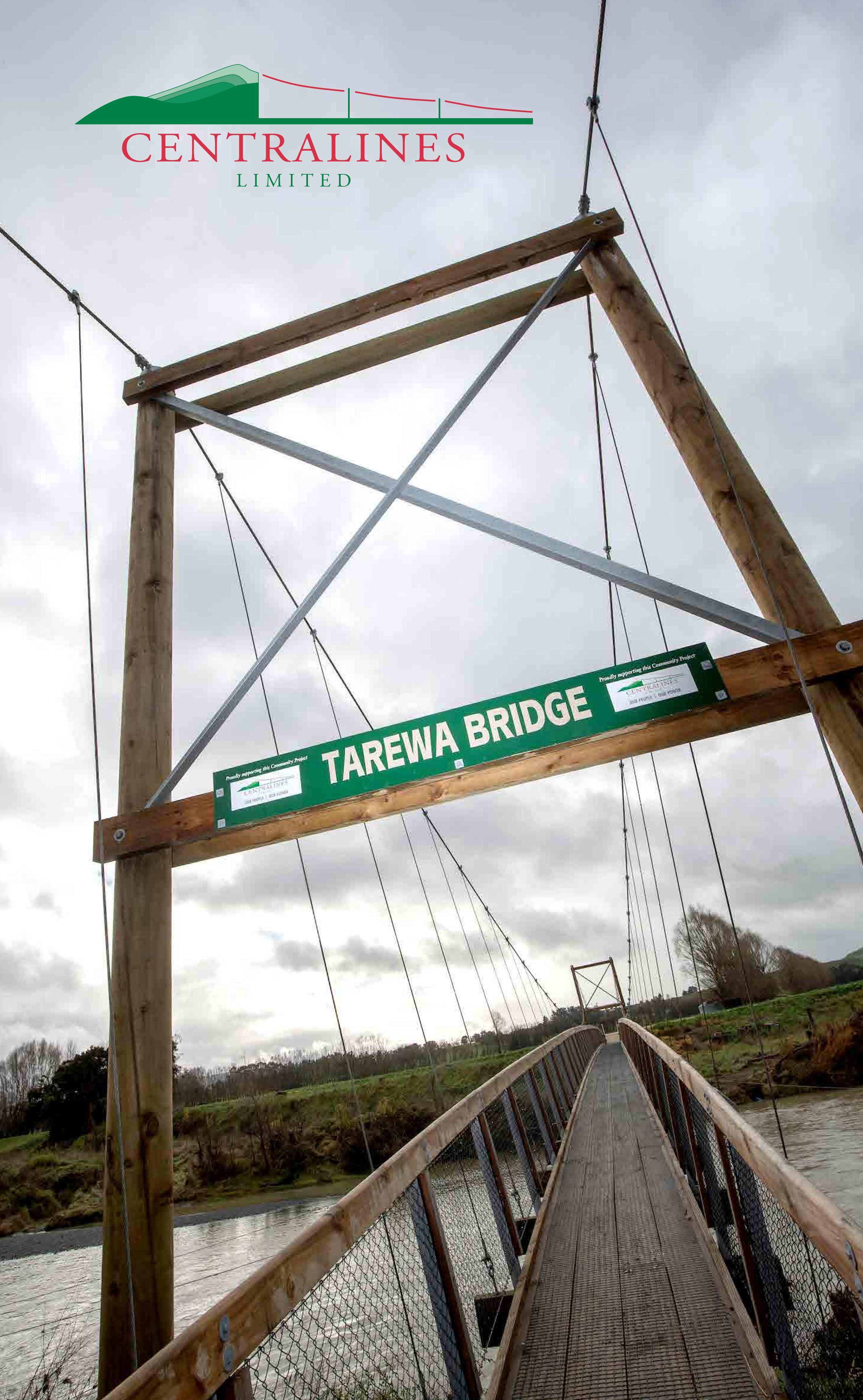
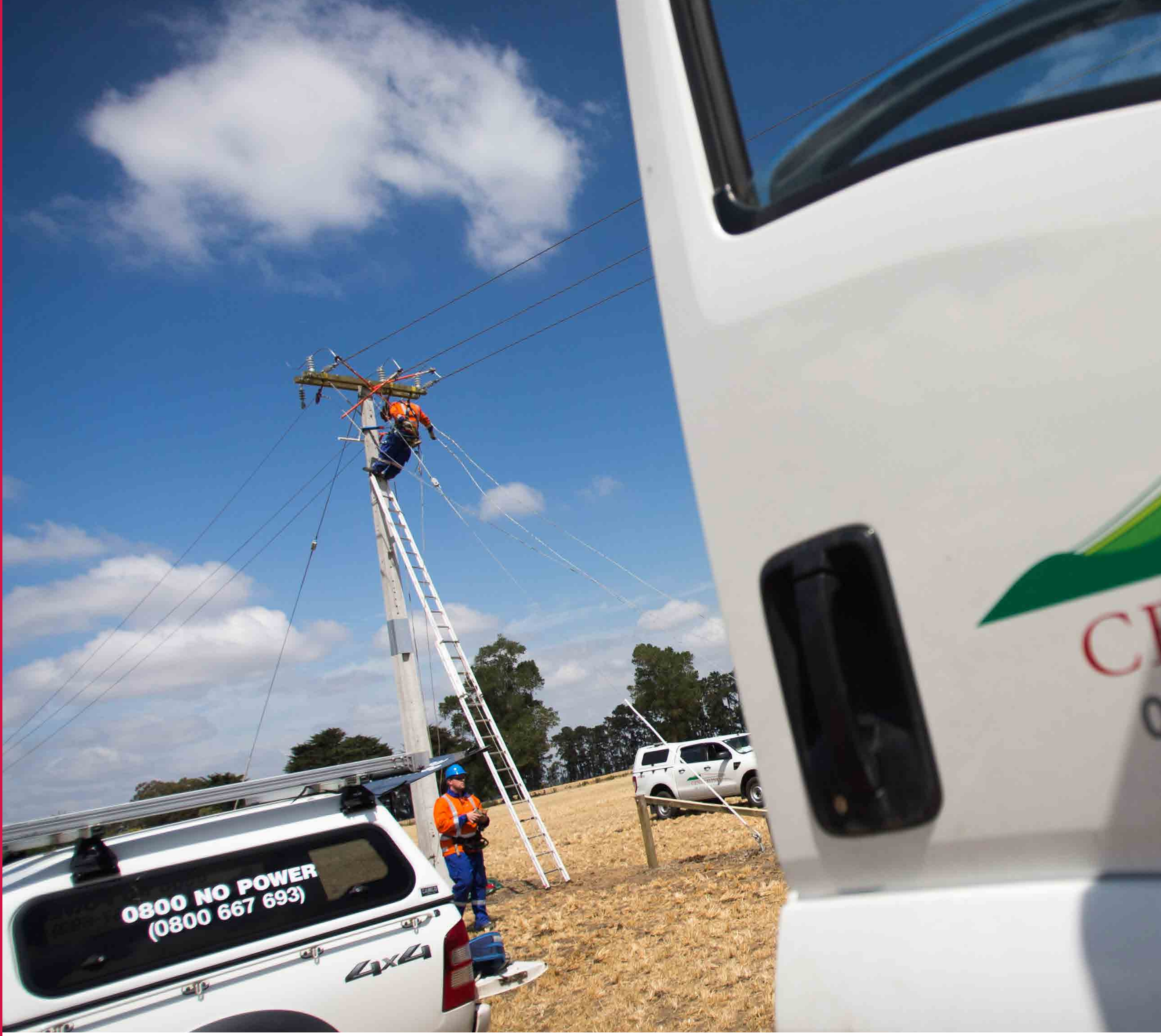
CENTRALINES
LIMITED



CENTRALINES ANNUAL REPORT 2018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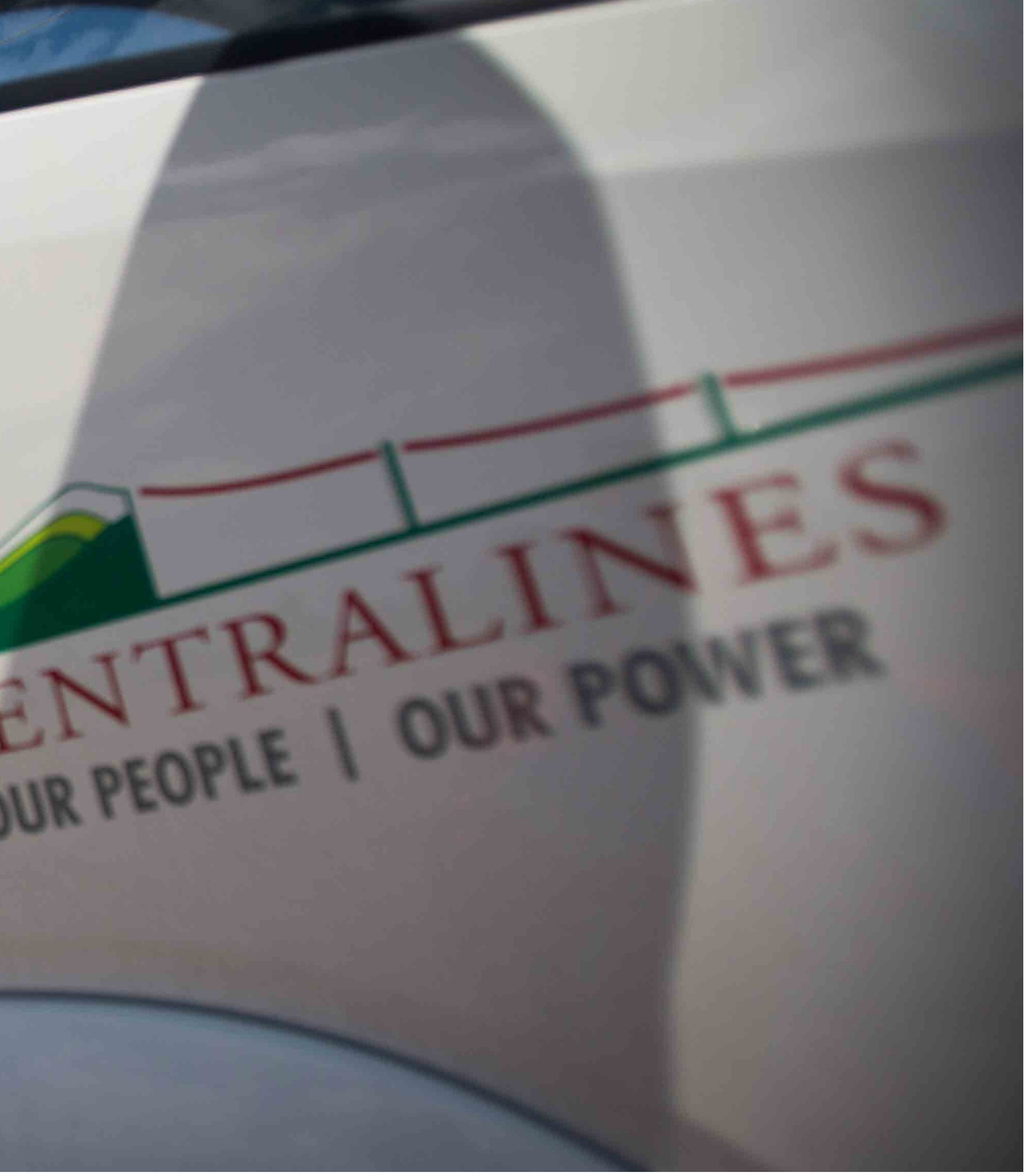


