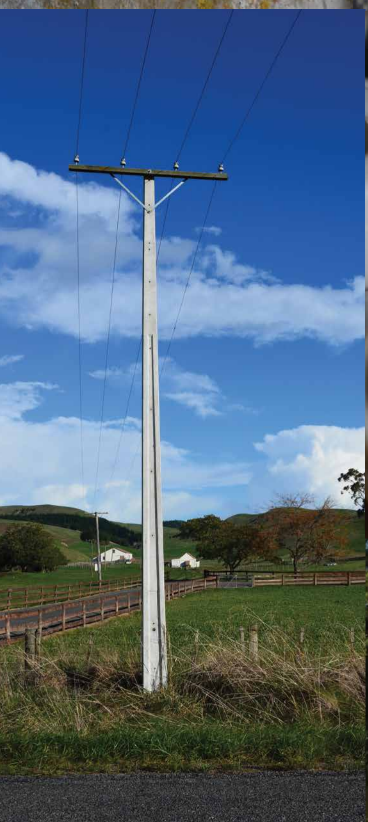
CENTRALINES
LIMITED

OUR PEOPLE OUR POWER

ANNUAL REPORT

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CHAIRMAN'S REVIEW

On top of ensuring a strong financial result for the year, we remain committed to our vision - energising the growth of Central Hawke's Bay through electricity infrastructure, and continuing to invest in initiatives to enhance the reliability of our network.

NETWORK PERFORMANCE

Our continued focus on resilience is producing tangible benefits, as evidenced by our excellent network performance during the 2014/15 year. Despite a few major outage events, including a severe windstorm in November, we delivered well within the quality of supply standards, SAIDI and SAIFI, set by the company's Statement of Corporate Intent and the Commerce Commission. This achievement can also be attributed to our ongoing robust vegetation management and overhead line maintenance programmes, which have been implemented over the past three years.

REGULATORY ENVIRONMENT

In April 2014, Centralines applied a 9% price increase - less than the maximum allowable increase of 12% as permitted by the Commerce Commission. This included the second of two permitted line charge increases for revenues under-recovered in the prior price period, as well as transmission costs.

Centralines has, over an extended number of years, capped price increases to the rate of inflation, whilst the industry has experienced cost increases well in excess of CPI. As a Board, we remain acutely aware of the impact price increases have on our customers, and therefore chose not to pass through the full allowable increase in 2014.

During the year, the Commerce Commission also made a final determination of the Default Price Path for the regulatory pricing period, 1 April 2015 to 31 March 2020, with a starting price reset and provision for prices to increase during the five-year regulatory period. This price reset will allow for a further price increase in 2015, for under-recovered revenues in prior periods, resulting in a permitted price increase of 8.7%.

Centralines has chosen to cap this increase at 5% for 2015, to moderate the immediate impact for customers. The Commerce Commission's ruling ensures network pricing is commensurate with our costs. This is essential for the long-term sustainability of the business, where the network assets can be appropriately maintained and replaced as they reach the end of their useful lives.

FINANCIAL PERFORMANCE

In the 2014/15 year, Centralines delivered another solid financial result for its shareholder.

Total Revenue	$13.4 million
Net Profit After Tax	$2.5 million
Capital Expenditure	$2.7 million
Lost Time Injuries	1

A tough, dry summer saw farmers increasingly use irrigation, whilst the colder temperatures during winter lead to increased demand from mass market. This, coupled with an increase in consumption for larger industrial customers led to a favourable profit before interest, customer discounts and tax of $4.427 million.

This is a solid result for the Company which enabled the distribution of a discount to beneficial customers totalling $1,092,000. Centralines is in a sound financial position, with a strong balance sheet, and no debt against its well maintained and reliable distribution network.

	2014-15 Regulatory Limit	2014-15 Actual Performance
SAIDI (System Average Interruption Duration Index)	**197.55** mins	**141.37** mins
SAIFI (System Average Interruption Frequency Index)	**4.215** outages	**2.401** outages

FUTURE GROWTH

We continue to build on our relationship and work alongside the Hawke's Bay Regional Investment Company as it goes through the consultation process on the proposed Ruataniwha water storage scheme. This has the potential to lead to significant growth to the network, so in a forward thinking approach we have employed a consultant to develop a proposal to optimise our network to be able to effectively support the scheme.

There is also considerable conductor growth and upgrades in the plans for the imminent future, which will significantly improve network performance.

Aligned to national trends, Centralines has experienced increased uptake of solar distributed generation across its electricity distribution network. With Unison Networks already having an active solar Research and Development programme in place, Centralines has been given the opportunity to participate in this R&D project. This involves exploring the use of solar generation and energy storage in a rural context, where consumer load profiles will differ from the urban environment, with the learnings set to provide guidance on how these technologies could be incorporated into future network operations.

ACKNOWLEDGEMENTS

This year we welcomed a new Director onto the Board, Wendie Harvey, who was appointed in July 2014. A qualified lawyer specialising in employment relations, Wendie has also spent time working for Unison Networks Limited as a member of the senior management team. This background, coupled with her experience in strategic management and human resources will be of great value to the Centralines Board, and we look forward to Wendie's contribution.

At last year's AGM, Josie Willis retired from the Board after providing outstanding service to the electricity consumers of CHB during her eight-year tenure on the board of Centralines.

As well, Josie was a foundation Trustee of the CHB Consumers' Power Trust for twelve years. Josie's strong financial and analytical skills will be greatly missed by the Board. On behalf of all consumers, we thank her very much and wish her well for the future .

From the operations team we bid farewell to Area Services Manager, Trevor Hanson, in October. Trevor joined Unison in 2003 and contributed a huge amount of value and leadership during his time. His departure was felt widely across the business.

On behalf of the Board I would like to acknowledge and thank the Trustees of the Central Hawke's Bay Consumers' Power Trust for their ongoing diligence and professional dealing with the Board.

We continue to get great value from our management partnership with Unison Networks Limited and do appreciate the strong professional support we receive from all Unison Executives and management personnel.

S A Robinson
CHAIRMAN

...we remain committed to our vision - energising the growth of Central Hawke's Bay through electricity infrastructure...

