YEAR IN REVIEW

CENTRALINES ANNUAL REPORT 2016

CENTRALINES
LIMITED

- ***Cover Image:*** *Centralines educated over 100 primary school children in electricity safety during 2015/16.*
- *Centralines' overhead to underground conversion project at Pourerere Beach.*

CONTENTS

CHAIRMAN'S & CHIEF EXECUTIVE'S ANNUAL REVIEW

NETWORK PERFORMANCE

It has been another great year for Centralines, with the network delivering its best performance yet, ensuring our customers continued to enjoy a high quality, reliable electricity supply.

We are proud that our work continues to power our district's economic wellbeing, as well as enabling our customers to enjoy the home comforts and business resilience electricity offers.

Whilst weather conditions were kind to our network over the past year, the reduction in outage frequency and duration can also be attributed to Centralines' continued commitment to its vegetation management programme, and ongoing investment in maintaining its overhead line network.

The reliability figures for the year showcase the quality of our electricity supply - which is superior to most New Zealand rural electricity networks and many other larger, mainly urban, networks.

On average, customers had power for 99.99 percent of the time over the financial year, and our network reliability has gone from strength to strength. Over the past decade we have halved the impact of faults for customers.

OUR PEOPLE

We are proud of our dedicated and highly-skilled team at Centralines, both out in the field and in the office. It is their steadfast dedication to Centralines over this past year that has ensured we have delivered a strong performance – both financially and in terms of network quality and reliability.

Health and safety remains our top priority and for the period under review the Company suffered one lost-time injury. Both the Board and management remain committed to ensuring all employees and associated stakeholders have the tools and training to perform their roles safely, in a culture where safety is integral to our everyday actions and behaviours. Recent changes to health and safety legislation and regulation help strengthen this resolve.

OUR COMMUNITY

At Centralines, we know support for our customers must extend beyond ensuring the network meets their electricity needs, to powering a vibrant district through supporting sports, arts and community services.

In 2015/2016, Centralines contributed to 51 organisations through donations or sponsorship, adding to the wellbeing and strength of our rural community.

This was in addition to continued support of key services such as the Hawke's Bay Rescue Helicopter Trust and the Waipukurau Community Heated Pool complex.

	2015/16 Regulatory Limit	2015/16 Actual Performance
SAIDI (System Average Interruption Duration Index)	**139.35** mins	**72.67** mins
SAIFI (System Average Interruption Frequency Index)	**4.203** outages	**1.41** outages

Centralines is a proud sponsor of the Waipukurau Community Heated Pool complex.

We are proud that our work continues to power our district's economic wellbeing...

Jon Nichols, Chairman

FINANCIAL PERFORMANCE

The 2015/16 year has seen Centralines deliver another solid financial result for its shareholder, the Central Hawkes Bay Consumers Power Trust.

Total revenue was favourable, largely due to line revenue, at $393,000 ahead of budget. Stringent cost management also contributed to a Net Profit After Tax of $2.87 million.

Centralines is in a sound financial position, with a strong balance sheet and a well maintained and reliable distribution network.

	2015/16	2014/15
Total Revenue	**$14.06m**	**$13.37m**
EBITDA[1]	**$7.39m**	**$6.44m**
NPAT	**$2.87m**	**$2.50m**
Planned Network Capital Expenditure	**$2.06m**	**$2.23m**
Total Discount Paid	**$1.21m**	**$1.09m**

[1] Earnings before interest, tax, depreciation, amortisation and customer discounts

REGULATORY ENVIRONMENT

The regulatory environment administered by the Electricity Authority and Commerce Commission continues to impact in a number of areas across Centralines' business.

In 2015, the Commerce Commission commenced a review of the 'Input Methodologies' (IMs), which is due for completion by the end of 2016. These IMs are the rules that determine how the Company's costs are recovered through regulated lines charges. This review, mandated by legislation, is intended to assess whether the IMs are achieving their purpose of delivering long-term benefits to consumers, whilst ensuring lines companies are encouraged to invest, innovate and deliver the services that consumers want.

The Electricity Authority is currently looking at three key areas relating to the electricity industry. These are:

- the cost recovery methodologies for Transpower;
- the evolution of pricing for electricity distributors to better reflect the way customers use the network, and
- regulating the contracts distributors have with electricity retailers trading over their networks.

