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HORIZON ENERGY DISTRIBUTION LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

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

For the Year Ended 31 March 2007

	NOTE	Lines Business 2007 \$000	Lines Business 2006 \$000
Total Operating Revenue	2,16	25,507	24,855
Total Operating Expenditure Before Award	2,16	(18,152)	(15,736)
Award Monies	22	-	1,743
Operating Surplus before Interest and Taxation	2,16	7,355	10,862
Interest Expense	3	(2,129)	(2,104)
Operating Surplus before Taxation		5,226	8,758
Income Tax Expense	4	(2,193)	(3,372)
Net Surplus After Taxation		3,033	5,386
Surplus Attributable to Shareholders of Horizon Energy Distribution Limited		3,033	5,386

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

As at 31 March 2007

	NOTE	Lines Business 2007 \$000	Lines Business 2006 \$000
Shareholders' Equity / Capital Funds			
Share Capital	5	8,432	8,432
Reserves	6	78,016	58,067
Retained Earnings	7	(20,976)	(21,480)
Total Shareholders' Equity / Total Capital Funds		65,472	45,019
Current Assets			
Advance to "Other" Business	16	2,929	2,040
Cash and Bank Balances		62	46
Accounts Receivable	8	2,825	4,475
Total Current Assets		5,817	6,561
Non Current Assets			
Fixed Assets	9	95,481	74,962
Total Non Current Assets		95,481	74,962
Total Tangible Assets / Total Assets		101,297	81,523
Current Liabilities			
Accounts Payable and Provisions	10,19	5,864	3,221
Taxation Payable	4	641	1,913
Total Current Liabilities		6,505	5,134
Non Current Liabilities			
Term Loans	11	26,400	28,470
Deferred Taxation	4	2,920	2,900
Total Non Current Liabilities		29,320	31,370
Total Liabilities		35,825	36,504
Net Assets		65,472	45,019

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

For the Year Ended 31 March 2007

	NOTE	Lines Business 2007 \$000	Lines Business 2006 \$000
Cash Flow from Operating Activities			
Cash was provided from:			
Receipts from Customers		27,154	24,697
Interest from Short Term Deposits		3	5
		27,157	24,702
Cash was applied to:			
Payments to Suppliers and Employees		(12,507)	(11,994)
Interest Paid to Non-related Parties		(2,129)	(2,101)
Income Tax Paid		(3,445)	(2,899)
		(18,081)	(16,994)
Net Cash Inflow from Operating Activities		9,076	7,708
Cash Flow from Investing Activities			
Cash was applied to:			
Purchases and Construction of Fixed Assets		(3,572)	(3,308)
Net Cash Outflow to Investing Activities		(3,572)	(3,308)
Cash Flow From Financing Activities			
Cash was applied to:			
Settlement of Term Debt		(2,070)	1,870
Dividends Paid		(2,529)	(4,858)
Net Cash Inflow from (Outflow to) Financing Activities		(4,599)	(2,988)
Net Movement in Cash Held		905	1,411
Add Opening Cash		2,086	675
Closing Cash Carried Forward		2,991	2,086
<i>Represented by:</i>			
Cash at Bank		62	46
Advance to "Other" Business	16	2,929	2,040
Closing Cash Carried Forward		2,991	2,086

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

For the Year Ended 31 March 2007

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

	Lines Business 2007 \$000	Lines Business 2006 \$000
Surplus Attributable to Shareholders	3,033	5,386
Add/(Less) Items Classified as Investing and Financing Activities:		
Net Gain on Sale of Fixed Assets	-	-
Accounts Payable and Accruals that Relate to the Purchase of Fixed Assets	(25)	(23)
Add/(Less) Non-Cash Items:		
Depreciation	3,027	2,983
Increase/(Decrease) in Deferred Taxation Liability	20	322
	3,022	3,282
Add/(Less) Movements in Working Capital Items:		
Decrease/(Increase) in Accounts Receivable	1,650	(1,895)
Increase/(Decrease) in Accounts Payable and Accruals	2,643	785
Increase/(Decrease) in Income Tax Payable	(1,273)	150
	3,021	(960)
Net Cash Flow from Operating Activities	9,076	7,708

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

For the Year Ended 31 March 2007

	NOTE	Lines Business 2007 \$000	Lines Business 2006 \$000
Opening Equity		45,019	44,491
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Plus			
Surplus Attributable to Shareholders		3,033	5,386
Revaluation of Fixed Assets		19,949	-
Less			
Dividends Paid	12	(2,529)	(4,858)
Equity as at 31 March		65,472	45,019
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HORIZON ENERGY DISTRIBUTION LIMITED – Lines Business

Financial Statements for the purposes of the Electricity Information Disclosure Requirements 2004

Notes to the Financial Statements for the year ended 31 March 2007

1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Electricity Information Disclosure Requirements 2004.

A General Accounting Policies

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

B Particular Accounting Policies

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

i) Revenue

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

ii) Depreciation

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

iii) Fixed Assets

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

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

Distribution system assets are valued using modified historical cost. Assets are carried at the latest valuation prepared on a depreciated replacement cost basis (latest valuation 31 March 2007), adjusted for subsequent additions, disposals and depreciation.

iv) Accounts Receivable

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

v) Taxation

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

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

vi) Statement of Cash Flows

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

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

HORIZON ENERGY DISTRIBUTION LIMITED – Lines Business
Financial Statements for the purposes of the
Electricity Information Disclosure Requirements 2004

Notes to the Financial Statements
for the year ended 31 March 2007

vii) Financial Instruments

Financial instruments with off-balance sheet risk have been entered into for the primary purpose of reducing exposure to fluctuations in interest rates. Horizon Energy Distribution Limited primarily uses interest rate swaps to reduce exposure to fluctuations in interest rates. The Company's Treasury Policy governs the duration and proportion of debt hedged. While financial instruments are subject to risk that market rates may change subsequent to acquisition, such changes would generally be offset by opposite effects on the items hedged.

