

CENTRALINES LIMITED

ANNUAL ACCOUNTS

For the year ended 31 March 2012

124
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Company Vision

- Striving to secure the future

Mission Statement

- To sustainably provide a safe, efficient and reliable electricity network system
 - To efficiently provide high quality services for all customers
 - To actively contribute to the development of the CHB community
 - To be a great place to work

Values

▪ Safety First

Centralines values the wellbeing and safety of its staff, its contractors and the community above all else

▪ Team Work

Centralines values the contribution of all the members of the team. We place ambitions of the team and company above personal ambitions

▪ Continuous Improvement

All staff are encouraged to be innovative and creative in the ongoing improvement of processes, services and results

▪ Integrity

Centralines is committed to the achievement of the highest levels of integrity, with all staff encouraged to set a great example in all facets of their work

▪ Accountability

All staff are encouraged to exercise appropriate judgement and be accountable for their actions

▪ Respect and Appreciation

We treat all people with dignity and respect; we appreciate diversity of backgrounds, and recognise the contribution of others

▪ Enjoyment

Centralines believes that coming to work should be a rewarding experience.



Statutory Information

For the year ended 31 March 2012

The Board of Directors present their annual report including financial statements of the Company for the year ended 31 March 2012. 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 \$3.45m. The annual net profit was \$2.27m after allowance for discount and tax. This compares with an operating profit in 2011 of \$3.61m, a net profit of \$2.18m after allowance for discount and tax.

Directors

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

J R Aitken	(Chairman)	\$52,637.00	Reappointed	28 July 2011
S A Robinson	(Director)	\$26,319.00	Reappointed	19 July 2010
JJ Loughlin	(Director)	\$ 6,500.00	Retired	28 July 2011
J E Nichols	(Director)	\$19,500.03	Appointed	28 July 2011
J M Willis	(Director)	\$26,319.00	Reappointed	19 July 2010

Directors and Officers Liability Insurance premiums of \$2,500 were paid during the year under review.

Dividend

There was a dividend of \$50,000 paid for the year ended 31 March 2012.

Audit Fees

Audit fees payable to Audit New Zealand as at 31 March 2012 were \$50,104 (2011 \$48,000).

Accounting Policies

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

Interests Register

Directors disclosed an interest or cessation of interest in the following entities during the year ended 31st March, 2012.

J.R. Aitken

Centralines Limited - Chairman
Centralines Limited - Consumer
Silver Fern Farms – Shareholder
Rangitapu Station – Director/Shareholder.

J. Nichols

Centralines Limited - Director
Nichols Consulting - Director
Port of Napier – Director
Mid Central Zone, NZ Rugby League
Consultant to Northpower

Consultant to WEL Networks
Palmerston North Airport – Director

S.A. Robinson

Centralines Limited – Director
Centralines Limited – Consumer (4 ICP's)
Touere Water Supply Company (1 ICP)
S A Robinson Family Trust - Trustee & Beneficiary
Assure Quality Limited – Director
Silver Fern Farms Ltd – Shareholder
The Cooperative Bank Ltd – Director
AgResearch Ltd – Chairman
Project Leadership Group – Ruataniwha water storage
FAME (Food & Agribusiness Market Experience Trust) - Chairman
HB Regional Investment Company. (Subsidiary of the HBRC) – Director

J.M Willis

Centralines Limited – Director
Centralines Limited – Consumer
DL & JN Willis – Partner
Sampford Trust - Trustee & Beneficiary
Silverfern Farms – Shareholder

John Loughlin

Centralines Limited - Director
Zespri Group Limited – Chairman
Allied Farmers Limited - Chairman/Shareholder
Allied Nationwide Finance Ltd – Chairman
Metlifecare Limited – Director
Kermadec Property Fund Ltd – Director/Shareholder
Taupo Motorsport Park Ltd – Director/Shareholder
Tru-Test Corporation Ltd - Chairman
Askerne Estate Winery Ltd - Chairman/Shareholder
Loughlin Viticulture &
Consulting Ltd - Chairman/Shareholder
Firstlight Foods NZ Ltd – Director
Port of Napier - Director
AgResearch Limited – Director

FOR AND ON BEHALF OF THE BOARD

James Aitken
Chairman

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Chairman and Chief Executive's report.

We are proud of Centralines' achievements for the year ended 31 March 2012 and are pleased to report on the financial and operational activities.