CONTENTS

CHAIRMAN'S & CHIEF EXECUTIVE'S ANNUAL REVIEW

It's been a busy and successful year for Centralines, with the company producing a strong financial result and delivering a reliable supply of electricity to Central Hawke's Bay power consumers and shareholders.

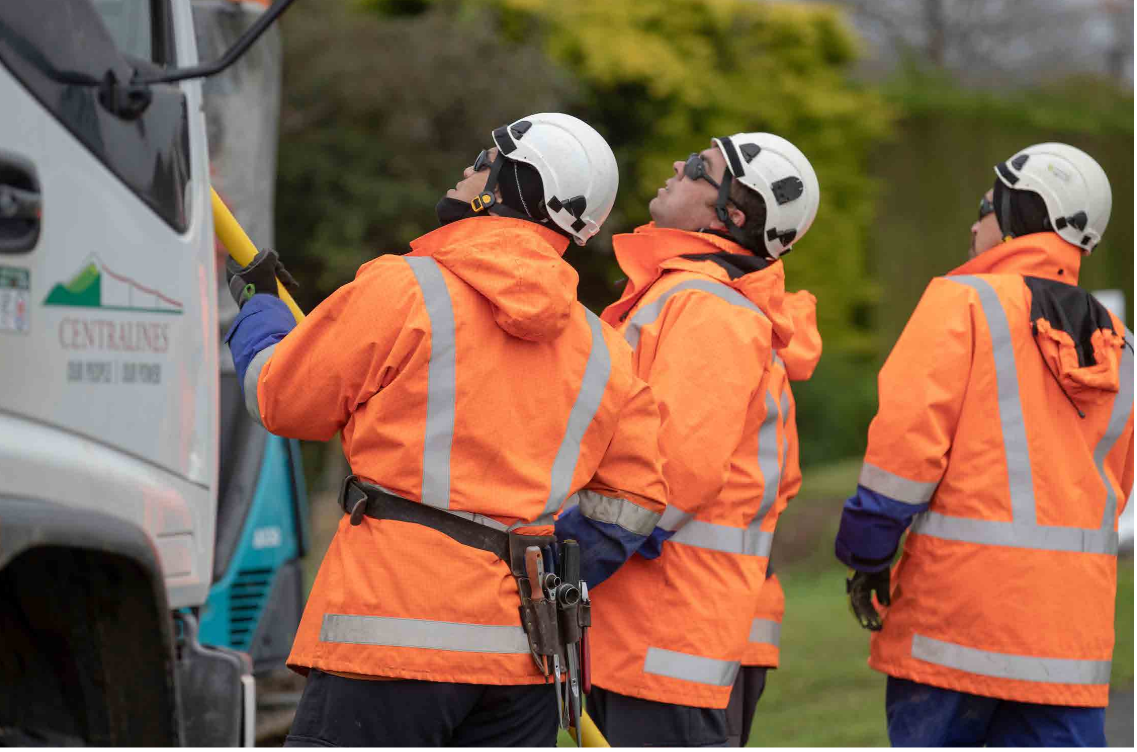
OUR CUSTOMERS

Centralines continues to meet the reliability targets set by the Commerce Commission for both the average amount of time a customer is without power (System Average Interruption Duration Index, SAIDI) and the number of power outages a customer experiences on average over the course of a year (System Average Interruption Frequency Index, SAIFI).

While Centralines did not meet its own internal SAIDI targets, this was not unexpected given the number of uncontrollable events that caused power outages throughout the year. These events included high winds causing trees, branches and debris to hit power lines, and an increase in the number of third parties damaging our network.

We are seeing an increase in significant weather events over time. Centralines has focused on improving the resilience of its network, investing in technology to locate faults and restore power faster, leveraging our management partner Unison's smart network capability.

Reliability Measures	2018 Corporate Intent Targets	2018 Regulatory Targets	2017/18 Actual
SAIDI (System Average Interruption Duration Index)	119.10 mins	139.35 mins	131.67 mins
SAIFI (System Average Interruption Frequency Index)	3.52 outages	4.20 outages	2.23 outages



OUR PEOPLE

Centralines is a tight-knit team that brings together a diverse range of skills and experience.

This year we completed twice the amount of customer work projected, earned additional revenue for the business through working with Unison in Otago on Aurora's pole replacement programme, and completed unique and challenging programmes of work on Centralines' own network. One example was the pole replacement programme undertaken on land of historical and cultural significance on Te Apiti Road near Kairakau. The project was a cross-team effort and Centralines respected the significance of the area whilst undertaking technically challenging work, removing and replacing numerous poles by helicopter on demanding terrain.

Keeping each other and our communities safe around the network is at the forefront of everything we do. While there was unfortunately one lost-time injury this year, we are heartened that this was not in the key risk areas of working at heights, with electricity or around heavy machinery.

However, our goal is ultimately to ensure nobody is injured while working for Centralines. So this year we will increase our safety focus, investing in development programmes to further improve our commitment to ensuring staff get home safely at the end of every day.

Centralines also renegotiated its management services agreement with our partner Unison. The agreement allows us to leverage off the expertise and systems available to a larger-scale business, providing reliable and cost-effective asset management and regulatory support for our customers.

> **"Keeping each other and our communities safe around the network is at the forefront of everything we do."**
>
> **Jon Nichols, Chairman**

FINANCIAL PERFORMANCE

Centralines has delivered an excellent financial result for its shareholder, the power consumers of Central Hawke's Bay. The company is in a sound financial position, with a strong balance sheet and no debt against its well-maintained and reliable distribution network.

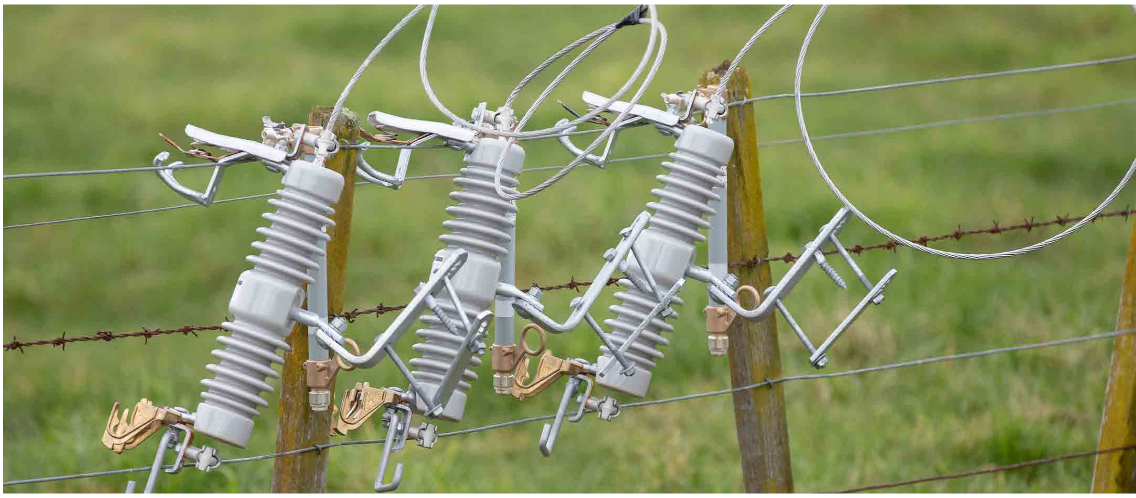
	2017/18	2016/17
Total Revenue	$16.1 million	$15.1 million
EBITDA[1]	$6.63 million	$6.59 million
Net Profit After Tax	$3.27 million	$3.27 million
Electricity Network Capital Expenditure	$1.67 million	$1.73 million
Total Discount Paid	$1.34 million	$1.28 million
Dividend Declared[2]	$8.1 million	$0.1 million

[1] Earnings before interest, tax, depreciation, amortisation and customer discounts
[2] The dividend declared is in relation to that financial year, and hence is paid out during the following financial year

Total revenue was favourable, due to higher line revenue. Stringent cost management across capital and operational expenditure also contributed to a net profit after tax result of $3.27 million.

Although Centralines has performed strongly, the company has had to write down the carrying value of its assets.

Centralines has consistently sought to balance the allowable revenues set by the Commerce Commission, with affordability to consumers. Consequently, over the last three years the company has not passed on the full amount of these allowable increases. However, Centralines assumed that as economic conditions allowed, the under-recovered revenues could be collected in future years. The Commerce Commission has since clarified that the regime essentially operates on a "use it or lose it" basis and we cannot smooth out revenue collection in this way. This has impacted the carrying value of the company's network assets requiring a write-down of $6,692,000.



OUR COMMUNITY

We know that our support for customers must extend beyond ensuring the network meets their electricity needs, to powering a vibrant and healthy region.

