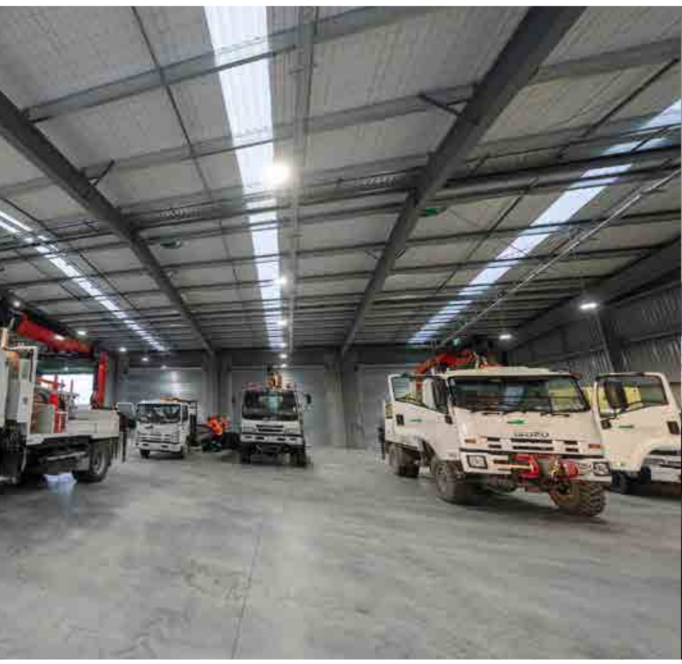
2022
CENTRALINES
ANNUAL REPORT

A New Beginning


SAFETY


CENTRALINES


SAFETY



OUR VISION

A collaborative partner that enables growth and delivers in the new energy economy.

OUR PURPOSE

To enable long-term prosperity for Central Hawke's Bay through dynamic energy and infrastructure solutions.

OUR VALUES

Safety
- is part of our lives

Team work
- we are one team

Integrity
- truth, honesty, respect

Openness
- we are approachable

Passion
- in everything we do


ISUZU
MBM582

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ORANGA MAKURU

PROVIDING / PROVISION

Chair & Chief Executive's Review

Ken Sutherland

CHIEF EXECUTIVE

Ian Walker

CHAIR

Centralines growing together with Central Hawke's Bay

Our region and community continue to see unprecedented growth. Centralines has been a key partner in supporting this, through delivering a reliable electricity supply, investing in the network, connecting customers, and providing returns for Central Hawke's Bay power consumers and shareholders. During this reporting period we experienced strong growth, connecting 172 new consumers as well as 81 solar distributed generators – more than double the previous year. Centralines paid discounts to consumers totalling $2,231,100, directly benefiting the Central Hawke's Bay community. At the same time, we have maintained our focus on keeping our people and our community safe, and have invested in improving the management of critical risks we face. Like all New Zealanders, Centralines tackled the COVID-19 pandemic, uniting as a team to keep ourselves and those we work with safe in a challenging environment.

Centralines has not been exempt from the shortage of skilled workers; however, we have continued to invest in our people, draw on our existing workforce, and established a new team to enhance the planning and delivery of our works program. We have also continued to build and strengthen local partnerships, contributing $149,249 to community initiatives.

Sustainability is at the heart of everything we do at Centralines. We have taken exciting steps on our journey towards a prosperous and sustainable future for Central Hawke's Bay by installing a 100kW solar array as part of our new depot construction, and introducing a policy for electrification of our vehicle fleet. The sustainability of Centralines' business has been further enhanced by the Commerce Commission recognising Centralines as 'consumer owned', exempting Centralines from cumbersome regulation and enabling us to better serve our stakeholders' expectations.

"...we have continued to invest in our people, draw on our existing workforce, and established a new team to enhance the planning and delivery of our works program."

Our team delivers results through effective asset management

Network performance over the year was once again better than regulatory limits, and in line with stakeholder expectations. Although we exceeded our own tight target for System Average Interruption Duration Index (SAIDI), on smaller networks with low customer numbers like Centralines this indicator is sensitive to isolated but widespread outages that can be caused by weather or other external factors, which was the case this year. This sustained performance is achieved through effective asset management practices and the performance of our highly capable team.

At the same time as providing a reliable network that meets the electricity needs of Central Hawke's Bay power consumers, Centralines has continued to reinforce and extend its network to power unprecedented growth in the district. This has resulted in yet another year of record investment to facilitate continued high levels of network connection growth. As a consumer-owned company, it is rewarding to play an important role in supporting the Central Hawke's Bay community as it continues to evolve as a thriving and desirable district to live and work.

Nevertheless, at the time of preparing this report we are acutely aware of the challenges facing consumers, businesses and communities in this time of heightened uncertainty; with rising costs of living and inflation occurring against a backdrop of a pandemic, geopolitical tension, labour shortages and supply chain disruptions. Discounts totalling $2,231,100 were distributed to consumers through electricity retailers, including an additional winter discount to provide assistance at a difficult time. Centralines remains committed to delivering ongoing support through a reliable electricity supply, efficient and effective asset management, local employment, investment in our community, development of energy-related projects to help regional growth, as well as continued line discounts in future.

2021/22
SCI TARGETS

3.16	**62.83**
OUTAGES	MINUTES
SAIFI	SAIDI

2021/22
REGULATORY LIMITS

3.16	**83.61**
OUTAGES	MINUTES
SAIFI	SAIDI

2021/22
ACTUAL

1.61	**67.39**
OUTAGES	MINUTES
SAIFI	SAIDI

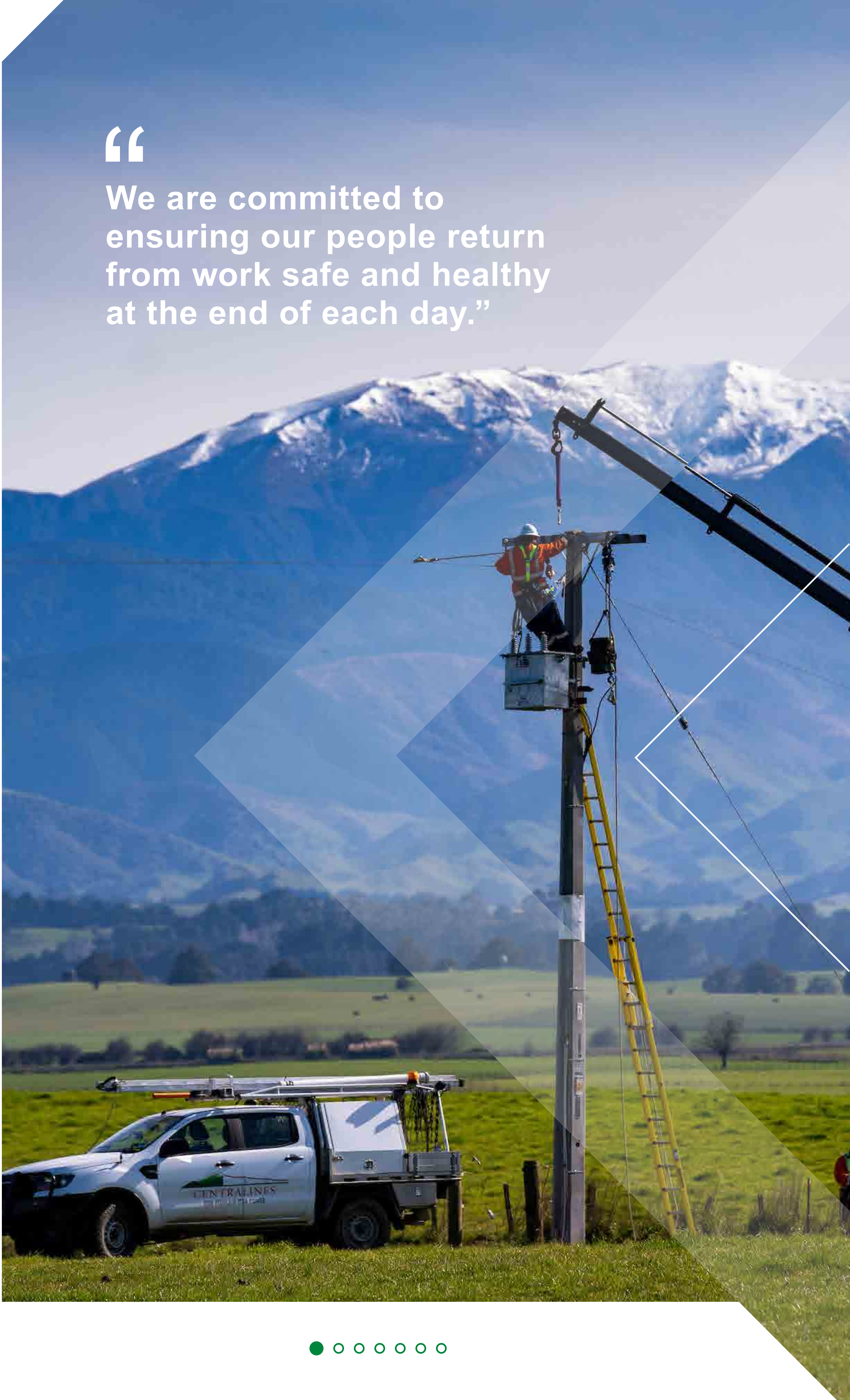
System Average Interruption Frequency Index

SAIFI is the average number of supply interruptions that a customer experiences in the period, including maintenance but excluding transmission (Transpower).

