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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 2006

	NOTE	Lines Business 2006 \$000	Lines Business 2005 \$000
Total Operating Revenue	2,16	24,855	23,681
Total Operating Expenditure Before Award	2,16	(15,736)	(14,987)
Award Monies	22	1,743	-
Operating Surplus before Interest and Taxation	2,16	10,862	8,694
Interest Expense	3	(2,104)	(2,047)
Operating Surplus before Taxation		8,758	6,647
Income Tax Expense	4	(3,372)	(2,812)
Net Surplus After Taxation		5,386	3,835
Surplus Attributable to Shareholders of Horizon Energy Distribution Limited		5,386	3,835

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

As at 31 March 2006

	NOTE	Lines Business 2006 \$000	Lines Business 2005 \$000
Shareholders' Equity / Capital Funds			
Share Capital	5	8,432	8,432
Reserves	6	58,067	58,067
Retained Earnings	7	(21,480)	(22,008)
Total Shareholders' Equity / Total Capital Funds		45,019	44,491
Current Assets			
Advance to "Other" Business	16	2,040	1,427
Cash and Bank Balances		46	(752)
Accounts Receivable	8	4,475	2,580
Total Current Assets		6,561	3,255
Non Current Assets			
Fixed Assets	9	74,962	74,613
Total Non Current Assets		74,962	74,613
Total Tangible Assets / Total Assets		81,523	77,868
Current Liabilities			
Accounts Payable and Provisions	10,19	3,221	2,436
Taxation Payable	4	1,913	1,763
Total Current Liabilities		5,134	4,199
Non Current Liabilities			
Term Loans	11	28,470	26,600
Deferred Taxation	4	2,900	2,578
Total Non Current Liabilities		31,370	29,178
Total Liabilities		36,504	33,377
Net Assets		45,019	44,491

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

For the Year Ended 31 March 2006

	Lines Business 2006 \$000	Lines Business 2005 \$000
Cash Flow from Operating Activities		
Cash was provided from:		
Receipts from Customers	24,697	23,698
Interest from Short Term Deposits	5	6
	24,702	23,704
Cash was applied to:		
Payments to Suppliers and Employees	(11,994)	(11,888)
Interest Paid to Non-related Parties	(2,101)	(2,062)
Interest Paid to "Other" Business	-	-
Income Tax Paid	(2,899)	(2,340)
	(16,994)	(16,290)
Net Cash Inflow from Operating Activities	7,708	7,414
Cash Flow from Investing Activities		
Cash was provided from:		
Proceeds from the Sale of Other Fixed Assets	-	4
Transfer of Fixed Assets to "Other" Business (note 16)	-	(1,066)
Cash was applied to:		
Purchases and Construction of Fixed Assets	(3,308)	(2,788)
Net Cash Outflow to Investing Activities	(3,308)	(3,850)
Cash Flow From Financing Activities		
Cash was provided from:		
Transfer of Shares from "Other" Business	-	-
Cash was applied to:		
Settlement of Term Debt	1,870	(1,685)
Dividends Paid	(4,859)	(2,860)
Issue/(Purchase Back) of Shares	-	-
Net Cash Inflow from (Outflow to) Financing Activities	(2,989)	(4,545)
Net Movement in Cash Held	1,411	(981)
Add Opening Cash	675	1,656
Closing Cash Carried Forward	2,086	675
<i>Represented by:</i>		
Cash at Bank	46	(752)
Short Term Deposits	-	-
Advance to "Other" Business	2,040	1,427
Closing Cash Carried Forward	2,086	675

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

For the Year Ended 31 March 2006

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

	Lines Business 2006 \$000	Lines Business 2005 \$000
Surplus Attributable to Shareholders	5,386	3,835
<hr/>		
Add/(Less) Items Classified as Investing and Financing Activities:		
Net Gain on Sale of Fixed Assets	-	(4)
Accounts Payable and Accruals that Relate to the Purchase of Fixed Assets	(23)	(63)
Add/(Less) Non-Cash Items:		
Depreciation	2,983	2,895
Increase/(Decrease) in Deferred Taxation Liability	322	241
	3,282	3,069
Add/(Less) Movements in Working Capital Items:		
Decrease/(Increase) in Accounts Receivable	(1,895)	3
Increase/(Decrease) in Accounts Payable and Accruals	785	276
Increase/(Decrease) in Income Tax Payable	150	231
	(960)	510
Net Cash Flow from Operating Activities	7,708	7,414

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

For the Year Ended 31 March 2006

	NOTE	Lines Business 2006 \$000	Lines Business 2005 \$000
Opening Equity		44,491	43,516
Plus			
Surplus Attributable to Shareholders		5,386	3,835
Revaluation of Fixed Assets		-	-
Less			
Dividends Paid	12	(4,858)	(2,860)
Equity as at 31 March		45,019	44,491

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 2006

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.

