



# New Zealand Gazette

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## CENTRALINES LIMITED

INFORMATION FOR DISCLOSURE

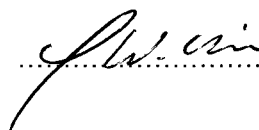
PURSUANT TO  
SECTION 57T OF THE COMMERCE ACT 1986

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

We, J Willis and S Robinson, directors of Centralines Limited certify that, having made all reasonable enquiry, to the best of our knowledge: -

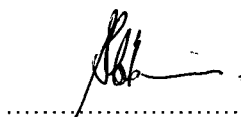
- (a) The attached audited financial statements of Centralines Limited prepared for the purposes of requirement 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; and
- (b) The attached information, being the derivation table, financial 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 2007.



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27.2.08  
.....  
**DATED**



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27/2/08  
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**DATED**

## **CENTRALINES LIMITED - Lines Business**

### **Statement of Significant Accounting Policies**

For the year ended 31 March 2007

#### **Basis of Preparation**

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 Business as required by the Regulations. This 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 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 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.

### 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

#### 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.

#### Land and Buildings

Land and Buildings assets 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 2006.

#### 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 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.

### 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
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.

### 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.

### 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.

### 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 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.

**CENTRALINES LIMITED - Lines Business**  
**Statement of Financial Performance**

For the year ended 31 March 2007

	Notes	2007 \$000	2006 \$000
<b>Operating Revenue</b>	2	<b>8,120</b>	<b>7,325</b>
<b>Surplus before discounts and tax</b>	2	<b>3,246</b>	<b>2,769</b>
Discount		-	-
<b>Operating Surplus before taxation</b>	2	<b>3,246</b>	<b>2,769</b>
Taxation expense	1	818	939
<b>Net Surplus after income tax</b>		<b>2,428</b>	<b>1,830</b>

**CENTRALINES LIMITED - Lines Business**  
**Statement of Movements in Equity**

For the year ended 31 March 2007

	Notes	2007 \$000	2006 \$000
Net Surplus for the year		2,428	1,830
Other recognised revenues and expenses			
Revaluation of land and buildings	11	-	(18)
Total recognised revenues and expenses for the period		2,428	1,812
Distribution to owners	12	(50)	(50)
Movements in equity for the year		2,378	1,762
Equity at start of the year		36,659	34,897
<b>Equity at end of the year</b>		<b>39,037</b>	<b>36,659</b>

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

**CENTRALINES LIMITED - Lines Business**  
**Statement of Financial Position**

As at 31 March 2007

	Notes	2007 \$000	2006 \$000
<b>EQUITY</b>			
Share capital		8,000	8,000
Asset revaluation reserve	11	23,777	23,777
Retained earnings	12	7,260	4,882
		<b>39,037</b>	<b>36,659</b>
<b>Represented by:</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	4	33,972	32,873
		<b>33,972</b>	<b>32,873</b>
<b>CURRENT ASSETS</b>			
Cash		175	1,443
Short term investments	3	4,491	2,452
Receivables	5	751	769
Inventories		193	187
Taxation refund		85	-
		<b>5,695</b>	<b>4,851</b>
<b>TOTAL ASSETS</b>		<b>39,667</b>	<b>37,724</b>
<b>NON CURRENT LIABILITIES</b>			
Employee entitlements		-	-
Finance Leases		-	-
		<b>-</b>	<b>-</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accruals	15	612	500
Taxation payable		-	544
Employee entitlements	13	18	21
		<b>630</b>	<b>1,065</b>
<b>TOTAL LIABILITIES</b>		<b>630</b>	<b>1,065</b>
<b>NET ASSETS EMPLOYED</b>		<b>39,037</b>	<b>36,659</b>