System Average Interruption Duration Index

SAIDI represents the average number of minutes the customer was without power in any one year.

“We are committed to ensuring our people return from work safe and healthy at the end of each day.”



Our people, our community

People sit at the heart of Centralines. Our employees, consumers and our community are central to our success so it's only fitting their safety is at the forefront of everything we do. In addition to ensuring our network is safe, as part of our public safety management system we proactively engage with our community about safety around our assets though presentations, local and social media, and safety inductions for contractors working in the field. Despite this focus, unfortunately we still see a small number of public safety incidents – specifically motor vehicle accidents and contractors coming into contact with underground or overhead network assets.

We are committed to ensuring our people return from work safe and healthy at the end of each day. Despite this focus, and disappointingly, the business recorded one lost-time injury. However we were heartened this was not in one of the ten key risk areas we have identified, which include working at heights, with electricity, or around heavy machinery or motor vehicles. To further improve our safety culture and performance we are working with our people to implement effective risk management strategies, including systems and reporting for our key risk areas. We reported a lower total number of events, including incidents and near misses, than in the previous period – evidence that our sustained efforts are driving positive results. In addition to this risk-based approach, we also focus on the wellbeing of staff and have introduced initiatives to support staff awareness of issues such as mental health; as well as financially contributing to staff's own wellbeing initiatives through our employee wellbeing allowance scheme.

We are pleased to be playing an important role in the social and economic development of Central Hawke's Bay as our workforce grows with the district and its demand for electricity. At the same time, we face a shortage of skilled workers being felt across the electricity industry, infrastructure and construction sectors in New Zealand. This is compounded by the age profile of the workforce, which will see more than 20% of New Zealand's electricity workers eligible to retire before the end of the decade. Centralines is already seeing the effects of this. In response we are implementing an integrated strategy with four focus areas:

1. Offering a training pathway and career for locals.

2. Attracting skilled workers to our fantastic region and team, making it easy to relocate and settle.

3. Investing in our people through training, equipment and facilities, including our new office and depot.

4. Providing clear pathways and opportunities for staff to develop their skills and build a career in the industry.

At the time of writing, the Centralines team has relocated to our brand new, fit-for-purpose depot, built by Gemco Construction to the standard used for emergency services. This marks a new era for Centralines in terms of enhancing our resilience, providing room for future growth and improving the work environment for our people. It represents a significant investment that will benefit the community in multiple ways. Designed by Citrus Studio Architecture, the building will also serve as a multipurpose community asset allowing for the local community to use public areas of the building for meetings, events and conferences. At the heart of our new building is a carving created by local carver, Conrad Nepe-Apatu, that represents the story of Centralines, its people, and our role in the Central Hawke's Bay community.

We are passionate about Central Hawke's Bay and its people, and Centralines' sponsorship portfolio remains an important tool for supporting our district. During the year we pledged $149,249 in community funding to over 60 local organisations that support the wellbeing of our rural community - including the Centralines Sports Park, Hawke's Bay Rescue Helicopter Trust, Waipukurau Community Heated Pool and Sports Complex, and the Central Hawke's Bay Technology Centre.

Financial performance

Centralines delivered another strong financial result for the year, with an after-tax profit of $2.2 million. This is after the Company returned $2.2 million to its consumers through two discount payments on their electricity bills in May and July.

The result was down on the previous year due to regulatory revenue setting processes which reduced allowable revenue - resulting in a decrease in prices, combined with an additional discount.

At the same time, Centralines continued to invest in its network with a capital spend of $4.9 million. Customer-driven work continues to surpass our expectations, with a spend of $2.3 million. This record capital program put pressure on our resourcing, and we required external contractors to assist in delivering our network maintenance with an increase in costs as a result.

Backed by a strong balance sheet with assets of $82 million, even with debt raised to fund the construction of the new depot, the Company remains well-positioned to look for relevant future investment opportunities in energy or infrastructure.

TOTAL REVENUE

14.1M
2021/2022

15.9M
2020/2021

EBITDA[1]

7.1M
2021/2022

8.8M
2020/2021

NET PROFIT AFTER TAX

2.2M
2021/2022

3.7M
2020/2021

CAPITAL EXPENDITURE

12.8M
2021/2022

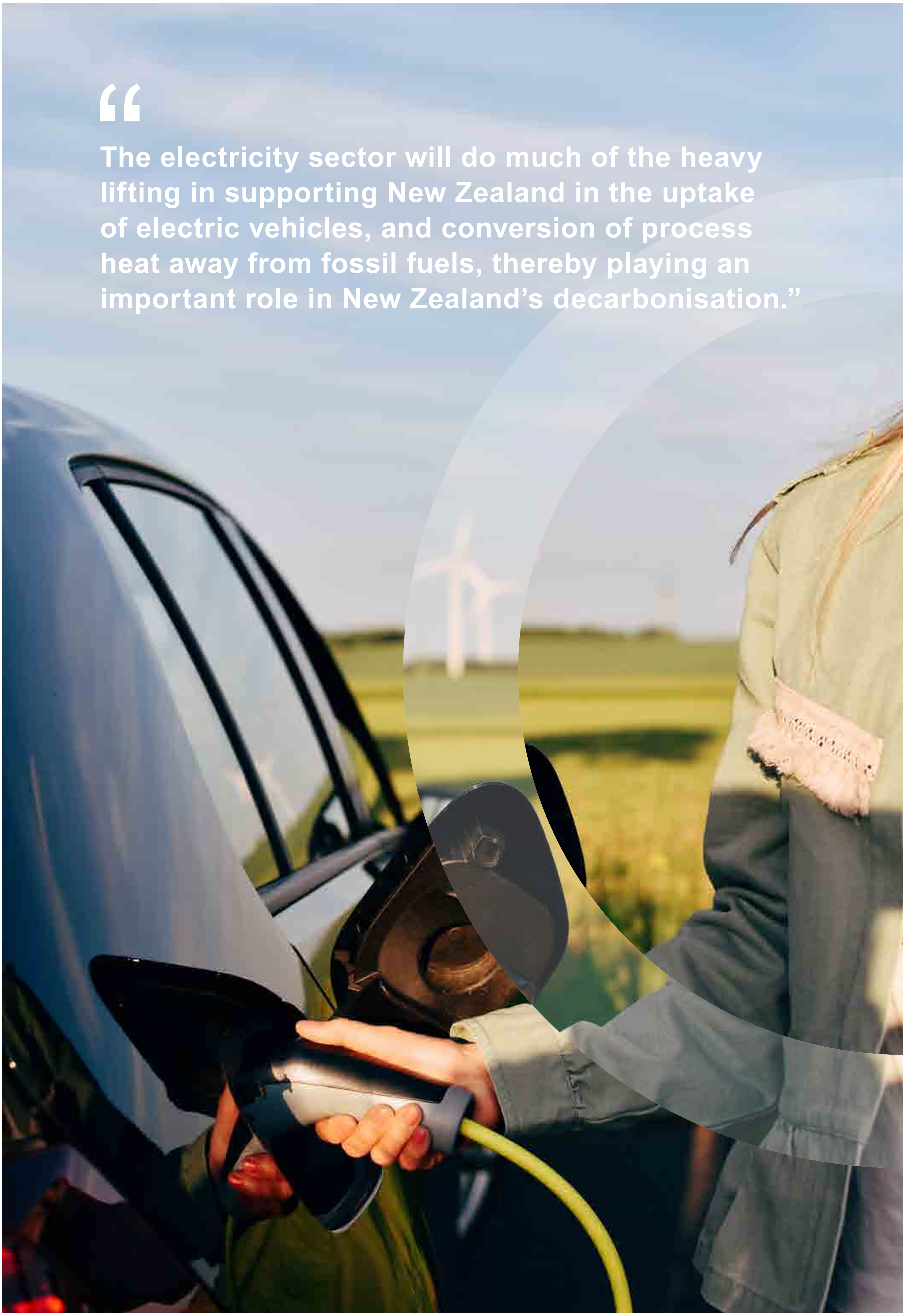
5.8M
2020/2021

TOTAL DISCOUNT PAID[2]