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

ii) Research and Development

Costs incurred on all research and development projects are written off as incurred, except that development costs are capitalised to the extent that such costs are expected, beyond any reasonable doubt, to be recovered.

ix) Comparatives

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

C. Changes in Accounting Policies

There have been no changes in accounting policies.

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

	Lines Business 2007 \$000	Lines Business 2006 \$000
2 OPERATING SURPLUS BEFORE TAXATION ITEMS		
Operating revenue includes the following items:		
Revenue Disclosure Items :		
Revenue from Line / Access Charges	23,935	23,682
Gain on Sale of Fixed Assets	-	0
AC Loss-rental Rebates	264	335
Other Operating Revenue	1,308	838
Total operating revenue	25,507	24,855
Operating expenditure comprises the following items:		
Payment for Transmission Charges	9,056	7,899
Expenses to Non-related Entities for Asset Maintenance		
Services / Total Specified Expenses to Non-related Parties	1,969	1,258
AC Loss Rental Rebates Expense	169	214
Employee Salaries, Wages and Redundancies	1,474	1,145
Total Cost of Offering Credit		
Increase in Estimated Doubtful Debts	(5)	11
Bad Debts Written Off	-	-
Total Cost of Offering Credit	(5)	11
Directors' Fees / Remuneration	123	120
Rental and Operating Lease Obligations (refer note 14)	87	82
Depreciation on System Fixed Assets	2,812	2,779
Depreciation on Other Fixed Assets	215	204
Total Depreciation	3,027	2,983
Local Authorities Rates Expense	124	122
① Other Expenditure	332	(1,120)
Auditors Remuneration (Note 15)	149	90
Consumer Billing and Information System	115	148
Corporate and Administration Expenses	326	405
Marketing / Advertising	73	5
Human Resource Expenses	180	80
Research and Development Expenses	27	18
② Consultancy and Legal Expenses	926	533
Total Operating Expenditure	18,152	13,993

① The comparative figure for 2006 includes the reduction in expenses of \$1.43m relating to the resolution of Arbitration Proceedings as described in Note 22 of the Company's 2005-06 Information for Disclosure (Regulatory Accounts).

② The comparative figure for 2006 includes the reduction Consultancy and Legal Expenses of \$0.20m relating to the resolution of Arbitration Proceeding as described in Note 22 of the Company's 2005-06 Regulatory Accounts.

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

	Lines Business 2007 \$000	Lines Business 2006 \$000
3 INTEREST		
Net Interest comprises:		
Interest Expense on Borrowings	2,003	2,104
Other interest expense not listed elsewhere	126	-
③ Interest Income on Bank Balances, Short Term Investments & Legal Awards	(6)	(117)
Net Interest	2,123	1,987
Total Interest Expense	2,129	2,104
③ The comparative figure for 2006 includes interest of \$0.11m relating to the resolution of Arbitration Proceedings as detailed in Note 22 of the Company's 2005-06 Regulatory Accounts.		
4 INCOME TAX		
<i>Income Tax Expense</i>		
The taxation expense has been calculated as follows:		
Operating Surplus before Taxation	5,226	8,758
Income Tax on Surplus for the year at 33%	1,725	2,890
Plus/(Less) Permanent Differences		
Non-Deductible Depreciation on Revalued Portion of Fixed Assets	634	647
Non-Deductible Expenses	23	17
Non-Taxable Income	(189)	(182)
Income Tax Expense	2,193	3,372
Income tax expense comprises:		
Tax Payable in Respect of Current Year	2,173	3,050
Deferred Taxation	20	322
Income Tax Expense	2,193	3,372
<i>Deferred Taxation</i>		
Opening Balance	2,900	2,578
Deferred tax in respect of current year	20	322
Balance as at 31 March	2,920	2,900
<i>Taxation Payable</i>		
Income tax payable/(prepaid) comprises:		
Opening Balance	1,913	1,763
Tax Payable in Respect of Current Year	2,173	3,050
Tax payable in Respect of Prior Years	-	-
Income Tax Paid	(3,445)	(2,900)
Balance as at 31 March - Liability/(Asset)	641	1,913

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

	NOTE	Lines Business 2007 \$000	Lines Business 2006 \$000
5 SHARE CAPITAL			
Share Capital - Issued and paid up			
Opening Balance		8,432	8,432
Balance as at 31 March		8,432	8,432
		2007	2006
		No. of Shares	No. of Shares
Shares issued - fully paid		24,991,385	24,991,385
		-	-
Shares issued		24,991,385	24,991,385
		2007	2006
		\$000	\$000
6 RESERVES			
Asset Revaluation Reserve			
Opening Balance		58,067	58,067
Plus Revaluation of System Fixed Assets	9	19,949	-
Balance as at 31 March		78,016	58,067
7 RETAINED EARNINGS			
Opening Retained Earnings		(21,480)	(22,007)
Surplus after Taxation		3,033	5,386
Plus Retained Earnings distributed from "Other" business		-	-
Less Dividends paid	12	(2,529)	(4,859)
Balance as at 31 March		(20,976)	(21,480)
8 ACCOUNTS RECEIVABLE			
Accounts Receivable comprises:			
Trade Receivables		2,839	4,494
Less Provision for Doubtful Debts		(14)	(19)
Balance as at 31 March		2,825	4,475

The comparative figure for 2006 for Trade Receivables includes \$1.74m relating to the Award monies as detailed in Note 22.

