

***EASTERN BAY ENERGY TRUST***

***FINANCIAL STATEMENTS***

***For the Year Ended 31 March 2005***

## EASTERN BAY ENERGY TRUST

### CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the Year ended 31 March 2005

|   | NOTE | Group<br>2005<br>\$000 | Group<br>2004<br>\$000 | Parent<br>2005<br>\$000 | Parent<br>2004<br>\$000 |
|---|------|------------------------|------------------------|-------------------------|-------------------------|
| Operating Revenue   | 2,3  | 29,449                 | 26,615                 | 4,731                   | 4,415                   |
| Operating Expenses  | 2,3  | (21,427)               | (18,189)               | (358)                   | (406)                   |
| <b>Operating Surplus before Taxation</b>                                    | 2,3  | <b>8,022</b>           | <b>8,426</b>           | <b>4,373</b>            | <b>4,009</b>            |
| Income Tax Expense  | 4    | (830)                  | (3,285)                | -                       | -                       |
| <b>Surplus after Taxation</b>   |      | <b>7,192</b>           | <b>5,141</b>           | <b>4,373</b>            | <b>4,009</b>            |
| Less Minority Interest  | 21   | (1,750)                | (1,440)                | -                       | -                       |
| <b>Surplus Attributable to the Trustees of<br/>Eastern Bay Energy Trust</b> |      | <b>5,442</b>           | <b>3,701</b>           | <b>4,373</b>            | <b>4,009</b>            |


## EASTERN BAY ENERGY TRUST


### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 March 2005

|                                      | NOTE | Group<br>2005<br>\$000 | Group<br>2004<br>\$000 | Parent<br>2005<br>\$000 | Parent<br>2004<br>\$000 |
|--------------------------------------|------|------------------------|------------------------|-------------------------|-------------------------|
| <b>Trust Equity</b>                  |      |                        |                        |                         |                         |
| Capital Account                      | 5    | 23,475                 | 23,475                 | 23,475                  | 23,475                  |
| Income Account                       | 6    | 6,130                  | 3,469                  | 11,929                  | 10,335                  |
| Asset Revaluation Reserve            | 7    | 21,189                 | 19,928                 | -                       | -                       |
| Minority Interest                    | 22   | 10,908                 | 10,093                 | -                       | -                       |
| <b>Total Trustees' Funds</b>         |      | <b>61,702</b>          | <b>56,965</b>          | <b>35,404</b>           | <b>33,810</b>           |
| <i>Represented by:</i>               |      |                        |                        |                         |                         |
| <b>Current Assets</b>                |      |                        |                        |                         |                         |
| Cash at Bank                         |      | 1,553                  | 1,180                  | 1,230                   | 1,134                   |
| Short Term Investments               | 11   | 3,059                  | -                      | 3,059                   | -                       |
| Taxation Receivable                  | 4    | 922                    | 34                     | 299                     | 34                      |
| Accounts Receivable                  | 8    | 3,018                  | 2,917                  |                         |                         |
| Inventory                            |      | 594                    | 482                    |                         |                         |
| <b>Total Current Assets</b>          |      | <b>9,146</b>           | <b>4,613</b>           | <b>4,588</b>            | <b>1,168</b>            |
| <b>Non Current Assets</b>            |      |                        |                        |                         |                         |
| Goodwill                             | 9    | 8,695                  | 9,360                  | -                       | -                       |
| Fixed Assets                         | 10   | 77,163                 | 75,489                 | 6                       | 10                      |
| Loans to subsidiaries                |      | -                      | -                      | 160                     |                         |
| Investments                          | 11   | 1,335                  | 2,928                  | 32,207                  | 33,860                  |
| <b>Total Non Current Assets</b>      |      | <b>87,193</b>          | <b>87,777</b>          | <b>32,373</b>           | <b>33,870</b>           |
| <b>Total Assets</b>                  |      | <b>96,339</b>          | <b>92,390</b>          | <b>36,961</b>           | <b>35,038</b>           |
| <b>Current Liabilities</b>           |      |                        |                        |                         |                         |
| Overdraft                            |      | 752                    | -                      | -                       | -                       |
| Accounts Payable and Accruals        | 12   | 3,179                  | 2,440                  | 39                      | 20                      |
| Grant Payments Owing                 |      | 1,518                  | 1,208                  | 1,518                   | 1,208                   |
| Taxation Payable                     | 4    | 38                     | 1,225                  | -                       | -                       |
| <b>Total Current Liabilities</b>     |      | <b>5,487</b>           | <b>4,873</b>           | <b>1,557</b>            | <b>1,228</b>            |
| <b>Non Current Liabilities</b>       |      |                        |                        |                         |                         |
| Term Loans                           | 13   | 26,600                 | 28,285                 | -                       | -                       |
| Deferred Taxation                    | 4    | 2,550                  | 2,267                  | -                       | -                       |
| <b>Total Non Current Liabilities</b> |      | <b>29,150</b>          | <b>30,552</b>          | <b>-</b>                | <b>-</b>                |
| <b>Total Liabilities</b>             |      | <b>34,637</b>          | <b>35,425</b>          | <b>1,557</b>            | <b>1,228</b>            |
| <b>Net Assets</b>                    |      | <b>61,702</b>          | <b>56,965</b>          | <b>35,404</b>           | <b>33,810</b>           |