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



**CENTRALINES LIMITED - Lines Business**  
**Statement of Cash Flows**

For the year ended 31 March 2007

	Notes	2007 \$000	2006 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash was provided from:			
Receipts from customers		6,794	6,616
Contributions for capital works		1,052	460
Tax Refunds			334
Interest received		292	128
		<u>8,138</u>	<u>7,538</u>
Cash was disbursed to:			
Payments to suppliers and employees		3,178	3,462
Income taxes paid		1,447	-
		<u>4,625</u>	<u>3,462</u>
Net cash flows from operating activities	8	<u>3,513</u>	<u>4,076</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was provided from:			
Proceeds from disposal of investments		550	215
Proceeds from disposal of property, plant and equipment		-	-
		<u>550</u>	<u>215</u>
Cash was applied to:			
Purchase of investments		2,590	1,368
Purchase and construction of property, plant and equipment		2,691	2,122
		<u>5,281</u>	<u>3,490</u>
Net cash flows from investing activities		<u>(4,731)</u>	<u>(3,275)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash was applied to:			
Payment of dividends		50	50
		<u>(50)</u>	<u>(50)</u>
Net cash flow from financing activities		<u>(50)</u>	<u>(50)</u>
Net (decrease) increase in cash held		(1,268)	751
Cash balances at beginning of year		1,443	692
<b>Cash balances at end of year</b>		<u><u>175</u></u>	<u><u>1,443</u></u>

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

**CENTRALINES LIMITED - Lines Business**  
**Notes to the Financial Statements**

For the year ended 31 March 2007

Note 1: Income Tax	2007	2006
	\$000	\$000
<u>Taxation</u>		
Operating surplus before taxation	3,246	2,769
Prima facie tax @ 33%	1,071	914
Permanent differences	158	343
Timing differences not recognised	(376)	(309)
Prior period adjustments	(35)	(9)
<b>Taxation expense/(benefit)</b>	<b>818</b>	<b>939</b>
<u>Taxation expense/(benefit) is represented by:</u>		
Current tax	818	939
	<b>818</b>	<b>939</b>

The Company has not recognised a deferred tax liability of \$4.2 million (2006 \$3.8 million)

<u>Imputation credit account</u>		
Opening balance	1,849	2,208
Taxation paid	1,447	397
Taxation refund received	(2)	(731)
Imputation credits attached to dividends paid	(25)	(25)
Closing balance	<b>3,269</b>	<b>1,849</b>

**CENTRALINES LIMITED - Lines Business****Notes to the Financial Statements**

For the year ended 31 March 2007

Note 2: Surplus before Taxation	2007	2006
	\$000	\$000
<u>Operating Revenue</u>		
Network	6,716	6,623
AC Loss Rebate	46	109
Customer contributions	1,052	460
Interest revenue	292	128
Other Income	14	5
	<u>8,120</u>	<u>7,325</u>
<u>Depreciation</u>		
Electrical distribution system	1,532	1,501
Motor vehicles	6	6
GIS	55	55
	<u>1,593</u>	<u>1,562</u>
<u>Operating Expenses</u>		
Audit New Zealand - audit services	46	45
Audit New Zealand - disclosure accounts	7	7
Fees paid to other auditors	14	8
Remuneration paid to directors	106	85
All other operating expenses	3,108	2,849
	<u>3,281</u>	<u>2,994</u>
<b>Surplus before discounts and tax</b>	<u><b>3,246</b></u>	<u><b>2,769</b></u>
Discount	-	-
<b>Surplus before taxation</b>	<u><b>3,246</b></u>	<u><b>2,769</b></u>

Note 3: Investments	2007	2006
	\$000	\$000
<u>Current</u>		
Short term deposits held with registered banks	3,488	1,900
Current Investments of other listed securities	1,003	552
	<u>4,491</u>	<u>2,452</u>

*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*

Fair and market value information

Listed securities	<u>1,001</u>	<u>549</u>
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*The market value is based on prices quoted on the stock exchanges at balance date*

Fixed interest securities - interest rates

*The range of interest rates on investments were:*

Short term bank investments	7.50% - 7.87%	7.15% - 7.42%
Listed securities:	6.50% - 7.70%	7.17% - 7.40%

**CENTRALINES LIMITED - Lines Business**  
**Notes to the Financial Statements**

For the year ended 31 March 2007

Note 4: Property, Plant and Equipment	2007 \$000	2006 \$000
<u>Electrical distribution network</u>		
at valuation	31,588	31,588
additions at cost	5,392	2,787
Work in progress	1,038	951
accumulated depreciation	(4,505)	(2,974)
	<u>33,513</u>	<u>32,352</u>
<u>Freehold Land</u>		
at valuation	<u>92</u>	<u>92</u>
<u>Motor vehicles</u>		
at cost	31	31
accumulated depreciation	(25)	(18)
	<u>6</u>	<u>13</u>
<u>GIS</u>		
at cost	551	551
accumulated depreciation	(190)	(135)
	<u>361</u>	<u>416</u>
<b>Total net carrying value</b>	<b><u>33,972</u></b>	<b><u>32,873</u></b>

