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HORIZON ENERGY DISTRIBUTION LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1999 AND THE
ELECTRICITY (INFORMATION DISCLOSURE)
AMENDMENT REGULATIONS 2000

HORIZON ENERGY DISTRIBUTION LIMITED**Financial Statements for the purposes of the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000****STATEMENT OF FINANCIAL PERFORMANCE**

For the Year Ended 31 March 2000

	NOTE	Lines Business 2000 \$000	Lines Business 1999 \$000
Total Operating Revenue	2,3,16	24,047	26,019
Total Operating Expenditure	2,16	(14,620)	(16,589)
Operating Surplus before Interest and Taxation	2,3,16	9,427	9,430
Interest Expense	3	(3,525)	(3,658)
Operating Surplus before Taxation		5,902	5,772
Income Tax Expense	4	(2,304)	(1,885)
Net Surplus After Taxation		3,598	3,887
Surplus Attributable to Shareholders of Horizon Energy Distribution Limited		3,598	3,887

HORIZON ENERGY DISTRIBUTION LIMITED**Financial Statements for the purposes of the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000****STATEMENT OF FINANCIAL POSITION**

As at 31 March 2000

	NOTE	Lines Business 2000 \$000	Lines Business 1999 \$000
Current Assets			
Short Term Deposits		300	39,396
Advance to "Other"		2,516	-
Accounts Receivable	8	2,974	2,960
Fixed Assets Sold after Balance Date		-	738
Inventory		307	440
Total Current Assets		6,097	43,534
Non Current Assets			
Fixed Assets	9	66,249	66,195
Total Non Current Assets		66,249	66,195
Total Tangible Assets / Total Assets		72,346	109,729
Current Liabilities			
Bank Overdraft		13	(1,267)
Accounts Payable and Accruals	10	2,021	1,579
Taxation Payable	4	441	(430)
Current Portion of Term Loan	11	-	11,500
Provision for Final Dividend	12	1,749	978
Total Current Liabilities		4,224	12,360
Funding			
Shareholders' Equity / Capital Funds			
Share Capital	6	7,810	12,892
Reserves	7	47,536	47,148
Retained Earnings	5	(27,937)	4,825
Total Shareholders' Equity / Total Capital Funds		27,409	64,865
Non Current Liabilities			
Term Loans	11	39,500	31,500
Deferred Taxation	4	1,213	1,004
Total Non Current Liabilities		40,713	32,504
Total Equity and Liabilities		72,346	109,729

HORIZON ENERGY DISTRIBUTION LIMITED**Financial Statements for the purposes of the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000****STATEMENT OF CASH FLOWS**

For the Year Ended 31 March 2000

	Lines Business 2000 \$000	Lines Business 1999 \$000
Cash Flow from Operating Activities		
Cash was provided from:		
Receipts from Customers	23,909	26,211
Net Goods and Services Tax Received (Paid)	81	27
Interest from Short Term Deposits	51	98
	24,041	26,336
Cash was applied to:		
Payments to Suppliers and Employees	(11,864)	(15,137)
Interest Paid to non-related parties	(2,725)	(3,697)
Interest Paid to "Other" business	(802)	-
Income Tax Paid	(1,224)	(2,000)
	(16,615)	(20,834)
Net Cash Inflow from Operating Activities	7,426	5,502
Cash Flow from Investing Activities		
Cash was provided from:		
Proceeds from the Sale of Meters and Relays	-	4,484
Proceeds from the Sale of Other Fixed Assets	369	2,743
Transfer of Fixed Assets to "Other"	1,069	-
Cash was applied to:		
Purchases and Construction of Fixed Assets	(2,554)	(2,612)
Net Cash Outflow to Investing Activities	(1,116)	4,615
Cash Flow From Financing Activities		
Cash was provided from:		
Additional Term Debt	-	32,500
Transfer of Shares from "Other"	4,588	-
Cash was applied to:		
Settlement of Term Debt	(3,500)	-
Dividends Paid	(3,376)	(2,208)
Issue/(Purchase Back) of Shares	(41,882)	-
Advances to subsidiaries	-	(8)
Net Cash Inflow from (Outflow to) Financing Activities	(44,170)	30,284
Net Movement in Cash Held	(37,860)	40,401
Add Opening Cash	40,663	262
Closing Cash Carried Forward	2,803	40,663
<i>Represented by:</i>		
Cash at Bank	(13)	1,267
Short Term Deposits	300	39,396
Advance to "Other"	2,516	-
Closing Cash Carried Forward	2,803	40,663

HORIZON ENERGY DISTRIBUTION LIMITED**Financial Statements for the purposes of the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000****STATEMENT OF CASH FLOWS**

For the Year Ended 31 March 2000

Reconciliation of Surplus Attributable to Shareholders to Cash Flow From Operating Activities

	Lines Business 2000 \$000	Lines Business 1999 \$000
Surplus Attributable to Shareholders	3,598	3,887
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Add/(Less) Items Classified as Investing and Financing Activities:		
Net Gain on Sale of Fixed Assets	(72)	(197)
Accounts Payable and Accruals that relate to the Purchase of Fixed Assets	(24)	498
Add/(Less) Non-Cash Items:		
Depreciation	2,283	1,726
Increase/(Decrease) in Deferred Taxation Liability	209	406
	<hr/> 2,396	<hr/> 2,433
Add/(Less) Movements in Working Capital Items:		
Decrease/(Increase) in Accounts Receivable	(14)	639
Increase/(Decrease) in Accounts Payable and Accruals	442	(928)
Decrease/(Increase) in Inventory	133	(8)
Increase/(Decrease) in Income Tax Receivable	871	(521)
	<hr/> 1,432	<hr/> (818)
Net Cash Flow from Operating Activities	7,426	5,502

STATEMENT OF MOVEMENTS IN EQUITY

For the Year Ended 31 March 2000

	Lines Business 2000 \$000	Lines Business 1999 \$000
Opening Equity	64,865	62,871
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Plus		
Surplus Attributable to Shareholders	3,598	3,887
Revaluation of Fixed Assets	388	-
Movement in shares held by BOPE Trustee Ltd	-	(8)
Less		
Return of capital to shareholders	(41,882)	-
Transfer of Equity from "Other"	4,587	-
Dividends Paid and Proposed	(4,147)	(1,885)
Equity as at 31 March	27,409	64,865
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HORIZON ENERGY DISTRIBUTION LIMITED

Financial Statements for the purposes of the Electricity (Information Disclosure) Regulations 1999

Notes to the Financial Statements for the year ended 31 March 2000

1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000.