For, and on behalf of, the Board of Trustees

  
 ..... Trustee  
 22<sup>nd</sup> July 2005  
 ..... Date

  
 ..... Trustee  
 22<sup>nd</sup> July 2005  
 ..... Date

## EASTERN BAY ENERGY TRUST

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 March 2005

|   | NOTE | Group<br>2005<br>\$000 | Group<br>2004<br>\$000 | Parent<br>2005<br>\$000 | Parent<br>2004<br>\$000 |
|---|------|------------------------|------------------------|-------------------------|-------------------------|
| <b>Cash Flow from Operating Activities</b>                    |      |                        |                        |                         |                         |
| Cash was provided from:                                       |      |                        |                        |                         |                         |
| Receipts from Customers                                       |      | 28,176                 | 26,504                 | -                       | -                       |
| Dividends Received  |      | -                      | -                      | 4,444                   | 4,250                   |
| Net Goods and Services Tax Received (Paid)                    |      | 40                     | (76)                   | -                       | -                       |
| Interest from Short Term Deposits                             |      | 286                    | 156                    | 287                     | 165                     |
|   |      | <u>28,502</u>          | <u>26,584</u>          | <u>4,731</u>            | <u>4,415</u>            |
| Cash was applied to:  |      |                        |                        |                         |                         |
| Payments to Suppliers and Employees                           |      | (14,422)               | (12,615)               | (333)                   | (379)                   |
| Interest Paid   |      | (2,064)                | (2,216)                | -                       | (21)                    |
| Income Tax Paid   |      | (2,624)                | (2,877)                | (262)                   | (193)                   |
|   |      | <u>(19,110)</u>        | <u>(17,708)</u>        | <u>(595)</u>            | <u>(593)</u>            |
| <b>Net Cash Inflow from Operating Activities</b>              |      | <b><u>9,392</u></b>    | <b><u>8,876</u></b>    | <b><u>4,136</u></b>     | <b><u>3,822</u></b>     |
| <b>Cash Flow from Investing Activities</b>                    |      |                        |                        |                         |                         |
| Cash was provided from:                                       |      |                        |                        |                         |                         |
| Proceeds from the Sale of Fixed Assets                        |      | 19                     | 133                    | -                       | -                       |
| Cash was applied to:  |      |                        |                        |                         |                         |
| Purchases of Short Term Investments                           |      | (1,572)                | (1,288)                | (1,566)                 | (1,288)                 |
| Purchases and Construction of Fixed Assets                    |      | (3,159)                | (2,629)                | (4)                     | (10)                    |
|   |      | <u>(4,712)</u>         | <u>(3,784)</u>         | <u>(1,570)</u>          | <u>(1,298)</u>          |
| <b>Net Cash Outflow to Investing Activities</b>               |      | <b><u>(4,712)</u></b>  | <b><u>(3,784)</u></b>  | <b><u>(1,570)</u></b>   | <b><u>(1,298)</u></b>   |
| <b>Cash Flow From Financing Activities</b>                    |      |                        |                        |                         |                         |
| Cash was applied to:  |      |                        |                        |                         |                         |
| Repayment of Term Debt  |      | (1,285)                | (1,495)                | -                       | -                       |
| Grants paid   |      | (2,470)                | (1,226)                | (2,470)                 | (1,730)                 |
| Dividends Paid  |      | (1,304)                | (1,248)                | -                       | -                       |
|   |      | <u>(5,059)</u>         | <u>(3,969)</u>         | <u>(2,470)</u>          | <u>(1,730)</u>          |
| <b>Net Cash Inflow from (Outflow to) Financing Activities</b> |      | <b><u>(5,059)</u></b>  | <b><u>(3,969)</u></b>  | <b><u>(2,470)</u></b>   | <b><u>(1,730)</u></b>   |
| Net Movement in Cash Held                                     |      | (379)                  | 1,123                  | 96                      | 794                     |
| Add Opening Cash  |      | 1,180                  | 57                     | 1,134                   | 340                     |
| <b>Closing Cash Carried Forward</b>                           |      | <b><u>801</u></b>      | <b><u>1,180</u></b>    | <b><u>1,230</u></b>     | <b><u>1,134</u></b>     |
| <i>Represented by:</i>  |      |                        |                        |                         |                         |
| Cash at Bank  |      | 1,553                  | 1,180                  | 1,230                   | 340                     |
| Overdraft   |      | (752)                  | -                      | -                       | -                       |
| <b>Closing Cash Carried Forward</b>                           |      | <b><u>801</u></b>      | <b><u>1,180</u></b>    | <b><u>1,230</u></b>     | <b><u>340</u></b>       |

