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HOROWHENUA ENERGY LIMITED

INFORMATION FOR DISCLOSURE

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

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All values in this report are in thousands (000's) of New Zealand dollars (rounded) and are for years ended 31 March unless otherwise stated.

"This year" means the year ended 31 March 2001

"Last year" means the year ended 31 March 2000

"Next year" means the year ending 31 March 2002

Statement of financial performance

for the year ended 31 March 2001

	<i>Note</i>	2001 \$000	2000 \$000
Operating revenue	2	20,080	19,140
Discount		(7,181)	(7,240)
Operating expense	2	(11,098)	(10,591)
Earnings Before Interest and Tax		1,801	1,309
Interest Expense		(772)	(753)
Net profit before taxation		1,029	556
Taxation	3	-	-
Net profit after taxation		\$1,029	\$556

Statement of movements in equity

for the year ended 31 March 2001

	<i>Note</i>	2001 \$000	2000 \$000
Equity at beginning of the year		51,723	63,416
Net profit for the year		1,029	556
Revaluation of assets		10,383	(362)
Total recognised revenues and expenses		11,412	194
<i>Other movements</i>			
Share repurchase		-	(12,000)
Dividends	4	(50)	(200)
Funds transferred from non-line business activities		673	313
<i>Total other movements</i>		623	(11,887)
Equity at end of the year		\$63,758	\$51,723

Statement of financial position

as at 31 March 2001

	<i>Note</i>	2001 \$000	2000 \$000
Equity			
Share capital	5	18,000	18,000
Reserves	6	38,330	27,947
Retained earnings		7,428	5,776
<i>Total equity</i>		63,758	51,723
Non-current liabilities			
Borrowings	7	9,000	12,750
Current liabilities			
Other provisions		164	86
Accounts payable and accruals	8	6,221	6,682
<i>Total current liabilities</i>		6,385	6,768
Total equity and liabilities		\$79,143	\$71,241
Non-current assets			
Property, plant and equipment	9	74,954	64,095
Current assets			
Cash		1,989	4,899
Receivables and prepayments	10	2,200	2,247
<i>Total current assets</i>		4,189	7,146
Total assets		\$79,143	\$71,241

For and on behalf of the Board



W R Thessman
Director



Piers Hamid
Director

25 May 2001

Statement of cash flows

for the year ended 31 March 2001

	Note	2001 \$000	2000 \$000
Cash flows from operating activities			
Cash was received from:			
Receipts from customers		12,875	11,821
Interest received		94	129
		12,969	11,950
Cash was disbursed to:			
Payments to suppliers and employees		(10,287)	(8,649)
Interest paid		(772)	(753)
		(11,059)	(9,402)
Net cash flows from operating activities	11	1,910	2,548
Cash flows to investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		278	225
Proceeds from non-line business activities		650	902
		928	1,127
Cash was applied to:			
Purchase of property, plant and equipment		(1,948)	(1,804)
		(1,948)	(1,804)
Net cash from investing activities		(1,020)	(677)
Cash flows from financing activities			
Cash was provided from:			
Loans raised		-	13,000
		-	13,000
Cash was applied to:			
Repurchase of shares		-	(12,000)
Repayment of loans		(3,750)	(3,500)
Payment of dividends		(50)	(200)
		(3,800)	(15,700)
Net cash flows used in financing activities		(3,800)	(2,700)
Net increase in cash held		(2,910)	(829)
Add opening cash brought forward		4,899	5,728
Ending cash carried forward		\$1,989	\$4,899

Notes to the financial statements

1. Statement *of accounting policies*

Reporting entity

Horowhenua Energy Limited is registered under the Companies Act 1993.

The financial statements are those of the Line Business Activities only of Horowhenua Energy Limited and have been prepared in accordance the Electricity (Information Disclosure) Regulations 1999 and only for that purpose.

Measurement base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed, with the exception that certain property, plant and equipment have been revalued.

Specific accounting policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

a) Property, plant and equipment

The Company has four classes of property, plant and equipment:

1. Land and buildings
2. Distribution Assets
3. Plant and Equipment
4. Vehicles

The Company uses Optimised Deprival Value ("ODV") methodology in valuing distribution assets. This methodology recognises the economic value of distribution assets based on the earnings of segments of the network to the Company. The ODV of distribution assets is updated every three years to reflect network extensions and the earnings derived. The ODV was updated 31 March 2001.

Land and buildings, other than those included in distribution assets, are stated at market valuation (refer note 9).

All other property, plant and equipment are recorded at cost less accumulated depreciation.

b) Infrastructure assets

Distribution assets consist of the individual asset components which form the Company's electricity network.

