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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 2005

	NOTE	Lines Business 2005 \$000	Lines Business 2004 \$000
Total Operating Revenue	2,16	23,681	23,833
Total Operating Expenditure	2,16	(14,987)	(13,108)
Operating Surplus before Interest and Taxation	2,16	8,694	10,725
Interest Expense	3	(2,047)	(2,141)
Operating Surplus before Taxation		6,647	8,584
Income Tax Expense	4	(2,812)	(3,018)
Net Surplus After Taxation		3,835	5,566
Surplus Attributable to Shareholders of Horizon Energy Distribution Limited		3,835	5,566

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

As at 31 March 2005

	NOTE	Lines Business 2005 \$000	Lines Business 2004 \$000
Shareholders' Equity / Capital Funds			
Share Capital	5	8,432	8,432
Reserves	6	58,067	58,067
Retained Earnings	7	(22,008)	(22,983)
Total Shareholders' Equity / Total Capital Funds		44,491	43,516
Current Assets			
Advance to "Other" Business		1,427	1,622
Accounts Receivable	8	2,580	2,583
Inventory		-	-
Total Current Assets		4,007	4,205
Non Current Assets			
Fixed Assets	9	74,613	73,591
Total Non Current Assets		74,613	73,591
Total Tangible Assets / Total Assets		78,620	77,796
Current Liabilities			
Bank Overdraft		752	(34)
Accounts Payable and Accruals	10	2,436	2,160
Taxation Payable	4	1,763	1,532
Total Current Liabilities		4,951	3,659
Non Current Liabilities			
Term Loans	11	26,600	28,285
Deferred Taxation	4	2,578	2,337
Total Non Current Liabilities		29,178	30,622
Total Liabilities		34,129	34,281
Net Assets		44,491	43,516

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

For the Year Ended 31 March 2005

	Lines Business 2005 \$000	Lines Business 2004 \$000
Cash Flow from Operating Activities		
Cash was provided from:		
Receipts from Customers	23,674	23,900
Net Goods and Services Tax Received / (Paid)	24	(29)
Interest from Short Term Deposits	6	8
	23,704	23,879
Cash was applied to:		
Payments to Suppliers and Employees	(11,888)	(10,505)
Interest Paid to Non-related Parties	(2,062)	(2,165)
Interest Paid to "Other" Business	-	-
Income Tax Paid	(2,340)	(2,684)
	(16,290)	(15,354)
Net Cash Inflow from Operating Activities	7,414	8,525
Cash Flow from Investing Activities		
Cash was provided from:		
Proceeds from the Sale of Other Fixed Assets	4	133
Transfer of Fixed Assets to "Other" Business (note 16)	(1,066)	(40)
Cash was applied to:		
Purchases and Construction of Fixed Assets	(2,788)	(2,541)
Net Cash Outflow to Investing Activities	(3,850)	(2,448)
Cash Flow From Financing Activities		
Cash was provided from:		
Transfer of Shares from "Other" Business	-	-
Cash was applied to:		
Settlement of Term Debt	(1,685)	(1,495)
Dividends Paid	(2,860)	(4,827)
Issue/(Purchase Back) of Shares	-	-
Net Cash Inflow from (Outflow to) Financing Activities	(4,545)	(6,322)
Net Movement in Cash Held	(981)	(245)
Add Opening Cash	1,656	1,901
Closing Cash Carried Forward	675	1,656
<i>Represented by:</i>		
Cash at Bank	(752)	34
Short Term Deposits	-	-
Advance to "Other" Business	1,427	1,622
Closing Cash Carried Forward	675	1,656

