



New Zealand Gazette

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WELLINGTON: TUESDAY, 25 JANUARY 2005 — ISSUE NO. 28

CENTRALINES LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

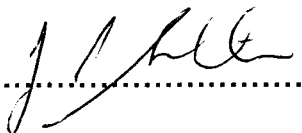


**CERTIFICATION OF FINANCIAL STATEMENTS,
PERFORMANCE MEASURES, AND STATISTICS
DISCLOSED BY DISCLOSING ENTITIES (OTHER THAN
TRANSPOWER)**

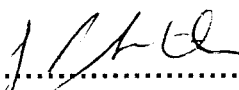
We, James Aitken and Hamish Donald, directors of Centralines Limited certify that, having made all reasonable enquiry, to the best of our knowledge: -

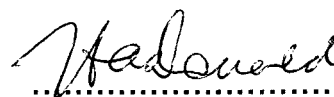
- (a) The attached audited financial statements of Centralines Limited prepared for the purposes of requirement 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; and
- (b) The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Centralines Limited, and having been prepared for the purposes of requirements 14, 15, 20 and 21 of the Electricity Information Disclosure Requirements 2004, comply with those Requirements.

The valuations on which those financial performance measures are based are as at 31st March 2004.

 J.R. AITKEN

 H.A. DONALD


DATED 21 Dec 04


DATED 21-12-2004



PricewaterhouseCoopers
PricewaterhouseCoopers Tower
188 Quay Street
Private Bag 92162
Auckland, New Zealand
www.pwc.com
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

CERTIFICATION BY AUDITOR IN RELATION TO VALUATION

We have examined the valuation report of Centralines Limited (Lines Business) and dated 17 December 2004 which report contains valuations of system fixed assets as at 31 March 2004.

In our opinion, having made all reasonable enquiry, and to the best of our knowledge, the valuations contained in the report, including the total valuation of system fixed assets of \$31,741,000 have been made in accordance with the ODV Handbook (as defined in the Commerce Commission's Electricity Information Disclosure Requirements 2004).

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

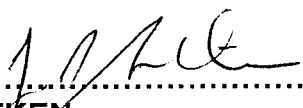
PricewaterhouseCoopers
Chartered Accountants
Auckland
17 December 2004



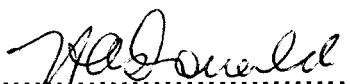
CERTIFICATION OF VALUATION REPORT OF DISCLOSING ENTITIES

We, JAMES AITKEN and HAMISH DONALD, directors of Centralines Limited certify that, having made all reasonable enquiry, to the best of our knowledge -

- (a) the attached valuation report of Centralines Limited, prepared for the purposes of requirement 19 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 complies with those Requirements; and
- (b) the replacement cost of the line business system fixed assets of Centralines Limited is \$75.096M; and
- (c) the depreciated replacement cost of the line business system fixed assets of Centralines Limited is \$31.808M; and
- (d) the optimised depreciated replacement cost of the line business system fixed assets of Centralines Limited is \$31.741M; and
- (e) the optimised deprival valuation of the line business system fixed assets of Centralines Limited is \$31.741M; and
- (f) the values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook (as defined in the Electricity Information Disclosure Requirements 2004). These valuations are as at 31st March 2004.


.....
J AITKEN

21 Dec 2004
.....
DATED


.....
H A DONALD

21-12-2004
.....
DATED

CENTRALINES LIMITED - LINES BUSINESS
Statement of Significant Accounting Policies
For the year ended 31 March 2004

Centralines Limited ("Centralines") is a public company registered under the Companies Act 1993. These financial statements have been prepared for the purposes of complying with the requirements of the Commerce Commission's Electricity Information Disclosure Requirements 2004. The financial statements comprise separate Statements of Financial Position, Financial Performance, Cash Flows and Movements in Equity for the Line and Other Businesses as required by the Regulations. These businesses operate in and around the Central Hawke's Bay area. The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by the Company, with the exception that certain assets have been revalued.

Methodology and Separation of Businesses

Centralines has generally followed the guidelines in the Electricity Information Disclosure Handbook issued by the Energy Markets Policy Group of the Commerce Commission.

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.

Operating Revenue

Sales revenue represents revenue earned for the sale of the company's products and services net of returns, trade allowances and taxes paid. Other revenue includes interest income on investments.

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 of 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.

Goods and Services Tax (GST)

The statement of financial performance and statement of cash flows have 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 are prepared inclusive of GST).

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.

Inventories

Inventories are valued at the lower of weighted average cost and net realisable value.

Property, Plant and Equipment

Land and Buildings

Land is recorded at cost. Buildings are recorded at cost less depreciation.