The company uses infrastructure accounting methods for its distribution assets other than zone substations. This method of accounting recognises that well planned maintenance of the network assets preserves the service potential of the infrastructure asset for the foreseeable future. Accordingly no depreciation is charged in respect of the infrastructure assets, except for zone substations.

The level of maintenance required to preserve the service potential of the infrastructure asset is determined by a detailed asset management plan.

c) Depreciation

Depreciation is provided on either a diminishing value (DV), or straight line (SL) basis on all property, plant and equipment other than those accounted for in the infrastructure accounting method above, at rates calculated to allocate the assets' cost or valuation less estimated residual value, over their estimated useful lives.

Main depreciation rates are:

Substation assets	4% straight line
Buildings	1% - 2.5% straight line
Plant and equipment	10% - 25% diminishing value
Computer equipment	25% - 50% straight line
Motor vehicles	25% diminishing value

d) Receivables

Receivables are stated at their estimated realisable value.

e) Income tax

The tax expense against the surplus for the year is the estimated liability in respect of that surplus after allowance for permanent differences plus any adjustments arising from prior years.

Horowhenua Energy Limited follows the liability method of accounting for deferred tax, applied on a partial basis.

The partial basis considers the cumulative income tax effect of all timing differences. The income tax effect of timing differences is only recognised as deferred tax for those timing differences that can be expected to reverse in the foreseeable future.

Future tax benefits attributable to losses carried forward are recognised in the financial statements only where there is virtual certainty that the benefit of the losses will be utilised.

f) Leases

Operating lease payments, where the lessors retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating profit in equal instalments over the lease term.

g) Statement of cash flows

The following are the definitions of the terms used in the Statement of Cash Flows:

- 1) Cash is considered to be cash on hand, short term deposits and current accounts at the banks, net of bank overdrafts.
- 2) 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.
- 3) Financing activities are those activities, which result in changes in the size and composition of the capital structure of the Company. This includes both equity and debt not falling within the definition of cash. Dividends paid are included in financing activities.

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

h) Changes in accounting policies

There were no changes in accounting policies during the year.

2. Earnings *before interest and taxation*

Revenue

	2001 \$000	2000 \$000
Invoiced to consumers by electricity retailers	18,766	18,340
Line/access charges	18,766	18,340
AC loss-rental	984	308
Interest	94	129
Other	236	363
Total Current Assets	\$20,080	\$19,140

After Charging

	2001 \$000	2000 \$000
Audit fees	26	28
Bad Debts	2	42
Change in provision for doubtful debts	-	-
Depreciation	975	821
Directors fees	130	130
Interest fixed and other	772	753
Loss on sale of property, plant & equipment	18	37
Rental and lease costs	46	42

Customer sales discount

A total of \$7.18 million plus GST was credited to customers during the year to 31 March 2001 (\$7.24 million plus GST during the year ended 31 March 2000).

3. Taxation

	2001 \$000	2000 \$000
Profit before taxation	1,029	556
Prime facie taxation at 33%	340	183
Plus/(less)		
Taxation effect of permanent differences	8	-
Timing differences not recognised	(371)	(339)
Benefit of tax losses	23	156
Taxation expense (benefit)	\$-	\$-

The company has a potential deferred tax liability net of future tax benefits of \$6,265,810 (2000 - \$5,460,673) which is not recognised in the financial statements. This balance is made up of a deferred tax liability of \$9,404,141 (2000 - \$8,656,890) which arises mainly from the revaluation of assets for accounting purposes, and a future tax benefit of \$3,138,331 (2000 - \$3,196,217). These balances are not expected to crystallise and have therefore have not been recorded in the financial statements.

The future tax benefit above comprises the benefit of tax losses available to carry forward of \$3,045,188 (2000 - \$3,150,518) and the benefit of other timing differences of \$93,143 (2000 - \$45,699).

The carrying forward of tax losses is subject to continuing to meet shareholder continuity requirements under the Income Tax Act 1994.

The company has no imputation credits to carry forward as at 31 March 2001 (2000 - Nil)

4. Dividend

	2001 \$000	2000 \$000
Dividend Paid	50	200

A dividend of \$50,000 was paid in June 2000 and there is no proposed final dividend (2000 - \$200,000).

5. Share capital

	2001 \$000	2000 \$000
24,464,922 ordinary shares issued and fully paid	\$18,000	\$18,000

In May 1999 the Company repurchased 5,535,078 shares from the shareholders of the Company for \$12,000,000.