CHIEF EXECUTIVE'S REVIEW

With the wellbeing of our employees and our community always at the heart of what we do, we have continued to make great progress in improving the security and resilience of our electricity network.

OUR NETWORK

In what has been yet another busy year maintaining and improving our network, we have completed a significant programme of works, with minimal requirement for external contractors. As always, this work is all planned and scheduled to ensure our customers can continue to enjoy quality and reliability of supply.

Automation across the network remains a key focus for the business, which continues to deliver positive results in terms of faster fault detection and resolution. Customers have been enjoying the early benefits of this technology for the past year. With the integration of our Advanced Distribution Management System (ADMS) - a world leading automated network control system - planned for the coming year, these benefits will become even more significant into the future through further improvements to the security of supply.

Since 2010, we have been working hard to reduce the number of unplanned outages caused by vegetation, and this year reached a major milestone in this programme, with a record decrease. Having completed the necessary work to trim or remove trees posing a risk to powerlines, we are now embarking on a herbicide programme, to retard the regrowth of trees where powerlines are present.

OUR CUSTOMER

To support our drive in ensuring quality and reliability of supply for our customers, Centralines continues to invest heavily in developing and maintaining relationships with key stakeholders within the community.

Centralines has formed a strong working relationship with the Hawke's Bay Regional Council with regard to vegetation control along riverbanks, which is ultimately allowing us to minimise disruption to customers.

The benefits of our work have been acknowledged by customers, with nearly 90% of respondents stating they were satisified with the service provided. Overall, most respondents indicated that Centralines provides a good service and that they were quick to respond to outages and requests, highlighting the value of our continued focus on enhancing reliability of supply.

We remain committed to supporting our industrial customers and ensuring our network enables them to power their businesses effectively.

> *"We remain intrinsically linked to the community in which our team live and work. We value the strong relationships and community..."*

Centralines Faultmen at The Terrace School, teaching children about the dangers of electricity.

OUR PEOPLE

The commitment and passion demonstrated by Centralines employees continues to impress me. This was highlighted in an outage event during the year which saw everyone band together, over a weekend, to ensure power was restored as quickly and safely as possible. From the Chairman of the Board himself, to Management and Field Staff who were not rostered on to be working, an outstanding effort was demonstrated. This was testament to the strong team culture at Centralines.

Despite not maintaining our record of zero 'Lost Time Injuries' (LTIs), there was just one reported injury requiring time off work, and this was not a serious harm incident. Our employees operate in a challenging and often dangerous environment, and the favourable results we continue to see in this area are evidence of the safety focussed culture at Centralines.

Our annual Employee Engagement has shown an increase in employee satisfaction for the fifth consecutive year. In a new initiative launched during the year, we have been working to develop a new set of company values, which better represent the unique culture at Centralines.

OUR COMMUNITY

We remain intrinsically linked to the community in which our team live and work. We value the strong relationships and community networks established in our region, and actively look for opportunities to make contributions to enable various sporting and community groups to survive in our rural township.

As such, we have continued our support of the Waipukurau Community Heated Pool complex, as well as the Lowe Corporation Rescue Helicopter Trust and the CHB Technology Centre.

With Safety at the core of everything we do, the 2014/15 financial year saw Centralines introduce a School education programme. Centralines representatives have visited three CHB Schools since October 2014, teaching children about electricity and how to interact with it safely.

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, that provides a code of ethics to guide Directors and the Chief Executive in carrying out their duties and responsibilities.

The Board meets on a monthly basis during the financial year, with additional full meetings and sub-committee meetings being convened when required.

BOARD COMMITTEES

Audit & Risk Committee

Centralines has a formally constituted Audit & 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 appointment of the external auditor, audit relationship matters and fees.

The Committee will meet an 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 & 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 advisers 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.

Learning to swim at the Waipukurau Community Heated Pool complex

Sam Robinson (Centralines, Chairman), Len Gould (General Manager), Ian Walker (Centralines, Director), and Mark Boltman (Centralines, Operations Manager), on the Feeder 3 Re-conductor Project. This is designed to improve voltage levels and accommodate additional loading on the feeder by increasing the size of the conductor.

TREASURY POLICY

Exposure to treasury-related financial risks is managed in accordance with the Company's treasury policy. This policy sets out financial and treasury management objectives, specific responsibilities, limits on management authority, permissible financial instruments, counterparty credit limits and reporting and monitoring requirements.

Under the treasury policy the Board is responsible for approving all treasury and interest rate strategies and any changes to those strategies.

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.

DIRECTOR PROFILES

Sam Robinson - Chairman

Sam was appointed Chairman in 2013. He became a Director to Centralines in 2006. Sam has a hill country farm on the periphery of Centralines' Network and serves on the Board of The Co-operative Bank Limited, AgResearch Limited, the Hawke's Bay Regional Investment Company, and FAME (Food & Agribusiness Market Experience Trust). Sam was recently awarded the Bledisloe Medal from Lincoln University for advancing the interests of New Zealand.

Jon Nichols

Jon was appointed as a Director to Centralines in July 2011. 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 serves on the Boards of Port of Napier and Palmerston North Airport Limited, is an independent on the Hastings District Council Audit and Risk Committee and is a member of the Chartered Accountants Australian and New Zealand (CAANZ).

Wendie Harvey

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 and Quality Roading Services Limited (Wairoa), a Regional Board Member of Hohepa, and recently became a Commissioner on the NZ Gambling Commission.

Nick Story

Nick was appointed to the Centralines Board in July 2013. He is Chief Executive of Hawke's Bay Airport Limited. Nick brings marketing strategy, business development skills and experience to the Board.

Ian Walker

Ian was appointed as Director to Centralines in July 2013. Ian moved with his family into the district over 30 years ago as a Veterinarian for Vet Services (HB) Ltd, and has obtained a good knowledge of the geographical distribution area over the years. Ian is directly involved with a family sheep, deer and beef farm, and is also involved in several community sporting and cultural groups. Ian has been the Chief Executive of Veterinary Services (HB) Ltd for the last twelve years, with the practice being supreme "Westpac Business of the Year" for 2012. He is a Director with Kilgaren Farm Limited and Marama Farming Limited.

