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HOROWHENUA ENERGY LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999

Index

All values in this report are in thousands (000's) of New Zealand dollars (rounded) and are for years ended 31 March unless otherwise stated.

"This year" means the year ended 31 March 1999
"Last year" means the year ended 31 March 1998
"Next year" means the year ending 31 March 2000

Statement of financial performance

for the year ended 31 March 1999

	Note	1999 $000	1998 $000
Operating revenue	2	20,949	21,108
Operating expense	2	(17,841)	(20,242)
Earnings Before Interest and Tax		3,108	866
Interest Expense		(562)	-
Net profit before taxation		2,546	866
Taxation	3	-	-
Net profit after taxation		$2,546	$866

Statement of movements in equity

for the year ended 31 March 1999

	Note	1999 $000	1998 $000
Equity at beginning of the year		61,415	60,453
Net profit for the year		2,546	866
Revaluation of assets		5,575	96
Total recognised revenues and expenses		8,121	962
Other movements			
Total Dividend	4	(161)	-
Net assets transferred on the discontinuance of the energy business		4,158	
Reallocation of funding and other current liabilities		(10,117)	-
Total other movements		(6,120)	-
Equity at end of the year		$63,416	$61,415

Statement of financial position

as at 31 March 1999

		1999 $000	1998 $000
Equity			
Share capital	5	**30,000**	30,000
Reserves	6	**29,076**	23,501
Retained earnings		**4,340**	7,914
Total equity		**63,416**	61,415
Non-current liabilities			
Borrowings	7	**3,250**	-
Current liabilities			
Other provisions		**50**	200
Accounts payable and accruals	8	**5,588**	5,826
Provision for dividend	4	**9**	-
Total current liabilities		**5,647**	6,026
Total equity and liabilities		**$72,313**	$67,441
Non-current assets			
Property, plant and equipment	9	63,773	62,477
Current assets			
Cash		**5,728**	2,934
Receivables and prepayments	10	**2,812**	2,030
Total current assets		**8,540**	4,964
Total assets		**$72,313**	$67,441

For and on behalf of the Board

W R Thessman
Director

P A T Hamid
Director

28 May 1999

Statement of cash flows

for the year ended 31 March 1999

	Note	1999 $000	1998 $000
Cash flows from operating activities			
Cash was received from:			
Receipts from customers		**13,457**	13,479
Interest received		**114**	-
		13,571	13,479
Cash was disbursed to:			
Payments to suppliers and employees		**(10,720)**	(12,065)
Interest paid		**(562)**	-
		(11,282)	(12,065)
Net cash flows from operating activities	12	**2,289**	1,414
Cash flows to investing activities			
Cash was provided from:			
Proceeds from sale of energy business		**4,041**	-
Proceeds from sale of property, plant and equipment		**4,893**	71
		8,934	71
Cash was applied to:			
Purchase of property, plant and equipment		**(1,527)**	(3,254)
		(1,527)	(3,254)
Net cash from investing activities		**7,407**	(3,183)
Cash flows from financing activities			
Cash was provided from:			
Loans raised		**3,250**	-
		3,250	-
Cash was applied to:			
Repayment of loans		**(10,000)**	-
Payment of dividends		**(152)**	-
		(10,152)	-
Net cash flows used in financing activities		**(6,902)**	-
Net increase in cash held		**2,794**	(1,769)
Add opening cash brought forward		**2.934**	4,703
Ending cash carried forward		**$5,728**	$2,934

Notes to the financial statements

1. Statement *of accounting policies*

Reporting entity

Horowhenua Energy Limited is registered under the Companies Act 1993.

The financial statements are those of the Line Business Activities only of Horowhenua Energy Limited and have been prepared in accordance the Electricity (Information Disclosure) Regulations 1999 and only for that purpose.

Measurement base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed, with the exception that certain fixed assets have been revalued.