This is represented by:

Property, plant and equipment at valuation	31,680	31,680
Property, plant and equipment at cost	5,974	3,369
Work in progress	1,038	951
Accumulated depreciation	(4,720)	(3,127)
	<u>33,972</u>	<u>32,873</u>

Note 5: Receivables and prepayments	2007 \$000	2006 \$000
Trade debtors	718	718
Sundry Receivables and Accruals	27	46
Prepayments	6	5
	<u>751</u>	<u>769</u>

**CENTRALINES LIMITED - Lines Business****Notes to the Financial Statements**

For the year ended 31 March 2007

## Note 6: 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 were given during the year.

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 18.12b below. Unit price and quantities have not been determined.

Sub transmission assets	2	-
Zone substations	-	-
Distribution lines and cables	792	469
Medium voltage switchgear	213	77
Distribution substations	73	51
Distribution transformers	259	180
Low voltage lines and cables	504	316
Other system fixed assets	-	-
Asset Maintenance	684	679
Consumer Connections and Disconnections	-	-

## Note 7: Capital Commitments

As at 31 March 2007 Centralines had capital commitments of \$1,189,933 (2006 \$355,360)

Note 8: Reconciliation of Cashflow with Operating Surplus	2007 \$000	2006 \$000
<b>Reported surplus after taxation</b>	2,428	1,830
<u>Add Non Cash Items</u>		
Depreciation	1,593	1,562
	<hr/> 1,593	<hr/> 1,562
<u>Changes in Working Capital</u>		
(Increase) decrease in receivables and prepayments	18	(127)
Decrease (increase) in inventories	(6)	196
Increase (decrease) in accounts payable, accruals	113	(550)
(Decrease) increase in employee entitlements	(4)	8
(Decrease) Increase provision for taxation	(629)	1,157
	<hr/> (508)	<hr/> 684
<b>Net cash flow from operating activities</b>	<hr/> <b>3,513</b>	<hr/> <b>4,076</b>

## Note 9: Contingent Liabilities

As at 31 March 2007 the company had no contingent liabilities (2006 nil).

**CENTRALINES LIMITED - Lines Business**  
**Notes to the Financial Statements**

For the year ended 31 March 2007

Note 10: 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 14%.

The interest rates on the company's deposits are presented in note 3.

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 50% 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.

Note 11: Reserves

	2007 \$000	2006 \$000
<u>Asset revaluation reserve</u>		
Balance at beginning of year	23,777	23,795
Revaluation of electrical distribution network	-	-
Revaluation of Land/Buildings	-	(18)
Balance at end of year	<u>23,777</u>	<u>23,777</u>
<u>Detailed as:</u>		
Land/Buildings	44	44
General	420	420
Revaluation of electrical distribution network	23,313	23,313
	<u>23,777</u>	<u>23,777</u>

Note 12: Retained Earnings

	2007 \$000	2006 \$000
Balance at beginning of year	4,882	3,102
Net surplus	2,428	1,830
Dividends paid	(50)	(50)
Balance at end of year	<u>7,260</u>	<u>4,882</u>

**CENTRALINES LIMITED - Lines Business****Notes to the Financial Statements**

For the year ended 31 March 2007

## Note 13: 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

## Note 14: Events Subsequent to Balance Date

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

## Note 15: Accounts payable and accruals

	2007 \$000	2006 \$000
Trade creditors	411	379
Sundry creditors and accruals	201	121
	<b>612</b>	<b>500</b>

## Note 16: Electricity Information Disclosure Requirements 2004 - Requirement 6 Information to be disclosed in Financial Statements:

	2007 \$000	2006 \$000
<b>1 Current Assets</b>		
(a) Cash and bank balances	175	1,443
(b) Short-term investments	4,491	2,452
(c) Inventories	193	187
(d) Accounts receivable	751	769
(e) Other current assets not listed in (a) to (d)	85	-
(f) Total current assets	5,695	4,851
<b>2 Fixed Assets</b>		
(a) System fixed assets	32,475	31,401
(b) Consumer billing and information system assets	361	416
(c) Motor vehicles	6	13
(d) Office equipment	-	-
(e) Land and buildings	92	92
(f) Capital works under construction	1,038	951
(g) Other fixed assets not listed in (a) to (f)	-	-
(h) Total fixed assets	33,972	32,873
<b>3 Other tangible assets not listed above</b>	-	-
<b>4 Total tangible assets</b>	39,667	37,723
<b>5 Intangibles</b>		
(a) Goodwill	-	-
(b) Other intangibles not listed in (a) above	-	-
(c) Total Intangibles	-	-
<b>6 Total assets</b>	39,667	37,723