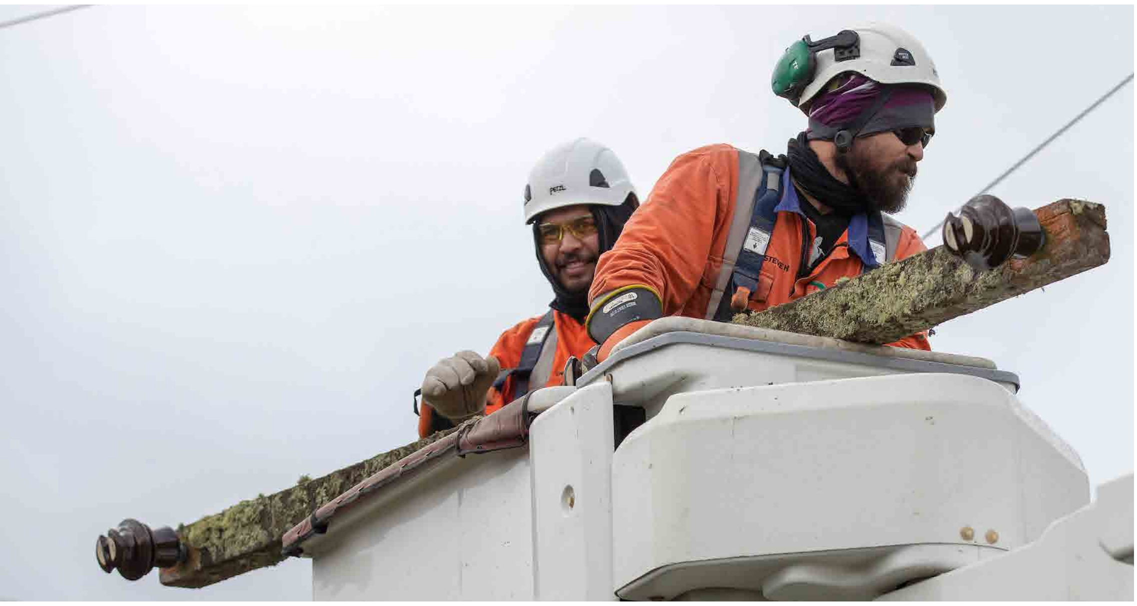
This year we were proud to become naming sponsor for Central Hawke's Bay's new multi-sport turf at Russell Park, and to support a swing bridge over the Tukituki River to link cycling trails in Waipukurau and Waipawa. We believe both sponsorships will help in supporting Central Hawke's Bay as a great place to live and work.

In addition, Centralines contributed, through sponsorship, to another 50 organisations that all add to the well-being and strength of our rural communities.

Additionally, strong operational results have meant that the company declared a fully imputed $8 million dividend to our owner, the Central Hawke's Bay Consumers Power Trust. This dividend, paid from retained past profits, was declared on 28 February 2018 and was paid to the Trust on 3 April 2018.

Last year, the company commissioned Central Hawke's Bay's first public electric vehicle (EV) fast-charging station in Waipukurau. Use of the charger is growing steadily. Supporting EV uptake is part of our ongoing work to ensure our customers and those visiting the region have efficient network solutions available to support their energy choices now and in the future.

It was unfortunate to see the Ruataniwha Water Storage Scheme (RWSS) fail to materialise. We believe this was a missed opportunity for economic growth for our rural communities and a missed investment opportunity for Centralines.



"We know that our support for customers must extend beyond ensuring the network meets their electricity needs, to powering a vibrant and healthy region."

Ken Sutherland, Chief Executive

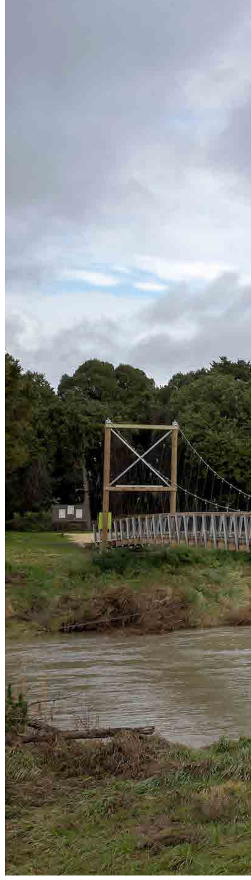
REGULATORY ENVIRONMENT

This year has been a relatively quiet year for regulatory change. The Commerce Commission finalised its rules for valuing related party transactions, with a more flexible, principles-based approach replacing the previous prescriptive rules, which is welcomed.

Looking ahead, the electricity sector is under scrutiny with the Government-announced electricity price review looking at electricity affordability and fairness. From Centralines' perspective, our market and regulatory systems are fit-for-purpose but as with all things there is room for improvement.

As a consumer-owned distribution business, we think there is merit in the Government looking at the extent of regulation applying to our business. There are significant compliance costs associated with the Commerce Commission's regime, with no obvious benefit to our consumers. The Commerce Commission, for example, has allowed Centralines to lift its prices by 7 percent per year for five years in this regulatory period, whereas the company has made far more modest price changes, and indeed held prices fixed this year. The financial outcome of the company's pricing decisions has seen Centralines earn sustainable returns that benchmark favourably against other network companies.

We are pleased to see the Low Fixed Charge Regulations as a key part of the review, as they no longer deliver an effective means of looking after vulnerable consumers, especially large families. We are hopeful that the review will quickly resolve that issue as well as identify ways in which the electricity sector can help New Zealand move to decarbonise the vehicle fleet with a more rapid shift to EVs. Low-priced electricity for off-peak battery charging will be an important enabler.



THE FUTURE

Centralines continues to explore and trial emerging technologies (including battery storage and solar panels) with our management partner Unison to understand the costs and benefits for consumers, and to make long-term plans that take the impacts of technology into account.

We are excited about the future of energy and see opportunities to use all three new technologies – solar, EVs and batteries – in a way that is complementary to grid-delivered electricity, as their prices keep falling and performance improves.

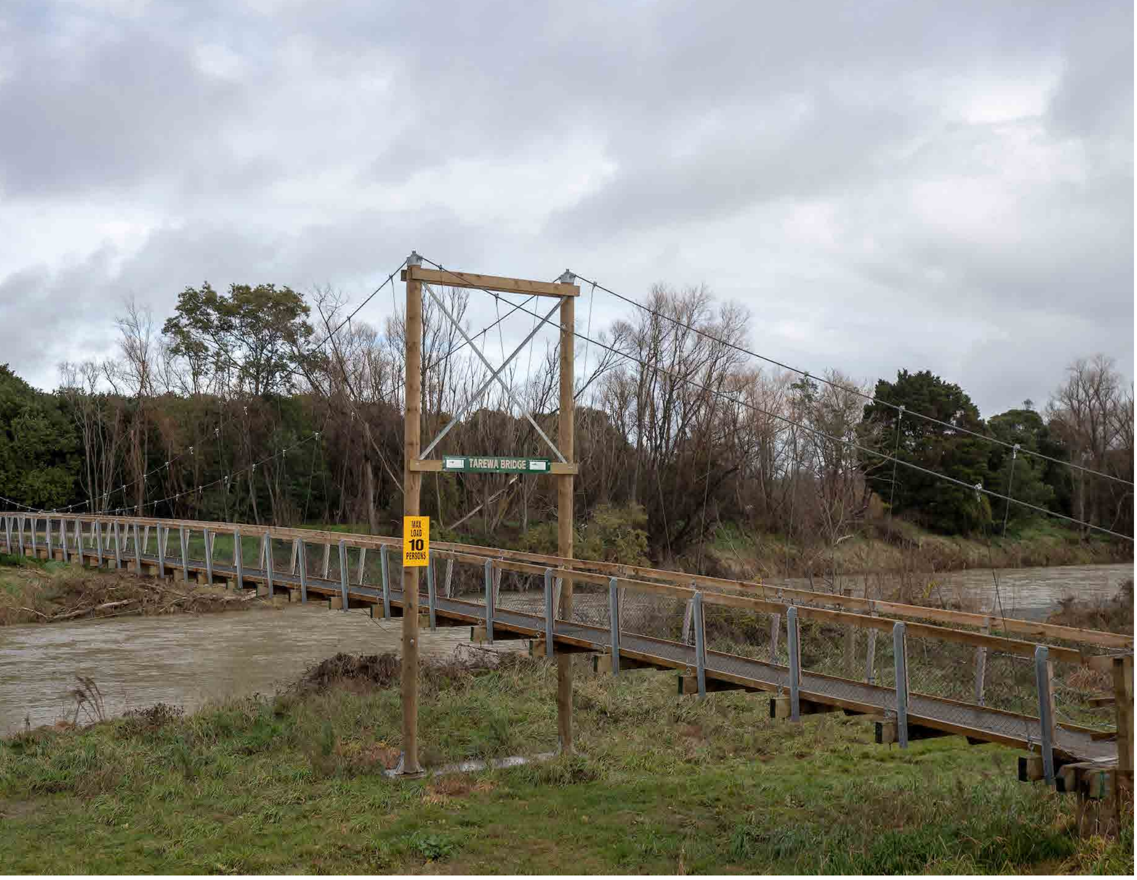
We also continue working towards reforming current network prices so that our customers can embrace these technologies and we can keep our services affordable, safe, reliable and sustainable.

We seek ways to enhance our local service provision and work environment for the people of Centralines. For this reason, a property was purchased earlier this year with a view to developing the Centralines' depot and premises towards the end of 2018.

In October the Central Hawke's Bay Consumers Power Trust will hold its five-yearly review of shares in Centralines. This review will allow consumer shareholders to consider the future ownership of shares in Centralines.

We remain well placed and committed to investment and growth opportunities for the business. We are focused on creating a strategic investment roadmap to identify further investment opportunities, including how we can adopt and invest in new technologies.

Our long-term goal with any Centralines' investment is to increase the distributions available to beneficiaries, and to support the Central Hawke's Bay economy without exposing the business to undue risk. This will be achieved by investing in regional infrastructure that can support economic growth; and energy-related assets that have a link to Central Hawke's Bay electricity consumers.