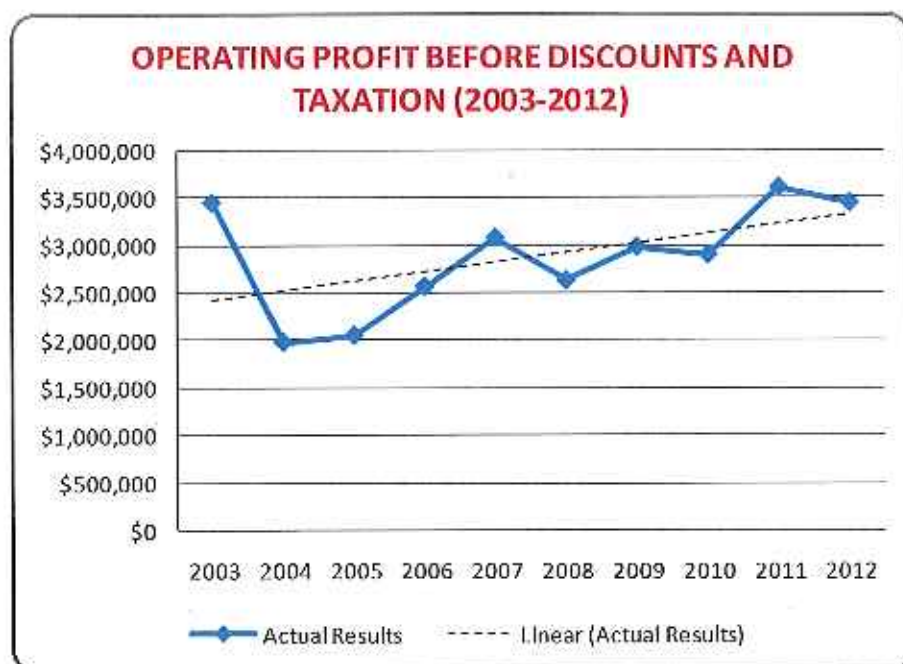
Highlights for the year include:

1. A sound profit result, enabling the payment of a discount to beneficial consumers totalling \$801,000.
2. Continued improvements in network reliability.
3. Completion of a capital programme, which will enable further improvement in the reliability and security of the network.
4. Customer satisfaction with service delivery was 98% and the overall experience when dealing with Centralines of 100%.
5. Significant improvement in Occupational Health and Safety performance, achieving, for the first time, more than two years since we have had a lost time injury.

Financial Results

Centralines' profit before interest, customer discounts and tax reached \$3.4 million for the year which is in line with performance expectations and continues the sound and sustainable financial performance results being targeted by Centralines in recent years.

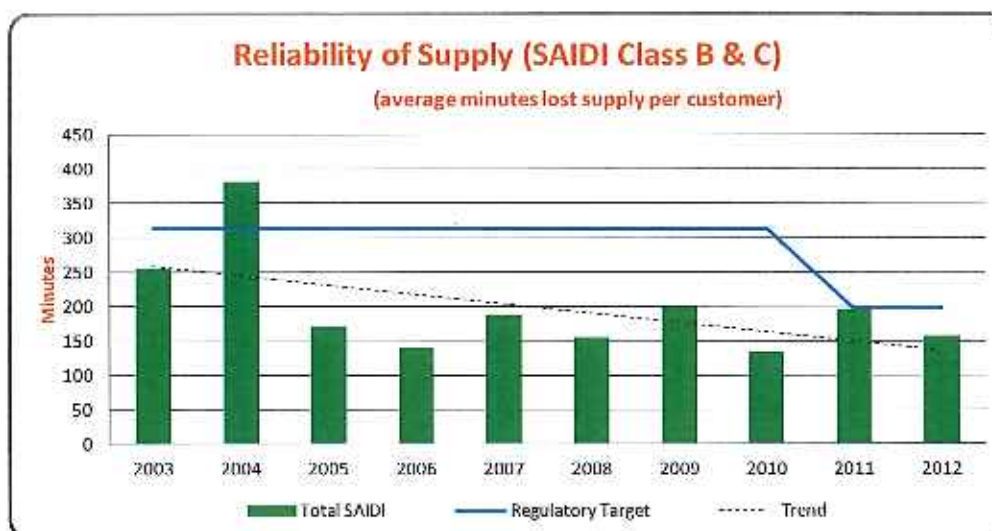
Regulated revenue has continued to increase in line with expectations to enable progression toward appropriate returns on investment. The non regulated business increased but has been offset by capital contributions being not as high as expected. We are pleased to confirm a \$801,000 discount was returned to beneficial consumers.



Network Performance

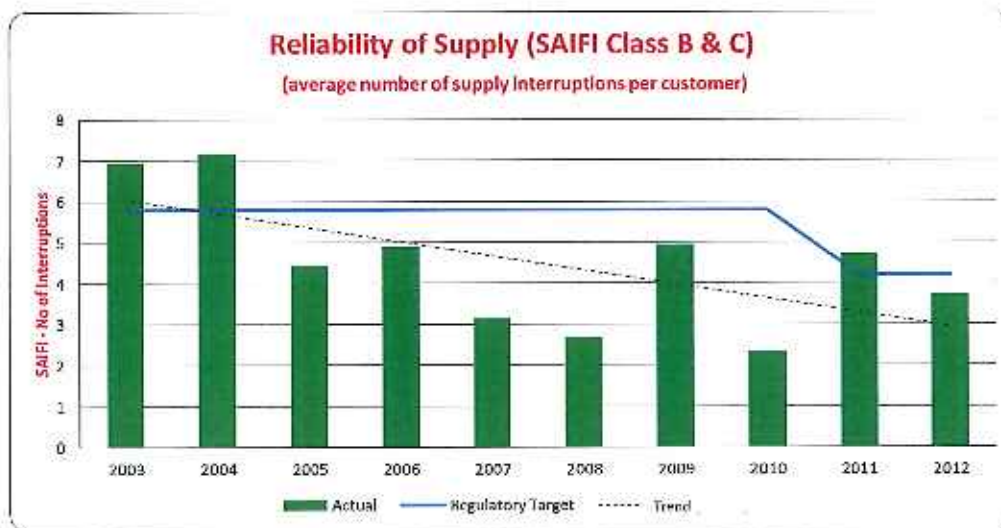
Centralines monitors the performance of the network using both System Average Interruption Duration Index (SAIDI), which measures the average minute's loss of supply experienced per customer, as well as System Average Interruption Frequency Index (SAIFI), which measures the average number of losses of supply experienced per customer. In simple terms, these measures indicate how long our customers are without power during the year, on average, as well as how many times power has been off, on average.