A General Accounting Policies

The general accounting policies recognised as appropriate for the measurement and reporting of financial performance and financial position have been followed in the preparation of these financial statements. The historical cost method, as modified by the revaluation of certain assets, has been followed. Reliance has been placed on the fact that the lines business and undertakings of Horizon Energy Distribution Limited are a going concern.

B Particular Accounting Policies

The following particular accounting policies, which significantly affect the measurement of financial performance and/or financial position have been applied:

i) Revenue

Revenue shown in the statement of financial performance comprises amounts received and receivable for goods and services supplied to customers in the ordinary course of business. Line access revenue is based on actual and assessed readings plus an allowance for unread meters at balance date. Revenue is stated exclusive of Goods and Services Tax collected from customers.

ii) Depreciation

Depreciation is charged to write off the cost of fixed assets to their estimated residual value over their remaining useful lives.

iii) Fixed Assets

The cost of purchased fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of assets constructed by the Company includes the cost of all materials used in construction, direct labour on the project, and financing costs that are directly attributable to the project. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

Distribution System Assets are valued using modified historical cost. These assets are revalued on a cyclical basis at least every three years, by independent valuers.

iv) Inventories

Inventories are stated at the lower of average cost and net realisable value, with obsolete stock written off.

v) Accounts Receivable

Accounts receivable are stated at estimated realisable value after providing for debts where collection is considered doubtful.

vi) Taxation

The Group follows the liability method of accounting for deferred taxation.

The taxation charge against the surplus for the year is the estimated liability in respect of that surplus after allowance for all permanent differences. This is the comprehensive basis for the calculation of deferred taxation.

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 utilised by the Group.

vii) Statement of Cash Flows

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

- a) Cash is considered to be cash on hand, short term deposits and current accounts in banks, net of bank overdrafts.
- b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and investments. Investments can include securities not falling within the definition of cash.
- c) Financing activities are those activities which result in changes in the size and composition of the capital 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.
- d) Operating activities include all transactions and other events that are not investing or financing activities.

viii) Financial Instruments

Financial instruments with off-balance sheet risk, have been entered into for the primary purpose of reducing exposure to fluctuations in foreign exchange rates and interest rates. While financial instruments are subject to risk that market rates may change subsequent to acquisition, such changes would generally be offset by opposite effects on the items hedged.

HORIZON ENERGY DISTRIBUTION LIMITED
Financial Statements for the purposes of the
Electricity (Information Disclosure) Regulations 1999

Notes to the Financial Statements
for the year ended 31 March 2000

Financial instruments entered into with no underlying exposure are accounted for on a mark to market basis.

ix) Foreign Currency

Foreign currency transactions are recorded at exchange rates in effect at the date of settlement, except where forward contracts have been taken out to cover future commitments. Where forward contracts have been taken out, the transaction is translated at the rate contained in the contract.

x) Comparatives

The statements and notes do not restate comparatives or provide comparatives for new disclosure items per the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000.

C. Changes in Accounting Policies

There are no changes in accounting policies.

HORIZON ENERGY DISTRIBUTION LIMITED
Financial Statements for the purposes of the Electricity (Information Disclosure)
Regulations 1999 and the Electricity (Information Disclosure) Amendment
Regulations 2000

NOTES TO THE FINANCIAL STATEMENTS

	Lines Business 2000 \$000	Lines Business 1999 \$000
2 OPERATING SURPLUS BEFORE TAXATION ITEMS		
Operating revenue includes the following items:		
External Income		
Revenue disclosure items :		
Revenue from line / access charges	22,607	24,741
Gain on Sale of Fixed Assets	72	350
AC loss-rental rebates	281	830
Other operating revenue	1,036	-
 Operating expenditure comprises the following items:		
Payment for Transmission Charges	7,687	5,656
Avoided transmission charges on account of own generation	-	3,065
Expenses to non-related entities for asset maintenance services / Total specified expenses to non related parties	799	1,211
Employee Salaries, Wages and Redundancies	1,282	1,652
Bad Debts Written Off	-	42
Directors' Fees / Remuneration	128	139
Rental and Operating Lease Obligations (refer note 14)	150	15
Depreciation on System Fixed Assets	2,008	1,298
Depreciation on Other Fixed Assets	275	428
Total Depreciation	2,283	1,726
Local Authorities Rates Expense	14	23
Other Expenditure	933	1,387
Loss on Sale of Fixed Assets	-	153
Auditors' Fees / Remuneration (refer note 15)	41	45
Consumer Billing and Information System	107	394
Corporate and Administration Expenses	502	725
Human Resource Expenses	73	82
Marketing / Advertising	41	2
Consultancy and Legal Expenses	580	272

HORIZON ENERGY DISTRIBUTION LIMITED
Financial Statements for the purposes of the Electricity (Information Disclosure)
Regulations 1999 and the Electricity (Information Disclosure) Amendment
Regulations 2000
NOTES TO THE FINANCIAL STATEMENTS