ACKNOWLEDGEMENTS

Sadly, Nick Story, a Centralines Director since 2013, passed away during the year. Nick was a man of great integrity who was well-respected and passionate about the communities he served. He brought invaluable marketing, business development skills and experience to the Board and is missed both professionally and personally.

Stuart Smith and Hamish Best, from Central Hawke's Bay, were both on the Centralines Board as observers during this financial year. It's been a pleasure to have Hamish and Stuart observe and is part of the company's commitment to developing leaders in our community.

In April 2018, we welcomed Fenton Wilson to the Board table. We are pleased to have someone of Mr Wilson's calibre join the Centralines Board. He is a great advocate for Central Hawke's Bay and we are excited about the valuable contribution he will make.

Again, we would like to acknowledge the hard-working team of Centralines whose dedication has produced such a strong result.

Our thanks goes to the Trustees of the Central Hawke's Bay Power Consumers Trust for their valuable work and professional dealings with the Board and management again this year. Their continued work to serve the interests of the power consumers of Central Hawke's Bay and our rural communities is appreciated.

The Board also wishes to thank Unison Networks for its professional leadership and support as our management partner.

As the company looks forward, we are encouraged that Centralines business and operations are in a strong position and we look forward to powering Central Hawke's Bay in the year ahead.

JON NICHOLS
CHAIRMAN

KEN SUTHERLAND
CHIEF EXECUTIVE

CORPORATE GOVERNANCE STATEMENT

ROLE OF THE BOARD OF DIRECTORS

The Board of Directors (the "Board") is appointed by the shareholders' representatives, the Trustees of the Central Hawke's Bay Consumers Power Trust.

The Board is responsible for setting and monitoring the strategic direction, policies and control of the company's activities, with day-to-day management delegated to the Chief Executive.

The Board has a formal charter that outlines the responsibilities of the Board and the Chief Executive, and provides a code of ethics to guide Directors and the Chief Executive in carrying out their duties and responsibilities.

The Board met eight times during the financial year, with additional full meetings and sub-committee meetings being convened when required.

BOARD COMMITTEES

Audit and Risk Committee

Centralines has a formally constituted Audit and Risk Committee, responsible for reviewing the company's accounting policies, financial management, financial statements, management of information systems and systems of internal control, external and internal risk management functions, and the treasury policy. The Committee also considers internal risk assessments and external audit reports as well as the appointment of the external auditor, audit relationship matters and fees.

The Committee meets on average of six times a year, with additional meetings being convened when required.

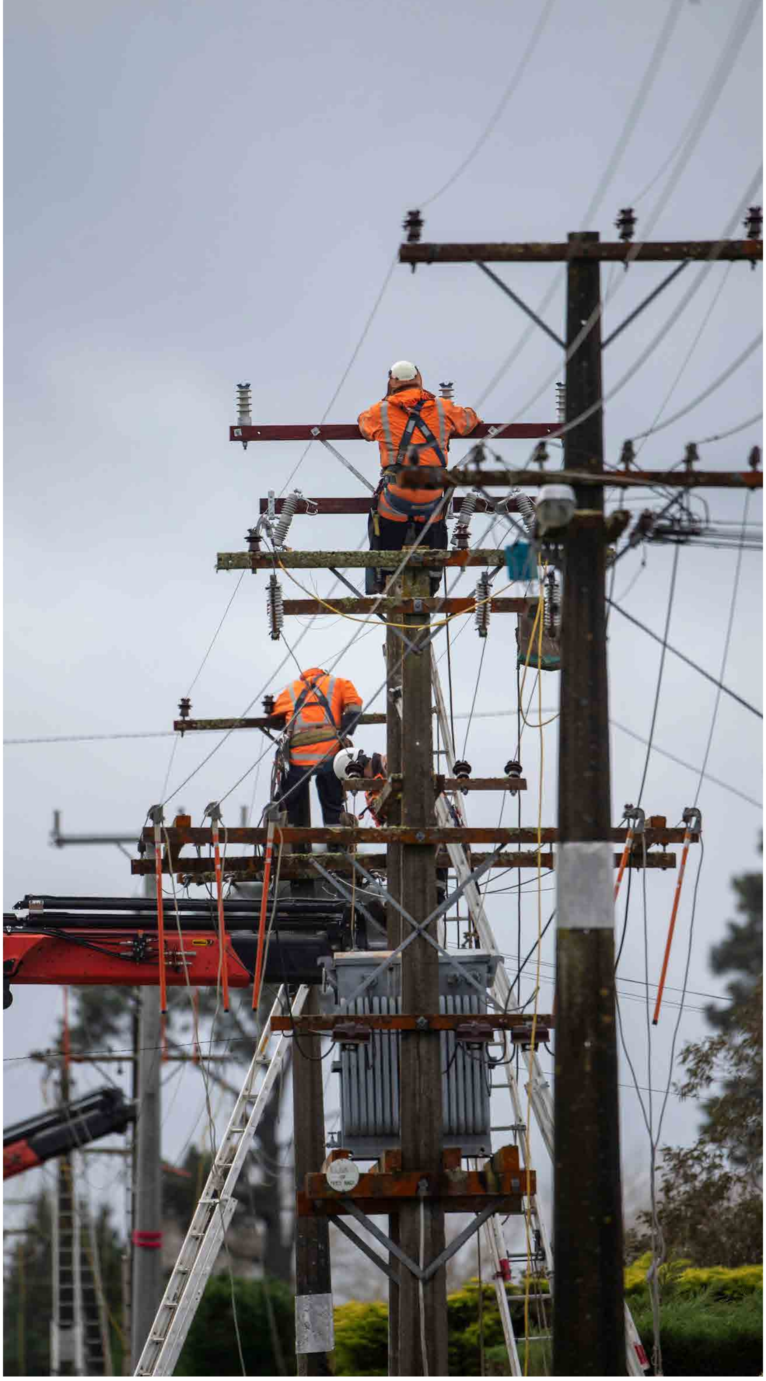
RISK MANAGEMENT

The Board oversees a formal risk policy and risk management framework that is consistent with the Australian and New Zealand standard for risk management AS/NZS ISO 31000:2009 Risk Management - Principles and Guidelines.

The Board is responsible for reviewing and ratifying systems of risk management and the company's system of internal controls.

The Board monitors the operational and financial aspects of the company's activities and, principally through the Audit and Risk Committee, the Board considers the recommendations and advice of external and internal auditors and other external advisors on the operational and financial risks that face the company.

The Board ensures that recommendations made by the external and internal auditors and other external advisors are investigated and appropriate action is taken to ensure that the company has an appropriate internal control environment in place to manage the key risks identified.



STATEMENT OF CORPORATE INTENT

In accordance with Section 39 of the Energy Companies Act 1992, the Directors annually submit a Statement of Corporate Intent for the coming financial year to the Central Hawke's Bay Consumers Power Trust for endorsement.

This document outlines the company's overall objectives, intentions and financial performance targets and is available on the company's website.

DIRECTORS' INTERESTS REGISTER

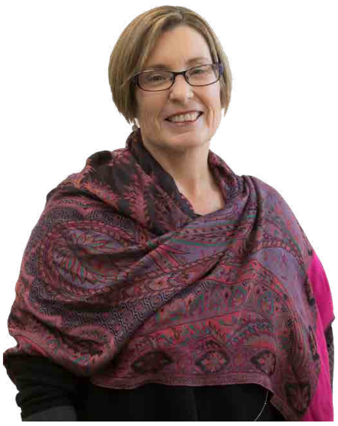
The company maintains and reviews on a monthly basis an Interests Register to record particulars of transactions or matters involving Directors.

BOARD OF DIRECTORS

JON NICHOLS - CHAIRMAN

Audit and Risk Committee Member

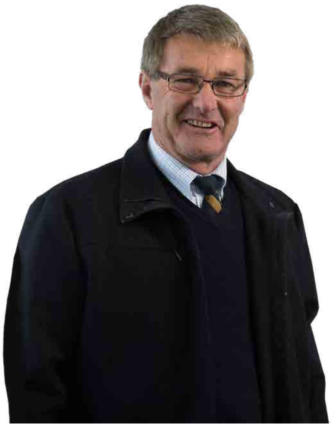
Jon was appointed as a Director to Centralines in July 2011 and then as Chairman in December 2015. Jon is a business consultant involved in a number of strategic growth, regulatory and performance-based initiatives for infrastructure-related businesses in New Zealand and the Pacific Islands. He also serves on the Board of Palmerston North Airport Limited where he chairs the Audit and Risk Committee. Additionally, Jon is the independent chair of the Audit and Risk Committee for Hastings District Council and Maungaharuru Tangitu Trust. He is a Fellow of the Chartered Accountants Australia and New Zealand.



WENDIE HARVEY

Audit and Risk Committee Member

Wendie was appointed as a Director to Centralines in July 2014. Following a career that began as a lawyer specialising in employment relations and human resources, in 2004 Wendie entered the electricity sector taking up a position with Unison Networks Limited as a member of the senior management team. In 2011, she established Excellence in Business Solutions Limited, providing strategic management and human resources support to employers, predominantly operating in the Hawke's Bay region. As well as the Board of Centralines, Wendie is a Director of the Port of Napier, the Hawke's Bay Airport, the Electrical Training Company Limited, and Quality Roading Services Limited (Wairoa). She is also a Commissioner on the NZ Gambling Commission.



DEREK WALKER

Audit and Risk Committee Member

Derek joined the Centralines Board in August 2016. He is a widely-experienced director with current and past directorships that include Palmerston North Airport Limited (Chair), BCC Limited (Chair), NZ Windfarms Limited, Speirs Group Limited (Chair) and Quotable Value Limited. He is also a Director and Principal of the business consulting practice, Third Bearing Limited. Derek has an honours degree in electrical engineering and a business studies degree, and has extensive management, governance and consulting experience in the electricity sector, including 11 years as Chief Executive and Managing Director of the electricity distribution company CentralPower Limited.

