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HORIZON ENERGY DISTRIBUTION LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1999 AND THE
ELECTRICITY (INFORMATION DISCLOSURE)
AMENDMENT REGULATIONS 2000 AND 2001

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

For the Year Ended 31 March 2003

	NOTE	Lines Business 2003 \$000	Lines Business 2002 \$000
Total Operating Revenue	2,16	22,759	25,088
Prior Year Line Revenue	2	-	816
Total Operating Expenditure	2,3,16	(12,409)	(13,536)
Prior Year Transmission costs reversed	2	-	713
Operating Surplus before Interest and Taxation	2,3,16	10,350	13,081
Interest Expense	3	(2,264)	(2,424)
Operating Surplus before Taxation		8,086	10,657
Income Tax Expense	4	(3,117)	(3,900)
Net Surplus After Taxation		4,969	6,757
Surplus Attributable to Shareholders of Horizon Energy Distribution Limited		4,969	6,757

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

As at 31 March 2003

	NOTE	Lines Business 2003 \$000	Lines Business 2002 \$000
Current Assets			
Advance to "Other" business		2,184	290
Accounts Receivable	8	2,793	4,320
Inventory		-	392
Total Current Assets		4,977	5,002
Non Current Assets			
Fixed Assets	9	62,724	64,890
Total Non Current Assets		62,724	64,890
Total Tangible Assets / Total Assets		67,701	69,892
Current Liabilities			
Cash and Bank Balances		283	133
Accounts Payable and Accruals	10	1,952	2,891
Taxation Payable	4	2,629	2,270
Total Current Liabilities		4,864	5,294
Funding			
Shareholders' Equity / Capital Funds			
Share Capital	5	8,432	8,432
Reserves	6	47,441	47,441
Retained Earnings	7	(23,722)	(23,133)
Total Shareholders' Equity / Total Capital Funds		32,151	32,739
Non Current Liabilities			
Term Loans	11	29,780	31,100
Deferred Taxation	4	906	759
Total Non Current Liabilities		30,686	31,859
Total Equity and Liabilities		67,701	69,892

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

For the Year Ended 31 March 2003

	Lines Business 2003 \$000	Lines Business 2002 \$000
Cash Flow from Operating Activities		
Cash was provided from:		
Receipts from Customers	24,014	23,935
Net Goods and Services Tax Received (Paid)	(18)	(29)
Interest from Short Term Deposits	181	-
	24,177	23,906
Cash was applied to:		
Payments to Suppliers and Employees	(10,698)	(10,319)
Interest Paid to non-related parties	(2,273)	(2,125)
Interest Paid to "Other" business	-	(321)
Income Tax Paid	(2,530)	(2,792)
	(15,501)	(15,557)
Net Cash Inflow from Operating Activities	8,676	8,349
Cash Flow from Investing Activities		
Cash was provided from:		
Proceeds from the Sale of Other Fixed Assets	10	30
Transfer of Fixed Assets to "Other" business (note 16)	1,774	-
Cash was applied to:		
Purchases and Construction of Fixed Assets	(1,839)	(1,844)
Net Cash Outflow to Investing Activities	(55)	(1,814)
Cash Flow From Financing Activities		
Cash was provided from:		
Transfer of Shares from "Other" business	-	780
Cash was applied to:		
Settlement of Term Debt	(1,320)	(2,900)
Dividends Paid	(5,557)	(4,998)
Issue/(Purchase Back) of Shares	-	-
Net Cash Inflow from (Outflow to) Financing Activities	(6,877)	(7,118)
Net Movement in Cash Held	1,744	(583)
Add Opening Cash	157	740
Closing Cash Carried Forward	1,901	157
<i>Represented by:</i>		
Cash at Bank	(283)	(133)
Short Term Deposits	-	-
Advance to "Other" business	2,184	290
Closing Cash Carried Forward	1,901	157

