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HORIZON ENERGY DISTRIBUTION LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business**STATEMENT OF FINANCIAL PERFORMANCE**

For the Year Ended 31 March 2004

	NOTE	Lines Business 2004 \$000	Lines Business 2003 \$000
Total Operating Revenue	2,16	23,833	22,759
Total Operating Expenditure	2,16	(13,108)	(12,409)
Operating Surplus before Interest and Taxation	2,16	10,725	10,350
Interest Expense	3	(2,141)	(2,264)
Operating Surplus before Taxation		8,584	8,086
Income Tax Expense	4	(3,018)	(3,116)
Net Surplus After Taxation		5,566	4,969
Surplus Attributable to Shareholders of Horizon Energy Distribution Limited		5,566	4,969

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business**STATEMENT OF FINANCIAL POSITION**

As at 31 March 2004

	NOTE	Lines Business 2004 \$000	Lines Business 2003 \$000
Current Assets			
Advance to "Other" business		1,622	2,184
Cash and Bank Balances		34	(283)
Accounts Receivable	8	2,583	2,793
Inventory		-	-
Total Current Assets		4,239	4,694
Non Current Assets			
Fixed Assets	9	73,591	62,724
Total Non Current Assets		73,591	62,724
Total Tangible Assets / Total Assets		77,830	67,418
Current Liabilities			
Accounts Payable and Accruals	10	2,160	1,952
Taxation Payable	4	1,532	2,629
Total Current Liabilities		3,692	4,581
Funding			
Shareholders' Equity / Capital Funds			
Share Capital	5	8,432	8,432
Reserves	6	58,067	47,441
Retained Earnings	7	(22,983)	(23,722)
Total Shareholders' Equity / Total Capital Funds		43,516	32,151
Non Current Liabilities			
Term Loans	11	28,285	29,780
Deferred Taxation	4	2,337	906
Total Non Current Liabilities		30,622	30,686
Total Equity and Liabilities		77,830	67,418

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business**STATEMENT OF CASH FLOWS**

For the Year Ended 31 March 2004

	Lines Business 2004 \$000	Lines Business 2003 \$000
Cash Flow from Operating Activities		
Cash was provided from:		
Receipts from Customers	23,900	24,014
Net Goods and Services Tax Received (Paid)	(29)	(18)
Interest from Short Term Deposits	8	181
	23,879	24,177
Cash was applied to:		
Payments to Suppliers and Employees	(10,505)	(10,698)
Interest Paid to non-related parties	(2,165)	(2,273)
Interest Paid to "Other" business	-	-
Income Tax Paid	(2,684)	(2,530)
	(15,354)	(15,501)
Net Cash Inflow from Operating Activities	8,525	8,676
Cash Flow from Investing Activities		
Cash was provided from:		
Proceeds from the Sale of Other Fixed Assets	133	10
Transfer of Fixed Assets to "Other" business (note 16)	(40)	1,774
Cash was applied to:		
Purchases and Construction of Fixed Assets	(2,541)	(1,839)
Net Cash Outflow to Investing Activities	(2,448)	(55)
Cash Flow From Financing Activities		
Cash was provided from:		
Transfer of Shares from "Other" business	-	-
Cash was applied to:		
Settlement of Term Debt	(1,495)	(1,320)
Dividends Paid	(4,827)	(5,557)
Issue/(Purchase Back) of Shares	-	-
Net Cash Inflow from (Outflow to) Financing Activities	(6,322)	(6,877)
Net Movement in Cash Held	(245)	1,744
Add Opening Cash	1,901	157
Closing Cash Carried Forward	1,656	1,901
<i>Represented by:</i>		
Cash at Bank	34	(283)
Short Term Deposits	-	-
Advance to "Other" business	1,622	2,184
Closing Cash Carried Forward	1,656	1,901

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business**STATEMENT OF CASH FLOWS**

For the Year Ended 31 March 2004

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

	Lines Business 2004 \$000	Lines Business 2003 \$000
Surplus Attributable to Shareholders	5,566	4,969
<hr/>		
Add/(Less) Items Classified as Investing and Financing Activities:		
Net Gain on Sale of Fixed Assets	(133)	(10)
Accounts Payable and Accruals that relate to the Purchase of Fixed Assets	23	(98)
Add/(Less) Non-Cash Items:		
Depreciation	2,317	2,329
Increase/(Decrease) in Deferred Taxation Liability	1,431	147
	3,638	2,368
Add/(Less) Movements in Working Capital Items:		
Decrease/(Increase) in Accounts Receivable	210	1,527
Increase/(Decrease) in Accounts Payable and Accruals	208	(939)
Decrease/(Increase) in Inventory	-	392
Increase/(Decrease) in Income Tax Payable	(1,097)	359
	(679)	1,339
Net Cash Flow from Operating Activities	8,525	8,676

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business**STATEMENT OF MOVEMENTS IN EQUITY**

For the Year Ended 31 March 2004

	Lines Business 2004 \$000	Lines Business 2003 \$000
Opening Equity	32,151	32,739
Plus		
Surplus Attributable to Shareholders	5,566	4,969
Revaluation of Fixed Assets	10,626	-
Transfer of Equity from "Other" business	-	-
Less		
Dividends Paid	12 (4,827)	(5,557)
Equity as at 31 March	43,516	32,151

HORIZON ENERGY DISTRIBUTION LIMITED – Lines Business

Financial Statements for the purposes of the Electricity Information Disclosure Requirements 2004

Notes to the Financial Statements for the year ended 31 March 2004

1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Electricity Information Disclosure Requirements 2004.