## EASTERN BAY ENERGY TRUST

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 March 2005

#### Reconciliation of Surplus Attributable to Trustees to Cash Flow From Operating Activities

|   | NOTE | Group<br>2005<br>\$000 | Group<br>2004<br>\$000 | Parent<br>2005<br>\$000 | Parent<br>2004<br>\$000 |
|---|------|------------------------|------------------------|-------------------------|-------------------------|
| Reported surplus after tax  |      | 5,442                  | 3,701                  | 4,373                   | 4,009                   |
| Minority interest share of surpluses                                      |      | 1,750                  | 1,440                  | -                       | -                       |
|   |      | 7,192                  | 5,141                  | 4,373                   | 4,009                   |
| Add/(Less) Items Classified as Investing and Financing Activities:        |      |                        |                        |                         |                         |
| Gain on Sale of Fixed Assets  |      | (37)                   | (133)                  | 2                       | -                       |
| Accounts Payable and Accruals that relate to the Purchase of Fixed Assets |      | (72)                   | 23                     | -                       | -                       |
| Add/(Less) Non-Cash Items:  |      |                        |                        |                         |                         |
| Depreciation and amortisation   |      | 3,568                  | 2,384                  | 3                       | 4                       |
| Increase/(Decrease) in Deferred Taxation                                  |      | 283                    | 1,351                  | -                       | -                       |
|   |      | 3,742                  | 3,625                  | 3                       | 4                       |
| Add/(Less) Movements in Working Capital Items:                            |      |                        |                        |                         |                         |
| Decrease/(Increase) in Accounts Receivable                                |      | (101)                  | 191                    | -                       | 2                       |
| Increase/(Decrease) in Accounts Payable and Accruals                      |      | 740                    | 338                    | 19                      | (1)                     |
| Decrease/(Increase) in Inventory  |      | (112)                  | (110)                  | -                       | -                       |
| Increase/(Decrease) in Income Tax Payable                                 |      | (2,069)                | (309)                  | (259)                   | (192)                   |
|   |      | (1,542)                | 110                    | (240)                   | (191)                   |
| <b>Net Cash Flow from Operating Activities</b>                            |      | <b>9,392</b>           | <b>8,876</b>           | <b>4,136</b>            | <b>3,822</b>            |

## EASTERN BAY ENERGY TRUST

### CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

For the Year Ended 31 March 2005

|                                | <b>Group<br/>2005<br/>\$000</b> | <b>Group<br/>2004<br/>\$000</b> | <b>Parent<br/>2005<br/>\$000</b> | <b>Parent<br/>2004<br/>\$000</b> |
|--------------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| <b>Opening Equity</b>          | <b>56,965</b>                   | <b>43,642</b>                   | <b>33,811</b>                    | <b>31,502</b>                    |
| Plus                           |                                 |                                 |                                  |                                  |
| Net Surplus for the Year       | 5,442                           | 3,701                           | 4,373                            | 4,009                            |
| Revaluation of Fixed Assets    | 1,261                           | 8,213                           | -                                | -                                |
| Less                           |                                 |                                 |                                  |                                  |
| Grants Paid and Proposed       | (2,780)                         | (1,197)                         | (2,780)                          | (1,700)                          |
| Movements in minority interest | 23 815                          | 2,606                           | -                                | -                                |
| <b>Equity as at 31 March</b>   | <b>61,703</b>                   | <b>56,965</b>                   | <b>35,404</b>                    | <b>33,811</b>                    |