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

For the Year Ended 31 March 2003

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

	Lines Business 2003 \$000	Lines Business 2002 \$000
Surplus Attributable to Shareholders	4,969	6,757
Add/(Less) Items Classified as Investing and Financing Activities:		
Net Gain on Sale of Fixed Assets	(10)	(16)
Accounts Payable and Accruals that relate to the Purchase of Fixed Assets	(98)	(135)
Add/(Less) Non-Cash Items:		
Depreciation	2,329	2,376
Increase/(Decrease) in Deferred Taxation Liability	147	(158)
	2,368	2,067
Add/(Less) Movements in Working Capital Items:		
Decrease/(Increase) in Accounts Receivable	1,527	(972)
Increase/(Decrease) in Accounts Payable and Accruals	(939)	(687)
Decrease/(Increase) in Inventory	392	(82)
Increase/(Decrease) in Income Tax Payable	359	1,266
	1,339	(475)
Net Cash Flow from Operating Activities	8,676	8,349

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

For the Year Ended 31 March 2003

		Lines Business 2003 \$000	Lines Business 2002 \$000
Opening Equity		32,739	27,957
Plus			
Surplus Attributable to Shareholders		4,969	6,757
Revaluation of Fixed Assets		-	(5)
Transfer of Equity from "Other" business		-	780
Less			
Dividends Paid	12	(5,557)	(2,749)
Equity as at 31 March		32,151	32,739

HORIZON ENERGY DISTRIBUTION LIMITED – Lines Business

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

Notes to the Financial Statements for the year ended 31 March 2003

1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the Electricity (Information Disclosure) Regulations 1999, and the Electricity (Information Disclosure) Amendment Regulations 2000, 2001.

A General Accounting Policies

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

B Particular Accounting Policies

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

i) Revenue

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

ii) Depreciation

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

iii) Fixed Assets

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

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

Distribution System Assets are valued using modified historical cost. Assets are carried at the latest valuation prepared on a depreciated replacement cost basis as at 31 March 2000, adjusted for subsequent additions, disposals and depreciation. Previously, distribution assets were revalued at least every three years on the basis of depreciated replacement cost.

iv) Inventories

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

v) Accounts Receivable

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

vi) Taxation

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

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

Future taxation benefits attributable to timing differences or losses carried forward are recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences will be utilised by the Group.

vii) Statement of Cash Flows

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

- a) Cash is considered to be cash on hand, short term deposits and current accounts in banks, net of bank overdrafts.
- b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and investments. Investments can include securities not falling within the definition of cash.
- c) Financing activities are those activities which result in changes in the size and composition of the capital of the group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

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

Notes to the Financial Statements
for the year ended 31 March 2003

- d) Operating activities include all transactions and other events that are not investing or financing activities.

viii) Financial Instruments

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

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

ix) 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.

x) Foreign Currency

Foreign currency transactions are recorded at exchange rates in effect at the date of settlement, except where forward contracts have been taken out to cover future commitments. Where forward contracts have been taken out, the transaction is translated at the rate contained in the contract. Monetary assets and liabilities arising from trading transactions are translated at closing rates. Gains or losses due to currency fluctuations on these items are included in the statement of financial performance.

xi) Comparatives

The statements and notes do not restate comparatives or provide comparatives for new disclosure items per the Electricity (Information Disclosure) Regulations 1999, the Electricity (Information Disclosure) Amendment Regulations 2000, 2001, or for "Other" business first separated out in 2003.

Distribution assets were not revalued at 31 March 2003. Under the new policy, distribution assets are carried at the latest valuation performed on 31 March 2000, adjusted for subsequent additions, disposals and depreciation. Previously, distribution assets were revalued on the basis of depreciated replacement cost every three years,

The Board of Directors has adopted this change because a revaluation cannot be justified for cost/benefit reasons, and given the current uncertainty of the potential impact for future regulation on asset values.

The change in accounting policy has not had a material effect in the current period.