	Lines Business 2000 \$000	Lines Business 1999 \$000
3 INTEREST		
Net Interest comprises:		
Interest Expense on Borrowings	3,525	3,658
Interest Income on Cash, Bank Balances and Short Term Investments	(51)	(98)
Net Interest	3,474	3,560
Total Interest Expense	3,525	3,658
 4 INCOME TAX		
<i>Income Tax Expense</i>		
The taxation expense has been calculated as follows:		
Operating Surplus before Taxation	5,902	5,772
Income Tax on Surplus for the year at 33%	1,948	1,905
Plus/(Less) Permanent Differences		
Non-Deductible Depreciation on revalued portion of fixed assets	462	237
Non-Deductible Expenses	30	37
Non-Taxable Income	(136)	(294)
Income Tax Expense	2,304	1,885
 Income Tax Expense comprises:		
Tax Payable in respect of current year	2,095	1,479
Deferred Taxation	209	406
Income Tax Expense	2,304	1,885
 <i>Deferred Taxation</i>		
Opening Balance	1,004	598
Deferred tax in respect of current year	209	406
Balance as at 31 March	1,213	1,004
 <i>Taxation Payable</i>		
Income Tax Payable (Prepaid) comprises:		
Opening Balance	(430)	91
Tax Payable in respect of current year	2,095	1,479
Income Tax Paid	(1,224)	(2,000)
Balance as at 31 March (Asset)	441	(430)

HORIZON ENERGY DISTRIBUTION LIMITED
Financial Statements for the purposes of the Electricity (Information Disclosure)
Regulations 1999 and the Electricity (Information Disclosure) Amendment
Regulations 2000

NOTES TO THE FINANCIAL STATEMENTS

	Lines Business 2000 \$000	Lines Business 1999 \$000
5 RETAINED EARNINGS		
Opening Retained Earnings	4,825	1,204
Surplus after Taxation	3,598	3,887
Released from Revaluation Reserve	-	1,619
Less return of capital to shareholders	(32,213)	-
Less Dividend paid and payable	(4,147)	(1,885)
Balance as at 31 March	(27,937)	4,825
6 SHARE CAPITAL		
Share Capital - Issued and paid up		
Opening Balance	12,892	12,900
Less return of capital to shareholders	(9,669)	-
Transfer from "Other"	4,587	-
Movement in shares	-	(8)
Balance as at 31 March	7,810	12,892
Shares Issued by Horizon Energy Distribution Limited	4,998,277	8,148,318
The transfer of share capital from "Other" was required to reallocate the share capital so that the share capital in the lines business is the same as that of the legal entity Horizon Energy Distribution Limited.		
7 RESERVES		
Asset Revaluation Reserve		
Opening Balance	47,148	48,767
Revaluation during the year (refer note 9)	388	-
Released to Retained Earnings on sale of assets	-	(1,619)
Balance as at 31 March	47,536	47,148
8 ACCOUNTS RECEIVABLE		
Accounts Receivable comprises:		
Trade Receivables	2,964	2,931
Other Receivables	10	22
Prepayments	-	7
Balance as at 31 March	2,974	2,960

HORIZON ENERGY DISTRIBUTION LIMITED
Financial Statements for the purposes of the Electricity (Information Disclosure)
Regulations 1999 and the Electricity (Information Disclosure) Amendment
Regulations 2000
NOTES TO THE FINANCIAL STATEMENTS

		Lines Business 2000 \$000	Lines Business 1999 \$000
9	FIXED ASSETS		
	Fixed Assets comprise:		
	Land		
	<i>Cost</i>	151	246
	<i>Accumulated Depreciation</i>	(5)	(6)
	<i>Net book value</i>	146	240
	Buildings		
	<i>Cost</i>	371	703
	<i>Accumulated Depreciation</i>	(102)	(174)
	<i>Net book value</i>	269	529
	Plant and Equipment		
	<i>Cost</i>	632	631
	<i>Accumulated Depreciation</i>	(516)	(665)
	<i>Net book value</i>	116	(34)
	Furniture and Fittings		
	<i>Cost</i>	123	193
	<i>Accumulated Depreciation</i>	(109)	(159)
	<i>Net book value</i>	14	34
	Motor Vehicles		
	<i>Cost</i>	152	199
	<i>Accumulated Depreciation</i>	(113)	(98)
	<i>Net book value</i>	39	101
	Consumer Billing and Inform- ation System Equipment		
	<i>Cost</i>	1,914	2,525
	<i>Accumulated Depreciation</i>	(1,382)	(1,935)
	<i>Net book value</i>	532	590
	Office Equipment		
	<i>Cost</i>	117	280
	<i>Accumulated Depreciation</i>	(112)	(18)
	<i>Net book value</i>	5	262
	System Fixed Assets		
	<i>Valuation</i>	65,128	66,961
	<i>Accumulated Depreciation</i>	-	(2,488)
	<i>Net book value</i>	65,128	64,473
	Totals		
	<i>Cost or Valuation</i>	68,588	71,738
	<i>Accumulated Depreciation</i>	(2,339)	(5,543)
	Total Fixed Assets	66,249	66,195

Current government valuations for land and buildings are \$561,000. The valuations are predominantly dated September 1998 with one valuation dated September 1997.

HORIZON ENERGY DISTRIBUTION LIMITED
Financial Statements for the purposes of the Electricity (Information Disclosure)
Regulations 1999 and the Electricity (Information Disclosure) Amendment
Regulations 2000
NOTES TO THE FINANCIAL STATEMENTS

9 FIXED ASSETS (Continued)

Valuation of Distribution Assets

Distribution assets are revalued on a cyclical basis with each class being revalued at least every three years.

Distribution assets were revalued at 31 March 2000. The value adopted is the Optimised Deprival Value of the distribution system as at 31 March 2000. The valuation report was prepared by Worley Consultants Limited (Registered Engineers) and independently verified by PricewaterhouseCoopers (Chartered Accountants). The valuation was performed in accordance with generally accepted valuation techniques.

The Optimised Deprival Value of the Distribution System as at 31 March 2000 was \$65,563,818. This includes Land and Buildings of \$435,502 which are separately disclosed in these accounts.

Useful lives and Depreciation Methods

	Useful Lives 2000 In Years	Useful Lives 1999 In Years
Land Improvements	3-40	3-40
Other Buildings	40-100	40-100
Distribution System	8-70	8-70
Plant and Equipment	2-10	2-10
Motor Vehicles	5-10	5-10
Furniture and Fittings	10	10

All assets are depreciated on a straight line basis.