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

		Lines Business 2007 \$000	Lines Business 2006 \$000
9 FIXED ASSETS			
Fixed Assets comprise:			
Land	<i>Cost</i>	260	7
Buildings	<i>Cost</i>	401	53
	<i>Accumulated Depreciation</i>	(25)	(25)
	<i>Net Book Value</i>	376	28
Plant and Equipment	<i>Cost</i>	144	110
	<i>Accumulated Depreciation</i>	(101)	(89)
	<i>Net Book Value</i>	43	21
Furniture and Fittings	<i>Cost</i>	511	436
	<i>Accumulated Depreciation</i>	(231)	(181)
	<i>Net Book Value</i>	280	255
Motor Vehicles	<i>Cost</i>	233	161
	<i>Accumulated Depreciation</i>	(105)	(57)
	<i>Net Book Value</i>	128	104
Consumer Billing and Information System Equipment	<i>Cost</i>	1,537	1,436
	<i>Accumulated Depreciation</i>	(1,264)	(1,189)
	<i>Net Book Value</i>	273	247
Office Equipment	<i>Cost</i>	113	107
	<i>Accumulated Depreciation</i>	(53)	(53)
	<i>Net Book Value</i>	60	54
System Fixed Assets - Work in Progress	<i>Cost</i>	-	162
System Fixed Assets	<i>Valuation</i>	94,061	79,603
	<i>Accumulated Depreciation</i>	-	(5,519)
	<i>Net Book Value</i>	94,061	74,084
Totals	<i>Cost or Valuation</i>	97,260	82,075
	<i>Accumulated Depreciation</i>	(1,780)	(7,113)
Total Fixed Assets	Net Book Value	95,481	74,962

Revaluation of Distribution System Fixed Assets

Distribution System Fixed Assets were revalued on 31 March 2007 by Sinclair Knight Merz (Qualified Consulting Architects, Engineers and Planners) on the basis of depreciated replacement cost in accordance with generally accepted valuation techniques. The Board of Directors do not believe there is any material impairment to the current carrying value of the Distribution System Fixed Assets.

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

9 FIXED ASSETS (Continued)	Lines Business 2007 \$000	Lines Business 2006 \$000
Depreciation Expense		
Buildings	1	1
Plant and Equipment	109	120
Furniture and Fittings	51	48
Motor Vehicles	54	35
Distribution System	2,812	2,779
Total	3,027	2,983

Useful lives and Depreciation Methods	Useful Lives 2007 In Years	Useful Lives 2006 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	Lines Business 2007 \$000	Lines Business 2006 \$000
Accounts Payable comprise:		
Trade Creditors and Accruals	2,189	3,087
Employee Entitlements	328	134
Balance as at 31 March	2,517	3,221

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

	Lines Business 2007 \$000	Lines Business 2006 \$000
11 TERM LOANS		
Term loans fall due for repayment in the following periods:		
Within One Year	-	-
Within One to Two Years	-	28,470
Within Two to Three Years	15,000	-
Within Three to Four Years	-	-
Within Four to Five Years	11,400	-
Balance as at 31 March	26,400	28,470
Disclosed in Balance Sheet as:		
Current Portion of Term Loans	-	-
Term Loans	26,400	28,470
Balance as at 31 March	26,400	28,470

All term loans are unsecured and are subject to negative pledge undertakings. The weighted average interest rate, inclusive of margins on term loans is 7.13% (2005 7.26%), taking into account the hedging undertaken by the Company as disclosed in Note 18. For that portion of term loans not hedged the loan is at the floating 90 day bank bill rate plus margin.

The Company currently has \$40 million rolling loan facilities confirmed at the following levels:

Facility Maximum \$000	Expiry Date
10,000	22-Nov-08
15,000	23-Nov-09
15,000	23-Nov-11

12 DISTRIBUTION TO OWNERS

Dividends Paid Attributed to Lines Business	2,529	4,859
Dividends Paid attributable to "Other" Business	1,844	2,014
Total Dividends Paid by Horizon Energy Distribution Limited	4,373	6,873

Dividends paid to "Other" business in 2006 includes a special dividend relating to a one off tax benefit that arose from the sale of the Company's interest in the Kapuni Cogeneration Joint Venture in 1999.

13 IMPUTATION CREDIT ACCOUNT

	Group 2007	Group 2006
Opening Balance	10	3
Plus: Income Tax Paid	3,445	2,900
Less: Imputation Credits attached to dividends paid for "Other" business	(908)	(500)
Imputation Credits attached to dividends paid for Line Business	(1,246)	(2,393)
Balance as at 31 March	1,301	10

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

	Lines Business 2007 \$000	Lines Business 2006 \$000
14 OPERATING LEASES		
Operating lease commitments fall due for repayment in the following periods:		
Within One Year	68	63
Within One to Two Years	71	63
Within Two to Five Years	123	169
Within Five to Eight Years	-	-
	262	295
15 REMUNERATION OF AUDITORS		
During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Parent and the Group:		
Auditing the Financial Statements:		
Auditing the Financial Statements	48	43
Other Audit Fees	24	26
	72	69
Other Services:		
Assurance related	77	21
Total Payments to Auditors	149	90

16 RELATED PARTY TRANSACTIONS

The Company conducts business predominantly in the Eastern Bay of Plenty and undertakes transactions with shareholders, company officers and other related parties that reside in the region. All transactions with related parties have been carried out on a commercial and "arms length" basis.