Specific accounting policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

a) Property, plant and equipment

The Group has five classes of property, plant and equipment:

1. Land and buildings
2. Distribution Assets
3. Plant and Equipment
4. Vehicles
5. Capital work in progress

The Company uses Optimised Deprival Value ("ODV") methodology in valuing distribution assets. This methodology recognises the economic value of distribution assets based on the earnings of segments of the network to the Company. The ODV of distribution assets is updated every two years to reflect network extensions and the earnings derived.

Land and buildings, other than those included as part of the distribution assets, are stated at market valuation (refer note 9).

Property, plant and equipment, excluding land and buildings and distribution assets, are recorded at cost less accumulated depreciation.

b) Infrastructure assets

Distribution assets consist of the individual asset components which form the Company's electricity network.

The Company uses infrastructure accounting methods for its distribution assets other than zone substations. This method of accounting recognises that well planned maintenance of the network assets preserves the service potential of the infrastructure asset for the foreseeable future. Accordingly no depreciation is charged in respect of the infrastructure assets.

The level of maintenance required to preserve the service potential of the infrastructure asset is determined by a detailed asset management plan.

c) *Depreciation*

Depreciation is provided on either a diminishing value (DV), or straight line (SL) basis on all property, plant and equipment other than those accounted for in the infrastructure accounting method above, at rates calculated to allocate the assets' cost or valuation less estimated residual value, over their estimated useful lives.

Main depreciation rates are:

Substation assets	4% straight line
Buildings	1% - 2.5% straight line
Plant and equipment	10% - 25% diminishing value
Computer equipment	25% straight line
Motor vehicles	20% - 25% diminishing value

d) *Receivables*

Receivables are stated at their estimated realisable value.

e) *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.

Income tax expense is calculated using the liability method. Deferred tax is accounted for on the partial basis. A debit balance in the deferred tax account is only carried forward to the extent that there is virtual certainty of its recovery.

f) *Leases*

Operating lease payments, where the lessors retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating profit in equal instalments over the lease term.

g) *Statement of cash flows*

The following are the definitions of the terms used in the Statement of Cash Flows:

1) Cash is considered to be cash on hand, short term deposits and current accounts in the bank, net of bank overdrafts.

2) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash.

3) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

4) Operating activities include all transactions and other events that are not investing or financing activities.

h) *Changes in accounting policies*

The method used this year to determine the allocation of revenue, costs, assets and liabilities to the Lines Business is prescribed under the Electricity (Information Disclosure) Regulations 1999.

The method so prescribed differs in some respects from the method previously used in accordance with the Electricity Disclosure Guidelines issued by the Ministry of Commerce dated 23 June 1994. The 1998 comparative amounts have not been restated to comply with the methods set out in the Electricity (Information Disclosure) Regulations 1999.

2. Earnings *before interest and taxation*

Revenue

	1999 $000	1998 $000
Invoiced to consumers by electricity retailers	4,043	-
Invoiced to consumers direct	16,067	20,363
Line/access charges	20,110	20,363
AC loss-rental	301	-
Interest	114	-
Other	424	745
	$20,949	$21,108

	1999 $000	1998 $000
Expenditure		
Transmission charges	4,779	4,525
Asset maintenance	2,881	2,559
Salaries and redundancies	1,209	1,649
Other human resource	182	281
Consumer billing	114	599
Depreciation	917	1,345
Corporate & administration	455	577
Directors fees	102	102
Marketing	109	176
Consultancy and legal	218	177
Discount	6,761	7,163
Audit fees	39	26
Bad debts	91	109
Change in provision for doubtful debts	(70)	(30)
Rental and lease costs	36	147
Other expense	18	837
	$17,841	$20,242

3. Taxation

	1999 $000	1998 $000
Profit before taxation	**2,546**	866
Prime facie taxation at 33%	**840**	286
Plus/(less)		
Timing differences not recognised	**(619)**	(286)
Benefit of tax losses	**(221)**	-
Taxation expense (benefit)	**$-**	$-

The company has a potential deferred tax liability net of future tax benefits of $4,084,139 (1998 - $5,451,610) which is not recognised in the financial statements. This balance is made up of a deferred tax liability of $7,107,979 (1998 - $7,511,191) which arises mainly from the revaluation of assets for accounting purposes, and a future tax benefit of$3,023,840 (1998 - $2,059,581). These balances are not expected to crystallise and therefore have not been recorded in the financial statements.