The draft proposal for Transpower's pricing methodology would see a reduction in costs to Centralines' customers. Those regions expected to pay more will no doubt be submitting proposals that would lessen this impact on their customers. Centralines will also submit a response, supporting the best interests of our rural community.

The consultations around pricing for the national grid and for electricity distribution both reflect a shift in ideology to 'service-based' charges, to provide consumers with accurate price signals of the costs of consuming electricity at different times of the day and year. This is not unique to New Zealand, with changes to the way the costs of electricity networks are recovered happening globally in response to the changing ways people use electricity, for example, electric vehicle uptake generating new demand for home and public vehicle charging. The use of pricing tools such as discounted night rates to encourage charging electric vehicles at off-peak times will be essential in reducing the need to invest significant funds into additional capacity, which would flow through to all customers.

Pictured are some 11kV transformer bushings used on Centralines' network.

▸ *Centralines' network along SH50.*

> *We remain committed to balancing cost, risk and performance...*
>
> *Ken Sutherland, Chief Executive*

THE FUTURE

Centralines continues to look for growth opportunities for its network.

Our focus over the past year has been working with the Hawke's Bay Regional Investment Company (HBRIC) on the proposed Ruataniwha Water Storage Scheme as it goes through the consenting process.

The scheme involves the construction of an 80-metre-high dam on the Makaroro River and 157 kilometres of dams and canals on the plains west of Waipawa and Waipukarau. We are currently in negotiation with HBRIC regarding connecting the scheme and ensuring the pump stations will deliver water at pressure.

Our eyes also remain firmly set on other development opportunities. As the way we use electricity changes, Centralines is working to understand the use of solar generation, energy storage and how other alternative technologies are being used in a rural context.

These insights will allow us to structure our future network and ensure we can continue to deliver high-quality, reliable electricity as well as solid financial returns for our community shareholders.

Looking ahead, our focus on optimal returns for our shareholders will continue to stay front of mind. We remain committed to balancing cost, risk and performance whilst still meeting the expectations of the community in which we operate.

ACKNOWLEDGEMENTS

Firstly, the Board wishes to thank Sam Robinson, who stepped down from his role as Chairman in December 2015, and subsequently resigned from the Board in May 2016.