IAN WALKER

Audit and Risk Committee Member

Ian was appointed as Director to Centralines in July 2013. Ian moved with his family into the district over 30 years ago, working as a veterinarian for Vet Services (Hawke's Bay) Limited until March 2016, and subsequently obtained a good knowledge of the geographical distribution area. Ian is directly involved with a family sheep, deer and beef farm, and is also involved in several community sporting and cultural groups. Ian was the Chief Executive of Veterinary Services (Hawke's Bay) Limited for 12 years, retiring in March 2016. He is a Director of Kilgaren Farm Limited, Marama Farming Limited, and Deer Industry New Zealand.

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2018

The Board of Directors present their annual report including the financial statements of the company for the year ended 31 March 2018. As required by section 211 of the Companies Act 1993, we disclose the following information:

NATURE OF BUSINESS

The company's activities have not changed during the year under review.

RESULTS

The operating profit before discount, interest and tax for the year was $5.86m. The annual net profit was $3.27m after allowance for discount and tax. This compares with an operating profit in 2017 of $5.83m, a net profit of $3.27m after allowance for discount and tax.

DIRECTORS

The Directors received the following remuneration during the year under review:

J.E Nichols (Chairman)	$53,244.00	Re-appointed 27 July 2016
D.N Walker (Director)	$28,207.08	Appointed 6 August 2016
N.M Story (Director)	$23,528.71	Ceased 17 November 2017
I.H Walker (Director)	$28,207.04	Re-appointed 31 July 2017
W.N Harvey (Director)	$28,207.08	Re-appointed 27 July 2016

Directors' and Officers' Liability Insurance premiums of $3,550 were paid during the year under review.

DIVIDEND

Dividends of $8,100,000 were declared during the year ended 31 March 2018 (2017: $100,000).

AUDITORS

In accordance with Section 45 of the Energy Companies Act 1992 the Auditor-General continues as Auditor.

Audit fees payable by the company to Audit New Zealand as at 31 March 2018 were $53,812 (2017: $57,812).

ACCOUNTING POLICIES

There have been no changes from the accounting policies adopted in the last audited financial statements. All other policies have been applied consistently with the previous period.

INTERESTS REGISTER

Directors disclosed an interest or cessation of interest in the following entities during the year ended 31 March, 2018.

JON NICHOLS

- Centralines Limited - Chairman
- Nichols Consulting Limited - Director
- Port of Napier Limited – Director and Chairperson of Audit and Risk Committee (Retired December 2017)
- Palmerston North Airport Limited – Director and Chairperson of Audit and Risk Committee
- Maungaharuru Tangitu Trust – Independent Chair of Audit and Risk Committee
- Hastings District Council – Independent Chairperson of Audit and Risk Committee

WENDIE HARVEY

- Centralines Limited – Director
- Excellence in Business Solutions Limited – Director
- Port of Napier Limited– Director and Chairperson of Health and Safety Committee
- Quality Roading Services Limited – Director
- New Zealand Gambling Commission - Commissioner
- The Electrical Training Company Limited – Director
- Hawke's Bay Airport Limited- Director
- Tangihanga Joint Venture - Director

NICK STORY - CEASED

- Centralines Limited – Director and Chairperson of Audit and Risk Committee
- Hawke's Bay Airport Limited - Chief Executive

IAN WALKER

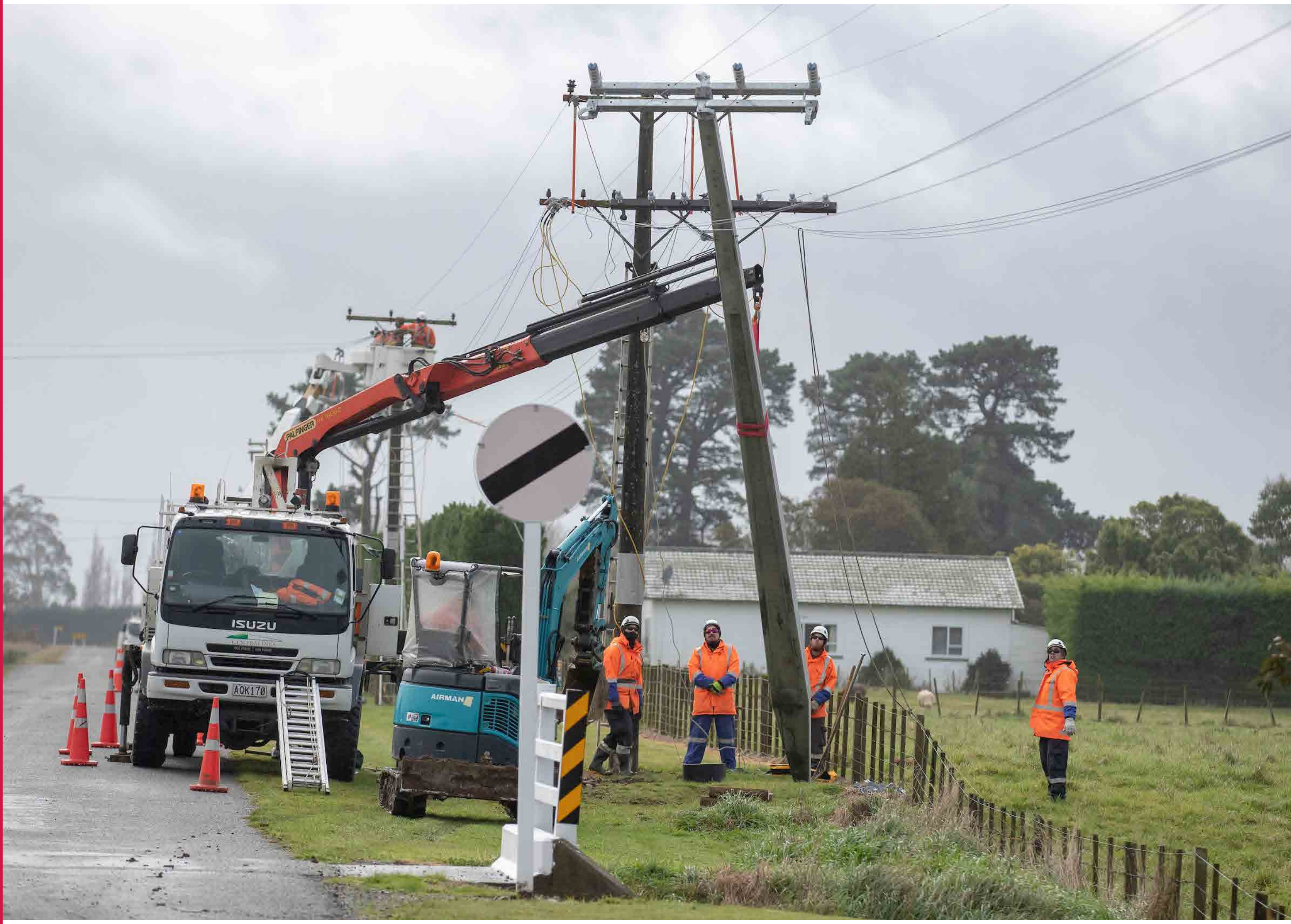
- Centralines Limited - Director
- Kilgaren Farm Limited – Owner and Director
- Marama Farming Limited - Shareholder and Director
- DeerResearch NZ – Director
- Board of Deer Industry New Zealand (DINZ) – Chairperson

DEREK WALKER

- Centralines Limited – Director
- BCC Limited and subsidiaries – Chairperson and Director
- Speirs Group Limited and subsidiaries – Chairperson and Director
- Third Bearing Limited – Director/Beneficial Shareholder
- TBL Investments Limited – Director/Beneficial Shareholder
- Wilson Cook Limited – Director/Beneficial Shareholder
- Elmira Consulting Limited – Director/Shareholder
- Wildbase Recovery Community Trust – Trustee

FOR AND ON BEHALF OF THE BOARD

JON NICHOLS - CHAIRMAN



TRUSTEES' STATEMENT

The Central Hawke's Bay Consumers Power Trust is the owner of Centralines. There are seven Trustees of which four are elected and three are appointed by the highest electricity consumer, the Mayor and the local Council.

A core responsibility of the Trust is to oversee the assets that the Trust owns, which is Centralines. It is important to the Trust that the capital held by Centralines is utilised in a manner that protects and grows value. Excess capital that is generated and not required for growth needs to be distributed in line with the interests of our consumer beneficiaries. To this end, we have requested an $8 million dividend to be paid to the Trust. Our intention is to distribute these funds back to our consumer beneficiaries.

Additionally, we are delighted that Centralines has made significant donations to the community by way of $544,000 absolute donations to a total of 50 community groups. The largest donation was for the multi-sport turf in Waipukurau, as well as a swing bridge across the Tukituki River. In addition to these large donations, many smaller donations were made to school groups, sports teams, community welfare groups and the like, all which greatly help our wider community. The Trust commends Centralines for being a good corporate citizen in Central Hawke's Bay and believes that our consumer beneficiaries see this role as very important.

A core responsibility of the Trust is to appoint and monitor the performance of the Directors. We have an excellent Board with our consumers' best interests in mind. They have overseen an impressive result during the year and have placed the company on an improving plane with the strategies they have put in place in recent years. We are grateful for their expertise.

Part of this impressive financial result is due to growth areas that the Board and management have pursued. The contracting out of services to other lines companies has provided a good financial benefit as well as good opportunities for our local staff. Additionally, our local network in Central Hawke's Bay has grown. We are very grateful to the staff of Centralines for their commitment and work to sustain this growth.

The new financial year will bring more challenges and some great opportunities for Centralines and the wider community in Central Hawke's Bay. Technology developments and regulatory change bring both opportunities and threats. We look to our directors in the first instance to navigate this business environment and focus on protecting and growing the capital deployed in Centralines.