STATUTORY INFORMATION

For the year ended 31 March 2015

The Board of Directors present their annual report including financial statements of the Company for the year ended 31 March 2015. 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 $4.43m. The annual net profit was $2.50m after allowance for discount and tax. This compares with an operating profit in 2014 of $2.91m, a net profit of $1.48m after allowance for discount and tax.

Directors

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

S.A Robinson	(Chairman)	$52,116.84	Re-appointed 30 July 2014
J.M Willis	(Director)	$10,070.75	Retired 30 July 2014
J.E Nichols	(Director)	$29,020.96	Re-appointed 31 July 2013
N.M Story	(Director)	$27,385.48	Appointed 31 July 2013
I.H Walker	(Director)	$27,385.47	Appointed 31 July 2013
W.N Harvey	(Director)	$18,330.58	Appointed 30 July 2014

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

Dividend

There was no dividend paid for the year ended 31 March 2015.

Audit Fees

Audit fees payable to Audit New Zealand as at 31 March 2015 were $51,851(2014 $51,333).

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.

STATUTORY INFORMATION (continued)

Interests Register

Directors disclosed an interest or cessation of interest in the following entities during the year ended 31 March, 2015.

S.A Robinson

- Centralines Limited - Chairman
- Centralines Limited - Director
- Centralines Limited - Consumer (4 ICPs)
- Tourere Water Supply Limited - Consumer (1 ICP)
- S.A Robinson Family Trust - Trustee & Beneficiary
- Silver Fern Farms Limited - Shareholder
- The Co-operative Bank Limited - Director
- AgResearch Limited - Chairman
- FAME (Food & Agribusiness Market Experience Trust) - Chairman
- Hawke's Bay Regional Investment Company (Subsidiary of the HBRC) - Director
- Brownrigg Agriculture - Director

J.E Nichols

- Centralines Limited - Director
- Nichols Consulting Limited - Director
- Port of Napier Limited - Director
- New Zealand Rugby League (Mid Central Zone) – Director - ceased
- Northpower Limited - Consultant
- Palmerston North Airport Limited - Director
- Hastings District Council Audit and Risk Committee – Independent Director

W Harvey

- Centralines Limited - Director
- Excellence in Business Solutions Limited - Director
- Port of Napier - Director
- Quality Roading Services Limited - Director
- New Zealand Gambling Commission – Commissioner
- Hohepa Services Limited – Director
- Hohepa National Trust Board - Trustee

N.M Story

- Centralines Limited - Director
- Hawke's Bay Airport Limited - Chief Executive

I.H Walker

- Centralines Limited - Director
- Centralines Limited - Consumer
- Veterinary Services (HB) Limited and Associates – Managing Director
- Veterinary Services (Dannevirke) Limited - Chairman
- Kilgaren Farm Limited - Owner & Director
- Marama Farming Limited - Shareholder & Director
- Farmlands Co-operative Society Limited - Shareholder
- Ballance Agri-Nutrients Limited - Shareholder

FOR AND ON BEHALF OF THE BOARD
Sam Robinson
Chairman

TRUSTEES' STATEMENT

The Central Hawke's Bay Consumers' Power Trust is the owner of Centralines, on behalf of the Consumers in our region. As Trustees our greatest responsibility is the appointment of Directors to the Centralines Board. With the retirement of Josie Willis from the Board last year the Trust went through a robust appointment process and as a result Wendie Harvey was appointed to the board. She comes with a strong governance background and a good understanding of the sector.

Through the Statement of Corporate Intent (SCI) document we actively monitor performance. We also discuss the future strategy of the company with the board.

Financially the company has performed well, with costs being well contained and operating within budget. EBITDA was 10.06% of average assets employed, and EBIT was $3.3 million; both well up on last year. A discount of $1,092,000 was also credited to consumers during the year.

The contracting side of the business continues to struggle to meet the budgeted targets, an area for review.

Core maintenance of the network was continued; with the main areas of expenditure being overhead lines and tree trimming, to ensure less outages in storms.

The company has performance targets for ensuring minimal disruption to our consumers. We have a focus on two main ones which indicate how many interruptions we have as consumers and for how long. The targets we set the company are well below the regulatory targets and on these the company performed very well.

The lines are in good condition but we will continue to ensure tight targets are retained to keep the company focus on the key areas that have a direct impact on our consumers.

It was pleasing to see that our health and safety record remains very good and a key focus for all our staff. One Lost Time Injury was recorded. The excellent culture developed in this area by all staff is outstanding.

The Trust, with full support of the Board, is seeking to appoint a Board Observer to the Centralines Board. The intent is to upskill talented individuals in our local community so they can become "board ready" and further develop their skills in this area. It can be difficult to gain board experience without having prior experience. So we see this as another way the company can contribute to our local community.

The Trust continues to have an open and honest relationship with the Board, receiving quarterly updates and more where required. Annually, aside from the AGM we have a full Board and Trust strategy meeting to ensure we all retain a strategic focus for the company and our consumers. We remain focussed on ensuring the Company delivers reliable and cost effective electricity to our consumers. We believe this has been achieved over the last twelve months.

Sarah von Dadelszen
Chair
CHB Consumers' Power Trust

FINANCIAL STATEMENTS

Centralines' Vehicle .

STATEMENT OF PERFORMANCE

For the year ended 31 March 2015	2015 Corporate Intent Targets	2015 Actual Post Revaluation	2014 Actual
Financial Measures			
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (excluding discounts) as a percentage of Average Assets Employed.	10.23%	**10.06%***	8.03%
Net Profit after tax (adjusted for discounts) as a percentage of Average Shareholders' Funds.	5.45%	**6.12%****	3.99%
Network Operational Costs - per ICP (excluding Transmission Costs and Depreciation)	$438	**$436**	$507
Network Operational Costs - per kilometre of line (excluding Transmission Costs and Depreciation)	$2.104	**$1,887**	$2,461
Total Planned Electricity Network Capital Expenditure	$2.73m	**$2.23m**	$2.04m
Reliability Measures			
System Average Interruption Duration Index SAIDI represents the average number of minutes the customer was without power in any one year	163.00	**141.37**	163.01
The 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)	4.00	**2.40**	3.32
Number of major faults (33kV) which result in interruptions to supply, per 100km of line per year (as per the Electricity information Disclosures Requirements 2004)	2.00	**3.00**	0.00
Safety Measures			
Number of Lost Time Injuries	0	**1**	0