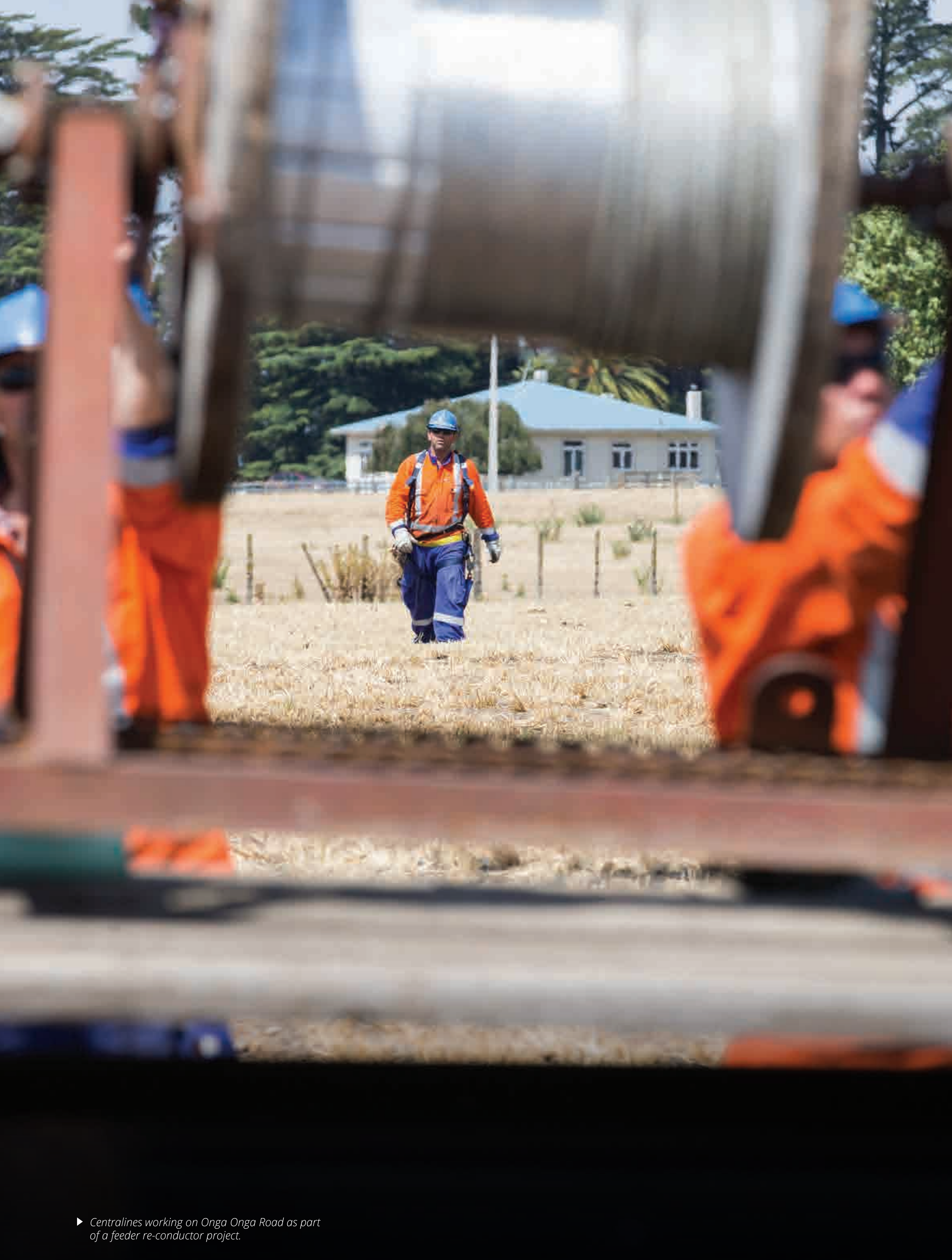
A member of the Board since 2006, Sam was appointed Chairman in 2011, making a significant contribution to Centralines, its shareholders, and the electricity consumers of Central Hawke's Bay. Whilst a loss for Centralines, Sam's resignation was prudent given his involvement with the Hawke's Bay Regional Investment Company, which manages the Regional Council's existing infrastructure and future investments, specifically the Ruataniwha Water Storage Scheme, with which Centralines will be conducting contractual negotiations in 2016.

The Trustees of the Central Hawkes Bay Consumers Power Trust remain diligent and professional in their dealings with the Board, and we acknowledge and thank them for their continued contribution to Centralines.

The Board also wishes to thank Unison Networks Limited for its professional leadership and support as our management partner. We appreciate the strong contributions they have made to Centralines over the last year, both at an executive and management level.

Jon Nichols
CHAIRMAN

Ken Sutherland
CHIEF EXECUTIVE



▸ *Centralines working on Onga Onga Road as part of a feeder re-conductor project.*

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 Hawkes 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 & 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 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 & 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.

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 Hawkes 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

Jon Nichols - Chairman

Jon was appointed as a Director to Centralines in July 2011. He became Chairman in December 2015, as a result of Sam Robinson stepping down from the role of Chairman, and formally resigning from the Board in May 2016. 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 the Port of Napier and Palmerston North Airport Limited. He is also a member of the Chartered Accountants Australia and New Zealand, and is on the Audit and Risk Committee for the Hastings District Council.

Sam Robinson

Sam became a Director to Centralines in 2006. He was appointed Chairman in 2013, stepping down from this role in December 2015, and formally resigning in May 2016 due to his position on the Board of the Hawke's Bay Regional Investment Company. Sam has a hill country farm on the periphery of Centralines' Network and serves on the Boards 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.

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 is 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" in 2012. He is a Director of Kilgaren Farm Limited and Marama Farming Limited.

STATUTORY INFORMATION

For the Year Ended 31 March 2016

The Board of Directors present their annual report including financial statements of the Company for the year ended 31 March 2016. 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 $5.35m. The annual net profit was $2.87m after allowance for discount and tax. This compares with an operating profit in 2015 of $4.43m, a net profit of $2.50m after allowance for discount and tax.

Directors

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

J.E Nichols	(Chairman)	$35,767.83	Re-appointed 31 July 2013
S.A Robinson	(Director)	$38,773.14	Resigned May 2016
N.M Story	(Director)	$28,153.59	Re-appointed 29 July 2015
I.H Walker	(Director)	$27,385.48	Re-appointed 29 July 2015
W.N Harvey	(Director)	$27,385.44	Appointed 30 July 2014

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

Dividend

A dividend of $105,000 paid for the year ended 31 March 2016 (2015: Nil).

