CENTRALINES
LIMITED

2024 ANNUAL REPORT

OUR PEOPLE | OUR POWER

Vision

A customer-centric partner that enables growth and long-term prosperity for Central Hawke's Bay.

Purpose

To deliver a reliable and affordable electricity supply to meet our customers' aspirations for wellbeing, growth, and sustainability.

Our Values

Safety
IS PART OF OUR LIVES

Teamwork
WE ARE ONE TEAM

Integrity
TRUTH, HONESTY AND RESPECT

Openness
WE ARE APPROACHABLE

Passion
IN EVERYTHING WE DO

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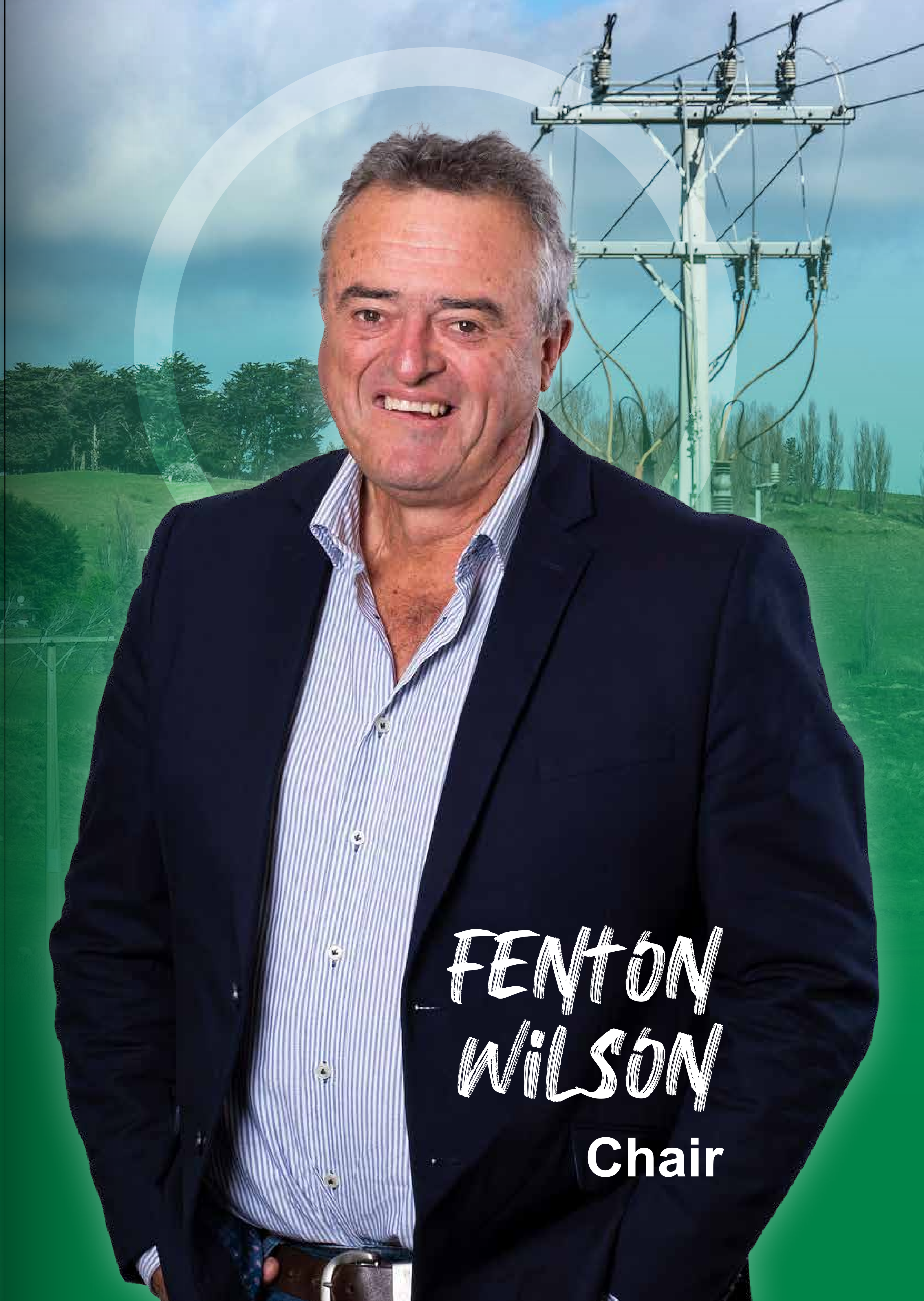
Chair & Chief Executive's Review

JAUN PARK

Chief Executive



FENTON WILSON

Chair

A YEAR OF RECOVERY AND DELIVERY FOR CENTRALINES AND CENTRAL HAWKE'S BAY

The period of reporting began with Centralines completing repairs to its network following the devastation of Cyclone Gabrielle. This brought our network back to a secure and reliable state however, our community and many customers were still feeling the effects of the cyclone, and Centralines continues to support their rebuild and recovery. Centralines resumed delivery of our works programme including planned maintenance, and capital works that are prioritised through our Asset Management Plan. This was carried out by Centralines field crews supported by our own traffic management team. Centralines continued to retain the services of an external contractor throughout the year to provide the additional capacity needed to deliver the scheduled work. The Centralines team continues to grow with the addition of a new arborist, a new utility worker and two new trainee line mechanics. It is pleasing to report that our team and contractors completed delivery of the full programme which was a record for the annual volume of work.