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 2006

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. Horizon Energy Distribution Limited primarily uses interest rate swaps to reduce exposure to fluctuations in interest rates. The Company's Treasury Policy governs the duration and proportion of debt hedged. 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.

ii) 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 2006 \$000	Lines Business 2005 \$000
2 OPERATING SURPLUS BEFORE TAXATION ITEMS		
Operating revenue includes the following items:		
Revenue Disclosure Items :		
Revenue from Line / Access Charges	23,682	23,187
Gain on Sale of Fixed Assets	0	4
AC Loss-rental Rebates	335	203
Other Operating Revenue	838	287
Total operating revenue	24,855	23,681
Operating expenditure comprises the following items:		
Payment for Transmission Charges	7,899	7,878
Expenses to Non-related Entities for Asset Maintenance		
Services / Total Specified Expenses to Non-related Parties	1,258	1,327
AC Loss Rental Rebates Expense	214	89
Employee Salaries, Wages and Redundancies	1,145	999
Total Cost of Offering Credit		
Increase in Estimated Doubtful Debts	11	12
Bad Debts Written Off	-	-
Total Cost of Offering Credit	11	12
Directors' Fees / Remuneration	120	120
Rental and Operating Lease Obligations (refer note 14)	82	64
Depreciation on System Fixed Assets	2,779	2,696
Depreciation on Other Fixed Assets	204	199
Total Depreciation	2,983	2,895
Local Authorities Rates Expense	122	113
① Other Expenditure	(1,120)	243
Auditors Remuneration (Note 15)	90	111
Consumer Billing and Information System	148	85
Corporate and Administration Expenses	405	397
Marketing / Advertising	5	23
Human Resource Expenses	80	203
Research and Development Expenses	18	18
② Consultancy and Legal Expenses	533	410
Total Operating Expenditure	13,993	14,987

① Includes the reduction in expenses of \$1.43m relating to the resolution of Arbitration Proceedings as described in Note 22.

② Includes the reduction Consultancy and Legal Expenses of \$0.20m relating to the resolution of Arbitration Proceeding as described in Note 22.

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

	Lines Business 2006 \$000	Lines Business 2005 \$000
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3 INTEREST

Net Interest comprises:

Interest Expense on Borrowings	2,104	2,047
③ Interest Income on Bank Balances, Short Term Investments & Legal Awards	(117)	(6)
Net Interest	1,987	2,141
Total Interest Expense	2,104	2,047

③ Includes interest of \$0.1m relating to the resolution of Arbitration Proceedings as detailed in Note 22.

4 INCOME TAX***Income Tax Expense***

The taxation expense has been calculated as follows:

Operating Surplus before Taxation	8,759	6,647
Income Tax on Surplus for the year at 33%	2,890	2,194
Plus/(Less) Permanent Differences		
Non-Deductible Depreciation on Revalued Portion of Fixed Assets	647	602
Non-Deductible Expenses	17	16
Non-Taxable Income	(182)	-
Income Tax Expense	3,372	2,812

Income tax expense comprises:

Tax Payable in Respect of Current Year	3,050	2,571
Deferred Taxation	322	241
Income Tax Expense	3,372	2,812

Deferred Taxation

Opening Balance	2,578	2,337
Deferred tax in respect of current year	322	241
Balance as at 31 March	2,900	2,578

Taxation Payable

Income tax payable/(prepaid) comprises:

Opening Balance	1,763	1,532
Tax Payable in Respect of Current Year	3,050	2,571
Tax payable in Respect of Prior Years	-	-
Income Tax Paid	(2,900)	(2,340)
Balance as at 31 March - Liability/(Asset)	1,913	1,763

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

	NOTE	Lines Business 2006 \$000	Lines Business 2005 \$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
		2006	2005
		No. of Shares	No. of Shares
Shares issued - fully paid		24,991,385	24,991,385
		-	-
Shares issued		24,991,385	24,991,385
		2006	2005
		\$000	\$000
6 RESERVES			
Asset Revaluation Reserve			
Opening Balance		58,067	58,067
Plus Revaluation of System Fixed Assets	9	-	-
Balance as at 31 March		58,067	58,067
7 RETAINED EARNINGS			
Opening Retained Earnings		(22,008)	(22,983)
Surplus after Taxation		5,386	3,835
Plus Retained Earnings distributed from "Other" business		-	-
Less Dividends paid	12	(4,858)	(2,860)
Balance as at 31 March		(21,480)	(22,008)
8 ACCOUNTS RECEIVABLE			
Accounts Receivable comprises:			
Trade Receivables		4,494	2,593
Less Provision for Doubtful Debts		(19)	(13)
Balance as at 31 March		4,475	2,580

Trade Receivables includes \$1.74m relating to the Award monies as detailed in Note 22.