For the year ending 31 March 2012, the SAIDI result was 156.8 minutes. This is significantly lower than the 194.5 minutes achieved last year and the regulatory target of 197.5 minutes. The SAIDI graph following illustrates the performance over 10 years since 2003, clearly demonstrating the sustained improvement in performance that has been achieved.



For the year ending 31 March 2012, the SAIFI result was 3.63 interruptions. This is a good result when compared to last years 4.71 interruptions and the regulatory threshold of 4.22. The SAIFI graph illustrates the performance over 10 years since 2003, again demonstrating the sustained improvement in performance that has been attained.

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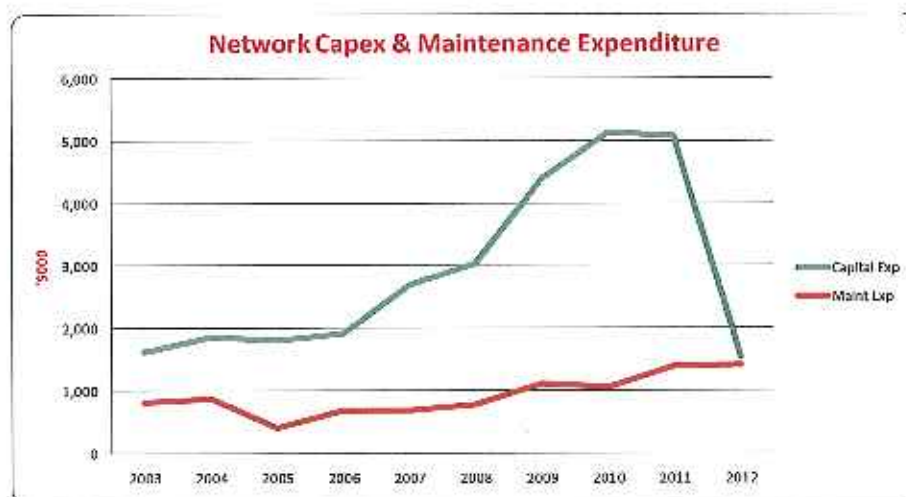
Compared to other similar electricity lines companies, these continue to be good results. The capital investment in recent years, a better quality of reliability information and an increased focus on vegetation issues have assisted with the continued improvement.

Network Investment

The practical management of our electricity distribution assets continues to be the core of the Company's operations. The 2012-2022 Asset Management Plan details the asset management strategies aimed at ensuring the reliability improvements achieved are both efficiently sustained and continue to improve over time.

These strategies previously included a period of increased capital investment which was completed in 2010/11. A more sustainable \$3.85 million of investment in the network is planned for 2012/13.

A large portion of this expenditure is for the installation of automation and reconfiguration of the Waipukurau, Waipawa and Wilder 33kV sub-transmission feeders, which will increase the security of supply to Waipukurau and Waipawa. In addition, Centralines continues to improve the reliability on the worst performing 11kV feeders on the network.



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Service Delivery

Every customer contact is seen as an opportunity to enhance the relationship Centralines has with its customers. In addition to monthly reporting of service delivery performance, Centralines surveys a percentage of customers who have received services during the previous month. This helps the understanding of how customers perceive the company's performance. For the 2011/12 year, Centralines surveyed 15% of all customers that had work completed during that period. The surveyed results showed 98% of customers were satisfied with the service delivery and 100% reported that working with Centralines was a positive experience. This continues the previous strong results for Centralines and is indicative of the strong customer service focus within the company.

Regulation

As a consumer trust owned company and being regulated by the Commerce Commission price-quality regulations, Centralines faces a future where key investment drivers that underpin the continued flow of capital into vital infrastructure may be compromised. Investment capital is a scarce resource in New Zealand and unless the sector can demonstrate it can continue to earn an adequate return on its inputs, sufficient investment will be compromised.

Business Development

Identifying and developing new business opportunities that complement Centralines' core business and offer significant benefit to Central Hawke's Bay power consumers continue to be considered.

Centralines has been working with the Hawkes Bay Regional Council and its consultants on the Ruataniwha Irrigation and generation proposal. Should this project go ahead, a new sub-transmission line would need to be constructed to transport the generated electricity to the Ongaonga GXP. In addition, with the introduction of irrigation, a large amount of land would become more productive, which may see the existing electrical infrastructure in that area, needing to be upgraded to support the increased demand.

J. L. F.
True

The CHB Consumers Power Trust

The Company continues to enjoy an open and consultative relationship with its shareholder, the Central Hawke's Bay Consumers Power Trust. This relationship has enabled robust and objective debate on the strategic intent of Centralines which continues to be of benefit to all.

Our People

Centralines has a full appreciation of the need to maintain a highly skilled and dedicated team. Centralines' strong performance is a reflection of the commitment and effort given by the entire team. In the current environment this often proves challenging to maintain with many opportunities existing for specialised staff within the industry. To provide a challenging and rewarding employment experience Centralines continues to invest in the further development of in-house capability.