**CENTRALINES LIMITED - Lines Business****Notes to the Financial Statements**

For the year ended 31 March 2007

Note 16: Electricity Information Disclosure Requirements 2004 - Requirement 6 Information to be disclosed in Financial Statements: (cont)

	2007 \$000	2006 \$000
<b>7 Current liabilities</b>		
(a) Bank overdraft	-	-
(b) Short-term borrowings	-	-
(c) Payables and Accruals	612	500
(d) Provision for dividends payable	-	-
(e) Provision for income tax	-	544
(f) Other current liabilities not listed in (a) to (e) above	18	21
(g) Total current liabilities	630	1,065
<b>8 Non-current liabilities</b>		
(a) Payables and accruals	-	-
(b) Borrowings	-	-
(c) Deferred tax	-	-
(d) Other non-current liabilities not listed in (a) to (c) above	-	-
(e) Total non-current liabilities	-	-
<b>9 Equity</b>		
(a) Shareholders' equity		
(i) Share capital	8,000	8,000
(ii) Retained earnings	7,260	4,882
(iii) Reserves	23,777	23,777
(iv) Total shareholders' equity	39,037	36,659
(b) Minority interests in subsidiaries	-	-
(c) Total equity	39,037	36,659
(d) Capital notes	-	-
(e) Total capital funds	39,037	36,659
<b>10 Total equity and liabilities</b>	39,667	37,724
<b>11 Operating revenue</b>		
(a) Revenue from line/access charges	6,716	6,623
(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:	292	128
(d) AC loss-rental rebates	46	109
(e) Other revenue not listed in (a) to (d)	1,066	465
(f) Total operating revenue	8,120	7,325



**CENTRALINES LIMITED - Lines Business****Notes to the Financial Statements**

For the year ended 31 March 2007

Note 16: Electricity Information Disclosure Requirements 2004 - Requirement 6 Information to be disclosed in Financial Statements: (cont)

	2007	2006
12 <u>Operating expenditure</u>	\$000	\$000
(a) Payment for transmission charges	1,454	1,448
(b) Transfer payments to the "Other" business for:		
(i) Asset maintenance	684	678
(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	63	69
(viii) Total transfer payment to the "Other" business	747	747
(c) Expense to entities that are not related parties for		
(i) Asset maintenance		
(ii) Consumer disconnection/reconnection services		
(iii) Meter data		
(iv) Consumer-based load control services		
(v) Royalty and patent expenses		
(vi) Total of specified expenses to non-related parties (sum of (i) to (v))	-	-
(d) Employee salaries, wages and redundancies	167	156
(e) Consumer billing and information system expense		
(f) Depreciation on:		
(i) System fixed assets	1,532	1,501
(ii) Other assets not listed in (i)	61	61
(iii) Total depreciation	1,593	1,562
(g) Amortisation of:		
(i) Goodwill		
(ii) Other intangibles		
(iii) Total amortisation of intangibles	-	-
(h) Corporate and administration	261	268
(i) Human resource expenses	-	1
(j) Marketing/advertising	35	34
(k) Merger and acquisition expenses		
(l) Takeover defense expenses		
(m) Research and development expenses		
(n) Consultancy and legal expenses	40	15
(o) Donations		
(p) Directors' fees	106	85
(q) Auditors' fees		
(i) Audit fees paid to principal auditors	46	45
(ii) Audit fees paid to other auditors	14	8
(iii) Fees paid for other services provided by principal and other auditors	7	7
(iv) Total auditors' fees	67	60
(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	-	-
(v) Subvention payments		
(w) Unusual expenses		
(x) Other expenditure not listed in (a) to (w)	404	180
13 <u>Total operating expenditure</u>	4,874	4,556

**CENTRALINES LIMITED - Lines Business****Notes to the Financial Statements**

For the year ended 31 March 2007

Note 16: Electricity Information Disclosure Requirements 2004 - Requirement 6 Information to be disclosed in Financial Statements: (cont)

