



New Zealand Gazette

OF THURSDAY, 16 DECEMBER 2004

WELLINGTON: WEDNESDAY, 22 DECEMBER 2004 — ISSUE NO. 173

TOP ENERGY LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

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

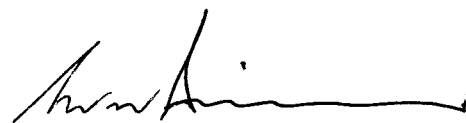
We, Jack Poutsma and Michael Simm, directors of Top Energy Limited certify that, having made all reasonable enquiries, to the best of our knowledge:

- a. The attached audited financial statements of Top Energy Limited prepared for the purposes of regulation 6 of the Commerce Commission's 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 Top Energy Limited, and having been prepared for the purposes of requirements 14, 15, 20 and 21 of the Electricity Information Disclosure Requirements 2004, comply with those Requirements.

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



J P Poutsma



M Simm

Date: 12 December 2004

IMPORTANT NOTE

Information disclosed in this 2004 Information Disclosure package issued by Top Energy Limited has been prepared solely for the purposes of the Electricity Information Disclosure Requirements 2004.

The Requirements determine that the information be disclosed in the manner it is presented.

The information should not be used for any other purpose than that intended under the requirements.

The information contained in this package may change at any time. Pricing and terms are as at the date of disclosure indicated and are not a quote or estimate of rates or terms that will apply in the future.

TOP ENERGY LIMITED**SPECIAL PURPOSE FINANCIAL STATEMENTS****STATEMENT OF FINANCIAL PERFORMANCE
FOR THE 12 MONTHS ENDED 31 MARCH 2004**

	<i>Notes</i>	LINE BUSINESS	
		\$	
		2004	2003
Income	1	20,358,632	19,510,638
Less expenses, excluding finance costs	2	15,073,693	12,864,473
Profit before finance, abnormals and taxation		5,284,939	6,646,165
Less net finance costs	3	630,428	606,279
Profit before taxation		4,654,511	6,039,886
Less taxation	4	6,495,000	1,472,000
Profit/(Loss) after taxation		(1,840,489)	4,567,886

This statement is to be read in conjunction with the accompanying notes, accounting policies and audit report.
The Financial Statements have been prepared solely for the purpose of complying with requirements 6(2) and 6(3) of the Electricity Information Disclosure Requirements 2004 and are not intended for any other purpose.

TOP ENERGY LIMITED**SPECIAL PURPOSE FINANCIAL STATEMENTS****STATEMENT OF MOVEMENTS IN EQUITY
FOR THE 12 MONTHS ENDED 31 MARCH 2004**

	<i>Notes</i>	LINE BUSINESS	
		\$	
		2004	2003
EQUITY AS AT 1 APRIL		73,877,216	73,884,330
Profit/(Loss) after taxation		(1,840,489)	4,567,886
Add revaluation of distribution asset		25,067,724	
Total recognised revenue and expenses for the year		23,227,235	4,567,886
Less dividends	5	5,350,000	4,575,000
EQUITY AS AT 31 MARCH		91,754,451	73,877,216
Represented by:			
RETAINED EARNINGS			
Opening balance		15,909,306	16,297,035
Profit after taxation		(1,840,489)	4,567,886
Dividend paid	5	(5,350,000)	(4,575,000)
Transfer to capital contribution reserve		(454,800)	(380,615)
		8,264,017	15,909,306
CAPITAL CONTRIBUTIONS RESERVE	Policy 2		
Opening balance		2,531,637	2,151,022
Transferred from retained earnings		454,800	380,615
		2,986,437	2,531,637
ASSET REVALUATION RESERVE	Policy 5		
Opening balance		32,218,293	32,218,293
Revaluation of Distribution asset	10 (ii)	23,941,436	
Revaluation of Land & Buildings		1,126,288	
		57,286,017	32,218,293
PAID IN CAPITAL	6	23,217,980	23,217,980
		91,754,451	73,877,216

This statement is to be read in conjunction with the accompanying notes, accounting policies and audit report.
The Financial Statements have been prepared solely for the purpose of complying with requirements 6(2) and 6(3) of the Electricity Information Disclosure Requirements 2004 and are not intended for any other purpose.

TOP ENERGY LIMITED**SPECIAL PURPOSE FINANCIAL STATEMENTS****STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2004**

	<i>Notes</i>	LINE BUSINESS	
		\$	
		2004	2003
SHAREHOLDERS' FUNDS		91,754,451	73,877,216
Represented by:			
NON CURRENT LIABILITIES			
Term Liabilities	8	7,000,000	7,285,714
Deferred tax	4	4,549,000	
CURRENT LIABILITIES			
Bank balances	11	46,207	
Creditors and accruals	9	1,337,436	1,473,516
Term Liabilities within 12 months	8	1,400,000	1,714,286
Taxation payable		1,946,000	1,472,000
		4,729,643	4,659,802
TOTAL EQUITY & LIABILITIES		108,033,094	85,822,732
FIXED ASSETS	10	104,671,243	78,754,773
CURRENT ASSETS			
Cash and bank balances	11	343	34,666
Interbusiness current account	12	1,773,856	4,485,222
Accounts receivable	13	1,587,652	2,548,071
		3,361,851	7,067,959
TOTAL ASSETS		108,033,094	85,822,732
		91,754,451	73,877,216

This statement is to be read in conjunction with the accompanying notes, accounting policies and audit report.
The Financial Statements have been prepared solely for the purpose of complying with requirements 6(2) and 6(3) of the Electricity Information Disclosure Requirements 2004 and are not intended for any other purpose.