Vehicles, Plant, Furniture and Fittings and Office Equipment

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

Distribution Assets

Distribution assets are valued at fair value based on Optimised Depreciated Replacement Cost (ODRC) as independently determined by Craig Rice BCom, Bachelor of Laws and Lynne Taylor Bachelor of Social Science of PricewaterhouseCoopers and Eddie Graham B.E(Elec.) FIPENZ. These valuations were completed as at 31 March 2004.

CENTRALINES LIMITED - LINES BUSINESS
Statement of Significant Accounting Policies
For the year ended 31 March 2004

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 the 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. As part of the revaluation process there were assets identified that were not previously on the asset register. These assets have been recognised for the first time this year and have been brought to account through the Statement of Financial Performance.

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
Motor vehicles	3 - 15 years
Plant, equipment and tools	5 - 10 years

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.

Investments

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

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.

Financial Instruments

Financial instruments carried on 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.

Statement of Cash Flows

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.

Changes in Accounting Policies

There has been a change in accounting policy for the revaluation of distribution assets from Optimised Depreciated Value to Optimised Depreciated Replacement Cost in accordance with FRS-3. The net effect of the revaluation is an increase of \$5.678m in distribution assets. There have been no other changes from the accounting policies adopted in the last audited financial statements. All other policies have been applied consistently with the previous period.

CENTRALINES LIMITED - LINES BUSINESS
Statement of Financial Performance

For the year ended 31 March 2004

	Notes	2004 \$000	2003 \$000
OPERATING ACTIVITIES			
Revenue	1	7,181	8,250
Expense	1	(5,501)	(6,208)
Surplus before taxation		<u>1,680</u>	<u>2,042</u>
Income tax benefit/(expense)	2	(5)	(726)
Net surplus after income tax		<u><u>1,675</u></u>	<u><u>1,316</u></u>

The accompanying notes and policies form an integral part of these financial statements

CENTRALINES LIMITED - LINES BUSINESS**Statement of Movements in Equity****For the year ended 31 March 2004**

	Notes	2004 \$000	2003 \$000
Equity at beginning of year		28,783	27,467
Adjustment to equity		(1,973)	-
Net surplus for the year		1,675	1,316
Revaluation of property, plant and equipment	3	5,678	-
Total recognised revenues and expenses for the period		<u>7,353</u>	<u>1,316</u>
Dividends paid		(160)	-
EQUITY AT THE END OF THE YEAR		<u><u>34,003</u></u>	<u><u>28,783</u></u>

Note: Under the Information Disclosure Requirements, equity has been adjusted to account for other activities that exceed the 5% threshold of Centralines total assets and revenues in accordance with the avoidable cost methodology.

CENTRALINES LIMITED - LINES BUSINESS**Statement of Financial Position****As at 31 March 2004**

	Notes	2004 \$000	2003 \$000
EQUITY			
Share capital		8,000	8,000
Retained earnings	4	2,256	2,714
Reserves	3	23,747	18,069
		<u>34,003</u>	<u>28,783</u>
Represented by:			
CURRENT ASSETS			
Cash & short term deposits		1,016	1,024
Short term investments	6	264	299
Receivables and prepayments	5	585	1,458
Inventories		461	376
		<u>2,326</u>	<u>3,157</u>
NON CURRENT ASSETS			
Investments	6	-	936
Capital work in progress		187	22
Property, plant and equipment	7	32,150	25,669
		<u>32,337</u>	<u>26,627</u>
TOTAL ASSETS		<u>34,663</u>	<u>29,784</u>
CURRENT LIABILITIES			
Accounts payable and accruals	8	637	225
Hire Purchase		-	9
Employee entitlements	9	18	21
Taxation payable		5	726
		<u>660</u>	<u>981</u>
NON CURRENT LIABILITIES			
Hire Purchase		-	20
		<u>-</u>	<u>20</u>
TOTAL LIABILITIES		<u>660</u>	<u>1,001</u>
NET ASSETS EMPLOYED		<u>34,003</u>	<u>28,783</u>

The accompanying notes and policies form an integral part of these financial statements