	2007 \$000	2006 \$000
14 <u>Operating surplus before interest and income tax</u>	3,246	2,769
15 <u>Interest expense</u>		
(a) Interest expense on borrowings		
(b) Financing charges related to finance leases		
(c) Other interest expense not listed in (a) or (b)		
(d) Total interest expense	-	-
16 <u>Operating surplus before income tax</u>	3,246	2,769
17 <u>Income tax</u>	818	939
18 <u>Net surplus after tax</u>	2,428	1,830

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

Financial Measures	2007	2006	2005	2004	2003	2002
Return On Funds	9.16%	8.18%	3.99%	5.47%	7.09%	-1.40%
Return On Equity	6.51%	5.12%	2.59%	5.76%	4.80%	-0.66%
Return on Investment *	6.92%	5.40%	2.57%	28.52%	4.55%	-2.34%
Efficiency Measures	2007	2006	2005	2004	2003	2002
Direct Line Cost Per Kilometre	\$ 564	\$ 568	\$ 559	\$ 517	\$ 530	\$ 574
Indirect Line Cost Per Customer	\$ 111	\$ 78	\$ 85	\$ 114	\$ 103	\$ 97

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

Energy delivery efficiency performance measures	2007	2006	2005	2004	2003
Load factor	68.34%	65.00%	68.00%	67.00%	72.00%
Loss ratio	8.91%	7.35%	7.33%	7.30%	7.35%
Capacity utilisation	22.90%	24.80%	24.30%	26.40%	26.00%
Energy delivery efficiency performance statistics	2007	2006	2005	2004	2003
<b>System Length</b>					
33kV	93.50	93.10	93.10	92.00	93.00
11kV	1,410.20	1,389.00	1,381.30	1,381.00	1,410.00
400V	203.30	187.00	175.50	165.00	46.00
	<u>1,707.00</u>	<u>1,669.10</u>	<u>1,649.90</u>	<u>1,638.00</u>	<u>1,549.00</u>
<b>Circuit Length - Overhead</b>					
33kV	92.80	92.40	92.40	91.50	92.40
11kV	1,386.50	1,369.00	1,366.30	1,370.00	1,407.00
400V	157.30	155.00	156.50	156.00	33.00
	<u>1,636.60</u>	<u>1,616.40</u>	<u>1,615.20</u>	<u>1,617.50</u>	<u>1,532.40</u>
<b>Circuit Length - Underground</b>					
33kV	0.70	0.70	0.70	0.50	0.50
11kV	23.69	20.00	15.00	11.00	3.30
400V	45.95	32.00	19.00	9.00	12.50
	<u>70.34</u>	<u>52.70</u>	<u>34.70</u>	<u>20.50</u>	<u>16.30</u>
Transformer capacity	83,175	80,100	78,427	72,117	71,077
Maximum demand	19,006	19,836	19,024	19,016	18,716
Total Electricity entering the system (before losses)	113,783,097	113,491,636	113,792,436	111,970,890	117,713,011
<b>Total Electricity supplied (after losses)</b>					
Retailer 1	62,279,380	55,957,838	65,305,197	69,543,110	75,525,743
Retailer 2	14,216,844	12,912,203	8,279,653	13,155,263	24,617,535
Retailer 3	692,629	620,333	513,664	553,330	592,803
Retailer 4	25,875,887	35,680,861	30,891,960	21,083,280	8,224,200
Retailer 5	579,868	1,296,313	1,028,221	-	96,155
Retailer 6	-	-	-	-	-
	<u>103,644,608</u>	<u>106,467,548</u>	<u>106,018,695</u>	<u>104,334,983</u>	<u>109,056,436</u>
Total consumers	7,775	7,692	7,532	7,457	7,442