TOP ENERGY LIMITED**SPECIAL PURPOSE FINANCIAL STATEMENTS****FINANCIAL STATEMENTS****STATEMENT OF CASH FLOW****FOR THE YEAR ENDED 31 MARCH 2004**

	LINE BUSINESS	
	2004 \$	2003 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	21,319,051	19,097,956
Interest received		
Dividends received		
GST receivable	33,575	
	21,352,626	19,097,956
Cash was disbursed to:		
Payments to suppliers and employees	11,672,618	9,599,770
Interest paid	630,232	594,829
Taxation paid	1,472,000	1,563,885
GST Payable		478,239
	13,774,850	12,236,723
Net cash from operating activities	7,577,776	6,861,233
CASHFLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Sale of fixed assets		
Other businesses	2,711,366	2,624,728
Cash was applied to:		
Purchase and construction of fixed assets	4,419,672	5,600,429
Net cash used in investing activities	(1,708,306)	(2,975,701)
CASHFLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Proceeds of Term Loan		700,000
Cash was applied to:		
Dividends paid	5,350,000	4,575,000
Repayment of loans	600,000	
Net cash from financing activities	(5,950,000)	(3,875,000)
NET INCREASE/(DECREASE) IN CASH HELD	(80,530)	10,532
OPENING CASH	34,666	24,134
CLOSING CASH	(45,864)	34,666

This statement is to be read in conjunction with the accompanying notes, accounting policies and audit report.
The Financial Statements have been prepared solely for the purpose of complying with requirements 6(2) and 6(3)
of the Electricity Information Disclosure Requirements 2004 and are not intended for any other purpose.

TOP ENERGY LIMITED**FINANCIAL STATEMENTS****SPECIAL PURPOSE FINANCIAL STATEMENTS****STATEMENT OF CASH FLOW****FOR THE YEAR ENDED 31 MARCH 2004**

	LINE BUSINESS	
	2004 \$	2003 \$
CASH COMPRISES		
Cash on hand	343	343
BNZ current account	(46,207)	34,323
	(45,864)	34,666
RECONCILIATION OF NET PROFIT AFTER TAXATION TO CASHFLOW FROM OPERATING ACTIVITIES		
Reported Net Profit/(Loss) after Taxation	(1,840,489)	4,567,886
Add/(Less) items classified as investing or financing activities		
Net loss/(profit) on disposal of assets	105,199	19,493
Add/(Less) other non-cash items:		
Change in provisions for leave etc	(33,289)	85,891
Depreciation	3,465,727	2,793,489
Provision for deferred tax	4,549,000	
	7,981,438	2,879,380
Add/(Less) movement in other working capital items		
Increase/(decrease) in tax payable	474,000	(91,885)
(Increase)/decrease in accounts receivable	960,419	(412,682)
Increase/(decrease) in accounts payable	(102,791)	(100,959)
	1,331,628	(605,526)
NET CASHFLOWS FROM OPERATING ACTIVITIES	7,577,776	6,861,233

This statement is to be read in conjunction with the accompanying notes, accounting policies and audit report.
The Financial Statements have been prepared solely for the purpose of complying with requirements 6(2) and 6(3)
of the Electricity Information Disclosure Requirements 2004 and are not intended for any other purpose.

TOP ENERGY LIMITED**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS****STATEMENT OF ACCOUNTING POLICIES
FOR THE 12 MONTHS ENDED 31 MARCH 2004****STATEMENT OF ACCOUNTING POLICIES**

The financial statements are those of the Line business of Top Energy Limited. Top Energy Limited is owned 100% by the Top Energy Consumer Trust and these organisations are in a "Prescribed Business Relationship" as defined by Requirement 3(1)(a)(ii) of the Electricity Information Disclosure Requirements 2004.

The period reported is 1 April 2003 to 31 March 2004.

These financial statements are prepared in accordance with Regulations 6(2) and 6(3) of the Electricity Information Disclosure Requirements 2004. The financial statements have not been prepared for the purpose of the Financial Reporting Act 1993, or the Energy Companies Act 1992.

GENERAL ACCOUNTING POLICIES

The accounting policies recognised as appropriate for the measurement and reporting of results and financial position under the historic cost method, as modified by revaluation of the distribution system, have been followed in the preparation of these financial statements.

Methodology of Separation of Business

Top Energy Limited has followed the Electricity Information Disclosure Requirements 2004 dated 7 May 2004, as issued by the Commerce Commission.

PARTICULAR ACCOUNTING POLICIES

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

1 Sales

Sales shown in the Statement of Financial Performance comprise the amounts received and receivable by the Company for electricity distribution services supplied to customers in the ordinary course of business. Sales are stated exclusive of Goods and Services Tax collected from customers.

2 Capital Contributions

Funds received from customers, as a contribution towards the cost of uneconomic supply facilities, are recognised in the statement of financial performance as soon as any obligations attaching to the contributions have been met.

Where a customer's circumstances change such that a part or all of the contribution is to be refunded, then a separately established reserve has been set up for this purpose. Contributions may be refunded within 10 years of the original date of payment.

TOP ENERGY LIMITED**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS****STATEMENT OF ACCOUNTING POLICIES
FOR THE 12 MONTHS ENDED 31 MARCH 2004****3 Taxation**

The taxation charged against the profit for the year is both the current year's provision and the income tax effects of timing differences calculated using the liability method.

Tax effect accounting is applied on a comprehensive basis to all timing differences. Future taxation benefits attributable to timing differences or to losses carried forward are recognized in the financial statements only where there is virtual certainty that the benefit of the losses will be utilised by the Company.

4 Accounts Receivable

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

5 Fixed Assets

Fixed assets held by the former Bay of Islands Electric Power Board were vested in the Company, Top Energy Ltd, on 1 May 1993 under the Energy Companies Act 1992. Fixed assets were vested at book value as at 1 May 1993, and represent "cost" to the Company.

The cost of fixed assets purchased after 1 May 1993 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 self - constructed assets includes the cost of all materials used in construction, direct labour on the project, costs of obtaining Resource Management Act consents and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency cost.