If a Network Revaluation had not been completed in 2015 the ratios would have been as follows

*Pre 2015 Network Revaluation 10.34%
**Pre 2015 Network Revaluation 6.33%

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2015	Notes	2015 $000	2014 $000
Revenue from continuing operations	3	**13,369**	12,369
Total revenue		**13,369**	12,369
Other expenses	4	**6,926**	7,496
Discounts		**1,092**	999
Earnings before interest, income tax, depreciation and amortisation		**5,351**	3,875
Depreciation and amortisation expense	4	**2,016**	1,966
Earnings before interest and income tax (EBIT)		**3,335**	1,909
Income tax	5	**831**	430
Profit/(loss) for the year		**2,504**	1,479

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2015	Notes	2015 $000	2014 $000
Profit/(loss) for the year		**2,504**	1,479
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on revaluation of Electricity distribution network, net of tax	10a	**2,490**	-
		2,490	-
Items that may be subsequently reclassified to profit or loss:		**-**	-
Other comprehensive income for the year, net of deferred tax		**2,490**	-
Equity at end of the year		**4,994**	1,479

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

BALANCE SHEET

As at 31 March 2015	Notes	2015 $000	2014 $000
ASSETS			
Current assets			
Cash and cash equivalents	6	**3,407**	1,728
Trade and other receivables	7	**1,425**	1,224
Inventories	8	**278**	238
Other current assets	9	**2,585**	2,363
Total current assets		**7,695**	5,553
Non-current Assets			
Property, plant and equipment	10	**59,442**	55,304
Intangible assets	11	**36**	-
Total non-current assets		**59,478**	55,304
Total Assets		**67,173**	60,857
LIABILITIES			
Current liabilities			
Trade and other payables	12	**1,092**	1,176
Current tax liabilities	5	**185**	(13)
Employee Provisions	13	**245**	208
Total current liabilities		**1,522**	1,371
Non-current Liabilities			
Employee Provisions	14	**80**	108
Deferred tax liabilities	15	**9,346**	8,147
Total non-current liabilities		**9,426**	8,255
Total Liabilities		**10,948**	9,626
Net Assets		**56,225**	51,231
EQUITY			
Contributed equity	16	**8,000**	8,000
Reserves	17	**2,490**	-
Retained earnings	17	**45,735**	43,231
Total equity		**56,225**	51,231

For and on behalf of the Board.

Sam Robinson - Director Jon Nichols - Director Date: 26 June 2015

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015	Notes	Share capital $000	Reserves $000	Retained earnings $000	Total equity $000
Balance as at 1 April 2014		8,000	-	43,231	51,231
Comprehensive income					
Profit/(loss) for the year		-	-	2,504	2,504
Gain on the revaluation of Electricity distribution network		-	2,490	-	2,490
Total comprehensive income		-	2,490	2,504	4,994
Dividends	17	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-
Balance as at 31 March 2015		8,000	2,490	45,735	56,225

	Notes	Share capital $000	Reserves $000	Retained earnings $000	Total equity $000
Balance as at 1 April 2013		8,000	-	42,012	50,012
Comprehensive income					
Profit/(loss) for the year		-	-	1,479	1,479
Gain on the revaluation of Electricity distribution network		-	-	-	-
Total comprehensive income		-	-	1,479	1,479
Dividends	17	-	-	(260)	(260)
Total contributions by and distributions to owners		-	-	(260)	(260)
Balance as at 31 March 2014		8,000	-	43,231	51,231

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

STATEMENT OF CASH FLOWS

For the year ended 31 March 2015	Notes	2015 $000	2014 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		**12,580**	11,835
Contributions for capital works		**366**	338
Tax refunds		**8**	59
Interest received		**201**	128
		13,155	12,360
Cash was disbursed to:			
Payments to suppliers and employees		**(7,852)**	(9,081)
Income taxes paid		**(411)**	(465)
		(8,263)	(9,546)
Net cash flows from operating activities		**4,892**	2,814
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from disposal of investments		**2,363**	984
Proceeds from disposal of property, plant and equipment		**36**	73
		2,399	1,057
Cash was applied to:			
Purchase of investments		**(2,585)**	-
Purchase and construction of property, plant and equipment		**(3,027)**	(3,085)
		(5,612)	(3,085)
Net cash flows from investing activities		**(3,213)**	(2,028)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was applied to:			
Payment of dividends		**-**	(260)
Net cash flow from financing activities		**-**	(260)
Net (decrease) increase in cash held		**1,679**	526
Cash balances at beginning of year		**1,728**	1,202
Cash balances at end of year		**3,407**	1,728

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

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

The Company 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.

These financial statements have been approved for issue by the Company's Board of Directors on 26 June 2015.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP').

NZIFRS - Reduced Disclosure Regime

The Company has early adopted External Reporting Board Standard A1 'Accounting Standards Framework (For-profit Entities Update)' ('XRB A1'). For the purposes of complying with NZ GAAP, the Company is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have 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 accounts have been prepared on a going concern basis.

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

The financial statements presented are for Centralines Limited.

The Company is designated as a profit-oriented entity for financial reporting purposes.

Statutory base
The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000).

Application of NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards

These financial statements are the first Centralines Limited financial statements to be prepared in accordance with NZ IFRS. NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

The Financial statements of Centralines Limited until 31 March 2014 had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain respects from NZ IFRS. When preparing Centralines Limited 2015 financial statements, management has amended certain accounting and valuation methods applied in the NZ FRS financial statements to comply with NZ IFRS. The comparative figures in respect of 2014 were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from previous NZ FRS to NZ IFRS on the Company's equity and its net income are given in note 22.

NZ IAS 16 Property Plant and Equipment - For electricity distribution network assets, and land and buildings Centralines has elected to use its 31 March 2013 revaluation amounts as its deemed cost and has applied NZ IAS 1 prospectively from this date.

Historical cost convention
These 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.