A General Accounting Policies

The general accounting policies recognised as appropriate for the measurement and reporting of financial performance, cashflows and financial position have been followed in the preparation of these financial statements under the historical cost method, as modified by the revaluation of certain assets. 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, cashflows and 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. Assets are carried at the latest valuation prepared on a depreciated replacement cost basis (latest

valuation 31 March 2004), adjusted for subsequent additions, disposals and depreciation. Distribution assets are revalued at least every three years on the basis of depreciated replacement cost.

iv) Accounts Receivable

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

v) 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.

vi) 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.

vii) 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

HORIZON ENERGY DISTRIBUTION LIMITED – Lines Business
Financial Statements for the purposes of the
Electricity Information Disclosure Requirements 2004

Notes to the Financial Statements
for the year ended 31 March 2004

risk that market rates may change subsequent to acquisition, such changes would generally be offset by opposite effects on the items hedged.

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

viii) Research and Development

Costs incurred on all research and development projects are written off as incurred, except that development costs are capitalised to the extent that such costs are expected, beyond any reasonable doubt, to be recovered.

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. Monetary assets and liabilities arising from trading transactions are translated at closing rates. Gains or losses due to currency fluctuations on these items are included in the statement of financial performance

x) Comparatives

The statements and notes do not restate comparatives or provide comparatives for new disclosure items per the Electricity Information Disclosure Requirements 2004, or for “Other” business first separated out in 2003.

C. Changes in Accounting Policies

Valuation of Distribution System Assets

This year the Company has readopted the previous policy of revaluing distribution system assets on the basis of depreciated replacement cost every three years

This policy was changed last year to align the valuation period with the Regulatory Regime, to avoid duplicating valuation costs.

The change in accounting policy resulting in the March 2004 revaluation has increased the 31 March 2004 value of Fixed Assets and the Asset Revaluation Reserve by \$10.62 million.

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business**NOTES TO THE FINANCIAL STATEMENTS**

	NOTE	Lines Business 2004 \$000	Lines Business 2003 \$000
2 OPERATING SURPLUS BEFORE TAXATION ITEMS			
Operating revenue includes the following items:			
External Income			
Revenue disclosure items :			
Revenue from line / access charges		21,674	21,617
Gain on Sale of Fixed Assets		133	10
AC loss-rental rebates		503	301
Other operating revenue		1,523	831
		23,833	22,759
Operating expenditure comprises the following items:			
Payment for Transmission Charges		7,318	6,985
Expenses to non-related entities for asset maintenance services / Total specified expenses to non related parties		941	841
AC Loss Rental rebates expense		246	134
Employee Salaries, Wages and Redundancies		766	730
Total cost of offering Credit			
Decrease in estimated doubtful debts		-	(5)
Bad Debts Written Off		-	21
Directors' Fees / Remuneration		118	158
Rental and Operating Lease Obligations (refer note 14)		58	60
Depreciation on System Fixed Assets	2,134		2,114
Depreciation on Other Fixed Assets	183		215
Total Depreciation		2,317	2,329
Local Authorities Rates Expense		65	46
Other Expenditure		223	158
Auditors' Fees / Remuneration	15	49	42
Consumer Billing and Information System		71	41
Corporate and Administration Expenses		530	487
Human Resource Expenses		47	30
Research and Development Expenses		28	-
Consultancy and Legal Expenses		331	352
		<u>13,108</u>	<u>12,409</u>

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business

NOTES TO THE FINANCIAL STATEMENTS

	NOTE	Lines Business 2004 \$000	Lines Business 2003 \$000
3 INTEREST			
Net Interest comprises:			
Interest Expense on Borrowings		2,141	2,250
Other interest expense not listed elsewhere		-	14
Interest Income on Cash, Bank Balances and Short Term Investments		-	-
Net Interest		2,141	2,264
Total Interest Expense		2,141	2,264
4 INCOME TAX			
<i>Income Tax Expense</i>			
The taxation expense has been calculated as follows:			
Operating Surplus before Taxation		8,584	8,086
Income Tax on Surplus for the year at 33%		2,833	2,668
Plus/(Less) Permanent Differences			
Non-Deductible Depreciation on revalued portion of fixed assets		478	476
Non-Deductible Expenses		18	19
Non-Taxable Income		(311)	(47)
Income Tax Expense		3,018	3,116
Income Tax Expense comprises:			
Tax Payable in respect of current year		1,587	2,969
Deferred Taxation		1,431	147
Income Tax Expense		3,018	3,116
<i>Deferred Taxation</i>			
Opening Balance		906	759
Deferred tax in respect of current year		1,431	147
Balance as at 31 March		2,337	906
<i>Taxation Payable</i>			
Income Tax Payable (Prepaid) comprises:			
Opening Balance		2,629	2,270
Tax Payable in respect of current year		1,587	2,969
Tax payable in respect of prior years		-	-
* Income Tax Paid		(2,684)	(2,610)
Balance as at 31 March (Asset)		1,532	2,629

* The figure for Income Tax Paid includes \$80,000 in 2003 Use of Money Interest credited by the Inland Revenue Department. As this amount was not a cash item it is not included in the Income Tax Paid figure shown in the Statement of Cash Flows.