The future tax benefit above comprises the benefit of tax losses available to carry forward of $2,937,990 (1998 – 1,903,879) and the benefit of other timing differences of $85,850 (1998 - $155,702).

The carrying forward of tax losses is subject to continuing to meet shareholder continuity requirements under the Income Tax Act 1994.

The company has no imputation credits to carry forward as at 31 March 1999.

4. Dividend

	1999 $000	1998 $000
Proposed dividend on ordinary shares	**9**	-
Interim Dividend Paid	**152**	-
	$161	$-

An interim dividend of $151,864 was paid in January (1998 - Nil) and there is a proposed final dividend of $8,764 (1998, - Nil).

5. Share capital

	1999 $000	1998 $000
30,000,000 fully paid ordinary shares	**$30,000**	$30,000

6. Reserves

	1999 $000	1998 $000
Asset revaluation reserve	**25,772**	20,197
General reserves	**3,304**	3,304
	$29,076	$23,501

The Asset Revaluation Reserve increased as a result of a revaluation, dated 1 April 1998, of network assets using the ODV methodology.

7. Non-current liabilities

	1999 $000	1998 $000
Borrowings		
Bank facilities	**3,250**	-
Non current liabilities	**$3,250**	$-

Repayable as follows:

Loans		
Beyond two years	**3,250**	-
	$3,250	$-

All borrowings are unsecured. Interest rates payable on bank facilities are based on the 90 day bank bill rate plus 0.5%.

8. Accounts payable and accruals

	1999 $000	1998 $000
Creditors		
Trade	**960**	2,126
Other	**4,396**	3,269
Accruals and provisions	**115**	155
Accrued employee entitlements	**117**	276
	$5,588	$5,826

9. Property Plant and Equipment

	1999 $000	1998 $000
Land	395	395
Buildings	775	775
Substations	9,515	8,155
Lines	32,632	28,807
Switchgear	5,065	2,597
Transformers	11,745	10,295
Centralised load control equipment	602	630
Work in progress	240	1,495
Other	-	5,303
Total distribution assets	60,969	58,452
Other land	78	96
Other buildings	446	333
Accumulated depreciation	(38)	-
	408	333
Plant and equipment	4,593	6,233
Accumulated depreciation	(2,411)	(3,501)
	2,182	2,732
Vehicles	204	367
Accumulated deprecation	(95)	(138)
	109	229
Other work in progress	27	635
Total property plant and equipment	$63,773	$62,477

Valuation

Land and Buildings, other than those referred to above as being part of distribution assets, are stated at market valuation of $429,000 as at 31 March 1998 by Darroch and Co (Registered Valuers). The valuations are carried out on a 3 yearly basis.

The Optimised Deprival Value (ODV) of Distribution assets is independently assessed by KPMG Peat Marwick. As at 1 April 1998, their report placed an ODV on Distribution assets of $60,444,000. This value is reflected in Distribution Assets which also includes additions since, at cost of $525,000.

10. Receivables and prepayments

	1999 $000	1998 $000
Trade debtors	**2,410**	2,020
GST refund due	**426**	-
Amount due from Horowhenua Energy Trust	-	110
Prepayments	**6**	-
	2,842	2,130
Less provision for doubtful debts	**30**	100
	$2,812	$2,030

11. Financial instruments

Credit risk

Financial assets which potentially subject the Company to credit risk principally consist of bank balances, accounts receivable.

The Company manages it's principle credit risk by having Use of System Agreements with its major customers to maintain a minimum credit rating of BBB or better.
Bank balances and investments in short term deposits are made with registered banks with satisfactory credit ratings. Exposure with any one financial institution is restricted in accordance with company policy.
No collateral is held on the above amounts.