	Lines Business 2000 \$000	Lines Business 1999 \$000
10 ACCOUNTS PAYABLE AND ACCRUALS		
Accounts Payable and Accruals comprise:		
Trade Creditors and Accruals	1,899	1,400
Employee Entitlements	122	179
Balance as at 31 March	2,021	1,579

HORIZON ENERGY DISTRIBUTION LIMITED
Financial Statements for the purposes of the Electricity (Information Disclosure)
Regulations 1999 and the Electricity (Information Disclosure) Amendment
Regulations 2000
NOTES TO THE FINANCIAL STATEMENTS

	Lines Business 2000 \$000	Lines Business 1999 \$000
11 TERM LOANS		
Term loans fall due for repayment in the following periods:		
Within One Year	-	11,500
Within One to Two Years	39,500	14,500
Within Two to Three Years	-	4,000
Within Three to Four Years	-	-
Within Four to Five Years	-	13,000
Balance as at 31 March	39,500	43,000
Disclosed in Balance Sheet as:		
Current Portion of Term Loans	-	11,500
Term Loans	39,500	31,500
Balance as at 31 March	39,500	43,000
All term loans are unsecured and are subject to negative pledge undertakings. The weighted average interest rate on term loans is 7.5% (1999 7.4%). The Company currently has \$49 million rolling loan facilities reducing to \$40 million by 21 December 2000 and confirmed at this level until 20 October 2001.		
12 DIVIDENDS		
Dividend Paid & Declared @ 83 cents (23 cents in 1999)	4,147	1,885
Less Interim Dividend Paid	(2,398)	(896)
Less Dividend on shares held by BOPE Trustee Limited	-	(11)
Balance as at 31 March	1,749	978
Dividends (Cents Per Share)	83.0	23.0
13 IMPUTATION CREDIT ACCOUNT		
	Group	Group
	2000	1999
Opening Balance	1,222	1,674
Plus: Income Tax Paid	1,224	2,000
Less: Imputation Credits attached to dividends paid	(2,404)	(2,452)
Balance as at 31 March	42	1,222

HORIZON ENERGY DISTRIBUTION LIMITED
Financial Statements for the purposes of the Electricity (Information Disclosure)
Regulations 1999 and the Electricity (Information Disclosure) Amendment
Regulations 2000

NOTES TO THE FINANCIAL STATEMENTS

	Lines Business 2000 \$000	Lines Business 1999 \$000
14 OPERATING LEASES		
Operating lease commitments fall due for repayment in the following periods:		
Within One Year	100	15
Within One to Two Years	-	-
Within Two to Five Years	-	-
	100	15
15 REMUNERATION OF AUDITORS		
Amounts received, or due and receivable, by the principal auditors for:		
Auditing the Financial Statements:		
PricewaterhouseCoopers	41	45
	41	45
Other Services:		
PricewaterhouseCoopers	278	48
	278	48
Total Payments to Auditors	319	93

16 RELATED PARTY TRANSACTIONS

The Company conducts business predominantly in the Eastern Bay of Plenty and undertakes transactions with shareholders, company officers and other related parties that reside in the region. All transactions with related parties have been carried out on a commercial and "arms length" basis.

Mercury Energy Limited held a 33% interest (until 7 October 1998) in UnitedNetworks Limited which was the parent company for Horizon Energy Distribution Limited until 21 December 1999 when UnitedNetworks Limited sold their shareholding to the BOPE Consumer Trust.

Transactions

Purchases from UnitedNetworks Limited	39	336
Sales to UnitedNetworks Limited	-	357
Purchases from Mercury Energy Limited	-	67
Sales to Mercury Energy Limited	-	15
Sales to BOPE Consumer Trust	67	-
Transfer payment to "Other" for interest	802	-
Transfer of Fixed Assets to "Other" at NBV	1,069	-

Balance

Amounts owed to UnitedNetworks Limited	-	5
Amounts owed by "Other" for re-allocations to and from "Other"	2,516	-
Amounts owed by BOPE Consumer Trust	67	-

Note : Total transfer payments to "Other" business 802 3,065
Interest has been paid to "Other" for loans provided prior to returning share capital to shareholders'.
Transfer of Fixed Assets - two buildings were deemed surplus to the requirements of the lines business and were transferred to "Other" at Book Value and subsequently disposed of.

HORIZON ENERGY DISTRIBUTION LIMITED
Financial Statements for the purposes of the Electricity (Information Disclosure)
Regulations 1999 and the Electricity (Information Disclosure) Amendment
Regulations 2000

NOTES TO THE FINANCIAL STATEMENTS

17 CAPITAL COMMITMENTS

The Group has commitments for future capital expenditure amounting to \$94,951 (\$77,472 in 1999).

18 FINANCIAL INSTRUMENTS

(a) The nature of activities and management policies with respect to financial instruments is described as follows:

(i) Interest Rates

The Group generally uses fixed rate loans or swaps to manage interest rate risk. The total level of fixed rate funding at 31 March was \$23,000,000 (1999 \$25,500,000), having a fair value of \$23,047,012 (1999 \$24,867,409). In addition, as at 31 March 2000, the face value of the instruments the Group held were as following:

Interest Rate Options:

	Rate	Term	Commencement Date	2000 \$000	1999 \$000
Swap	7.60%	Three Years	7 November, 1997	3,500	3,500
Swap	8.34%	Two Years	24 March, 1998	-	1,000
Swap	7.08%	Five Years	3 April, 1998	13,000	13,000

The mark to market value of the interest rate swap agreements as at 31 March 2000 showed a benefit of \$127,840 (1999 - loss of \$721,000).

(ii) Credit

In the normal course of its business the Company incurs credit risk from trade debtors and financial institutions. There are no significant concentrations of credit risk. The Company has a credit policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposures have been set and are monitored on a regular basis. The bank risk is reduced by spreading short term investments over high credit quality financial institutions.