CENTRALINES LIMITED - LINES BUSINESS**Statement of Cash Flows**

For the year ended 31 March 2004

	Notes	2004 \$'000	2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from customers		7,495	7,232
Interest received		182	260
		<u>7,677</u>	<u>7,492</u>
<i>Cash was applied to:</i>			
Payments to employees and suppliers		4,327	6,472
Taxes paid		586	127
Interest paid and finance charges on leased assets		5	3
		<u>4,918</u>	<u>6,602</u>
Net cash inflows from operating activities	10	<u>2,759</u>	<u>890</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Proceeds from disposal of investments		-	1,479
Proceeds from disposal of property, plant and equipment		-	56
		<u>-</u>	<u>1,535</u>
<i>Cash was applied to:</i>			
Purchase and construction of property, plant and equipment		1,585	1,435
Purchase of investments		(35)	-
		<u>1,550</u>	<u>1,435</u>
Net cash inflows from investment activities		<u>(1,550)</u>	<u>100</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was applied to:</i>			
Dividends paid		160	80
Repayment of Loans		20	-
Net cash outflows from financing activities		<u>(180)</u>	<u>(80)</u>
Net (Decrease) / Increase in cash held		1,029	910
Less Investments transferred to "Other" business		(1,037)	-
Cash balances at beginning of year		1,024	114
CASH AT END OF THE YEAR		<u><u>1,016</u></u>	<u><u>1,024</u></u>

The accompanying notes and policies form an integral part of these financial statements

CENTRALINES LIMITED - LINES BUSINESS**Notes to the financial statements**

For the year ended 31 March 2004

	2004 \$000	2003 \$000
Note 1: (i) OPERATING REVENUE		
Network line rentals net of customer rebates	6,399	6,762
AC loss-rental rebates	82	1,231
Newly Identified Assets	272	-
Customer contributions	246	-
Interest income	182	257
Total revenue	7,181	8,250
(ii) OPERATING EXPENSES		
Audit fees	36	29
Auditors fees for other services	7	7
Fees paid to other auditors	22	6
Bad debts written off	-	-
Bad debts recovered	-	-
Depreciation		
Buildings	-	-
Office and computer equipment	-	-
Distribution system	1,038	1,013
GIS	25	-
Motor vehicles	6	3
Plant, equipment and tools	-	-
Total depreciation	1,069	1,016
Directors fees	85	85
Donations	-	-
Change in provision for doubtful debts	-	-
Interest paid	5	2
Lease payments	-	21
Customer Discount	484	1,430
Cost of sales & other operating expenses	3,793	3,612
Total operating expenses	5,501	6,208
Surplus Before Income Tax	1,680	2,042

Note 2: Taxation

<u>Taxation Reconciliation</u>		
Accounting net operating surplus before taxation	1,680	2,042
Taxation at 33%	554	674
Plus tax effect of:		
Non deductible expenditure	-	-
Timing differences not recognised	(479)	(200)
Permanent differences	172	250
Prior year adjustment	(242)	2
Income tax (benefit)/charge for the year	5	726
Income tax charge for the year comprises:		
Current taxation benefit/(liability)	5	726
	5	726

The Company has not recognised deferred taxation liabilities on cumulative timing differences of \$2.5 million (2003 \$3 million) as these are not expected to reverse in the foreseeable future.

<u>Imputation Credit Account:</u>		
Opening balance	699	642
Tax paid during the year	1,056	127
Tax refunds during the year	-	(33)
Resident withholding tax paid	-	2
Credits attached to dividends paid	(78)	(39)
Closing balance at end of the year	1,677	699

CENTRALINES LIMITED - LINES BUSINESS**Notes to the financial statements**

For the year ended 31 March 2004

	2004 \$000	2003 \$000
Note 3: Reserves		
Balance at beginning of year	18,069	18,069
Revaluation of Electrical Distribution Network	5,678	-
	<u>23,747</u>	<u>18,069</u>
Detailed as:		
General	420	420
Asset revaluation reserve - distribution system	23,327	17,649
	<u>23,747</u>	<u>18,069</u>

Note 4: Retained Earnings

Balance at beginning of year	2,714	1,398
Adjustment to equity	(1,973)	-
Net surplus for the year	1,675	1,316
Dividends paid	(160)	-
	<u>2,256</u>	<u>2,714</u>

Note 5: Receivable and prepayments

Trade debtors	535	1,407
GST clearing account	16	-
Miscellaneous prepayments	14	22
Prepayments	20	29
	<u>585</u>	<u>1,458</u>

The Company incurs credit risk from transactions with trade receivables and financial institutions in the normal course of its business.

The Company has a credit policy which restricts the exposure to individual trade receivables and the Board of Directors reviews exposure to trade receivables on a regular basis. Where there is a significant concentration of credit risk, the exposure is minimised by provisions in use of systems agreements between the parties. Amounts owed by trade receivables are unsecured.

Note 6: Investments(i) Current

Short term deposits held with registered banks
Current Investments of other listed securities

-	-
264	299
<u>264</u>	<u>299</u>

Short term bank investments

5.1% - 5.85%

Market fluctuations in interest rates affect the earnings on these investments but Company policy of placing deposits with high credit quality financial institutions minimises its credit exposure.

(ii) Non-Current

These investments were established to contribute towards the cost of a catastrophe on the network assets. The company has an investment policy which restricts the amount into any individual investment.