The Distribution system asset has been valued to depreciated replacement cost at 31 March 2004 based on a valuation conducted by Sinclair, Knight and Mertz Ltd, registered valuers. The Distribution system asset is valued on a 3 - 5 year cycle.

Capital work-in-progress includes materials, and a portion of direct labour and production overhead appropriate to the stage of completion attained.

Land and Buildings relating to substations are "owned" by the lines business. These have been valued to fair value at 31 March 2004 based on a valuation conducted by Telfer Young Ltd, registered valuers.

TOP ENERGY LIMITED

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES FOR THE 12 MONTHS ENDED 31 MARCH 2004

6 Depreciation

Land and work-in-progress assets are not depreciated. Other fixed assets are depreciated on a straight line (SL) or diminishing value (DV) basis that has regard to their historical cost, estimated useful life and expected residual value:

	Years
Straight line basis	
Distribution system	
Lines, Transformers & Substations	45 – 60
Switchgear	35
SCADA Communications equipment	15
Buildings	50
Office equipment, Plant and Furniture	10
Information systems assets	5 - 10
Chainsaws	3
Computer Software	3
	Rate
Diminishing value basis	
Motor Vehicles	20%

7 Statement of Cash Flows

The following is the definition of terms used in the Statement of Cash Flows:

“Cash” means coins and notes, demand deposits and other highly liquid investments in which the Company has invested as part of its day-to-day cash management. Cash includes liabilities which are the negative form of the above, such as the bank overdraft. Cash does not include accounts receivable or payable, or any borrowing subject to a term facility.

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

“Financing activities” are those activities which result in changes in the size and capital structure of the Company. 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.

“Operating activities” include all transactions and other events that are not investing or financing activities and includes interest and dividends received in relation to investments.

TOP ENERGY LIMITED**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS****STATEMENT OF ACCOUNTING POLICIES
FOR THE 12 MONTHS ENDED 31 MARCH 2004****8 Financial Instruments**

All financial instruments are recognised in the Statement of Financial Position except for off balance sheet instruments such as guarantees.

Financial instruments including cash, bank, accounts receivable, accounts payable, and term debt are generally carried at their estimated fair value.

Top Energy Ltd has entered into various financial instruments with off-balance sheet risk for the primary purpose of reducing its exposure to interest. While these 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 being hedged.

Changes in Accounting Policies

During the year, the Company changed its accounting policy with respect to taxation. Under the new policy the comprehensive method is adopted to account for the income tax effect of permanent and timing differences. Previously the partial basis had been used. The change has been made in anticipation of changes in international accounting standards. The change has resulted in an increase in the tax charge for the year and the deferred tax liability for the Lines business of \$4,549,000 .

The Company changed its accounting policy with respect to the carrying value of land and buildings fixed assets. Under the new policy land and buildings are stated at valuation. The change has resulted in increasing the value of Line business fixed assets at balance date by \$1,126,288.

The Company changed its accounting policy with respect to the depreciation of the distribution system asset. Previously the policy was to use infrastructure accounting, this has changed to cost/revaluation less depreciation under FRS 3 -Accounting for Property, Plant and Equipment. The new policy depreciates component assets of the distribution system based on their economic lives. The change has been made to conform with FRS3. The change has resulted in an increase in the depreciation charge, and reduction of profit for the Line business for the year of \$527,558.

There were no other material changes in accounting policy.

TOP ENERGY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 MARCH 2004**

	LINE BUSINESS	
	\$	
	2004	2003
1 INCOME		
Electricity Line revenue	18,991,430	18,675,764
AC loss rental rebate	786,713	454,259
Capital contributions	580,489	380,615
Total income	20,358,632	19,510,638
2 NET PROFIT BEFORE TAXATION		
The net profit before tax is stated after charging:		
Loss/(Profit) on disposal of fixed assets	105,199	19,493
Depreciation	3,465,727	2,793,489
Buildings	4,440	4,440
Distribution System	3,092,346	2,564,798
Centralised Load control equipment	12,632	12,632
Office equipment & furniture	9,821	7,571
Information system & billing assets	313,181	189,081
Vehicles	33,307	14,967
Auditors - audit services	40,208	30,400
- regulatory/ODV reporting & price control submission	37,931	15,640
Directors' fees	141,420	112,000
Bad debts		

TOP ENERGY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 MARCH 2004**

		LINE BUSINESS	
		\$	
		2004	2003
3	NET FINANCE COSTS		
	Comprise:		
	Interest - term debt	608,548	587,120
	Interest - other	21,880	19,159
	Net finance costs	630,428	606,279
4	TAXATION		
	The taxation provision has been calculated as follows:		
	Profit for the period	4,654,511	6,039,886
	Taxation for the period at 33%	1,535,989	1,993,162
	Plus/(Less) tax effect of:		
	Non taxable income	(191,561)	(125,603)
	Non deductible items		1,320
	Unrecognised timing differences		(261,879)
	Timing differences not previously recognised	5,130,397	
		6,474,824	1,607,000
	The taxation charge is represented by:		
	Taxation payable in respect of the current period	1,925,824	1,607,000
	Prior year under/(over)provision	20,176	(135,000)
	Deferred tax	4,549,000	
		6,495,000	1,472,000
The Company changed its accounting policy from the partial to comprehensive method during the year.			
5	DIVIDENDS		
	Ordinary dividend paid (.214 cents per share)	5,350,000	
	Ordinary dividend paid (.183 cents per share)		4,575,000
	Total dividends paid or provided	5,350,000	4,575,000