New standards first applied in the period
The Company has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Company is eligible and has elected to report in accordance with Tier 2 For-profit Accounting Standards (NZ IFRS RDR). In adopting NZ IFRS RDR, the Company has taken advantage of a number of disclosure concessions. There were no other impacts on the current or prior year financial statements of the Company's transition to NZ IFRS RDR.

Critical accounting 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.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Directors believe that, as at the date of these financial statements, there are no significant sources of estimation uncertainty that have not been disclosed in these notes.

Accounting judgements are made in respect of the determination of useful lives of Property, Plant and Equipment and the impact of tax rate changes on deferred tax balances.

2.2 Goods and Services Tax (GST)

The statement of financial performance 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.

2.3 Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of the Company is measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in New Zealand dollars ($), which is the Company's presentation currency.

(ii) Transactions and balances
Transactions in foreign currencies are translated at the New Zealand rate of exchange at the date of the transaction. At balance date foreign monetary assets and liabilities not hedged by foreign currency derivative instruments are translated at the closing rate, and exchange variances arising included in the statement of financial performance.

2.4 Property, plant and equipment

Electrical Distribution Network
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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The electrical distribution network is revalued with sufficient regularity to ensure that the carrying amount does not significantly differ from that which would be determined using fair value at the date of the financial statements using a discounted cash flow model.

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 and Buildings
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 possible 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 financial performance during the financial period in which they are incurred.

Self Constructed Assets
The cost of self constructed assets includes the cost of all materials used on construction, direct labour on the project, costs of obtaining Resource Management Act consents, financing costs that are directly attributable to the project and an approriate proportion of variable and fixed overhead. Costs cease to be capitalised as soon as the assets are ready for productive use and do not include any inefficiency costs.

Other Property, Plant and Equipment
All other property, plant and equipment 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 income statement during the financial period in which they are incurred.

Assets under construction
The cost of assets under construction includes direct materials, labour and an allocation of overheads that directly relate to the work performed.

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.

On disposal of an item of property, plant or equipment, any revaluation surplus in respect of that class of asset is transferred to retained earnings.

Depreciation
Depreciation is provided on a straight line basis on all tangible items or property, plant and equipment at rates calculated to allocate the assets' cost or valuation less any residual value, over their estimated useful life.

Electrical distribution network	0 - 70 years
Fibre Network	0 - 12 years
Other Property, Plant and Equipment	
Freehold buildings	50 - 100 years
Land	Indefinite
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.

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 (note 2.7).

2.5 Intangible assets

(i) Computer software
Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Software development costs recognised as assets are amortised using the straight line method over their estimated useful lives (not exceeding three years).

(ii) Easements
Easements are not cash generating in nature as they give the Company the right to access private property where network assets are located. Easements are initially recorded at cost plus the cost of registering the easement and any other directly attributable costs of preparing the easement for its intended use. Easements with a definite life are amortised over that period.

2.6 Investments and other financial assets

Classification
The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (notes 7 and 8).

(iii) Held to maturity investments
Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

(iv) Available for sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of financial performance. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of financial performance within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of financial performance as part of other income when the Company's right to receive payments is established.

2.6 Investments and other financial assets (continued)

Impairment of financial assets

(i) Assets carried at amortised cost
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of financial performance. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of financial performance.

(ii) Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria referred to in (i) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the statement of financial performance on equity instruments are not reversed through the statement of financial performance. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of financial performance.

2.7 Impairment of non-financial assets

The carrying amount of the Company's assets, other than inventories and derivative financial instruments, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of assets is estimated to determine the extent of any impairment loss. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Income Statement except impairment losses on revalued assets are first taken to the revaluation reserve if there is a surplus in respect of that asset.

Irrespective of any indications of impairment, goodwill acquired in a business combination and intangible assets that have an indefinite useful life are tested annually for impairment.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Non financial assets other than goodwill which have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

2.9 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance on a straight-line basis over the period of the lease.

2.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. The write down from cost to net realisable value is recognised in the statement of financial performance in the period when the write down occurs.

2.11 Trade and other receivables

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.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance within 'other expenses'. 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 financial performance.

2.12 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period which are unpaid, and are initially measured at fair value, net of any transaction costs. These are subsequently measured at amortised cost using the effective interest rate method. The amounts are unsecured and are usually paid within 30 to 60 days of recognition.

Trade payables are recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a realisable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of financial performance.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of financial performance.

2.14 Employee benefits

(i) Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date based on net present value. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(ii) Bonus plans

The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in employee provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

2.15 Interest bearing liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the financial position date.

2.16 Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of financial performance, 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.

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.

2.17 Contributed Equity

Ordinary shares are classified as equity.

2.18 Dividends

The Company recognises a liability to make a distribution to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per company law in New Zealand, a distribution is authorised when it is approved by the Directors. A corresponding amount is recognised in equity.

2.19 Revenue recognition

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

Revenue is recognised as follows:

(i) Sales of goods
Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- The Company has transferred to the buyer the significant risk and rewards of ownership of the goods;
- The amount of revenue can be measured reliably;
- It is probable the economic benefits with the transaction will flow to the entity; and
- The costs incurred in respect of the transaction can be measured reliably.

(ii) Capital 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 Company recognises the asset at the cost incurred to construct the asset and recognises the cash received as revenue.

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

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

3 Revenue

	2015 $000	2014 $000
From continuing operations		
Sales revenue		
Network line revenue	12,260	11,228
Contracting	504	603
Customer contributions	366	338
Interest revenue	201	128
Other Income	38	72
	13,369	12,369

4 Operating Expenditure

	2015 $000	2014 $000
Other expenses from ordinary activities		
Audit New Zealand - audit services	52	51
Audit New Zealand - regulatory disclosures	68	20
Audit New Zealand - other audits	-	22
Directors fees	164	151
Bad debt expense	2	3
Increase/(decrease) for impairment of receivables	(2)	9
Donations	1	1
Transpower charges	2,800	2,697
Maintenance costs	1,656	2,182
Employee related expenses	519	622
Other operating expenses	1,666	1,738
	6,926	7,496
Depreciation		
Electrical distribution system	1,580	1,540
GIS	-	30
Plant and equipment	79	74
Buildings	17	16
Office equipment	23	25
Motor vehicles	222	188
Fibre network	95	93
	2,016	1,966