Centralines is also very proud to have passed two years without a lost time injury. This has been achieved by the continued emphasise on always putting safety first.

Community Initiatives

In addition to the payment of a discount to all its consumers, Centralines continues to actively support a range of local events and initiatives. Over the past year these have included the Waipukurau Community Pool, the Lowe Walker Rescue Helicopter, The Art Extravaganza conducted in conjunction with "The Festival", as well as a number of smaller community based sponsorships.

Future Outlook

The coming year promises to be an exciting journey.

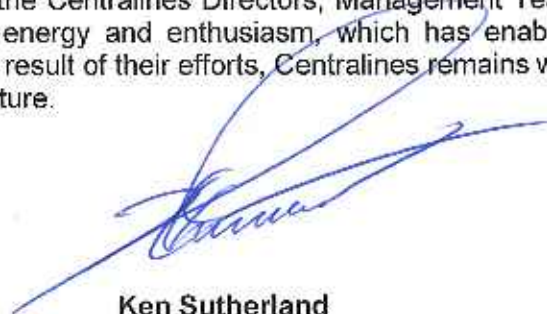
With strong network performance, a sound asset management plan, a great team and an excellent financial position, Centralines is well placed to take advantage of the emerging opportunities relative to its core business.

Acknowledgement

We also wish to express our gratitude to the Centralines Directors, Management Team and staff for their ongoing commitment, energy and enthusiasm, which has enabled achievement of the results for 2012. As a result of their efforts, Centralines remains well positioned to meet the challenges of the future.



James Aitken
Chairman



Ken Sutherland
Chief Executive



TRUSTEES' REPORT

On behalf of consumers the Central Hawke's Bay Consumer Power Trust owns all the shares of Centralines Limited, the electricity lines company serving Central Hawke's Bay. The Trust exercises its ownership responsibilities through a Statement of Corporate Intent negotiated annually with the Centralines' Directors and by appointing those Directors. Communication between the Trust and Board and Management of Centralines continues to be regular and comprehensive.

Centralines' performance against specific targets set in the Statement of Corporate Intent can be seen in the Company's Annual Report. Reported 2012 financial performance has exceeded the targets set for the period. The Reliability Measures show pleasing results against targets as well as an improvement compared with the previous year.

Expenditure on planned renewal and enhancement of network assets has continued in the 2012 year. Whilst such expenditure necessarily leads to a reduction in cash balances the Trustees remain content that expenditure on the planned improvement to the security of our power supply has been, and is, warranted. Notwithstanding this expenditure, cash invested in short term investments had increased at balance date.

A discount of \$801,000 was credited to consumers during the year compared with \$769,000 in the previous year. As always, the ability to pay a discount in any year depends upon the Company's circumstances and future obligations and it is expected that the Trustees will continue to be kept well-informed on this matter.

Centralines continues to investigate the opportunities to provide high-speed broadband in our region. The Trustees are being kept informed of developments and will be well consulted before any decisions are made.

Further to the Trust becoming the principal sponsor for the refurbishment of the Waipawa Municipal Theatre as part of Waipawa's 150th jubilee celebrations, a further \$150,000 has been committed to enable the project to be completed. The Trustees consider that this is a very relevant community project to be involved with; the iconic building plays a major role in Central Hawke's Bay life and the present project ensures that this will continue to be the case.

The primary focus of the Trust continues to be the security of our region's electricity reticulation network and the Trustees are satisfied that expectations in that regard continue to be met.

In October 2012 triennial trustee elections will be held. I take the opportunity to acknowledge the contributions made by all Trustees to the benefit of our community.

Pat Gallagher - Chairman



CENTRALINES LIMITED
Statement of Financial Performance

For the year ended 31 March 2012

	Notes	2012 \$000	2011 \$000
Operating Revenue	3	11,033	10,943
Surplus before discounts and tax	3	3,449	3,612
Discount		(801)	(769)
Operating Surplus before taxation	3	2,648	2,843
Taxation expense	4	(378)	(663)
Net Surplus after income tax		2,270	2,180

CENTRALINES LIMITED
Statement of Movements in Equity

For the year ended 31 March 2012

	Notes	2012 \$000	2011 \$000
Net Surplus for the year		2,270	2,180
Other recognised revenues and expenses			
Revaluation of land and buildings	14	-	-
Revaluation of network assets	14	-	-
Total recognised revenues and expenses for the period		2,270	2,180
Distribution to owners	15	(50)	(400)
Movements in equity for the year		2,220	1,780
Equity at start of the year		46,903	45,123
Equity at end of the year		49,123	46,903

The accompanying notes and significant accounting policies form part of these financial statements.

JSC
TWD

CENTRALINES LIMITED
Statement of Financial Position

As at 31 March 2012

	Notes	2012 \$000	2011 \$000
EQUITY			
Share capital		8,000	8,000
Asset revaluation reserve	14	22,332	22,332
Retained earnings	15	18,791	16,571
		49,123	46,903
Represented by:			
NON CURRENT ASSETS			
Property, plant and equipment	6	45,834	44,569
Investments	5	-	-
		45,834	44,569
CURRENT ASSETS			
Cash		71	1,442
Short term investments	5	3,117	2,580
Receivables	7	1,064	1,192
Inventories		242	292
Taxation refund	4	4	-
		4,498	5,506
TOTAL ASSETS		50,332	50,075
NON CURRENT LIABILITIES			
Employee entitlements	16	104	100
		104	100
CURRENT LIABILITIES			
Accounts payable and accruals	19	927	2,661
Taxation payable	4	-	238
Employee entitlements	16	178	173
		1,105	3,072
TOTAL LIABILITIES		1,209	3,172
NET ASSETS EMPLOYED		49,123	46,903

For and on behalf of the Board


 _____ Director


 _____ Director Date: 25 June 2012

The accompanying notes and significant accounting policies form part of these financial statements.