NZ Government bonds
Listed securities

-	239
-	697
<u>-</u>	<u>936</u>

(iii) Fair and market value information

Listed securities	218	1,275
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CENTRALINES LIMITED - LINES BUSINESS**Notes to the financial statements**

For the year ended 31 March 2004

	2004 \$000	2003 \$000
Note 7: Property, plant and equipment		
<u>Distribution assets</u>		
At valuation - 31 March 2004	31,588	24,257
At cost	-	3,020
Accumulated depreciation	-	(1,637)
Total carrying amount of distribution assets	<u>31,588</u>	<u>25,640</u>
<u>Freehold land</u>		
At cost	18	18
Total carrying amount of freehold land	<u>18</u>	<u>18</u>
<u>Freehold buildings</u>		
At cost	-	-
Accumulated depreciation	-	-
Total carrying amount of freehold buildings	<u>-</u>	<u>-</u>
<u>Motor vehicles</u>		
At cost	31	14
Accumulated depreciation	(6)	(3)
Total carrying amount of motor vehicles	<u>25</u>	<u>11</u>
<u>Plant and equipment and tools</u>		
At cost	-	-
Accumulated depreciation	-	-
Total carrying amount of plant and equipment and tools	<u>-</u>	<u>-</u>
<u>GIS System</u>		
At cost	544	-
Accumulated depreciation	(25)	-
Total carrying amount of GIS system	<u>519</u>	<u>-</u>
<u>Total Property, plant and equipment</u>		
At valuation	31,588	24,257
At cost	593	3,052
Accumulated depreciation	(31)	(1,640)
Total carrying amount of property, plant and equipment	<u>32,150</u>	<u>25,669</u>
Note 8: Accounts Payable		
GST clearing account	-	112
Trade creditors	495	113
Other creditors & accruals	142	-
	<u>637</u>	<u>225</u>

Note 9: 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.

CENTRALINES LIMITED - LINES BUSINESS**Notes to the financial statements**

For the year ended 31 March 2004

	2004 \$000	2003 \$000
Note 10: Reconciliation of Cash Flow with Operating Surplus		
Net surplus	1,675	1,316
Depreciation	1,069	1,016
Newly Identified Assets	(272)	-
(Decrease)/increase in accounts payable & accruals	223	(1,272)
(Increase)/decrease in accounts receivable	873	(721)
Decrease/(increase) in inventory	(85)	74
(Decrease)/increase in employee entitlements	(3)	10
Increase/(decrease) in provision for taxation	(721)	547
(Decrease)/increase in provision for dividend	-	(80)
Net Cash flow from Operating Activities	2,759	890

Note 11: Analysis of non-cancelable operating lease commitments

Payable not later than one year	-	6
	-	6

Analysis of non-cancelable finance lease commitments

Payable not later than one year	-	12
Payable later than one year, not later than two years	-	12
Payable later than two years, not later than three years	-	10
Future finance charges	-	(5)
	-	29

Representing lease liabilities

Current	-	9
Non-Current	-	20
	-	29

Note 12: Contingent Liabilities

As at 31 March 2004 the Company had no contingent liabilities (2003 nil).

Note 13: Capital Commitments

As at 31 March 2004 the Company had no capital commitments (2003 nil).

Note 14: 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 available to members of staff. No discounts were given during the year.

	2004 \$	2003 \$
J Aitken	294	1,059
M Luoni	-	-
J Loughlin	-	-
H Donald	-	1,875

As at 31 March 2004, the total amount outstanding was nil (2003 \$2,934)

During the year Mr Luoni who is a director provided services through his company totaling \$1,492 (2003 \$22,196)

During the year Centralines provided sponsorship for the Energy Efficiency Program in which H A Donald declared an interest.

CENTRALINES LIMITED - LINES BUSINESS**Notes to the financial statements**

For the year ended 31 March 2004

	2004 \$000	2003 \$000
Note 14: Related Party Information (contd)		
Contestable contracting services in asset construction and maintenance were provided by Centralines contracting division at cost, including overheads, and as detailed, respectively, here and in Note 17.12b below. Unit price and quantities have not been determined.		
Sub transmission assets	22	34
Zone substations	35	21
Distribution lines and cables	954	1,135
Medium voltage switchgear	19	19
Distribution transformers	85	116
Distribution substations	26	30
Low voltage lines and cables	153	155
Other system fixed assets	-	-

Note 15: 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.

Centralines has an approved overdraft facility with the ANZ Bank for \$100,000 at an interest rate of 11.80%.

The interest rates on the company's deposits are presented in note 6.

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 receivables. 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 60% of accounts receivables. 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 bond was held.