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business**NOTES TO THE FINANCIAL STATEMENTS**

	NOTE	Lines Business 2004 \$000	Lines Business 2003 \$000
5 SHARE CAPITAL			
Share Capital - Issued and paid up			
Opening Balance		8,432	8,432
Balance as at 31 March		8,432	8,432
		2004	2003
		No. of Shares	No. of Shares
Shares issued - fully paid		24,991,385	24,991,385
Shares issued		-	-
		<u>24,991,385</u>	<u>24,991,385</u>
6 RESERVES			
Asset Revaluation Reserve			
Opening Balance		47,441	47,441
Plus Revaluation of System Fixed Assets as at 31/3/04	9	10,626	-
Balance as at 31 March		58,067	47,441
7 RETAINED EARNINGS			
Opening Retained Earnings		(23,722)	(23,134)
Surplus after Taxation		5,566	4,969
Plus Retained Earnings distributed from "Other" business		-	-
Less "Other" business retained earnings arising on the allocation of parent company shares		-	-
Less Dividends paid	12	(4,827)	(5,557)
Balance as at 31 March		(22,983)	(23,722)
8 ACCOUNTS RECEIVABLE			
Accounts Receivable comprises:			
Trade Receivables		2,583	2,793
Balance as at 31 March		2,583	2,793

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business

NOTES TO THE FINANCIAL STATEMENTS

	NOTE	Lines Business 2004 \$000	Lines Business 2003 \$000
9 FIXED ASSETS			
Fixed Assets comprise:			
Land	<i>Cost</i>	12	146
Buildings	<i>Cost</i>	81	371
	<i>Accumulated Depreciation</i>	(30)	(121)
	<i>Net book value</i>	51	250
Plant and Equipment	<i>Cost</i>	300	168
	<i>Accumulated Depreciation</i>	(112)	(92)
	<i>Net book value</i>	188	76
Furniture and Fittings	<i>Cost</i>	434	375
	<i>Accumulated Depreciation</i>	(92)	(51)
	<i>Net book value</i>	342	324
Motor Vehicles	<i>Cost</i>	129	133
	<i>Accumulated Depreciation</i>	(28)	(61)
	<i>Net book value</i>	101	72
Consumer Billing and Inform- ation System Equipment	<i>Cost</i>	1,277	1,221
	<i>Accumulated Depreciation</i>	(1,003)	(913)
	<i>Net book value</i>	274	308
Office Equipment	<i>Cost</i>	75	60
	<i>Accumulated Depreciation</i>	(45)	(45)
	<i>Net book value</i>	30	15
System Fixed Assets - Work in Progress	<i>Cost</i>	75	21
System Fixed Assets	<i>Valuation</i>	72,518	67,431
	<i>Accumulated Depreciation</i>	0	(5,918)
	<i>Net book value</i>	72,518	61,513
Totals	<i>Cost or Valuation</i>	74,901	69,926
	<i>Accumulated Depreciation</i>	(1,310)	(7,201)
Total Fixed Assets	Net book value	73,591	62,724

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business**NOTES TO THE FINANCIAL STATEMENTS**

9 FIXED ASSETS (Continued)	NOTE	Lines Business 2004 \$000	Lines Business 2003 \$000
Depreciation Expense			
Buildings		6	7
Plant and Equipment		111	184
Furniture and Fittings		44	11
Motor Vehicles		22	13
Distribution System		2,134	2,114
Total		2,317	2,329

Valuation of Distribution System Assets

Distribution System Assets were revalued on 31 March 2004 by Maunsell Limited (Qualified Consulting Architects, Engineers and Planners) on the basis of optimised depreciated replacement cost in accordance with generally accepted valuation techniques. The Board of Directors does not believe there is any material impairment to the current carrying value of the distribution system assets.

The Book Value of Land, Buildings and Accumulated Depreciation has decreased this year due to Distribution System Land and Buildings being reclassified to Distribution System Assets.

Useful lives and Depreciation Methods

	Useful Lives 2004 In Years	Useful Lives 2003 In Years
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.