6. Reserves

	2001 \$000	2000 \$000
Asset revaluation reserve	38,330	27,947
General reserves	-	-
	\$38,330	\$27,947

Reconciliation of reserve movements

	2001 \$000	2000 \$000
General Reserves		
Opening balance	-	3,304
Less:		
Transfer to Asset Revaluation Reserves	-	(2,537)
Transfer to Retained Earnings	-	(767)
	\$-	\$-
Asset Revaluation Reserve		
Opening balance	27,947	25,772
Add:		
Transfer from General Reserves	-	2,537
Revaluation of assets	10,383	-
Less:		
Devaluation of assets	-	(362)
Closing balance	\$38,330	\$27,947

7. Non-current liabilities

	2001 \$000	2000 \$000
Borrowings		
Bank borrowings	9,000	12,750
Non current liabilities	\$9,000	\$12,750

Repayable as follows:

Within two years	-	1,500
Beyond two years	9,000	11,250
	\$9,000	\$12,750

All borrowings are unsecured.

Interest rates payable on bank facilities are based on the prime rate plus 0.5%.

8. Accounts payable and accruals

	2001 \$000	2000 \$000
Creditors		
Trade	1,227	1,325
Other	4,740	4,930
Accruals	149	340
Accrued employee entitlements	105	87
	\$6,221	\$6,682

9. Property, Plant and Equipment

	2001 \$000	2000 \$000
<i>Distribution assets</i>		
Land	292	334
Buildings	1,464	787
Substations	6,083	9,268
Lines	48,467	33,174
Switchgear	2,975	5,065
Transformers	12,138	11,769
Centralised load control equipment	762	1,247
Other	876	-
<i>Total distribution assets</i>	73,057	61,644
<i>Non-distribution assets</i>		
Land	-	125
Buildings	-	156
Accumulated depreciation	-	(11)
	-	145
Leasehold improvements	135	125
Accumulated depreciation	(55)	(32)
	80	93
Plant and equipment	3,917	3,825
Accumulated depreciation	(2,248)	(1,798)
	1,669	2,027
Vehicles	201	122
Accumulated depreciation	(53)	(61)
	148	61
Total property, plant and equipment	\$74,954	\$64,095

Valuation

Land and buildings owned by the Company, other than those referred to above as being part of distribution assets, are stated at market valuation, which was assessed as at 31 March 2001 by Darroch and Co (Registered Valuers). The valuations are carried out on a 3 yearly basis.

The Optimised Deprival Value (ODV) at which Distribution Assets are stated was independently assessed by KPMG Peat Marwick as at 31 March 2001. Their report placed an ODV on Distribution Assets of \$73,057,263.

10. Receivables and prepayments

	2001 \$000	2000 \$000
Trade debtors	1,733	1,744
GST refund due	491	527
Prepayments	6	6
	2,230	2,277
Less provision for doubtful debts	30	30
	\$2,200	\$2,247

11. Financial instruments

Credit risk

Financial assets which potentially subject the company to credit risk principally consist of bank balances and accounts receivable.

The company manages its principle credit risk by having Use of System Agreements with its major customers to maintain a minimum credit rating of BBB or better.

Maximum exposures to credit risk as at balance date are:

	2001 \$000	2000 \$000
Bank balances	1,989	4,899
Receivables	2,200	2,247

The above maximum exposures are net of any recognised provision for losses on these financial assets. Bank balances and investments in short term deposits are made with registered banks with satisfactory credit ratings.

No collateral is held on the above amounts.

Concentrations of credit risk

The company has exposures to concentrations of credit risk by having eight line customers. This is managed as mentioned above through the Use of System Agreements.

Currency risk

The company has no material exposure to foreign exchange risk.

Interest rate risk

Interest rate risk exposure is limited to bank borrowings. The company has no interest risk hedge contracts.

Fair values

There were no differences between the fair value and carrying amounts of financial instruments as at 31 March 2001 (2000 - no difference).

12. Reconciliation

of net profit after tax with cash inflow from operating activities

	2001 \$000	2000 \$000
Profit after taxation	1,029	556
Add / (less) non-cash items		
Depreciation	975	821
Add item classified as investing activity		
Capital Loss (gain) on sale of fixed assets	18	37
Movements in working capital		
Increase / (decrease) in accounts payable	(182)	1,121
(Increase) / decrease in receivables	70	13
Net cash inflow from operating activities	\$1,910	\$2,548

13. Contingent liabilities

	2001 \$000	2000 \$000
a) Guarantee of bank facilities for a subsidiary to a limit of	700	700
At balance date the amount of the bank facilities so guaranteed was	-	-

b) At any point in time the company will be investigating complaints or queries about various aspects of the service it provides to customers, or end-customers. In a number of these, action may be taken against the company. At 31 March 2001 and 2000 there was legal action being taken against the company that remains unresolved. The Directors have been advised that the company has good defence against the action being taken against it and that no provision for any loss is required in the financial statements.