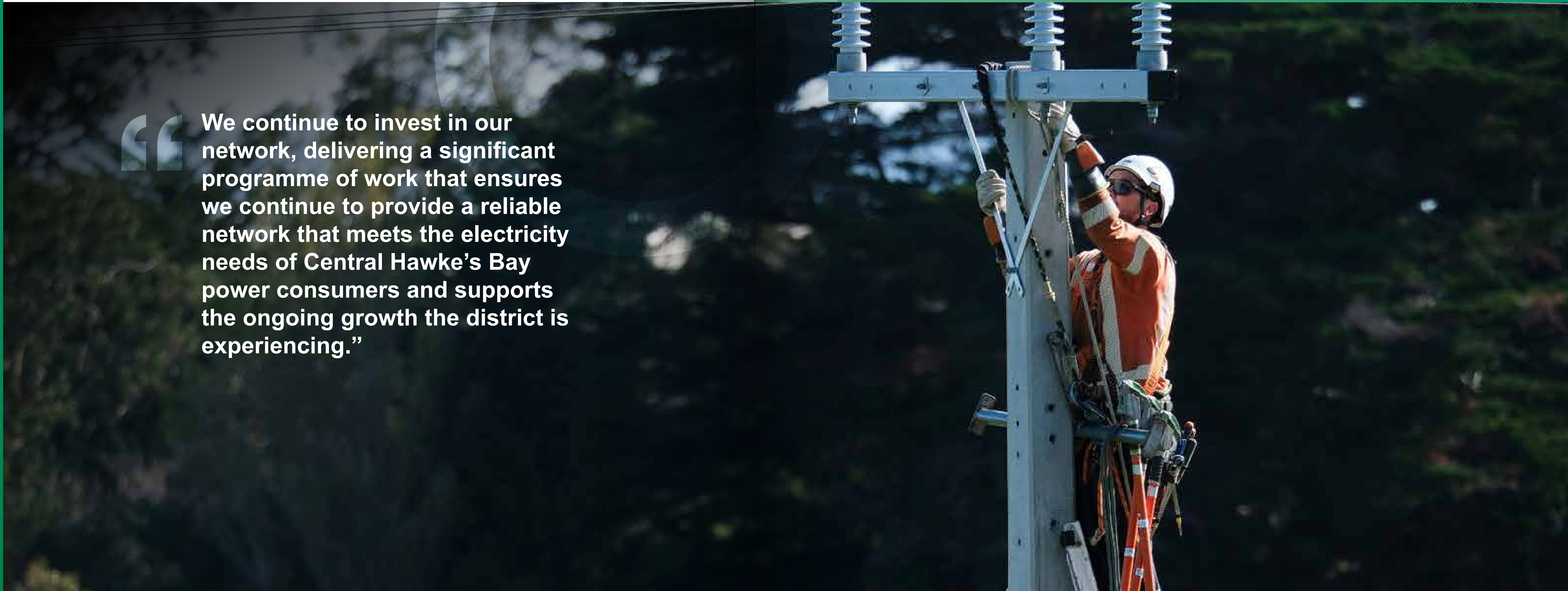
Asset management system ensures network resilience.

Network performance over the year met both historical benchmarks and stakeholder expectations. While we did surpass our target for the System Average Interruption Duration Index (SAIDI), it is essential to recognise that this metric is particularly sensitive to isolated, extended outages in smaller networks with low customer numbers, such as Centralines. These outages are a characteristic of rural networks, where it is not economically viable to provide backup security for all customers, especially in remote areas. We continue to invest in our network, delivering a significant programme of work that ensures we continue to provide a reliable network that meets the electricity needs of Central Hawke's Bay power consumers and supports the ongoing growth the district is experiencing. In addition to this significant investment in the network, we also experienced yet another year of strong demand of customer connection growth, albeit down from recent record highs.

As a consumer-owned company it is rewarding to play an important role in supporting the Central Hawke's Bay community as it recovers from Cyclone Gabrielle and looks to a bright future as a thriving and desirable region to live and work. However, 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 cost of living and inflation compounded by the impacts of Cyclone Gabrielle. Discounts totalling $1,475,000 were distributed to consumers through electricity retailers.

Centralines remains committed to delivering ongoing support through a reliable electricity supply, efficient and effective asset management, local employment, investment in our community and development of energy related projects to help regional growth and sustainability.

Reliability Measures	2023/24 Corporate Intent Targets	2023/24 Actual
Unplanned system average interruption duration index (**SAIDI**) **SAIDI** represents the average number of minutes a consumer was without power in any one year.	62.8 mins	80.43 mins
Unplanned system average interruption frequency index (**SAIFI**) **SAIFI** is the average number of supply interruptions that a consumer experiences in the period including maintenance but excluding transmission (Transpower).	3.16 outages	2.13 outages



"We continue to invest in our network, delivering a significant programme of work that ensures we continue to provide a reliable network that meets the electricity needs of Central Hawke's Bay power consumers and supports the ongoing growth the district is experiencing."

PEOPLE SIT AT THE HEART OF CENTRALINES

Our employees, consumers and our community are central to our success and 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 through presentations, traditional and social media, as well as safety inductions for contractors working on or around the network.

We are committed to ensuring our people return from work safe and healthy at the end of each day. It is pleasing to report the business recorded no lost-time injuries. There were a similar number of incidents as the previous year. Over half of these were in our key risk areas. These include working at heights, with electricity or around heavy machinery or motor vehicles and it was this area where most incidents occurred. By working with our people to focus on key risks and implement effective risk management strategies we can further improve our safety culture and performance, including systems and reporting for our key risk areas. In response to the number of vehicle related incidents, we are investing in additional specialist driver training to ensure our people are safe when working with vehicles.

In addition to this risk-based approach to workplace health and safety, we also focus on the wellbeing of staff through a programme of initiatives to support staff awareness of health 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, with the global push for electrification as well as a tightening local labour market as the region gears up for rebuilding post Cyclone Gabrielle, we are continuing to experience a shortage of skilled workers that is being felt across the electricity industry, infrastructure, and construction sectors in Aotearoa.

Our response has been 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.**

It is pleasing to see this strategy delivering results. In addition to the four new roles created, we have employed two traffic management operatives and a project administrator. It is also pleasing to report that the two skilled international workers that recently joined the business have adapted well and are now fully part of the Centralines family.

At the same time, we recognised the importance of being able to access additional resource to cope with the increased works programme and we retained the services of external contractor Powerlines Hawke's Bay, who supported our team with the delivery of the programme through the year.

Accommodating our growing workforce and contracted support has been made possible by our purpose-built depot and office that we have occupied for a full year. It enables Centralines to attract, accommodate and train our growing team and contractors. The depot has also provided training facilities for the industry with industry training provider MITA using our depot and training facilities to run programmes attended by workers from around the North Island.






OUR COMMUNITY

Centralines understands the role it plays in the community, ensuring a reliable, affordable, and sustainable electricity supply for the district and supporting its growth and decarbonisation. But we understand our role extends to more than this, which is why we have taken the opportunity presented by our new depot to ensure it meets not only Centralines' needs but also those of the community. With limited spaces available for the community to meet in the district, our offices include multi-purpose meeting and training spaces that not only fit the requirements of Centralines, but also met the needs of different community groups who can hire these spaces, although they are free of charge to not-for-profit organisations. Demand from the community has been overwhelming with rooms regularly used by community groups, iwi, councils, industry associations, training providers, and businesses for periods ranging from less than an hour up to multi-day use of multiple rooms.

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 $184,324 in community funding to over 65 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. Support was provided to many other organisations that play an important role in our community including Connect-Youth Driver Training and CHB Swim for Lives.

> **"During the year we pledged $184,324 in community funding to over 65 local organisations that support the wellbeing of our rural community..."**

FINANCIAL PERFORMANCE

Centralines delivered another strong financial result for the year, with an after-tax profit of $2.7 million (before a one-off deferred tax adjustment of $2.6 million on buildings). This is after the company returned approximately $1.5 million to its consumers through a discount payment on their electricity bills in July.