Transactions

Sales to Eastern Bay Energy Trust	136	131
Dividend paid to Eastern Bay Energy Trust	3,380	3,756
Transfers to and from "Other" Business	889	612
Balance		
Amounts Owed by "Other" Business for Re-allocations to and from "Other" Business	2,929	2,040
Amounts owed by Eastern Bay Energy Trust	-	-

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

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

The Group has commitments for future capital expenditure amounting to \$190,683 (\$395,283 in 2006).

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

(i) Interest Rates

The Group generally uses swaps to manage interest rate risk.

As at 31 March 2007, the face value of the swaps the Group held were as follows:

Interest Rate Options:

Commencement Date	Rate	Termination Date	Notional Amount	
			2007 \$000	2006 \$000
3 April, 1998	7.025% (2006: 7.07%)	5-Mar-14 (2006: 5-Sep-11)	4,800	4,800
29 June, 2001	7.16%	29-Jun-07	4,000	4,000
16 August, 2002	6.68%	17-Aug-09	3,000	3,000
20 March, 2003	6.76%	21-Dec-06	-	4,000
20 September, 2004	6.98%	21-Jun-10	4,000	4,000
29 March 2008	7.20%	26-Mar-14	6,000	-
			21,800	19,800

The mark to market value of the interest rate swap agreements as at 31 March 2007 showed a gain of \$257,141 (2006 - loss of \$217,946). These interest rate swaps are treated as off balance sheet financial instruments.

(ii) Credit

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

	2007	2006
Maximum Exposures to Credit Risk at balance date are:		
Cash	62	46
Accounts Receivable	2,825	4,475

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

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

19 PROVISIONS

Balance at Beginning of Year	20	90
Current Year Provision	3,347	-
Provision Released	(20)	(70)
Balance at 31 March	3,347	20

Provisions at 31 March 2007 include:

- During the year Transpower rebated \$660,000 to Horizon Energy via a reduction in transmission costs. The Commerce Commission has advised Horizon Energy that it must refund these monies to consumers/and or retailers. The Company will refund these monies (including interest) in the 2008 financial year and accordingly has recognised this obligation as a provision at 31 March 2007.

- As previously announced Horizon Energy's Directors have decided to refund \$926,000 to consumers relating to an Award received following legal proceedings. This refund will be paid in the 2008 financial year and is recognised as a provision at 31 March 2007.

- Provisions also include allowances for costs associated with disputes.

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

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

21 EVENTS OCCURRING AFTER BALANCE DATE**Dividend Declarations**

On 28 May 2007 the Directors declared a final fully imputed dividend of 9.0 cents (2006: 7.5 cents fully imputed) per ordinary share. As this event occurred after balance date the financial date the financial effect has not been recognised in the financial statements.

22 ARBITRATION PROCEEDINGS

In the Company's 2006 Information Disclosure Accounts, Awards totalling \$1.74m were recognised as revenue in relation to proceedings initiated by Horizon Energy against a supplier for the level of fees charged for services between 1 April 2004 and 31 March 2006.

The characteristics of the Awards combined with the Company's regulatory obligations resulted in the Board of Directors resolving to refund \$0.93 million of the Awards to electricity consumers in the Eastern Bay of Plenty during the year ended 31 March 2007. This amount has been expensed in these Information Disclosure Accounts.

23 NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The Company will transition to NZ IFRS and publish its first set of annual financial statements prepared under NZ IFRS for the year ending 31 March 2008.

The Company has substantially finalised its accounting policies under NZ IFRS and quantified the material adjustments that will be required in the opening Statement of Financial Position as at 1 April 2006 on adoption of NZ IFRS.

The key differences between current NZ GAAP and NZ IFRS identified as affecting the Company's opening Statement of Financial Position and retained earnings at 1 April 2006 have been quantified for statutory reporting purposes however these are subject to final quantification and any changes in applicable NZ IFRS standards which may occur before the date of issue of the 31 March 2008 NZ IFRS financial statements. These differences are reported in the Company's 31 March 2007 Statutory Accounts.

The impact of NZ IFRS on future profits for statutory reporting purposes is principally from the amortisation of capital contributions received from government and the recognition of the movement in fair values of derivative financial instruments. These profit impacts have not been quantified for the purposes of the Information Disclosure Accounts.

The Company has not quantified any differences between current NZ GAAP and NZ IFRS in relation to the impact under the Company's Information Disclosure Requirements obligations (Information Disclosure Accounts). This is due to the uncertainty that exists as to whether the Company would be reporting these regulatory accounts under current GAAP and whether future regulatory accounts will be reported under NZ IFRS.