C. Changes in Accounting Policies

During the year the Group and the Parent changed the following accounting policy:

Valuation of Distribution System Assets

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

	NOTE	Lines Business 2003 \$000	Lines Business 2002 \$000
2 OPERATING SURPLUS BEFORE TAXATION ITEMS			
Operating revenue includes the following items:			
External Income			
Revenue disclosure items :			
Revenue from line / access charges		21,617	22,863
Gain on Sale of Fixed Assets		10	16
AC loss-rental rebates		301	622
Other operating revenue		831	1,587
Prior year line revenue		-	816 ①
Operating expenditure comprises the following items:			
Payment for Transmission Charges		6,985	6,685
Prior year Transmission costs provisions reversed		-	(713) ②
Expenses to non-related entities for asset maintenance services / Total specified expenses to non related parties		841	873
AC Loss Rental rebates expense		134	-
Employee Salaries, Wages and Redundancies		730	750
Total cost of offering Credit			
Decrease in estimated doubtful debts		(5)	(12)
Bad Debts Written Off		21	-
Directors' Fees / Remuneration		158	101
Rental and Operating Lease Obligations (refer note 14)		60	89
Depreciation on System Fixed Assets	2,114		2156
Depreciation on Other Fixed Assets	215		220
Total Depreciation		2,329	2,376
Local Authorities Rates Expense		46	8
Other Expenditure		158	1,402
Auditors' Fees / Remuneration	15	42	41
Consumer Billing and Information System		41	55
Corporate and Administration Expenses		487	533
Human Resource Expenses		30	65
Consultancy and Legal Expenses		352	570
		<u>12,409</u>	<u>13,536</u>

① This amount relates to line revenue which was the subject of litigation settled during the 2002 year in Horizon's favour. It had not been accrued in the previous year.

② This amount relates to the reversal of transmission costs provisions prior to 2002. Negotiations concluded during 2002 provided sufficient certainty the provision was no longer required.

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

	NOTE	Lines Business 2003 \$000	Lines Business 2002 \$000
3 INTEREST			
Net Interest comprises:			
Interest Expense on Borrowings		2,250	2,424
Other interest expense not listed elsewhere		14	-
Interest Income on Cash, Bank Balances and Short Term Investments		-	-
Net Interest		2,264	2,424
Total Interest Expense		2,264	2,424
4 INCOME TAX			
<i>Income Tax Expense</i>			
The taxation expense has been calculated as follows:			
Operating Surplus before Taxation		8,086	10,657
Income Tax on Surplus for the year at 33%		2,668	3,517
Plus/(Less) Permanent Differences			
Non-Deductible Depreciation on revalued portion of fixed assets		476	476
Non-Deductible Expenses		19	26
Non-Taxable Income		(47)	(119)
Income Tax Expense		3,116	3,900
Income Tax Expense comprises:			
Tax Payable in respect of current year		2,969	3,664
Deferred Taxation		147	236
Income Tax Expense		3,116	3,900
<i>Deferred Taxation</i>			
Opening Balance		759	917
Deferred tax in respect of current year		147	(158)
Balance as at 31 March		906	759
<i>Taxation Payable</i>			
Income Tax Payable (Prepaid) comprises:			
Opening Balance		2,270	1,004
Tax Payable in respect of current year		2,969	3,664
Tax payable in respect of prior years		-	(394)
* Income Tax Paid		(2,610)	(2,004)
Balance as at 31 March (Asset)		2,629	2,270

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

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

	NOTE	Lines Business 2003 \$000	Lines Business 2002 \$000
5 SHARE CAPITAL			
Share Capital - Issued and paid up			
Opening Balance		8,432	7,810
Transfer from "Other" business		-	622
Balance as at 31 March		8,432	8,432
		2003	2002
		No. of Shares	No. of Shares
Shares Issued by Horizon Energy Distribution Limited		24,991,385	4,998,277
A share split of 5:1 was made in June 2002			
6 RESERVES			
Assct Revaluation Reserve			
Opening Balance		47,441	47,446
Revaluation during the year	9	-	(5)
Balance as at 31 March		47,441	47,441
7 RETAINED EARNINGS			
Opening Retained Earnings		(23,134)	(27,299)
Surplus after Taxation		4,969	6,757
Plus Retained Earnings distributed from "Other" business		-	780
Less "Other" business retained earnings arising on the allocation of parent company shares		-	(622)
Less Dividends paid	12	(5,557)	(2,749)
Balance as at 31 March		(23,722)	(23,134)
8 ACCOUNTS RECEIVABLE			
Accounts Receivable comprises:			
Trade Receivables		2,793	4,203
Other Receivables		-	117
Balance as at 31 March		2,793	4,320