CENTRALINES LIMITED
Statement of Cash Flows

For the year ended 31 March 2012

	Notes	2012 \$000	2011 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		10,709	10,194
Contributions for capital works		308	389
Tax Refunds		-	-
Interest received		91	177
		<u>11,108</u>	<u>10,760</u>
Cash was disbursed to:			
Payments to suppliers and employees		7,008	6,356
Income taxes paid		620	620
		<u>7,628</u>	<u>6,976</u>
Net cash flows from operating activities	10	<u>3,480</u>	<u>3,784</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from disposal of investments		-	1,648
Proceeds from disposal of property, plant and equipment		53	122
		<u>53</u>	<u>1,770</u>
Cash was applied to:			
Purchase of investments		537	2,055
Purchase and construction of property, plant and equipment		4,317	5,958
		<u>4,854</u>	<u>8,013</u>
Net cash flows from investing activities		<u>(4,801)</u>	<u>(6,243)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was applied to:			
Payment of dividends		50	400
Payment of finance leases		-	-
		<u>(50)</u>	<u>(400)</u>
Net cash flow from financing activities		<u>(50)</u>	<u>(400)</u>
Net (decrease) increase in cash held		(1,371)	(2,859)
Cash balances at beginning of year		1,442	4,301
Cash balances at end of year		<u>71</u>	<u>1,442</u>

The accompanying notes and significant accounting policies form part of these financial statements.

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CENTRALINES LIMITED
Notes to the Financial Statements
For the year ended 31 March 2012

1 Basis of Preparation

The financial statements presented here are for the reporting entity Centralines Limited, a Company registered under the Companies Act 1993. The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain assets as identified in specific accounting policies below.

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The accounting policies that materially affect the measurement of financial performance, financial position and cash flows are set out below.

There has been no change to accounting policies during the year.

2 Specific Accounting Policies

2.1 Operating Revenue

Revenue comprises amounts earned for the sale of the Company's products and services net of returns, trade allowances and taxes paid. Interest income is recognised on an accrual basis.

2.2 Income Tax

The income tax expense charged to the Statement of Financial Performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method.

The taxation charge against the surplus for the period is the estimated liability in respect of that surplus after allowance for all the permanent differences and timing differences not expected to crystallise in the foreseeable future. This is the partial basis for the calculation of deferred tax.

Future taxation benefits attributable to timing differences or losses carried forward are recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences will be realised or any losses utilised.

2.3 Goods and Services Tax (GST)

The financial statements have been prepared with revenue and expense items exclusive of GST. In the Statement of Financial Position, accounts receivable and accounts payable are inclusive of GST. All other assets and liabilities are exclusive of GST.

2.4 Receivables

Receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

2.5 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

2.6 Property, Plant and Equipment

Distribution Assets

Distribution assets are valued at fair value based on a Discounted Cashflow model (DCF) as independently reviewed by PriceWaterhouseCoopers in 2008. This DCF model was updated internally by suitably qualified employees as at 31 March 2012, showing no material movement in the carrying value of distribution assets. The last revaluation was completed 31 March 2010.

CENTRALINES LIMITED
Notes to the Financial Statements
For the year ended 31 March 2012

Land and Buildings

Land and Buildings are valued at market value as independently determined by Peter A Brabyn, B Ag Comm, M Sc, (Ag Econ) ANZPI, MNZIPIM. These valuations were completed as at 31 March 2008.

Vehicles, Plant, Furniture and Fittings and Office Equipment

The value of vehicles, plant, office equipment, furniture and fittings are at cost less depreciation.

Revaluations

Any revaluation surplus arising on the revaluation of a class of property, plant or equipment is transferred directly to the asset revaluation reserve. A revaluation deficit in excess of the asset revaluation reserve balance for that class of property, plant or equipment is recognised in the Statement of Financial Performance in the period it arises. Revaluation surpluses which reverse previous revaluation deficits recognised in the Statement of Financial Performance are recognised as revenue in the Statement of Financial Performance.

Disposal of Property, Plant and Equipment

When an item of property, plant or equipment is disposed of, any gain or loss is recognised in the Statement of Financial Performance and is calculated as the difference between the sale price and the carrying value of the asset.

The carrying values of property, plant and equipment do not exceed their estimated recoverable value.

Depreciation

Depreciation of property, plant and equipment, other than freehold land, is calculated on a straight line basis so as to expense the cost of the assets, or the revalued amounts, to their residual values over their useful lives as follows:

Estimated useful lives	
Buildings	50 - 100 years
Office and computer equipment	5 - 15 years
Distribution system	0 - 70 years
Network Fibre	0 - 12 years
Motor vehicles	3 - 15 years
GIS	10 years
Plant, equipment and tools	5 - 10 years

Subsequent Expenditure

Subsequent expenditure relating to an item of property, plant and equipment is added to its gross carrying amount when such expenditure either increases the future economic benefits beyond its existing service potential, or is necessarily incurred to enable future economic benefits to be obtained, and that the expenditure would have been included in the initial cost of the item had the expenditure been incurred at that time.