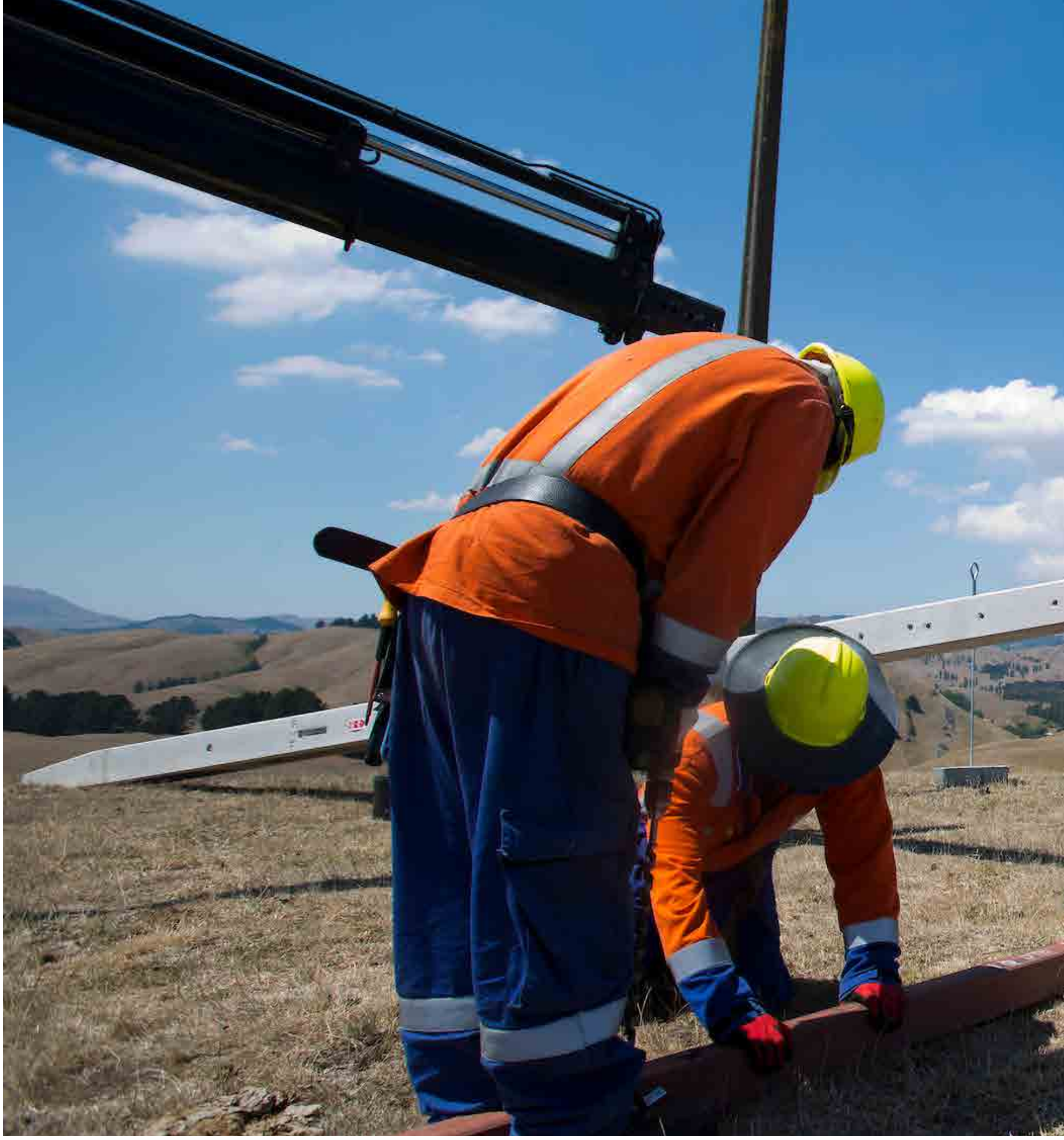
Once again, Centralines has provided the maximum allowable discount to our consumers. This totalled $1,336,000. To the average residential consumer this meant a discount in the order of $112 in June/July 2017, which is meaningful and valued by our consumer owners. To the larger users, the rebate was in the thousands of dollars, with the highest user receiving a discount of $5,500.

Also highly important to our consumers is the network reliability, which again has been outstanding. In a network with such long distances and low density of customers connected, this result is very noteworthy. We would like to acknowledge the dedication and professionalism of all the staff at Centralines for this result. In addition, it is worthwhile noting that this result is due to management's focus and the many years of investment in the lines, substations and tree maintenance. The Centralines company slogan of Our People / Our Power is valued by the Trustees and this result reinforces our commitment to our local community.

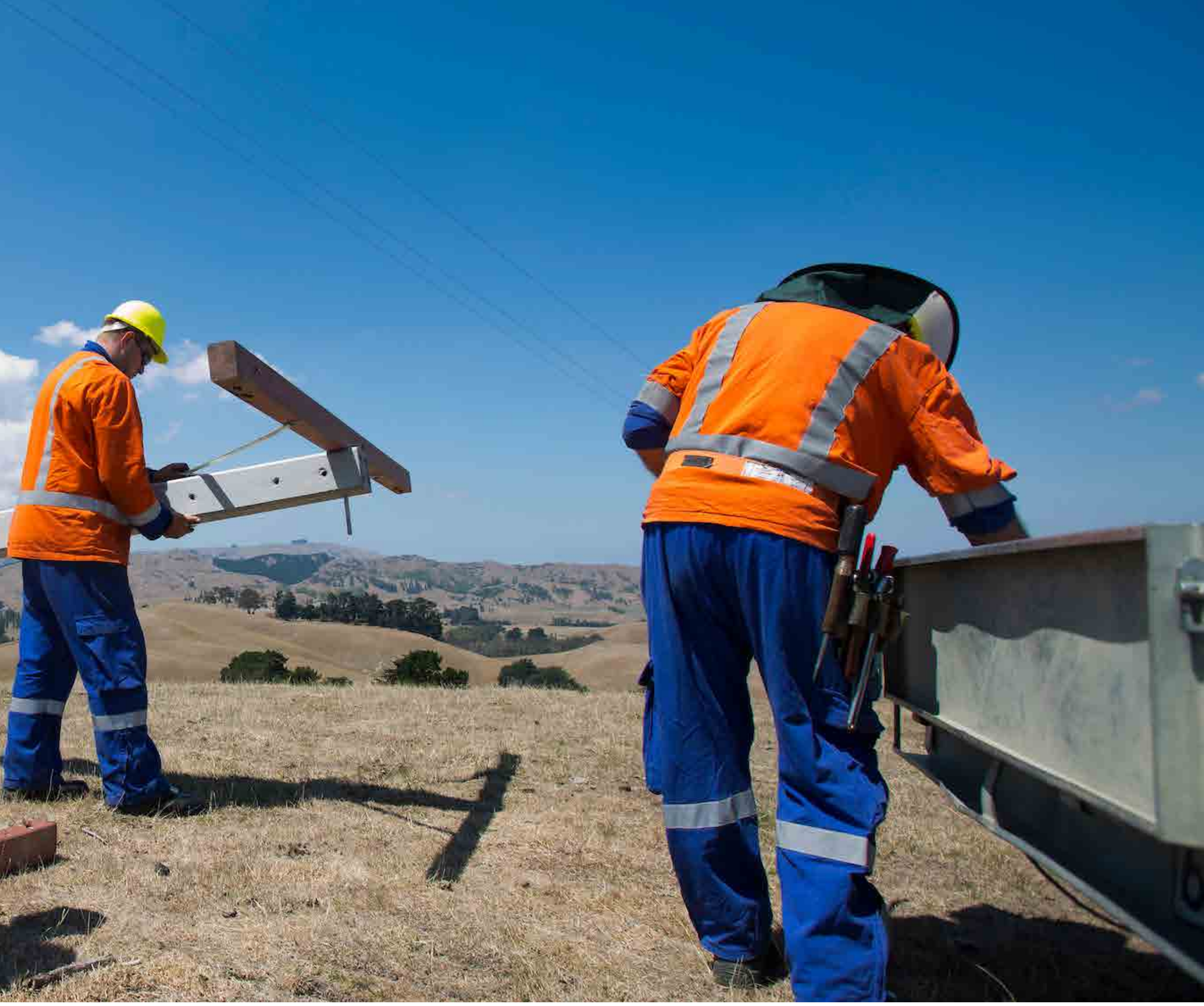
Health and Safety is paramount to the Trust. The constant monitoring of workplace risks as well as safety improvements in all workplace processes is expected.

Looking ahead we are optimistic for Centralines and believe that we have the best directors in place overseeing future challenges and opportunities.

ALISTAIR SETTER
CHAIR - CENTRAL HAWKE'S BAY CONSUMERS POWER TRUST



FINANCIAL STATEMENTS



STATEMENT OF PERFORMANCE

For the year ended 31 March 2018	2018 Corporate Intent Targets	2018 Actual	2017 Actual
Financial Measures			
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (excluding discounts) as a percentage of Average Assets Employed.	9.91%	**10.40% ***	10.59%
Net Profit After Tax (adjusted for discounts) as a percentage of Average Shareholders' Funds.	6.28%	**6.99%****	6.75%
Network Operational Costs - $ per ICP (excluding Transmission Costs and Depreciation)	$459	**$452**	$429
Network Operational Costs - $ per kilometre of line (excluding Transmission Costs and Depreciation)	$2,003	**$1,987**	$1,867
Total Planned Electricity Network Capital Expenditure ($ millions)	$2.26	**$1.67**	$1.73
Reliability Measures			
System Average Interruption Duration Index			
SAIDI represents the average number of minutes the customer was without power in any one year	119.10	**131.67**	92.07
System Average Interruption Frequency Index			
SAIFI is the average number of supply interruptions that a customer experiences in the period including maintenance but excluding transmission (Transpower)	3.52	**2.23**	1.67
Number of major faults (33kV) which result in interruptions to supply, per 100 km of line per year (as per the Electricity Distribution Information Disclosures Determination 2012)	2	**2**	2
Safety Measures			
Number of Lost Time Injuries	0	**1**	1

If a Network Revaluation had not been completed in 2018 the ratios would have been as follows:

** Pre 2018 Network Revaluation 9.96%*

*** Pre 2018 Network Revaluation 6.72%*

The above statement of performance should be read in conjunction with the accompanying notes