TOP ENERGY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 MARCH 2004**

	LINE BUSINESS	
	\$	
	2004	2003
6 SHARE CAPITAL		
23,042,500 ordinary shares issued to the trustees of the Top Energy Consumer Trust for a consideration of	23,217,980	23,217,980
Net assets vested in the Company 1 May 1993	23,217,980	23,217,980
7 IMPUTATION CREDIT ACCOUNT		
Opening balance	(98,507)	590,966
Plus income tax paid	1,472,000	1,563,885
Imputation credits attached to dividends paid	(2,635,075)	(2,253,358)
Closing Balance	(1,261,582)	(98,507)

TOP ENERGY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 MARCH 2004**

				LINE BUSINESS	
				\$	
				2004	2003
8 TERM LIABILITIES	Interest Rate %	Repayable	Fair Value		
BNZ Loans **					
Borrowing 17.03.04	5.70	15.06.04	1,112,080	1,111,765	
Borrowing 26.03.04	5.60	20.04.04	288,235	288,235	
Borrowing 18.12.03	6.85*	09.08.10	2,220,216	2,058,824	
Borrowing 18.12.03	6.35*	21.03.11	1,299,030	1,235,294	
Borrowing 18.12.03	6.76*	04.05.12	1,804,588	1,647,059	
Borrowing 18.12.03	6.81*	07.08.12	2,264,056	2,058,823	
Westpac loans					9,000,000
				8,400,000	9,000,000
Less current portion				1,400,000	1,714,286
Term liabilities				7,000,000	7,285,714
Repayable as follows:					
Due after 1 but before 2 years					
Due after 2 but before 5 years					4,285,714
Due after 5 but before 10 years				7,000,000	3,000,000
				7,000,000	7,285,714

* Effective interest rate under interest rate swap agreements

** Under a Facility Agreement dated 17 December 2003.

BNZ loans are secured by deed of guarantee from group companies.

TOP ENERGY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 MARCH 2004**

	LINE BUSINESS	
	\$	
	2004	2003
11 CASH AND BANK BALANCES		
CURRENT ASSETS		
Comprise		
Cash on hand	343	343
BNZ current account		34,323
	343	34,666
CURRENT LIABILITY		
BNZ current account	(46,207)	
Net cash & Bank position	(45,864)	34,666
12 INTERBUSINESS CURRENT ACCOUNT		
Represents notional net funds advanced from the Lines business to 'Other businesses',		
- Account receivable	2,304,166	4,987,424
- Account payable for March 2004 month	(530,310)	(502,202)
	1,773,856	4,485,222
13 ACCOUNTS RECEIVABLE		
Comprise:		
Trade debtors	1,470,475	2,422,516
Accruals and prepayments	117,177	125,555
	1,587,652	2,548,071

TOP ENERGY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 MARCH 2004****9 CREDITORS AND ACCRUALS**

Accounts payable and accruals
Payroll provisions

LINE BUSINESS	
\$	
2004	2003
779,105	1,323,920
558,331	149,596
1,337,436	1,473,516

10 FIXED ASSETS

	Cost or Valuation		Acc. Depreciation		Net Book Value	
	2004	2003	2004	2003	2004	2003
Land & Buildings at valuation	1,477,000	396,054		(44,021)	1,477,000	352,033
Distribution system	102,057,321	82,021,435	0	(5,068,541)	102,057,321	76,952,894
- At Cost		8,955,938		(256,038)	-	8,699,900
- At Valuation	102,057,321	73,065,497		(4,812,503)	102,057,321	68,252,994
Centralised load control equipment	183,879	258,600		(17,220)	183,879	241,380
Office equipment & furniture	136,300	117,255	(87,512)	(76,852)	48,788	40,403
Information system & billing assets	2,072,158	1,955,972	(1,435,010)	(1,138,222)	637,148	817,750
Vehicles	186,854	186,854	(53,626)	(20,320)	133,228	166,534
Capital work in progress	133,879	183,779			133,879	183,779
Total fixed assets	106,247,391	85,119,949	(1,576,148)	(6,365,176)	104,671,243	78,754,773

i) There is no Goodwill or other intangible fixed asset in Line business Fixed assets.

ii) Land & buildings have been revalued at 31 March 2004 by Telfer Young Ltd, registered valuer.

The Distribution system was revalued by independent engineering consultants, Sinclair, Knight & Mertz. The valuation was carried out at 31 March 2004 and the report is dated 21 May 2004. The valuation is based on depreciated replacement cost (DRC) of the distribution system asset. The Directors consider this valuation to be fair. The DRC valuation is an element of the Optimised Deprival Value (ODV) which the company is required to prepare for regulatory purposes. The ODV has been audited by Pricewaterhouse-Coopers. The DRC revaluation movement in the Statement of equity of \$23,941,436 differs from the revaluation disclosed in Schedule 4 - part 8 of the Electricity Regulations 1999 for 2004, of \$20,473,000 reflecting the impact of the adoption of the new ODV handbook (August 2004) and the optimisation adjustment used in the ODV basis.

TOP ENERGY LIMITED**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 MARCH 2004****14 RELATED PARTY TRANSACTIONS**

There have been no material related party transactions requiring disclosure in accordance with SSAP 22 "Related Party Disclosures", apart from the following:

i. Top Energy Consumer Trust:

Top Energy Ltd is wholly owned by Top Energy Consumer Trust. For the period ended 31 March 2004, Top Energy Ltd paid \$5.35m (31 March 2003: \$4.575m) in the form of a dividend to the above Trust. This payment is reflected in the Statement of movements in Equity of Top Energy Ltd.

During the period Top Energy processed transactions on an agency basis on behalf of the Trust in order to settle routine business dealings. As at 31 March 2004, a balance of \$1,379 (31 March 2003 \$22,430) owing by the Trust to the Company has been included in accounts receivable in the statement of financial position. All transactions with the Trust were made on normal business terms.

ii. Transfer Payments between Line & 'Other' business:

The following related party transactions occurred in the year between the Line & Other businesses.