10 ACCOUNTS PAYABLE AND ACCRUALS	NOTE	Lines Business 2004 \$000	Lines Business 2003 \$000
Accounts Payable and Accruals comprise:			
Trade Creditors and Accruals		2,030	1,832
Employee Entitlements		130	120
Balance as at 31 March		2,160	1,952

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business

NOTES TO THE FINANCIAL STATEMENTS

	NOTE	Lines Business 2004 \$000	Lines Business 2003 \$000
11 TERM LOANS			
Term loans fall due for repayment in the following periods:			
Within One Year		-	-
Within One to Two Years		28,285	29,780
Within Two to Three Years		-	-
Within Three to Four Years		-	-
Within Four to Five Years		-	-
Balance as at 31 March		28,285	29,780
Disclosed in Balance Sheet as:			
Current Portion of Term Loans		-	-
Term Loans		28,285	29,780
Balance as at 31 March		28,285	29,780
<p>All term loans are unsecured and are subject to negative pledge undertakings. The weighted average interest rate, inclusive of margins on term loans is 6.85% (2003 6.96%), taking into account the hedging undertaken by the Company as disclosed in Note 19. For that portion of term loans not hedged the loan is at the floating 90 day bank bill rate plus margin. The Company currently has \$40 million rolling loan facilities, confirmed at this level until 31 October 2005.</p>			
12 DISTRIBUTION TO OWNERS			
Dividends paid attributed to Lines Business		4,827	5,557
Dividends Paid attributable to "Other" business		671	691
Total Dividends Paid by Horizon Energy Distribution Limited		5,498	6,248
13 IMPUTATION CREDIT ACCOUNT			
		Group 2004	Group 2003
Opening Balance		4	471
Plus: Income Tax Paid		2,704	2,610
Less: Imputation Credits attached to dividends paid for "Other" business		(2,377)	(2,737)
Imputation Credits attached to dividends paid for Line Business		(330)	(340)
Balance as at 31 March		1	4

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business**NOTES TO THE FINANCIAL STATEMENTS**

	NOTE	Lines Business 2004 \$000	Lines Business 2003 \$000
14 OPERATING LEASES			
Operating lease commitments fall due for repayment in the following periods:			
Within One Year		45	47
Within One to Two Years		45	45
Within Two to Five Years		135	135
Within Five to Eight Years		75	120
		300	347
15 REMUNERATION OF AUDITORS			
Amounts received, or due and receivable, by the principal auditors for:			
Auditing the Financial Statements:		49	42
		49	42
Other Services:			
Assurance related		118	48
		118	48
Total Payments to Auditors		167	90

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.

Transactions

Sales to Eastern Bay Energy Trust	240	59
Dividend paid to Eastern Bay Energy Trust	4,250	4,829
Transfers to and from "Other" business.	(562)	1,894

Balance

Amounts owed by "Other" business for re-allocations to and from "Other" business	1,622	2,184
Amounts owed by Eastern Bay Energy Trust	186	59

Eastern Bay Energy Trust owns 77.29% of the ordinary shares of Horizon Energy Distribution Limited.

During 2004, certain activities and assets identified as relating to non-lines business have been transferred to "Other" business at book values.

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business**NOTES TO THE FINANCIAL STATEMENTS****17 CAPITAL COMMITMENTS**

The Group has commitments for future capital expenditure amounting to \$201,000 (\$nil in 2003).

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 swaps to manage interest rate risk.

As at 31 March 2004, the face value of the swaps the Group held were as follows:

Interest Rate Options:

Rate	Term	Commencement Date	2004 \$000	2003 \$000
7.07%	Nine Years	3 April, 1998	6,900	6,900
6.76%	45 Months	20 March, 2003	4,000	4,000
7.27%	66 Months	20 December, 2000	4,000	4,000
7.16%	Six Years	29 June, 2001	4,000	4,000
6.68%	Seven Years	16 August, 2002	3,000	3,000
5.64%	One Year	11 February, 2003	-	3,000
			21,900	24,900

The mark to market value of the interest rate swap agreements as at 31 March 2004 showed a loss of \$759,309 (2003 - loss of \$902,286). No provision is made for any potential loss.

(ii) Credit

In the normal course of its business the Company incurs credit risk from trade debtors and financial institutions. 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.

(b) Fair Values

The fair value of Term Loans is \$28.285 million which is the same as the carrying value disclosed in Note 11.

19 PROVISIONS

Balance at beginning of year	-	304
Current year provision	90	-
Provision released	-	(304)
Balance at 31 March	90	-

The provision includes allowances for costs associated with disputes.

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business**NOTES TO THE FINANCIAL STATEMENTS****20 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.

21 CONTINGENT LIABILITIES

In March 1999, as part of the sale of the Kapuni Generation assets, the Company assigned its rights under a long term contract for the purchase of electricity and remains contingently liable to purchase this electricity until the end of the contract (2008 - plus option to renew for a further 9 years) should the purchasers fail to perform their obligations under the contract.

22 EVENTS OCCURRING AFTER BALANCE DATE

On 14 May 2004 the Directors declared a final dividend of 11 cents (2003: 11 cents) per ordinary share. As this event occurred after balance date the financial effect has not been recognised in the financial statements.