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 2016 were $52,906 (2015: $51,851).

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, 2016.

J.E Nichols

- Centralines Limited – Chairman
- Nichols Consulting Limited - Director
- Port of Napier Limited - Director
- Northpower Limited - Consultant
- Palmerston North Airport Limited - Director
- Hastings District Council Audit and Risk Committee – Independent Director

S.A Robinson (Resigned May 2016)

- 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

W.N Harvey

- Centralines Limited - Director
- Excellence in Business Solutions Limited - Director
- Port of Napier Limited - 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 - Managing Director - Ceased
- Veterinary Services (Dannevirke) Limited – Chairman - Ceased
- 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

Jon Nichols
Chairman

▸ *Centralines' 11kV spur line on Butler Road.*

TRUSTEES' STATEMENT

The Central Hawkes 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.

The Trust had an election during the financial year, which saw our previous Chair, Sarah von Dadelszen retire after serving four consecutive terms. Sarah's commitment and input into running the Trust and representing the beneficiaries' interest has been outstanding. We wish her all the best for her future endeavours. We welcome Tim Gilbertson back onto the Trust post the election, with all other Trustees remaining the same.

A core responsibility of the Trust is to appoint and monitor the performance of the Directors. The Directors have had changes in recent years and it is pleasing to see the excellent performance being maintained. During the year, Sam Robinson has stepped aside and then retired due to a conflict in interest with the Hawke's Bay Regional Investment Company. We acknowledge Sam's excellent work and valuable contribution to Centralines as a Board member for ten years and recently as the Chair since 2013.

The new financial year will bring more challenges and some great opportunities for Centralines and the wider community in Central Hawke's Bay. We have an excellent Board who have our consumers' best interests in mind. We value their contribution and welcome Jon Nichols as the new Chair.

Once again, Centralines has provided the maximum allowable discount to our consumers. This totalled $1,206,000. To the average residential consumer this meant a discount of $125 in November 2015, which is meaningful and valued to our consumer owners. To the larger users, the discount was in the thousands of dollars, with the highest user receiving a discount of $5,500. In addition to the discount we recognise and value the donations Centralines makes to community organisations in Central Hawke's Bay, which this year totalled $83,400.