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

Interruptions (#)	2007	2006	2005	2004	2003
Planned	53	62	28	36	100
Unplanned	136	126	168	230	230
	<u>189</u>	<u>188</u>	<u>196</u>	<u>266</u>	<u>330</u>
Interruptions Targets (#)	2008				
Planned	50				
Unplanned	135				
	<u>185</u>				
Average Interruptions Targets (#)	2008-2011				
Planned	50				
Unplanned	120				
	<u>170</u>				
Proportion of the total number of Unplanned interruptions not restored within:	2007	2006	2005	2004	2003
3 hours	8.10%	5.60%	11.90%	21.70%	10.60%
24 hours	0.00%	0.00%	0.00%	0.00%	0.00%
Faults per 100 Km's	2007	2006	2005	2004	2003
33kV	3.26	8.66	3.23	6.56	7.53
11kV	9.05	9.05	12.30	16.35	15.80
	<u>12.31</u>	<u>17.71</u>	<u>15.53</u>	<u>22.91</u>	<u>23.33</u>
Faults Targets (#)	2008				
33kV	2				
11kV	183				
	<u>185</u>				
Average Total Faults Targets (#)	2008-2011				
33kV	2				
11kV	168				
	<u>170</u>				
Faults per 100 Km's - Underground	2007	2006	2005	2004	2003
33kV	-	-	-	-	-
11kV	-	-	1	-	-
	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>
Faults per 100 Km's - Overhead	2007	2006	2005	2004	2003
33kV	4.40	8.66	3.23	6.56	7.58
11kV	9.64	9.05	12.30	16.35	15.85
	<u>14.04</u>	<u>17.71</u>	<u>15.53</u>	<u>22.91</u>	<u>23.43</u>
SAIDI	2007	2006	2005	2004	2003
Planned	38.97	41.20	15.60	7.00	67.00
Unplanned	148.08	99.50	155.79	375.00	187.00
Class A	-	-	-	-	-
Class D	59.55	12.50	-	6.00	6.00
	<u>246.60</u>	<u>153.20</u>	<u>171.39</u>	<u>388.00</u>	<u>260.00</u>
SAIDI Targets	2008				

Planned	50
Unplanned	115
	<u>165</u>

Average SAIDI	2008-2011
Planned	50
Unplanned	110
	<u>160</u>

SAIFI	2007	2006	2005	2004	2003
Planned	0.12	0.14	0.07	0.03	0.49
Unplanned	3.04	4.75	4.37	7.13	6.42
Class A	-	-	-	-	-
Class D	1.03	0.69	-	0.28	0.31
	<u>4.19</u>	<u>5.58</u>	<u>4.44</u>	<u>7.44</u>	<u>7.22</u>

SAIFI Targets	2008
Planned	0.17
Unplanned	3.43

Average SAIFI	2008-2011
Planned	0.17
Unplanned	3.33

CAIDI	2007	2006	2005	2004	2003
Planned	329.13	291.00	232.22	214.00	137.00
Unplanned	48.78	21.00	35.72	53.00	29.00
Class A	-	-	-	-	-
Class D	-	18.10	-	21.00	19.40
	<u>59.30</u>	<u>29.00</u>	<u>38.70</u>	<u>36.00</u>	<u>36.00</u>

CAIDI Targets	2008
Planned	294
Unplanned	33

Average CAIDI	2008-2011
Planned	294
Unplanned	33

**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	3,246				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	3,246				
Interest on cash, bank balances, and short-term investments (ISTI)	292				
OSBIT minus ISTI	2,953	a	2,953		2,953
Net surplus after tax from financial statements	2,428				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	2,428	n		2,428	
Amortisation of goodwill and amortisation of other intangibles	-	g	add	add	add
Subvention payment	-	s	add	add	add
Depreciation of SFA at BV (x)	1,532				
Depreciation of SFA at ODV (y)	1,460				
ODV depreciation adjustment		d	add	add	add
Subvention payment tax adjustment		s <sup>t</sup>	deduct	deduct	deduct
Interest tax shield	(96)	q			(96)
Revaluations	-	r			-
Income tax	818	p			818
<b>Numerator</b>			OSBITADJ = a + g + s + d	ATADJ = n + g + s - s <sup>t</sup> + d	DJ = a + g - q + r + s + d - p - s <sup>t</sup>
			2,954	2,428	2,232
Fixed assets at end of previous financial year (FA <sub>0</sub> )	31,922				
Fixed assets at end of current financial year (FA <sub>1</sub> )	32,934				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	435				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	314				
Average total funds employed (ATFE)	32,802	c	32,802		32,802
Total equity at end of previous financial year (TE <sub>0</sub> )	36,659				
Total equity at end of current financial year (TE <sub>1</sub> )	39,037				
Average total equity	37,848	k		37,848	