	Note	2004 (Income)/cost	2003 (Income)/cost
Transfer Payment Cost to Line:			
Asset maintenance services	a	2,472,716	2,038,000
Avoided transmission charges	b	609,000	468,000
Property rental	c	37,456	46,900
Payment for meter data		Nil	Nil
Consumer based load control		Nil	Nil
Disconnection/reconnection services		Nil	Nil
Asset construction	d		
Subtransmission assets		Nil	Nil
Zone substations		934,935	226,106
Distribution lines & cable		1,478,895	1,747,061
Medium voltage switchgear		-	27,394
Distribution transformers		17,936	73,024
Distribution substations		-	-
Low voltage lines & cables		706,772	1,362,778
Other system fixed assets		-	-

TOP ENERGY LIMITED**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 MARCH 2004****14 RELATED PARTY TRANSACTIONS**

- a. Asset maintenance services are provided by the Contracting Division in respect of the System fixed asset. Services are provided as contracted by the Line business and are charged at market rates on an arms length basis. Services were provided throughout the year. The outstanding balance at 31 March 2004 was \$206,000 (2003: \$169,833).
- b. Avoided Transmission charges are paid in respect of embedded generation provided by Ngawha Generation Limited. Charges are based on the Transpower market rate. The service was provided for the full year. The outstanding balance at 31 March 2004 was \$50,750 (2003: \$39,000).
- c. Property facilities are provided to the Line business by the Property Division. Rentals are at market rates for the specific sites. Services were provided throughout the year. The property rental includes cost recovery in respect of rates of \$13,996 (2003: \$12,015).
- d. Asset construction services are provided by the Contracting Division in respect of the System fixed asset. Services are provided as contracted by the Line business and are charged on a full cost recovery basis. Services were provided throughout the year. The outstanding balance at 31 March 2004 was \$261,544 (2003: \$289,461).

15 FINANCIAL INSTRUMENTS**a. Currency and Interest Rate Risk**

Nature of activities and management policies with respect to financial instruments:

i. Currency

The Group has undertaken foreign currency transactions from time to time in connection with its activities. To manage the foreign currency risk the Group has used forward exchange contracts. There are no contracts in place at 31 March 2004.

TOP ENERGY LIMITED**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 MARCH 2004****15 FINANCIAL INSTRUMENTS****ii. Interest Rate**

The Company has a \$65m Facility Agreement with BNZ. An amount of \$35m is a facility in relation to the possible expansion of the Ngawha geothermal project, no advance has been made at balance date. The Core business facility of \$30m allows borrowings to be made over variable periods. At balance date \$8.4m was advanced to the Line business and these advances will be renewed to coincide with funding requirements. The expected repayment dates are disclosed in Note 8.

The principal or contract amounts of interest rate contracts outstanding at 31 March 2004 for the Line business are \$7m (2003: \$7.3m). The effective interest rates are disclosed in Note 8.

The Company has not entered into forward agreements or futures transactions.

b. Concentration of Credit Risk

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

The Company has a credit policy which is used to manage its exposure to credit risk. As part of this policy, limits on exposures with counterparties have been set and approved by the Board of Directors and are monitored on a regular basis.

The Company does not have any significant concentrations of credit risk. The Company does not require any collateral or security to support financial instruments as it only deposits with, or lends to, banks and other financial institutions of recognised quality. The Company does not expect the non-performance of any material obligations at balance date.

c. Fair Values

The following methods were used to estimate the fair values of these classes of financial instruments:

- i. Cash and liquid deposits, debtors and other accounts receivable including sundry debtors, creditors and other accounts payable including sundry creditors, loans payable within twelve months.

The carrying value of these items is equivalent to their fair value.

- ii. *Term Liabilities* – see Note 8.

TOP ENERGY LIMITED**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 MARCH 2004****16 SEGMENT INFORMATION**

The Lines business operates primarily in one industry, the electricity conveyance industry, and in one geographic location: Northland, New Zealand.

17 CAPITAL EXPENDITURE COMMITMENTS

Top Energy Ltd had commitments for capital expenditure at 31 March 2004 of \$94,616 (31 March 2003: \$670,524).

18 CONTINGENT LIABILITIES

The Company and its subsidiaries provide bank guarantees.

19 EVENTS OCCURRING AFTER BALANCE DATE

There are no events which have arisen after the balance sheet date that require disclosure.

Statement of Financial Position Disclosure (Schedule 1, Part 2)

para		2004 \$	2003 \$
1	Current assets		
(a)	Cash and bank balances:	343	34,666
(b)	Short-term investments:		
(c)	Inventories:		
(d)	Accounts receivable:	1,587,652	2,548,071
(e)	Other current assets not listed in (a) to (d):	1,773,856	4,485,222
(f)	Total current assets	3,361,851	7,067,959
2	Fixed assets		
(a)	System fixed assets:	103,718,201	77,546,307
(b)	Consumer billing and information system assets:	637,148	817,750
(c)	Motor vehicles:	133,228	166,534
(d)	Office equipment:	48,788	40,403
(e)	Land and buildings:		
(f)	Capital works under construction:	133,879	183,779
(g)	Other fixed assets not listed in (a) to (f):		
(h)	Total fixed assets	104,671,242	78,754,773
3	Other tangible assets not listed above	0	0
4	Total tangible assets	108,033,093	85,822,732
5	Intangible assets		
(a)	Goodwill:	0	0
(b)	Other intangibles not listed in (a) above:	0	0
(c)	Total intangible assets	0	0
6	Total assets	108,033,093	85,822,732
7	Current liabilities		
(a)	Bank overdraft:	46,207	0
(b)	Short-term borrowings:	1,400,000	1,714,286
(c)	Payables and accruals:	1,337,436	1,473,516
(d)	Provision for dividends payable:		
(e)	Provision for income tax:	1,946,000	1,472,000
(f)	Other current liabilities not listed in (a) to (e) above:		
(g)	Total current liabilities	4,729,643	4,659,802
8	Non-current liabilities		
(a)	Payables and accruals:		0
(b)	Borrowings:	7,000,000	7,285,714
(c)	Deferred tax:	4,549,000	0
(d)	Other non-current liabilities not listed in (a) to (c) above:	0	0
(e)	Total non-current liabilities	11,549,000	7,285,714
9	Equity		
(a)	Shareholders' equity:		
(i)	Share capital:	23,217,980	23,217,980
(ii)	Retained earnings:	8,264,017	15,909,306
(iii)	Reserves:	60,272,454	34,749,930
(iv)	Total Shareholders' equity:	91,754,451	73,877,216
(b)	Minority interests in subsidiaries:	0	0
(c)	Total equity:	91,754,451	73,877,216
(d)	Capital notes:	0	0
(e)	Total capital funds:	91,754,451	73,877,216
10	Total equity and liabilities	108,033,094	85,822,732