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

	Lines Business 2007 \$000	Lines Business 2006 \$000
Revenue :		
Revenue from "Other" business for services carried out by the line business (transfer payment)	Nil	Nil
Operating Expenditure:		
Asset maintenance carried out by "Other" business (transfer payment)	Nil	Nil
Consumer disconnection / reconnection services carried out by "Other" business (transfer payment)	Nil	Nil
Charges for meter data carried out by "Other" business (transfer payment)	Nil	Nil
Charges for providing consumer-based load control services carried out by "Other" business (transfer payment)	Nil	Nil
Charges for royalty and patent expenses by "Other" business (transfer payment)	Nil	Nil
Avoided transmission charges on account of own generation	Nil	Nil
Charges for other goods and services carried out by "Other" business (transfer payment)	Nil	Nil
Payment to non-related entities for providing disconnection / reconnection services	Nil	Nil
Payment to non-related entities for providing meter data	Nil	Nil
Payment to non-related entities for providing consumer-based load control services	Nil	Nil
Payment to non-related entities for royalty and patent expenses	Nil	Nil
Amortisation of goodwill	Nil	Nil
Amortisation of other intangibles	Nil	Nil
Total amortisation of intangibles	Nil	Nil
Merger and acquisition expenses	Nil	Nil
Takeover defence expenses	Nil	Nil
Donations	Nil	Nil
Audit fees paid to other auditors	Nil	Nil
Fees paid for other services to other auditors	Nil	Nil
Rebates to customers due to ownership interest	Nil	Nil
Subvention payments	Nil	Nil

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

	Lines Business 2007 \$000	Lines Business 2006 \$000
Operating Expenditure (continued) :		
Other interest expense not listed elsewhere	Nil	Nil
Unusual expenses	Nil	Nil
Financing charges related to finance leases	Nil	Nil
Current Assets :		
Short term investments	Nil	Nil
Inventories	Nil	Nil
Short term Deposits	Nil	Nil
Other current assets not listed elsewhere	Nil	Nil
Fixed Assets :		
Other fixed assets not listed elsewhere	Nil	Nil
Other tangible assets not listed elsewhere	Nil	Nil
Intangible Assets :		
Goodwill	Nil	Nil
Other intangible assets not listed elsewhere	Nil	Nil
Total intangible assets	Nil	Nil
Current Liabilities :		
Short-term borrowings	Nil	Nil
Other current liabilities not listed elsewhere	Nil	Nil
Provision for Final Dividend	Nil	Nil
Non - Current Liabilities :		
Payables and accruals	Nil	Nil
Other non-current liabilities not listed elsewhere	Nil	Nil
Equity :		
Minority interests in subsidiaries	Nil	Nil
Capital notes	Nil	Nil
Return of capital to shareholders	Nil	Nil



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Auditors' Report

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

We have audited the accompanying financial statements of Horizon Energy Distribution Limited - Lines Business. The financial statements provide information about the past financial performance of Horizon Energy Distribution Limited - Lines Business and its financial position as at 31 March 2007. This information is stated in accordance with the accounting policies set out in the Statement of Accounting Policies.

Directors' Responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of Horizon Energy Distribution Limited - Lines Business as at 31 March 2007, and the results of operations and cash flows for the year then ended.

Auditors' Responsibilities

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

Basis of Opinion

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

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

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

Other than in our capacities as auditors and the provision of other assurance services we have no relationship with or interests in Horizon Energy Distribution Limited.



Auditors' Report

Horizon Energy Distribution Limited - Lines Business

Unqualified Opinion

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

In our opinion:

- (a) proper accounting records have been maintained by Horizon Energy Distribution Limited – Lines Business as far as appears from our examination of those records; and
- (b) the financial statements referred to above:
 - (i) comply with generally accepted accounting practice
 - (ii) give a true and fair view of the financial position of Horizon Energy Distribution Limited - Lines Business as at 31 March 2007 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 18 February 2008 and our unqualified opinion is expressed as at that date.

A handwritten signature in cursive script, likely belonging to a representative of the auditing firm.

Chartered Accountants

Auckland

MATTERS RELATING TO THE PUBLICATION OF THE AUDITED FINANCIAL STATEMENTS IN THE NEW ZEALAND GAZETTE

This audit report relates to the financial statements of Horizon Energy Distribution Limited for the year ended 31 March 2007 that have been published in the *New Zealand Gazette*. The *New Zealand Gazette* is required to publish hard copies of audited financial statements and the related audit report of Horizon Energy Distribution Limited for the year ended 31 March 2007, and to include an electronic version of the published *New Zealand Gazette* on the *New Zealand Gazette's* website.

We have not been engaged to report on the integrity of the financial statements of Horizon Energy Distribution Limited that have been published on the *New Zealand Gazette's* website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially signed and published.

This audit report refers only to the financial statements named above. If readers of this audit report are concerned with the inherent risks arising from electronic data communication, they should refer to the original signed and published hard copy of the audited financial statements and related audit report dated 18 February 2008 to confirm the information included in the audited financial statements published in the *New Zealand Gazette* or on the *New Zealand Gazette's* website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