$2.7 Million
After-tax profit

The result was $600,000 higher than the previous year. At the same time, Centralines continued to invest in its network with a capital spend of $9.1 million.

$9.1 Million
Capital spend

Despite a more challenging macroeconomic environment, customer-driven work remained strong, with a spend of $1.9 million. This continued high spend on our capital programme once again 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, even with debt raised to fund the continued investment in the network, the company remains well-positioned to meet the growth and decarbonisation needs of Central Hawke's Bay including relevant future investment opportunities in energy or infrastructure.

$1.5 Million
Returned to customers

	2023/24	2022/23
Total Revenue	$16.1M	$15.5M
EBITDA[1]	$8.3M	$7.1M
Net Operating Profit After Tax[2]	$2.7M	$2.1M
Capital Expenditure	$9.2M	$11.5M
Total Discount[3]	$1.5M	$1.3M

1 Earnings before interest, tax, depreciation, amortisation and consumer discounts
2 Net operating profit after tax was adjusted by $2.6M for a one-off deferred tax adjustment on buildings
3 This is the discount paid out during the financial year

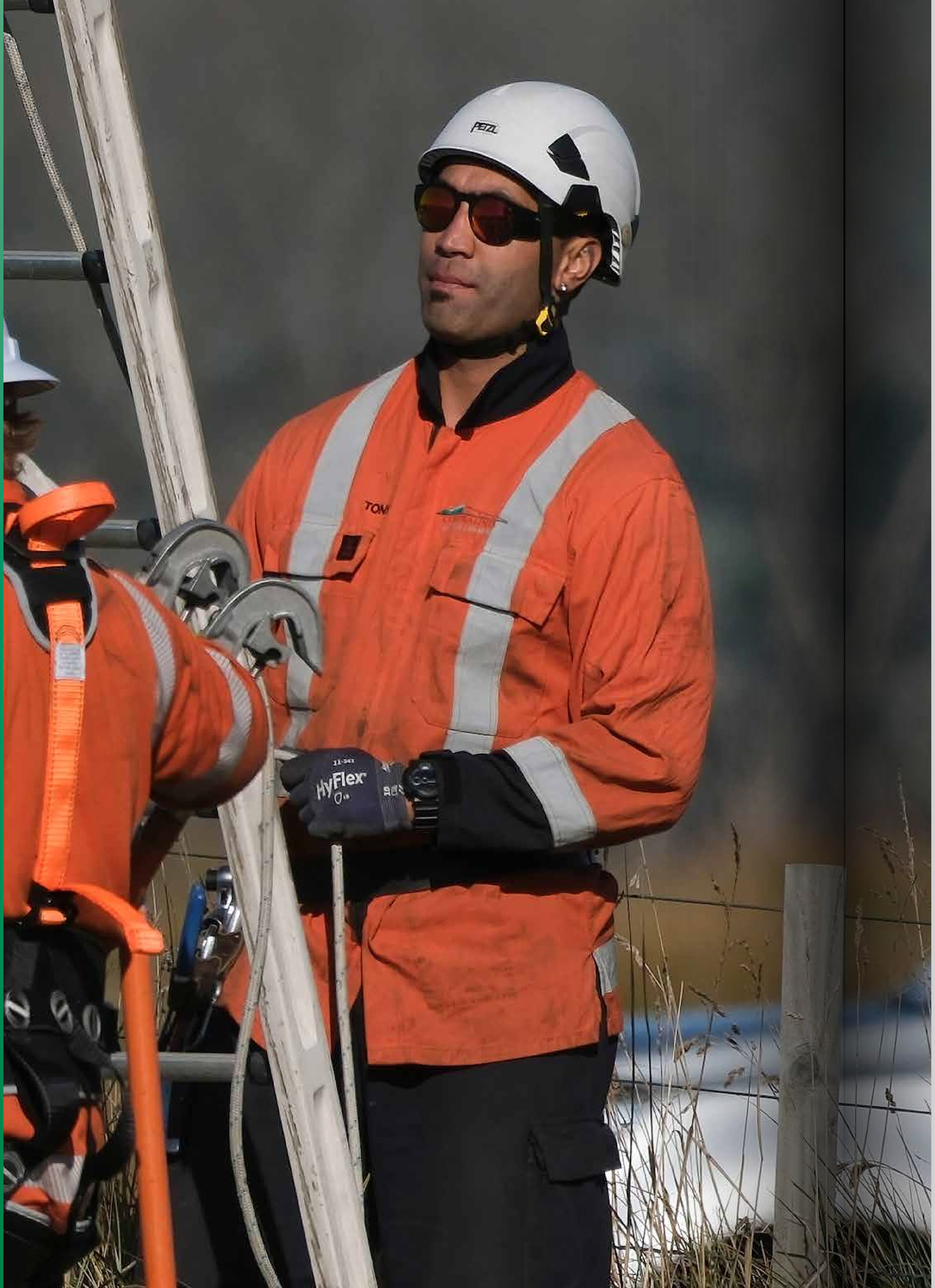
DECARBONISATION

Measures to reduce emissions and achieve the decarbonisation goals of Aotearoa remains part of government policy, aiming for net zero carbon by 2050 with specific reduction targets each decade. However, the change in government has shifted policies to encourage decarbonisation of transport and industry.

The focus has moved away from direct subsidies, such as the removal of the clean car rebate and funding for industrial decarbonisation projects. Instead, there is now an emphasis on enabling infrastructure, such as streamlined approval processes for renewable energy projects and developing a national EV charging network with 10,000 chargers. While this may change the pace and focus of decarbonisation, the long-term outlook remains positive. Increasing electricity demand continues to drive investment in renewable energy, from small rooftop solar panels to large solar farms. Significant investments are also being made in transmission and distribution infrastructure, along with efforts to manage demand more effectively, to enable more efficient investment in the energy sector.

The electricity sector will play a significant role in supporting Aotearoa transition to electric vehicles and reducing reliance on fossil fuels for process heat, contributing to the country's decarbonisation efforts. A group of major generators and distributors across Aotearoa commissioned a report from Boston Consulting Group to assess the necessary investments across the sector to meet set targets. The report concluded that an additional $22 billion will be needed in this decade for distribution infrastructure alone.

For Centralines, the main concerns revolve around assessing whether additional network infrastructure would 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 continue to engage with our industrial customers and key stakeholders to better understand their decarbonisation and electrification plans, and through this have already seen one major user move from gas to electricity for part of its processing. Working with our peers through Electricity Networks Aotearoa, we are watching with great interest trials of different smart charging systems and price reward approaches that encourage electric vehicle owners to charge overnight when the network is idling, and not during morning or evening peak periods. There would be significant benefits to consumers from avoiding further investment in network capacity. Centralines own a growing EV fleet and accompanying charging infrastructure will also provide important insights into charging behaviour, as well as how it can be supported by the solar photovoltaic panels installed on the roof of Centralines new depot.