5 Income tax

	2015 $000	2014 $000
(a) Income tax expense		
Current tax	**601**	281
Deferred tax associated with timing differences	**230**	149
Prior period current tax adjustment	**-**	-
Income tax expense	**831**	430
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	**3,335**	1,909
Prima facie tax at 28% (2014: 28%)	**934**	535
Tax effect of a change in tax rates	**-**	-
Tax effects of:		
Permanent differences	**-**	-
• Income not subject to tax	**(103)**	(106)
• Expenses not deductible for tax purposes	**-**	1
Prior period current tax adjustment	**-**	-
	831	430
Income tax expense	**831**	430
(c) Taxation payable/(refund)		
Opening balance	**(13)**	112
Current year taxation expense/(benefit)	**601**	281
Taxation paid	**(411)**	(463)
Taxation refund received	**8**	57
	185	(13)

6 Current assets - Cash and cash equivalents

	2015 $000	2014 $000
Cash at bank and in hand	**551**	76
Deposits at call	**2,856**	1,652
	3,407	1,728

(a) Deposits at call

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.

The range of interest rates on deposits on call were 2.75% - 3.25% (31 March 2014: 3.0% - 5.20%).

7 Current assets Trade and other receivables

	2015 $000	2014 $000
Net trade receivables		
Trade receivables	1,399	1,210
Provision for doubtful receivables	(16)	(18)
	1,383	1,192
Net other receivables		
Sundry Receivables and Accuals	42	32
	42	32
	1,425	1,224

There are no company trade receivables classified as held for sale (31 March 2014: nil). The Company does not hold any collateral in respect of the balances above.

The average credit period on sales of goods and services is 30 days. Interest may be charged on overdue trade receivables at 5% above the Centralines overdraft facility interest rate. The Company has provided fully for all receivables over 90 days because historical experience is such that receivables that are past due beyond 90 days are generally not recoverable.

Before accepting any significant customers, the Company uses an external credit scoring system to assess the potential customer's credit quality. Credit limits are defined by key Company trade receivable categories.

Included in the trade receivable balance are debtors with a carrying amount of nil (31 March 2014: nil) which are past due at the reporting date for which the Company has not been provided for as there has not been a significant change in credit quality, and the amounts are still considered recoverable. The Company does not hold any collateral over these balances.

(a) Impaired receivables

Movements on the provision for impairment of trade receivables are as follows:

	2015 $000	2014 $000
Opening balance	(18)	(9)
Provision for impairment recognised during the year	2	-
Receivables written off during the year as uncollectible	-	(9)
Amounts recovered during the year.	-	-
Closing balance	(16)	(18)

(b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Company does not hold any collateral as security.

8 Current assets - Inventories

	2015 $000	2014 $000
Production supplies at cost	273	237
Work in progress at cost	5	1
	278	238

No inventories are pledged as security for liabilities (2014:nil).

9 Current assets - Investments

	2015 $000	2014 $000
Short term deposits held with registered banks	2,585	2,363
	2,585	2,363

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.

Short term bank investments were 4.47% - 4.78% (31 March 2014 3.0% - 5.20%).

10 Non-current assets - Property, plant and equipment

	Electrical distribution network $'000	Fibre network $'000	Freehold buildings $'000	Freehold land $'000	Plant and equipment $'000	Motor vehicles $'000	Office and computer equipment $'000	Total $'000
Year ended 31 March 2014								
Opening net book amount	51,585	981	682	495	172	574	126	54,615
Additions	2,024	22	50	-	81	473	5	2,655
Disposals	-	-	-	-	-	-	-	-
Depreciation charge	(1,540)	(93)	(16)	-	(74)	(188)	(55)	(1,966)
Revaluation	-	-	-	-	-	-	-	-
Closing net book amount	52,069	910	716	495	179	859	76	55,304
At 31 March 2014								
Cost	2,073	1,115	732	495	708	1,870	965	7,958
Valuation	51,536	-	-	-	-	-	-	51,536
Accumulated depreciation	(1,540)	(205)	(16)	-	(529)	(1,011)	(889)	(4,190)
Net book amount	52,069	910	716	495	179	859	76	55,304
Year ended 31 March 2015								
Opening net book amount	52,069	910	716	495	179	859	76	55,304
Additions	2,228	-	31	-	27	404	5	2,695
Disposals	-	-	-	-	-	-	-	-
Depreciation charge (note 4)	(1,580)	(95)	(17)	-	(79)	(222)	(23)	(2,016)
Revaluation	3,459	-	-	-	-	-	-	3,459
Closing net book amount	56,176	815	730	495	127	1,041	58	59,442
At 31 March 2015								
Cost	93	1,115	762	495	736	2,177	969	6,347
Valuation	56,083	-	-	-	-	-	-	56,083
Accumulated depreciation	-	(300)	(32)	-	(609)	(1,136)	(911)	(2,988)
Net book amount	56,176	815	730	495	127	1,041	58	59,442

(a) Valuations of Electrical distribution network

As at the date of revaluation 31 March 2015, the Distribution assets fair values are based on valuations using the Discounted Cashflow 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.

Significant unobservable valuation inputs:

- WACC
- annual real price increases for 2015-2020 Default PricePath period
- projected growth rate for 2015-2020 Default PricePath period
- long term real growth rates

11 Non current assets - Intangible assets

	Easements $'000	Total $'000
Year ended 31 March 2014		
Opening net book amount	-	-
Additions	-	-
Amortisation charge	-	-
Closing net book amount	-	-
At 31 March 2014		
Cost	-	-
Valuation	-	-
Accumulated amortisation and impairment	-	-
Net book amount	-	-
Year ended 31 March 2015		
Opening net book amount	-	-
Additions	36	36
Amortisation charge	-	-
Closing net book amount	36	36
At 31 March 2015		
Cost	36	36
Valuation	-	-
Accumulated amortisation and impairment	-	-
Net book amount	36	36

12 Current liabilities - Trade and other payables

	2015 $000	2014 $000
Trade creditors	824	946
Sundry creditors and accruals	268	230
	1,092	1,176

13 Current liabilities - Employee provisions

	2015 $000	2014 $000
Accrued wages	68	67
Annual leave	138	136
Sick leave	9	5
Retirement gratuities	30	-
	245	208