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018	Notes	2018 $000	2017 $000
Revenue	2	**16,101**	15,084
Transpower charges		**(3,050)**	(2,913)
Network maintenance costs		**(1,268)**	(1,388)
Discounts		**(1,336)**	(1,280)
Employee-related expenses		**(762)**	(701)
Other expenses	3	**(3,055)**	(2,213)
Earnings Before Interest, Taxes, Depreciation and Amortisation Expenses (EBITDA)		**6,630**	6,589
Depreciation and amortisation expense	5	**(2,108)**	(2,043)
Profit before income tax		**4,522**	4,546
Income tax	4	**(1,253)**	(1,273)
Profit for the year		**3,269**	3,273
Other comprehensive income:			
Items that will not be reclassified to profit or loss: Gains/(Losses) on revaluation of electricity distribution network		**(6,692)**	4,425
Deferred tax impact		**1,873**	(1,240)
		(4,819)	3,185
Items that may be subsequently reclassified to profit or loss:		**-**	-
		-	-
Other comprehensive income for the year, net of tax		**(4,819)**	3,185
Total comprehensive income for the year		**(1,550)**	6,458

The above statement of comprehensive income should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018	Share capital $000	Revaluation reserve $000	Retained earnings $000	Total equity $000
Balance as at 1 April 2017	8,000	5,675	51,677	65,352
Profit/(loss) for the year	-	-	3,269	3,269
Other comprehensive income				
Revaluation of electricity distribution network	-	(6,692)	-	(6,692)
Deferred tax on revaluation	-	1,873	-	1,873
Total comprehensive income	-	(4,819)	3,269	(1,550)
Dividends	-	-	(8,100)	(8,100)
Balance as at 31 March 2018	8,000	856	46,846	55,702

Balance as at 1 April 2016	8,000	2,490	48,504	58,994
Profit/(loss) for the year	-	-	3,273	3,273
Other comprehensive income				
Revaluation of electricity distribution network	-	4,425	-	4,425
Deferred tax on revaluation	-	(1,240)	-	(1,240)
Total comprehensive income	-	3,185	3,273	6,458
Dividends	-	-	(100)	(100)
Balance as at 31 March 2017	8,000	5,675	51,677	65,352

The above statement of changes in equity should be read in conjunction with the accompanying notes

BALANCE SHEET

As at 31 March 2018	Notes	2018 $000	2017 $000
ASSETS			
Current assets			
Cash and cash equivalents		**8,023**	2,806
Investments		**7,312**	9,302
Trade and other receivables	6	**1,708**	1,597
Inventories		**276**	220
Total current assets		**17,319**	13,925
Non-current assets			
Property, plant and equipment	5	**57,680**	64,155
Intangible assets		**79**	73
Total non-current assets		**57,759**	64,228
Total assets		**75,078**	78,153
LIABILITIES			
Current liabilities			
Trade and other payables	6	**1,564**	1,190
Current tax liabilities		**342**	438
Employee provisions		**217**	163
Dividend payable	8	**8,000**	-
		10,123	1,791
Non-current liabilities			
Employee provisions		**46**	82
Deferred tax liabilities	4	**9,207**	10,928
Total non-current liabilities		**9,253**	11,010
Total liabilities		**19,376**	12,801
Net assets		**55,702**	65,352
EQUITY			
Share capital	7	**8,000**	8,000
Reserves		**856**	5,675
Retained earnings		**46,846**	51,677
Total equity		**55,702**	65,352

For and on behalf of the Board of Directors of Centralines Limited, who authorised these financial statements presented on pages 20 to 33 for issue on 25 June 2018.

Jon Nichols - Chairman

Derek Walker - Director

The above balance sheet should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS

For the year ended 31 March 2018	2018 $000	2017 $000
Cash flows from operating activities		
Receipts from customers	15,253	14,315
Contributions for capital works	384	377
Interest received	334	257
Payments to suppliers and employees	(9,139)	(8,516)
Income taxes paid	(1,199)	(1,120)
Net cash inflow / (outflow) from operating activities	5,633	5,313
Cash flows from investing activities		
Proceeds from disposal of investments	23,025	8,544
Proceeds from disposal of property, plant and equipment	21	30
Purchase and construction of property, plant and equipment	(2,327)	(1,941)
Purchases of investments	(21,035)	(12,659)
Net cash inflow / (outflow) from investing activities	(316)	(6,026)
Cash flows from financing activities		
Payment of dividends	(100)	(100)
Net cash inflow / (outflow) from financing activities	(100)	(100)
Net increase (decrease) in cash and cash equivalents	5,217	(813)
Cash and cash equivalents at the beginning of the financial year	2,806	3,619
Cash and cash equivalents at end of year	8,023	2,806

Cash and cash equivalents

Recognition and measurement

For the purpose of presentation in the above statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term deposits, and highly liquid investment with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The above statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

1 ABOUT THIS REPORT

(a) Entity reporting

Centralines Limited is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 2 Peel Street, Waipukurau, New Zealand. It is registered under the Companies Act 1993 and is an energy company in terms of the Energy Companies Act 1992.

Centralines Limited ('the Company') provides electricity distribution and line function services to consumers and businesses, as well as fibre optic network interconnections and related services throughout the Central Hawke's Bay. The Company also provides vegetation and electrical contracting services.

Centralines Limited is 100% owned by the Central Hawke's Bay Consumers Power Trust.

(b) Basis of preparation

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Practice (GAAP). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR).

The Company is eligible and has elected to report in accordance with Tier 2 for profit accounting standards, NZ IFRS RDR on the basis that the Company has no public accountability and is not a large for profit public sector entity. The Company has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain classes of property, plant and equipment, which are adjusted to fair value through other comprehensive income.

(c) Notes to the financial statements

Information that is considered material and relevant to the users of these financial statements is included within the notes to the financial statements. The assessment of materiality and relevance includes qualitative as well as quantitative factors including the size and nature of the balance and if the balance is important in understanding the Company's current or future performance.

Other relevant accounting information not included in the notes to the accounts is included below.

(d) Changes in accounting policies and disclosures

There have been no significant changes in accounting policies during the current year. Accounting policies have been applied on a basis consistent with the prior year.

New and amended standards and interpretations

The Company applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 April 2017. The Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017/18, they did not have a material impact on the annual consolidated financial statements of the Company. The nature and the impact of each new standard or amendment is described below:

(i) Amendments to NZ IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Company applied amendments retrospectively. However, their application has no affect on the Company's financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

(e) Critical accounting judgements and estimates

The preparation of financial statements in conformity with NZ IFRS RDR requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In particular, information about significant areas of estimation and critical judgments in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are as follows:

- Valuation of electrical distribution network (note 5)

- Estimation of useful lives for depreciation (note 5)

(f) Goods and Services Tax (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

2 REVENUE

Recognition and measurement

Revenue is measured at the fair value for the consideration received or receivable, and represents amounts receivable for goods and services supplied (net of Goods and Services Tax) and rebates.

(i) Network line revenue

Sales of services are recognised in the accounting period in which the services are rendered, based upon usage or volume throughput during that period.

(ii) Contracting revenue

Revenue from contracting services is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Customer contributions

Where the Company constructs assets at its own cost and receives a cash payment from a third party as part or full payment for the development of such assets, the Group recognises the asset at the cost incurred to construct the asset and recognises the cash received as revenue.

(iv) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

	2018 $000	2017 $000
Revenue		
Network line revenue	14,400	13,522
Contracting	958	911
Customer contributions	384	377
Interest revenue	334	257
Other income	25	17
Total revenue	16,101	15,084

3 OTHER EXPENSES

Other operating expenses are recognised in the statement of comprehensive income as an expense when they are incurred.

	2018 $000	2017 $000
Other expenses		
Bad debt expense	(3)	(5)
Audit of the annual financial statements - Audit New Zealand	54	58
Regulatory audit and assurance work - Audit New Zealand	33	48
Directors' fees	161	159
Donations	1	-
Community Sponsorship	544	91
Other operating expenses	2,265	1,862
	3,055	2,213

4 TAXATION

Income tax

Income tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

	2018 $000	2017 $000
(a) Income tax expense		
Current tax on profits for the year	1,114	1,116
Deferred tax associated with timing differences	152	161
Adjustments in respect of prior years	(13)	(4)
Income tax expense	1,253	1,273
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	4,522	4,546
Income tax @ 28%	1,266	1,273
Tax effects of:		
- Income not subject to tax	-	-
- Expenses not deductible for tax purposes	-	4
Prior period current tax adjustment	(13)	(4)
Income tax expense	1,253	1,273

(c) Deferred tax liabilities

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

	2018 $000	2017 $000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**9,288**	11,001
Employee provisions	**(76)**	(67)
Other provisions	**(5)**	(6)
Total deferred tax liabilities	**9,207**	10,928
Movements:		
Opening balance	**10,928**	9,527
Deferred portion of current year tax expense	**152**	161
Amounts charged or credited direct to equity	**(1,873)**	1,240
Closing balance	**9,207**	10,928

5 PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Property, plant and equipment
Property, plant and equipment, except the electrical distribution network, is stated at historical cost less depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

The electrical distribution network is carried at fair value using a discounted cash flow model. The electrical distribution network is revalued with sufficient regularity to ensure that the carrying amount does not significantly differ from fair value at the date of the financial statements. Additions are recognised at cost and are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation
Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Electrical distribution network	0-70 years
- Fibre network	0-12 years
- Buildings	50-100 years
- Land	Indefinite
- Other Assets	
• Motor vehicles	3-15 years
• Plant and equipment	5-10 years
• Office furniture and equipment	5-15 years
• Information technology	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Impairment of assets
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

For the year ended 31 March 2018	Electrical distribution network $000	Fibre network $000	Land and buildings $000	Other assets $000	Total $000
Year ended 31 March 2017					
Opening net book amount	56,629	949	1,209	1,059	59,846
Additions	1,725	-	3	212	1,940
Disposals	-	-	-	(13)	(13)
Depreciation charge	(1,643)	(114)	(17)	(269)	(2,043)
Revaluation	4,425	-	-	-	4,425
Closing net book amount	61,136	835	1,195	989	64,155
At 31 March 2017					
Cost	313	1,345	1,262	4,110	7,030
Valuation	60,823	-	-	-	60,823
Accumulated depreciation	-	(510)	(67)	(3,121)	(3,698)
Net book amount	61,136	835	1,195	989	64,155
Year ended 31 March 2018					
Opening net book amount	**61,136**	**835**	**1,195**	**989**	**64,155**
Additions	**1,668**	**-**	**402**	**257**	**2,327**
Disposals	**-**	**-**	**-**	**(2)**	**(2)**
Revaluation	**(6,692)**	**-**	**-**	**-**	**(6,692)**
Depreciation charge	**(1,676)**	**(115)**	**(17)**	**(300)**	**(2,108)**
Closing net book amount	**54,436**	**720**	**1,580**	**944**	**57,680**
At 31 March 2018					
Cost	**412**	**1,345**	**1,664**	**4,308**	**7,729**
Valuation	**54,024**	**-**	**-**	**-**	**54,024**
Accumulated depreciation	**-**	**(625)**	**(84)**	**(3,364)**	**(4,073)**
Net book amount	**54,436**	**720**	**1,580**	**944**	**57,680**

(a) Valuations of electrical distribution network

As at the date of revaluation 31 March 2018, the electricity distribution assets fair values are based on valuations using the Discounted Cash Flow method (DCF). This DCF model is updated internally by suitably qualified employees and the basis, methodology and assumptions underpinning the valuation are independently reviewed by PricewaterhouseCoopers.