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	7,355				
Operating surplus before interest and income tax, adjusted pursuant to regulation 18 (OSBIT)	7,355				
Interest on cash, bank balances, and short-term investments (ISTI)	6				
OSBIT minus ISTI	7,349	a	7,349		7,349
Net surplus after tax from financial statements	3,033				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	3,033	n		3,033	
Amortisation of goodwill and amortisation of other intangibles	0	g	add	0	0
Subvention payment	0	s	add	0	0
Depreciation of SFA at BV (x)	2,812				
Depreciation of SFA at ODV (y)	2,802				
ODV depreciation adjustment	9	d	add	9	9
Subvention payment tax adjustment	0	s†	deduct	0	0
Interest tax shield	701	q			701
Revaluations	0	r			0
Income tax	2,193	p			2,193
Numerator			OSBIT ^{ADJ} = a + g + s + d	NSAT ^{ADJ} = n + g + s - s† + d	OSBIT ^{ADJ} = a + g - q + r + s + d - p - s†
Fixed assets at end of previous financial year (FA ₀)	74,962				
Fixed assets at end of current financial year (FA ₁)	95,481				
Adjusted net working capital at end of previous financial year (ANWC ₀)	1,255				
Adjusted net working capital at end of current financial year (ANWC ₁)	-3,039				
Average total funds employed (ATFE)	84,329 (or regulation 33 time-weighted average)	c	84,329		84,329
Total equity at end of previous financial year (TE ₀)	45,019				
Total equity at end of current financial year (TE ₁)	65,473				
Average total equity	55,246 (or regulation 33 time-weighted average)	k		55,246	

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
WUC at end of previous financial year (WUC _p)	162				
WUC at end of current financial year (WUC _c)	0				
Average total works under construction (or regulation 33 time-weighted average)	81	e	deduct 81	deduct 81	deduct 81
Revaluations	0	r			
Half of revaluations	0	r/2			
Intangible assets at end of previous financial year (IA _p)	0				
Intangible assets at end of current financial year (IA _c)	0				
Average total intangible asset (or regulation 33 time-weighted average)	0	m		add 0	
Subvention payment at end of previous financial year (S _p)	0				
Subvention payment at end of current financial year (S _c)	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	0	v		add 0	
System fixed assets at end of previous financial year at book value (SFA _{book})	74,084				
System fixed assets at end of current financial year at book value (SFA _{book,c})	94,061				
Average value of system fixed assets at book value (or regulation 33 time-weighted average)	84,073	f	deduct 84,073	deduct 84,073	deduct 84,073
System Fixed assets at year beginning at ODV value (SFA _{ODV})	73,501				
System Fixed assets at end of current financial year at ODV value (SFA _{ODV,c})	74,270				
Average value of system fixed assets at ODV value (or regulation 33 time-weighted average)	73,885	h	add 73,885	add 73,885	add 73,885
Denominator			ATFE ^{ADJ} = c - e - f + h	Ave TE ^{ADJ} = k - e - m + v - f + h	ATFE ^{ADJ} = c - e - f + h
Financial Performance Measure:			ROF = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100	ROE = NSAT ^{ADJ} /ATE ^{ADJ} x 100	ROI = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100
			9.94	6.76	6.03

HORIZON ENERGY DISTRIBUTION LIMITED

Requirement 14 - Financial and Efficiency Performance Measures

For the year ended 31 March 2007

	2007	2006	2005	2004
1) Financial Performance Measures				
(a) Return on Funds (ROF)	9.94%	14.39% ①	11.73%	14.77%
(b) Return on Equity (ROE)	6.76%	12.26% ①	8.78%	13.19%
(c) Return on Investment (ROI)	6.03%	9.00% ①	7.04%	27.45% ②

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

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

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

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

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

	2007	2006	2005	2004
2) Efficiency Performance Measures				
(a) Direct Line Costs per kilometre	\$1,345 ⑤	\$430 ④	\$929 ③	\$677
(b) Indirect Line Costs per Customer	\$111 ⑥	\$78	\$81	\$69

③ The increase in direct line costs per kilometre for 2005 (compared with the 2004) is attributable to increased maintenance resulting from damage caused by extreme weather events .

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

⑤ Direct line customers have been increased due to the refund of Arbitration Awards of \$1.0m during the year ended 31 March 2007.

⑥ Indirect costs per customer have been increased by one-off legal and consultants fees related to the successful Award as detailed in Note 22.

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

For the year ended 31 March 2007

	2007	2006	2005	2004
1) Energy Delivery Efficiency Performance Measures				
(a) Load Factor	74.27%	73.35%	73.22%	76.33%
(b) Loss Ratio	4.33%	3.03%	3.88%	3.48%
(c) Capacity Utilisation	40.95%	50.87%	53.33%	46.16%
2) Statistics				
(a) System Length (km)				
110 kV	-	-	-	-
33 kV	181	181	180	180
11 kV	1,666	1,694	1,679	1,669
400 Volt	561	529	534	556
Total System Length (km)	2,408	2,404	2,393	2,404
(b) Circuit Length - Overhead (km)				
110 kV	-	-	-	-
33 kV	178	177	177	176
11 kV	1,512	1,533	1,533	1,532
400 Volt	276	242	271	300
Total Circuit Length - Overhead (km)	1,966	1,952	1,981	2,007
(c) Circuit Length - Underground (km)				
110 kV	-	-	-	-
33 kV	3	3	3	4
11 kV	154	161	146	137
400 Volt	285	287	263	256
Total Circuit Length - Underground (km)	442	451	412	397
(d) Transformer Capacity (kVA)				
	229,928	184,947	173,655	187,263
(e) Maximum Demand (kW)				
	94,147	94,074	92,615	86,444
(f) Total electricity entering system (before losses) (kWh)				
	612,524,674	604,433,814	594,055,073	579,559,451
(g) Total electricity supplied from system (after losses) on behalf of an electricity generator and/or retailer (kWh)				
Retailer A	213,785,244	253,190,431	272,356,795	246,530,377
Retailer B	4,883,321	1,291,437	1,427,951	1,323,049
Retailer C	564,880	288,443	196,910	169,520
Retailer D	5,062,033	3,817,347	3,211,834	2,498,521
Retailer E	5,794,605	4,601,277	3,619,012	1,455,924
Retailer F	2,579,674	2,626,723	873,558	5,152,620
Retailer G	-	-	-	-
Retailer H	-	-	-	-
Retailer I	-	-	-	-
Retailer J	354,428,886	320,840,581	289,325,966	302,243,165
Total (kWh)	587,098,642	586,656,239	571,012,026	559,373,176
(h) Total consumers				
	23,972	23,887	23,572	23,458