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

		NOTE	Lines Business 2003 \$000	Lines Business 2002 \$000
9	FIXED ASSETS			
	Fixed Assets comprise:			
	Land	<i>Cost</i>	146	146
	Buildings	<i>Cost</i>	371	371
		<i>Accumulated Depreciation</i>	(121)	(115)
		<i>Net book value</i>	250	256
	Plant and Equipment	<i>Cost</i>	168	179
		<i>Accumulated Depreciation</i>	(92)	(98)
		<i>Net book value</i>	76	81
	Furniture and Fittings	<i>Cost</i>	375	54
		<i>Accumulated Depreciation</i>	(51)	(45)
		<i>Net book value</i>	324	9
	Motor Vehicles	<i>Cost</i>	133	120
		<i>Accumulated Depreciation</i>	(61)	(87)
		<i>Net book value</i>	72	33
	Consumer Billing and Inform- ation System Equipment	<i>Cost</i>	1,221	1,098
		<i>Accumulated Depreciation</i>	(913)	(741)
		<i>Net book value</i>	308	357
	Office Equipment	<i>Cost</i>	60	57
		<i>Accumulated Depreciation</i>	(45)	(42)
		<i>Net book value</i>	15	15
	System Fixed Assets - Work in Progress			
		<i>Cost</i>	21	84
	System Fixed Assets	<i>Valuation</i>	67,431	68,218
		<i>Accumulated Depreciation</i>	(5,918)	(4,309)
		<i>Net book value</i>	61,534	63,993
	Totals	<i>Cost or Valuation</i>	69,926	70,327
		<i>Accumulated Depreciation</i>	(7,202)	(5,437)
	Total Fixed Assets	Net book value	62,724	64,891

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

9	FIXED ASSETS (Continued) Depreciation Expense	NOTE	Lines	Lines
			Business	Business
			2003 \$000	2002 \$000
	Buildings		7	6
	Plant and Equipment		184	198
	Furniture and Fittings		11	3
	Motor Vehicles		13	13
	Distribution System		2,114	2,156
	Total		2,329	2,376

Valuation of Distribution System Assets

As explained in Changes in Accounting Policies, distribution system assets were not revalued on 31 March 2003. Distribution assets are carried at the last valuation performed on 31 March 2000 by Worley Consultants, Registered Engineers, which has been adjusted for additions, disposals and depreciation up until 31 March 2003. The 31 March 2000 valuation was prepared on the basis of depreciated replacement cost in accordance with generally accepted valuation techniques.

The recent review of electricity distribution industry regulation by the Commerce Commission has created considerable uncertainty for electricity distribution businesses. Based on the evidence presently available, the Board of Directors does not believe there is any material impairment to the current carrying value of distribution system assets. Until further details in relation to future regulation have been announced, it is not possible to determine the impact, if any, of changes in regulation on distribution assets values.

Useful lives and Depreciation Methods	Useful	Useful
	Lives	Lives
	2003	2002
	In Years	In Years
Buildings	40-100	40-100
Distribution System	8-70	8-70
Plant and Equipment	2-10	2-10
Motor Vehicles	5-10	5-10
Furniture and Fittings	10	10

All assets are depreciated on a straight line basis.

10	ACCOUNTS PAYABLE AND ACCRUALS Accounts Payable and Accruals comprise:	NOTE	Lines	Lines
			Business	Business
			2003 \$000	2002 \$000
	Trade Creditors and Accruals		1,832	2,775
	Employee Entitlements		120	116
	Balance as at 31 March		1,952	2,891

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

	NOTE	Lines Business 2003 \$000	Lines Business 2002 \$000
11 TERM LOANS			
Term loans fall due for repayment in the following periods:			
Within One Year		-	-
Within One to Two Years		29,780	31,100
Within Two to Three Years		-	-
Within Three to Four Years		-	-
Within Four to Five Years		-	-
Balance as at 31 March		29,780	31,100
Disclosed in Balance Sheet as:			
Current Portion of Term Loans		-	-
Term Loans		29,780	31,100
Balance as at 31 March		29,780	31,100

All term loans are unsecured and are subject to negative pledge undertakings. The weighted average interest rate, inclusive of margins on term loans is 6.96% (2002 6.76%), taking into account the hedging undertaken by the Company as disclosed in Note 19. For that portion of term loans not hedged the loan is at the floating 90 day bank bill rate. The Company currently has \$40 million rolling loan facilities, confirmed at this level until 31 October 2004.