REGULATION

The future is electric, and as we prepare to meet this challenge there are changes happening in our regulatory environment:

- The Commerce Commission reviewed its input methodologies that set the parameters for electricity lines businesses' expenditure, revenue, pricing, and returns.
- The Electricity Authority has a programme underway to update regulatory settings for distribution networks to better support the electricity sector's transition to a low emissions economy. It has a two-year programme across four key areas:
    1. Improved monitoring of the distribution sector to create a clearer picture of what information already exists, and identify the challenges faced by distribution networks.
    2. Better access and use of data and information to understand what is happening on the low voltage networks and drivers of congestion.
    3. Looking at market settings to ensure they encourage participation, innovation, investment, and coordination.
    4. Ensuring the regulatory system keeps pace with the volume, size and complexity of distributed generation and demand response applications so Aotearoa can realise the full value of distributed energy resources.
- The Ministry of Business, Innovation and Employment is nearing completion of its lengthy review of the Electricity (Hazards from Trees) Regulations 2003. Known as Tree Regulations, these have proved ineffective in their current form in preventing unnecessary interference with and damage to electricity lines, with associated costs and impact for consumers affected by outages caused by vegetation, particularly trees, outside the growth limit zone covered by the present regulations.

As a consumer-owned lines company, Centralines is exempt from the Commerce Commission's default price-quality path regulation. However, the outcome of these regulatory workstreams will significantly impact distributors' ability to efficiently invest in networks and other solutions. These investments are crucial for providing reliable and affordable distribution services and supporting the growth in electrification, which is essential for Aotearoa to achieve its decarbonisation goals.

Pricing will play a key role in promoting efficient use of the network and shifting flexible loads like electric vehicles to off-peak times. We're continuing updates to our pricing structure in line with distribution pricing principles set by the Electricity Authority, aiming for consistency, fairness, and predictability. As part of this, we're gradually removing the distortionary price restrictions outlined in the Low Fixed Charge Regulations by 2026.

Our approach ensures consumers pay for and get value from the electricity services they receive, while minimising price shocks or unnecessary fluctuations, always with an eye to our role in promoting energy affordability.

A BRIGHT AND SUSTAINABLE FUTURE

We are continuing our sustainability journey, installing electric vehicle charging infrastructure for visitors and staff at our offices as well as progressing designs for our new sustainable 33kV switchroom to be built at Ongaonga.

As part of its commitment to environmental sustainability, and to leverage Central Hawke's Bay's strong solar generation resource, Centralines has 106kW of solar panels on its new Coughlan Road depot. This is the largest roof top array in Central Hawke's Bay and it produced 138806kWhs of energy. As well as meeting 41% of Centralines own electricity needs, 62975kWhs were also exported for use by consumers within its network.

We are also focused on sustainably and reliably meeting the needs of current and future power consumers, which supports 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. To reduce this, we have a policy to replace our vehicles with economic electric alternatives as they become due for replacement. This year we have installed electric vehicle charging infrastructure at our depot for use by staff and visitors.

At the same time, we can also play a key role in supporting sustainable ambitions and choices of Central Hawke's Bay consumers as they work towards decarbonisation. This includes making it easy for residential and commercial customers 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 from electrification of transport and industry, so we are actively looking for opportunities to enable development of new sources of renewable energy in Central Hawke's Bay.

At the heart of our sustainable future are our people and our community. We remain dedicated to investing in the capability and wellbeing of our workforce, providing leading facilities to train the next generation for the industry. Our relationships are central to supporting the community, and we are developing deeper local partnerships with stakeholders, including iwi. Additionally, we continue our collaboration on regional development with the Central Hawke's Bay District Council.

We believe that working together 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 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.

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, support and for the important role they play in representing the interests of the power consumers of Central Hawke's Bay and our rural communities. This year we have had Central Hawke's Bay local Thomas Good as Board Observer, appointed by the Trust as part of its commitment to developing leadership and governance capability in the district. We thank Thomas for his time and commitment.

As we continue in 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.

Fenton Wilson
Chair

Jaun Park
Chief Executive

Corporate Governance Statement & Director Profiles

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 meets nine 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 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 undertakes worksite visits and engages directly with staff around safe working practices.

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 Centralines has an effective 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 an Interests Register to record particulars of transactions or matters involving Directors. The Register is reviewed at each Board meeting.

Left to right: Len Gould, Sarah von Dadelszen, Tony Gray, Kevin Best, Fenton WIlson

FENTON WILSON

CHAIR

Born in Central Hawke's Bay. Fenton was appointed to the Centralines Board in 2018.

Fenton 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 TB free programme.

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 is optimistic about the future of Centralines with the company playing a key part in enabling the success in the community.

ANTHONY (TONY) GRAY

DIRECTOR

Tony was appointed as a director to the Centralines Board in November 2020.

He is currently a director of several companies including Artemis Nominees Limited, Foodeast GP Limited, Quality Roading and Services (Wairoa) Limited, Local Government Mutual Funds Trustee Limited, and Chair of Ngāti Pūkenga Investments Limited, Nga Hua Ngāti Pūkenga 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 had also held senior finance roles at Te Rūnanga o Ngāi Tahu, Mighty River Power (now Mercury Energy) and TVNZ.

Tony was appointed Officer of the New Zealand Order of Merit in the 2023 King's New Year's Honours list.

LEN GOULD

DIRECTOR

Len joined the Centralines Board in November 2020.

He has more than 40 years' experience in the electricity industry, having held senior positions at Unison Networks, Transpower, the Electricity Corporation of New Zealand and its predecessor NZED. His knowledge and experience covers power system engineering, smart grids, commercial, transmission and distribution pricing, strategy, business development, mergers and acquisitions. Len has a New Zealand Certificate in electrical engineering and has been a Registered Engineering Associate since 1986.

KEVIN BEST

DIRECTOR

Kevin was appointed to the Centralines Board in July 2022.

He has extensive commercial and financial experience and was a Partner at PricewaterhouseCoopers for a substantial part of his executive career. He has worked with a broad range of infrastructure intensive businesses, including within the electricity sector. He is a professional director and holds several governance roles including being the Chair of two private companies and a Director of The Skills Organisation. Kevin has family ties to the King Country but is now based in Auckland. He is a keen boatie and part of the leadership group of the Outboard Boating Club of Auckland which, as well as supporting safe boating, has a strong community and environmental focus.