EASTERN BAY ENERGY TRUST

**Notes to the Financial Statements**

For the Year Ended 31 March 2005

**1. Statement of Accounting Policies**

These financial statements have been presented in accordance with the Companies Act 1993 and have been prepared in accordance with the Financial Reporting Act 1993.

The Parent financial statements are for Eastern Bay Energy Trust as a separate entity and the consolidated financial statements are for Eastern Bay Energy Trust Group, which includes its subsidiaries as disclosed in Note 11.

**A. General Accounting Policies**

The general accounting policies recognised as appropriate for the measurement and reporting of financial performance, cash flows, and the 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 business and undertakings of Eastern Bay Energy Trust are a going concern.

**B. Particular Accounting Policies**

The following particular accounting policies, which significantly affect the measurement of financial performance, cash flows, and financial position, have been consistently 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. Electricity line 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. Dividend income is accounted for on a cash basis.

ii) Principles of Consolidation

The consolidated financial statements are prepared from the financial statements of the Parent and its subsidiaries as at 31 March 2005 using the purchase method. The consolidated statement of financial performance includes the Group's share of the tax-paid surpluses of associate entities. The equity method has been used for those associate entities in which the Group has a significant, but not a controlling interest. All significant transactions between Group entities are eliminated on consolidation.

Upon acquisition of subsidiaries fair values are assigned to the specific assets and liabilities taken over. Where the purchase price paid for the acquisition exceeds the fair value of net assets acquired the difference is shown as goodwill and is amortised over a period of 20 years.

iii) Investments

Investments in associate entities are stated at the fair value of the net tangible assets at acquisition plus the share of post-acquisition increases in reserves.

In the Parent Company financial statements, investments in subsidiaries are stated at cost.

Dividend income is accounted for on a cash basis.

Other investments are stated at the lower of cost or net realisable value.

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

v) Depreciation

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

**EASTERN BAY ENERGY TRUST**

**Notes to the Financial Statements**

For the Year Ended 31 March 2005

vi) Inventories

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

vii) Accounts Receivable

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

viii) Taxation

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

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

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

ix) Statement of Cash Flows

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

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

x) Financial Instruments

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

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

xi) 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.

xii) Foreign Currency

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

xiii) Grants

Grants paid are recognised in the statement of movements in equity when the requirements under the grant agreement have been met.

**C. Changes in Accounting Policies**

There have been no changes in accounting policy during the year.