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

For the Year Ended 31 March 2005

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

	Lines Business 2005 \$000	Lines Business 2004 \$000
Surplus Attributable to Shareholders	3,835	5,566
<hr/>		
Add/(Less) Items Classified as Investing and Financing Activities:		
Net Gain on Sale of Fixed Assets	(4)	(133)
Accounts Payable and Accruals that Relate to the Purchase of Fixed Assets	(63)	23
Add/(Less) Non-Cash Items:		
Depreciation	2,895	2,317
Increase/(Decrease) in Deferred Taxation Liability	241	1,431
	<hr/> 3,069	<hr/> 3,638
Add/(Less) Movements in Working Capital Items:		
Decrease/(Increase) in Accounts Receivable	3	210
Increase/(Decrease) in Accounts Payable and Accruals	276	208
Decrease/(Increase) in Inventory	-	-
Increase/(Decrease) in Income Tax Payable	231	(1,097)
	<hr/> 510	<hr/> (679)
Net Cash Flow from Operating Activities	<hr/>7,414	<hr/>8,525

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

For the Year Ended 31 March 2005

	NOTE	Lines Business 2005 \$000	Lines Business 2004 \$000
Opening Equity		43,516	32,151
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Plus			
Surplus Attributable to Shareholders		3,835	5,566
Revaluation of Fixed Assets		-	10,626
Less			
Dividends Paid	12	(2,860)	(4,827)
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Equity as at 31 March		44,491	43,516
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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 2005

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 so as 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 lines business 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 lines business.

vi) Statement of Cash Flows

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

- a) Bank overdrafts is considered to be bank overdrafts net of cash on hand, short term deposits and current accounts in banks.
- 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 lines business. 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.

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 2005

vii) Financial Instruments

Financial instruments with off-balance sheet risk have been entered into for the primary purpose of reducing exposure to fluctuations in 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.

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) Comparatives

The statements and notes do not restate comparatives or provide comparatives for changes to reflect the mandatory ACAM methodology or for new disclosure items per the Electricity Information Disclosure Requirements 2004.

C. Changes in Accounting Policies

There have been no changes in accounting policies.

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

	Lines Business 2005 \$000	Lines Business 2004 \$000
2 OPERATING SURPLUS BEFORE TAXATION ITEMS		
Operating revenue includes the following items:		
External Income		
Revenue Disclosure Items :		
Revenue from Line / Access Charges	23,187	21,674
Gain on Sale of Fixed Assets	4	133
AC Loss-rental Rebates	203	503
Other Operating Revenue	287	1,523
Total operating revenue	23,681	23,833
Operating expenditure comprises the following items:		
Payment for Transmission Charges	7,878	7,318
Expenses to Non-related Entities for Asset Maintenance		
Services / Total Specified Expenses to Non-related Parties	1,327	941
AC Loss Rental Rebates Expense	89	246
Employee Salaries, Wages and Redundancies	999	766
Total Cost of Offering Credit		
Increase in Estimated Doubtful Debts	12	-
Bad Debts Written Off	-	-
Total Cost of Offering Credit	12	-
Directors' Fees / Remuneration	120	118
Rental and Operating Lease Obligations (refer note 14)	64	58
Depreciation on System Fixed Assets	2,696	2,134
Depreciation on Other Fixed Assets	199	183
Total Depreciation	2,895	2,317
Local Authorities Rates Expense	113	65
Other Expenditure	243	223
Auditing the Financial Statements	50	49
Consumer Billing and Information System	85	71
Corporate and Administration Expenses	458	530
Marketing / Advertising	23	-
Human Resource Expenses	203	47
Research and Development Expenses	18	28
Consultancy and Legal Expenses	410	331
Total Operating Expenditure	14,987	13,108