HORIZON ENERGY DISTRIBUTION LIMITED**Requirement 21 Reliability Performance Measures**

For the year ended 31 March 2007

	2007	2006	2005	2004
1) Interruptions				
Class A - Transpower planned interruptions	1	1	8	1
Class B - Horizon planned interruptions	53	68	51	67
Class C - Horizon unplanned interruptions	92	110	125	83
Class D - Transpower unplanned interruptions	13	6	5	4
Class E - Horizon generation unplanned interruptions	-	-	-	-
Class F - Other generation unplanned interruptions	2	-	2	-
Class G - Other line owner unplanned interruptions	-	-	1	-
Class H - Other line owner planned interruptions	-	-	-	-
Class I - Not in A to H	-	2	-	-
Total Number of Interruptions	161	187	192	155
	2008	2007	2006	2005
2) Interruption Targets (Next Year)				
(a) Planned interruptions (Class B)	62	62	62	80
(b) Unplanned interruptions (Class C)	82	82	82	85
3) Average Interruption Targets (Next 5 Years)				
(a) Planned interruptions (Class B)	62	62	62	80
(b) Unplanned interruptions (Class C)	82	82	82	85
4) Proportion of Class C interruptions not restored within				
(a) 3 hours	25.00%	25.00%	33.60%	14.46%
(b) 24 hours	0.89%	0.89%	8.80%	0.00%
5) Faults per 100 km of prescribed voltage line				
(a) Number of faults				
110 kV	-	-	-	-
33 kV	4.0	4.0	3.9	0.6
11 kV	9.0	9.0	7.0	4.9
Total Number of Faults	8.5	8.5	6.7	4.6
	2008	2007	2006	2005
(b) Number of Faults Targeted				
110 kV	-	-	-	-
33 kV	-	-	-	-
11 kV	4.9	4.9	4.9	5.1
Total Number of Faults Targeted	4.4	4.5	4.5	4.6
(c) Average Number of Faults Targeted (Next 5yrs)				
110 kV	-	-	-	-
33 kV	-	-	-	-
11 kV	4.9	4.9	4.9	5.1
Total Average Number of Faults Targeted	4.4	4.5	4.5	4.6

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

For the year ended 31 March 2007

	2007	2006	2005	2004
6) Number of Faults per 100 km of Underground Prescribed Voltage Line				
110 kV	-	-	-	-
33 kV	-	-	-	-
11 kV	4.8	4.8	4.8	4.4
Total Underground Faults / 100km	4.7	4.7	4.7	4.4
7) Number of Faults per 100 km of Overhead Prescribed Voltage Line				
110 kV	-	-	-	-
33 kV	4.0	4.0	4.0	0.6
11 kV	7.2	7.2	7.2	5.0
Total Overhead Faults / 100km	6.9	6.9	6.9	4.6
8) SAIDI for Total Number of Interruptions	315	292 ^②	987	219
② Due to extreme weather events as set out in the Company's 2005 and 2006 Threshold Compliance Statements.				
	2008	2007	2006	2005
9) SAIDI Targets (Next Year)				
(a) Planned interruptions (Class B)	45	45	45	45
(b) Unplanned interruptions (Class C)	100	100	100	100
10) Average SAIDI Targets (Next 5 Years)				
(a) Planned interruptions (Class B)	45	45	45	45
(b) Unplanned interruptions (Class C)	100	100	100	100
11) SAIDI for Total Interruptions by Class				
Class A - Transpower planned interruptions	2	14	251	74
Class B - Horizon planned interruptions	16	31	22	25
Class C - Horizon unplanned interruptions	140	156	331	108
Class D - Transpower unplanned interruptions	148	84	372	12
Class E - Horizon generation unplanned interruptions	-	-	-	-
Class F - Other generation unplanned interruptions	9	-	-	-
Class G - Other line owner unplanned interruptions	-	4	11	-
Class H - Other line owner planned interruptions	-	-	-	-
Class I - Not in A to H	-	-	-	-