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

		Lines Business 2006 \$000	Lines Business 2005 \$000
9 FIXED ASSETS			
Fixed Assets comprise:			
Land	<i>Cost</i>	7	7
Buildings	<i>Cost</i>	53	53
	<i>Accumulated Depreciation</i>	(25)	(24)
	<i>Net Book Value</i>	28	29
Plant and Equipment	<i>Cost</i>	110	84
	<i>Accumulated Depreciation</i>	(89)	(78)
	<i>Net Book Value</i>	21	6
Furniture and Fittings	<i>Cost</i>	436	435
	<i>Accumulated Depreciation</i>	(181)	(133)
	<i>Net Book Value</i>	255	302
Motor Vehicles	<i>Cost</i>	161	114
	<i>Accumulated Depreciation</i>	(57)	(40)
	<i>Net Book Value</i>	104	74
Consumer Billing and Information System Equipment	<i>Cost</i>	1,436	1,325
	<i>Accumulated Depreciation</i>	(1,189)	(1,091)
	<i>Net Book Value</i>	247	234
Office Equipment	<i>Cost</i>	107	104
	<i>Accumulated Depreciation</i>	(53)	(46)
	<i>Net Book Value</i>	54	58
System Fixed Assets - Work in Progress	<i>Cost</i>	162	138
System Fixed Assets	<i>Valuation</i>	79,603	76,505
	<i>Accumulated Depreciation</i>	(5,519)	(2,740)
	<i>Net Book Value</i>	74,084	73,765
Totals	<i>Cost or Valuation</i>	82,075	78,765
	<i>Accumulated Depreciation</i>	(7,113)	(4,152)
Total Fixed Assets	Net Book Value	74,962	74,613

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

9 FIXED ASSETS (Continued)	Lines Business 2006 \$000	Lines Business 2005 \$000
Depreciation Expense		
Buildings	1	6
Plant and Equipment	120	124
Furniture and Fittings	48	48
Motor Vehicles	35	21
Distribution System	2,779	2,696
Total	2,983	2,895

Useful lives and Depreciation Methods	Useful Lives 2006 In Years	Useful Lives 2005 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 PROVISIONS	Lines Business 2006 \$000	Lines Business 2005 \$000
Accounts Payable and Provisions comprise:		
Trade Creditors and Accruals	3,087	2,210
Employee Entitlements	134	226
Balance as at 31 March	3,221	2,436

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

	Lines Business 2006 \$000	Lines Business 2005 \$000
11 TERM LOANS		
Term loans fall due for repayment in the following periods:		
Within One Year	-	-
Within One to Two Years	28,470	26,600
Within Two to Three Years	-	-
Within Three to Four Years	-	-
Within Four to Five Years	-	-
Balance as at 31 March	28,470	26,600
Disclosed in Balance Sheet as:		
Current Portion of Term Loans	-	-
Term Loans	28,470	26,600
Balance as at 31 March	28,470	26,600

All term loans are unsecured and are subject to negative pledge undertakings. The weighted average interest rate, inclusive of margins on term loans is 7.26% (2005 7.13%), 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 2007.

12 DISTRIBUTION TO OWNERS		
Dividends Paid Attributed to Lines Business	4,858	2,860
Dividends Paid attributable to "Other" Business	2,014	2,886
Total Dividends Paid by Horizon Energy Distribution Limited	6,873	5,746

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 2006	Group 2005
Opening Balance	3	1
Plus: Income Tax Paid	2,900	2,340
Less: Imputation Credits attached to dividends paid for "Other" business	(500)	(594)
Imputation Credits attached to dividends paid for Line Business	(2,393)	(1,744)
Balance as at 31 March	10	3

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

	Lines Business 2006 \$000	Lines Business 2005 \$000
14 OPERATING LEASES		
Operating lease commitments fall due for repayment in the following periods:		
Within One Year	63	63
Within One to Two Years	63	63
Within Two to Five Years	169	190
Within Five to Eight Years	-	42
	295	358
15 REMUNERATION OF AUDITORS		
Amounts received, or due and receivable, by the principal auditors for:		
Auditing the Financial Statements:		
Auditing the Financial Statements	43	40
Other Audit Fees	26	23
	69	63
Other Services:		
Assurance related	21	48
Total Payments to Auditors	90	111

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	131	271
Dividend paid to Eastern Bay Energy Trust	3,755	4,443
Transfers to and from "Other" Business	612	(0)

Balance

Amounts Owed by "Other" Business for Re-allocations to and from "Other" Business	2,040	1,427
Amounts owed by Eastern Bay Energy Trust	-	-

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

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

The Group has commitments for future capital expenditure amounting to \$395,283 (\$181,090 in 2005).