12 DISTRIBUTION TO OWNERS			
Dividends paid attributed to Lines Business		5,557	4,998
Dividends Paid attributable to "Other" business		691	-
Total Dividends Paid by Horizon Energy Distribution Limited		6,248	4,998

Amounts shown are based on the number of shares on issue after the 5 for 1 share split in June 2002. The 2003 figures are for the share of dividend relating to Lines Business.

13 IMPUTATION CREDIT ACCOUNT			
		Group 2003	Group 2002
Opening Balance		471	893
Plus: Income Tax Paid		2,610	2,004
Less: Imputation Credits attached to dividends paid for "Other" business		(2,737)	(2,426)
Imputation Credits attached to dividends paid for Line Business		(340)	-
Balance as at 31 March		4	471

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

	NOTE	Lines Business 2003 \$000	Lines Business 2002 \$000
14 OPERATING LEASES			
Operating lease commitments fall due for repayment in the following periods:			
Within One Year		47	40
Within One to Two Years		45	16
Within Two to Five Years		135	-
Within Five to Eight Years		120	-
		347	56
15 REMUNERATION OF AUDITORS			
Amounts received, or due and receivable, by the principal auditors for:			
Auditing the Financial Statements:		42	41
		42	41
Other Services:			
Assurance related		48	92
		48	92
Total Payments to Auditors		90	133
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.			
<i>Transactions</i>			
Sales to Eastern Bay Energy Trust		59	3
Dividend paid to Eastern Bay Energy Trust		4,829	2,125
Transfers to and from "Other" business.		1,894	(220)
<i>Balance</i>			
Amounts owed by "Other" business for re-allocations to and from "Other" business		2,184	290
Amounts owed by Eastern Bay Energy Trust		59	3

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

During 2003, certain activities and assets identified as relating to non-lines business have been transferred to "Other" business at book values.

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

The Group has commitments for future capital expenditure amounting to \$nil (\$nil in 2002).

18 FINANCIAL INSTRUMENTS

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

(i) Interest Rates

The Group generally uses swaps to manage interest rate risk.

As at 31 March 2003, the face value of the swaps the Group held were as follows:

Interest Rate Options:

Rate	Term	Commencement Date	2003 \$000	2002 \$000
7.16%	Six Years	29 June, 2001	4,000	4,000
7.16%	42 Months	20 December, 2000	-	4,000
7.27%	66 Months	20 December, 2000	4,000	4,000
7.07%	Nine Years	3 April, 1998	6,900	10,400
6.68%	Seven Years	16 August, 2002	3,000	-
5.64%	One Year	11 February, 2003	3,000	-
6.76%	45 Months	20 March, 2003	4,000	-
			24,900	22,400

The mark to market value of the interest rate swap agreements as at 31 March 2003 showed a loss of \$902,286 (2002 - loss of \$175,033). No provision is made for any potential loss.

(ii) Credit

In the normal course of its business the Company incurs credit risk from trade debtors and financial institutions. The Company has a credit policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposures have been set and are monitored on a regular basis.

(b) Fair Values

The fair value of Term Loans is \$29.78 million which is the same as the carrying value disclosed in Note 12.

19 PROVISIONS

Balance at beginning of year	304	300
Current year provision	-	189
Provision released	(304)	(185)
Balance at 31 March	-	304

The provision includes allowances for costs associated with disputes which have now been settled.

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

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

21 CONTINGENT LIABILITIES

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

22 EVENTS OCCURRING AFTER BALANCE DATE

On 15 May 2003 the Directors declared a final dividend of 11 cents per ordinary share. As this event occurred after balance date the financial effect has not been recognised in the financial statements.