14. Commitments

Capital commitments

At balance date, there was \$73,750 expenditure contracted for and approved by the company (2000 - \$11,956).

Operating lease commitments

Lease commitment under non-cancellable operating leases

	2001 \$000	2000 \$000
Not later than one year	18	87
	\$18	\$87

15. Transactions with related parties

During the year the Company purchased construction and maintenance services from its wholly owned subsidiary, Linework Limited, to an amount of \$3.3 million (2000 - \$2.65 million). The amount owed to Linework at year end is \$396,711 (2000 - \$459,156).

	2001 \$000	2000 \$000
(a.) Construction of subtransmission assets	4	207
(b.) Construction of zone substations	-	-
(c.) Construction of distribution lines and cables	239	188
(d.) Construction of medium voltage switchgear	133	20
(e.) Construction of distribution transformers	25	-
(f.) Construction of distribution substations	-	-
(g.) Construction of low voltage reticulation	-	2
(h.) Construction of other system fixed assets	46	-
(i.) Maintenance of assets	2,825	1,987
(j.) Consumer connections and disconnections	-	-

During the year, and in the normal course of business, Horowhenua Energy Limited engaged services from Kerslake and Partners, a firm where director Mr W R Thessman is a partner. These purchases account for 0.19% (2000 - 0.27%) of total purchases. The amount outstanding at year end was \$11,503 (2000 - \$0).

No related party debts have been written off or forgiven during this, or last year.

16. Further Information

The following information is required to be disclosed in the financial statements under regulation 6 of the Electricity (Information Disclosure) Regulations 1999

	2001 \$000	2000 \$000
1 Current assets		
(a.) Cash and bank balances	89	4,799
(b.) Short-term investments	1,900	100
(c.) Inventories	-	-
(d.) Accounts Receivable	2,200	2,247
(e.) Other current assets not listed in (a) to (d)	-	-
(f.) Total current assets	4,189	7,146
2 Fixed Assets		
(a.) System fixed assets	73,057	61,644
(b.) Consumer billing and information system assets	-	-
(c.) Motor Vehicles	148	61
(d.) Office equipment	1,669	2,027
(e.) Land and buildings	80	363
(f.) Capital works under construction	-	-
(g.) Other fixed assets not listed in (a) to (f)	-	-
(h.) Total fixed assets	74,954	64,095
3 Other tangible assets not listed above	-	-
4 Total tangible assets	79,143	71,241
5 Intangible assets		
(a.) Goodwill	-	-
(b.) Other intangibles not listed in (a)	-	-
(c.) Total intangible assets (sum of (a) and (b))	-	-
6 Total Assets	79,143	71,241
7 Current liabilities		
(a.) Bank overdraft	-	-
(b.) Short-term borrowings	-	-
(c.) Payables and accruals	6,221	6,682
(d.) Provision for dividends payable	-	-
(e.) Provision for income tax	-	-
(f.) Other current liabilities not listed in (a) to (e)	164	86
(g.) Total current liabilities	6,385	6,768
8 Non-current liabilities		
(a.) Payables and accruals	-	-
(b.) Borrowings	9,000	12,750
(c.) Deferred tax	-	-
(d.) Other non-current liabilities not listed in (a) to (c)	-	-
(e.) Total non-current liabilities	9,000	12,750

	2001 \$000	2000 \$000
9 Equity		
(a.) Shareholders' equity -		
(i) Share capital	18,000	18,000
(ii) Retained earnings	7,428	5,776
(iii) Reserves	38,330	27,947
(iv) Total shareholders' equity	63,758	51,723
(b.) Minority interests in subsidiaries	-	-
(c.) Total equity	63,758	51,723
(d.) Capital notes	-	-
(e.) Total capital funds	63,758	51,723
10 Total Equity and Liabilities	79,143	71,241
11 Operating revenue		
(a.) Revenue from line/access charges	18,766	18,340
(b.) Line charge discount to consumers	(7,181)	(7,240)
(c.) Revenue from "other" business for services carried out by the line business (transfer payment)	-	-
(d.) Interest on cash, bank balances, and short-term investments	94	129
(e.) AC loss-rental rebates	984	308
(f.) Other operating revenue not listed in (a) to (d)	236	363
(g.) Total operating revenue	12,899	11,900
12 Operating expenditure		
(a.) Payment for transmission charges	5,220	5,013
(b.) Transfer payments to the "other" business for:		
(i) Asset maintenance:	2,825	1,987
(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):	-	-
(viii) Total transfer payment to the "other" business	2,825	1,987
(c.) Expense to entities that are not related parties for:		
(i) Asset maintenance:	390	638
(ii) Consumer disconnection/reconnection services:	-	-
(iii) Meter data:	-	-
(iv) Consumer-based load control services:	-	-
(v) Royalty and patent expenses:	390	638
(vi) Total of specified expenses to non-related parties		
(d.) Employee salaries, wages and redundancies	589	556
(e.) Consumer billing and information systems	-	-
(f.) Depreciation on:		
(i) System fixed assets:	796	307
(ii) Other assets not listed in (i):	179	514
(iii) Total depreciation	975	821
(g.) Amortisation of:		
(i) Goodwill	-	-
(ii) Other intangibles	-	-
(iii) Total amortisation of intangibles	-	-
(h.) Corporate and administration	215	547
(i.) Human resource expenses	73	35