2.2M
2021/2022

1.6M
2020/2021

[1] *Earnings before interest, tax, depreciation, amortisation and consumer discounts*
[2] *This is the discount paid out during the financial year*

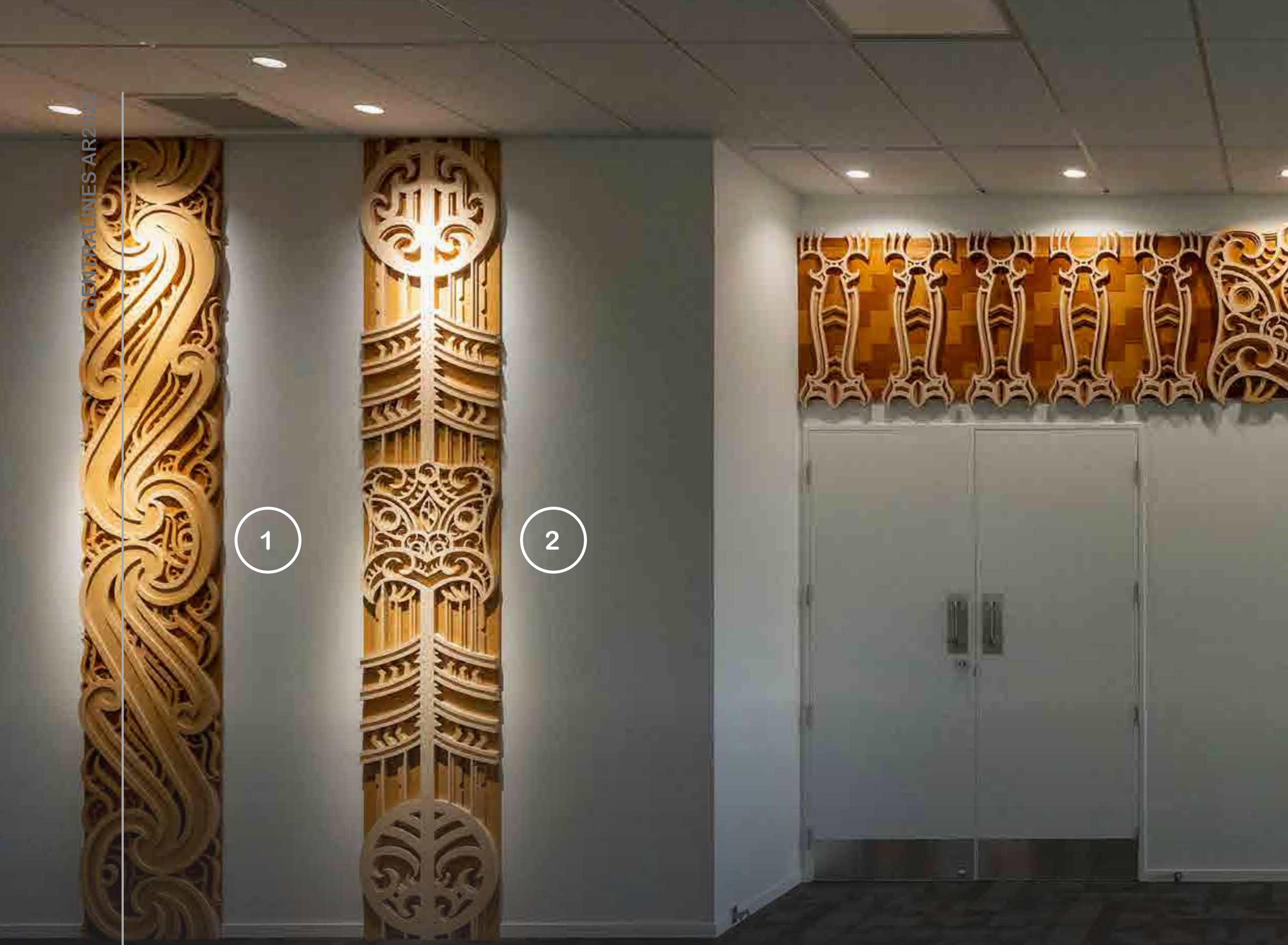


“The electricity sector will do much of the heavy lifting in supporting New Zealand in the uptake of electric vehicles, and conversion of process heat away from fossil fuels, thereby playing an important role in New Zealand’s decarbonisation.”

Our regulatory and pricing environment

Measures aimed at emissions reduction and achieving New Zealand's decarbonisation goals are increasingly a centrepiece of government policy. This flows through in the form of direct support to encourage the electrification of transport and industry. The resulting increase in electricity demand incentivises investment in renewable generation, from small-scale roof-top solar photovoltaic installations through to large grid-connected solar farms. The electricity sector will do much of the heavy lifting in supporting New Zealand in the uptake of electric vehicles and conversion of process heat away from fossil fuels, thereby playing an important role in New Zealand's decarbonisation. For Centralines, the principal issues to address will be whether additional electricity infrastructure will be required to meet higher loads caused by electric vehicles; and what network growth or transmission investments will be required to meet increased industrial load. We are engaging with our industrial customers and key stakeholders to better understand their decarbonisation and electrification plans. At the same time, we are watching with great interest trials of different smart charging approaches and price reward systems that encourage electric vehicle owners to charge overnight when the network is idling, and not during major evening peak periods. There would be significant benefits to consumers from avoiding further investment in network capacity.

Another significant milestone for the business during the past year was the High Court granting the amendments requested by Centralines' shareholder, the Central Hawke's Bay Consumers Power Trust, to its Deed of Trust. Specifically the changes, which were supported by consumers, replaced the three appointed trustee roles with elected positions, thereby satisfying the Commerce Commission's requirements for being deemed a 'consumer owned' lines business. This exempts Centralines from the Default Price Path Regulation by the Commerce Commission. This means, as a business, we will be able to operate with greater agility and be more responsive to the needs of our consumers and community as they grow and decarbonise. Default Price Path Regulation had proved inflexible and difficult to apply to small networks such as Centralines.



A bright and sustainable future

Changes to the Low Fixed User Charge Regulations have been introduced that will see this distortionary price restriction phased out over five years. Despite this change and Centralines' newfound discretion over its pricing, we are choosing a consistent, fair and predictable approach to our pricing. This will ensure consumers pay for and get value from the electricity service they receive, while minimising price shocks or unnecessary fluctuations, always with an eye to our role in promoting energy affordability.

We continue to invest in our network to facilitate the region's growth, and have also geared up to undertake the network investment identified in our asset management plans which will ensure we can sustainably and reliably meet the needs of current and future power consumers, and support the wellbeing and economic development of our community.

Our sustainability journey continues as we look to reduce Centralines' carbon footprint, 99% of which comes from our fleet emissions. This has led us to introduce a policy to replace our vehicles with economic electric alternatives as they become due for replacement. At the same time, we can also play a pivotal role in facilitating sustainable ambitions and choices of Central Hawke's Bay consumers as they decarbonise. This includes making it easy to connect generation such as solar photovoltaic systems to our network, providing network capacity, and pricing that encourages charging of electric vehicles in a way that efficiently utilises network capacity outside of morning and evening peaks. We are also working with businesses around their plans to electrify and decarbonise their processes, and ensure that network capacity will support realisation of their decarbonisation ambitions. More renewable energy is needed to meet the increased demand resulting from the electrification of transport and industry so we are actively looking for opportunities to facilitate the development of new sources of renewable energy in Central Hawke's Bay.

At the heart of our sustainable future is our people. We are building our focus for our workforce, consumers and community by developing deeper local partnerships with stakeholders, including iwi and hapu, as well as our ongoing collaboration on regional infrastructure development with Central Hawke's Bay District Council. We believe that working collaboratively will enable us to support the ambitions and sustainably meet the expectations of current and future generations. Our approach to this is reflected in Centralines' story that is represented in our new depot's centrepiece carving, and the names given to the five toko and tahuhu that make it up. These names are also shared by the five multipurpose rooms established for Centralines and the community to use for working toward our shared goal of a prosperous and sustainable Central Hawke's Bay.

1. **Oranga Makuru:** associated with *providing/provision*
2. **Parahau Haumaru:** associated with *protection*
3. **Te Takarangi:** associated with *problem solving*
4. **Te Puāwaitanga:** associated with *prosperity*
5. **Tū Poupoutanga:** associated with *team and collaboration*

Acknowledgements

Centralines' continued success is a credit to the excellent work and commitment of the Centralines team, the professional leadership of our management partner – Unison Networks – and the support of the Central Hawke's Bay community.

We thank the trustees for their ongoing confidence and support, and for the important role they play in representing the interests of the power consumers in Central Hawke's Bay, and our rural communities.