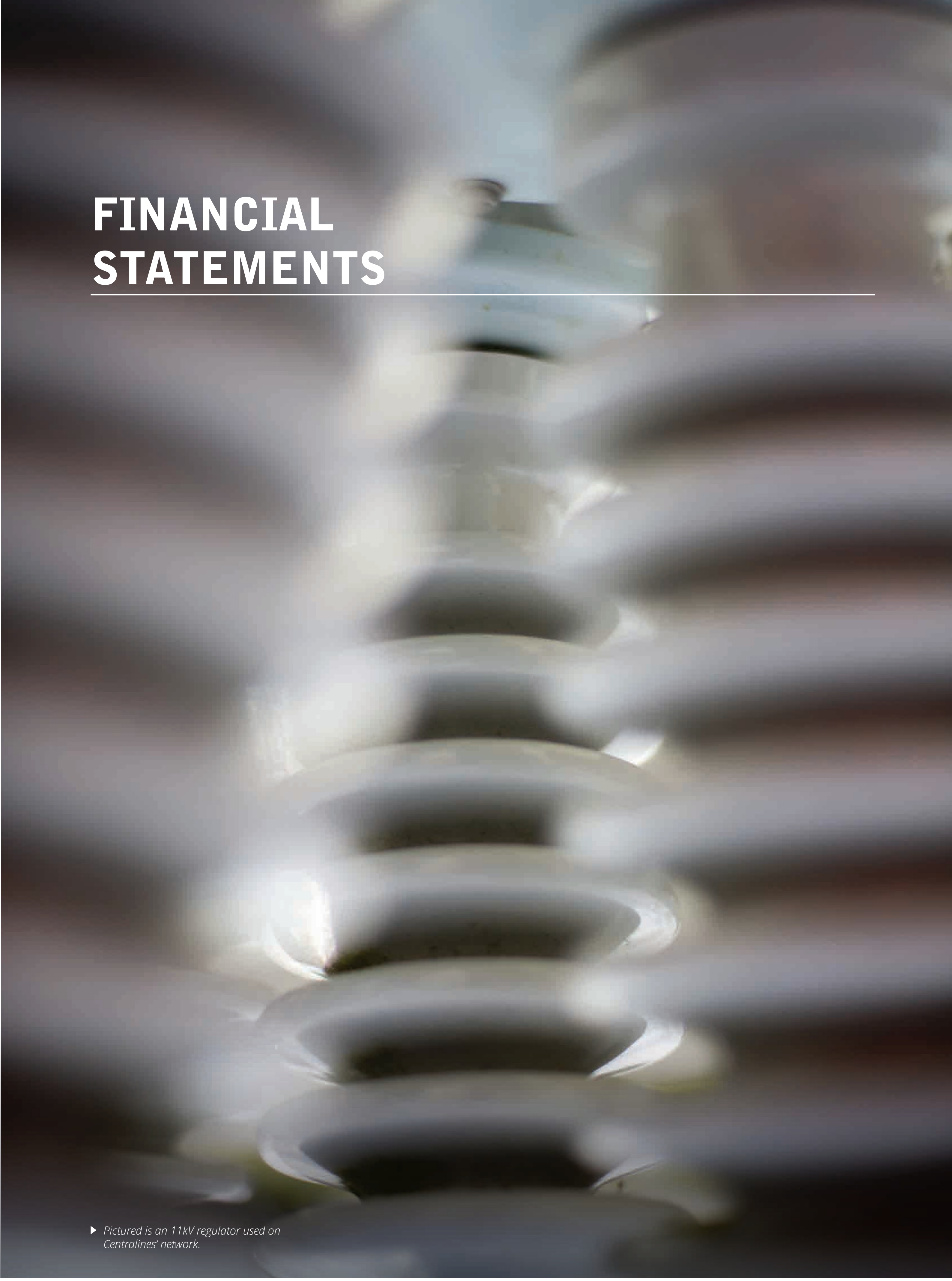
Also highly important to our consumers is the network reliability, which again has been outstanding. In a network with such long distances and low density of ICPs, this result is very noteworthy. We would like to acknowledge the dedication and professionalism of all the staff at Centralines for this result. In additional 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 Hawkes Bay Consumers Power Trust

FINANCIAL STATEMENTS



Pictured is an 11kV regulator used on Centralines' network.

STATEMENT OF PERFORMANCE

For the year ended 31 March 2016	2016 Corporate Intent Targets	2016 Actual	2015 Actual
Financial Measures			
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (excluding discounts) as a percentage of Average Assets Employed.	10.36%	**10.73%**	10.06%
Net Profit after tax (adjusted for discounts) as a percentage of Average Shareholders' Funds.	6.00%	**6.50%**	6.12%
Network Operational Costs - per ICP (excluding Transmission Costs and Depreciation)	$444	**$410**	$436
Network Operational Costs - per kilometre of line (excluding Transmission Costs and Depreciation)	$1,991	**$1,781**	$1,887
Total Planned Electricity Network Capital Expenditure	$2.89m	**$2.06m**	$2.23m
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	**72.67**	141.37
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	**1.41**	2.40
Number of major faults (33kV) which result in interruptions to supply, per 100km of line per year (as per the Electricity Distribution information Disclosures Determination 2012)	2.00	**0.00**	3.00
Safety Measures			
Number of Lost Time Injuries	0	**1**	1

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

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2016	Notes	2016 $000	2015 $000
Revenue from continuing operations	3	**14,059**	13,369
Total revenue		**14,059**	13,369
Other expenses	4	**6,674**	6,926
Discounts		**1,206**	1,092
Earnings before interest, income tax, depreciation and amortisation		**6,179**	5,351
Depreciation and amortisation expense	4	**2,038**	2,016
Earnings before interest and income tax (EBIT)		**4,141**	3,335
Income tax	5	**1,267**	831
Profit/(loss) for the year		**2,874**	2,504

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016	Notes	2016 $000	2015 $000
Profit/(loss) for the year		**2,874**	2,504
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
Total Comprehensive income for the year		**2,874**	4,994