	2001 \$000	2000 \$000
12 Operating expenditure <i>cont...</i>		
(j.) Marketing/Advertising	380	278
(k.) Merger and acquisition expenses	-	-
(l.) Takeover defence expenses	-	-
(m.) Research and development expenses	-	-
(n.) Consultancy and legal expenses	178	265
(o.) Donations	27	18
(p.) Directors' Fees	130	130
(q.) Auditor' Fees		
(i) Audit fees paid to principal auditors:	26	26
(ii) Audit fees paid to other auditors:	-	-
(iii) Fees paid for other services provided by principal and other auditors	14	43
(iv) Total auditors' fees	40	69
(r.) Cost of offering credit -		
(i) Bad debts written off:	2	42
(ii) Increase in estimated doubtful debts	-	-
(iii) Total cost of offering credit	2	42
(s.) Local authority rates expense	5	7
(t.) AC loss-rental rebates (distribution to retailers/customers) expense	-	-
(u.) Rebates to consumers due to ownership interest	-	-
(v.) Subvention payments	-	-
(w.) Unusual expenses	-	-
(x.) Other expenditure not listed in (a) to (w)	49	185
13. Total operating expenditure	11,098	10,591
14. Operating surplus before interest and income tax	1,801	1,309
15. Interest expense		
(a.) Interest expense on borrowings	772	753
(b.) Financing charges related to finance leases	-	-
(c.) Other interest expense not listed in (a) or (b)	-	-
(d) Total interest expense	772	753
16. Operating surplus before income tax	1,029	556
17. Income tax	-	-
18. Net surplus after tax	1,029	556

Annual valuation reconciliation report

Year ending 31 March 2001

	2001 \$000
System fixed assets at ODV – end of the previous financial year	61,644
<i>Add system fixed assets acquired during the year at ODV</i>	1826
<i>Less system fixed assets disposed of during the year at ODV</i>	0
<i>Less depreciation on system fixed assets at ODV</i>	490
<i>Add revaluations of system fixed assets</i>	10,077
System fixed assets at ODV – end of the financial year	\$73,057

Financial and efficiency performance measures for the Line Business

Introduction

The Electricity (Information Disclosure) Regulations 1999 forms part of the regulatory regime introduced following deregulation of the Electricity Industry.

The Regulations require Electricity Companies that operate a Line Business to publicly disclose in the Gazette and have available on request a variety of information. Included in this disclosure are Financial, Reliability and Efficiency Performance Measures and Statistics.

In order to consistently define these measures to allow comparison between Electricity Companies, the Regulations require a number of adjustments to be made to the Financial Statements. For this reason, the Financial Statements disclosed are not necessarily the basis of information used for calculations in Performance Measures and Statistics.

This information has been prepared solely for the purpose of complying with regulations 15, 16, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999 and is not intended for any other purpose.

Financial performance measures

Rates of return for the Line Business are as follows:

	2001	2000	1999	1998
Return on funds	3.09%	1.84%	4.57%	1.35%
Return on equity	2.31%	0.84%	4.09%	1.35%
Return on investment	19.73%	0.96%	2.30%	14.08%

Efficiency performance measures

	2001	2000	1999	1998
Direct line costs per kilometre	\$1,514	\$1,332	\$1,367	\$1,317
In-direct line costs per electricity customer	\$45	\$58	\$74	\$92

Energy delivery Performance measures

	2001	2000	1999	1998
Load factor	54.58%	52.47%	55.04%	55.61%
Loss ratio	6.80%	6.86%	6.55%	6.78%
Capacity utilisation	29.22%	29.79%	27.71%	27.80%

Statistics

	2001	2000	1999	1998
System Lengths (km's) (overhead)				
33kV	165	156	156	156
11kV	865	815	814	811
400v	463	506	505	504
Total	1,493	1,477	1,475	1,471

System Lengths (km's) (underground)				
33kV	16	14	14	14
11kV	165	151	149	147
400v	450	328	321	311
Total	631	493	484	472