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business**NOTES TO THE FINANCIAL STATEMENTS****23 ITEMS WITH NIL BALANCES REQUIRING SPECIFIC DISCLOSURE UNDER THE ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004.**

	NOTE	Lines Business 2004 \$000	Lines Business 2003 \$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
Avoided transmission charges on account of own generation		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
Marketing / Advertising		Nil	Nil
Merger and acquisition expenses		Nil	Nil
Takeover defence expenses		Nil	Nil
Donations		Nil	Nil
Audit fees paid to other auditors		Nil	Nil
Fees paid for other services to other auditors		Nil	Nil
Rebates to customers due to ownership interest		Nil	Nil
Subvention payments		Nil	Nil

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business**NOTES TO THE FINANCIAL STATEMENTS****23 ITEMS WITH NIL BALANCES REQUIRING SPECIFIC DISCLOSURE UNDER THE ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004.****(Continued)**

	NOTE	Lines Business 2004 \$000	Lines Business 2003 \$000
Expenditure (continued) :			
Unusual expenses		Nil	Nil
Financing charges related to finance leases		Nil	Nil
Current Assets :			
Short term investments		Nil	Nil
Short term Deposits		Nil	Nil
Other current assets not listed elsewhere		Nil	Nil
Fixed Assets :			
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
Provision for Final Dividend		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
Return of capital to shareholders		Nil	Nil



PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland, New Zealand
DX CP24073
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

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 2004. This information is stated in accordance with the accounting policies set out in the Statement of Accounting Policies.

Directors' Responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 requires 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 2004, and the results of 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
- 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. 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 information in the financial statements.

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



Auditors' Report

Horizon Energy Distribution Limited - Lines Business

Unqualified Opinion

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

In our opinion:

- (a) proper accounting records have been maintained 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
 - (ii) give a true and fair view of the financial position of Horizon Energy Distribution Limited - Lines Business as at 31 March 2004 and the results of its operations and cash flows for the year then ended; and
 - (iii) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 15 December 2004 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read 'Price Waterhouse Coopers', written in a cursive style.

Chartered Accountants

Auckland

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
Operating surplus before interest and income tax from financial statements	10,725				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	10,725				
Interest on cash, bank balances, and short-term investments (ISTI)	0				
OSBIT minus ISTI	10,725	a	10,725		10,725
Net surplus after tax from financial statements	5,566				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	5,566	n		5,566	
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)	2,134				
Depreciation of SFA at ODV (y)	2,675				
ODV depreciation adjustment	-541	d	add	-541	-541
Subvention payment tax adjustment	0	s ^t	deduct	deduct	deduct
Interest tax shield	706	q			706
Revaluations	10,958	r			10,958
Income tax	3,018	p			3,018
Numerator			OSBIT ^{adj} = a + g + s + d 10,184	NSAT ^{adj} = n + g + s - s ^t + d 5,025	OSBIT ^{adj} = a + g - q + r + s + d - p - s ^t 17,418
Fixed assets at end of previous financial year (FA ₀)	62,724				
Fixed assets at end of current financial year (FA ₁)	73,581				
Adjusted net working capital at end of previous financial year (ANWC ₀)	559				
Adjusted net working capital at end of current financial year (ANWC ₁)	458				
Average total funds employed (ATFE)	68,666 (or regulation 33 time-weighted average)	c	68,666		68,666
Total equity at end of previous financial year (TE ₀)	32,151				
Total equity at end of current financial year (TE ₁)	43,517				
Average total equity	37,834 (or regulation 33 time-weighted average)	k		37,834	

WUC at end of previous financial year (WUC ₀)	21					
WUC at end of current financial year (WUC ₁)	75					
Average total works under construction (or regulation 33 time-weighted average)	48	e	deduct	48	deduct	48
Revaluations	10,958	r				
Half of revaluations	5,479	r/2				5,479
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 (or regulation 33 time-weighted average)	0	m	add	0	add	0
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	add	0
System fixed assets at end of previous financial year at book value (SFA _{book})	61,513					
System fixed assets at end of current financial year at book value (SFA _{book})	72,518					
Average value of system fixed assets at book value (or regulation 33 time-weighted average)	67,015	f	deduct	67,015	deduct	67,015
System Fixed assets at year beginning at ODV value (SFA _{odv})	61,513					
System Fixed assets at end of current financial year at ODV value (SFA _{odv})	73,151					
Average value of system fixed assets at ODV value (or regulation 33 time-weighted average)	67,332	h	add	67,332	add	67,332
Denominator						
				68,935		63,456
					Ave TE ^{odv} = c - e - m + v - f + h	ATFE ^{odv} = c - e - 1/2r - f + h
Financial Performance Measure:						
				14.77		27.45
					ROF = OSBIT ^{odv} /ATFE ^{odv} x 100	ROI = OSBIT ^{odv} /ATFE ^{odv} x 100
					ROE = NSA ^{odv} /ATE ^{odv} x 100	

HORIZON ENERGY DISTRIBUTION LIMITED**Requirement 14 - Financial and Efficiency Performance Measures**

For the year ended 31 March 2004

	2004	2003	2002	2001	2000
1) Financial Performance Measures					
(a) Return on Funds	14.77%	15.90%	19.80% ①	16.10%	13.76%
(b) Return on Equity	13.19%	15.34%	22.26%	17.65%	7.80%
(c) Return on Investment	② 27.45%	9.97%	12.68% ①	10.09%	9.29%

① For the 2002 year, this includes prior year revenue of \$816,000 not previously accrued due to outstanding litigation and prior year transmission costs reversed of \$716,000.

If the prior year revenue and adjustments were excluded, the 2002 Performance measures would read.