Operating Revenue (Schedule 1, Part 2)

para

11

11 Operating revenue

- (a) Revenue from line/access charges:
- (b) Revenue from "Other" business for services carried out by the line business (transfer payment):
- (c) Interest on cash, bank balances and short term investments:
- (e) AC loss-rental rebates:
- (f) Other revenue not listed in (a) to (d):
- (g) **Total operating revenue**

2004	2003
18,991,430	18,675,764
786,713	454,259
580,489	380,615
20,358,632	19,510,638

para

Expenditure (Schedule 1, Part 2)**12 Operating expenditure**

- (a) Payment for transmission charges
- (b) Transfer payments to the "Other" business for:
 - (i) Asset maintenance:
 - (ii) Consumer disconnection/reconnection services:
 - (iii) Meter data:
 - (iv) Consumer-based load control services:
 - (v) Royalty and patent expenses:
 - (vi) Avoided transmission charges on account of own generation
 - (vii) Other goods and services not listed in (i) to (vi) above
 - (viii) **Total transfer payment to the "Other" business**
- (c) Expense to entities that are not related parties for:
 - (i) Asset maintenance:
 - (ii) Consumer disconnection/reconnection services
 - (iii) Meter data
 - (iv) Consumer-based load control services
 - (v) Royalty and patent expenses
 - (vi) Total of specified expenses to non-related parties (sum of (i) to (v))
- (d) Employee salaries, wages and redundancies
- (e) Consumer billing and information system expense
- (f) Depreciation on:
 - (i) System fixed assets:
 - (ii) Other assets not listed in (i)
 - (iii) **Total depreciation**
- (g) Amortisation of:
 - (i) Goodwill:
 - (ii) Other intangibles:
 - (iii) **Total amortisation of intangibles**

2004	2003
4,024,725	4,156,059
2,972,296	2,038,000
609,000	468,000
3,581,296	2,506,000
0	0
1,864,981	1,812,240
113,040	97,702
3,210,177	2,577,430
360,750	216,059
3,570,927	2,793,489
0	0

Expenditure (Schedule 1, Part 2)

		2004	2003
(h)	Corporate and administration:	356,380	333,294
(i)	Human resource expenses:	74,578	78,919
(j)	Marketing/advertising:	168,591	124,887
(k)	Merger and acquisition expenses:		
(l)	Takeover defence expenses:		
(m)	Research and development expenses:		
(n)	Consultancy and legal expenses:	212,311	203,760
(o)	Donations:		
(p)	Directors' fees:	141,420	112,000
(q)	Auditors' fees:		
(i)	Audit fees paid to principal auditors:	40,208	30,400
(ii)	Audit fees paid to other auditors:	37,931	
(iii)	Fees paid for other services provided by principal and other auditors:		15,640
(iv)	Total auditors' fees:	78,139	46,040
(r)	Costs of offering credit:		
(i)	Bad debts written off:		0
(ii)	Increase in estimated doubtful debts:		
(iii)	Total cost of offering credit:		
(s)	Local authority rates expense:		
(t)	AC loss-rentals (distribution to retailers/customers) expense:	786,713	454,259
(u)	Rebates to consumers due to ownership interest:		
(v)	Subvention payments:		
(w)	Unusual expenses:		
(x)	Other expenditure not listed in (a) to (w)	100,592	145,823
13	Total operating expenditure	15,073,693	12,864,472
14	Operating surplus before interest and income tax	5,284,939	6,646,165
15	Interest expense		
(a)	Interest expense on borrowings	630,428	606,279
(b)	Financing charges related to finance leases		
(c)	Other interest expense		
(d)	Total interest expense		
16	Operating surplus before income tax	4,654,511	6,039,886
17	Income tax	6,495,000	1,472,000
18	Net surplus/(defecit) after tax	(1,840,489)	4,567,886