Total Overhead and Underground	2,124	1,970	1,959	1,943
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		2001	2000	1999	1998
Transformer capacity kVA		271,075	267,067	266,158	262,352
Maximum demand kW		79,180	79,550	73,760	72,944
Total electricity supplied from system kWh		352,939,387	340,575,612	332,329,690	331,261,170
Electricity on behalf of other entities	A	346,274,456	321,039,625	106,605,846	-
	B	3,934,644	1,668,433	1,945,974	-
	C	6,674,285	4,482,922	579,939	-
	D	65,206	3,962	-	-
	E	14,576,801	7,742,821	-	-
	F	5,194,435	5,233,170	1,185,490	-
	G	1,686,094	404,679	-	-
	H	296,912	-	1,567,045	4,513,864
Total Customers		37,302	36,651	36,338	35,713

Total interruptions

	2001	2000	1999	1998
Class A	-	-	-	-
Class B	97	82	111	141
Class C	104	87	120	82
Class D	1	-	2	2
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-
Total	202	169	233	225

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	2001	2000	1999	1998
Class A	-	-	-	-
Class B	22.3	23.9	19.4	34.2
Class C	82.1	75.6	46.9	59.6
Class D	37.4	-	14.1	4.4
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-
Total	141.8	99.5	80.4	98.2

SAIFI

	2001	2000	1999	1998
Class A	-	-	-	-
Class B	0.22	0.21	0.15	0.33
Class C	1.90	1.85	1.37	1.97
Class D	0.39	-	0.81	0.40
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-
Total	2.51	2.06	2.33	2.70

CAIDI

	2001	2000	1999	1998
Class A	-	-	-	-
Class B	101.5	113.8	133.0	103.6
Class C	43.2	40.9	34.3	0.2
Class D	9.6	-	17.3	11
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-
Total	56.5	48.3	34.5	36.4

Number of Faults per 100 Circuit Kilometre

	2001	2000	1999	1998
Overhead				
33kV	4.2	5.1	3.2	3.2
11kV	10.3	7.6	12.8	9.0
<i>Total Overhead</i>	9.3	7.2	11.2	12.2
Underground				
33kV	-	-	-	-
11kV	3.6	10.6	10.7	4.1
<i>Total Underground</i>	3.3	9.7	9.8	4.1
Total	8.4	7.6	11.1	7.4

Reliability Performance Measure Targets

Total number of interruptions in class

Class	2001/02	2002/03	2003/04	2004/05	2005/06
A	-	-	-	-	-
B	77	75	72	70	68
C	97	95	92	92	80
D	-	-	-	-	-
E	-	-	-	-	-
F	-	-	-	-	-
G	-	-	-	-	-
H	-	-	-	-	-
Total	174	170	164	150	148

Proportion of the total Class C interruptions not restored within:

- a) 3 hours - 0%
b) 24 hours - 0%

Number of Faults

	2001/02	2002/03	2003/04	2004/05	2005/06
Overhead					
33kV	5	4	4	3	3
11kV	82	78	75	70	65
Total Overhead	87	82	79	73	68
Underground					
33kV	-	-	-	-	-
11kV	12	10	10	9	9
Total Underground	12	10	10	9	9
Total	99	92	89	82	77

Number of Faults per 100 Circuit Kilometres

	2001/02	2002/03	2003/04	2004/05	2005/06
Overhead					
33kV	3.2	2.6	2.6	1.9	1.7
11kV	10.0	9.6	9.2	8.6	8.4
Total Overhead	9.0	8.5	8.1	7.5	7.3
Underground					
33kV	-	-	-	-	-
11kV	8.0	6.7	6.7	6.0	5.5
Total Underground	7.4	6.1	6.1	5.5	5.1
Total	8.7	8.1	7.9	7.2	7.0

SAIDI

	2001/02	2002/03	2003/04	2004/05	2005/06
B	22	20	18	17	16
C	76	75	74	73	72
Total SAIDI	98	95	92	90	88

SAIFI

	2001/02	2002/03	2003/04	2004/05	2005/06
B	0.18	0.13	0.10	0.09	0.08
C	1.62	1.47	1.30	1.11	1.06
Total SAIFI	1.80	1.60	1.40	1.20	1.14

CAIDI

	2001/02	2002/03	2003/04	2004/05	2005/06
B	122.2	153.8	180	188.9	200
C	46.9	51.0	56.9	65.8	67.9
Total CAIDI	54.4	59.4	65.7	75.0	77.2