(b) Fair Values

Financial instruments in the current section of the balance sheet, with the exception of the current portion of term loans, are shown at values equivalent to their fair values. The fair value of term loans is disclosed in section (a) (i) above. Investments are shown at cost which is not significantly different from their fair values.

19 SEGMENTAL

The Company operates predominantly in one industry, the distribution of electricity. Its operations are carried out solely in New Zealand and are therefore within one geographical segment for reporting purposes.

20 COMPANY NAME CHANGE

On 1 April 1999, the company changed its name from Bay of Plenty Electricity Limited to Horizon Energy Distribution Limited.

HORIZON ENERGY DISTRIBUTION LIMITED
Financial Statements for the purposes of the Electricity (Information Disclosure)
Regulations 1999 and the Electricity (Information Disclosure) Amendment
Regulations 2000
NOTES TO THE FINANCIAL STATEMENTS

21 SUBSEQUENT EVENT

The Company is in the process of negotiating a contract for the management of the Company's business. As no agreement has been entered to no financial effect has been recognised in these financial statements.

22 ITEMS WITH NIL BALANCES REQUIRING SPECIFIC DISCLOSURE UNDER THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999 AND THE ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT REGULATIONS 2000

	Lines Business 2000 \$000	Lines Business 1999 \$000
Revenue :		
Revenue from "Other" business for services carried out by the line business (transfer payment)	Nil	Nil
Expenditure :		
Asset maintenance carried out by "Other" business (transfer payment)	Nil	Nil
Consumer disconnection / reconnection services carried out by "Other" business (transfer payment)	Nil	Nil
Charges for meter data carried out by "Other" business (transfer payment)	Nil	Nil
Charges for providing consumer-based load control services carried out by "Other" business (transfer payment)	Nil	Nil
Charges for royalty and patent expenses by "Other" business (transfer payment)	Nil	Nil
Charges for other goods and services carried out by "Other" business (transfer payment)	Nil	Nil
Payment to non-related entities for providing disconnection / reconnection services	Nil	Nil
Payment to non-related entities for providing meter data	Nil	Nil
Payment to non-related entities for providing consumer-based load control services	Nil	Nil
Payment to non-related entities for royalty and patent expenses	Nil	Nil
Amortisation of goodwill	Nil	Nil
Amortisation of other intangibles	Nil	Nil
Total amortisation of intangibles	Nil	Nil
Merger and acquisition expenses	Nil	Nil
Takeover defence expenses	Nil	Nil
Research and development expenses	Nil	Nil
Donations	Nil	Nil
Audit fees paid to other auditors	Nil	Nil
Fees paid for other services to other auditors	Nil	Nil
Increase in Doubtful debts	Nil	Nil
Total cost of offering credit	Nil	Nil
AC loss-rental rebates (distribution to retailers/customers) expense	Nil	Nil
Rebates to customers due to ownership interest	Nil	Nil
Subvention payments	Nil	Nil

HORIZON ENERGY DISTRIBUTION LIMITED
Financial Statements for the purposes of the Electricity (Information Disclosure)
Regulations 1999 and the Electricity (Information Disclosure) Amendment
Regulations 2000
NOTES TO THE FINANCIAL STATEMENTS

22 ITEMS WITH NIL BALANCES REQUIRING SPECIFIC DISCLOSURE UNDER THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999 AND THE ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT REGULATIONS 2000 (Continued)

	Lines Business 2000 \$000	Lines Business 1999 \$000
Expenditure (continued) :		
Unusual expenses	Nil	Nil
Financing charges related to finance leases	Nil	Nil
Other interest expense not listed elsewhere	Nil	Nil
Current Assets :		
Short term investments	Nil	Nil
Other current assets not listed elsewhere	Nil	Nil
Fixed Assets :		
Capital works under construction	Nil	Nil
Other fixed assets not listed elsewhere	Nil	Nil
Other tangible assets not listed elsewhere	Nil	Nil
Intangible Assets :		
Goodwill	Nil	Nil
Other intangible assets not listed elsewhere	Nil	Nil
Total intangible assets	Nil	Nil
Current Liabilities :		
Short-term borrowings	Nil	Nil
Other current liabilities not listed elsewhere	Nil	Nil
Non - Current Liabilities :		
Payables and accruals	Nil	Nil
Other non-current liabilities not listed elsewhere	Nil	Nil
Equity :		
Minority interests in subsidiaries	Nil	Nil
Capital notes	Nil	Nil



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Auditors' Report

To the readers of the financial statements of Horizon Energy Distribution Limited – Lines Business

We have audited the accompanying financial statements of Horizon Energy Distribution Limited – Lines Business. The financial statements provide information about the past financial performance and cash flows of Horizon Energy Distribution Limited – Lines Business and its financial position as at 31 March 2000. This information is stated in accordance with the accounting policies set out in the Statement of Accounting Policies.

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 Horizon Energy Distribution Limited – Lines Business as at 31 March 2000, and the results of operations and cash flows for the year then ended.

Auditor's 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 Horizon Energy Distribution Limited – Lines Business' 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 to provide us with 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 information in the financial statements.

Other than in our capacities as auditors, tax advisors and consultants we have no relationship with or interests in Horizon Energy Distribution Limited.



Unqualified Opinion

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

In our opinion:

- (a) proper accounting records have been kept by Horizon Energy Distribution Limited as far as appears from our examination of those records; and
- (b) the financial statements referred to above:
 - (i) comply with generally accepted accounting practice; and
 - (ii) give a true and fair view of the financial position of Horizon Energy Distribution Limited – Lines Business as at 31 March 2000 and the results of its operations and cash flows for the year then ended; and
 - (iii) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 27 July 2000 and our unqualified opinion is expressed as at that date.

A handwritten signature in cursive script that reads "Price Waterhouse Coopers".