Note 16: Significant Events after Balance Date

The company is not aware of any other post balance date events which would have a significant effect on the business activities of Centralines.

CENTRALINES LIMITED - LINES BUSINESS**Notes to the financial statements**

For the year ended 31 March 2004

		2004 \$000	2003 \$000
Note 17: Electricity Information Disclosure Requirements 2004 - Requirement 6 Information to be disclosed in Financial Statements:			
1	<u>Current Assets</u>		
a	Cash and bank balances	1,016	1,024
b	Short-term investments	264	299
c	Inventories	461	376
d	Accounts receivable	585	1,458
e	Other current assets not listed in (a) to (d)	-	-
f	Total current assets	2,326	3,157
2	<u>Fixed Assets</u>		
a	System fixed assets	31,588	25,640
b	Consumer billing and information system assets	519	-
c	Motor vehicles	25	11
d	Office equipment	-	-
e	Land and buildings	18	18
f	Capital works under construction	187	22
g	Other fixed assets not listed in (a) to (f)	-	-
h	Total fixed assets	32,337	25,691
3	<u>Other tangible assets not listed above</u>	-	936
4	<u>Total tangible assets</u>	34,663	29,784
5	<u>Intangibles</u>		
a	Goodwill	-	-
b	Other intangibles not listed in (a) above	-	-
c	Total intangibles	-	-
6	Total assets	34,663	29,784
7	<u>Current liabilities</u>		
a	Bank overdraft	-	-
b	Short-term borrowings	-	-
c	Payables and accruals	637	225
d	Provision for dividends payable	-	-
e	Provision for income tax	5	726
f	Other current liabilities not listed in (a) to (e) above	18	30
g	Total current liabilities	660	981
8	<u>Non-current liabilities</u>		
a	Payables and accruals	-	-
b	Borrowings	-	-
c	Deferred tax	-	-
d	Other non-current liabilities not listed in (a) to (c) above	-	20
e	Total non-current liabilities	-	20
9	<u>Equity</u>		
a	Shareholders' equity		
	Share capital	8,000	8,000
	Retained earnings	2,256	2,714
	Reserves	23,747	18,069
	Total shareholders' equity	34,003	28,783
b	Minority interests in subsidiaries	-	-
c	Total equity	34,003	28,783
d	Capital notes	-	-
e	Total capital funds	34,003	28,783
10	Total equity and liabilities	34,663	29,784

CENTRALINES LIMITED - LINES BUSINESS**Notes to the financial statements****For the year ended 31 March 2004**

		2004 \$000	2003 \$000
Note 17: Electricity Information Disclosure Requirements 2004 - Requirement 6 Information to be disclosed in Financial Statements: cont			
11	<u>Operating revenue</u>		
a	Revenue from line/access charges	6,399	6,762
b	Revenue from "Other" business for services carried out by the line business (transfer payment)	-	-
c	Interest on cash, bank balances and short term investments:	182	257
d	AC loss-rental rebates	82	1,231
e	Other revenue not listed in (a) to (d)	518	-
f	Total operating revenue	7,181	8,250
12	<u>Operating expenditure</u>		
a	Payment for transmission charges	2,245	2,181
b	Transfer payments to the "Other" business for:		
(i)	Asset maintenance	652	556
(ii)	Consumer disconnection/reconnection services	-	-
(iii)	Meter data	-	-
(iv)	Consumer-based load control services	-	-
(v)	Royalty and patent expenses	-	-
(vi)	Avoided transmission charges on account of own generation	-	-
(vii)	Other goods and services not listed in (i) to (vi) above	30	27
(viii)	Total transfer payment to the "Other" business	682	583
c	Expense to entities that are not related parties for:		
(i)	Asset maintenance	207	222
(ii)	Consumer disconnection/reconnection services	-	-
(iii)	Meter data	-	2
(iv)	Consumer-based load control services	-	-
(v)	Royalty and patent expenses	-	-
(vi)	Total of specified expenses to non-related parties (sum of (i) to (vi))	207	224
d	Employee salaries, wages and redundancies	145	130
e	Consumer billing and information system expense	-	-
f	Depreciation on:		
(i)	System fixed assets	1,038	1,013
(ii)	Other assets not listed in (i)	31	3
(iii)	Total depreciation	1,069	1,016
g	Amortisation of:		
(i)	Goodwill	-	-
(ii)	Other intangibles	-	-
(iii)	Total amortisation of intangibles	-	-
h	Corporate and administration	188	208
i	Human resource expenses	5	8
j	Marketing/advertising	35	81
k	Merger and acquisition expenses	-	-
l	Takeover defense expenses	-	-
m	Research and development expenses	-	-
n	Consultancy and legal expenses	27	8
o	Donations	0	-
p	Directors' fees	85	85
q	Auditors' fees		
(i)	Audit fees paid to principal auditors	50	29
(ii)	Audit fees paid to other auditors	22	-
(iii)	Fees paid for other services provided by principal and other aud	1	11
(iv)	Total auditors' fees	73	40
r	Costs of offering credit		
(i)	Bad debts written off	-	-
(ii)	Increase in estimated doubtful debts	-	-
(iii)	Total cost of offering credit	-	-
s	Local authority rates expense	-	-
t	AC loss-rentals (distribution to retailers/customers) expense	-	-
u	Rebates to consumers due to ownership interest	484	1,430
v	Subvention payments	-	-
w	Unusual expenses	-	-
x	Other expenditure not listed in (a) to (w)	253	206
13	<u>Total operating expenditure</u>	5,498	6,201
14	<u>Operating surplus before interest and income tax</u>	1,683	2,048