Schedule 1 – Part 7

Derivation Table		Input And Calculations		Symbol In Formula	ROF		ROE		ROI
Operating surplus before interest and income tax from financial statements		1,801,000							
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)		1,801,000							
Interest on cash, bank balances and short-term investments (IST1)		94,000				1,707,000			
OSBIIT minus IST1		1,707,000		a					1,707,000
Net surplus after tax from financial statements		1,029,000							
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)		1,029,000		n					
Amortisation of goodwill and amortisation of other intangibles		0		g	add	0	add	0	0
Subvention payment		0		s	add	0	add	0	0
Depreciation of SFA at BV (Δ)		796,170							
Depreciation of SFA at ODV (Δ)		489,783							
ODV depreciation adjustment		306,387		d	add	306,387	add	306,387	306,387
Subvention payment tax adjustment		0		s*1	deduct	0	deduct	0	0
Interest tax shield		223,740		q					223,740
Revaluations		10,076,805		r					10,076,805
Income tax		0							0
Numerator				p		2,013,387		1,335,387	11,866,452
						OSBIIT _{ADP} =a+g+s+t+d		NSAT _{ADP} =n+q+s+t+d	OSBIIT _{ADP} =a+g+s+t+d+p-s*1
Fixed assets at end of previous financial year (FA ₀)		64,095,000							
Fixed assets at end of current financial year (FA ₁)		74,954,000							
Adjusted net working capital at end of previous financial year (ANWCo)		-4,521,000							
Adjusted net working capital at end of current financial year (ANWC1)		-4,185,000							
Average total funds employed (ATFE)		65,171,500		c		65,171,500			65,171,500
	(or regulation 33 time-weighted average)								
Total equity at end of previous financial year (TE ₀)		51,723,000							
Total equity at end of current financial year (TE ₁)		63,758,000							
Average total equity		57,740,500		k				57,740,500	
	(or regulation 33 time-weighted average)								
WUC at end of previous financial year (WUC ₀)		0							
WUC at end of current financial year (WUC ₁)		0							
Average total works under construction		0		e	deduct	0	deduct	0	0
	(or regulation 33 time-weighted average)								
Revaluations		10,076,805		r					
Half of revaluations		5,038,403		r/2					5,038,403
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		m			add	0	
	(or regulation 33 time-weighted average)								
Subvention payment at end of previous financial year (S ₀)		0							
Subvention payment at end of current financial year (S ₁)		0							
Subvention payment tax adjustment at end of previous financial year		0							
Subvention payment tax adjustment at end of current financial year		0							
Average subvention payment and related tax adjustment		0		v	add	0		0	
System fixed assets at end of previous financial year at book value (SF _{ADP0})		61,644,000							
System fixed assets at end of current financial year at book value (SF _{ADP1})		73,057,000							
Average value of system fixed assets at book value		67,350,500		f	deduct	67,350,500	deduct	67,350,500	67,350,500
	(or regulation 33 time-weighted average)								
System Fixed assets at year beginning at ODV value (SF _{ADP0})		61,644,000							
System Fixed assets at end of current financial year at ODV value (SF _{ADP1})		73,057,000							
Average value of system fixed assets at ODV value		67,350,500		h	add	67,350,500	add	67,350,500	67,350,500
	(or regulation 33 time-weighted average)								
Denominator						65,171,500		57,740,500	60,133,097
						ATFE _{ADP} =c-e-f+h		Ave TE _{ADP} =k-e-m+v-f-h	ATFE _{ADP} =C-E-1/2e-f+h
Financial Performance Measure						ROF=OSBIIT _{ADP} /ATFE _{ADP} 100		ROE=NSAT _{ADP} /ATFE _{ADP} 100	ROI=OSBIIT _{ADP} /ATFE _{ADP} 100
						3.09		2.31	19.73

⌈ = 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

== maximum statutory income tax rate applying to corporate entities, bv = book value, ave = average odv = optimised deprival valuation, subscript u = end of year u value, subscript u = return on investment



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Report of the Audit Office

To the readers of the financial statements of Horowhenua Energy Limited for the year ended 31 March 2001

We have audited the financial statements of Horowhenua Energy Limited on pages 2 to 18. The financial statements provide information about the past financial performance of Horowhenua Energy Limited and its financial position as at 31 March 2001. This information is stated in the accounting policies set out on pages 5 to 7.

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 Horowhenua Energy Limited as at 31 March 2001 and the results of operations and cash flows for the year then ended

Auditor's Responsibilities

It is the responsibility of the Audit Office to express an independent opinion on the financial statements presented by the directors and report its opinion to you.

The Controller and Auditor-General has appointed Ivan Booth of 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 and performance information; and
- whether the accounting policies are appropriate to Horowhenua Energy Limited's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards, including 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 in order 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.