SARAH VON DADELSZEN

DIRECTOR

Sarah was appointed to the Centralines Board in November 2020.

Sarah is a strong advocate for the local community and wider agriculture sector.

She lives with her husband Sam and three boys near Takapau, where they farm sheep, beef, and dairy. Currently on the Ballance Agri-Nutrients board and Chair of the FMG board, 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.

03

Statutory Information

For the year ended 31 March 2024

The Board of Directors presents their annual report including the financial statements of the company for the year ended 31 March 2024. As required by section 211 of the Companies Act 1993, Centralines discloses 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, change in FV of network distribution assets and tax for the year was $5.82 million. The annual net profit was $0.12 million after allowance for discount and tax (including a one off deferred tax adjustment on buildings). This compares with an operating profit in 2023 of $4.78 million, a net profit of $2.10 million after allowance for discount and tax.

Directors

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

F. D. Wilson (Chair) $60,000 Re-appointed 28 July 2022

A. T. Gray (Director) $35,000 Re-appointed 27 July 2023

S. J. von Dadelszen (Director) $31,500 re-appointed 27 July 2023

L. J. Gould (Director) $31,500 Appointed 23 November 2020

K. R. Best (Director) $31,500 Appointed 28 July 2022

Dividend

There was no dividend declared during the year ended 31 March 2024.
(2023: $214,925).

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 2024 were $105,711
(2023: $105,367).

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 2024. 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 Disclosure of Accounting Policies

Amendments to NZ IAS 8 Definition of Accounting Estimates

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 2024.

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 – Trustee
- Quality Roading & Services (Wairoa) Limited – Director
- Real Estate Agents Act 2008 – Property Brokers Licensee

T Gray

- Centralines Limited – Director
- Te Turapa Wai Ariki Limited – Chair
- Artemis Nominees Limited – Director
- Quality Roading and Services (Wairoa) Limited – Director/Chair of Audit Committee
- Nga Hua O Ngati Pukenga Limited – Director
- Ngati Pukenga Investments Limited – Chair
- Foodeast GP Limited – Director
- Local Government Mutual Funds Trustee Ltd - Director

S von Dadelszen

- Centralines Limited – Director
- Centralines Limited – Consumer
- Ballance Agri-Nutrients Limited – Director
- FMG Insurance Limited – Director/Chair
- For Sure Limited – Director
- Hinerangi Station Limited – Director/ Shareholder
- Porangahau and Maharakeke Catchment Group – Committee Member
- Assistance Dogs NZ Trust (ADNZT) – Trustee

L Gould

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

K Best

- Centralines Limited – Director
- Morrison Low Holdings Limited – Chair
- The Skills Organisation Inc – Director
- Prendos New Zealand Limited – Chair

04

Trustees' Statement

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 region.

For many people and businesses this year began with the rebuild from the effects of Cyclone Gabrielle. The Trust is extremely appreciative of the staff and management at Centralines, who ensured that the electricity network stayed robust during this period.

This year has seen the beginning of a new period for Centralines and for many infrastructure companies throughout New Zealand. The period of very high growth in new connections is decreasing and now a period of investing in the core network is required. Economic times are changing also, with the higher cost of capital affecting many, including Centralines. Events like Cyclone Gabrielle bring into focus what is truly important, and for Centralines it is to maintain a robust and future-proof electricity distribution network. This requires a planned investment roadmap and appropriate risk management.

An important function that the Trust is obligated to complete is a five-yearly ownership review. We began this process during the year and at the time of writing this letter we are in the final stages of completing it. This process provides a formal framework for consumers, the Board, and the Trust to evaluate how we are structured in relation to the long-term value that this structure provides to consumers.

Centralines has provided the maximum allowable discount to our consumers. This totalled $1,475,000. To the average residential consumer this meant a discount in the order of $125, 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.

Centralines also gave generously to 65 charitable organisations for a total of $184,324. These organisations included numerous sports teams, community events, social services, and schools.

As part of the governance of the organisation, the Trust issues a Letter of Expectation 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. The major industry change is decarbonising the economy and providing renewable green energy. This places expectations on Centralines that the network will be ready to supply consumers with the energy that is required.

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

05

Financial Statements

STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2024	2024 STATEMENT OF CORPORATE INTENT TARGETS	**2024 ACTUAL**	2023 ACTUAL
Financial Measures			
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) excluding discounts ($millions)	$8.71	**$8.29**	$7.15
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (excluding discounts) as a percentage of Average Assets Employed.	9.06%	**8.19%**	8.28%
Net Profit After Tax (adjusted for discounts) as a percentage of Average Shareholders' Funds	6.18%	**5.39%**	4.92%
Network Operational Costs – $ per ICP (excluding Transmission Costs and Depreciation)	$694	**$702**	$693
Network Operational Costs - $ per kilometre of line (excluding Transmission Costs and Depreciation)	$3,304	**$3,215**	$3,299
Total Planned Electricity Network Capital Expenditure ($millions)	$9.82	**$8.14**	$7.28
Dividend - paid in that year ($000)	$290	**$-**	$215
Discount - paid in that year ($millions)	$1.44	**$1.48**	$1.26

The Taxation (Annual Rates for 2023 24, Multinational Tax, and Remedial Matters) Act 2024 (the Act) received Royal Assent on 28 March 2024. The Act removed the ability for the Company to deduct depreciation on its building structure assets for tax purposes from the 2024/25 income year onwards. The increase in deferred tax liability associated with this change has resulted in a one off deferred tax expense of $2.6m in the year ended 31 March 2024. The impact of this one off charge is excluded from the financial performance measures in the Statement of Performance.

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	**80.43**	72.82
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 2024 financial year as they were for the 2023 financial year. Unplanned SAIFI performance metrics were close to the historical averages across outage categorisations.*	3.16	**2.13**	2.20
**Both 2022/23 and 2023/24 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	**5**	2
Safety Measures			
Number of lost-time injuries	0	**-**	1

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2024	NOTES	**2024 $000**	2023 $000
Revenue			
Revenue from contracts with customers		**17,335**	16,512
Posted discount accrued	2	**(1,439)**	(1,475)
Net revenue from contracts with customers	2	**15,896**	15,037
Other income	2	**159**	493
		16,055	15,530
Expenses			
Transpower charges		**(2,090)**	(2,690)
Network maintenance		**(2,125)**	(2,671)
Employee related expenses		**(1,469)**	(1,337)
Other expenses	3	**(3,406)**	(3,044)
Business development		**(113)**	(114)
Total operating expenses		**(9,203)**	(9,856)
Earnings before interest, taxes, depreciation and amortisation expenses (EBITDA)		**6,852**	5,674
Depreciation and amortisation expense	5	**(2,473)**	(2,354)
Finance expenses		**(885)**	(400)
Change in fair value of network distribution assets		**188**	(188)
Profit before income tax		**3,682**	2,732
Income tax	4	**(3,567)**	(629)
Profit for the year		**115**	2,103
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains/(Losses) on revaluation of electricity distribution network	5	**13,070**	(1,190)
Deferred tax impact		**(3,660)**	334
		9,410	(856)
Items that may be subsequently reclassified to profit or loss:		**-**	-
		-	-
Other comprehensive income for the year, net of tax		**9,410**	(856)
Total comprehensive income for the year		**9,525**	1,247