Chartered Accountants

Auckland

FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	9,426				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	9,426				
Interest on cash, bank balances, and short-term investments (ISTI)	51				
OSBIIT minus ISTI	9,375	a	9,375		9,375
Net surplus after tax from financial statements	3,597			3,597	
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	3,597	n			
Amortisation of goodwill and amortisation of other intangibles	0	g	add	add	add
Subvention payment	0	s	add	add	add
Depreciation of SFA at BV (x)	2,008				
Depreciation of SFA at ODV (y)	2,008				
ODV depreciation adjustment	0	d	add	add	add
Subvention payment tax adjustment	0	s*t	deduct	deduct	deduct
Interest tax shield	1,147	q			1,147
Revaluations	388	r			388
Income tax	2,303	p			2,303
Numerator			OSBIIT ^{ADJ} = a + g + s + d	NSAT ^{ADJ} = n + g + s - s*t + d	OSBIIT ^{ADJ} = a + g - q + r + s + d - p - s*t
Fixed assets at end of previous financial year (FA ₀)	66,195				
Fixed assets at end of current financial year (FA ₁)	66,249				
Adjusted net working capital at end of previous financial year (ANWC ₀)	2,559				
Adjusted net working capital at end of current financial year (ANWC ₁)	1,260				
Average total funds employed (ATFE)	68,132 (or regulation 33 time-weighted average)	c	68,132		68,132
Total equity at end of previous financial year (TE ₀)	64,865				
Total equity at end of current financial year (TE ₁)	27,409				
Average total equity	46,137 (or regulation 33 time-weighted average)	k		46,137	
WUC at end of previous financial year (WUC ₀)	0				
WUC at end of current financial year (WUC ₁)	0				
Average total works under construction	0 (or regulation 33 time-weighted average)	e	0	0	0

SCHEDULE 1 - PART 7
FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Revaluations	388	r			
Half of revaluations	194	r/2			deduct 194
Intangible assets at end of previous financial year (IA ₀)	0				
Intangible assets at end of current financial year (IA ₁)	0				
Average total intangible asset	0	m		add 0	
(or regulation 33 time-weighted average)					
Subvention payment at end of previous financial year (S ₀)	0				
Subvention payment at end of current financial year (S ₁)	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	0	v		add 0	
System fixed assets at end of previous financial year at book value (SFA _{bv0})	64,473				
System fixed assets at end of current financial year at book value (SFA _{bv1})	65,564				
Average value of system fixed assets at book value	65,018	f	deduct 65,018	deduct 65,018	deduct 65,018
(or regulation 33 time-weighted average)					
System Fixed assets at year beginning at ODV value	64,473				
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	65,564				
Average value of system fixed assets at ODV value	65,018	h	add 65,018	add 65,018	add 65,018
(or regulation 33 time-weighted average)					
Denominator					
Financial Performance Measure:			ROF = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100	ROE = NSAT ^{ADJ} /ATE ^{ADJ} x 100	ROI = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100
			68,132 ATFE ^{ADJ} = c - e - f + h	46,137 Ave TE ^{ADJ} = k - e - m + v - f + h	67,938 ATFE ^{ADJ} = c - e - 1/2r - f + h
			13.8	7.8	9.3

t = 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
 odv = optimised deprival valuation
 ROI = return on investment
 ROE = return on equity
 ROF = return on funds

HORIZON ENERGY DISTRIBUTION LIMITED
Performance Measures for the purposes of the Electricity (Information Disclosure Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000

Performance Measures
for the 12 Months ended 31 March 2000

Disclosure of Financial Performance Measures and Efficiency Performance Measures pursuant to Regulations 15, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

Regulation 15 - Financial Performance Measures and Efficiency Performance Measures :

	2000	1999	1998	1997
1) Financial Performance Measures				
(a) Return on Funds	13.76% ①	11.02% ②	7.51% ③	6.50% ③
(b) Return on Equity	7.80% ①	6.09% ②	5.21% ④	3.72% ④
(c) Return on Investment	9.29% ①	7.37% ②	5.39% ⑤⑥	4.40% ⑤⑥
<p>① The 2000 Financial Performance Measures are based on the 2000 Amendment Regulations and MOC Derivation Table included in these statements.</p> <p>② The 1999 Financial Performance Measures are based on the 1999 Regulations and 1999 MOC Derivation Table.</p> <p>③ Comparative figures for 1998 and earlier were calculated as "Accounting Return on Total Assets".</p> <p>④ Comparative figures for 1998 and earlier were calculated as "Accounting Return on Equity".</p> <p>⑤ Comparative figures for 1998 and earlier were calculated as "Accounting Rate of Profit".</p> <p>⑥ The objective of the measure "Accounting Rate of Profit" was to calculate the increase in the shareholder equity generated by the line business. The formula detailed in the first schedule of the Electricity (Information Disclosure) Regulations 1994 includes any revaluation as "profit". The increase in the reported ODV has been excluded from the calculation of the measure as there has been no increase in shareholder equity from the movement in the reported ODV. Any changes to the asset lives assumption in the ODV represent a change in the basis of the calculation rather than a change in valuation.</p>				
2) Efficiency Performance Measures				
(a) Direct line costs per kilometre	\$ 1,176	\$ 1,925	\$ 2,180	\$ 1,550
(b) Indirect Line costs per Customer as prescribed	\$ 88	\$ 88	\$ 256	\$ 267



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Auditors' Opinion of Performance Measures

Horizon Energy Distribution Limited - Lines Business

We have examined the attached information, being –

- (a) the derivation table in regulation 16; and
- (b) the annual ODV reconciliation report in regulation 16A; and
- (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 Horizon Energy Distribution Limited – Lines Business and dated 27 July 2000 for the purposes of regulation 15 of the Electricity (Information Disclosure) Regulations 1999.

In our opinion, 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.