We carry out other assignments on behalf of Horowhenua Energy Limited in the area of taxation and consulting advice. Other than in these capacities and in our capacity as auditor, acting on behalf of the Controller and Auditor-General, we have no relationship with or interests in Horowhenua Energy Limited.

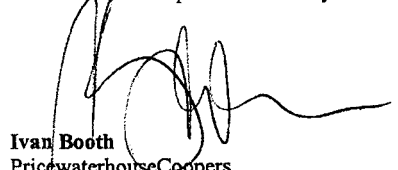
Unqualified Opinion

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

In our opinion:

- proper accounting records have been maintained by Horowhenua Energy Limited as far as appears from our examination of those records; and
- the financial statements on pages 2 to 18:
 - (a) comply with generally accepted accounting practice; and
 - (b) give a true and fair view of the financial position of Horowhenua Energy Limited as at 31 March 2001 and the results of its operations and cash flows for the year then ended; and
 - (c) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 25 May 2001 and our unqualified opinion is expressed as at that date.



Ivan Booth
PricewaterhouseCoopers
On behalf of the Controller and Auditor-General
Palmerston North, New Zealand



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**AUDIT OFFICE OPINION ON THE PERFORMANCE MEASURES OF
HOROWHENUA ENERGY LIMITED**

We have examined the information on pages 19, 20, and 26, being:

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

that were prepared by Horowhenua Energy Limited and dated 25 May 2001 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 black ink, appearing to read 'Ivan Booth', with a long horizontal flourish extending to the right.

Ivan Booth
PricewaterhouseCoopers
On behalf of the Controller and Auditor-General
Palmerston North, New Zealand

25 May 2001

ODV valuation

The Optimised Deprival Value (ODV) of the network was assessed by KPMG Peat Marwick as at 31 March 2001.



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AUDITORS OPINION IN RELATION TO ODV VALUATION

HOROWHENUA ENERGY LIMITED (TRADING AS "ELECTRALINES")

I have examined the valuation report of Horowhenua Energy Limited (trading as "Electralines") by KPMG and dated 18 May 2001, which contains valuations of system fixed assets as at 31 March 2001.

In my opinion, having made all reasonable enquiry, to the best of my knowledge, the ODV valuations contained in the report, including the total valuation of system fixed assets of \$73,057,263 have been made in accordance with the ODV Handbook.

A handwritten signature in black ink, appearing to read 'Peter Young', written over the printed name and title.

Peter Young
Partner

21 May 2001

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

We, Warren Thessman, Chairman, and Piers Hamid, Director, of Horowhenua Energy Limited certify that, having made all reasonable enquiry, to the best of our knowledge, -

- a) The attached audited financial statements of Horowhenua Energy 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, efficiency performance measures, energy delivery efficiency performance measures, statistics and reliability performance measures in relation to Horowhenua Energy 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 valuation on which those financial performance measures are based are as at 31 March 2001.



Warren Thessman
Chairman



Piers Hamid
Director

Dated this 25th day of May 2001

CERTIFICATION OF VALUATION REPORT OF LINE OWNERS

We, Warren Thessman, Chairman, and Piers Hamid, Director, of Horowhenua Energy Limited certify that, having made all reasonable enquiry, to the best of our knowledge, -

- (a.) The attached valuation report of Horowhenua Energy Limited, prepared for the purposes of regulation 20 of the Electricity (Information Disclosure) Regulation 1999, complies with the requirements of those regulations; and
- (b.) The replacement cost of the line business fixed assets of Horowhenua Energy Limited is \$124,649,884; and
- (c.) The Depreciated Replacement Cost of the line business system fixed assets of Horowhenua Energy Limited is \$75,200,454; and
- (d.) The Optimised Depreciated Replacement Cost of the line business system fixed assets of Horowhenua Energy Limited is \$73,154,209; and
- (e.) The Optimised Deprival Valuation of the line business system fixed assets of Horowhenua Energy Limited is \$73,057,263; and
- (f.) The values in (b) through to (e) have been prepared in accordance with the ODV Handbook

These valuations are as at 31 March 2001.



Warren Thessman
Chairman



Piers Hamid
Director

Dated this 25th day of May 2001

Directory

Directors

W R Thessman (Chairperson)
A T Colbert
P A T Hamid
P F McKelvey
M H Devlin

Executive

J L Yeoman (General Manager)

Registered office

Horowhenua Energy Limited
Cnr Salisbury and Durham Streets
LEVIN

Postal address

P O Box 244
LEVIN

Telephone 06 366 0944
Fax 06 366 0949

Auditor

PricewaterhouseCoopers
Palmerston North
On behalf of the Controller and Auditor General

Bankers

Bank of New Zealand

Solicitors

Bell Gully Buddle Weir, Wellington