Maximum exposures to credit risk as at balance date are:

	1999 $000	1998 $000
Bank balances	**5,728**	2,934
Receivables	**2,812**	2,030

The above maximum exposures are net of any recognised provision for losses on these financial assets.

Concentrations of credit risk

The Company has exposures to concentrations of credit risk by having only five line customers. This is managed as mentioned above through the Use of System Agreements.

Currency risk

The Company has no material exposure to foreign exchange risk.

Interest rate risk

Interest rate risk exposure is limited to bank borrowings. The interest rates on these borrowings are adjusted every 90 days. The company has no interest risk hedge contracts.

Fair values

There were no differences between the fair value and carrying amounts of financial instruments as at 31 March 1999 (1998 - no difference).

12. Reconciliation

of net profit after tax with cash inflow from operating activities

	1999 $000	1998 $000
Reported profit (loss) after taxation	2,546	866
Add (less) non-cash items		
Loss of sale of investments	-	-
Depreciation	917	1,345
Add item classified as investing activity		
Capital Loss (gain) on sale of fixed assets	(2)	-
Movements in working capital		
Increase (decrease) in accounts payable	(388)	102
(Increase) decrease in receivables	(784)	(899)
Income Tax Payable	-	-
Net cash inflow from operating activities	$2,289	$1,414

13. Contingent liabilities

At any point in time the Company will be investigating complaints or queries about various aspects of the service it provides to customers, or end-customers. In a number of these, action may be taken against the Company. At 31 March 1999 and 1998 there was legal action being taken against the Company that remains unresolved. The directors have been advised that the Company has good defence against the action being taken against it. No provision for any loss is made in the financial statements, in respect of this action.

14. Commitments

Capital commitments

At balance date, there was $657,175 unaccrued expenditure contracted for and approved by the Company (1998 - Nil).

Operating lease commitments

Lease commitment under non-cancellable operating leases

	1999 $000	1998 $000
Not later than one year	**161**	136
Later than one year and not later than two years	**87**	136
Later than two years and not later than five years	**-**	87
	$248	$359

15. Transactions with related parties

During the year the Company purchased construction and maintenance services from it's subsidiary, Linework Limited, to an amount of $3.03 million (1998 - $4.55 million).

During the year, and in the normal course of business, Horowhenua Energy Limited group engaged in services from Kerslake and Partners, a firm where director Mr W R Thessman is a partner; and goods from Pre-Cast Components Ltd, a company in which director Mr P A T Hamid is a director. These purchases account for 0.06% (1998 - 0.16%) of total group purchases. The amount outstanding at year end was $1,096 (1998 - $3,200) which is payable on normal trading terms.

No related party debts have been written off or forgiven during the year.

16. Post balance date event

Subsequent to year end Directors approved the repayment of $12 million in capital to Horowhenua Energy Trust and recommended that this should be distributed to beneficiaries of the Trust. Trustees have sought beneficiaries confirmation of the method of distribution through a postal ballot.

Financial and efficiency performance measures for the Line Business

Introduction

The Electricity (Information Disclosure) Regulations 1999 forms part of the regulatory regime introduced following deregulation of the Electricity Industry.

The Regulations require Electricity Companies that operate a Line Business to publicly disclose in the Gazette and have available on request a variety of information. Included in this disclosure are Financial, Reliability and Efficiency Performance Measures and Statistics.

In order to consistently define these measures to allow comparison between Electricity Companies, the Regulations require a number of adjustments to be made to the Financial Statements. For this reason, the Financial Statements disclosed are not necessarily the basis of information used for calculations in Performance Measures and Statistics.

This information has been prepared solely for the purpose of complying with regulations 15, 16, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999 and is not intended for any other purpose.