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(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 2006, the face value of the swaps the Group held were as follows:

Interest Rate Options:

Commencement Date	Rate	Term	Notional Amount 2006 \$000	Notional Amount 2005 \$000
3 April, 1998	7.07%	144 Months	4,800	4,800
29 June, 2001	7.16%	72 Months	4,000	4,000
16 August, 2002	6.68%	84 Months	3,000	3,000
20 March, 2003	6.76%	45 Months	4,000	4,000
20 September, 2004	6.98%	69 Months	4,000	4,000
			19,800	19,800

The mark to market value of the interest rate swap agreements as at 31 March 2006 showed a loss of \$217,946 (2005 - loss of \$54,490). These interest rate swaps are treated as off balance sheet financial instruments.

(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.

	2006	2005
Maximum Exposures to Credit Risk at balance date are:		
Cash	46	(752)
Accounts Receivable	4,475	2,580

(b) Fair Values: Term Loans, Accounts Receivable, Accounts Payables, Accruals and Cash

Except for the Company's off balance sheet financial instruments, the fair value of the Company's financial instruments do not differ from their carrying values, as reported in these Financial Statements and accompanying notes.

19 PROVISIONS

Balance at Beginning of Year	90	90
Current Year Provision	-	-
Provision Released	(70)	-
Balance at 31 March	20	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

Electricity Purchase Commitment

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

Dividend Declarations

On 30 May 2006 the Directors declared a final fully dividend of 7.5 cents (2005: 12.0 cents imputed, 4.0 cents non-imputed, total 16.0 cents) per ordinary share. As this event occurred after balance date the financial date the financial effect has not been recognised in the financial statements.

On 14 November 2006 the Directors declared an interim dividend of 10.0 cents (2005 11.5 cents) per ordinary share. As this event occurred after balance date the financial effect has not been recognised in the financial statements.

Resolution of Arbitration Proceedings

In Note 23 of the Company's 2006 Annual Report, a Partial Award of \$0.72 million was recognised along with a 100% provision in relation to proceedings initiated by Horizon Energy against a supplier for the level of fees charged for services between 1 April 2004 and 31 March 2005. The provision reflected the Board of Directors' belief that there was significant uncertainty with the respect to the Company's ability to retain the Partial Award payment.

Since the release of the Annual Report the Company has received further Awards totalling \$1.02 million relating to the recovery of fees charged by the supplier for services provided between 1 April 2004 and 31 March 2006. The characteristics of the Awards combined with the Company's regulatory obligations have resulted in the Board of Directors, post year end, resolving to refund \$0.93 million of the Awards to electricity consumers in the Eastern Bay of Plenty, a recovery of \$0.66 million for the Company and a provision of \$0.15 million for future costs associated with this matter. The extent to which the Company can transparently refund these monies to electricity consumers will be dependent on the cooperation of other industry participants.

These Financial Statements do not recognise provisions to reflect the Company's future refund of \$0.93m and estimated future costs of \$0.15m. These provisions have not been recognised in order to comply with Financial Reporting Standards which do not permit the recognition of provisions where there was no obligation to refund the monies at balance date.

The Board of Directors' believes that the disclosure of both the recoveries and provisions is critical to ensure these Information Disclosure Accounts are not 'misleading' to readers. The impact of the provisions would be to reduce Profit Before Tax by \$1.08m (\$0.72m after tax).

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business**NOTES TO THE FINANCIAL STATEMENTS****23 NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In December 2002 the New Zealand Accounting Standards Review Board (ASRB) announced that New Zealand entities required to comply with NZ GAAP under Financial Reporting Act 1993 would be required to apply International Financial Reporting Standards (IFRS) for financial periods commencing on or after 1 January 2007 with earlier adoption permitted from 1 January 2005. The new standards that have been approved by the ASRB for application in New Zealand are referred to as New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as certain adaptations have been made to reflect New Zealand circumstances.

Horizon Energy Distribution Limited has commenced reviewing its accounting policies and financial reporting to comply with NZ IFRS. The Company has allocated internal resources and is carrying out impact assessments to isolate key areas that will be impacted by the transition to NZ IFRS and to facilitate adoption of NZ IFRS. The Company will transition to NZ IFRS and publish its first set of annual financial statements prepared under NZ IFRS for the year ending 31 March 2008.