The Company has been notified that two long-serving directors, Chair Dr Ian Walker and Audit and Risk Committee Chair Derek Walker, will be retiring in 2022. We thank them for their many years of service to Centralines.

As we continue this new phase of growth for our region and an era of change in the sector, it is encouraging that Centralines' business and operations are in a strong position to sustainably respond to the future and to contribute to Central Hawke's Bay continuing to thrive.

CHAIR
Dr Ian Walker

CHIEF EXECUTIVE
Ken Sutherland

TOKO 2

PARAHAU HAUMARU

PROTECTION

Corporate Governance Statement

Role of the Board of Directors

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

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

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

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

Board committees

Audit and Risk Committee

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

The Committee meets an average of six times a year, with additional meetings 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 31000:2018 Risk Management – Principles and Guidelines.

The Board is responsible for reviewing and ratifying the risk management practices and system of internal controls.

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

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

Statement of Corporate Intent

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

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

Directors' interests register

The company maintains and reviews on a monthly basis an interests register to record particulars of transactions or matters involving directors.


CENTRALINES
LIMITED
Boardroom

Director Profiles

Ian Walker

CHAIR

Ian was appointed as Director to Centralines in July 2013, and then as Chair in October 2020.

Ian moved to the district with his family over 40 years ago, working as a veterinarian for Vet Services (Hawke's Bay) Ltd until March 2016. As director of that company for 30 years, Ian obtained a good knowledge of the geography of Centralines' distribution area. Ian is directly involved with a family sheep, deer and beef farm, and is also involved in several community sporting and cultural groups. He is a Director of Kilgaren Farm Limited and DeeResearch Ltd, and Chair of Deer Industry New Zealand.

Derek Walker

CHAIR OF AUDIT AND RISK COMMITTEE

Derek joined the Centralines Board in August 2016. He is a widely-experienced Director and is presently Chair of Speirs Group Limited. Derek's previous directorships include Palmerston North Airport Limited, The Factory NZ Limited, NZ Windfarms Limited and Quotable Value Limited. He was a founding principal of the business consulting practice Third Bearing Limited and has an Honours degree in electrical engineering and a business studies degree. He has extensive management, governance and consulting experience in the electricity sector, including 11 years as Chief Executive and Managing Director of the electricity distribution company CentralPower Limited.

Director Profiles
continued

Fenton Wilson

Born in Central Hawke's Bay. Fenton was appointed to the Centralines Board in 2018. He was previously a Hawke's Bay Regional Councillor/Chairman and has a good grasp of the issues and opportunities in Central Hawke's Bay. He is currently a Director of OSPRI New Zealand Limited, which manages National Animal Identification and Traceability and the TBfree program. He is also a director of QRS, the roading business owned by Wairoa District Council. A passionate community advocate, Fenton is a trustee of the Predator Free New Zealand Trust which encourages community scale pest control and enables community groups and schools to increase biodiversity in their communities. He farms a sheep and beef property in Wairoa and has a distinctly rural background. The future for Centralines is bright with an explosion of new housing, real interest in paddock solar and the opening of the new company depot on Coughlan Road. He sees Centralines as a key contributor to the CHB community in a time of real growth and is proud to be involved.

Sarah von Dadelszen

A strong advocate for the local community and wider agricultural sector, Sarah joined the Centralines Board in November 2020. She lives with her husband Sam and three teenage boys near Takapau, where they farm sheep, beef and dairy. Currently on the Ballance Agri-Nutrients and FMG boards, Sarah's previous roles include being a Trustee of agricultural non-profit AGMARDT and an independent director of NZ Young Farmers. She was the previous chair of the CHB Consumers Power Trust which enabled her to gain a good understanding of the power industry.

Sarah has attended several governance and leadership forums including the international INSEAD business school governance programme in Singapore and France, along with the Institute of Directors' programme. She also spent time at Stanford University with a New Zealand Primary Industry Leadership Group to gain deeper insight into global agri-business.

Director Profiles
continued

Tony Gray

Tony was appointed as a director to the Centralines Board in November 2020. He is currently a Director of a number of companies including EA Networks Limited, Artemis Nominees Limited, Foodeast GP Limited, Quality Roading and Services (Wairoa) Limited, and Chair of Ngāti Pūkenga Investments Limited, Tātau Tātau o Te Wairoa Commercial Limited and Te Turapa Wai Ariki Limited.

Tony has also been on the boards of various companies including CLEAR Communications, Sky Network Television Limited and the Eastland Group.

Previously, he was Chief Financial Officer at Hastings District Council and has also held senior finance roles at Te Rūnanga o Ngāi Tahu, Mighty River Power and TVNZ.

Len Gould

Len joined the Centralines Board in November 2020 after a career holding senior executive roles within the electricity industry, including eight years as General Manager Commercial for the electricity distribution company and our management partner, Unison Networks, and at Transpower where he held both technical and commercial roles over his thirty-three year tenure.

TOKO 3

TE TAKARANGI

PROBLEM SOLVING

Statutory Information

For the year ended 31 March 2022

The Board of Directors presents their annual report including the financial statements of the Company for the year ended 31 March 2022. 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 $5.02 million. The annual net profit was $2.22 million after allowance for discount and tax. This compares with an operating profit in 2021 of $6.77 million, a net profit of $3.73 million after allowance for discount and tax.

Directors

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

I. H. Walker (Chair) $57,500
Re-appointed 29 July 2021

D. N. Walker (Director) $33,500
Re-appointed 29 July 2021

F. D. Wilson (Director) $30,500
Re-appointed 28 July 2020

S. J. von Dadelszen (Director) $30,500
Appointed 1 November 2020

A. T. Gray (Director) $30,500
Appointed 1 November 2020

L. J. Gould (Director) $30,500
Appointed 23 November 2020

Dividend

There was no dividend paid for the year ended 31 March 2022 (2021: $3,761,194).

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 2022 were $69,448 (2021: $67,531).

Accounting policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 March 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Those new standards and amendments that are relevant to the Company are:

Amendment to NZ IAS 1 Presentation of Financial Statements

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Directors' interests

Directors disclosed an interest or cessation of interest in the following entities during the year ended 31 March 2022.

I Walker

- Centralines Limited – *Chair*
- Centralines Limited – *Consumer*
- Kilgaren Farm Limited – *Owner & Director*
- Farmlands Co-operative Society Limited – *Shareholder*
- Ballance Agri-Nutrients Limited – *Shareholder*
- DeeResearch NZ – *Director*
- Board of Deer Industry New Zealand (DINZ) – *Chair and Director*
- Tukituki Water Security Group – *Committee Member*

D Walker

- Centralines Limited – *Director*
- Speirs Group Limited and subsidiaries – *Chair & Director*
- TBL Investments Limited – *Director/Beneficial Shareholder*
- Elmira Consulting Limited – *Director/Shareholder*
- Wildbase Recovery Community Trust – *Trustee*

F Wilson

- Centralines Limited – *Director*
- OSPRI NZ Limited – *Director*
- TB Free NZ Limited – *Director*
- National Animal Identification Traceability (NAIT) Limited – *Director*
- Oruru Land Company Limited – *Director/Beneficial Shareholder*
- Predator Free New Zealand Trust – *Chair & Trustee (ceased as Chair July 2021)*
- Quality Roading & Services (Wairoa) Limited – *Director*
- Tangihanga Quarries Joint Operation – *Director Representative (company activity ceased 1 August 2021)*

S von Dadelszen

- Centralines Limited – *Director*
- Centralines Limited – *Consumer*
- Ballance Agri-Nutrients Limited – *Director, Chair of Remuneration Committee*
- FMG Insurance Limited – *Director/Chair of People, Culture and Governance Committee*
- For Sure Limited – *Director*
- Hinerangi Station Limited – *Director/Shareholder*
- Porangahau and Maharakeke Catchment Group – *Committee Member*
- Tukituki Water Security Group – *Committee Member*

T Gray

- Centralines Limited – *Director*
- Te Turapa Wai Ariki Limited – *Chair*
- Artemis Nominees Limited – *Director*
- Quality Roading and Services (Wairoa) Limited – *Director and Chair of Audit Committee*
- Nga Hua O Ngati Pukenga Limited – *Director*
- Ngati Pukenga Investments Limited – *Chair*
- Tatau Tatau o Te Wairoa Commercial Limited – *Chair*
- Electricity Ashburton Limited (incl. subsidiaries) – *Director*
- Local Government Mutual Funds Trustee Limited – *Consultant*
- Civic Financial Services Limited – *Consultant*
- Civic Property Pool – *Consultant*
- Hastings District Council – *Executive Project Advisor, Chair*
- Establishment Board Foodeast – *Chair (ceased July 2021)*
- Tatau Tatau Horticulture GP Limited – *Director*
- Foodeast GP Limited – *Director*
- Civic Financial Services Limited – *Chair of Audit and Risk Committee*
- Tatau Tatau Housing GP Limited – *Director*