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

	Lines Business 2005 \$000	Lines Business 2004 \$000
3 INTEREST		
Net Interest comprises:		
Interest Expense on Borrowings	2,047	2,141
Interest Income on Cash, Bank Balances and Short Term Investments	(6)	-
Net Interest	2,041	2,141
Total Interest Expense	2,047	2,141
4 INCOME TAX		
<i>Income Tax Expense</i>		
The taxation expense has been calculated as follows:		
Operating Surplus before Taxation	6,647	8,584
Income Tax on Surplus for the year at 33%	2,194	2,833
Plus/(Less) Permanent Differences		
Non-Deductible Depreciation on Revalued Portion of Fixed Assets	602	478
Non-Deductible Expenses	16	18
Non-Taxable Income	-	(311)
Income Tax Expense	2,812	3,018
Income tax expense comprises:		
Tax Payable in Respect of Current Year	2,571	1,587
Deferred Taxation	241	1,431
Income Tax Expense	2,812	3,018
<i>Deferred Taxation</i>		
Opening Balance	2,337	906
Deferred tax in respect of current year	241	1,431
Balance as at 31 March	2,578	2,337
<i>Taxation Payable</i>		
Income tax payable/(prepaid) comprises:		
Opening Balance	1,532	2,629
Tax Payable in Respect of Current Year	2,571	1,587
Tax payable in Respect of Prior Years	-	-
Income Tax Paid	(2,340)	(2,684)
Balance as at 31 March - Liability/(Asset)	1,763	1,532

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

	NOTE	Lines Business 2005 \$000	Lines Business 2004 \$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
		2005	2004
		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		58,067	47,441
Plus Revaluation of System Fixed Assets	9	-	10,626
Balance as at 31 March		58,067	58,067
7 RETAINED EARNINGS			
Opening Retained Earnings		(22,983)	(23,722)
Surplus after Taxation		3,835	5,566
Plus Retained Earnings distributed from "Other" business		-	-
Less Dividends paid	12	(2,860)	(4,827)
Balance as at 31 March		(22,008)	(22,983)
8 ACCOUNTS RECEIVABLE			
Accounts Receivable comprises:			
Trade Receivables		2,593	2,583
Less Provision for Doubtful Debts		(13)	-
Balance as at 31 March		2,580	2,583

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

		Lines Business 2005 \$000	Lines Business 2004 \$000
9	FIXED ASSETS		
	Fixed Assets comprise:		
	Land	<i>Cost</i> 7	12
	Buildings	<i>Cost</i> 53	81
		<i>Accumulated Depreciation</i> (24)	(30)
		<i>Net Book Value</i> 29	51
	Plant and Equipment	<i>Cost</i> 84	300
		<i>Accumulated Depreciation</i> (78)	(112)
		<i>Net Book Value</i> 6	188
	Furniture and Fittings	<i>Cost</i> 435	434
		<i>Accumulated Depreciation</i> (133)	(92)
		<i>Net Book Value</i> 302	342
	Motor Vehicles	<i>Cost</i> 114	129
		<i>Accumulated Depreciation</i> (40)	(28)
		<i>Net Book Value</i> 74	101
	Consumer Billing and Information System Equipment	<i>Cost</i> 1,325	1,277
		<i>Accumulated Depreciation</i> (1,091)	(1,003)
		<i>Net Book Value</i> 234	274
	Office Equipment	<i>Cost</i> 104	75
		<i>Accumulated Depreciation</i> (46)	(45)
		<i>Net Book Value</i> 58	30
	System Fixed Assets - Work in Progress		
		<i>Cost</i> 138	75
	System Fixed Assets	<i>Valuation</i> 76,505	72,518
		<i>Accumulated Depreciation</i> (2,740)	0
		<i>Net Book Value</i> 73,765	72,518
	Totals	<i>Cost or Valuation</i> 78,765	74,901
		<i>Accumulated Depreciation</i> (4,152)	(1,310)
	Total Fixed Assets	Net Book Value 74,613	73,591

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business

NOTES TO THE FINANCIAL STATEMENTS

9	FIXED ASSETS (Continued)	Lines	Lines
	Depreciation Expense	Business	Business
		2005	2004
		\$000	\$000
	Buildings	6	6
	Plant and Equipment	124	111
	Furniture and Fittings	48	44
	Motor Vehicles	21	22
	Distribution System	2,696	2,134
	Total	2,895	2,317