CENTRALINES LIMITED - LINES BUSINESS**Notes to the financial statements**

For the year ended 31 March 2004

		2004 \$000	2003 \$000
Note 17: Electricity Information Disclosure Requirements 2004 - Requirement 6 Information to be disclosed in Financial Statements: cont			
15	<u>Interest expense</u>		
a	Interest expense on borrowings	-	-
b	Financing charges related to finance leases	-	5
c	Other interest expense not listed in (a) or (b)	3	2
d	Total interest expense	<u>3</u>	<u>7</u>
16	<u>Operating surplus before income tax</u>	<u>1,680</u>	<u>2,042</u>
17	<u>Income tax</u>	5	726
18	<u>Net surplus after tax</u>	<u><u>1,675</u></u>	<u><u>1,316</u></u>

CENTRALINES LIMITED - LINES BUSINESS**Electricity Information Disclosure Requirements 2004 - Requirement 14****Financial Performance and Efficiency Measures**

Financial Measures	2004	2003	2002	2001	2000
Return On Funds	5.47%	7.09%	-1.40%	2.82%	3.60%
Return On Equity	5.76%	4.80%	-0.66%	1.85%	2.40%
Return on Investment *	28.52%	4.55%	-2.34%	-11.06%	2.10%
Efficiency Measures	2004	2003	2002	2001	2000
Direct Line Cost Per Kilometre	\$ 517	\$ 530	\$ 574	\$ 468	\$ 551
Indirect Line Cost Per Customer	\$ 114	\$ 103	\$ 97	\$ 125	\$ 71

* The calculation for ROI adds back the revaluation figure into the operating surplus. If the revaluation is excluded from operating surplus the ROI would be 5.65%

CENTRALINES LIMITED - LINES BUSINESS**Electricity Information Disclosure Requirements 2004 - Requirement 20 Energy Efficiency Performance Measures and Statistics**

Energy delivery efficiency performance measures	2004	2003	2002	2001
Load factor	67%	72%	30%	63%
Loss ratio	7%	7%	7%	8%
Capacity utilisation	26%	26%	58%	29%
Energy delivery efficiency performance statistics	2004	2003	2002	2001
System Length				
33kV	92	93	91	91
11kV	1,381	1,410	1,434	1,435
400V	165	46	91	86
	<u>1,638</u>	<u>1,549</u>	<u>1,616</u>	<u>1,612</u>
Circuit Length - Overhead				
33kV	92	92	90	90
11kV	1,370	1,407	1,425	1,428
400V	156	33	68	68
	<u>1,618</u>	<u>1,532</u>	<u>1,583</u>	<u>1,586</u>
Circuit Length - Underground				
33kV	1	1	1	1
11kV	11	3	8	7
400V	9	13	23	21
	<u>21</u>	<u>16</u>	<u>32</u>	<u>28</u>
Transformer capacity	72,117	71,077	71,492	69,837
Maximum demand	19,016	18,716	41,724	20,286
Total Electricity entering the system (before losses)	111,970,890	117,713,011	111,117,752	111,165,473
Total Electricity supplied (after losses)				
Retailer 1	69,543,110	75,525,743	81,571,915	92,163,213
Retailer 2	13,155,263	24,617,535	12,009,511	2,595,910
Retailer 3	553,330	592,803	1,532,778	578,652
Retailer 4	21,083,280	8,224,200	7,038,256	6,803,809
Retailer 5	-	96,155	113,799	108,420
Retailer 6	-	-	687,278	-
	<u>104,334,983</u>	<u>109,056,436</u>	<u>102,953,537</u>	<u>102,250,004</u>
Total consumers	7,457	7,442	7,431	7,432

CENTRALINES LIMITED - LINES BUSINESS**Electricity Information Disclosure Requirements 2004 - Requirement 21 Reliability Performance Measures**