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business**NOTES TO THE FINANCIAL STATEMENTS****23 ITEMS WITH NIL BALANCES REQUIRING SPECIFIC DISCLOSURE UNDER THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999.**

	NOTE	Lines Business 2003 \$000	Lines Business 2002 \$000
Revenue :			
Revenue from "Other" business for services carried out by the line business (transfer payment)		Nil	Nil
Expenditure :			
Asset maintenance carried out by "Other" business (transfer payment)		Nil	Nil
Consumer disconnection / reconnection services carried out by "Other" business (transfer payment)		Nil	Nil
Charges for meter data carried out by "Other" business (transfer payment)		Nil	Nil
Charges for providing consumer-based load control services carried out by "Other" business (transfer payment)		Nil	Nil
Charges for royalty and patent expenses by "Other" business (transfer payment)		Nil	Nil
Avoided transmission charges on account of own generation		Nil	Nil
Charges for other goods and services carried out by "Other" business (transfer payment)		Nil	Nil
Payment to non-related entities for providing disconnection / reconnection services		Nil	Nil
Payment to non-related entities for providing meter data		Nil	Nil
Payment to non-related entities for providing consumer-based load control services		Nil	Nil
Payment to non-related entities for royalty and patent expenses		Nil	Nil
Amortisation of goodwill		Nil	Nil
Amortisation of other intangibles		Nil	Nil
Total amortisation of intangibles		Nil	Nil
Marketing / Advertising		Nil	Nil
Merger and acquisition expenses		Nil	Nil
Takeover defence expenses		Nil	Nil
Research and development expenses		Nil	Nil
Donations		Nil	Nil
Audit fees paid to other auditors		Nil	Nil
Fees paid for other services to other auditors		Nil	Nil
Rebates to customers due to ownership interest		Nil	Nil
Subvention payments		Nil	Nil

HORIZON ENERGY DISTRIBUTION LIMITED - Lines Business**NOTES TO THE FINANCIAL STATEMENTS****23 ITEMS WITH NIL BALANCES REQUIRING SPECIFIC DISCLOSURE UNDER THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999.****(Continued)**

	NOTE	Lines Business 2003 \$000	Lines Business 2002 \$000
Expenditure (continued) :			
Unusual expenses		Nil	Nil
Financing charges related to finance leases		Nil	Nil
Current Assets :			
Short term investments		Nil	Nil
Short term Deposits		Nil	Nil
Other current assets not listed elsewhere		Nil	Nil
Fixed Assets :			
Other fixed assets not listed elsewhere		Nil	Nil
Other tangible assets not listed elsewhere		Nil	Nil
Intangible Assets :			
Goodwill		Nil	Nil
Other intangible assets not listed elsewhere		Nil	Nil
Total intangible assets		Nil	Nil
Current Liabilities :			
Short-term borrowings		Nil	Nil
Other current liabilities not listed elsewhere		Nil	Nil
Provision for Final Dividend		Nil	Nil
Non - Current Liabilities :			
Payables and accruals		Nil	Nil
Other non-current liabilities not listed elsewhere		Nil	Nil
Equity :			
Minority interests in subsidiaries		Nil	Nil
Capital notes		Nil	Nil
Return of capital to shareholders		Nil	Nil



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

Auditors' Report

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

We have audited the accompanying financial statements of Horizon Energy Distribution Limited - Lines Business. The financial statements provide information about the past financial performance and cash flows of Horizon Energy Distribution Limited - Lines Business and its financial position as at 31 March 2003. This information is stated in accordance with the accounting policies set out in the Statement of Accounting Policies.