Useful lives and Depreciation Methods	Useful	Useful
	Lives	Lives
	2005	2004
	In Years	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	Lines	Lines
	Accounts Payable and Accruals comprise:	Business	Business
	Trade Creditors and Accruals	2005	2004
	Employee Entitlements	\$000	\$000
	Trade Creditors and Accruals	2,210	2,030
	Employee Entitlements	226	130
	Balance as at 31 March	2,436	2,160

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

	Lines Business 2005 \$000	Lines Business 2004 \$000
11 TERM LOANS		
Term loans fall due for repayment in the following periods:		
Within One Year	-	-
Within One to Two Years	26,600	28,285
Within Two to Three Years	-	-
Within Three to Four Years	-	-
Within Four to Five Years	-	-
Balance as at 31 March	26,600	28,285
Disclosed in Balance Sheet as:		
Current Portion of Term Loans	-	-
Term Loans	26,600	28,285
Balance as at 31 March	26,600	28,285

All term loans are unsecured and are subject to negative pledge undertakings. The weighted average interest rate, inclusive of margins on term loans is 7.13% (2004 6.85%), taking into account the hedging undertaken by the Company as disclosed in Note 18. 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 2006.

12 DISTRIBUTION TO OWNERS		
Dividends Paid Attributed to Lines Business	2,860	4,827
Dividends Paid attributable to "Other" Business	2,886	671
Total Dividends Paid by Horizon Energy Distribution Limited	5,745	5,498

Dividends paid to "Other" business includes a special dividend relating to a one off tax benefit that arose from the sale of the Company's interest in the Kapuni Cogeneration Joint Venture in 1999.

13 IMPUTATION CREDIT ACCOUNT		
	Group 2005	Group 2004
Opening Balance	1	4
Plus: Income Tax Paid	2,340	2,704
Less: Imputation Credits attached to dividends paid for "Other" business	(594)	(2,377)
Imputation Credits attached to dividends paid for Line Business	(1,744)	(330)
Balance as at 31 March	3	1

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

	Lines Business 2005 \$000	Lines Business 2004 \$000
14 OPERATING LEASES		
Operating lease commitments fall due for repayment in the following periods:		
Within One Year	63	45
Within One to Two Years	63	45
Within Two to Five Years	190	135
Within Five to Eight Years	42	75
	358	300
15 REMUNERATION OF AUDITORS		
Amounts received, or due and receivable, by the principal auditors for:		
Auditing the Financial Statements:	50	49
	50	49
Other Services:		
Assurance related	63	118
	63	118
Total Payments to Auditors	113	167

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	271	240
Dividend paid to Eastern Bay Energy Trust	4,443	4,250
Transfers to and from "Other" Business	(195)	(562)

Balance

Amounts Owed by "Other" Business for Re-allocations to and from "Other" Business	1,427	1,622
Amounts owed by Eastern Bay Energy Trust	-	186

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

At 31 March 2005, activities and assets identified as relating to non-lines business have been transferred to the "Other" business.

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

The Group has commitments for future capital expenditure amounting to \$181,090 (\$201,000 in 2004).

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 2005, the face value of the swaps the Group held were as follows:

Interest Rate Options:

Commencement Date	Rate	Term	2005 \$000	2004 \$000
3 April, 1998	7.07%	Twelve Years	4,800	6,900
20 December, 2000	7.27%	66 Months	-	4,000
29 June, 2001	7.16%	Six Years	4,000	4,000
16 August, 2002	6.68%	Seven Years	3,000	3,000
20 March, 2003	6.76%	45 Months	4,000	4,000
20 September, 2004	6.98%	69 Months	4,000	-
			19,800	21,900

The mark to market value of the interest rate swap agreements as at 31 March 2005 showed a loss of \$54,490 (2004 - loss of \$759,309). No provision is made for any unrealised 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 \$26.6 million which is the same as the carrying value disclosed in Note 11.