## EASTERN BAY ENERGY TRUST

### NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2005

|   | Group<br>2005<br>\$000 | Group<br>2004<br>\$000 | Parent<br>2005<br>\$000 | Parent<br>2004<br>\$000 |
|---|------------------------|------------------------|-------------------------|-------------------------|
| <b>2 OPERATING SURPLUS BEFORE TAXATION</b>                      |                        |                        |                         |                         |
| Operating revenue and expenditure includes the following items: |                        |                        |                         |                         |
| Dividends from Subsidiaries                                     | -                      | -                      | (4,444)                 | (4,250)                 |
| Depreciation (refer to note 10)                                 | 2,979                  | 2,384                  | 3                       | 4                       |
| Amortisation of goodwill  | 589                    | 589                    | -                       | -                       |
| Net Gain on Sale of Fixed Assets                                | 40                     | 129                    | 2                       | -                       |
| Movement in Doubtful Debts Provision                            | 13                     | -                      | -                       | -                       |
| Trustee Fees  | 100                    | 93                     | 100                     | 93                      |
| Rental and Operating Lease Expenses (also refer to note 14)     | 102                    | 79                     | -                       | -                       |
| Directors' Remuneration and Retirement                          | 177                    | 151                    | -                       | -                       |
| Auditors' Remuneration (refer to note 15)                       | 61                     | 59                     | 11                      | 10                      |
| <b>3 INTEREST</b>   |                        |                        |                         |                         |
| Net Interest comprises:   |                        |                        |                         |                         |
| Interest Expense  | 2,054                  | 2,158                  | -                       | 17                      |
| Interest Income   | (286)                  | (157)                  | (287)                   | (166)                   |
| <b>Net Interest</b>   | <b>1,768</b>           | <b>2,001</b>           | <b>(287)</b>            | <b>(149)</b>            |
| <b>4 INCOME TAX</b>   |                        |                        |                         |                         |
| <i>Income Tax Expense</i>                                       |                        |                        |                         |                         |
| The taxation expense has been calculated as follows:            |                        |                        |                         |                         |
| <b>Operating Surplus before Taxation</b>                        | <b>8,022</b>           | <b>8,426</b>           | <b>4,373</b>            | <b>4,009</b>            |
| Income Tax on Surplus for the year at 33%                       | 2,647                  | 2,781                  | 1,443                   | 1,323                   |
| Plus Under/(Over) provision in Prior Years                      | (2,237)                | (76)                   |                         |                         |
| Plus/(Less) Permanent Differences                               |                        |                        |                         |                         |
| Imputation Credits on Taxable Dividends                         | -                      | -                      | (1,443)                 | (1,323)                 |
| Non deductible depreciation on revalued portion of fixed assets | 612                    | 478                    | -                       | -                       |
| Non-Deductible Expenses   | 193                    | 19                     | -                       | -                       |
| Non-Taxable Income  | (386)                  | 83                     | -                       | -                       |
| <b>Income Tax Expense</b>                                       | <b>830</b>             | <b>3,285</b>           | <b>-</b>                | <b>-</b>                |
| Income Tax Expense comprises:                                   |                        |                        |                         |                         |
| Tax Payable in respect of current year                          | 2,782                  | 1,930                  | -                       | -                       |
| Tax Payable in respect of prior year                            | (2,237)                | (76)                   | -                       | -                       |
| Deferred Taxation   | 285                    | 1,431                  | -                       | -                       |
| <b>Income Tax Expense</b>                                       | <b>830</b>             | <b>3,285</b>           | <b>-</b>                | <b>-</b>                |
| <i>Deferred Taxation</i>  |                        |                        |                         |                         |
| Opening Balance   | 2,267                  | 916                    | -                       | -                       |
| Deferred tax in respect of prior year                           | (2)                    | (80)                   | -                       | -                       |
| Deferred tax in respect of current year                         | 285                    | 1,431                  | -                       | -                       |
| <b>Balance as at 31 March</b>                                   | <b>2,550</b>           | <b>2,267</b>           | <b>-</b>                | <b>-</b>                |

## EASTERN BAY ENERGY TRUST

### NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2005

#### 5 CAPITAL ACCOUNT

The Capital Account is the initial capital that was raised by Trustees of Eastern Bay Energy Trust upon its formation.

|                               |               |               |               |               |
|-------------------------------|---------------|---------------|---------------|---------------|
| Opening Balance               | 23,475        | 23,475        | 23,475        | 23,475        |
| <b>Balance as at 31 March</b> | <b>23,475</b> | <b>23,475</b> | <b>23,475</b> | <b>23,475</b> |

#### 6 INCOME ACCOUNT

|                               |              |              |               |               |
|-------------------------------|--------------|--------------|---------------|---------------|
| Opening Retained Earnings     | 3,468        | 963          | 10,336        | 8,028         |
| Surplus after Taxation        | 5,442        | 3,701        | 4,373         | 4,009         |
| Less Grants Made              | (2,780)      | (1,196)      | (2,780)       | (1,701)       |
| <b>Balance as at 31 March</b> | <b>6,130</b> | <b>3,468</b> | <b>11,929</b> | <b>10,336</b> |

#### 7 ASSET REVALUATION RESERVE

|                               |               |               |          |          |
|-------------------------------|---------------|---------------|----------|----------|
| Opening Balance               | 19,928        | 11,715        | -        | -        |
| Revaluation of fixed assets   | 1,261         | 8,213         | -        | -        |
| <b>Balance as at 31 March</b> | <b>21,189</b> | <b>19,928</b> | <b>-</b> | <b>-</b> |