(a) Return on Funds	17.49% ①
(b) Return on Equity	19.21% ①
(c) Return on Investment	11.13% ①

② The higher Return on Investment for the 2004 year is due to the revaluation of Fixed Assets. If the revaluation was excluded, the Return on Investment would be 9.37%.

	2004	2003	2002	2001	2000
2) Efficiency Performance Measures					
(a) Direct Line Costs per kilometre	\$677 ①	\$608 ①	\$1,158	\$999	\$1,176
(b) Indirect Line Costs per Customer	\$69 ①	\$65 ①	\$75	\$59	\$88

① Direct Line costs and Indirect Line costs decreased significantly in the 2003 year due to the removal of costs associated with "Other" business.



PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland, New Zealand
DX CP24073
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

Auditors' Opinion of Performance Measures

Horizon Energy Distribution Limited - lines business

We have examined the attached information, being:-

- (a) a derivation table; and
- (b) an annual ODV reconciliation report; and
- (c) financial performance measures; and
- (d) financial components of the efficiency performance measures

that were prepared by Horizon Energy Distribution Limited – lines business and dated 15 December 2004 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

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

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

PricewaterhouseCoopers
15 December 2004

Auckland

HORIZON ENERGY DISTRIBUTION LIMITED

Requirement 20 - Energy Delivery Efficiency Performance Measures

For the year ended 31 March 2004

	2004	2003	2002	2001	2000
1) Energy Delivery Efficiency Performance Measures					
(a) Load Factor	76.33%	76.71%	84.71%	76.48%	73.30%
(b) Loss Ratio	3.48%	3.72%	3.79%	4.19%	4.42%
(c) Capacity Utilisation	46.16%	47.64%	43.15%	46.87%	48.25%
2) Statistics					
(a) System Length (km)					
110 kV	-	-	-	-	-
33 kV	180	180	180	180	178
11 kV	1,669	1,663	1,657	1,641	1,515
400 Volt	556	550	546	544	541
Total System Length (km)	2,404	2,393	2,383	2,365	2,234
(b) Circuit Length - Overhead (km)					
110 kV	-	-	-	-	-
33 kV	176	176	176	176	174
11 kV	1,532	1,528	1,523	1,510	1,394
400 Volt	300	298	296	295	322
Total Circuit Length - Overhead (km)	2,007	2,001	1,995	1,981	1,890
(c) Circuit Length - Underground (km)					
110 kV	-	-	-	-	-
33 kV	4	4	4	4	4
11 kV	137	136	135	132	121
400 Volt	256	252	250	249	219
Total Circuit Length - Underground (km)	397	392	388	384	343
(d) Transformer Capacity (kVA)					
	187,263	188,000	185,645	186,815	187,000
(e) Maximum Demand (kW)					
	86,444	89,567	80,115	87,563	90,227
(f) Total electricity entering system (before losses) (kWh)					
	579,559,451	601,855,016	594,501,640	586,630,993	① 580,949,667
(g) Total electricity supplied from system (after losses) on behalf of an electricity generator and/or retailer (kWh)					
Retailer A	246,530,377	250,470,780	249,031,072	248,410,057	① 252,424,779
Retailer B	1,323,049	770,147	489,484	182,057	① -
Retailer C	169,520	99,734	142,616	20,672	① -
Retailer D	2,498,521	3,163,394	1,180,663	211,200	① 35,062
Retailer E	1,455,924	4,464,636	3,224,488	1,741,622	① 650,402
Retailer F	5,152,620	1,471,434	241,942,614	260,070,783	① 258,742,849
Retailer G	-	-	130,585	433,085	① -
Retailer H	-	-	300,545	642,366	① 980,574
Retailer I	-	-	1,075,077	794,033	① 433,836
Retailer J	302,243,165	319,033,932	74,431,191	49,559,376	① 42,010,693
Total (kWh)	559,373,176	579,474,057	571,948,333	562,065,251	① 555,278,197
(h) Total consumers					
	23,458	23,304	23,092	23,046	23,061