Capitalisation

Capital expenditure is defined as all expenditure incurred in the creation of a new asset, replacement of an asset that has reached the end of its economic life, or increased service potential of an existing asset. Constructed assets are included in property, plant and equipment as each becomes operational and available for use.

2.7 Employee Entitlements

A liability for annual leave, long service leave and retirement gratuities is accrued and recognised in the Statement of Financial Position. Liabilities for annual and long service leave are calculated on an entitlement basis at current rates. Retirement gratuity liability is calculated using current rates and appropriate probabilities.

2.8 Investments

All investments are stated at cost price and then adjusted to account for amortisation of premiums or discounts to face value.

CENTRALINES LIMITED
Notes to the Financial Statements
For the year ended 31 March 2012

2.9 Leases

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the present value of the future minimum lease payments, and are depreciated as described above.

2.10 Financial Instruments

Financial instruments recognised in the Statement of Financial Position include cash and bank balances, investments, receivables and trade creditors. These financial assets and financial liabilities are generally carried at their estimated fair values and, where appropriate, particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.11 Statement of Cash Flows

The statement of cash flows is prepared exclusive of GST, which is consistent with the method used in the statement of financial performance.

The following are the definitions of the terms used in the statement of cash flows:

- (1) Operating activities include all transactions and other events that are not investing or financing activities.
- (2) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments include securities not falling within the definition of cash.
- (3) Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash.
- (4) Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

CENTRALINES LIMITED
Notes to the Financial Statements
For the year ended 31 March 2012

3 Surplus before Taxation	2012 \$000	2011 \$000
<u>Operating Revenue</u>		
Network	9,912	9,703
Contracting	667	548
Customer contributions	308	389
Interest revenue	91	177
Other Income	55	126
	<hr/> 11,033	<hr/> 10,943
<u>Depreciation</u>		
Electrical distribution system	1,369	1,297
Freehold buildings	17	16
Fibre Network	22	-
Motor vehicles	140	113
Plant, equipment and tools	36	16
Office furniture and equipment	21	19
GIS	55	55
	<hr/> 1,660	<hr/> 1,517
<u>Operating Expenses</u>		
Audit New Zealand - audit services	50	48
Audit New Zealand - disclosure accounts	10	12
Fees paid to other auditors	30	25
Audit New Zealand - other audits	10	-
Remuneration paid to directors	131	129
Bad debts written off	-	18
Increase/(decrease) in provision for doubtful debts	2	(1)
Donations	1	2
Loss on sale of property, plant and equipment	-	-
All other operating expenses	5,690	5,582
	<hr/> 5,924	<hr/> 5,815
Surplus before discounts and tax	<hr/> 3,449	<hr/> 3,612
Discount	801	769
Surplus before taxation	<hr/> 2,648	<hr/> 2,843

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CENTRALINES LIMITED
Notes to the Financial Statements

For the year ended 31 March 2012

4 Income Tax	2012	2011
	\$000	\$000
<u>Taxation</u>		
Operating surplus before taxation	2,648	2,843
Prima facie tax @ 28% (2011 @ 30%)	741	853
Permanent differences	298	273
Timing differences not recognised	(572)	(462)
Prior period adjustments	(89)	(1)
Taxation expense/(benefit)	<u>378</u>	<u>663</u>

Taxation expense/(benefit) is represented by:

Current tax	378	663
	<u>378</u>	<u>663</u>

The Company has not recognised a deferred tax liability of \$5.6 million (2011 \$5.1 million)

Taxation payable/(refund)

Opening balance	238	195
Current year taxation expense/(benefit)	378	663
Taxation paid	(620)	(620)
Taxation refund received	-	-
Imputation credits attached to dividends received	-	-
	<u>(4)</u>	<u>238</u>

Imputation credit account

Opening balance	6,025	5,576
Prior period adjustment	(6)	-
Taxation paid	620	620
Taxation refund received	-	-
Imputation credits attached to dividends paid	(21)	(171)
Imputation credits attached to dividends received	-	-
Closing balance	<u>6,618</u>	<u>6,025</u>

J.C.H.

T.W.

CENTRALINES LIMITED
Notes to the Financial Statements
For the year ended 31 March 2012

5 Investments	2012	2011
	\$000	\$000
<u>Current</u>		
Short term deposits held with registered banks	3,117	2,580
Current Investments of other listed securities	-	-
	<u>3,117</u>	<u>2,580</u>
<i>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</i>		
<u>Non-Current</u>		
Other listed securities	-	-
<u>Fair and market value information</u>		
<u>Listed securities</u>		
<i>The market value is based on prices quoted on the stock exchanges at balance date</i>		
<u>Fixed interest securities - interest rates</u>		
<i>The range of interest rates on investments were:</i>		
Short term bank investments	4% - 5%	3.65%

1.1.8 *new*

CENTRALINES LIMITED
Notes to the Financial Statements
For the year ended 31 March 2012