19 PROVISIONS

Balance at Beginning of Year	90	-
Current Year Provision	-	90
Provision Released	-	-
Balance at 31 March	90	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 16 May 2005 the Directors declared a final dividend of 12 cents and a non-imputed special dividend of 4 cents - total of 16 cents, (2004 11 cents) per ordinary share of Horizon Energy Distribution Limited. 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.**

	Lines Business 2005 \$000	Lines Business 2004 \$000
Revenue :		
Revenue from "Other" business for services carried out by the line business (transfer payment)	Nil	Nil
Operating 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
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)**

	Lines Business 2005 \$000	Lines Business 2004 \$000
Operating Expenditure (continued) :		
Other interest expense not listed elsewhere	Nil	Nil
Unusual expenses	Nil	Nil
Financing charges related to finance leases	Nil	Nil
Current Assets :		
Short term investments	Nil	Nil
Inventories	Nil	Nil
Short term Deposits	Nil	Nil
Other current assets not listed elsewhere	Nil	Nil
Inventory	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



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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 2005. 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 2005, 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, tax advisors and providers of other professional services 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 2005 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 4 August 2005 and our unqualified opinion is expressed as at that date.

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

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	8,694				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	8,694				
Interest on cash, bank balances, and short-term investments (ISTI)	0				
OSBIT minus ISTI	8,694	a	8,694		8,694
Net surplus after tax from financial statements	3,835				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	3,835	n		3,835	
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)	2,696				
Depreciation of SFA at ODV (y)	2,675				
ODV depreciation adjustment	21	d	add	add	add
Subvention payment tax adjustment	0	s [†]	deduct	deduct	deduct
Interest tax shield	673	q			673
Revaluations	0	r			0
Income tax	2,812	p			2,812
Numerator			OSBIT ^{adj} = a + g + s + d 8,715	NSAT ^{adj} = n + g + s - s [†] + d 3,856	OSBIT ^{adj} = a + g - q + r + s + d - p - s [†] 5,230
Fixed assets at end of previous financial year (FA ₀)	73,591				
Fixed assets at end of current financial year (FA ₁)	74,613				
Adjusted net working capital at end of previous financial year (ANWC ₀)	456				
Adjusted net working capital at end of current financial year (ANWC ₁)	144				
Average total funds employed (ATFE)	74,402 (or regulation 33 time-weighted average)	c	74,402		74,402
Total equity at end of previous financial year (TE ₀)	43,516				
Total equity at end of current financial year (TE ₁)	44,492				
Average total equity	44,004 (or regulation 33 time-weighted average)	k		44,004	
WUC at end of previous financial year (WUC ₀)	75				
WUC at end of current financial year (WUC ₁)	138				
Average total works under construction	106	e	deduct	deduct	deduct

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

Derivation Table	Input and Calculations (or regulation 33 time-weighted average)	Symbol in formula	ROF	ROE	ROI
Revaluations	0	r			
Half of revaluations	0	r/2			deduct
Intangible assets at end of previous financial year (I_{A_0})	0				
Intangible assets at end of current financial year (I_{A_1})	0				
Average total intangible asset	0	m		add	0
(or regulation 33 time-weighted average)	(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_{book})	72,518				
System fixed assets at end of current financial year at book value (SFA_{book})	73,765				
Average value of system fixed assets at book value	73,141	f	deduct	deduct	73,141
(or regulation 33 time-weighted average)	(or regulation 33 time-weighted average)				
System Fixed assets at year beginning at ODV value (SFA_{ODV})	73,151				
System Fixed assets at end of current financial year at ODV value (SFA_{ODV})	73,173				
Average value of system fixed assets at ODV value	73,162	h	add	add	73,162
(or regulation 33 time-weighted average)	(or regulation 33 time-weighted average)				
Denominator			$ATFE^{ODV} = c - e - f + h$	$Ave TE^{ODV} = k - e - m + v - f + h$	$ATFE^{ODV} = c - e - \frac{1}{2}r - f + h$
Financial Performance Measure:			$ROF = OSBIT^{ODV}/ATFE^{ODV} \times 100$	$ROE = NSAT^{ODV}/ATE^{ODV} \times 100$	$ROI = OSBIT^{ODV}/ATFE^{ODV} \times 100$
			11.73	8.78	7.04

