Adjusted net working capital at end of previous financial year (ANWC ₀) | 391 | | | | | | | |

| | | | | | | | |
|--|--------|-----|--------|-----|--------|--------|--------|
| Adjusted net working capital at end of current financial year (ANWC ₁) | | | | | | | |
| Average total funds employed (ATFE) | (37) | c | | | 32,428 | | 32,428 |
| Total equity at end of previous financial year (TE ₀) | 34,002 | | | | | | |
| Total equity at end of current financial year (TE ₁) | 34,897 | | | | | | |
| Average total equity | 34,450 | k | | | | 34,450 | |
| WUC at end of previous financial year (WUC ₀) | 187 | | | | | | |
| WUC at end of current financial year (WUC ₁) | 163 | | | | | | |
| Average total works under construction | 175 | e | deduct | | 175 | deduct | 175 |
| Revaluations | - | r | | | | | |
| Half of revaluations | - | r/2 | | | | | |
| Intangible assets at end of previous financial year (IA ₀) | - | | | | | | |
| Intangible assets at end of current financial year (IA ₁) | - | | | | | | |
| Average total intangible asset | - | m | | add | | | - |
| Subvention payment at end of previous financial year (S ₀) | - | | | | | | |
| Subvention payment at end of current financial year (S ₁) | - | | | | | | |
| Subvention payment tax adjustment at end of previous financial year | - | | | | | | |
| Subvention payment tax adjustment at end of current financial year | - | | | | | | |
| Average subvention payment & related tax adjustment | - | v | add | | | | - |
| System fixed assets at end of previous financial year at book value (SFA _{book}) | 31,588 | | | | | | |

| | | | | | | | | |
|--|--------|---|--------|---|--------|---|--------|---|
| System fixed assets at end of current financial year at book value (SFA_{bvt}) | 31,781 | f | deduct | 31,685 | deduct | 31,685 | deduct | 31,685 |
| Average value of system fixed assets at book value | 31,685 | | | | | | | |
| System Fixed assets at year beginning at ODV value (SFA_{odv0}) | 31,741 | | | | | | | |
| System Fixed assets at end of current financial year at | 32,283 | | | | | | | |
| Average value of system fixed assets at ODV value | 32,012 | h | add | 32,012 | add | 32,012 | add | 32,012 |
| Denominator | | | | $ATFE^{ADJ} = c - e - f + h$ | | $32,580$ | | $ATFE^{ADJ} = c - e - \frac{1}{2}r - f + h$ |
| | | | | | | $3,99$ | | $2,59$ |
| Financial Performance Measure: | | | | $ROF = OSBIT^{ADJ} / ATFE^{ADJ} \times 100$ | | $E = NSAT^{ADJ} / ATE^{ADJ} \times 100$ | | $ROI = OSBIT^{ADJ} / ATFE^{ADJ} \times 100$ |

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
Electricity Information Disclosure Requirements 2004 - Requirement
16 Annual Valuation Reconciliation Report

| | 2005 \$000 | 2004 \$000 |
|--|---------------|---------------|
| System fixed assets at ODV at end of previous financial year | 31,741 | 24,953 |
| ADD system fixed assets acquired during the year at ODV | 2,024 | 1,865 |
| LESS system fixed assets disposed of during the year at ODV | 9 | 58 |
| LESS depreciation on system fixed assets at ODV | 1,473 | 925 |
| ADD revaluation of system fixed assets | - | 5,906 |
| System fixed assets at ODV at end of the financial year | <u>32,283</u> | <u>31,741</u> |



Audit New Zealand

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF CENTRALINES LIMITED FOR THE YEAR ENDED 31 MARCH 2005

We have audited the financial statements of Centralines Limited on pages 2 to 16. The financial statements provide information about the past financial performance of Centralines Limited and its financial position as at 31 March 2005. This information is stated in accordance with the accounting policies set out on pages 2 to 5.

Directors' Responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of Centralines Limited as at 31 March 2005, and the results of its operations and cash flows for the year ended on that date.

Auditor's Responsibilities

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

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

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

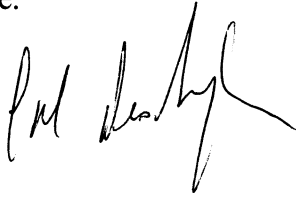
Unqualified Opinion

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

In our opinion –

- proper accounting records have been maintained by Centralines Limited as far as appears from our examination of those records; and
- the financial statements of Centralines Limited on pages 2 to 16:
 - (a) comply with generally accepted accounting practice in New Zealand; and
 - (b) give a true and fair view of Centralines Limited's financial position as at 31 March 2005 and the results of its operations and cash flows for the year ended on that date; and
 - (c) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 18 August 2005 and our unqualified opinion is expressed as at that date.



L H Desborough
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand



Audit New Zealand

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

We have examined the information on pages 17 and 21 to 24, being –

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

that were prepared by Centralines Limited and dated 18 August 2005 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

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

L H Desborough
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand
18 August 2005