6 Property, Plant and Equipment	2012 \$000	2011 \$000
<u>Electrical distribution network</u>		
at valuation	36,115	36,115
additions at cost	8,949	7,294
Work in progress	512	679
accumulated depreciation	(2,664)	(1,297)
	<hr/> 42,912	<hr/> 42,791
<u>Freehold buildings</u>		
at valuation	611	611
at cost	38	27
accumulated depreciation	(65)	(48)
at valuation	<hr/> 584	<hr/> 590
<u>Freehold Land</u>		
at valuation	<hr/> 380	<hr/> 380
<u>Fibre Network</u>		
at cost	1,041	-
accumulated depreciation	(22)	-
	<hr/> 1,019	<hr/> -
<u>Motor vehicles</u>		
at cost	1,594	1,659
accumulated depreciation	(1,017)	(1,134)
	<hr/> 577	<hr/> 525
<u>Plant, equipment and tools</u>		
at cost	623	498
accumulated depreciation	(464)	(428)
	<hr/> 159	<hr/> 70
<u>Office and computer equipment</u>		
at cost	401	335
accumulated depreciation	(283)	(262)
	<hr/> 118	<hr/> 73
<u>GIS</u>		
at cost	551	551
accumulated depreciation	(466)	(411)
	<hr/> 85	<hr/> 140
Total net carrying value	<hr/> 45,834	<hr/> 44,569

This is represented by:

Property, plant and equipment at valuation	37,106	37,106
Property, plant and equipment at cost	13,197	10,364
Work in progress	512	679
Accumulated depreciation	(4,981)	(3,580)
	<hr/> 45,834	<hr/> 44,569

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CENTRALINES LIMITED
Notes to the Financial Statements
For the year ended 31 March 2012

7 Receivables and prepayments	2012	2011
	\$000	\$000
Trade debtors	1,044	993
Provision for doubtful debts	(9)	(7)
Sundry Receivables and Accruals	29	199
Prepayments	(0)	7
	1,064	1,192

8 Related Party Information

CHB Consumers Power Trust owns all of the issued capital of Centralines Limited.

Directors' transactions with the company were made under normal terms and conditions of supply and sale. No discounts on electrical contracting were given during the year.

	2012	2011
	\$	\$
Goods and services supplied by Centralines	4,859	8,237
J Nichols provided consulting services to Centralines in relation to various communication initiatives.	3,471	-

As at 31 March 2012, \$2,561 was owing to related parties (2011 nil)

As at 31 March 2012, no amount was receivable from related parties (2011 nil)

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. For commercial reasons the values of this contract is not disclosed.

9 Capital Commitments

As at 31 March 2012 Centralines had no capital commitments. (2011 \$168,374).

10 Reconciliation of Cashflow with Operating Surplus	2012	2011
	\$000	\$000
Reported surplus after taxation	2,270	2,180
<u>Add Non Cash Items</u>		
Increase/(decrease) in doubtful debts	2	(1)
Depreciation	1,660	1,516
	1,662	1,515
<u>Changes in Working Capital</u>		
Decrease (increase) in receivables and prepayments	128	(61)
(Increase) decrease in inventories	50	(21)
Increase (decrease) in accounts payable, accruals	(1,734)	(246)
(Increase) decrease in capital accounts payable	1,389	508
Increase (decrease) in employee entitlements	10	(13)
(Decrease) increase in provision for taxation	(242)	44
	(399)	211
<u>Items Classified as Investing Activities</u>		
Net (surplus) loss on disposal of property plant and equipment	(53)	(122)
Net cash flow from operating activities	3,480	3,784

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CENTRALINES LIMITED
Notes to the Financial Statements

For the year ended 31 March 2012

11 Contingent Liabilities

Centralines has no contingent liabilities as at the 31 March 2012.

12 Financial Instruments

Centralines has no off balance sheet financing (other than those disclosed in these notes), nor any foreign exchange exposure.

The fair value of financial instruments is the carrying amount disclosed in the Statement of Financial Position.

The interest rates on the company's deposits are presented in note 5.

Interest Rate Risk

Interest Rate risk is the risk that the value of the assets and liabilities will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk primarily through cash balances, investments and finance leases.

Credit risk

Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable. No collateral is held on these amounts. Maximum exposure to credit risk is the amount stated in the Financial Statements and is net of any recognised provision for losses on these financial instruments.

Concentration of credit risk

The Company has exposure to one electricity retailer that may account for up to 52% of accounts receivable. To minimise this risk, the company has contractual requirements contained within the use of system agreements operating with this party. A bond may be required where deemed necessary. At balance date no such bonds were held.

13 Segment Information

The Company operates predominantly in one industry - the ownership, management and operation of electricity networks within the Central Hawke's Bay region.

14 Reserves

	2012 \$000	2011 \$000
<u>Asset revaluation reserve</u>		
Balance at beginning of year	22,332	22,332
Revaluation of electrical distribution network	-	-
Revaluation of Land/Buildings	-	-
Balance at end of year	<u>22,332</u>	<u>22,332</u>
<u>Detailed as:</u>		
Land/Buildings	538	538
General	421	421
Revaluation of electrical distribution network	21,373	21,373
	<u>22,332</u>	<u>22,332</u>

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CENTRALINES LIMITED
Notes to the Financial Statements
For the year ended 31 March 2012

15 Retained Earnings	2012	2011
	\$000	\$000
Balance at beginning of year	16,571	14,791
Net surplus	2,270	2,180
Dividends paid	(50)	(400)
Balance at end of year	<u>18,791</u>	<u>16,571</u>

16 Employee Entitlements

Employee entitlements expected to be taken within the 12 months following balance date are recorded as current liabilities. All other employee entitlements are recorded as term liabilities

17 Employee Remuneration

Details of remuneration and benefits received by employees and former employees in their capacity as an employee during the year.