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

For the year ended 31 March 2005

	2005	2004	2003	2002
1) Financial Performance Measures				
(a) Return on Funds	11.73%	14.77%	15.90%	19.80% ①
(b) Return on Equity	8.78%	13.19%	15.34%	22.26%
(c) Return on Investment	7.04%	27.45% ②	9.97%	12.68% ①

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%.

	2005	2004	2003	2002
2) Efficiency Performance Measures				
(a) Direct Line Costs per kilometre	\$929 ②	\$677	\$608 ①	\$1,158
(b) Indirect Line Costs per Customer	\$81	\$69	\$65 ①	\$75

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

② The increase in direct line costs per kilometre from 2004 is primarily attributable to increased maintenance resulting from damage caused by extreme weather events.



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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 4 August 2005 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.

PricewaterhouseCoopers
4 August 2005

Auckland

HORIZON ENERGY DISTRIBUTION LIMITED**Requirement 20 - Energy Delivery Efficiency Performance Measures**

For the year ended 31 March 2005

	2005	2004	2003	2002
1) Energy Delivery Efficiency Performance Measures				
(a) Load Factor	73.22%	76.33%	76.71%	84.71%
(b) Loss Ratio	3.88%	3.48%	3.72%	3.79%
(c) Capacity Utilisation	53.33%	46.16%	47.64%	43.15%
2) Statistics				
(a) System Length (km)				
110 kV	-	-	-	-
33 kV	180	180	180	180
11 kV	1,679	1,669	1,663	1,657
400 Volt	534	556	550	546
Total System Length (km)	2,393	2,404	2,393	2,383
(b) Circuit Length - Overhead (km)				
110 kV	-	-	-	-
33 kV	177	176	176	176
11 kV	1,533	1,532	1,528	1,523
400 Volt	271	300	298	296
Total Circuit Length - Overhead (km)	1,981	2,007	2,001	1,995
(c) Circuit Length - Underground (km)				
110 kV	-	-	-	-
33 kV	3	4	4	4
11 kV	146	137	136	135
400 Volt	263	256	252	250
Total Circuit Length - Underground (km)	412	397	392	388
(d) Transformer Capacity (kVA)	173,655	187,263	188,000	185,645
(e) Maximum Demand (kW)	92,615	86,444	89,567	80,115
(f) Total electricity entering system (before losses) (kWh)	594,055,073	579,559,451	601,855,016	594,501,640
(g) Total electricity supplied from system (after losses) on behalf of an electricity generator and/or retailer (kWh)				
Retailer A	272,356,795	246,530,377	250,470,780	249,031,072
Retailer B	1,427,951	1,323,049	770,147	489,484
Retailer C	196,910	169,520	99,734	142,616
Retailer D	3,211,834	2,498,521	3,163,394	1,180,663
Retailer E	3,619,012	1,455,924	4,464,636	3,224,488
Retailer F	873,558	5,152,620	1,471,434	241,942,614
Retailer G	-	-	-	130,585
Retailer H	-	-	-	300,545
Retailer I	-	-	-	1,075,077
Retailer J	289,325,966	302,243,165	319,033,932	74,431,191
Total (kWh)	571,012,026	559,373,176	579,474,057	571,948,333
① Adjusted to reflect current definitions				
(h) Total consumers	23,572	23,458	23,304	23,092