Interruptions (#)	2004	2003	2002	2001
Planned	36	100	127	115
Unplanned	230	230	258	272
	<u>266</u>	<u>330</u>	<u>385</u>	<u>387</u>
Interruptions Targets (#)	2005			
Planned	50			
Unplanned	200			
	<u>250</u>			
Average Interruptions Targets (#)	2005 - 2009			
Planned	50			
Unplanned	200			
	<u>250</u>			
Proportion of the total number of Unplanned interruptions not restored within:	2004	2003	2002	2001
3 hours	22%	11%	7%	11%
24 hours	0%	0%	0%	0%
Faults per 100 Km's	2004	2003	2002	2001
33kV	7	8	23	4
11kV	16	16	17	19
	<u>23</u>	<u>23</u>	<u>40</u>	<u>23</u>
Targets	2005			
33kV	5			
11kV	10			
	<u>15</u>			
Average Total Faults	2005 - 2009			
33kV	4			
11kV	10			
	<u>14</u>			
Faults per 100 Km's - Underground	2004	2003	2002	2001
33kV	-	-	1	-
11kV	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
Faults per 100 Km's - Overhead	2004	2003	2002	2001
33kV	7	8	22	4
11kV	16	16	17	19
	<u>23</u>	<u>23</u>	<u>39</u>	<u>23</u>

CENTRALINES LIMITED - LINES BUSINESS**Electricity Information Disclosure Requirements 2004 - Requirement 21 Reliability Performance Measures**

SAIDI	2004	2003	2002	2001
Planned	7	67	105	77
Unplanned	375	187	250	301
Class A	-	-	-	60
Class D	6	6	6	-
	<u>388</u>	<u>260</u>	<u>361</u>	<u>438</u>

SAIDI Targets	2005
Planned	60
Unplanned	105
	<u>165</u>

Average SAIDI	2005 - 2009
Planned	60
Unplanned	100
	<u>160</u>

SAIFI	2004	2003	2002	2001
Planned	0	0	0	0
Unplanned	7	6	8	6
Class A	-	-	-	1
Class D	0	0	1	-
	<u>7</u>	<u>7</u>	<u>9</u>	<u>7</u>

SAIFI Targets	2005
Planned	1
Unplanned	3
	<u>4</u>

Average SAIFI	2005 - 2009
Planned	1
Unplanned	3
	<u>4</u>

CAIDI	2004	2003	2002	2001
Planned	214	137	291	197
Unplanned	53	29	32	50
Class A	-	-	-	60
Class D	21	19	6	-
	<u>36</u>	<u>36</u>	<u>329</u>	<u>59</u>

CAIDI Targets	2005
Planned	215
Unplanned	49

Average CAIDI	2005 - 2009
Planned	200
Unplanned	47

CENTRALINES LIMITED - LINES BUSINESS

Electricity Information Disclosure Requirements 2004 - Requirement 15 Form for the Derivation of Financial Performance Measures from Financial Statements

	Input and Calculations	Symbol in formula	ROF		ROE		ROI	
Operating surplus before interest and income tax from financial statements	1,683							
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	1,683							
Interest on cash, bank balances, and short-term investments (ISTI)	182							
OSBIIT minus ISTI	1,502	a		1,502				1,502
Net surplus after tax from financial statements	1,675	n				1,675		
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	1,675	n						
Amortisation of goodwill and amortisation of other intangibles	-	g	add	-	add	-	add	-
Subvention payment	-	s	add	-	add	-	add	-
Depreciation of SFA at BV (x)	1,038							
Depreciation of SFA at ODV (y)	925							
ODV depreciation adjustment	113	d	add	113	add	113	add	113
Subvention payment tax adjustment	-	s ^t	deduct	-	deduct	-	deduct	-
Interest tax shield	(59)	q						59
Revaluations	5,906	r						5,906
Income tax	5	p						5
Numerator				1,615 OSBIITADJ = a + g + s + d		1,788 NSATADJ = n + g + s + s ^t + d		7,574 OSBIITADJ = a + g + q + r + s + d + p - s ^t
Fixed assets at end of previous financial year (FA ₀)	25,669							
Fixed assets at end of current financial year (FA ₁)	32,150							
Adjusted net working capital at end of previous financial year (ANWC ₀)	1,556							
Adjusted net working capital at end of current financial year (ANWC ₁)	391							
Average total funds employed (ATFE)	29,883	c		29,883				29,883
Total equity at end of previous financial year (TE ₀)	28,783							
Total equity at end of current financial year (TE ₁)	34,003							
Average total equity	31,393	k				31,393		
WUC at end of previous financial year (WUC ₀)	22							