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

BALANCE SHEET

As at 31 March 2016	Notes	2016 $000	2015 $000
ASSETS			
Current assets			
Cash and cash equivalents	6	**3,619**	3,407
Trade and other receivables	7	**1,482**	1,425
Inventories	8	**258**	278
Other current assets	9	**5,187**	2,585
Total current assets		**10,546**	7,695
Non-current assets			
Property, plant and equipment	10	**59,846**	59,442
Intangible assets	11	**63**	36
Total non-current assets		**59,909**	59,478
Total Assets		**70,455**	67,173
LIABILITIES			
Current liabilities			
Trade and other payables	12	**1,247**	1,092
Current tax liabilities	5	**442**	185
Employee provisions	13	**164**	245
Total current liabilities		**1,853**	1,522
Non-current Liabilities			
Employee provisions	14	**81**	80
Deferred tax liabilities	15	**9,527**	9,346
Total non-current liabilities		**9,608**	9,426
Total Liabilities		**11,461**	10,948
Net Assets		**58,994**	56,225
EQUITY			
Contributed equity	16	**8,000**	8,000
Reserves	17	**2,490**	2,490
Retained earnings	17	**48,504**	45,735
Total Equity		**58,994**	56,225

For and on behalf of the Board.

Jon Nichols - Chairman　　*Nick Story - Director*　　*Date: 29 June 2016*

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016	Notes	Share capital $000	Reserves $000	Retained earnings $000	Total equity $000
Balance as at 1 April 2015		8,000	2,490	45,735	56,225
Comprehensive income					
Profit/(loss) for the year		-	-	2,874	2,874
Gain on the revaluation of Electricity distribution network		-	-	-	-
Total comprehensive income		-	-	2,874	2,874
Dividends	17	-	-	(105)	(105)
Total contributions by and distributions to owners		-	-	(105)	(105)
Balance as at 31 March 2016		8,000	2,490	48,504	58,994

	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

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 2016	Notes	2016 $000	2015 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		**13,478**	12,580
Contributions for capital works		**283**	366
Tax refunds		**-**	8
Interest received		**225**	201
		13,986	13,155
Cash was disbursed to:			
Payments to suppliers and employees		**(7,811)**	(7,852)
Income taxes paid		**(829)**	(411)
		(8,640)	(8,263)
Net cash in flow/(out flow) from operating activities		**5,346**	4,892
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from disposal of investments		**5,010**	2,363
Proceeds from disposal of property, plant and equipment		**41**	36
		5,051	2,399
Cash was applied to:			
Purchase of investments		**(7,612)**	(2,585)
Purchase and construction of property, plant and equipment		**(2,468)**	(3,027)
Net cash in flow/(out flow) from investing activities		**(5,029)**	(3,213)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was applied to:			
Payment of dividends		**(105)**	-
Net cash in flow/(out flow) from financing activities		**(105)**	-
Net increase/(decrease) in cash held		**212**	1,679
Cash balances at beginning of year		**3,407**	1,728
Cash balances at end of year	6	**3,619**	3,407

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 the 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 29 June 2016.

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
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 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 Hawkes 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).

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 and amended standards adopted by the Company
The Company has applied for the first time certain standards and amendments, which are effective for annual periods on or after 1 January 2015. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and impact of the standards and amendments adopted did not have a material impact on the Company's financial position, performance and/or disclosures.

- **NZ IAS 24, 'Related Party Disclosures,** (revised 2009 and effective 1 July 2011) replaces NZ IAS 24 'Related Party Disclosures' (issued 2004). The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The adoption of the amended standard has no material effect on the Company's financial statements.

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 appropriate 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 6 and 7).

(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.

2.6 Investments and other financial assets (continued)

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.

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.

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. 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

	2016 $000	2015 $000
From continuing operations		
Sales revenue		
Network line revenue	13,018	12,260
Contracting	518	504
Customer contributions	283	366
Interest revenue	225	201
Other Income	15	38
	14,059	13,369

4 Operating Expenditure

	2016 $000	2015 $000
Other expenses from ordinary activities		
Audit New Zealand - annual audit	53	52
Audit New Zealand - other services	63	68
Directors fees	157	164
Bad debt expense	8	2
Increase/(decrease) for impairment of receivables	8	(2)
Donations	-	1
Transpower charges	2,773	2,800
Maintenance costs	1,313	1,656
Employee related expenses	579	519
Other operating expenses	1,720	1,666
	6,674	6,926
Depreciation		
Electrical distribution system	1,604	1,580
Plant and equipment	66	79
Buildings	17	17
Office equipment	22	23
Motor vehicles	233	222
Fibre network	96	95
Total depreciation	2,038	2,016