HORIZON ENERGY DISTRIBUTION LIMITED

Requirement 21 Reliability Performance Measures

For the year ended 31 March 2005

	2005	2004	2003	2002
1) Interruptions				
Class A - Transpower planned interruptions	8	1	2	-
Class B - Horizon planned interruptions	51	67	57	54
Class C - Horizon unplanned interruptions	125	83	80	61
Class D - Transpower unplanned interruptions	5	4	4	6
Class E - Horizon generation unplanned interruptions	0	-	-	-
Class F - Other generation unplanned interruptions	2	-	-	1
Class G - Other line owner unplanned interruptions	1	-	-	-
Class H - Other line owner planned interruptions	-	-	-	-
Class I - Not in A to H	-	-	-	-
Total Number of Interruptions	192	155	143	122
	2006	2005	2004	2003
2) Interruption Targets (Next Year)				
(a) Planned interruptions (Class B)	62	62	80	80
(b) Unplanned interruptions (Class C)	82	82	85	75
3) Average Interruption Targets (Next 5 Years)				
(a) Planned interruptions (Class B)	62	62	80	80
(b) Unplanned interruptions (Class C)	82	82	85	75
4) Proportion of Class C interruptions not restored within				
(a) 3 hours	33.60%	14.46%	15.00%	19.7%
(b) 24 hours	8.80%	0.00%	0.00%	0.00%
5) Faults per 100 km of prescribed voltage line				
(a) Number of faults				
110 kV	-	-	-	-
33 kV	3.9	0.6	0.6	1.7
11 kV	7.0	4.9	4.7	3.5
Total Number of Faults	6.7	4.6	4.3	3.3
	2006	2005	2004	2003
(b) Number of Faults Targeted				
110 kV	-	-	-	-
33 kV	-	-	-	1.1
11 kV	4.9	4.9	5.1	4.4
Total Number of Faults Targeted	4.4	4.5	4.6	4.1
(c) Average Number of Faults Targeted (Next 5yrs)				
110 kV	-	-	-	-
33 kV	-	-	-	1.1
11 kV	4.9	4.9	5.1	4.4
Total Average Number of Faults Targeted	4.4	4.5	4.6	4.1

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

For the year ended 31 March 2005

	2005	2004	2003	2002
6) Number of Faults per 100 km of Underground Prescribed Voltage Line				
110 kV	-	-	-	-
33 kV	-	-	-	-
11 kV	4.8	4.4	1.5	4.6
Total Underground Faults / 100km	4.7	4.4	1.4	4.4
7) Number of Faults per 100 km of Overhead Prescribed Voltage Line				
110 kV	-	-	-	-
33 kV	4.0	0.6	0.6	1.7
11 kV	7.2	5.0	5.0	3.4
Total Overhead Faults / 100km	6.9	4.6	4.6	3.3
8) SAIDI for Total Number of Interruptions	987 ^①	219	192	258 ^①
	① 100 minutes related to Tornado November 2001			
	② Due to July 2004 flooding and other extreme weather events			
	2006	2005	2004	2003
9) SAIDI Targets (Next Year)				
(a) Planned interruptions (Class B)	45	45	45	45
(b) Unplanned interruptions (Class C)	100	100	100	72
10) Average SAIDI Targets (Next 5 Years)				
(a) Planned interruptions (Class B)	45	45	45	45
(b) Unplanned interruptions (Class C)	100	100	100	72
11) SAIDI for Total Interruptions by Class				
Class A - Transpower planned interruptions	251	74	87	-
Class B - Horizon planned interruptions	22	25	20	35
Class C - Horizon unplanned interruptions	331	108	77	179
Class D - Transpower unplanned interruptions	372	12	8	44
Class E - Horizon generation unplanned interruptions	-	-	-	-
Class F - Other generation unplanned interruptions	-	-	-	-
Class G - Other line owner unplanned interruptions	11	-	-	-
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