#### 8 ACCOUNTS RECEIVABLE

|                                   |              |              |          |           |
|-----------------------------------|--------------|--------------|----------|-----------|
| Accounts Receivable comprises:    |              |              |          |           |
| Trade Receivables                 | 2,966        | 2,878        | -        | 9         |
| Other Receivables and Prepayments | 52           | 39           | -        | 34        |
| <b>Balance as at 31 March</b>     | <b>3,018</b> | <b>2,917</b> | <b>-</b> | <b>43</b> |

#### 9 GOODWILL

|                               |              |              |          |          |
|-------------------------------|--------------|--------------|----------|----------|
| At Cost                       | 11,788       | 11,788       | -        | -        |
| Accumulated amortisation      | (3,093)      | (2,428)      | -        | -        |
| <b>Balance as at 31 March</b> | <b>8,695</b> | <b>9,360</b> | <b>-</b> | <b>-</b> |

## EASTERN BAY ENERGY TRUST

### NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2005

|  |                                 | <b>Group<br/>2005<br/>\$000</b> | <b>Group<br/>2004<br/>\$000</b> | <b>Parent<br/>2005<br/>\$000</b> | <b>Parent<br/>2004<br/>\$000</b> |
|--|---------------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| <b>10 FIXED ASSETS</b>                 |                                 |                                 |                                 |                                  |                                  |
| Fixed Assets comprise:                 |                                 |                                 |                                 |                                  |                                  |
| Land                                   | <i>Cost</i>                     | 7                               | 12                              | -                                | -                                |
| Buildings                              | <i>Cost</i>                     | 54                              | 81                              | -                                | -                                |
|  | <i>Accumulated Depreciation</i> | (24)                            | (30)                            | -                                | -                                |
|  | <i>Net book value</i>           | 30                              | 51                              | -                                | -                                |
| Plant and Equipment                    | <i>Cost</i>                     | 1,626                           | 1,681                           | -                                | -                                |
|  | <i>Accumulated Depreciation</i> | (1,232)                         | (1,174)                         | -                                | -                                |
|  | <i>Net book value</i>           | 394                             | 507                             | -                                | -                                |
| Furniture and Fittings                 | <i>Cost</i>                     | 602                             | 460                             | 11                               | 16                               |
|  | <i>Accumulated Depreciation</i> | (146)                           | (104)                           | (5)                              | (6)                              |
|  | <i>Net book value</i>           | 456                             | 356                             | 6                                | 10                               |
| Motor Vehicles                         | <i>Cost</i>                     | 262                             | 244                             | -                                | -                                |
|  | <i>Accumulated Depreciation</i> | (93)                            | (78)                            | -                                | -                                |
|  | <i>Net book value</i>           | 169                             | 166                             | -                                | -                                |
| Distribution System - Work in progress |                                 |                                 |                                 |                                  |                                  |
|  | <i>Cost</i>                     | 138                             | 75                              | -                                | -                                |
|  | <i>Accumulated Depreciation</i> | -                               | -                               | -                                | -                                |
|  | <i>Net book value</i>           | 138                             | 75                              | -                                | -                                |
| Distribution System                    | <i>Cost or valuation</i>        | 78,788                          | 74,237                          | -                                | -                                |
|  | <i>Accumulated Depreciation</i> | (2,797)                         | -                               | -                                | -                                |
|  | <i>Net book value</i>           | 78,788                          | 74,237                          | -                                | -                                |
| <b>Total</b>                           | <i>Cost or Valuation</i>        | 81,455                          | 76,875                          | 11                               | 16                               |
|  | <i>Accumulated Depreciation</i> | (4,292)                         | (1,386)                         | (5)                              | (6)                              |
|  | <b>Net book value</b>           | <b>77,163</b>                   | <b>75,489</b>                   | <b>6</b>                         | <b>10</b>                        |
| <b>Depreciation Expense</b>            |                                 |                                 |                                 |                                  |                                  |
| Buildings                              |                                 | 6                               | 6                               | -                                | -                                |
| Plant and Equipment                    |                                 | 127                             | 111                             | -                                | -                                |
| Furniture and Fittings                 |                                 | 57                              | 54                              | 3                                | 4                                |
| Motor Vehicles                         |                                 | 35                              | 32                              | -                                | -                                |
| Distribution System                    |                                 | 2,754                           | 2,181                           | -                                | -                                |
| <b>Total</b>                           |                                 | <b>2,979</b>                    | <b>2,384</b>                    | <b>3</b>                         | <b>4</b>                         |

#### Valuation of Distribution System Assets

A \$1.6m adjustment to the opening value of distribution system fixed assets has been made to incorporate the value of previously unrecognised assets. The adjustment was independently certified by Maunsell Limited, (Registered Engineers). The Board of Trustees believe there is no material impairment to the current carrying value of distribution system fixed assets.

