



CENTRALINES
LIMITED

**STATEMENT
OF
CORPORATE
INTENT**

1 April 2004 – 31 March 2005



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1 Introduction

This Statement of Corporate Intent (SCI) is submitted to the CHB Consumers Power Trust (the Shareholder) by the Board of Directors of Centralines Limited (the Company) and sets out the Board's overall intentions and objectives for the Company for the financial year ended 31 March 2005 and the two succeeding financial years.

The SCI is submitted in accordance with the provisions of Sections 39 and 40 of the Energy Companies Act 1992.

Centralines is a community owned Company. 8,000,000 Shares have been issued and are owned by the CHB Consumers Power Trust, the beneficiaries of which are the consumers connected to the Company's distribution assets as defined in the Trust Deed.

This statement represents the Directors intent to ensure the Company will operate as a successful business.

2 Nature and Scope of Activities to be Undertaken

The Company's core business is to provide a safe efficient and reliable electricity network system and related services.

Related services include contracting, network maintenance and the construction of networks that will maximise the Company's financial return.

The Company will undertake these activities in a manner consistent with:

- The safe and effective utilisation of the Company's physical assets and human resources.
- The prudent management of the Company's business risks.

2.1 Network Division

This Division is responsible for the maintenance and operation of the Network Assets to allow Retailers to convey electricity from the national power grid to an end customer's premises. It will charge energy retailers for the use of Centralines network.

2.2 Contracting Division

This Division undertakes a wide range of contracting work for both the Company and for other customers. It is in the process of becoming a preferred contractor to UNISON.

3 Principal Objective

The Company is an “electricity lines business” as defined in Section 4 of the Electricity Industry Reform Act 1998.

The Company, through a focus on service and recognition of the value of skilled staff, will strive to operate as a successful business.

To this end, the Company will:

- Provide a reliable and secure electricity network at the lowest possible cost to consumers
 - Undertake new investments which over their lives:
 - 1 are aimed at yielding a return at least equal to the Company’s cost of capital,
 - 2 can add to the commercial value of the Company,
 - 3 add to the stability, safety and security of the Network,
 - 4 are compatible to the overall strategy of the Company,
 - Continue in the contract management relationship with Unison and maintain dialogue with other Trust-owned network companies.
 - Continue to investigate and further develop hydroelectricity generation/irrigation project in Central Hawke’s Bay.
 - Maintain a watching brief on broadband network services for Central Hawke’s Bay.
 - Investigate hybrid generation possibilities in Central Hawkes Bay.
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4 Performance Targets and Measures

The following are the performance targets for the next three years ending 31 March 2005

	2004/2005	2005/2006	2006/2007
Centralines Limited			
(a) Ratio of Net Profit (before discount, interest and tax) to Shareholder's Funds (Opening Balance (based on current ODV)	7%	7%	7%
(b) Ratio of net profit (before discount, interest and tax) as a percentage of Total Assets employed. (based on current ODV)	6.5%	6.5%	6.5%
Contracting Division			
Ratio of Net Profit (before tax) to Gross Revenue	6.8%	6.8%	6.8%
Reliability Measures			
The System Average Interruption Duration Index			
SAIDI is the average length (in minutes) of interruptions for all customers that have interruptions in any one year. It includes interruptions for maintenance work but not interruptions from Transpower	165	160	155
Number of major (33kV) faults which result in interruptions to supply, per 100 kilometres of line per year	5	4	4
The Customer Average Interruption Duration Index			
CAIDI is the average length (in minutes) of an interruption that a customer will experience if the customer experiences an interruption including maintenance but excluding transmission (Transpower)	49	47	45

5 Ratio of Consolidated Shareholders Funds to Total Assets

The ratio of consolidated shareholders' funds to total assets will be maintained for each year at not less than 60%.

"Consolidated Shareholders' Funds" means the total contributed capital, reserves and retained earnings at the end of the previous financial year.

"Total Assets" means all the recorded tangible assets of the Company as shown in the Statement of Financial Position.

6 Accounting Policies

The Directors shall cause proper accounting records to be kept in accordance with the Companies Act 1993, the Financial Reporting Act 1993 and generally accepted accounting principles as laid down by the Institute of Chartered Accountants of New Zealand in its Statement of Concepts, Statements of Standard Accounting Practice and Financial Reporting Standards, and in accordance with the requirements of the Energy Companies Act 1992.

7 Information to be reported to Shareholder

In addition to information required by legislation, the Company will provide sufficient information to enable the Shareholder to assess the value and performance of the Company.

Before the commencement of the financial year the Directors will deliver to the Shareholder a draft SCI in accordance with Section 39 of the Energy Companies Act 1992 and will as required by Sections 40 and 41 of that Act make any modifications required and then deliver such SCI to the Shareholder.

Within two months after the end of the first half of the financial year of the Company the Directors will deliver to the Shareholder an un-audited report of the Company's operations during that half year. This report will include such details as are necessary to permit an informed assessment of the company's performance during the reporting period.

Within three months after the end of the financial year of the Company the Directors will deliver to the Shareholder in accordance with Section 44 of the Energy Companies Act 1992:

a) Operations:

A report on the operations of the Company during the financial year.

b) Financial Statements:

Audited consolidated financial statements for that financial year in respect of the Company.

c) Auditors Report:

The Auditors report on

- (i) those financial statements; and
- (ii) performance targets and other measures by which performance has been judged in relation to the objectives.

Every report will contain such information as is necessary to enable an informed assessment of the operations of the Company and including a comparison of the performance of the Company and its subsidiaries with any relevant SCI.

8 Dividend Policy

The Company will pay an annual dividend of at least \$50,000 to the CHB Consumers Power Trust.

9 Extraordinary Capital Expenditure

- (a) Investment in reliability and security of supply is anticipated to cost \$500,000 in the current year.
- (b) In the event of a decision to proceed with the hydroelectricity/irrigation project significant capital expenditure may be required within the forecast period.

10 Discount Policy

It is Centralines intention to discount as much of the operating surplus each year as the Directors deem prudent after consultation with the Trustees and after making allowance for capital and other expenditure. For the 2004-05 financial year this will be not less than 20% of the operating surplus without consultation with the shareholder

11 Acquisition Procedure

No acquisition by the Company of shares or assets in another company or organisation, the value of which exceeds 5% of the Share Capital of the Company (other than in the course of a re-organisation, reconstruction, merger etc as defined in Clause 9.9 of the Trust Deed) shall be undertaken without prior Shareholder approval.

12 Disposal of Assets

No assets will be disposed of other than in the normal course of business without consultation with the Shareholder. Before any assets are transferred to a subsidiary company the Directors will consult with the Shareholder.

13 Reserves

The Company intends to hold reserves to a level deemed appropriate to operate a successful business.

14 Investment

The Company will make prudent investments with minimum risk to an appropriate level from time to time having taken professional advice and in accordance with the company's investment Policy.

15 Other Matters

The Company will make available facilities and resources for the operation of the CHB Consumers Power Trust.

The Company will supply to the Trust within a reasonable time of receiving a written request the name and address of each consumer as defined by the Trust Deed.

For and on behalf of Centralines Limited

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J Aitken
Chairman

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Date