Financial performance measures

Rates of return for the Line Business are as follows:

	1999	1998	1997	1996
Return on funds	**4.57%**	1.35%	0.40%	0.17%
Return on equity	**4.09%**	1.35%	0.40%	0.25%
Return on investment	**2.30%**	14.08%	3.50%	0.36%

Efficiency performance measures

	1999	1998	1997	1996
Direct line costs per kilometre	**$1,367**	$1,317	$1,519	$1,331
In-direct line costs per electricity customer	**$261**	$92	$95	$99

Energy delivery performance measures

	1999	1998	1997	1996
Load factor	**55.04%**	55.61%	54.83%	53.39%
Loss ratio	**6.55%**	6.78%	6.94%	6.58%
Capacity utilisation	**27.71%**	27.80%	27.82%	28.21%

Statistics

	1999	1998	1997	1996
System Lengths (km's) (overhead)				
33kV	**156**	156	156	156
11kV	**814**	811	808	806
400v	**505**	504	503	503
Total	**1,475**	1,471	1,467	1,465
System Lengths (km's) (underground)				
33kV	**14**	14	10	1
11kV	**149**	147	145	141
400v	**321**	311	302	296
Total	**484**	472	457	438
Total Overhead and Underground	**1,959**	1,943	1,924	1,903

	1999	1998	1997	1996
Transformer capacity kVA	**266,158**	262,352	261,478	260,178
Maximum demand kW	**73,760**	72,944	72,750	73,400
Total electricity supplied from system kWh	**332,329,690**	331,261,170	325,191,360	320,697,000
Electricity on behalf of other entities	**111,884,294**	4,513,864	5,931,780	-
Total Customers	**36,338**	35,713	35,288	34,827

Total interruptions

	1999	1998	1997	1996
Class A	-	-	-	-
Class B	**111**	141	147	176
Class C	**120**	82	165	185
Class D	**2**	2	-	7
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Total	**233**	225	312	368

SAIDI

	1999	1998	1997	1996
Class A	-	-	-	-
Class B	**19.4**	34.2	39.0	60.7
Class C	**46.9**	59.6	76.5	109.0
Class D	**14.1**	4.4	-	13.3
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Total	**80.5**	98.2	115.5	**183.0**

SAIFI

	1999	1998	1997	1996
Class A	-	-	-	-
Class B	**0.15**	0.33	0.3	0.5
Class C	**1.37**	1.97	3.17	3.6
Class D	**0.81**	0.40	-	1.0
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Total	**2.33**	2.70	3.47	5.1

CAIDI

	1999	1998	1997	1996
Class A	-	-	-	-
Class B	**133.0**	103.6	130.0	122.1
Class C	**34.3**	0.2	24.11	61.3
Class D	**17.3**	11	-	40.0
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Total	**34.6**	36.4	33.3	**35.9**

Number of Faults per 100 Circuit Kilometre

	1999	1998	1997	1996
Overhead				
33kV	**3.2**	3.2	7.0	11.5
11kV	**12.8**	9.0	17.7	19.9
Total Overhead	**11.2**	12.2	24.8	31.4
Underground				
33kV	-	-	-	-
11kV	**10.7**	4.1	13.5	99
Total Underground	**9.8**	4.1	14.5	9.9
Total	**11.1**	7.4	17.2	41.3

Reliability Performance Measure Targets

Total number of interruptions in class

Class	1999/00	2000/01	2001/02	2002/03	2003/04
A	109	107	105	103	100
B	117	113	110	105	100
C	-	-	-	-	-
D	-	-	-	-	-
E	-	-	-	-	-
F	-	-	-	-	-
G	-	-	-	-	-
H	-	-	-	-	-
Total	**226**	**220**	**215**	**208**	**200**

***Proportion of the total Class C interruptions not restored within*:**

a) 3 hours - 2%
b) 24 hours - 0%

Number of Faults

	1999/00	2000/01	2001/02	2002/03	2003/04
Overhead					
33kV	5	5	5	5	5
11kV	91	86	82	78	75
Total Overhead	96	91	87	83	80
Underground					
33kV	-	-	-	-	-
11kV	14	14	13	12	10
Total Underground	14	14	13	12	10
Total	**110**	**105**	**100**	**95**	**90**