		2005	2004	2003	2002
12) SAIFI for Total Number of Interruptions		3.54 [ⓐ]	1.62	1.60	2.63
	[ⓐ] Due to July 2004 flooding and other extreme weather events				
		2006	2005	2004	2003
13) SAIFI Targets (Next Year)					
(a) Planned interruptions (Class B)	0.30	0.30	0.30	0.33	0.33
(b) Unplanned interruptions (Class C)	1.50	1.50	1.50	1.30	1.30
14) Average SAIFI Targets (Next 5 Years)					
(a) Planned interruptions (Class B)	0.30	0.30	0.30	0.33	0.33
(b) Unplanned interruptions (Class C)	1.50	1.50	1.50	1.30	1.30
15) SAIFI for Total Interruptions by Class					
Class A - Transpower planned interruptions		0.76	0.18	0.17	0.00
Class B - Horizon planned interruptions		0.11	0.15	0.18	0.22
Class C - Horizon unplanned interruptions		2.35	1.10	0.88	1.43
Class D - Transpower unplanned interruptions		0.16	0.19	0.36	0.90
Class E - Horizon generation unplanned interruptions		0.00	0.00	0.00	0.00
Class F - Other generation unplanned interruptions		0.07	0.00	0.00	0.00
Class G - Other line owner unplanned interruptions		0.09	0.00	0.00	0.00
Class H - Other line owner planned interruptions		0	0.00	0.00	0.00
Class I - Not in A to H		0	0.00	0.00	0.00
16) CAIDI for Total Number of Interruptions		279	135	120	98
		2006	2005	2004	2003
17) CAIDI Targets (Next Year)					
(a) Planned interruptions (Class B)	150	150	150	136	136
(b) Unplanned interruptions (Class C)	67	67	67	52	55
18) Average CAIDI Targets (Next 5 Years)					
(a) Planned interruptions (Class B)	150	150	150	136	136
(b) Unplanned interruptions (Class C)	67	67	67	52	55
19) CAIDI for Total Interruptions by Class					
Class A - Transpower planned interruptions		330	411	501	-
Class B - Horizon planned interruptions		200	167	111	160
Class C - Horizon unplanned interruptions		141	98	87	125
Class D - Transpower unplanned interruptions		2,325	63	22	49
Class E - Horizon generation unplanned interruptions		0	-	-	-
Class F - Other generation unplanned interruptions		0	-	-	-
Class G - Other line owner unplanned interruptions		122	-	-	-
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 Deprecial 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
	2005
	\$000
Total System fixed assets - end of the previous financial year	73,151
<i>Add</i> system fixed assets acquired during the year at ODV	2,708
<i>Less</i> system fixed assets disposed of during the year at ODV	-
<i>Less</i> depreciation on system fixed assets at ODV	(2,687)
<i>Add</i> revaluations of system fixed assets	-
<i>Equals</i> system fixed assets at ODV - end of the financial year	<u>73,173</u>

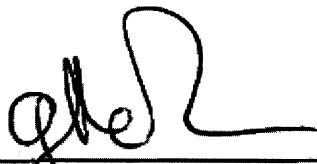
FORM 4

**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES,
AND STATISTICS DISCLOSED BY HORIZON ENERGY DISTRIBUTION LIMITED**

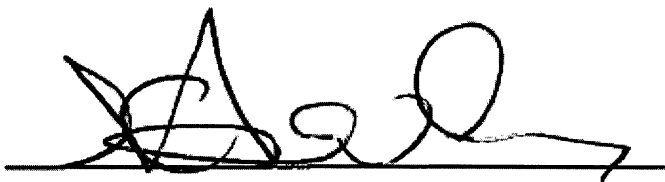
We, Colin George Houston Holmes, and Graeme Scott Hawkins, Directors of Horizon Energy Distribution Limited certify that, having made all reasonable enquiry, to the best of our knowledge;-

- (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: 4 August 2005