L Gould

- Centralines Limited – *Director*
- Gould Consultancy Limited – *Owner & Director*

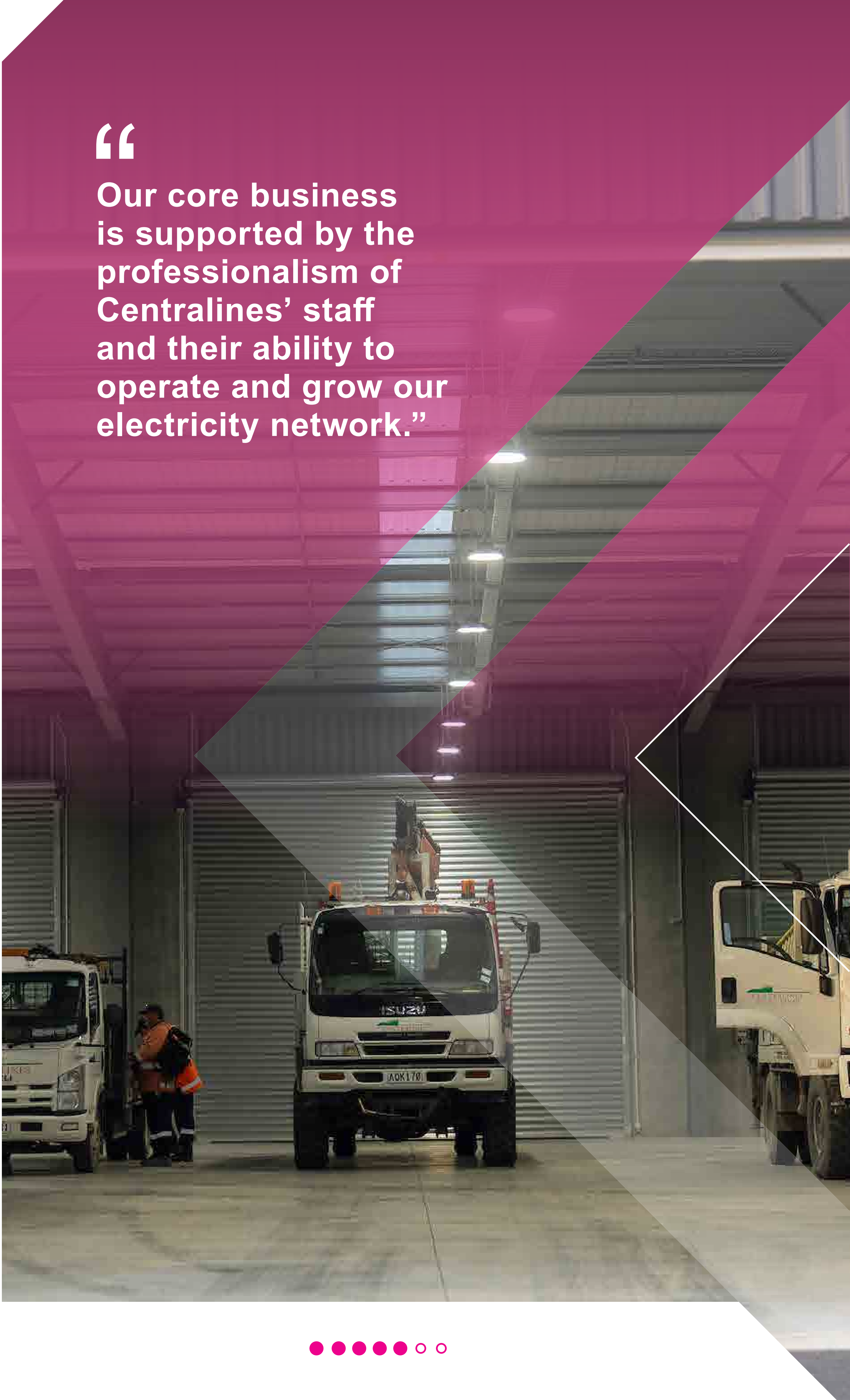
TOKO 4

TE PUAWAITANGA

PROSPERITY

Trustees' Statement

> **"Our core business is supported by the professionalism of Centralines' staff and their ability to operate and grow our electricity network."**



Trustees' Statement

The Central Hawke's Bay Consumers Power Trust is the owner of Centralines. There are seven Trustees, who are all elected. The beneficiaries of the Trust are the electricity consumers in the Central Hawke's Bay district.

Our application to the High Court to change the Trust Deed to have all seven Trustee positions elected was granted during the year. The goal of this change was to simplify the regulatory requirements on Centralines and therefore the cost. It will also mean that consumer beneficiaries have a greater say in the governance of the Trust and Centralines.

The Trust had an election in September and this was the first seven Trustee position election to take place. As a result the Trust has changed, and we welcomed Tony Murphy and Laura Billings. We would also like to thank George Williams and Catie Avery for their service to the Trust. George was the Central Hawke's Bay District Council appointee selected to represent the interests of rural consumers living over 30km from Waipawa and Waipukurau. He provided solid governance and business guidance for the Trust and Centralines. Catie was the Mayoral appointee and provided innovative thinking to the Trust which resulted in some very good outcomes for the Trust and consumers.

A core responsibility of the Trust is to oversee the assets that the Trust owns, which is Centralines. It is important to the Trust that the capital held by Centralines is utilised in a manner that protects and grows value. During the year Centralines began a large investment to build a new depot. This depot will ensure a secure base of operations for years to come. We are happy that this project was initiated and is being delivered professionally.

Centralines has provided our consumers with discounts totalling $2,231,000. To the average residential consumer this meant a discount in the order of $145 in May 2021 and another $58 in July 2021, which is meaningful and valued by our consumer owners. To the larger users, the rebate was in the thousands of dollars, with the highest user receiving a rebate of $5,850 in May and $2,500 in July.

Centralines also gave generously to 63 charitable organisations for a total of $149,249. These organisations included numerous sports teams, community events, social services and schools.

A key responsibility of the Trust is to monitor the performance of the directors and select new directors as required. Last year three new directors were appointed. This is a large change in one year and it is great to see that the Board is performing the core functions solidly.

Our core business is supported by the professionalism of Centralines' staff and their ability to operate and grow our electricity network. It has been another demanding year for the team and we appreciate and acknowledge their commitment to making Centralines a great company. The environment that Centralines operates in has likely never been as challenging. The Trust on behalf of the consumers thanks the staff for their considerable efforts. Our key partners at Unison are true professionals in the electricity distribution business industry and we are fortunate to have their management expertise running the Company.

As part of the governance of the organisation, the Trust issues a Letter of Expectations to the directors of Centralines at the start of each financial year. Included in recent years is the expectation that the directors focus on growth and on ensuring Centralines is ready for industry changes. Responsible growth and investment in the business will ensure that Centralines is in a position to continue to give back to our consumer beneficiaries. It also ensures that Central Hawke's Bay is in a position to grow on the back of an energy network that is reliable, scalable, fit-for-purpose and cost effective.

We have confidence that these expectations are being progressed. With change there are always as many threats as opportunities. Navigating this requires sound judgement and courage to act in a timely manner.