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	5,284,939				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	0				
Interest on cash, bank balances, and short-term investments (ISTI)	5,284,939	a	5,284,939		5,284,939
OSBIT minus ISTI	-1,840,489				
Net surplus after tax from financial statements	-1,840,489	n		-1,840,489	
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)					
Amortisation of goodwill and amortisation of other intangibles	0	g	add 0	add 0	add 0
Subvention payment	0	s	add 0	add 0	add 0
Depreciation of SFA at BV (x)	3,210,177				
Depreciation of SFA at ODV (y)	3,282,000				
ODV depreciation adjustment	-71,823	d	add -71,823	add -71,823	add -71,823
Subvention payment tax adjustment	0	s*t		deduct 0	deduct 0
Interest tax shield	208,041	q			deduct 208,041
Revaluations	20,473,000	r			add 20,473,000
Income tax	6,459,000	p			deduct 6,459,000
Numerator			5,213,116 OSBIT ^{ADJ} = a + q + s + d	-1,912,312 NSAT ^{ADJ} = n + q + s - s*t + d	19,019,075 DSBIT ^{ADJ} = a + g + q + r + s + d - p - s*t
Fixed assets at end of previous financial year (FA ₀)	78,754,773				
Fixed assets at end of current financial year (FA ₁)	104,671,243				
Adjusted net working capital at end of previous financial year (ANWC ₀)	572,353				
Adjusted net working capital at end of current financial year (ANWC ₁)	204,009				
Average total funds employed (ATFE)	92,101,189 (or regulation 33 time-weighted average)	c	92,101,189		92,101,189
Total equity at end of previous financial year (TE ₀)	73,877,216				
Total equity at end of current financial year (TE ₁)	91,754,451				
Average total equity	82,815,834 (or regulation 33 time-weighted average)	k		82,815,834	
WUC at end of previous financial year (WUC ₀)	183,779				
WUC at end of current financial year (WUC ₁)	133,879				
Average total works under construction	158,829 (or regulation 33 time-weighted average)	e	deduct 158,829	deduct 158,829	deduct 158,829
Revaluations	20,473,000	r			
Half of revaluations	10,236,500	r/2			deduct 10,236,500
Intangible assets at end of previous financial year (IA ₀)	0				
Intangible assets at end of current financial year (IA ₁)	0				
Average total intangible asset	0 (or regulation 33 time-weighted average)	m		add 0	
Subvention payment at end of previous financial year (S ₀)	0				
Subvention payment at end of current financial year (S ₁)	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	0	v		add 0	
System fixed assets at end of previous financial year at book value (SFA _{bv0})	77,546,307				
System fixed assets at end of current financial year at book value (SFA _{bv1})	103,718,201				
Average value of system fixed assets at book value	90,632,254 (or regulation 33 time-weighted average)	f	deduct 90,632,254	deduct 90,632,254	deduct 90,632,254
System Fixed assets at year beginning at ODV value (SFA _{odv0})	76,065,000				
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	96,695,000				
Average value of system fixed assets at ODV value	86,380,000 (or regulation 33 time-weighted average)	h	add 86,380,000	add 86,380,000	add 86,380,000
Denominator			87,690,106 ATFE ^{ADJ} = c - e - f + h	78,404,751 Ave TE ^{ADJ} = k - e - m + v - f + h	77,453,606 ATFE ^{ADJ} = c - e - 1/2 * f + h
Financial Performance Measure:			5.9 ROF = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100	-2.4 ROE = NSAT ^{ADJ} /ATE ^{ADJ} x 100	24.6 ROI = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100

t = maximum statutory income tax rate applying to corporate entities bv = book value ave = average odv = optimised deprival valuation subscript '0' = end of the previous financial year
subscript '1' = end of the current financial year ROF = return on funds ROE = return on equity ROI = return on investment

**Schedule 4 -part 8 of the Electricity Regulations 1999****Annual Valuation Reconciliation Report of System Fixed Assets**

	\$'000
Year ending 31 March 2004	96,695
System fixed assets at ODV – 31 March 2003	76,065
Add system fixed assets acquired during the year	3,818
Less system fixed assets disposed of during the year	(379)
Less depreciation on system fixed assets	(3,282)
Revaluations	20,473
Equals system fixed assets at ODV – 31 March 2004	<u>96,695</u>

December 2004

TOP ENERGY LIMITED

Performance Measures and Statistics
For the Year Ended 31 March 2004

Regulations 15 and 16

i. Financial Performance Measures

	2004	2004 *Adjusted	2003	2002	2001
a. Return on Funds	5.9%	6.7%	8.60%	9.30%	7.80%
b. Return on Equity	-2.4%	3.9%	6.20%	6.40%	4.60%
c. Return on Investment	24.6%	4.0%	6.00%	6.90%	1.30%
[Return on Investment - excluding revaluations]				[6.9%]	[5.5%]

* Adjusted 2004 - excludes the effect of (1) revaluations and (2) providing for deferred tax for the first time.

ii. Efficiency Performance Measures	2004 \$	2003 \$	2002 \$	2001 \$
a. Direct Line Costs per kilometre (2001 - 2003 restated for revised Circuit Km - Reg. 21 (ii) below.)	1,087	853	782	809
b. Indirect Line Costs per Electricity Customer	68	63	62	63

Optimised Deprival Valuation

The Optimised Deprival Valuation as at 31 March 2004 (following the August 2004 handbook) is \$96,695,000.

Regulation 21

i. Energy Delivery Efficiency Performance Measures

	2004	2003 %	2002 %	2001 %
a. Load Factor	65.0	63.0	62.0	63.4
b. Loss Ratio	6.8	7.2	9.3	10.4
c. Capacity Utilisation	33.0	32.0	32.0	31.0

ii. Statistics

See table below for the following statistics:

- a. System Length (kms) and breakdown by nominal line voltage.
b. Underground circuit length (kms) and breakdown by nominal line voltage.
c. Overhead circuit length (kms) and breakdown by nominal line voltage.
The Kms for 2001-2003 have been revised for more accurate data arising from the implementation of GIS.