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

BALANCE SHEET

AS AT 31 MARCH 2024	NOTES	2024 $000	2023 $000
Assets			
Current assets			
Cash and cash equivalents	6	**1,304**	1,126
Trade and other receivables	8	**1,813**	1,770
Inventories	7	**2,178**	1,891
Current tax assets		**(155)**	327
Total current assets		**5,140**	5,114
Non-current assets			
Property, plant and equipment	5	**104,701**	85,645
Intangible assets		**147**	137
Investment property	18	**1,164**	292
Derivative financial instruments		**20**	142
Total non-current assets		**106,032**	86,216
Total assets		**111,172**	91,330
Liabilities			
Current liabilities			
Trade and other payables		**2,119**	2,469
Interest bearing liabilities	15	**5,867**	-
Contract liabilities	2	**1,439**	1,475
Employee provisions		**454**	433
Total current liabilities		**9,879**	4,377
Non-current liabilities			
Interest bearing liabilities	15, 16	**9,000**	11,000
Employee provisions		**54**	52
Deferred tax liabilities	4	**17,826**	11,013
Total non-current liabilities		**26,880**	22,065
Total liabilities		**36,759**	26,442
Net assets		**74,413**	64,888
Equity			
Share capital	10	**8,000**	8,000
Reserves		**9,410**	-
Retained earnings		**57,003**	56,888
Total equity		**74,413**	64,888

For and on behalf of the Board of Directors of Centralines Limited, who authorised these financial statements presented on pages 53 to 67 for issue on 27 June 2024.

Fenton Wilson – Chair *Tony Gray – Director*

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2024	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 2023		**8,000**	**-**	**56,888**	**64,888**
Profit/(loss) for the year		**-**	**-**	**115**	**115**
Other comprehensive income:					
Revaluation of electricity distribution network	5	**-**	**13,070**	**-**	**13,070**
Deferred tax on revaluation		**-**	**(3,660)**	**-**	**(3,660)**
Surplus on sale of land		**-**	**-**	**-**	**-**
Total other comprehensive income		**-**	**9,410**	**-**	**9,410**
Total comprehensive income		**-**	**9,410**	**115**	**9,525**
Dividends	17	**-**	**-**	**-**	**-**
Balance as at 31 March 2024		**8,000**	**9,410**	**57,003**	**74,413**
Balance as at 1 April 2022		8,000	856	55,000	63,856
Profit/(loss) for the year		-	-	2,103	2,103
Other comprehensive income:					
Revaluation of electricity distribution network	5	-	(1,190)	-	(1,190)
Deferred tax on revaluation		-	334	-	334
Total comprehensive income		-	(856)	2,103	1,247
Dividends		-	-	(215)	(215)
Balance as at 31 March 2023		8,000		56,888	64,888

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 2024	2024 $000	2023 $000
Cash flows from operating activities		
Receipts from customers	**14,846**	13,305
Contributions for capital works	**1,093**	1,499
Interest received	**-**	2
Income taxes received	**67**	-
Payments to suppliers and employees	**(9,759)**	(9,986)
Interest paid	**(885)**	(400)
Income taxes paid	**-**	(55)
Net cash inflow/(outflow) from operating activities	**5,362**	4,365
Cash flows from investing activities		
Proceeds from disposal of investments	**-**	-
Purchases of investments	**-**	-
Purchase and construction of property, plant and equipment	**(9,136)**	(11,794)
Proceeds from disposal of property, plant and equipment	**85**	14
Net cash inflow/(outflow) from investing activities	**(9,051)**	(11,780)
Cash flows from financing activities		
Proceeds from other borrowings	**3,867**	8,000
Payment of dividends	**-**	(215)
Net cash inflow/(outflow) from financing activities	**3,867**	7,785
Net increase (decrease) in cash and cash equivalents	**178**	370
Cash and cash equivalents at the beginning of the financial year	**1,126**	756
Cash and cash equivalents at end of year	**1,304**	1,126

Cash and cash equivalents

Recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. ABOUT THIS REPORT

(a) Entity reporting

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

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

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

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 2023, except for new standards effective as of 1 January 2024. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to NZ IAS 1 Disclosure of Accounting Policies

Amendments to NZ IAS 8 Definition of Accounting Estimates

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current of future periods. The application of Amendments to NZ IAS 1 Disclosure of Accounting Policies, did not have any impact on the policies.

Standards issued and not yet effective and not early adopted

Amendments to FRS 44 Disclosure of Fees for Audit Firms Services

This amendment applies for annual reporting periods on or after 1 January 2024. This amendment updates the required disclosures for fees relating to services provided by an entity's audit or review firm. The amendment aims to ensure that entities disclose these fees consistently. The amendment requires a disclosure of the fees incurred for services received from its audit or review firm for both the audit or review of financial statements and other non audit and non review services.

The adoption of these amendments are not expected to have a material impact on the financial statements as the other non audit and non review services in the form of regulatory audit and assurance work by the Company's auditors is already disclosed seperately. Centralines typically engages other firms that are not engaged with the financial audit to assist with tax, consultancy and advisory related services.

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 Cyclone Gabrielle

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)

2. REVENUE

Revenue streams

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

	2024 $000	2023 $000
Net revenue from contracts with customers[1]	**15,896**	15,037
Other income:		
Interest income	-	2
Gain on sale of land	-	301
Miscellaneous income	**159**	48
Change in fair value of derivative financial instruments	-	142
Total revenue	**16,055**	15,530

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

	2024 $000	2023 $000
Electricity line revenue[1]	**13,995**	12,771
Capital contributions	**1,093**	1,499
Contracting revenue	**751**	698
Other	**57**	69
	15,896	15,037

1Net of the accrued posted discount of $1,475,000 to be paid to consumers connected to the Company's electricity network as at 31 March 2023 and scheduled to be paid to consumers on 31 May 2023.

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

	2024 $000	2023 $000
Contract liabilities – posted discount payable to consumers	**1,439**	1,475
Total contract liabilities	**1,439**	1,475

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 $0.018 c/kWh to all consumers registered on its electricity network as at 31 March 2024. The discount is calculated using twelve months of consumption data from 1 April 2023, and is scheduled to be paid to consumers in the month of June 2024. 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 i s 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.