Remuneration Range	Number of Employees	
Current Employees		
\$100,000 - 110,000	0	1

18 Events Subsequent to Balance Date

There have been no significant reporting events subsequent to balance date.

19 Accounts payable and accruals	2012	2011
	\$000	\$000
Trade creditors	735	2,365
Sundry creditors and accruals	192	296
	<u>927</u>	<u>2,661</u>

20 Impacts of the Adoption to International Financial Reporting Standards

In September 2007, the Accounting Standard Review Board announced that mandatory adoption of New Zealand International Financial Reporting Standards (NZIFRS) will be delayed for certain small entities that meet a specified criteria. Centralines fits the specified criteria and has opted to defer adopting NZIFRS in 2012.

The Ministry of Economic Development currently have a draft paper out for consultation which will affect the financial reporting regime in New Zealand. Under this paper the proposed changes to the financial reporting framework that Centralines would be required to report under would come into effect for financial reporting periods commencing 1 July 2013. Centralines would likely be required to transition, as a profit oriented entity, to report under NZIFRS.

The impact on accounting policies and the financial statements are not known at this time.

CENTRALINES LIMITED
Statement of Performance

For the year ended 31 March 2012

	2012 Corporate Intent Targets	2012 Actual	2011 Actual
Financial Measures			
Ratio of net surplus (before discount, interest and tax) to Opening Shareholders Funds	6.00%	7.35%	8.01%
Ratio of net surplus (before discount, interest and tax) as a percentage of Total Assets employed	5.70%	6.85%	7.21%
Contracting ratio of Gross profit (before tax) to Gross Revenue	11.00%	23.21%	14.75%
Reliability Measures			
System Average Interruption Duration Index			
SAIDI is the average length (in minutes) of interruptions for all customers that have interruptions in any one year	167.00	156.75	194.48
Customer Average Interruption Duration Index			
CAIDI is the average length (in minutes) of interruptions for an interruption that a customer will experience if the customer experiences an interruption. (Including maintenance but excluding transmission)	56.00	43.16	41.29
The System Average Interruption Frequency Index			
SAIFI is the average number of supply interruptions that a customer experiences in the period including maintenance but excluding transmission(Transpower)	3.00	3.63	4.71
Number of major faults (33kv) which result in interruptions to supply, per 100km of line per year (as per the Electricity Information Disclosures Requirements 2004)	2.00	2.09	4.18

Independent Auditor's Report

**To the readers of
Centralines Limited's
financial statements and statement of service performance
for the year ended 31 March 2012**

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

We have audited:

- the financial statements of the company on pages 10 to 22, that comprise the statement of financial position as at 31 March 2012, the statement of financial performance, statement of movements in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on page 23.

Opinion

Financial statements and the statement of service performance

In our opinion:

- the financial statements of the company on pages 10 to 22:
 - comply with generally accepted accounting practice in New Zealand;
 - give a true and fair view of the company's:
 - financial position as at 31 March 2012; and
 - financial performance and cash flows for the year ended on that date;
- the statement of service performance of the company on page 23:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of the company's achievements measured against the performance targets adopted for the year ended 31 March 2012.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 25 June 2012. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance achievements.

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

The Board of Directors' responsibilities arise from the Energy Companies Act 1992 and the Financial Reporting Act 1993.

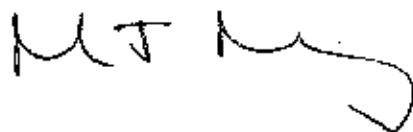
Responsibilities of the Auditor

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

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

In addition to the audit of the annual financial statements, we have carried out another engagement for the company. This involved issuing certificates pursuant to the Electricity Distribution (Information Disclosure) Requirements 2008 (distribution requirements); and the Electricity Information Disclosure Requirements consolidating all amendments to 31 October 2008 (original requirements), for the regulatory period ending 31 March 2011. This engagement is compatible with those independence requirements. Other than this engagement, and the audit of the annual financial statements, we have no relationship with or interests in the company.



Mark Maloney
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand

Matters relating to the electronic presentation of the audited financial statements and statement of service performance

This audit report relates to the financial statements and statement of service performance of Centralines Limited (the company) for the year ended 31 March 2012 included on the company's website. The Board of Directors is responsible for the maintenance and integrity of the company's website. We have not been engaged to report on the integrity of the company's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from these financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and related audit report dated 25 June 2012 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Auditors

Audit NZ, P O Box 149, Palmerston North

Bankers

ANZ Bank, Ruataniwha Street, Waipukurau

Solicitors

DAC Legal

P O Box 54, Waipukurau

Website

<http://www.centralines.co.nz>

Directors

JR Aitken (Chairman), JE Nichols, SA Robinson, JM Willis

Trustees

P Gallagher (Chairman), G Williams, A Mabin

J Riordan, S Von Dadelszen, A Watts, P Butler

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