5 Income tax

	2016 $000	2015 $000
(a) Income tax expense		
Current tax	**980**	601
Deferred tax associated with timing differences	**181**	230
Prior period current tax adjustment	**106**	-
Income tax expense	**1,267**	831
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	**4,141**	3,335
Prima facie tax at 28% (2015: 28%)	**1,159**	934
Tax effects of:		
Permanent differences	**-**	-
• Income not subject to tax	**-**	(103)
• Expenses not deductible for tax purposes	**2**	-
Prior period current tax adjustment	**106**	-
	1,267	831
Income tax expense	**1,267**	831
(c) Taxation payable/(refund)		
Opening balance	**185**	(13)
Current year taxation expense/(benefit)	**980**	601
Prior period current tax adjustment	**106**	-
Taxation paid	**(829)**	(411)
Taxation refund received	**-**	8
Closing balance	**442**	185

6 Current assets - Cash and cash equivalents

	2016 $000	2015 $000
Cash at bank and in hand	**182**	551
Deposits at call	**3,437**	2,856
	3,619	3,407

(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 1.10% - 2.00%
(31 March 2015: 2.75% - 3.25%).

7 Current assets - Trade and other receivables

	2016 $000	2015 $000
Net trade receivables		
Trade receivables	1,465	1,399
Provision for doubtful receivables	(24)	(16)
	1,441	1,383
Net other receivables		
Sundry Receivables and Actuals	41	42
	41	42
	1,482	1,425

There are no company trade receivables classified as held for sale (31 March 2015: 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 2015: 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:

	2016 $000	2015 $000
Opening balance	(16)	(18)
Provision for impairment recognised during the year	(12)	2
Receivables written off during the year as uncollectible	2	-
Amounts recovered during the year.	2	-
Closing balance	(24)	(16)

(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

	2016 $000	2015 $000
Production supplies at cost	243	273
Work in progress at cost	15	5
	258	278

No inventories are pledged as security for liabilities (2015:nil).

9 Current assets - Investments

	2016 $000	2015 $000
Short term deposits held with registered banks	5,187	2,585
	5,187	2,585

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 3.45%   3.75% (31 March 2015 4.47% - 4.78%).

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 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	(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
Year ended 31 March 2016								
Opening net book amount	56,176	815	730	495	127	1,041	58	59,442
Additions	2,057	230	1	-	32	145	3	2,468
Disposals	-	-	-	-	-	(26)	-	(26)
Depreciation charge (note 4)	(1,604)	(96)	(17)	-	(66)	(233)	(22)	(2,038)
Revaluation	-	-	-	-	-	-	-	-
Closing net book amount	56,629	949	714	495	93	927	39	59,846
At 31 March 2016								
Cost	2,150	1,345	764	495	768	2,238	972	8,732
Valuation	56,083	-	-	-	-	-	-	56,083
Accumulated depreciation	(1,604)	(396)	(50)	-	(675)	(1,311)	(933)	(4,969)
Net book amount	56,629	949	714	495	93	927	39	59,846

(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 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
Year ended 31 March 2016		
Opening net book amount	36	36
Additions	27	27
Amortisation charge	-	-
Closing net book amount	63	63
At 31 March 2016		
Cost	63	63
Valuation	-	-
Accumulated amortisation and impairment	-	-
Net book amount	63	63

12 Current liabilities - Trade and other payables

	2016 $000	2015 $000
Trade creditors	855	824
Sundry creditors and accruals	392	268
	1,247	1,092

13 Current liabilities - Employee provisions

	2016 $000	2015 $000
Accrued wages	15	68
Annual leave	140	138
Sick leave	9	9
Retirement gratuities	-	30
	164	245

14 Non-current liabilities - Employee provisions

	2016 $000	2015 $000
Retirement gratuities	**81**	80
	81	80

15 Non-current liabilities - Deferred tax liabilities

	2016 $000	2015 $000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**9,604**	9,427
Employee provisions	**(70)**	(77)
Other provisions	**(7)**	(4)
Net deferred tax liabilities	**9,527**	9,346

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

	Balance 1 April 2014 $'000	Recognised in income $'000	Recognised in other comprehensive 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