The Company has yet to finalise its accounting policies under NZ IFRS and as a consequence is yet to quantify with any degree of certainty the adjustments that will be required in the statement of financial position on adoption of NZ IFRS and the impact on financial performance thereafter.

The key differences between current NZ GAAP and NZ IFRS identified to date as potentially having a significant effect on the Company's financial Statements are summarised below.

FINANCIAL INSTRUMENTS

All interest rate swap contracts will be recorded in the statement of financial position at fair value under NZ IFRS and be adjusted against opening equity. Any movements of the fair value of these instruments from year to year will have the potential to affect the statement of financial performance and the statement of financial position, the extent to which will depend on whether hedge accounting is adopted. The financial impact of the change cannot be reliably estimated at this stage and will be dependent on the extent to which hedge accounting is adopted and is effective.

DEFERRED TAXATION

The IFRS basis of accounting for deferred tax is conceptually different to current GAAP. Under current GAAP deferred taxation is calculated using the income statement approach whereas under NZ IFRS deferred taxation will be based on a balance sheet approach. This method recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. The most significant impact for the Company is the potential recognition of a deferred tax liability in relation to the revaluation of distribution assets. Due to the uncertainty of recognition, the financial impact cannot be reliably estimated at this stage.

CAPITAL CONTRIBUTIONS

Horizon Energy Distribution Limited currently recognises capital contributions as revenue in the year earned. NZ IFRS may require the Company to capitalise capital contributions to deferred income and amortise the balance over the life of the asset to the income statement. The financial impact of this change cannot be reliably estimated at this stage.

This summary should not be taken as an exhaustive list of all the differences between NZ GAAP and NZ IFRS. Further, the Company has not yet quantified the effects of these differences. Accordingly there can be no assurances that the financial performance and financial position as disclosed in these financial statements would not be significantly different if determined in accordance with NZ IFRS.

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business**NOTES TO THE FINANCIAL STATEMENTS****24 ITEMS WITH NIL BALANCES REQUIRING SPECIFIC DISCLOSURE UNDER THE ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004.**

	Business 2006 \$000	Business 2005 \$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****24 ITEMS WITH NIL BALANCES REQUIRING SPECIFIC DISCLOSURE UNDER THE ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004.****(Continued)**

	Lines Business 2006 \$000	Lines Business 2005 \$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
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
www.pwc.com/nz
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 of Horizon Energy Distribution Limited – Lines Business and its financial position as at 31 March 2006. 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 require the Directors to prepare financial statements which give a true and fair view of the financial position of Horizon Energy Distribution Limited - Lines Business as at 31 March 2006, 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; and
- whether the accounting policies are appropriate to Horizon Energy Distribution Limited - Lines Business' circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary. 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 the provision of other assurance 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 – Lines Business 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 2006 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 20 November 2006 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', 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	10,862				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	10,862				
Interest on cash, bank balances, and short-term investments (ISTI)	117				
OSBIIT minus ISTI	10,745	a	10,745		10,745
Net surplus after tax from financial statements	5,386				
Net surplus after tax, adjusted pursuant to regulation 18 (NSAT)	5,386	n		5,386	
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)	2,779				
Depreciation of SFA at ODV (y)	2,769				
ODV depreciation adjustment	9	d	add	add	add
Subvention payment tax adjustment	0	s ^t	deduct	deduct	deduct
Interest tax shield	656	q			656
Revaluations	0	r			0
Income tax	3,372	p			3,372
Numerator			OSBIIT ^{adj} = a + g + s + d	NSAT ^{adj} = n + g + s + s ^t + d	OSBIIT ^{adj} = a + g - q + r + s + d - p - s ^t
Fixed assets at end of previous financial year (FA ₀)	74,613				
Fixed assets at end of current financial year (FA ₁)	74,962				
Adjusted net working capital at end of previous financial year (ANWC ₀)	144				
Adjusted net working capital at end of current financial year (ANWC ₁)	1,255				
Average total funds employed (ATFE) (or regulation 33 time-weighted average)	75,487	c	75,487		75,487
Total equity at end of previous financial year (TE ₀)	44,491				
Total equity at end of current financial year (TE ₁)	45,020				
Average total equity (or regulation 33 time-weighted average)	44,755	k		44,755	
WUC at end of previous financial year (WUC ₀)	138				
WUC at end of current financial year (WUC ₁)	162				
Average total works under construction	150	e	150	150	150