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

Alistair Setter
Chair – Central Hawke's Bay Consumers Power Trust

TAHUHU

TU POUTANGA

TEAM AND COLLABORATION

Financial Statements

Statement of Performance

FOR THE YEAR ENDED 31 MARCH 2022	2022 CORPORATE INTENT TARGETS	**2022 ACTUAL**	2021 ACTUAL
Safety Measures			
Number of lost-time injuries	0	**1**	1
Financial Measures			
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) excluding discounts ($ millions)	$7.30	**$7.06**	$8.79
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (excluding discounts) as a percentage of Average Assets Employed	9.14%	**8.95%**	11.62%
Net Profit After Tax (adjusted for discounts) as a percentage of Average Shareholders' Funds	6.12%	**5.72%**	7.91%
Network Operational Costs – $ per ICP (excluding Transmission Costs and Depreciation)	$534	**$608**	$565
Additional operational costs were incurred through the COVID 19 lockdown. These costs would have normally been capitalised.		**-**	-
Additional maintenance costs were incurred after the decision was made to continue with MAPT work on feeders		**-**	-
Network Operational Costs – $ per kilometre of line (excluding Transmission Costs and Depreciation)	$2,493	**$2,835**	$2,591
Total Planned Electricity Network Capital Expenditure ($millions)	$5.06	**$4.95**	$3.81
Dividend - paid in that year ($millions)	$0.3	**$0**	$3.76
Discount - paid in that year ($millions)	$2.23	**$2.23**	$1.57
Reliability Measures			
Unplanned System Average Interruption Duration Index *SAIDI represents the average number of minutes the customer was without power in any one year. Unplanned performance metrics were above historical averages for certain outage categorisations as a few high impact faults skewed this year's performance.*	62.83	**67.39**	38.46
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). The successive interruptions have been treated in the same way for the 2022 financial year as they were for the 2021 financial year. Unplanned SAIFI performance metrics were close to the historical averages across outage categorisations although up on recent performance levels due to a small number of faults caused mainly by vegetation that affected relatively large numbers of customers, impacting this year's performance which was around the historical average.*	3.16	**1.61**	1.49
**Both the 2020/21and 2021/22 SAIDI and SAIFI targets and actual performance are based on unplanned outages and normalised according to the requirements of the Electricity Distribution Services Default Price-Quality Path Determination 2020. An unplanned loss of supply event can, in some circumstances, be followed by restoration of supply to some consumers and then by a successive interruption as a result of isolating the initial cause or making repairs and completing the permanent restoration of supply to all consumers. For the avoidance of doubt, where this occurs. Centralines' reported SAIFI records the initial outage and not any subsequent short duration outages required to effect the restoration of supply. Centralines reported SAIDI includes the consumer minutes from subsequent short duration outages required to effect the restoration of supply. This recording approach has not changed from Centralines' previous statements.*			
Number of major faults (33kV) that result in interruptions to supply, per 100 km of line per year (as per the Electricity Distribution Information Disclosures Determination 2012)	2	**2**	1

Statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2022	NOTES	**2022 $000**	2021 $000
Revenue			
Revenue from contracts with customers		**15,303**	17,421
Posted discount accrued	2	**(1,257)**	(1,596)
Net revenue from contracts with customers	2	**14,046**	15,825
Other income	2	**19**	77
		14,065	15,902
Expenses			
Transpower charges		**(2,660)**	(2,568)
Network maintenance		**(2,404)**	(1,841)
Employee related expenses		**(1,138)**	(1,130)
Other expenses	3	**(2,570)**	(2,727)
Business development		**(124)**	(447)
Total operating expenses		**(8,896)**	(8,713)
Earnings before interest, taxes, depreciation and amortisation expenses (EBITDA)		**5,169**	7,189
Depreciation and amortisation expense	5	**(2,046)**	(2,016)
Finance expenses		**(36)**	-
Profit before income tax		**3,087**	5,173
Income tax	4	**(860)**	(1,447)
Profit for the year		**2,227**	3,726
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains/(Losses) on revaluation of electricity distribution network	5	**-**	-
Deferred tax impact		**-**	-
Items that may be subsequently reclassified to profit or loss:		**-**	-
		-	-
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**2,227**	3,726

Balance sheet

AS AT 31 MARCH 2022	NOTES	**2022 $000**	2021 $000
Assets			
Current assets			
Cash and cash equivalents		**756**	5,958
Trade and other receivables	7	**1,489**	1,747
Inventories	6	**994**	559
Total current assets		**3,239**	8,264
Non-current assets			
Property, plant and equipment	5	**77,942**	67,561
Intangible assets		**134**	131
Investment property	15	**292**	292
Total non-current assets		**78,368**	67,984
Total assets		**81,607**	76,248
Liabilities			
Current liabilities			
Trade and other payables		**2,683**	2,355
Contract liabilities	2	**1,257**	1,596
Current tax liabilities		**(278)**	131
Employee provisions		**315**	285
Total current liabilities		**3,977**	4,367
Non-current liabilities			
Interest bearing liabilities	13	**3,000**	-
Employee provisions		**49**	48
Deferred tax liabilities	4	**10,725**	10,204
Total non-current liabilities		**13,774**	10,252
Total liabilities		**17,751**	14,619
Net assets		**63,856**	61,629
Equity			
Share capital	9	**8,000**	8,000
Reserves		**856**	856
Retained earnings		**55,000**	52,773
Total equity		**63,856**	61,629

For and on behalf of the Board of Directors of Centralines Limited, who authorised these financial statements presented on pages 48 to 62 for issue on 30 June 2022.

Ian Walker – Chair

Derek Walker – Director

Statement of changes in equity

FOR THE YEAR ENDED 31 MARCH 2022	NOTES	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
		SHARE CAPITAL $000	REVALUATION RESERVE $000	RETAINED EARNINGS $000	TOTAL EQUITY $000
Balance as at 1 April 2021		**8,000**	**856**	**52,773**	**61,629**
Profit/(loss) for the year		**-**	**-**	**2,227**	**2,227**
Other comprehensive income:					
Revaluation of electricity distribution network	5	**-**	**-**	**-**	**-**
Deferred tax on revaluation		**-**	**-**	**-**	**-**
Total comprehensive income		**-**	**-**	**2,227**	**2,227**
Dividends	14	**-**	**-**	**-**	**-**
Balance as at 31 March 2022		**8,000**	**856**	**55,000**	**63,856**

Balance as at 1 April 2020		8,000	856	52,808	61,664
Profit/(loss) for the year		-	-	3,726	3,726
Other comprehensive income:					
Revaluation of electricity distribution network	5	-	-	-	-
Deferred tax on revaluation		-	-	-	-
Total comprehensive income		-	-	3,726	3,726
Dividends		-	-	(3,761)	(3,761)
Balance as at 31 March 2021		8,000	856	52,773	61,629

Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2022	**2022 $000**	2021 $000
Cash flows from operating activities		
Receipts from customers	**13,477**	14,688
Contributions for capital works	**1,064**	1,417
Interest received	**1**	37
Payments to suppliers and employees	**(9,489)**	(7,862)
Income taxes paid	**(755)**	(1,064)
Net cash inflow/(outflow) from operating activities	**4,298**	7,216
Cash flows from investing activities		
Proceeds from disposal of investments	**-**	15,857
Purchases of investments	**-**	(10,295)
Purchase and construction of property, plant and equipment	**(12,916)**	(5,974)
Proceeds from disposal of property, plant and equipment	**416**	35
Net cash inflow/(outflow) from investing activities	**(12,500)**	(377)
Cash flows from financing activities		
Proceeds from other borrowings	**3,000**	-
Payment of dividends	**-**	(3,761)
Net cash inflow/(outflow) from financing activities	**3,000**	(3,761)
Net increase (decrease) in cash and cash equivalents	**(5,202)**	3,078
Cash and cash equivalents at the beginning of the financial year	**5,958**	2,880
Cash and cash equivalents at end of year	**756**	5,958

Cash and cash equivalents

Recognition and measurement

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

Notes to the financial statements

1 ABOUT THIS REPORT

(a) Entity reporting

Centralines Limited is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 17 Coughlan Road, Waipukurau, New Zealand. It is registered under the Companies Act 1993 and is an energy company in terms of the Energy Companies Act 1992.

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

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

These financial statements are presented in New Zealand dollars ($), which is Centralines Limited's functional currency, and have been rounded to the nearest thousand unless otherwise stated.

(b) Basis of preparation

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

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

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

(c) Goods and Services Tax (GST)

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

(d) Notes to the financial statements

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

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

(e) New and amended standards adopted by the Company

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 March 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Those new standards and amendments that are relevant to the Company are:

- Amendment to NZ IAS 1 - Classification of Liabilities as Current or Non-Current

The amendments clarify a criterion in NZ for classifying a liability, such as loans, as non-current the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments:

*specify that an entity's right to defer settlement must exist at the end of the reporting period;

*clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;

*clarify how lending conditions, such as loan convenants, affect classification; and

*clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The group will not early adopt these amendments and will first apply the amendments in the 31 March 2024 financial statements. Centralines has noted that the IASB is reconsidering these amendments. An exposure draft was released with proposed changes to the amendments, including a deferred date of application. Centralines has not yet assessed the effect of these amendments on its loan agreements as it is waiting to see what further changes are made to the original amendments to NZ IAS 1.

- Amendments to NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract, for the purpose of assessing whether the contract is onerous.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022

The adoption of these amendments did not have any impact on the current period.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(f) Critical accounting judgements and estimates, including impact of COVID-19

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

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

- Valuation of Electrical distribution network (note 5)

- Estimation of useful lives for depreciation (note 5).

(g) COVID 19

On 17 August 2021, the New Zealand Government declared that the country was in lockdown at Alert Level 4 for the period 17 August to 31 August and remained in lockdown at Alert Level 3 until 7 September inclusive. During Alert Level 4 Centralines business activity was restricted to emergency works response, some essential preventative maintenance, and high priority capital work. Most staff were working from home. During Alert Level 3, most business activity resumed with the required health and safety protocols in place, and staff returned to work.