Directors' Responsibilities

The Electricity (Information Disclosure) Regulations 1999 require the Directors to prepare financial statements which give a true and fair view of the financial position of Horizon Energy Distribution Limited - Lines Business as at 31 March 2003, and the results of operations and cash flows for the year then ended.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements
- whether the accounting policies are appropriate to Horizon Energy Distribution Limited - Lines Business' circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Auditors' Report

Horizon Energy Distribution Limited - Lines Business

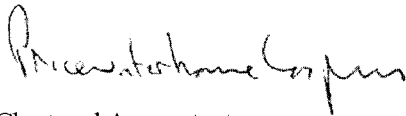
Unqualified Opinion

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

In our opinion:

- (a) proper accounting records have been kept by Horizon Energy Distribution Limited as far as appears from our examination of those records
- (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 2003 and the results of its operations and cash flows for the year then ended
 - (iii) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 18 July 2003 and our unqualified opinion is expressed as at that date.



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	10,350				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	10,350				
Interest on cash, bank balances, and short-term investments (STI)	0				
OSBIT minus STI	10,350	a	10,350		10,350
Net surplus after tax from financial statements	4,969				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	4,969	n		4,969	
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)	2,114				
Depreciation of SFA at ODV (y)	2,114	d	add	add	add
ODV depreciation adjustment	0	s ^t	deduct	deduct	deduct
Subvention payment tax adjustment	747	q			747
Interest tax shield	0	r			0
Revaluations	3,117	p			3,117
Income tax					6,487
Numerator			10,350 OSBIT ^{NSAT} = a + g + s + d	4,969 NSAT ^{NSAT} = n + g + s - s ^t + d	OSBIT ^{NSAT} = a + g - q + r + s + d - p - s ^t 6,487
Fixed assets at end of previous financial year (FA _p)	64,880				
Fixed assets at end of current financial year (FA _c)	62,724				
Adjusted net working capital at end of previous financial year (ANWC _p)	1,821				
Adjusted net working capital at end of current financial year (ANWC _c)	842				
Average total funds employed (ATFE) (or regulation 33 time-weighted average)	65,138	c	65,138		65,138
Total equity at end of previous financial year (TE _p)	32,739				
Total equity at end of current financial year (TE _c)	32,151				
Average total equity (or regulation 33 time-weighted average)	32,445	k		32,445	
WUC at end of previous financial year (WUC _p)	84				

WUC at end of current financial year (WUC _t)	21	e	deduct	52	deduct	52	deduct	52
Average total works under construction (or regulation 33 time-weighted average)	52							
Revaluations	0	r						
Half of revaluations	0	r/2						
Intangible assets at end of previous financial year (IA _v)	0							
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 _v)	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 _{bov})	64,421							
System fixed assets at end of current financial year at book value (SFA _{bov})	61,962							
Average value of system fixed assets at book value (or regulation 33 time-weighted average)	63,192	f	deduct	63,192	deduct	63,192	deduct	63,192
System Fixed assets at year beginning at ODV value (SFA _{ovd})	64,421							
System Fixed assets at end of current financial year at ODV value (SFA _{ovd})	61,962							
Average value of system fixed assets at ODV value (or regulation 33 time-weighted average)	63,192	h	add	63,192	add	63,192	add	63,192
Denominator								
					ATFE ^{AD} = c - e - f + h	65,086	ATFE ^{AD} = c - e - ½r - f + h	65,086
					Ave TE ^{AD} = k - e - m + v - f + h	32,393		
Financial Performance Measure:								
					ROF = OSBIT ^{AD} /ATFE ^{AD} x 100	15.90	ROI = OSBIT ^{AD} /ATFE ^{AD} x 100	9.97
					ROE = NSAT ^{AD} /ATE ^{AD} x 100	15.34		

HORIZON ENERGY DISTRIBUTION LIMITED**Regulation 15 - Financial and Efficiency Performance Measures**

For the year ended 31 March 2003

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

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

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

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

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

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



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

Auditors' Opinion of Performance Measures

Horizon Energy Distribution Limited - lines business

We have examined the attached information, being:-

- (a) the derivation table in regulation 16
- (b) the annual ODV reconciliation report in regulation 16A
- (c) the financial performance measures in clause 1 of Part 3 of Schedule 1
- (d) the financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1 -

that were prepared by Horizon Energy Distribution Limited – lines business and dated 18 July 2003 for the purposes of regulation 15 of the Electricity (Information Disclosure) Regulations 1999.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with the Electricity (Information Disclosure) Regulations 1999.

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers', written in a cursive, flowing style.