	2024 $000	2023 $000
Other expenses		
Bad debt expense	-	13
Audit of the annual financial statements – Audit New Zealand	**106**	105
Regulatory audit and assurance work – Audit New Zealand	**52**	47
Directors' fees	**190**	192
Donations	**1**	-
Community sponsorship	**185**	199
Other operating expenses	**122**	-
	3.406	3,044

4. TAXATION

(a) Income tax expense	2024 $000	2023 $000
Current tax on profits for the year	**394**	19
Deferred tax associated with timing differences	**3,153**	622
Adjustments in respect of prior years	**20**	(12)
Income tax expense	**3,567**	629

(b) Reconciliation of income tax expense to prima facie tax payable	2024 $000	2023 $000
Profit from continuing operations before income tax expense	**3,682**	2,732
Income tax @ 28%	**1,031**	765
Tax effects of:		
Income not subject to tax	**(87)**	(124)
Expenses not deductible for tax purposes	**2,603**	-
Prior period current tax adjustment	**20**	(12)
Income tax expense	**3,567**	629

(c) Deferred tax liabilities	2024 $000	2023 $000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**17,958**	11,132
Employee provisions	**(112)**	(111)
Other provisions	**(20)**	(8)
Total deferred tax liabilities	**17,826**	11,013
Movements:		
Opening balance	**11,013**	10,725
Deferred portion of current year tax expense	**3,153**	622
Amounts charged or credited direct to equity	**3,660**	(334)
Closing balance	**17,826**	11,013

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 2024					
Opening net book amount	**69,142**	**412**	**13,924**	**2,167**	**85,645**
Additions	**8,138**	**-**	**233**	**783**	**9,154**
Disposals	**-**	**-**	**-**	**(12)**	**(12)**
Assets classified as investment property	**-**	-	**(872)**	-	**(872)**
Depreciation charge	**(1,760)**	**(66)**	**(102)**	**(545)**	**(2,473)**
Revaluation	**13,259**	**-**	**-**	**-**	**13,259**
Closing net book amount	**88,779**	**346**	**13,183**	**2,393**	**104,701**
At 31 March 2024					
Cost	**1,388**	**1,398**	**13,581**	**6,867**	**23,234**
Valuation	**87,391**	**-**	**-**	**-**	**87,391**
Accumulated depreciation	**-**	**(1,052)**	**(398)**	**(4,474)**	**(5,924)**
Net book amount	**88,779**	**346**	**13,183**	**2,393**	**104,701**
Year ended 31 March 2023					
Opening net book amount	65,042	441	11,112	1,347	77,942
Additions	7,198	34	3,042	1,261	11,535
Disposals	(30)	-	(68)	-	(98)
Depreciation charge	(1,688)	(63)	(162)	(441)	(2,354)
Revaluation	(1,380)	-	-	-	(1,380)
Closing net book value	69,142	412	13,924	2,167	85,645
At 31 March 2023					
Cost	1,940	1,398	14,220	7,074	24,632
Valuation	67,202	-	-	-	67,202
Accumulated depreciation	-	(986)	(296)	(4,907)	(6,189)
Net book amount	69,142	412	13,924	2,167	85,645

(a) Valuations of electrical distribution network

The electricity distribution network was revalued to fair value of $87.391m in accordance with NZ IAS 16 Property, Plant and Equipment, NZ IAS 36 Impairment of Assets, and NZ IRFS 13 – Fair Value Measurement. Including capital work in progress of $1.388m, this resulted in a net book value of $88.779m.

In the absence of an active market for the network, Centralines calculated fair value using significant unobservable inputs (Level 3, as defined in NZ IFRS 13). Centralines used a discounted cash flow (DCF) methodology. Centralines based its cash flow forecasts on the company's cash flow forecasts and adjusted those forecasts to remove the impacts of expansionary growth on forecast future revenues, operating expenditure and capital expenditure. The Terminal Value of the network is based on the RAB in 10 years post year end..

The following key assumptions were applied in the methodology:

- 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.

  For the year ending 31 March 2025, forecast revenue assumed the board approved budget for the period. For subsequent years, it was assumed that revenue will increase at the rate of CPI inflation in 2025, by 10% in 2026 and 2027 followed by 5% increases to 2034.
- Cashflows were discounted using a post tax Weighted Average Cost of Capital (WACC) 6.50%. (2023 6.21%)

A sensitivity analysis of the key assumptions shows that the biggest impact on the NPV of the future cash flows for Centralines' electrical distribution network is the movement in distribution revenue and less sensitive to movements in capital expenditure.

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 $0.3m and ($0.3m) respectively.
- an increase/(decrease) in the discount rate of 0.5% would decrease/(increase) the network's fair value by $4.9m and ($4.6m) respectively.
- an operating expense increase/(decrease) of 5% would decrease/(increase) the network's fair value by $1.9m and ($1.9m) respectively and,
- a distribution revenue increase/(decrease) of 5% would increase/(decrease) the network's fair value by $5.0m and ($5.0m) respectively.

(b) Capital work in progress

Capital work in progress as at 31 March 2024 of $1,599,068 (2023: $1,943,779) of which $1,388,018 is included in Electrical distribution network additions and $211,050 included in the Land and Buildings additions.

(c) Capital commitments

The value of contractual capital commitments as at 31 March 2024 is estimated at $Nil (2023:$Nil).

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. CASH AND CASH EQUIVALENT

	2024 $000	2023 $000
Cash at bank and in hand	**867**	661
Deposits at call	**437**	465
	1,304	1,126

(a) Risk exposure
The Company's exposure to credit risk is discussed in note 9,(b). The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

(b) 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.

(c) Fair value
The carrying amount for cash and cash equivalents equals the fair value.

7. 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.

	2024 $000	2023 $000
Stock	**2,052**	1,873
Work in progress	**126**	18
	2,178	1,891

8. TRADE AND OTHER RECEIVABLES

	2024 $000	2023 $000
Trade receivables	**1,886**	1,788
Provision for doubtful receivables	**(73)**	(28)
	1,813	1,760
Sundry receivables and accruals	**-**	10
	-	10
Total trade and other receivables	**1,813**	1,770

(a) Impaired receivables

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

At 1 April	2024 $000	2023 $000
Opening balance	**(28)**	(31)
Provision for impairment recognised during the year	**(60)**	(18)
Receivables written off during the year as uncollectible	**-**	13
Amounts recovered during the year	**15**	8
At 31 March	**(73)**	(28)

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.

9. 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, derivatives and accounts payable.