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			
Intangible assets at end of previous financial year (IA ₀)	0				deduct
Intangible assets at end of current financial year (IA _t)	0				
Average total intangible asset (or regulation 33 time-weighted average)	0	m		add	0
Subvention payment at end of previous financial year (S ₀)	0				
Subvention payment at end of current financial year (S _t)	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,0})	73,765				
System fixed assets at end of current financial year at book value (SFA _{book,t})	74,084				
Average value of system fixed assets at book value (or regulation 33 time-weighted average)	73,925	f	deduct	deduct	73,925
System Fixed assets at year beginning at ODV value (SFA _{ODV,0})	73,173				
System Fixed assets at end of current financial year at ODV value (SFA _{ODV,t})	73,501				
Average value of system fixed assets at ODV value (or regulation 33 time-weighted average)	73,337	h	add	add	73,337
Denominator					
Financial Performance Measure:					
			ROF = OSBIT ^{ODV} /ATFE ^{ODV} x 100	ROE = NSAT ^{ODV} /ATE ^{ODV} x 100	ROI = OSBIT ^{ODV} /ATFE ^{ODV} x 100
			14.39	12.26	9.00
			74,749	44,018	74,749
			ATFE ^{ODV} = c - e - f + h	Ave TE ^{ODV} = k - e - m + v - f + h	ATFE ^{ODV} = c - e - 1/2(r - f + h)

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

For the year ended 31 March 2006

		2006	2005	2004	2003
1) Financial Performance Measures					
(a)	Return on Funds (ROF)	① 14.39%	11.73%	14.77%	15.90%
(b)	Return on Equity (ROE)	① 12.26%	8.78%	13.19%	15.34%
(c)	Return on Investment (ROI)	① 9.00%	7.04% ②	27.45%	9.97%

① The higher Return Measures for 2006 reflects the one-off Award as detailed in Note 22.

The Company's normalised ROI is 7.44% (after removing the \$1.74m Arbitration Award). Inclusion of the net reduction in expenses of \$0.66m (inclusion of the \$1.74m Award less the refund and other related provisions of \$1.08m) would reduce the ROI to 8.03%.

The Company's normalised ROF is 12.82% (after removing the \$1.74m Arbitration Award). Inclusion of the net reduction in expenses of \$0.66m (inclusion of the \$1.74m Award less the refund and other related provisions of \$1.08m) would reduce the ROF to 13.42%.

The Company's normalised ROE is 9.60% (after removing the \$1.74m Arbitration Award). Inclusion of the net reduction in expenses of \$0.66m (inclusion of the \$1.74m Award less the refund and other related provisions of \$1.08m) would reduce the ROE to 10.62%.

② The higher Return on Investment for the 2004 year is due to the revaluation of Fixed Assets.

		2006	2005	2004	2003
2) Efficiency Performance Measures					
(a)	Direct Line Costs per kilometre	④ \$430 ③	\$929	\$677	\$608
(b)	Indirect Line Costs per Customer	⑤ \$78	\$81	\$69	\$65

③ The increase in direct line costs per kilometre for 2005 is attributable to increased maintenance resulting from damage caused by extreme weather events .

④ Direct line costs have been reduced by the treatment of the \$1.43m decrease in expenditure associated resolution of the Arbitration Proceedings partially offset by increased maintenance costs associated with extreme weather events

⑤ Indirect costs per customer have been increased by one-off legal and consultants fees related to the successful Award as detailed in Note 22.



PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland, New Zealand
DX CP24073
www.pwc.com/nz
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 14 November 2006 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 black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers
20 November 2006