= maximum statutory income tax rate applying to corporate entities  
subscript '1' = end of the current financial year  
subscript '0' = end of the previous financial year  
bv = book value  
ave = average  
cdv = optimised deprival valuation  
ROI = return on investment  
ROF = return on funds  
ROE = return on equity



**CENTRALINES LIMITED - Lines Business****Electricity Information Disclosure Requirements 2004 - Requirement 16  
Annual Valuation Reconciliation Report**

	2007 \$000	2006 \$000
System fixed assets at ODV at end of previous financial year	31,888	32,283
<b>ADD</b> system fixed assets acquired during the year at ODV	2,482	1,122
<b>LESS</b> system fixed assets disposed of during the year at ODV	34	16
<b>LESS</b> depreciation on system fixed assets at ODV	1,460	1,501
<b>ADD</b> revaluation of system fixed assets	-	-
<b>System fixed assets at ODV at end of the financial year</b>	<u><u>32,876</u></u>	<u><u>31,888</u></u>

**REPORT OF THE AUDITOR-GENERAL  
TO THE READERS OF THE FINANCIAL STATEMENTS OF  
CENTRALINES LIMITED  
FOR THE YEAR ENDED 31 MARCH 2007**

We have audited the financial statements of Centralines Limited on pages 1 to 16. The financial statements provide information about the past financial performance of Centralines Limited and its financial position as at 31 March 2007. This information is stated in accordance with the accounting policies set out on pages 1 to 4.

**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 2007, 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 Mark Maloney 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 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.

In addition to the audit, we have carried out an audit assignment for the company. This involved issuing an audit opinion on the statutory financial statements for the year ended 31 March 2007. Other than this assignment we have no relationship with or interests in Centralines Limited.

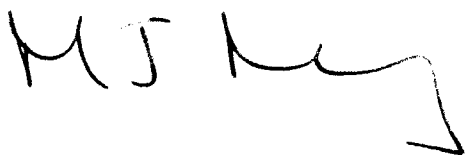
## Unqualified Opinion

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 1 to 16:
  - (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 2007 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 27 February 2008 and our unqualified opinion is expressed as at that date.



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

### MATTERS RELATING TO THE PUBLICATION OF THE AUDITED FINANCIAL STATEMENTS IN THE NEW ZEALAND GAZETTE

This audit report relates to the financial statements of Centralines Limited for the year ended 31 March 2007 that have been published in the *New Zealand Gazette*. The *New Zealand Gazette* is required to publish hard copies of audited financial statements and the related audit report of Centralines Limited for the year ended 31 March 2007, and to include an electronic version of the published *New Zealand Gazette* on the *New Zealand Gazette's* website.

We have not been engaged to report on the integrity of the financial statements of Centralines Limited that have been published on the *New Zealand Gazette's* website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially signed and published.

This audit report refers only to the financial statements named above. If readers of this audit report are concerned with the inherent risks arising from electronic data communication, they should refer to the original signed and published hard copy of the audited financial statements and related audit report dated 27 February 2008 to confirm the information included in the audited financial statements published in the *New Zealand Gazette* or on the *New Zealand Gazette's* website.

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

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

We have examined the information on pages 17 to 23, 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 27 February 2008 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.



Mark Maloney  
Audit New Zealand  
On behalf of the Auditor-General  
Palmerston North, New Zealand  
27 February 2008

**MATTERS RELATING TO THE PUBLICATION OF THE AUDITED PERFORMANCE MEASURES  
IN THE NEW ZEALAND GAZETTE**

This audit report relates to the performance measures of Centralines Limited for the year ended 31 March 2007 that have been published in the *New Zealand Gazette*. The *New Zealand Gazette* is required to publish hard copies of audited performance measures and the related audit report of Centralines Limited for the year ended 31 March 2007, and to include an electronic version of the published *New Zealand Gazette* on the *New Zealand Gazette's* website.

We have not been engaged to report on the integrity of the performance information of Centralines Limited that have been published on the *New Zealand Gazette's* website. We accept no responsibility for any changes that may have occurred to the performance information since they were initially signed and published.

This audit report refers only to the performance information named above. If readers of this audit report are concerned with the inherent risks arising from electronic data communication, they should refer to the original signed and published hard copy of the audited performance information and related audit report dated 27 February 2008 to confirm the information included in the audited performance information published in the *New Zealand Gazette* or on the *New Zealand Gazette's* website.

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