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

Chartered Accountants

Auckland

HORIZON ENERGY DISTRIBUTION LIMITED
Performance Measures for the purposes of the Electricity (Information Disclosure Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000

Performance Measures
for the 12 Months ended 31 March 2000

Disclosure of Financial Performance Measures and Efficiency Performance Measures pursuant to Regulations 15, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

Regulation 21 - Energy Delivery Efficiency Performance Measures :

	2000		1999	1998	1997
1) Energy Delivery Efficiency Performance Measures					
(a) Load Factor	73.30%		70.60%	71.00%	68.45%
(b) Loss Ratio	4.42%		3.90%	4.50%	4.85%
(c) Capacity utilisation	48.25%		50.04%	51.00%	55.66%
2) Statistics					
(a) System length					
110kV	-	km	33.67	27.70	21.80
33kV	177.78	km	175.69	175.60	175.20
11kV	1,514.69	km	1,398.69	1,393.20	1,382.59
400Volt	541.23	km	538.38	536.80	535.88
Total	<u>2,233.71</u>	km	<u>2,146.43</u>	<u>2,133.30</u>	<u>2,115.47</u>
(b) Total Circuit Length: Overhead					
110kV	-	km	33.67	27.70	21.80
33kV	173.98	km	171.89	171.80	171.40
11kV	1,394.19	km	1,288.69	1,287.50	1,285.85
400Volt	322.18	km	348.93	348.50	348.87
Total	<u>1,890.36</u>	km	<u>1,843.18</u>	<u>1,835.50</u>	<u>1,827.92</u>
(c) Total Circuit Length: Underground					
110kV	-	km	-	-	-
33kV	3.80	km	3.80	3.80	3.80
11kV	120.50	km	110.00	105.70	96.74
400Volt	219.05	km	189.45	188.30	187.01
Total	<u>343.35</u>		<u>303.25</u>	<u>297.80</u>	<u>287.55</u>
(d) Transformer capacity	187,000	kVA	178,162	166,833	163,000
(e) Maximum demand	90,227	kW	89,151	85,820	90,720
(f) Total electricity supplied	555,278,197	kWh	529,883,592	511,624,675	517,580,862
(g) Total electricity conveyed on behalf of other persons :					
Mercury	258,742,849		240,432,893		
UnitedNetworks	433,836		409,309		
TrustPower	42,010,693		9,627,208		
TransAlta	980,574		388,566		
Bay of Plenty Electricity	252,424,779				
Genesis	35,062				
Meridan	650,402				
Total	<u>555,278,197</u>	kWh	<u>250,857,976</u>	<u>135,750,858</u>	<u>130,752,523</u>
(h) Total customers	23,061		22,931	22,636	22,201

HORIZON ENERGY DISTRIBUTION LIMITED
Performance Measures for the purposes of the Electricity (Information Disclosure
Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000

Performance Measures
for the 12 Months ended 31 March 2000

Disclosure of Financial Performance Measures and Efficiency Performance Measures pursuant to
 Regulations 15, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999 as amended
 by the Electricity (Information Disclosure) Amendment Regulations 2000.

Regulation 22 Reliability Performance Measures :

	2001	2000	1999	1998	1997
1) Interruptions					
Class A		-	1	3	-
Class B		138	164	250	195
Class C		86	130	135	158
Class D		8	5	4	5
Class E		-	-	-	-
Class F		1	-	-	-
Class G		-	-	-	-
Total number of interruptions		<u>233</u>	<u>300</u>	<u>392</u>	<u>358</u>
2) Interruption Targets					
(a) Planned interruptions (Class B)	125	150			
(b) Unplanned interruptions (Class C)	82	120			
3) Average Interruption Targets (Next 5 Years)					
(a) Planned interruptions (Class B)	120	120			
(b) Unplanned interruptions (Class C)	82	105			
4) The proportion of the total number of Class C interruptions not restored within :					
(a) 3 hours	12.79%	2.50%			
(b) 24 hours	0.00%	1.50%			
5) Faults per 100 circuit kilometres of prescribed voltage electric line :					
(a) Number of faults					
110 kV		0	-		
33 kV		3	1		
11 kV		5	10		
Total number of faults		<u>5.08</u>	<u>8.08</u>	<u>8</u>	<u>10</u>
(b) Total Number of Faults Targeted					
110 kV	-	-			
33 kV	1	1			
11 kV	5	9			
Total number of faults targeted		<u>4.84</u>	<u>7.46</u>		
(c) Average Number of Faults Targeted					
110 kV	-	-			
33 kV	1	1			
11 kV	5	7			
Total average number of faults targeted		<u>4.84</u>	<u>6.53</u>		

HORIZON ENERGY DISTRIBUTION LIMITED
Performance Measures for the purposes of the Electricity (Information Disclosure Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000

Performance Measures
for the 12 Months ended 31 March 2000

Disclosure of Financial Performance Measures and Efficiency Performance Measures pursuant to Regulations 15, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

Regulation 22 Reliability Performance Measures (Continued) :

	2001	2000	1999	1998	1997
6) The total number of faults per 100 circuit kilometres of underground prescribed voltage electric line, together with a breakdown of that total according to different nominal line voltages.					
110 kV	-	-	-	-	-
33 kV	-	-	-	-	-
11 kV	-	-	-	2	1
Total Underground faults / 100km	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>1</u>
7) The total number of faults per 100 circuit kilometres of overhead prescribed voltage electric line, together with a breakdown of that total according to different nominal line voltages.					
110kV	-	-	-	-	-
33 kV	3.4	1	-	-	1
11 kV	5.7	10	10	10	12
Total Overhead Faults / 100km	<u>5.5</u>	<u>9</u>	<u>9</u>	<u>10</u>	<u>11</u>
8) The SAIDI for the total number of Interruptions		205	691	414	390
9) SAIDI Targets :					
(a) Planned interruptions (Class B)	49	75			
(b) Unplanned interruptions (Class C)	72	165			
10) Average SAIDI Targets (Next 5 Years) :					
(a) Planned interruptions (Class B)	49	65			
(b) Unplanned interruptions (Class C)	72	150			
11) The SAIDI for the total number of interruptions within each interruption class:					
Class A	-	-	62	83	-
Class B	49	-	81	118	97
Class C	72	-	172	176	207
Class D	80	-	377	38	76
Class E	-	-	-	-	-
Class F	4	-	-	-	-
Class G	-	-	-	-	-
12) The SAIFI for the total number of interruptions.		3.86	4.79	4.80	5.15