14 Non current liabilities - Employee provisions

	2015 $000	2014 $000
Retirement gratuities	**80**	108
	80	108

15 Non current liabilities - Deferred tax liabilities

	2015 $000	2014 $000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**9,427**	8,226
Employee provisions	**(77)**	(74)
Other provisions	**(4)**	(5)
Net deferred tax liabilities	**9,346**	8,147

The gross movement on the deferred income tax account is as follows:

	Balance 1 April 2013 $'000	Recognised in income $'000	Recognised in other comprehencive income $'000	Balance 31 March 2014 $'000
Property, plant & equipment	8,070	156	-	8,226
Employee provisions	(67)	(7)	-	(74)
Other provisions	(5)	-	-	(5)
	7,998	149	-	8,147

	Balance 1 April 2014 $'000	Recognised in income $'000	Recognised in other comprehencive income $'000	Balance 31 March 2015 $'000
Property, plant & equipment	8,226	232	969	9,427
Employee provisions	(74)	(3)	-	(77)
Other provisions	(5)	1	-	(4)
	8,147	230	969	9,346

16 Contributed equity

	2015 $000	2014 $000
Issued and fully paid (no par value)	**8,000**	8,000

17 Reserves and retained earnings

	2015 $000	2014 $000
(a) Reserves		
Asset revaluation reserve	**2,490**	-
	2,490	-
Movements:		
Asset revaluation reserve		
Opening balance		
Revaluation Electricity distribution network	**3,459**	-
Deferred Tax	**(969)**	-
Closing balance	**2,490**	-

(b) Nature and purpose of reserves

(i) Asset revaluation reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non current assets, as described in note 2.4.

(c) Retained earnings

Movements in retained earnings were as follows:

	2015 $000	2014 $000
Opening balance	**43,231**	42,012
Profit/(loss) for the year	**2,504**	1,479
Dividend paid	**-**	(260)
Closing balance	**45,735**	43,231

18 Contingencies

As at 31 March 2015 the Company had no contingent liabilities or assets (2014: $Nil).

19 Commitments

(a) Capital commitments
The value of contractual capital commitments as at 31 March 2015 is estimated at $Nil (2014: $Nil).

(b) Operating lease commitments
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 financial performance in equal instalments over the lease term.

The future aggregate minimum lease payments under non cancellable operating leases are as follows:	2015 $000	2014 $000
No later than 1 year	**8**	8
Later than 1 year and no later than 5 years	**9**	17
Later than 5 years	**-**	-
Total	**17**	25

20 Related party transactions

(a) Company Structure
Central Hawkes Bay Consumers' Power Trust owns all of the issued capital of Centralines Limited.

Related parties include:

- Central Hawkes Bay Consumers' Power Trust
- Directors of Centralines Limited
- Unison Networks Limited

(b) 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.

The compensation paid or payable to Directors is $164,310 (2014: $151,123).

(i) Other transactions and balances
The brother of Mr N Story, a director, is an employee of Gifford Devine Barristers and Solicitors. Centralines Limited has utilised the services of Gifford Devine during the year. The legal services provided by Gifford Devine to Centralines Limited are on normal commercial terms and conditions.

Aggregate amounts of each of the above types of transactions:	2015 $000	2014 $000
Legal fees	5	-
	5	-

Aggregate amounts payable in cash at balance date relating to the above types of transactions:	2015 $000	2014 $000
Legal fees	2	-
	2	-

20 Related party transactions (continued)

(c) Transactions with related parties

The following transactions occurred with related parties::

	2015 $000	2014 $000
(i) Sales of goods and services:		
• Directors and Trustees	3	20
Total	3	20

Directors' and Trustees' transactions with the Company are made under normal terms and conditions of supply and sale. No discounts on electrical contracting were given durng the year.

	2015 $000	2014 $000
(ii) Purchases of goods and services		
• Entity controlled by key management personnel	2,209	2,357
Total	2,209	2,357

Centralines purchases materials for the construction and maintenance of its electrical distribution network, and management services from an entity controlled by key management personnel.

(d) Outstanding balances

As at 31 March 2015 no amount was receivable from any related party (2014: Nil).

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2015 $000	2014 $000
Current receivables (sales of goods and services)		
• Directors	-	-
	-	-
Current payables (purchases of goods)		
• Entity controlled by key management personnel	145	148
	145	148

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

21 Events occuring after the reporting period

There were no events occurring subsequent to balance date which require adjustment to or disclosure in the financial statements.

22 Explanation of transition to New Zealand equivalents to IFRSs

(1) Reconciliation of equity reported under previous New Zealand Generally Accepted Accounting Principles (NZ FRS) to equity under New Zealand equivalents to IFRSs (NZ IFRS)

(a) At the date of transition to NZ IFRS: 1 April 2013	Notes	Previous NZ FRS $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
Assets				
Current assets				
Cash and cash equivalents		1,202	-	1,202
Trade and other receivables		1,230	-	1,230
Inventories		229	-	229
Investments		3,347	-	3,347
Total current assets		6,008	-	6,008
Non current assets				
Property, plant and equipment		54,615	-	54,615
Intangible assets		-	-	-
Total assets		60,623	-	60,623
Liabilities				
Current liabilities				
Trade and other payables		2,206	-	2,206
Employee benefits	(c)	184	4	188
Current tax liabilities		112	-	112
Total current liabilities		2,502	4	2,506
Non current liabilities				
Employee benefits		104	-	104
Deferred tax liabilities	(d)	-	7,998	7,998
Total non current liabilities		104	7,998	8,102
Total liabilities		2,606	8,002	10,608
Net assets		58,017	(8,002)	50,015
Equity				
Contributed equity		8,000	-	8,000
Reserves	(b)	29,568	(29,568)	-
Retained earnings	(e)	20,449	21,566	42,015
Total equity		58,017	(8,002)	50,015