Financial assets and liabilities:	2024 $000	2023 $000
Fair value of financial assets at amortised cost		
Cash and cash equivalents	**1,304**	1,126
Trade and other receivables	**1,813**	1,770
	3,118	2,896
Financial assets at fair value through profit or loss	**-**	-
Derivative financial instruments	**20**	142
	6,255	5,934
Fair value of financial liabilities at amortised cost		
Trade and other payables	**2,119**	2,469
Bank Loans	**14,867**	11,000
	16,986	13,469

Note, the Company only has two classifications of its financial assets.

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.

Derivative financial assets are classed as Fair value through profit or loss. Derivative financial instruments are recognised at fair value. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

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.

(a) 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.

(d) Derivatives

Centralines is exposed to floating interest rate risk due to its bank borrowings. Centralines may use interest rate swap contracts to convert certain floating exposures to fixed rate, to provide more certainty around interest expenditure. The swap contract in place at 31 March 2024 has a notional principal amount of $11 million, converts floating rate interest (BKBM) to a fixed rate range of 3.90% to 5.01%.

Accounting policy

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value at the end of each reporting period. Subsequent changes in fair value are recognised through profit or loss in the Statement of Comprehensive Income.

10. SHARE CAPITAL

	2024 SHARES '000	2023 SHARES '000	**2024 $000**	2023 $000
Ordinary shares				
Fully paid (no par value)	**8,000**	8,000	**8,000**	8,000

11. 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.

The compensation paid or payable to Directors was $189,500 (2023: $192,186).

(b) Transactions with related parties

Related party	Nature of transactions	Relationship with Company	TRANSACTION **2024 $000**	TRANSACTION 2023 $000	YEAR-END **2024 $000**	YEAR-END 2023 $000
Central Hawke's Bay Consumers Power Trust	Dividend	Parent	**-**	215	**-**	-
Unison Networks Limited	Purchases materials, management services and contracting services	Key management personnel	**5,383**	4,788	**352**	538
Trustees	Sale of contracting services	Trustee	**-**	2	**-**	-
Farmlands	Retail purchases	Directors' interest	**11**	10	**1**	-

12. 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 $2,599 (2023 $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:

Operating Leases as a Lessee	**2024 $000**	2023 $000
No later than 1 year	**2**	1
Later than 1 year and no later than 5 years	**6**	-
Later than 5 years	**-**	-
Total	**8**	1

The Company has entered into an operating lease on its investment property in Peel St. The lease has a term of six years with two x two year renewals. The lease rental has an annual CPI adjustment.

Rental income recognised by the Company during the year is $Nil (2023 $Nil).

Operating Leases as a Lessor	**2024 $000**	2023 $000
No later than 1 year	**110**	-
Later than 1 year and no later than 5 years	**440**	-
Later than 5 years	**92**	-
Total	**642**	-

13. CONTINGENCIES

As at 31 March 2024 the Company had no contingent liabilities or assets (2023: $Nil).

14. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no events to report.

15. 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 Wholesale term loan facility arrangements, with a facility limit of $18 million with varying maturity dates. This facility will be routinely renewed on maturity dates, so all borrowing under this facility are reported as term borrowings.

Loan 1, $6 million, maturity 19 September 2024

The bank facility is secured by a General Security Agreement over Centralines Limited. The facility is subject to various covenants including leverage ratio. Centralines complied with all covenants for the 2024 year.

(b) Interest Rate Risk Exposure

Centralines will manage its interest rate risk exposure, as from April 2024 the expected date of full drawdown of debt, by the use of an amortising interest rate SWAP over its wholesale term loan borrowing. The Company's Treasury Policy requires interest rate hedging within prescribed limits, calculated as a percentage of forecast debt.

(c) Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are added to the cost of those assets, until such time as the assets are substantially ready for their intended use for sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

The Company policy is that an asset qualifies when the cost of construction is greater than $500,000 and the consurtcuion period is longer than 6 months. Interest on borrowing costs are calculated based on the effective yearly interest rate.

Capitilised Interest recognised in the period is Nil (31 March 2023 Nil)

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

	2024 $000	2023 $000
Bank loans	**5,867**	-
Total non current interest bearing liabilities	**5,867**	-

16. NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

(a) Bank Loans

Loan 2, $6 million, maturity 17 August 2025

Loan 3, $6 million, maturity 1 September 2026

	2024 $000	2023 $000
Bank loans	**9,000**	11,000
Total non current interest bearing liabilities	**9,000**	11,000

17. DIVIDENDS

No dividend was paid in respect of the 2023/24 financial year (2023: $214,925)

18. INVESTMENT PROPERTY

	2024 $000	2023 $000
Balance at 1 April	**292**	292
Depreciation	**871**	-
Impairment	**-**	-
Balance at 31 March	**1,163**	292
Cost	**1,163**	292
Accumulated depreciation	**-**	-
Book value	1,163	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**

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

Investment property 1

The fair value at 31 March 2024 is $495,000

The valuation to determine the fair value was performed by Mel Wilson, a registered valuer from SouthgateWilson, in September 2023. The fair value was determined using sales of comparable properties.

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 the property is to be sold. The property is held at historical cost.

Investment property 2

The fair value at 31 March 2024 is $1,370,000

The valuation to determine the fair value was performed by Jack Elliott, a registered real estate agent from Colliers, in September 2022. The fair value was determined using sales of comparable properties.

The investment property is a commercial property previously used as the depot for the company. This plan is to lease the property. The property is held at historical cost.

Independent Auditor's Report

To the readers of Centralines Limited's financial statements and performance information for the year ended 31 March 2024.

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 53 to 67, that comprise the statement of financial position as at 31 March 2024, 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 52.
- In our opinion:
- the financial statements of the company:
    - present fairly, in all material respects:
        - its financial position as at 31 March 2024; 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 2024.
- Our audit was completed on 27 June 2024. 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 11 to 49 and 70, 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 (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have carried out an engagement in the area of an assurance engagement pursuant to the Electricity Distribution Information Disclosure Determination 2012 — (consolidated 6 July 2023) for the period ended 31 March 2024, which is compatible with those independence requirements.

Other than the audit and the engagement, 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

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

DIRECTORY

BOARD OF DIRECTORS

Fenton Wilson	Chair
Tony Gray	Director
Sarah von Dadelszen	Director
Len Gould	Director
Kevin Best	Director

SENIOR MANAGEMENT

Jaun Park	Chief Executive
Jason Larkin	General Manager - Commercial & Regulatory
Brent Muggeridge	Company Accountant

CHB CONSUMERS POWER TRUST TRUSTEES

Alistair Setter	Chair
Marcus Peacock	Trustee
Karen Middelberg	Trustee
Libby Tosswill	Trustee
Callum Gray	Trustee
Tony Murphy	Trustee
Laura Billings	Trustee

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CENTRALINES

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