Number of Faults per 100 Circuit Kilometres

	1999/00	2000/01	2001/02	2002/03	2003/04
Overhead					
33kV	3.2	3.2	3.2	3.2	3.2
11kV	12.8	12.4	12.0	11.5	11.0
Total Overhead	11.2	11.0	10.9	10.8	10.7
Underground					
33kV	-	-	-	-	-
11kV	10.5	10.4	10.3	10.2	10.0
Total Underground	9.7	9.6	9.5	9.4	9.3
Total	**11.0**	**11.7**	**11.5**	**11.0**	**10.5**

SAIDI

	1999/00	2000/01	2001/02	2002/03	2003/04
B	18	18	18	18	18
C	50	45	45	45	45
Total SAIDI	**68**	**63**	**63**	**63**	**63**

SAIFI

	1999/00	2000/01	2001/02	2002/03	2003/04
B	0.15	0.15	0.15	0.15	0.15
C	1.30	1.20	1.10	1.00	1.00
Total SAIFI	**1.45**	**1.35**	**1.25**	**1.15**	**1.15**

	1999/00	2000/01	2001/02	2002/03	2003/04
B	120	120	120	120	120
C	38	38	41	45	45
Total SAIDI	**47**	**47**	**50**	**55**	**55**

Derivation of financial and efficiency measures from financial statements

	Symbol in formula	Calculations	ROF		ROE		ROI	
Earnings before interest and tax (EBIT)	a			3,108,000		N/A		3,108,000
Net profit after tax (NPAT)	n			N/A		2,545,597		N/A
Amortised Goodwill	g		Add	0	Add	0	Add	0
Subvention Payment	s		Add	0	Add	0	Add	0
Depreciation of SFA at BV	d		Add	368,541	Add	368,541	Add	368,541
Depreciation of SFA at ODV			Deduct	413,941	Deduct	413,941	Deduct	413,941
ODV depreciation tax adjustment	b			N/A	Deduct	(14,982)	Deduct	(14,982)
Subvention Payment tax adjustment				N/A	Deduct	0	Deduct	0
Interest tax shield	q			N/A		N/A	Deduct	185,593
Revaluations	r			N/A		N/A	Add	(1,335,037)
Income tax	p			N/A		N/A	Deduct	0
Numerator (as adjusted)			EBIT ADJ	3,062,600		2,515,179		1,556,952
Fixed Assets at year beginning (FA_0)				70,125,000		N/A		70,125,000
Fixed Assets at year end (FA_1)			Add	63,773,000		N/A	Add	63,773,000
Net working capital at year beginning (NWC_0)			Add	(1,062,000)		N/A	Add	(1,062,000)
Net working capital at year end (NWC_1)			Add	2,893,000		N/A	Add	2,893,000
Average total funds employed (ATFE)		$=(FA_0.+FA_1+NWC_0+NWC_1)/2$	Divide by2	67,864,500		N/A	Divide by2	67,864,500
Total equity at year beginning (TE_0)				N/A		61,415,000		N/A
Total equity at year end (TE_1)				N/A	Add	63,415,597		N/A
Average total equity	k	$=(TE_0+TE_1)/2$		N/A	Divide by 2	62,415,298		N/A
Works under construction at year beginning (WUC_0)				1,494,569		1,494,569	Add	1,494,569
Works under construction at year end (WUC_1)			Add	239,809	Add	239,809	Add	239,809
verage total works under Construction	e	$=(WUC_0+WUC_1)/2$	Divide by2	867,819	Divide by 2	867,189	Divide by 2	867,189
Revaluations	r			N/A		N/A		(1,335,037)
Goodwill asset at year beginning (GW_0)				N/A		0		N/A
Goodwill asset at year end (GW_1)				N/A	Add	0		N/A
Average goodwill asset		$=(GW_0+GW_1)/2$		N/A	Divide by 2	0		N/A
Subvention payment for previous year (S_0)				N/A		0		N/A
Subvention payment this year (S_1)					Add	0		N/A
Subvention payment tax adjustment for previous year		$=S_0*t$		N/A	Deduct	0		N/A
Subvention payment tax adjustment this year		$=s_0*t$		N/A	Deduct	0		N/A