Auckland

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

For the year ended 31 March 2006

	2006	2005	2004	2003
1) Energy Delivery Efficiency Performance Measures				
(a) Load Factor	73.35%	73.22%	76.33%	76.71%
(b) Loss Ratio	3.03%	3.88%	3.48%	3.72%
(c) Capacity Utilisation	50.87%	53.33%	46.16%	47.64%
2) Statistics				
(a) System Length (km)				
110 kV	-	-	-	-
33 kV	181	180	180	180
11 kV	1,694	1,679	1,669	1,663
400 Volt	529	534	556	550
Total System Length (km)	2,404	2,393	2,404	2,393
(b) Circuit Length - Overhead (km)				
110 kV	-	-	-	-
33 kV	177	177	176	176
11 kV	1,533	1,533	1,532	1,528
400 Volt	242	271	300	298
Total Circuit Length - Overhead (km)	1,952	1,981	2,007	2,001
(c) Circuit Length - Underground (km)				
110 kV	-	-	-	-
33 kV	3	3	4	4
11 kV	161	146	137	136
400 Volt	287	263	256	252
Total Circuit Length - Underground (km)	451	412	397	392
(d) Transformer Capacity (kVA)	184,947	173,655	187,263	188,000
(e) Maximum Demand (kW)	94,074	92,615	86,444	89,567
(f) Total electricity entering system (before losses) (kWh)	604,433,814	594,055,073	579,559,451	601,855,016
(g) Total electricity supplied from system (after losses) on behalf of an electricity generator and/or retailer (kWh)				
Retailer A	253,190,431	272,356,795	246,530,377	250,470,780
Retailer B	1,291,437	1,427,951	1,323,049	770,147
Retailer C	288,443	196,910	169,520	99,734
Retailer D	3,817,347	3,211,834	2,498,521	3,163,394
Retailer E	4,601,277	3,619,012	1,455,924	4,464,636
Retailer F	2,626,723	873,558	5,152,620	1,471,434
Retailer G	-	-	-	-
Retailer H	-	-	-	-
Retailer I	-	-	-	-
Retailer J	320,840,581	289,325,966	302,243,165	319,033,932
Total (kWh)	586,656,239	571,012,026	559,373,176	579,474,057
(h) Total consumers	23,887	23,572	23,458	23,304

HORIZON ENERGY DISTRIBUTION LIMITED

Requirement 21 Reliability Performance Measures

For the year ended 31 March 2006

	2006	2005	2004	2003
1) Interruptions				
Class A - Transpower planned interruptions	1	8	1	2
Class B - Horizon planned interruptions	68	51	67	57
Class C - Horizon unplanned interruptions	110	125	83	80
Class D - Transpower unplanned interruptions	6	5	4	4
Class E - Horizon generation unplanned interruptions	-	-	-	-
Class F - Other generation unplanned interruptions	-	2	-	-
Class G - Other line owner unplanned interruptions	-	1	-	-
Class H - Other line owner planned interruptions	-	-	-	-
Class I - Not in A to H	2	-	-	-
Total Number of Interruptions	187	192	155	143
	2007	2006	2005	2004
2) Interruption Targets (Next Year)				
(a) Planned interruptions (Class B)	62	62	62	80
(b) Unplanned interruptions (Class C)	82	82	82	85
3) Average Interruption Targets (Next 5 Years)				
(a) Planned interruptions (Class B)	62	62	62	80
(b) Unplanned interruptions (Class C)	82	82	82	85
4) Proportion of Class C interruptions not restored within				
(a) 3 hours	25.00%	33.60%	14.46%	15.00%
(b) 24 hours	0.89%	8.80%	0.00%	0.00%
5) Faults per 100 km of prescribed voltage line				
(a) Number of faults				
110 kV	-	-	-	-
33 kV	4.0	3.9	0.6	0.6
11 kV	9.0	7.0	4.9	4.7
Total Number of Faults	8.5	6.7	4.6	4.3
	2007	2006	2005	2004
(b) Number of Faults Targeted				
110 kV	-	-	-	-
33 kV	-	-	-	1.1
11 kV	4.9	4.9	4.9	4.4
Total Number of Faults Targeted	4.4	4.5	4.5	4.1
(c) Average Number of Faults Targeted (Next 5yrs)				
110 kV	-	-	-	-
33 kV	-	-	-	1.1
11 kV	4.9	4.9	4.9	4.4
Total Average Number of Faults Targeted	4.4	4.5	4.5	4.1

HORIZON ENERGY DISTRIBUTION LIMITED

Requirement 21 Reliability Performance Measures (Continued)

For the year ended 31 March 2006

	2006	2005	2004	2003
6) Number of Faults per 100 km of Underground Prescribed Voltage Line				
110 kV	-	-	-	-
33 kV	-	-	-	-
11 kV	4.8	4.8	4.4	1.5
Total Underground Faults / 100km	4.7	4.7	4.4	1.4
7) Number of Faults per 100 km of Overhead Prescribed Voltage Line				
110 kV	-	-	-	-
33 kV	4.0	4.0	0.6	0.6
11 kV	7.2	7.2	5.0	5.0
Total Overhead Faults / 100km	6.9	6.9	4.6	4.6
8) SAIDI for Total Number of Interruptions	292	987	219	192
	⑦	⑦		
	⑦ Due to extreme weather events as set out in the Company's 2005 and 2006 Threshold Compliance Statements.			
	2007	2006	2005	2004
9) SAIDI Targets (Next Year)				
(a) Planned interruptions (Class B)	45	45	45	45
(b) Unplanned interruptions (Class C)	100	100	100	67
10) Average SAIDI Targets (Next 5 Years)				
(a) Planned interruptions (Class B)	45	45	45	45
(b) Unplanned interruptions (Class C)	100	100	100	67
11) SAIDI for Total Interruptions by Class				
Class A - Transpower planned interruptions	14	251	74	87
Class B - Horizon planned interruptions	31	22	25	20
Class C - Horizon unplanned interruptions	156	331	108	77
Class D - Transpower unplanned interruptions	84	372	12	8
Class E - Horizon generation unplanned interruptions	-	-	-	-
Class F - Other generation unplanned interruptions	-	-	-	-
Class G - Other line owner unplanned interruptions	4	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 2006