HORIZON ENERGY DISTRIBUTION LIMITED
Performance Measures for the purposes of the Electricity (Information Disclosure Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000

Performance Measures
for the 12 Months ended 31 March 2000

Disclosure of Financial Performance Measures and Efficiency Performance Measures pursuant to Regulations 15, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

Regulation 22 Reliability Performance Measures (Continued) :

	2001	2000	1999	1998	1997
13) SAIFI Targets :					
(a) Planned interruptions (Class B)	0.35	0.47			
(b) Unplanned interruptions (Class C)	1.54	2.60			
14) Average SAIFI Targets (Next 5 Years) :					
(a) Planned interruptions (Class B)	0.35	0.46			
(b) Unplanned interruptions (Class C)	1.54	2.58			
15) The SAIFI for the total number of interruptions within each interruption class :					
Class A		0.00	0.22	0.20	0.00
Class B		0.36	0.50	0.90	0.66
Class C		1.54	2.71	3.30	3.69
Class D		1.88	1.36	0.40	0.67
Class E		0.00	0.00	0.00	0.00
Class F		0.08	0.00	0.00	0.00
Class G		0.00	0.00	0.00	0.00
16) The CAIDI for the total of all interruptions.		53	144	86	76
17) CAIDI Targets :					
(a) Planned interruptions (Class B)	140	160			
(b) Unplanned interruptions (Class C)	47	63			
18) Average CAIDI Targets :					
(a) Planned interruptions (Class B)	140	141			
(b) Unplanned interruptions (Class C)	47	58			
19) The CAIDI for the total number of interruptions within each interruption class:					
Class A		-	286	356	-
Class B		135	161	136	148
Class C		47	63	53	56
Class D		42	277	89	114
Class E		-	-	-	-
Class F		51	-	-	-
Class G		-	-	-	-

Annual Valuation Reconciliation Report

Fixed Assets (see Note 9 of the financial statements) incorporate Distribution System fixed assets valued on the basis of ODV, revalued every three years in these accounts. A reconciliation of movements in the ODV carrying value follows :

	Lines Business 2000 \$000
Year Ending 31 March 2000	
System fixed assets at ODV - end of the previous financial year	64,473
<i>Add</i> system fixed assets acquired during the year at ODV	2,275
<i>Less</i> system fixed assets disposed of during the year at ODV	-
<i>Less</i> depreciation on system fixed assets at ODV	(2,008)
<i>Add</i> revaluations of system fixed assets	388
<i>Equals</i> system fixed assets at ODV - end of the financial year	<u>65,128</u>
 <i>Note</i> : the above excludes Distribution System Land and Buildings, included under the heading Land and Buildings but not revalued in these accounts - at ODRC - depreciated value	 436
<i>Equals</i> total system fixed assets at ODV - end of the financial year	<u><u>65,564</u></u>

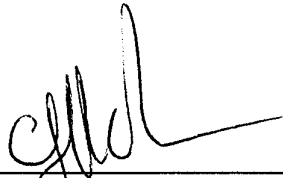
**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES,
AND STATISTICS DISCLOSED BY HORIZON ENERGY DISTRIBUTION
LIMITED (REGULATION 32)
[Form 5]**

We, Colin George Houston Holmes, and Malcolm Edward Law, directors of Horizon Energy Distribution Limited certify that, having made all reasonable inquiry, to the best of our knowledge,-

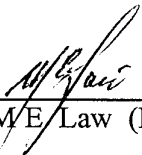
(a) The attached audited financial statements of Horizon Energy Distribution Limited prepared for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations 1999, give a true and fair view of the matters to which they relate and comply with the requirements of those regulations and the Electricity (Information Disclosure) Amendment Regulations 2000; and

(b) The attached information, being financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Horizon Energy Distribution Limited, and having been prepared for the purposes of Regulations 15, 21, and 22 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000.

The valuations on which those financial performance measures are based are as at 31 March 2000.



C G H Holmes (Director)



M/E/Law (Director)

Date : 27 July 2000



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The Directors
Horizon Energy Distribution Limited
PO Box 281
WHAKATANE

20 July 2000

Subject: Certification by Auditor in relation to Valuation

Dear Sirs

I have examined the valuation report of Horizon Energy Distribution Limited and dated 11 May 2000, which report contains valuations of system fixed assets as at 31 March 2000.

In my opinion, having made all reasonable enquiry, to the best of my knowledge, the valuations contained in the report, including the total valuation of system fixed assets of \$65,563,818 have been made in accordance with the ODV Handbook.

Yours faithfully

A handwritten signature in black ink, appearing to read 'M. M. Cook'.

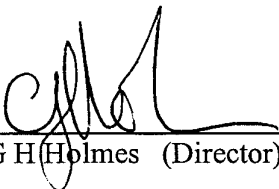
Murray Cook
Partner

**CERTIFICATION OF VALUATION REPORT OF HORIZON
ENERGY DISTRIBUTION LIMITED**
[Form 7]


We, Colin George Houston Holmes, and Malcolm Edward Law, Directors of Horizon Energy Distribution Limited certify that, having made all reasonable enquiry, to the best of our knowledge -

- (a) The attached valuation report of Horizon Energy Distribution Limited, prepared for the purposes of regulation 20 of the Electricity (Information Disclosure) Regulations 1999, complies with the requirements of that regulation; and
- (b) The Replacement Cost of the line business system fixed assets of Horizon Energy Distribution Limited is \$105,170,758; and
- (c) The Depreciated Replacement Cost of the line business system fixed assets of Horizon Energy Distribution Limited is \$65,563,818; and
- (d) The Optimised Depreciated Replacement Cost of the line business system fixed assets of Horizon Energy Distribution Limited is \$65,563,818; and
- (e) The Optimised Deprival Valuation of the line business system fixed assets of Horizon Energy Distribution Limited is \$65,563,818; and
- (f) The values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook.

These valuations are as at 31 March 2000.



C G H (Holmes) (Director)



M E Law (Director)

Date: 27 July 2000