CENTRALINES LIMITED - LINES BUSINESS

Electricity Information Disclosure Requirements 2004 - Requirement 15 Form for the Derivation of Financial Performance Measures from Financial Statements

	Input and Calculations	Symbol in formula	ROF		ROE		ROI	
WUC at end of current financial year (WUC_t)	187	e	deduct	105	deduct	105	deduct	105
Average total works under construction	105	r						
Revaluations	5,906	r/2						
Half of revaluations	2,953						deduct	2,953
Intangible assets at end of previous financial year (IA_0)	-							
Intangible assets at end of current financial year (IA_t)	-							
Average total intangible asset	-	m			add			
Subvention payment at end of previous financial year (S_0)	-							
Subvention payment at end of current financial year (S_t)	-							
Subvention payment tax adjustment at end of previous financial year	-							
Subvention payment tax adjustment at end of current financial year	-							
Average subvention payment & related tax adjustment	-	v			add			
System fixed assets at end of previous financial year at book value (SFA_{bvo})	25,640							
System fixed assets at end of current financial year at book value (SFA_{bvt})	31,588							
Average value of system fixed assets at book value	28,614	f	deduct	28,614	deduct	28,614	deduct	28,614
System Fixed assets at year beginning at ODV value (SFA_{odvo})	24,953							
System Fixed assets at end of current financial year at ODV value (SFA_{odvt})	31,741							
Average value of system fixed assets at ODV value	28,347	h	add	28,347	add	28,347	add	28,347
Denominator				29,513 $ATFE^{ADJ} = c - e - f + h$		31,022 $Ave TE^{ADJ} = k - e - m + v - f + h$		26,560 $ATFE^{ADJ} = c - e - \frac{1}{2}r - f + h$
Financial Performance Measure:				5.47 $ROF = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$		5.76 $ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$		28.52 $ROI = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$

t = maximum statutory income tax rate applying to corporate entities bv = book value ave = average odv = optimised deprival valuation subscript '0' = end of the previous financial year
subscript 't' = end of the current financial year ROF = return on funds ROE = return on equity ROI = return on investment

CENTRALINES LIMITED - LINES BUSINESS**Electricity Information Disclosure Requirements 2004 - Requirement 16 Annual Valuation Reconciliation Report**

	2004 \$000	2003 \$000
System fixed assets at ODV at end of previous financial year	24,953	24,345
ADD system fixed assets acquired during the year at ODV	1,865	1,677
LESS system fixed assets disposed of during the year at ODV	58	56
LESS depreciation on system fixed assets at ODV	925	1,013
ADD revaluation of system fixed assets	5,906	-
System fixed assets at ODV at end of the financial year	<u><u>31,741</u></u>	<u><u>24,953</u></u>



Audit New Zealand

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF CENTRALINES FOR THE YEAR ENDED 31 MARCH 2004

We have audited the financial statements of Centralines Limited on pages 2 to 15. The financial statements provide information about the past financial performance of Centralines Limited and its financial position as at 31 March 2004. This information is stated in accordance with the accounting policies set out on pages 2 to 3.

Directors' Responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of Centralines Limited as at 31 March 2004, and the results of its operations and cash flows for the year ended on that date.

Auditor's Responsibilities

Section 15 of the Public Audit Act 2001 and Requirement 30 of the Electricity Information Disclosure Requirements 2004 require the Auditor-General to audit the financial statements. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed Chris Fabling of Audit New Zealand to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Centralines Limited's circumstances, consistently applied and adequately disclosed.

We conducted the audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Centralines Limited.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion –

- proper accounting records have been maintained by Centralines Limited as far as appears from our examination of those records; and
- the financial statements of Centralines Limited on pages 2 to 15:
 - (a) comply with generally accepted accounting practice in New Zealand; and
 - (b) give a true and fair view of Centralines Limited's financial position as at 31 March 2004 and the results of its operations and cash flows for the year ended on that date; and
 - (c) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 21 December 2004 and our unqualified opinion is expressed as at that date.



Chris Fabling
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand



Audit New Zealand

**AUDITOR-GENERAL'S OPINION
ON THE PERFORMANCE MEASURES OF
CENTRALINES LIMITED**

We have examined the information on pages 16 and 20 to 22, being –

- (a) the derivation table in requirement 15;
- (b) the annual ODV reconciliation report in requirement 16;
- (c) the financial performance measures in clause 1 of Part 3 of Schedule 1; and
- (d) the financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1, –

that were prepared by Centralines Limited and dated 21 December 2004 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

In our opinion, having made all reasonable enquiry, and to the best of our knowledge, that information has been prepared in accordance with those Electricity Information Disclosure Requirements 2004.

Chris Fabling
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

21 December 2004