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

For the year ended 31 March 2007

		2007	2006	2005	2004
12) SAIFI for Total Number of Interruptions		3.09	2.48 [®]	3.54	1.62
	[®] Due to extreme weather events as set out in the Company's 2005 and 2006 Threshold Compliance Statements				
	2008	2007	2006	2005	2004
13) SAIFI Targets (Next Year)					
(a) Planned interruptions (Class B)	0.30	0.30	0.30	0.30	0.30
(b) Unplanned interruptions (Class C)	1.50	1.50	1.50	1.50	1.50
14) Average SAIFI Targets (Next 5 Years)					
(a) Planned interruptions (Class B)	0.30	0.30	0.30	0.30	0.30
(b) Unplanned interruptions (Class C)	1.50	1.50	1.50	1.50	1.50
15) SAIFI for Total Interruptions by Class					
Class A - Transpower planned interruptions		0.06	0.04	0.76	0.18
Class B - Horizon planned interruptions		0.12	0.16	0.11	0.15
Class C - Horizon unplanned interruptions		1.73	1.89	2.35	1.10
Class D - Transpower unplanned interruptions		1.05	0.31	0.16	0.19
Class E - Horizon generation unplanned interruptions		0.00	0.00	0.00	0.00
Class F - Other generation unplanned interruptions		0.13	0.00	0.07	0.00
Class G - Other line owner unplanned interruptions		0.00	0.04	0.09	0.00
Class H - Other line owner planned interruptions		0.00	0.00	0.00	0.00
Class I - Not in A to H		0.00	0.00	0.00	0.00
16) CAIDI for Total Number of Interruptions		84	118	279	135
	2008	2007	2006	2005	2004
17) CAIDI Targets (Next Year)					
(a) Planned interruptions (Class B)	150	150	150	150	150
(b) Unplanned interruptions (Class C)	67	67	67	67	67
18) Average CAIDI Targets (Next 5 Years)					
(a) Planned interruptions (Class B)	150	150	150	150	150
(b) Unplanned interruptions (Class C)	67	67	67	67	67
19) CAIDI for Total Interruptions by Class					
Class A - Transpower planned interruptions		40	343	330	411
Class B - Horizon planned interruptions		135	189	200	167
Class C - Horizon unplanned interruptions		81	82	141	98
Class D - Transpower unplanned interruptions		141	268	2,325	63
Class E - Horizon generation unplanned interruptions		-	-	-	-
Class F - Other generation unplanned interruptions		66	-	-	-
Class G - Other line owner unplanned interruptions		-	114	122	-
Class H - Other line owner planned interruptions		-	-	-	-
Class I - Not in A to H		-	-	-	-

Schedule 1 Part 8 - Annual Valuation Reconciliation Report

A reconciliation of movements in the ODV carrying value follows :

	Lines Business 2007 \$000
Total System fixed assets - end of the previous financial year	73,501
<i>Add</i> system fixed assets acquired during the year at ODV	3,572
<i>Less</i> system fixed assets disposed of during the year at ODV	-
<i>Less</i> depreciation on system fixed assets at ODV	(2,802)
<i>Add</i> revaluations of system fixed assets	-
<i>Equals</i> system fixed assets at ODV - end of the financial year	<u>74,270</u>



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Auditors' Opinion of Performance Measures

Horizon Energy Distribution Limited - Lines Business

We have examined the attached information, being:-

- (a) a derivation table; and
- (b) an annual ODV reconciliation report; and
- (c) financial performance measures; and
- (d) financial components of the efficiency performance measures

that were prepared by Horizon Energy Distribution Limited – Lines Business and dated 31 March 2007 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

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

PricewaterhouseCoopers
 18 February 2008

Auckland

MATTERS RELATING TO THE PUBLICATION OF THE AUDITED PERFORMANCE MEASURES IN THE NEW ZEALAND GAZETTE

This audit report relates to the performance measures of Horizon Energy Distribution Limited for the year ended 31 March 2007 that have been published in the *New Zealand Gazette*. The *New Zealand Gazette* is required to publish hard copies of audited performance measures and the related audit report of Horizon Energy Distribution Limited for the year ended 31 March 2007, and to include an electronic version of the published *New Zealand Gazette* on the *New Zealand Gazette's* website.

We have not been engaged to report on the integrity of the performance information of Horizon Energy Distribution Limited that have been published on the *New Zealand Gazette's* website. We accept no responsibility for any changes that may have occurred to the performance information since they were initially signed and published.

This audit report refers only to the performance information named above. If readers of this audit report are concerned with the inherent risks arising from electronic data communication, they should refer to the original signed and published hard copy of the audited performance information and related audit report dated 18 February 2008 to confirm the information included in the audited performance information published in the *New Zealand Gazette* or on the *New Zealand Gazette's* website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in

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

We, Robert Tait and John McDonald, Directors of Horizon Energy Distribution Limited certify that, having made all reasonable enquiry, to the best of our knowledge;-

- (a) The attached audited financial statements of Horizon Energy Distribution Limited prepared for the purposes of Requirement 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; and
- (b) The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Horizon Energy Distribution Limited, and having been prepared for the purposes of Requirements 14, 15, 20, and 21 of the Electricity Information Disclosure Requirements 2004, comply with the Requirements.

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



R Tait (Director)



J McDonald (Director)

Date: 13 February 2007

FORM 7

STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND INFORMATION SUPPLIED TO COMMERCE COMMISSION

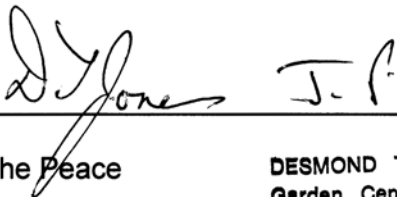
I, Robert Tait, of Whakatane being a director of Horizon Energy Distribution Limited, solemnly and sincerely declare that having made all reasonable enquiry, to the best of my knowledge, the information attached to this declaration is a true copy of information made available to the public by Horizon Energy Distribution Limited under the Commerce Commission Electricity Information Disclosure Requirements 2004.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957.

Declared at Whakatane this 13th day of February 2008



Robert Tait
Director



Des Jones
Justice of the Peace

DESMOND T. JONES J.P.
Garden Centre Operator
P.O. Box 472, Whakatane