	Symbol in formula	Calculations	ROF		ROE		ROI	
Average subvention payment and related tax adjustment	v	$=[(s_0+s_1)(1-t)]/2$ $\Leftrightarrow (s_0+s_1-s_0*t-s_1*t)/2$		N/A	Divide by 2	0		N/A
System fixed assets at year beginning at book value (SFA_{bv0})				66,045,583		66,045,583		66,045,583
System fixed assets at year end at book value (SFA_{bv1})			Add	60,969,000	Add	60,969,000	Add	60,969,000
Average value of system fixed assets at book value	f	$=(SFA_{bv0}+SFA_{bv1})/2$	Divide by 2	63,507,292	Divide by 2	63,507,292	Divide by 2	63,507,292
System Fixed assets at year beginning at ODV value (SFA_{odv0})				66,045,583		66,045,583		66,045,583
Systems fixed assets at year end at ODV value (SFZ_{odv1})			Add	60,969,000	Add	60,969,000	Add	60,969,000
Average value of system fixed assets at ODV value	h	$=(SFZ_{odv0}+SFA_{odv1})/2$	Divide by 2	63,507,292	Divide by 2	63,507,292	Divide by 2	63,507,292
Denominator (as adjusted)			=c-e-f+h	66,997,311	=k-e-m+v-f+h	61,548,109	=c-e-½r-f+h	67,664,830
Financial Performance Measures			EBIT ^{ADJ}/ATFE ^{ADJ} x 100/1 =	$\boxed{4.57\%}$	NPAT ^{ADJ}/ATE ^{ADJ} x 100/1	$\boxed{4.09\%}$	EBIT ^{ADJ}/ATE ^{ADJ} x 100/1	$\boxed{2.30\%}$

Key
t = standard entity tax rate
Bv = book value
Ave = average
ADJ = as adjusted
Odv = optimised deprival valuation
Subscript '0' = beginning of the financial year
Subscript '1' = end of the financial year
ROF = return on funds
ROE = return on equity
ROI = return on investment

Note : The system fixed assets at year beginning take into account changes from the ODV valuation, as at 1 April 1998. These changes are not reflected in the comparative amounts in the financial statements.

AUDITORS REPORT
TO THE READERS OF THE FINANCIAL STATEMENTS OF HOROWHENUA ENERGY LIMITED LINE BUSINESS FOR THE YEAR ENDED 31 MARCH 1999

We have audited the financial statements of Horowhenua Energy Limited lines business on pages 2 to 13. The financial statements provide information about the past financial performance of Horowhenua Energy Limited lines business and its financial position as at 31 March 1999. This information is stated in accordance with the accounting policies set out on pages 5 and 6.

Directors Responsibilities
The Electricity (Information Disclosure) Regulations 1999 require the Directors to prepare financial statements which give a true and fair view of the financial position of Horowhenua Energy Limited line business as at 31 March 1999, and the results of its operations and cash flows for the year then ended

Auditors Responsibilities
It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

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 Horowhenua Energy Limited's circumstances, consistently applied and adequately disclosed

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give 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 the financial statements.

Our firm carries out other assignments on behalf of the company in the areas of taxation and consulting advice. Other than in these capacities as auditors, we have no relationship or interests in the company.

Unqualified Opinion
We have obtained all the information and explanations we have required
In our opinion:

- proper accounting records have been kept by Horowhenua Energy Limited as far as appears from our examination of those records
- the financial statements referred to above:
    - comply with generally accepted accounting practice; *and*
    - give a true and fair view of Horowhenua Energy Limited line business as at 31 March 1999 and the results of its operations and cash flows for the year ended; *and*
    - comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 29 June 1999 and our opinion is expressed as at that date.