		2006	2005	2004	2003
12)	SAIFI for Total Number of Interruptions	2.48	3.54	1.62	1.60
	⑧ Due to extreme weather events as set out in the Company's 2005 and 2006 Threshold Compliance Statements				
		2007	2006	2005	2004
13)	SAIFI Targets (Next Year)				
(a)	Planned interruptions (Class B)	0.30	0.30	0.30	0.33
(b)	Unplanned interruptions (Class C)	1.50	1.50	1.50	1.30
14)	Average SAIFI Targets (Next 5 Years)				
(a)	Planned interruptions (Class B)	0.30	0.30	0.30	0.33
(b)	Unplanned interruptions (Class C)	1.50	1.50	1.50	1.30
15)	SAIFI for Total Interruptions by Class				
	Class A - Transpower planned interruptions	0.04	0.76	0.18	0.17
	Class B - Horizon planned interruptions	0.16	0.11	0.15	0.18
	Class C - Horizon unplanned interruptions	1.89	2.35	1.10	0.88
	Class D - Transpower unplanned interruptions	0.31	0.16	0.19	0.36
	Class E - Horizon generation unplanned interruptions	0.00	0.00	0.00	0.00
	Class F - Other generation unplanned interruptions	0.00	0.07	0.00	0.00
	Class G - Other line owner unplanned interruptions	0.04	0.09	0.00	0.00
	Class H - Other line owner planned interruptions	0.00	0.00	0.00	0.00
	Class I - Not in A to H	0.00	0.00	0.00	0.00
16)	CAIDI for Total Number of Interruptions	118	279	135	120
		2007	2006	2005	2004
17)	CAIDI Targets (Next Year)				
(a)	Planned interruptions (Class B)	150	150	150	136
(b)	Unplanned interruptions (Class C)	67	67	67	52
18)	Average CAIDI Targets (Next 5 Years)				
(a)	Planned interruptions (Class B)	150	150	150	136
(b)	Unplanned interruptions (Class C)	67	67	67	52
19)	CAIDI for Total Interruptions by Class				
	Class A - Transpower planned interruptions	343	330	411	501
	Class B - Horizon planned interruptions	189	200	167	111
	Class C - Horizon unplanned interruptions	82	141	98	87
	Class D - Transpower unplanned interruptions	268	2,325	63	22
	Class E - Horizon generation unplanned interruptions	-	-	-	-
	Class F - Other generation unplanned interruptions	-	-	-	-
	Class G - Other line owner unplanned interruptions	114	122	-	-
	Class H - Other line owner planned interruptions	-	-	-	-
	Class I - Not in A to H	-	-	-	-

Schedule 1 Part 8 - Annual Valuation Reconciliation Report

A reconciliation of movements in the ODV carrying value follows :

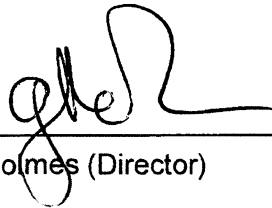
	Lines Business 2006 \$000
Total System fixed assets - end of the previous financial year	73,173
<i>Add</i> system fixed assets acquired during the year at ODV	3,098
<i>Less</i> system fixed assets disposed of during the year at ODV	-
<i>Less</i> depreciation on system fixed assets at ODV	(2,769)
<i>Add</i> revaluations of system fixed assets	-
<i>Equals</i> system fixed assets at ODV - end of the financial year	<u>73,501</u>

FORM 4**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES,
AND STATISTICS DISCLOSED BY HORIZON ENERGY DISTRIBUTION LIMITED**

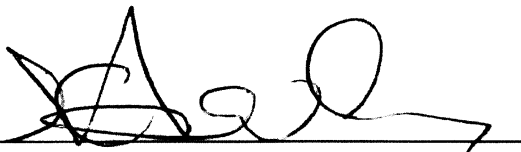
We, Colin George Houston Holmes, and Graeme Scott Hawkins, Directors of Horizon Energy Distribution Limited certify that, having made all reasonable enquiry, to the best of our knowledge;-

- (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: 14 November 2006