22 Explanation of transition to New Zealand equivalents to IFRSs (continued)

(b) At the end of the last reporting period under previous NZFRS:	Notes	Previous NZ FRS $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
Assets				
Current assets				
Cash and cash equivalents		1,028	700	1,728
Trade and other receivables		1,226	(2)	1,224
Inventories		238	-	238
Taxation refund		9	(9)	-
Investments		3,063	(700)	2,363
Total current assets		5,564	(11)	5,553
Property, plant and equipment		55,305	(1)	55,304
Total assets		60,869	(12)	60,857
Liabilities				
Trade and other payables		1,176	-	1,176
Current tax liabilities		-	(13)	(13)
Employee benefits	(c)	203	5	208
Total current liabilities		1,379	(8)	1,371
Non current liabilities				
Deferred tax liabilities	(d)	-	8,147	8,147
Employee benefits		108	-	108
Total non current liabilities		108	8,147	8,255
Total liabilities		1,487	8,139	9,626
Net assets		59,382	(8,151)	51,231
Equity				
Contributed equity		8,000	-	8,000
Reserves	(b)	29,568	(29,568)	-
Retained earnings	(e)	21,814	21,417	43,231
Total equity		59,382	(8,151)	51,231

22 Explanation of transition to New Zealand equivalents to IFRSs (continued)

Reconciliation of profit for 31 March 2014	Previous NZ FRS $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
Revenue	12,369	-	12,369
Discounts	(999)	-	(999)
Depreciation and amortisation expense	(1,966)	-	(1,966)
Other expenses	(7,495)	-	(7,495)
Profit before income tax	1,909	**-**	1,909
Income tax	(285)	(145)	(430)
Profit for the year	1,624	(145)	1,479

(2) Notes to the reconciliations

(a) Property, plant and equipment

	2014 $000	2013 $000
Valuation of Electrical Distribution Network assets and land and buildings on adoption - NZ IFRS 1 election to use revalued amount as deemed cost going forward	**29,568**	29,568
	29,568	29,568

(b) Revaluation Reserve

As a result of the use of fair value as deemed cost (refer to (a) above) the amount in the revaluation reserve represented by these assets has been transferred to retained earnings.

	2014 $000	2013 $000
Opening reserve balance	**29,568**	29,568
Asset revaluation reserves transferred to retained earnings	**(29,568)**	(29,568)
	-	-

(c) Employee benefits

	2014 $000	2013 $000
Sick Leave	**5**	4
	5	4

Due to the adoption of NZ IAS 19 Employee Benefits, the adjustments for sick leave generated a $5,309 sick leave provision (2013: 3,793).

22 Explanation of transition to New Zealand equivalents to IFRSs (continued)

(d) Deferred tax liability

Under previous NZ FRS (SSAP 12) deferred tax liability was not recognised because Centralines opted to apply the partial basis. As a result, a deferred tax liability was only required to be disclosed as a note. The application of NZ IAS 12 Income Taxes does not permit the use of the partial basis, and therefore requires the recognition of all deferred tax liabilities. The deferred tax liability under NZ IAS 12 is larger than the figure calculated under SSAP 12 because NZ IAS 12 calculates the deferred tax liability in relation to Property Plant and Equipment on a use basis, rather than a sale basis.

The effects on the deferred tax liability of the adoption of NZ IFRS are as follows (tax rate of 28%):	2014 $000	2013 $000
Property, plant and equipment	**8,226**	8,070
Doubtful debts	**(5)**	(5)
Holiday pay	**(39)**	(35)
ACC provision	**(4)**	(4)
Retirement provision	**(30)**	(28)
Sick leave provision	**(1)**	-
Increase in deferred tax liability	**8,147**	7,998

Under NZ IFRS, deferred tax will be calculated using the balance sheet approach rather than the tax effect income statement approach currently used.

NZ IFRS recognises a deferred tax liabiltiy on revaluations of property, plant and equipment above tax cost whereas NZ GAAP does not. Property, plant and equipment revaluations are the primary reason for the deferred tax liability.

(e) Retained earnings

Retained earnings has increased as a result of the IFRS adjustments. The driver of the net increase in retained earnings is the reduction in the asset revaluation reserve.

	2014 $000	2013 $000
Asset revaluation reserves transferred to retained earnings	**29,568**	29,568
Deferred tax liability recognised	**(8,147)**	(7,998)
Sick leave provision	**(5)**	(4)
Current year tax adjustment	**4**	-
Other adjustments	**(3)**	-
Total adjustment	**21,417**	21,566

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 2015

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 her behalf.

Opinion on the financial statements and the statement of performance

We have audited:

- the financial statements of the company on pages 17 to 42, that comprise the balance sheet as at 31 March 2015, the statement of financial performance, 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 16.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2015; and
    - its financial performance and cash flows for the year then ended; and
  - have been prepared in accordance with the applicable financial reporting framework.
- 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 2015; and
  - has been prepared in accordance with generally accepted accounting practice.

Our audit was completed on 26 June 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the statement of performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the statement of performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the statement of performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the statement of performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and statement of performance 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements and in the statement of performance; and
- the overall presentation of the financial statements and the statement of performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the statement of performance. Also we did not evaluate the security and controls over the electronic publication of the financial statements and the statement of performance.

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

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements and a statement of performance for the company, in accordance with the applicable financial reporting framework and generally accepted accounting practice.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and the statement of performance, whether in printed or electronic form.

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

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the statement of performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 45(1) of the Energy Companies Act 1992.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out the following engagements which are compatible with those independence requirements:

- an assurance engagement with respect to the company's compliance in connection with to the issuing of certificates pursuant to the Electricity Distribution (Information Disclosure) Requirements 2012 for the regulatory period ended 31 March 2014;
- an agreed upon procedures engagement for the company in connection with the Price 2014/2015 and Quantity 2013/14 disclosure schedule for the assessment period ending 31 March 2016;
- an assurance engagement in connection with the information request prepared by the company in accordance with the Commerce Commission's requirements issued by notice in writing to the company under section 53ZD of the Commerce Act 1986 on 13 August 2014; and
- an assurance engagement for the company in respect of the compliance statement in connection with the default price-quality path prepared under the Electricity Distribution Services Default Price Quality Path Determination 2012 NZCC 35 for the year ended 31 March 2015.

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

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W Harvey
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N Story
I Walker

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Ken Sutherland

Operations Manager

Mark Boltman

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A Mabin
A Setter
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