The regulated electricity lines revenue saw no adverse impact for the year. There were no negative impacts on the overall level of network maintenance for the year. Capital expenditure for the year was below budget due to delays in projects during Alert Levels 3 and 4. There was no noticeable impact on our SAIDI and SAIFI results.

No impairment test has been performed over the carrying value of the electricity distribution because the Company considers that there are no impairment indictors as at 31 March 2022.

2 REVENUE

Revenue streams

The Company generates revenue primarily from electricity distribution and line function services provided to consumers and businesses in Central Hawke's Bay. Other sources of revenue include electrical contracting services and investment income.

	2022 $000	2021 $000
Net revenue from contracts with customers[1]	**14,046**	15,825
Other income:		
Interest income	**1**	36
Miscellaneous income	**18**	41
Total revenue	**14,065**	15,902

Disaggregation of revenue from contracts with customers
In the following table, revenue from contracts with customers is disaggregated by major products and service lines:

	2022 $000	2021 $000
Electricity line revenue[1]	**12,189**	13,664
Capital contributions	**1,064**	1,417
Contracting revenue	**761**	707
Other	**32**	37
	14,046	15,825

[1]Net of the accrued posted discount of $1,257,000 to be paid to consumers connected to the Company's electricity network as at 31 March 2022 and scheduled to be paid to consumers in May 2022.

An additional winter discount was paid out during the year of $634,610.

Contract assets and liabilities
The Company has recognised the following revenue-related contract assets and liabilities:

	2022 $000	2021 $000
Contract liabilities – posted discount payable to consumers	**1,257**	1,598
Total contract liabilities	**1,257**	1,598

Changes in contract assets and liabilities

The Company has recognised a contract liability for the discount to be paid to consumers. The Company will pay a posted discount of $0.0148 c/kWh to all consumers registered on its electricity network as at 31 March 2022. The discount is calculated using twelve months of consumption data from 1 April 2021, and is scheduled to be paid to consumers in the month of May 2022. The minimum discount payable to any consumer is $55.00, and the maximum is $5,850.

Accounting policy

(i) Electricity line revenue

The Company owns, manages and operates an electricity distribution network. The Company distributes electrical energy on behalf of electricity retailers that has been brought to points of supply by the national grid operator or produced by embedded generators, to consumers connected to the Company's electricity distribution network.

Line revenue relates to the provision of electricity distribution services and includes pass through revenue and recoverable cost revenue. Prices are regulated, and customers are charged through a mix of fixed charges which are recognised on a straight line basis and variable charges which are recognised based on the volume of distribution services provided. Consistent with NZ IFRS 15 this revenue is recognised over time at the fair value of services provided based on an output method as the service is delivered to match the pattern of consumption. Pass through and recoverable costs include transmission costs, statutory levies and utility rates.

The Company pays a discount to eligible consumers registered on its network as at 31 March each year. The basis of the discount is posted on the Company's Electricity Distribution Delivery Prices Disclosure at the start of each financial year, and is paid to consumers via their retailer in the following financial year. The electricity line revenue recognised is net of the discount to be paid to consumers. A contract liability (included in trade and other payables) is recognised for the expected discount payable to consumers in relation to electricity distribution made until the end of the reporting period.

(ii) Capital contributions

Customer contribution revenue relates to contributions received from customers towards the costs of reticulating electricity to new subdivisions, constructing uneconomic lines and relocating existing lines. The revenue recognised is the fair value of the asset being constructed. Revenue is recognised at a point in time when the asset is connected to the network for customers whose supply of electricity is contracted to a retailer. For retailers, this revenue is recognised over time.

(iii) Contracting revenue

Contracting revenue relates to revenue from electrical contracting services provided to third parties and is recognised as the fair value of the service provided or asset being constructed. Where an asset is being constructed for a third party, revenue is recognised over time as a result of control of the asset transferring to the customer over the time. For electrical services revenue is recognised at a point in time when the performance obligation is satisfied.

(iv) Interest income

Interest income is recognised using the effective interest method.

3 OTHER EXPENSES

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

	2022 $000	2021 $000
Other expenses		
Bad debt expense	**3**	(6)
Audit of the annual financial statements – Audit New Zealand	**69**	68
Regulatory audit and assurance work – Audit New Zealand	**47**	60
Directors' fees	**213**	185
Donations	**1**	51
Community sponsorship	**149**	105
Other operating expenses	**2,088**	2,264
	2,570	2,727

4 TAXATION

(a) Income tax expense	2022 $000	2021 $000
Current tax on profits for the year	**343**	898
Deferred tax associated with timing differences	**521**	550
Adjustments in respect of prior years	**(4)**	(1)
Income tax expense	**860**	1,447

(b) Reconciliation of income tax expense to prima facie tax payable	2022 $000	2021 $000
Profit from continuing operations before income tax expense	**3,087**	5,173
Income tax @ 28%	**864**	1,448
Tax effects of:		
Income not subject to tax	**-**	-
Expenses not deductible for tax purposes	**-**	-
Prior period current tax adjustment	**(4)**	(1)
Income tax expense	**860**	1,447

(c) Deferred tax liabilities	2022 $000	2021 $000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**10,824**	10,294
Employee provisions	**(90)**	(88)
Other provisions	**(9)**	(2)
Total deferred tax liabilities	**10,725**	10,204
Movements:		
Opening balance	**10,204**	9,654
Deferred portion of current year tax expense	**521**	550
Amounts charged or credited direct to equity	**-**	-
Closing balance	**10,725**	10,204

Accounting policy

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

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

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.

5 PROPERTY, PLANT & EQUIPMENT

	ELECTRICAL DISTRIBUTION NETWORK $000	FIBRE NETWORK $000	LAND AND BUILDINGS $000	OTHER ASSETS $000	TOTAL $000
Year ended 31 March 2022					
Opening net book amount	**61,704**	**498**	**3,839**	**1,520**	**67,561**
Additions	**4,948**	**4**	**7,709**	**182**	**12,843**
Disposals	**-**	**-**	**(416)**	**-**	**(416)**
Depreciation charge	**(1,610)**	**(61)**	**(20)**	**(355)**	**(2,046)**
Revaluation	**-**	**-**	**-**	**-**	**-**
Closing net book amount	**65,042**	**441**	**11,112**	**1,347**	**77,942**
At 31 March 2022					
Cost	**17,263**	**1,364**	**11,276**	**5,893**	**35,796**
Valuation	**54,024**	**-**	**-**	**-**	**54,024**
Accumulated depreciation	**(6,245)**	**(923)**	**(164)**	**(4,546)**	**(11,878)**
Net book amount	**65,042**	**441**	**11,112**	**1,347**	**77,942**
Year ended 31 March 2021					
Opening net book amount	59,426	545	2,127	1,664	63,762
Additions	3,809	14	1,732	274	5,829
Disposals	-	-	-	(14)	(14)
Depreciation charge	(1,531)	(61)	(20)	(404)	(2,016)
Revaluation	-	-	-	-	-
Closing net book value	61,704	498	3,839	1,520	67,561
At 31 March 2021					
Cost	12,316	1,360	3,983	5,711	23,370
Valuation	54,024	-	-	-	54,024
Accumulated depreciation	(4,636)	(862)	(144)	(4,191)	(9,833)
Net book amount	61,704	498	3,839	1,520	67,561

(a) Valuations of electrical distribution network

The current book value of the electricity distribution network was assessed against the fair value as at 31 March 2022, calculated using the discounted cash flow (DCF) method which showed that there was no material difference. On this basis, no revaluation has been recognised.

The DCF model is updated internally by suitably qualified employees.

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

The valuation model calculation uses the following key assumptions:

• Line revenue price increase: Centralines became an exempt EDB under the Commerce Act from October 2021 when all Trustees of Centralines became elected. As a result, Centralines has greater discretion to determine its own prices and revenues. Centralines' Board has elected to price no higher than what the Commerce Commission's regulatory models would imply, albeit has more flexibility to update the financial models more regularly and to avoid some of the anomalies presented by the mechanical application of the Commission's approaches.

The valuation model uses the Board approved budget for the 2022/23 year as the base year for line revenue. The model then assumes that Centralines will increase prices at the rate of consumer price index (CPI) inflation, albeit that Centralines would seek to smooth out any inflation spike (such as for the March 2022 year). The model also assumes that volume growth of 2% would be achieved, which is consistent with recent observed growth rates and the high level of economic activity that continues in Central Hawke's Bay. Mechanical application of the Commerce Commission's model indicates that Centralines could lift prices and revenues more significantly than following the assumed CPI path, but Centralines considered this would not be an appropriate outcome for Central Hawke's Bay consumers.

• Cashflows are discounted at 5.05% post tax weighted average cost of capital (WACC) (2021 4.68%).