① Adjusted to reflect current definitions

HORIZON ENERGY DISTRIBUTION LIMITED

Requirement 21 Reliability Performance Measures

For the year ended 31 March 2004

	2004	2003	2002	2001	2000
1) Interruptions					
Class A - Transpower planned interruptions	1	2	-	1	-
Class B - Horizon planned interruptions	67	57	54	103	138
Class C - Horizon unplanned interruptions	83	80	61	77	86
Class D - Transpower unplanned interruptions	4	4	6	2	8
Class E - Horizon generation unplanned interruptions	-	-	-	-	-
Class F - Other generation unplanned interruptions	-	-	1	-	1
Class G - Other line owner unplanned interruptions	-	-	-	-	-
Class H - Other line owner planned interruptions	-	-	-	-	-
Class I - Not in A to H	-	-	-	-	-
Total Number of Interruptions	155	143	122	183	233
	2005	2004	2003	2002	2001
2) Interruption Targets (Next Year)					
(a) Planned interruptions (Class B)	62	80	80	110	125
(b) Unplanned interruptions (Class C)	82	85	75	80	82
3) Average Interruption Targets (Next 5 Years)					
(a) Planned interruptions (Class B)	62	80	80	110	120
(b) Unplanned interruptions (Class C)	82	85	75	80	82
4) Proportion of Class C interruptions not restored within					
(a) 3 hours	14.46%	15.00%	19.7%	15.6%	12.8%
(b) 24 hours	0.00%	0.00%	0.00%	0.0%	0.0%
5) Faults per 100 km of prescribed voltage line					
(a) Number of faults					
110 kV	0	-	-	-	-
33 kV	0.6	0.6	1.7	1.7	3.4
11 kV	4.9	4.7	3.5	4.5	5.3
Total Number of Faults	4.6	4.3	3.3	4.2	5.1
	2005	2004	2003	2002	2001
(b) Number of Faults Targeted					
110 kV	-	-	-	-	-
33 kV	-	-	1.1	1.1	1.1
11 kV	4.9	5.1	4.4	4.8	5.3
Total Number of Faults Targeted	4.5	4.6	4.1	4.4	4.8
(c) Average Number of Faults Targeted (Next 5yrs)					
110 kV	-	-	-	-	-
33 kV	-	-	1.1	1.1	1.1
11 kV	4.9	5.1	4.4	4.8	5.3
Total Average Number of Faults Targeted	4.5	4.6	4.1	4.4	4.8

HORIZON ENERGY DISTRIBUTION LIMITED**Requirement 21 Reliability Performance Measures (Continued)**

For the year ended 31 March 2004

	2004	2003	2002	2001	2000
6) Number of Faults per 100 km of Underground Prescribed Voltage Line					
110 kV	-	-	-	-	-
33 kV	-	-	-	-	-
11 kV	4.4	1.5	4.6	0.8	-
Total Underground Faults / 100km	4.4	1.4	4.4	0.7	-
7) Number of Faults per 100 km of Overhead Prescribed Voltage Line					
110 kV	-	-	-	-	-
33 kV	0.6	0.6	1.7	1.7	3.4
11 kV	5.0	5.0	3.4	4.8	5.7
Total Overhead Faults / 100km	4.6	4.6	3.3	4.5	5.5
8) SAIDI for Total Number of Interruptions	219	192	258 [ⓐ]	129	205
[ⓐ] 100 minutes related to Tornado November 2001					
	2005	2004	2003	2002	2001
9) SAIDI Targets (Next Year)					
(a) Planned interruptions (Class B)	45	45	45	45	49
(b) Unplanned interruptions (Class C)	100	100	67	72	72
10) Average SAIDI Targets (Next 5 Years)					
(a) Planned interruptions (Class B)	45	45	45	45	49
(b) Unplanned interruptions (Class C)	100	100	67	72	72
11) SAIDI for Total Interruptions by Class					
Class A - Transpower planned interruptions	74	87	-	10	-
Class B - Horizon planned interruptions	25	20	35	41	49
Class C - Horizon unplanned interruptions	108	77	179	77	72
Class D - Transpower unplanned interruptions	12	8	44	2	80
Class E - Horizon generation unplanned interruptions	-	-	-	-	-
Class F - Other generation unplanned interruptions	-	-	-	-	4
Class G - Other line owner unplanned interruptions	-	-	-	-	-
Class H - Other line owner planned interruptions	-	-	-	-	-
Class I - Not in A to H	-	-	-	-	-

HORIZON ENERGY DISTRIBUTION LIMITED

Requirement 21 Reliability Performance Measures (Continued)

For the year ended 31 March 2004

	2004	2003	2002	2001	2000
12) SAIFI for Total Number of Interruptions	1.62	1.60	2.63	1.84	3.86
	2005	2004	2003	2002	2001
13) SAIFI Targets (Next Year)					
(a) Planned interruptions (Class B)	0.30	0.30	0.33	0.35	0.47
(b) Unplanned interruptions (Class C)	1.50	1.50	1.30	1.54	2.60
14) Average SAIFI Targets (Next 5 Years)					
(a) Planned interruptions (Class B)	0.30	0.30	0.33	0.35	0.46
(b) Unplanned interruptions (Class C)	1.50	1.50	1.30	1.54	2.58
15) SAIFI for Total Interruptions by Class					
Class A - Transpower planned interruptions	0.18	0.17	0.00	0.04	0.00
Class B - Horizon planned interruptions	0.15	0.18	0.22	0.31	0.36
Class C - Horizon unplanned interruptions	1.10	0.88	1.43	1.24	1.54
Class D - Transpower unplanned interruptions	0.19	0.36	0.90	0.26	1.88
Class E - Horizon generation unplanned interruptions	0.00	0.00	0.00	0.00	0.00
Class F - Other generation unplanned interruptions	0.00	0.00	0.00 ^②	0.00	0.08
Class G - Other line owner unplanned interruptions	0.00	0.00	0.00	0.00	0.00
Class H - Other line owner planned interruptions	0.00	0.00	0.00	0.00	0.00
Class I - Not in A to H	0.00	0.00	0.00	0.00	0.00
^② Correction of last year's data					
16) CAIDI for Total Number of Interruptions	135	120	98	70	53
	2005	2004	2003	2002	2001
17) CAIDI Targets (Next Year)					
(a) Planned interruptions (Class B)	150	150	136	140	160
(b) Unplanned interruptions (Class C)	67	67	52	47	63
18) Average CAIDI Targets (Next 5 Years)					
(a) Planned interruptions (Class B)	150	150	136	140	141
(b) Unplanned interruptions (Class C)	67	67	52	47	58
19) CAIDI for Total Interruptions by Class					
Class A - Transpower planned interruptions	411	501	-	253	-
Class B - Horizon planned interruptions	167	111	160	132	135
Class C - Horizon unplanned interruptions	98	87	125	62	47
Class D - Transpower unplanned interruptions	63	22	49	6	42
Class E - Horizon generation unplanned interruptions	-	-	-	-	-
Class F - Other generation unplanned interruptions	-	-	-	-	51
Class G - Other line owner unplanned interruptions	-	-	-	-	-
Class H - Other line owner planned interruptions	-	-	-	-	-
Class I - Not in A to H	-	-	-	-	-