	Balance 1 April 2015 $'000	Recognised in income $'000	Recognised in other comprehensive income $'000	Balance 31 March 2016 $'000
Property, plant & equipment	9,427	177	-	9,604
Employee provisions	(77)	7	-	(70)
Other provisions	(4)	(3)	-	(7)
	9,346	181	-	9,527

16 Contributed equity

	2016 $000	2015 $000
Issued and fully paid (no par value)	8,000	8,000

17 Reserves and retained earnings

	2016 $000	2015 $000
(a) Reserves		
Asset revaluation reserve	2,490	2,490
	2,490	2,490
Movements:		
Asset revaluation reserve		
Opening balance	2,490	-
Revaluation-Electricity distribution network	-	3,459
Deferred tax	-	(969)
Closing balance	2,490	2,490

(b) Nature and purpose of reserves

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:

	2016 $000	2015 $000
Opening balance	45,735	43,231
Profit/(loss) for the year	2,874	2,504
Dividend paid	(105)	-
Closing balance	48,504	45,735

18 Contingencies

As at 31 March 2016 the Company had no contingent liabilities or assets (2015: $Nil).

19 Commitments

(a) Capital commitments

The value of contractual capital commitments as at 31 March 2016 is estimated at $Nil (2015: 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:	2016 $000	2015 $000
No later than 1 year	8	8
Later than 1 year and no later than 5 years	12	9
Later than 5 years	-	-
Total	20	17

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 $157,465 (2015: $164,310), and the amounts incurred by Unison Networks Limited for the provision of key management personnel services to Centralines Limited was $121,847 (2015: $120,521).

(i) Other transactions and balances

The brother of Mr N Story, a director, was 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:	2016 $000	2015 $000
Legal fees	29	5
	29	5

Aggregate amounts payable in cash at balance date relating to the above types of transactions:	2016 $000	2015 $000
Legal fees	7	2
	7	2

20 Related party transactions (continued)

(c) Transactions with related parties

The following transactions occurred with related parties::

	2016 $000	2015 $000
(i) Sales of goods and services:		
• Directors and Trustees	9	3
	9	3

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 during the year.

	2016 $000	2015 $000
(ii) Purchases of goods and services		
• Entity controlled by key management personnel	2,371	2,209
	2,371	2,209

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 2016 no amount was receivable from any related party (2015: Nil).

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

	2016 $000	2015 $000
Current receivables (sales of goods and services)		
• Directors	-	-
	-	-
Current payables (purchases of goods)		
• Entity controlled by key management personnel	344	145
	344	145

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 occurring after the reporting period

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

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 2016

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 21 to 42, that comprise the balance sheet as at 31 March 2016, the statement of financial performance, statement of comprehensive income and 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:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2016; and
    - its financial performance and cash flows for the year then ended; and
  - 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).
- 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 2016.

Our audit was completed on 29 June 2016. 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 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 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 appropriateness of the performance information within the company's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and statement of performance; and
- the overall presentation of the financial statements and statement of performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of performance. Also we did not evaluate the security and controls over the electronic publication of the financial statements and 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 in accordance with the applicable financial reporting framework and generally accepted accounting practice, and for the preparation and fair presentation of the statement of performance for the company.

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

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and 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 statement of performance, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of performance and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

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 in connection with the company's compliance with the Electricity Distribution (Information Disclosure) Requirements 2012 for the regulatory period ended 31 March 2015;
- an agreed upon procedures engagement for the company in connection with its price 2015/2016 and quantity 2014/15 disclosure schedule for the assessment period ending 31 March 2017; and
- an assurance engagement in connection with the company's compliance statement prepared under the Electricity Distribution Services Default Price Quality Path Determination 2015 for the assessment period ended 31 March 2016.

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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Directors

J Nichols (Chairman)
S Robinson
W Harvey
N Story
I Walker

Chief Executive

K Sutherland

Trustees

A Setter (Chairman)
P Butler
T Gilbertson
K Laugesen
M Peacock
G Williams
A Mabin

Auditors

Audit New Zealand, PO Box 149,
Palmerston North

Bankers

ANZ Bank New Zealand Limited
Ruataniwha Street
Waipukurau

Solicitors

Gifford Devine
Barristers and Solicitors
45 Ruataniwha Street
Waipukurau

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