		Kilometres							
		(c) Overhead Circuit				(b) Underground Circuit			
		2004	2003	2002	2001	2004	2003	2002	2001
33kV		270	270	270	270	2	2	2	2
11kV		2,713	2,703	2,689	2,681	116	109	101	94
400V		310	310	310	310	417	400	383	366
		3,293	3,283	3,269	3,261	535	511	486	462

		(a) Total System			
		2004	2003	2002	2001
		272	272	272	272
		2,829	2,812	2,790	2,775
		727	710	693	676
		3,828	3,794	3,755	3,723

	2004	2003	2002	2001
d. Transformer Capacity (kVA)	181,420	187,228	180,899	176,304
e. Maximum Demand (kW)	59,000	59,000	58,000	55,000
f. Total Electricity supplied by System before losses	336,368,518	326,432,018	316,149,000	305,505,191
g. Total Elec' conveyed by System for other persons after losses	313,545,550	302,869,976	286,724,192	273,671,840
Retailer 1	216,756,107	213,985,548	210,461,645	218,855,428
Retailer 2	56,924,734	55,250,394	42,789,736	24,445,701
Retailer 3	12,872,628	19,619,233	21,080,083	20,322,513
Retailer 4	14,307,470	9,104,627	5,540,988	5,974,612
Retailer 5	6,666,071	2,458,876	3,575,163	2,940,548
Retailer 6	6,018,540	2,451,298	3,164,853	947,711
Retailer 7			111,724	185,327
h. Total Customers (average for year)	27,075	27,590	27,044	26,234

TOP ENERGY LIMITED

Performance Measures and Statistics
For the Year Ended 31 March 2004

Regulation 22

Reliability Performance Measures

i. Total number of interruptions and breakdowns by interruption class

Class Type of Interruption	5 Yr Target Average 2005		2004 No	2003 No	2002 No	2001 No
A Planned - Transpower			0	0	2	0
B Planned - Top Energy	155	155	169	144	195	218
C Unplanned - Top Energy	190	210	219	249	244	235
D Unplanned - Transpower			1	0	6	0
E Unplanned - Embedded Generation			0	0	0	0
F Unplanned - Other Generation			0	0	0	0
G Unplanned - Another Line owner			0	0	0	0
H Planned - Another Line owner			0	0	0	0
I Any other interruption			0	0	0	0
Total - All interruptions			389	393	447	453
Class C Interruptions not restored:			%	%	%	%
a Within 3 hours			42%	30%	34%	27%
b Within 24 hours			1%	0%	0%	0%

ii. Number of faults per 100 circuit kms

Line Voltage	Total				Underground				Overhead			
	2004	2003	2002	2001	2004	2003	2002	2001	2004	2003	2002	2001
100kV												
66kV												
33kV	4.78	7.74	4.10	4.08	0	0	0	0	4.81	7.74	4.10	4.08
11kV	7.28	7.21	7.34	7.14	0	0	0	1.67	7.59	7.38	7.50	7.25
6.6kV												
3.3kV												
Total	7.06	7.25	7.11	6.92	0	0	0	1.67	7.34	7.41	7.25	7.01
Target Faults:			5 Yr Target Average 2005		5 Yr Target Average 2005				5 Yr Target Average 2005			
33kV			3.7	3.7	0.0	0.0			3.7	3.7		
11kV			6.4	7.4	0.0	0.0			6.6	7.4		
Total			6.1	6.8	0.0	0.0			6.4	7.0		

iii. Breakdown of statistics by interruption class

Class Type of Interruption	SAIDI (Minutes)				SAIFI (Interruptions)				CAIDI (Minutes)			
	2004	2003	2002	2001	2004	2003	2002	2001	2004	2003	2002	2001
A Planned - Transpower	0.0	0.0	148.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0	115.0	0.0
B Planned - Top Energy	39.5	37.0	48.0	83.0	0.3	0.3	0.3	0.6	113.0	136.0	150.0	145.0
C Unplanned - Top Energy	311.9	382.9	287.0	246.0	4.2	6.1	4.8	4.7	74.0	63.0	60.0	52.0
D Unplanned - Transpower	1.5	0.0	191.0	0.0	0.1	0.0	3.8	0.0	17.0	0.0	50.0	0.0
E Unplanned - Embedded Generation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
F Unplanned - Other Generation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
G Unplanned - Another Line owner	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
H Planned - Another Line owner	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
I Any other interruption	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total - All interruptions	352.9	419.9	674.0	329.0	4.6	6.4	10.2	5.3	77.0	66.0	66.0	62.0
Targets:			5 Yr Target Average 2005		5 Yr Target Average 2005				5 Yr Target Average 2005			
B Planned - Top Energy			40	40	0.3	0.3			133	133		
C Unplanned - Top Energy			270	280	4.9	4.9			55	57		



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

Auditors' Opinion of Performance Measures

Top Energy 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 Top Energy Limited – lines business and dated 12 December 2004 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

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

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

Andy Britton
On behalf of the Auditor-General
12 December 2004

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

Pricewaterhousecoopers



PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland, New Zealand
www.pwc.com
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

Auditors' Report

To the readers of the financial statements of Top Energy Limited - Lines Business

We have audited the accompanying financial statements of Top Energy Limited - Lines Business. The financial statements provide information about the past financial performance of Top Energy Limited - Lines Business and its financial position as at 31 March 2004. This information is stated in accordance with the accounting policies set out in the Statement of Accounting Policies.

Directors' Responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of Top Energy Limited - Lines Business as at 31 March 2004, and the results of operations and cash flows for the year then ended.

Auditors' Responsibilities

Section 15 of the Public Audit Act 2001 and Regulation 30 of the Electricity (Information Disclosure) Requirements 2004 require the Auditor-General to audit the financial statements. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements presented by the Directors and report that opinion to you.

The Auditor-General has appointed Andy Britton or Pricewaterhousecoopers to undertake the audit.

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 Top Energy Limited - Lines Business' circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of 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.

We have carried out other assignments for Top Energy Limited in the provision of other assurance services. Other than these assignments and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Top Energy Limited.



Auditors' Report

Top Energy 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 Top Energy 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 Top Energy Limited - Lines Business as at 31 March 2004 and the results of its operations and cash flows for the year then ended; and
 - (iii) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 12 December 2004 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to be 'Andy Britton'.

Andy Britton
On behalf of the Auditor-General
Auckland, New Zealand

A handwritten signature in black ink, appearing to be 'PricewaterhouseCoopers'.

Pricewaterhousecoopers