Ivan Booth
PricewaterhouseCoopers
On behalf of the Controller and Auditor-General
Palmerston North
New Zealand

29 June 1999

CERTIFICATION OF PERFORMANCE MEASURES BY AUDITORS

We have examined the attached information on pages 14, 20 and 21 being:

(a) financial performance measures specified in clause 1 of Part 3 of Schedule 1 of the Electricity (Information Disclosure) Regulations 1999; *and*

(b) financial components of the efficiency performance measures specified in clause 2 of Part 3 of that Schedule; *and*

(c) the derivation table specified in regulation 16;

and having been prepared by Horowhenua Energy Limited and dated 28 May 1999 for the purposes of regulation 15 of those regulations

We certify that having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with the Electricity (Information Disclosure) Regulations 1999.

Ivan Booth
PricewaterhouseCoopers
On behalf of the Controller and Auditor-General
Palmerston North
New Zealand

~~28 May 1999~~
29 June 1999

ODV valuation

The Optimised Deprival Value (ODV) of the network was assessed by KPMG Peat Marwick as at 1 April 1998.

KPMG

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135 Victoria Street
Wellington
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New Zealand
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Fax: FAS (04) 802-1710

CERTIFICATION BY AUDITOR IN RELATION TO ODV VALUATION

Horowhenua Energy Limited
(trading as "Electra")

I have examined the valuation report of Horowhenua Energy Limited, initially prepared by KPMG and updated as at June 1999, which contains valuations of system fixed assets as at 31 March 1998 amounting to $65,296,332 and a subsequent disposal of customer related assets valued at $4,851,916.

I hereby certify that, having made reasonable enquiry, to the best of my knowledge, the ODV valuations contained in the report, including total valuation of system fixed assets of $60,444,416, have been made in accordance with the ODV handbook.

Ross Buckley

Ross J Buckley
Partner

2 June 1999

Director's certificates

CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES AND STATISTICS BY DISCLOSED BY LINE OWNERS OTHER THAN TRANSPOWER

We, Warren Thessman, Chairman, and Piers Hamid, Director, of Horowhenua Energy Limited certify that, having made all reasonable enquiry, to the best of our knowledge, -

a) The attached audited financial statements of Horowhenua Energy Limited, prepared for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of those regulations, *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 Horowhenua Energy Limited and having been prepared for the purposes of Regulations 15, 16, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of the those regulations.

The valuation on which those financial performance measures are based are as at 1 April 1998.

Warren Thessman
Chairman

Piers Hamid
Director

Dated this 28th day of May 1999

CERTIFICATION OF VALUATION REPORT OF LINE OWNERS

We, Warren Thessman, Chairman, and Piers Hamid, Director, of Horowhenua Energy Limited certify that, having made all reasonable enquiry, to the best of our knowledge, -

(a.) The attached valuation report of Horowhenua Energy Limited, prepared for the purposes of the Electricity (Information Disclosure) Regulation 1999, complies with the requirements of those regulations; and

(b.) The Optimised Depreciated Replacement Cost of the line business system fixed assets of Horowhenua Energy Limited is $60,444,000; and

(c.) The Optimised Deprival Valuation of the line business system fixed assets of Horowhenua Energy Limited is $60,444,000; and

(d.) The valuation of the line business assets of Horowhenua Energy Limited including system and non-system fixed assets and net working capital is $ 66,666,000; and

(e.) The values in (b) and (c) have been prepared in accordance with the ODV Handbook

These valuations are as at 1April 1998

Warren Thessman
Chairman

Piers Hamid
Director

Dated this 28th day of May 1999

Directory

Directors

W R Thessman (Chairperson)
A T Colbert
P A T Hamid
P F McKelvey
M H Devlin

Executives

R A Steele (Chief Executive)
D Fleet (Co Secretary)
R English (Network Manager)

Registered office

Horowhenua Energy Limited
Cnr Salisbury and Durham Streets
LEVIN

Postal address

P O Box 244
LEVIN

Telephone 06 367 7724
Fax 06 367 7729

Auditor

PricewaterhouseCoopers
Palmerston North
On behalf of the Controller and Auditor General

Bankers

Bank of New Zealand

Solicitors

Bell Gully Buddle Weir, Wellington

DEPARTMENT OF INTERNAL AFFAIRS
TE TARI TAIWHENUA

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