ODV RECONCILIATION

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. This year distribution assets were revalued as at 31 March 2004 in accordance with the Handbook for Optimised Deprival Valuation of System Fixed Assets of Electricity Line Businesses - Commerce Commission 30 August 2004.

A reconciliation of movements in the ODV carrying value follows :

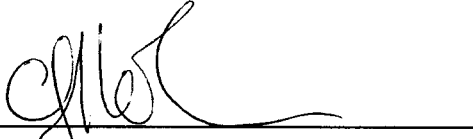
	Lines Business 2004 \$000
Total System fixed assets - end of the previous financial year	61,534
less System fixed assets work in progress	21
System fixed assets at ODRC - end of the previous financial year	<u>61,513</u>
<i>Add</i> land & buildings now included in System Fixed Assets	325
<i>Add</i> Fixed assets not classified as System Fixed Assets now part of ODRC	213
<i>Plus</i> revaluations of system fixed assets (FRS)	10,626
<i>Add</i> system fixed assets acquired during the year at ODV	2,276
<i>Plus</i> revaluation of system fixed assets at ODRC using 30 August 2004 ODV Handbook	332
<i>Less</i> depreciation on system fixed assets at ODV	(2,134)
<i>Equals</i> system fixed assets at ODV - end of the financial year	<u><u>73,151</u></u>

**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES,
AND STATISTICS DISCLOSED BY HORIZON ENERGY DISTRIBUTION LIMITED
REQUIREMENT 31(1)
[FORM 4]**

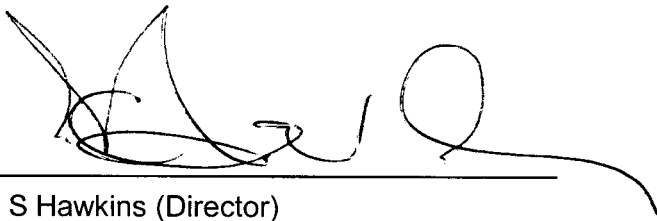
We, Colin George Houston Holmes, and Graeme Scott Hawkins, Directors of Horizon Energy Distribution Limited certify that, having made all reasonable enquiry, to the best of our knowledge;-

- (a) The attached audited financial statements of Horizon Energy Distribution 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 Horizon Energy Distribution Limited, and having been prepared for the purposes of Requirements 14,15, 20, and 21 of the Electricity Information Disclosure Requirements 2004, comply with the Requirements.

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



C G H Holmes (Director)



G S Hawkins (Director)

Date: 15 December 2004

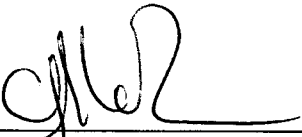
**CERTIFICATION OF VALUATION REPORT OF HORIZON
ENERGY DISTRIBUTION LIMITED**

Requirement 31 (5)

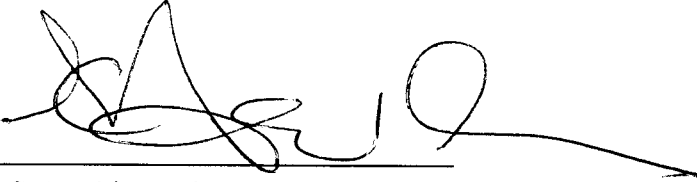
[Form 6]

We, Colin George Houston Holmes, and Graeme Scott Hawkins, 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 19 of the Commerce Commission's Electricity Information Disclosure Requirements 2004, complies with those requirements; and
- (b) The replacement cost of the line business system fixed assets of Horizon Energy Distribution Limited is \$132,324,866 and
- (c) The depreciated replacement cost of the line business system fixed assets of Horizon Energy Distribution Limited is \$73,449,227; and
- (d) The optimised depreciated replacement cost of the line business system fixed assets of Horizon Energy Distribution Limited is \$73,151,436 and
- (e) The optimised deprival valuation of the line business system fixed assets of Horizon Energy Distribution Limited is \$73,151,436; and
- (f) The values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook (as defined in the Electricity Information Disclosure Requirements 2004). These valuations are as at 31 March 2004.



C G H Holmes (Director)



G S Hawkins (Director)
Date: 15 December 2004