PricewaterhouseCoopers
18 July 2003

Auckland

HORIZON ENERGY DISTRIBUTION LIMITED

Regulation 21 - Energy Delivery Efficiency Performance Measures

For the year ended 31 March 2003

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

① Adjusted to reflect current definitions

HORIZON ENERGY DISTRIBUTION LIMITED**Regulation 22 Reliability Performance Measures**

For the year ended 31 March 2003

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

HORIZON ENERGY DISTRIBUTION LIMITED**Regulation 22 Reliability Performance Measures (Continued)**

For the year ended 31 March 2003

	2003	2002	2001	2000	
6) Number of Faults per 100 km of Underground Prescribed Voltage Line					
110 kV	-	-	-	-	
33 kV	-	-	-	-	
11 kV	1.5	4.6	0.8	-	
Total Underground Faults / 100km	1.4	4.4	0.7	-	
7) Number of Faults per 100 km of Overhead Prescribed Voltage Line					
110 kV	-	-	-	-	
33 kV	0.6	1.7	1.7	3.4	
11 kV	5.0	3.4	4.8	5.7	
Total Overhead Faults / 100km	4.6	3.3	4.5	5.5	
8) SAIDI for Total Number of Interruptions					
	192	258 ①	129	205	
① 100 minutes related to Tornado November 2001					
	2004	2003	2002	2001	2000
9) SAIDI Targets (Next Year)					
(a) Planned interruptions (Class B)	45	45	45	49	75
(b) Unplanned interruptions (Class C)	100	67	72	72	165
10) Average SAIDI Targets (Next 5 Years)					
(a) Planned interruptions (Class B)	45	45	45	49	65
(b) Unplanned interruptions (Class C)	100	67	72	72	150
11) SAIDI for Total Interruptions by Class					
Class A - Transpower planned interruptions	87	-	10	-	-
Class B - Horizon planned interruptions	20	35	41	49	49
Class C - Horizon unplanned interruptions	77	179	77	72	72
Class D - Transpower unplanned interruptions	8	44	2	80	80
Class E - Horizon generation unplanned interruptions	-	-	-	-	-
Class F - Other generation unplanned interruptions	-	-	-	4	4
Class G - Other line owner unplanned interruptions	-	-	-	-	-
Class H - Other line owner planned interruptions	-	-	-	-	-
Class I - Not in A to H	-	-	-	-	-

HORIZON ENERGY DISTRIBUTION LIMITED**Regulation 22 Reliability Performance Measures (Continued)**

For the year ended 31 March 2003

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

ODV RECONCILIATION

Fixed Assets (see Note 9 of the financial statements) incorporate Distribution System fixed assets valued on the basis of ODV, revalued every three years in these accounts. This year distribution assets were revalued as at 31 March 2000 in accordance with the fourth edition of the Handbook for Optimised Deprival Value for System Fixed Assets of Electricity Line Businesses. A reconciliation of movements in the ODV carrying value follows :

	Lines Business 2003 \$000
System fixed assets at ODV - end of the previous financial year	63,993
Add Land and Buildings at ODV - end of the previous financial year	428
Less revaluations of system fixed assets	-
Add system fixed assets acquired during the year at ODV	1,429
Less system fixed assets disposed of during the year at ODV	-
Less depreciation on system fixed assets at ODV	(2,114)
Less Assets transferred to "Other" business *	(1,774)
Less ODV of distribution system land and buildings classified separately in Note 9 of the financial statements	(428)
<i>Equals</i> system fixed assets at ODV - end of the financial year	<u>61,534</u>

* This amount represents the cost of assets which are not part of the core lines business.(Note 16)


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


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 regulation 6 of the Electricity (Information Disclosure) Regulations 1999 comply with the requirements of those regulations; and

(b) The attached information, being the derivation table, financial performance measures, and efficiency performance measures, in relation to Horizon Energy Distribution Limited, and having been prepared for the purposes of Regulations 15, 16, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of those regulations.

The valuations on which those financial performance measures are based are as at 31 March 2001.



C G H Holmes (Director)

G S Hawkins (Director)

Date: 18 July 2003