The use of fair value is considered to be the most appropriate basis of valuation because it represents the exchange value of the future economic benefits embodied in the assets.

The value in use calculation uses the following key assumptions:

- ICP growth rate: The valuation model uses the management's growth assumption (+0.5%), which management consider is a reasonable reflection of the economic and demographic situation with Centralines' network region.
- Line revenue price increase: The valuation model uses the Board approved budget as the base year for line revenue and then applies CPI as allowed under the Commerce Commission's default price quality paths for electricity distributors through to the 2020 year. From 2021 the model uses the Commerce Commission's reset model, which management have extrapolated out over the 10 years using capex and opex forecasts in the most recent Asset Management Plan.
- Centralines has previously recognised a value of deferred revenue recovery under the Commerce Commission's Default Price Path regime, by accumulating what is known as a "pass through balance" whereby certain costs, such as transmission expenses, can be recovered 100% from customers over time. Centralines had been accumulating a material pass through balance as it was not fully recovering the entire revenue allowance permitted by the Commerce Commission. The Commerce Commission has provided guidance to Centralines that it may not accumulate a pass through balance for recovery in future years. Accordingly, Centralines no longer recognises the pass through balance as creating an opportunity to earn higher revenues in future regulatory periods, which has reduced the carrying value of the network.
- The calculation assumes that there would be no significant changes to Centralines and that growth rates used are in line with long-term average market growth rates.
- A post tax discount rate of 6.5% per annum.

A sensitivity analysis of the key assumptions shows that the biggest impact on the NPV of the future cash flows for Centralines' electrical distribution network is the post tax discount rate used. An increase of 0.5% to the post tax discount rate would decrease the network's fair value by $1.7m.

(b) Capital work in progress

Capital work in progress as at 31 March 2018 of $412,074 (2017: $312,573) is included in electrical distribution network additions.

(c) Capital commitments

The value of contractual capital commitments as at 31 March 2018 is estimated at $Nil (2017: $Nil).

6 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, including credit risk and liquidity risk. The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance.

(a) Fair value estimation

The methods and assumptions used are that carrying amounts in the financial statements reflect the estimated fair value of the financial instruments including receivables, cash and cash equivalents, investments and accounts payable.

(b) Market risk

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

Financial assets and liabilities	2018 $000	2017 $000
Financial assets at fair value		
Cash and cash equivalents	8,023	2,806
Investments	7,312	9,302
Trade receivables	1,708	1,498
	17,043	13,606
Amounts charged or credited direct to equity		
Closing balance	1,564	1,190
	1,564	1,190

Note, the Company only has one classification of its financial assets, as all cash and cash equivalents and investments are classed as loans and receivables. Loans and receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate less any impairment. Amortisation or impairment losses are recognised in the profit or loss.

The range of interest rates on deposits on call were 0.10% to 0.75% (2017: 1.20% to 1.25%).

The range of interest rates on short-term bank investments were 3.40% to 3.60% (2017: 3.45% to 3.75%).

(c) Credit risk

In the normal course of its business the Company incurs credit risk from accounts receivable, bank balances and investments. There is no significant concentration of credit risk and the Company has a policy of assessing the credit risk of significant new customers and monitors the credit quality of existing customers. Counterparties to cash and investments are major banks, which are approved by the Directors under the Company's Investment Policy. The Company’s maximum credit risk exposure is as disclosed in the statement of financial position and collateral or other security is not held.

(d) Trade and other receivables

Recognition and measurement

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Provision for doubtful debts

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against ‘other expenses’ in the statement of comprehensive income.

	2018 $000	2017 $000
Trade receivables	1,648	1,498
Provision for doubtful debts	(17)	(20)
	1,631	1,478
Sundry receivables and accruals	77	119
	77	119
Total trade and other receivables	1,708	1,597

(e) Liquidity risk

Liquidity risk represents the risk that the Company may not have the financial ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis. Overall the Company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has funding in place to cover potential shortfalls.

7 SHARE CAPITAL

	2018 Shares '000	2017 Shares '000	2018 $000	2017 $000
Ordinary shares				
Fully paid (no par value)	8,000	8,000	8,000	8,000

8 RELATED PARTY TRANSACTIONS

The amounts owing to related parties are paid in accordance with the Company's normal commercial terms of trade. No related party debts have been written off or forgiven during the year. Certain directors of the Company are also directors of other companies with whom the Company transacts. All such transactions are on normal commercial terms.

(a) Key management and personnel compensation

Centralines Limited has a management contract operated by Unison Networks Limited, an electricity lines company based in Hastings. This contract provides for executive, financial and technical managerial services for Centralines Limited.

Key management includes directors of the Company, and members of the Executive Committee of Unison Networks Limited who provide key management personnel services as part of the management contract with Centralines Limited. There are no employees of the Company who are classified as key management personnel.

For the year ended 31 March 2018, the amounts incurred by Unison Networks Limited for the provision of key management personnel amounted to $124,946 (2017: $122,979).

The compensation paid or payable to Directors was $161,394 (2017: $159,305).

(b) Transactions with related parties

Related party	Nature of transactions	Relationship with company	Transaction 2018 $000	Transaction 2017 $000	Year-end 2018 $000	Year-end 2017 $000
Central Hawke's Bay Consumers Power Trust	Dividend	Parent	**8,100**	100	**8,000**	-
Unison Networks Limited	Purchases materials and management services	Key management personnel	**2,326**	2,246	**244**	268
Directors	Sale of contracting services	Director	**-**	1	**-**	-
Trustees	Sale of contracting services	Trustee	**81**	-	**40**	-
Farmlands	Retail Purchases	Directors Interest	**8**	6	**1**	-

9 COMMITMENTS

Recognition and measurement

Lease payments under operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased property, plant and equipment are expensed to the statement of comprehensive income in equal instalments over the lease term.

Note disclosure

(i) Operating lease commitments

The future aggregate minimum lease payments under non cancellable operating leases are as follows:

	2018 $000	2017 $000
No later than 1 year	**4**	6
Later than 1 year and no later than 5 years	**2**	6
Later than 5 years	**-**	-
Total	**6**	**12**

10 CONTINGENCIES

As at 31 March 2018 the Company had no contingent liabilities or assets (2017: $Nil).

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Centralines Limited's financial statements and statement of performance for the year ended 31 March 2018

The Auditor General is the auditor of Centralines Limited (the company). The Auditor General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the statement of performance of the company on his behalf.

Opinion on the financial statements and the statement of performance

We have audited:

- the financial statements of the company on pages 21 to 33, that comprise the balance sheet as at 31 March 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of performance of the company on page 20.

In our opinion:

- the financial statements of the company:
    - o present fairly, in all material respects:
    - its financial position as at 31 March 2018; and
    - its financial performance and cash flows for the year then ended; and
    - o comply with generally accepted accounting practice in New Zealand in accordance with the New Zealand Equivalents to International Financial Reporting Standards (for-profit entity Tier 2 Reduced Disclosure Regime); and
- the statement of performance of the company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 31 March 2018.

Our audit was completed on 29 June 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of performance, we comment on other information, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the statement of performance

The Board of Directors is responsible on behalf of the company for preparing the financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is also responsible on behalf of the company for preparing the statement of performance that is fairly presented.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare the financial statements and the statement of performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of performance, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992.

Responsibilities of the auditor for the audit of the financial statements and the statement of performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and the statement of performance.

For the budget information reported in the statement of performance, our procedures were limited to checking that the information agreed to the company's statement of corporate intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of performance.

As part of an audit in accordance with the Auditor General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of performance, including the disclosures, and whether the financial statements and the statement of performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 17, but does not include the financial statements and the statement of performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have carried out assurance engagements pursuant to the Electricity Distribution Information Disclosure Determination 2012 - (consolidated in 2015) and the Electricity Distribution Services Default Price-Quality Path Determination 2015. These engagements are compatible with those independence requirements.

Other than the audit and these engagements, we have no relationship with or interests in the company.

Julian Tan

Audit New Zealand

On behalf of the Auditor-General

Palmerston North, New Zealand

DIRECTORY

Registered Offices

2 Peel Street
PO Box 59
Waipukurau 4200
Phone: (06) 858 7770
Fax: (06) 858 6601
Freephone: 0800 NO POWER (0800 667 693)
www.centralines.co.nz

Directors

J Nichols (Chairman)
W Harvey
I Walker
D Walker

Chief Executive

K Sutherland

Trustees

Auditors

Audit New Zealand, on behalf of the Auditor-General
PO Box 149
Palmerston North

Bankers

ANZ Bank New Zealand Limited
Ruataniwha Street
Waipukurau

Solicitors

Gifford Devine Barristers and Solicitors
45 Ruataniwha Street
Waipukurau

CENTRALINES
LIMITED

CENTRALINES LIMITED
PO Box 59, Waipukurau   Telephone (06) 858 7770   Fax (06) 858 6601
www.centralines.co.nz