• The notional regulatory limits on Centralines revenues are determined based on Centralines 2022 Asset Management Plan and a vanilla WACC of 5.32% using parameters as at 31 March 2022 as inputs to the Commerce Commission's building blocks revenue model.

A sensitivity analysis of the key assumptions shows that the biggest impact on the net present value (NPV) of the future cash flows for Centralines' electrical distribution network is the post tax discount rate used. An increase of 0.5% to the post tax discount rate would decrease the network's fair value by $4.3m.

A sensitivity analysis on a number of variables as follows:

• a capital expenditure increase/(decrease) of 5% would decrease/(increase) the network's fair value by $1.64m and ($1.64m) respectively.

• an increase/(decrease) in the discount rate of 0.5% would decrease/(increase) the network's fair value by $3.76m and ($3.56m) respectively.

• an operating expense increase/(decrease) of 5% would decrease/(increase) the network's fair value by $1.48m and ($1.48) respectively and,

• a distribution revenue increase/(decrease) of 5% would increase/(decrease) the network's fair value by $3.57m and ($3.55m) respectively.

(b) Capital work in progress

Capital work in progress as at 31 March 2022 of $11,556,054 (2021: $2,847,684) of which $2,020,386 is included in electrical distribution network additions and $9,535,668 included in the land and buildings additions.

(c) Capital commitments

The value of contractual capital commitments as at 31 March 2022 is estimated at $938,471 (2021: $8,243,749).

Accounting policy

Property, plant and equipment

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

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

The electrical distribution network is carried at fair value using a discounted cash flow model. The network is re-valued every five years at a minimum. We test the carrying amount annually by assessing this value against a discounted cash flow model. Where there is any material variance, the network is revalued to reflect the fair value of the 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.

Depreciation

Depreciation on electrical distribution assets is calculated using the straight line method to allocate their cost or re-valued amounts over their estimated remaining useful lives.

Any accumulated depreciation on electrical distribution assets as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

Depreciation on other assets (other than land which is not depreciated) is calculated using the straight line method to allocate their cost over their estimated useful lives.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

• Electrical distribution network	0 – 70 years
• Fibre network	0 – 12 years
• Buildings	50 – 100 years
• Land	
• Other assets:	
– Motor vehicles	3 – 15 years
– Plant and equipment	1 – 10 years
– Office furniture and equipment	5 – 15 years
– Information technology	2 – 10 years

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

Impairment of assets

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

6 INVENTORIES

Inventories are stated at cost. Cost is determined using the average cost method. The cost of work in progress comprises design costs, stock, direct labour, other direct costs and related production overheads.

	2022 $000	2021 $000
Stock	**899**	521
Work in progress	**95**	38
	994	559

7 TRADE AND OTHER RECEIVABLES

	2022 $000	2021 $000
Trade receivables	**1,510**	1,746
Provision for doubtful receivables	**(31)**	(9)
	1,479	1,737
Sundry receivables and accruals	**10**	10
	10	10
Total trade and other receivables	**1,489**	1,747

(a) Impaired receivables

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

At 1 April	2022 $000	2021 $000
Opening balance	**(9)**	(22)
Provision for impairment recognised during the year	**(28)**	(3)
Receivables written off during the year as uncollectible	**1**	7
Amounts recovered during the year	**5**	9
At 31 March	**(31)**	(9)

Accounting policy

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due within 30 days and therefore are all classified as current. There are no significant financing components.

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

8 FINANCIAL RISK MANAGEMENT

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

(a) Fair value estimation

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

Financial assets and liabilities:	2022 $000	2021 $000
Fair value of financial assets at amortised cost		
Cash and cash equivalents	**756**	5,958
Trade and other receivables	**1,489**	1,747
	2,245	7,705
Fair value of financial liabilities at amortised cost		
Trade and other payables	**2,683**	2,355
Bank loans	**3,000**	-
	5,683	2,355

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

Investments consist of short term deposits held with registered banks and are classified as current assets if they mature within 12 months, otherwise they are classified as non current.

Investments are held to collect principle and interest as part of a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Credit risk

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

(c) Liquidity risk

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

9 SHARE CAPITAL

	2022 SHARES '000	2021 SHARES '000	2022 $000	2021 $000
Ordinary shares				
Fully paid (no par value)	**8,000**	8,000	**8,000**	8,000

10 RELATED PARTY TRANSACTIONS

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

(a) Key management and personnel compensation

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

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

For the year ended 31 March 2022, the amounts incurred by Unison Networks Limited for the provision of key management personnel amounted to $134,847 (2021: $132,723).

The compensation paid or payable to Directors was $212,517 (2021: $184,582).

(b) Transactions with related parties

Related party	Nature of transactions	Relationship with Company	TRANSACTION 2022 $000	TRANSACTION 2021 $000	YEAR-END 2022 $000	YEAR-END 2021 $000
Central Hawke's Bay Consumers Power Trust	Dividend	Parent	**-**	3,761	**-**	-
Unison Networks Limited	Purchases materials, management services and contracting services	Key management personnel	**4,351**	3,635	**480**	485
Trustees	Sale of contracting services	Trustee	**74**	2	**-**	-
Farmlands	Retail purchases	Directors' interest	**13**	10	**1**	-

11 COMMITMENTS

(i) Operating lease commitments

Lease payments under operating leases, for short term leases or leases for which the underlying asset is of low value are expenses in the statement of comprehensive income in equal instalments over the lease term.

The expense for the period is $3,592 (2021 $3,592).

The Company has applied NZ IFRS 16.6. No right of use asset has been recognised.

The future aggregate minimum lease payments under non cancellable operating leases are as follows:	2022 $000	2021 $000
No later than 1 year	**4**	4
Later than 1 year and no later than 5 years	**-**	4
Later than 5 years	**-**	-
Total	**4**	8

12 CONTINGENCIES

As at 31 March 2022 the Company had no contingent liabilities or assets (2021: $Nil).

13 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no events to report.

14 NON CURRENT LIABILITIES INTEREST BEARING LIABILITIES

(a) Bank loans

All term borrowings are bank loans and interest rates for these borrowings are based on the bank bill rate plus margin and a line of credit charge. Centralines utilises a wholesale term loan facility arrangement with a facility limit of $6 million and a three year loan term. This facility will be routinely renewed on maturity date, so all borrowing under this facility are reported as term borrowings.

The bank facility is secured by a General Security Agreement over Centralines Limited. The facility is subject to various covenants including leverage ratios and financial time frames. Centralines complied with all covenants for the 2022 year.

(b) Interest rate risk exposure

Centralines manages its interest rate risk exposure, as from April 2022 the expected date of full drawdown of debt, by the use of an amortising interest rate SWAP over its wholesale term loan borrowing. A hedge profile of 50% of all mature borrowings is targeted. Centralines is currently drawing funds monthly to meet its commitments arising from the build of the new depot.

	2022 $000	2021 $000
Bank loans	**3,000**	-
Total non current interest bearing liabilities	**3,000**	-

15 DIVIDENDS

No dividend was paid in respect of the 2021/22 financial year (2021: $3,761,194).

16 INVESTMENT PROPERTY

	2022 $000	2021 $000
Balance at 1 April	**-**	-
Depreciation	**-**	-
Impairment	**-**	-
Balance at 31 March	**292**	-
Cost	**292**	-
Accumulated depreciation	**-**	-
Book value	292	-

Accounting Policy

Investment property is measured at cost less depreciation and impairment losses.

The estimated useful lives of investment property are:

Land	**Indefinite**
Buildings	**50 - 100 years**

The fair value at 31 March 2020 is $340,000.

The valuation to determine the fair value was performed by Mel Wilson, a registered valuer from Southgate Wilson. The fair value was determined using sales of comparable properties.

There was no valuation performed in 2022.

The investment property is a residential property purchased with the intention of being developed into a new depot for the Company. This plan has now changed and there has been no decision made on the future of this property. The property is held at historical cost.

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Centralines Limited's financial statements and performance information for the year ended 31 March 2022.

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

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 49 to 62, that comprise the statement of financial position as at 31 March 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on page 48.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2022; 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 New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information 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 2022.

Our audit was completed on 30 June 2022. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 6 to 45 and 66, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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

- an assurance engagement pursuant to the Electricity Distribution Information Disclosure Determination 2012 - (consolidated in 2018) for the period ended 31 March 2021; and
- an assurance engagement pursuant to the Electricity Distribution Services Default Price-Quality Path Determination 2020 for the assessment period ended 31 March 2021.

Other than the audit and the assurance engagements, we have no relationship with or interests in the Company

Chris Webby
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand

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D Walker
F Wilson
S von Dadelszen
T Gray
L Gould

Chief Executive

K Sutherland

Trustees

A Setter – Chair
M Peacock
L Tosswill
K Middelberg
L Billings
T Murphy
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