## EASTERN BAY ENERGY TRUST

### NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2005

#### 10 FIXED ASSETS (Continued)

| Useful lives and Depreciation Methods | Useful<br>Lives<br>2005<br>In Years | Useful<br>Lives<br>2004<br>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.

#### 11 INVESTMENTS

The Trust owns 77.29% of the Horizon Energy Distribution Limited.

The net market vale of these shares as at 31 March 2005 was \$81,126k (\$4.20 per share) (2004: \$52,153,551)

|  | Group<br>2005<br>\$000 | Group<br>2004<br>\$000 | Parent<br>2005<br>\$000 | Parent<br>2004<br>\$000 |
|--|------------------------|------------------------|-------------------------|-------------------------|
| Short term investments                       | 3,059                  | -                      | 3,059                   | -                       |
| <b>Balance as at 31 March</b>                | <b>3,059</b>           | <b>-</b>               | <b>3,059</b>            | <b>-</b>                |
| Shares - Horizon Energy Distribution Limited | -                      | -                      | 30,752                  | 30,752                  |
| Shares - Development Enterprises Limited     | -                      | -                      | 120                     | -                       |
| Shares - Energy Options Limited              | -                      | -                      | -                       | 180                     |
| Term investments                             | 1,335                  | 2,928                  | 1,335                   | 2,928                   |
| <b>Balance as at 31 March</b>                | <b>1,335</b>           | <b>2,928</b>           | <b>32,207</b>           | <b>33,860</b>           |

Summary of ownership of subsidiaries - all subsidiaries are incorporated in New Zealand and have a 31 March balance date

|   | Group<br>2005 | Group<br>2004 |
|---|---------------|---------------|
| Horizon Energy Distribution Limited ("HEDL")        | 77.29%        | 77.29%        |
| Development Enterprises Limited ("DEL")             | 100%          | n/a           |
| Energy Options Charitable Company Limited ("EOCCL") | 100%          | 100%          |
| Energy Options Limited ("EOL")                      | 100%          | n/a           |

Development Enterprises Limited and Energy Options Ltd were incorporated in the current financial year.

Energy Options Charitable Company Limited changed its name from Energy Options Limited on 19 October 2004

#### 12 ACCOUNTS PAYABLE AND ACCRUALS

Accounts Payable and Accruals comprise:

|                               |              |              |           |           |
|-------------------------------|--------------|--------------|-----------|-----------|
| Trade Creditors and Accruals  | 2,721        | 2,217        | 39        | 20        |
| Provisions (refer Note 18)    | 148          | 90           | -         | -         |
| Employee Entitlements         | 310          | 133          | -         | -         |
| <b>Balance as at 31 March</b> | <b>3,179</b> | <b>2,440</b> | <b>39</b> | <b>20</b> |

## EASTERN BAY ENERGY TRUST

### NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2005

#### 13 TERM LOANS

Term loans fall due for repayment in the following periods:

|                                |               |               |          |          |
|--------------------------------|---------------|---------------|----------|----------|
| Within One Year                | -             | -             | -        | -        |
| Within One to Two Years        | 26,600        | 28,285        | -        | -        |
| Within Two to Three Years      | -             | -             | -        | -        |
| Within Three to Four Years     | -             | -             | -        | -        |
| Within Four to Five Years      | -             | -             | -        | -        |
| <b>Balance as at 31 March</b>  | <b>26,600</b> | <b>28,285</b> | <b>0</b> | <b>0</b> |
| Disclosed in Balance Sheet as: |               |               |          |          |
| Current Portion of Term Loans  | -             | -             | -        | -        |
| Term Loans                     | 26,600        | 28,285        | -        | -        |
| <b>Balance as at 31 March</b>  | <b>26,600</b> | <b>28,285</b> | <b>0</b> | <b>0</b> |

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% (2004 6.85%), taking into account the hedging undertaken by the Group as disclosed in Note 19. For that portion of term loans not hedged the loan is at the floating 90 day bank bill rate plus margin.

The Group currently has \$40 million rolling loan facilities, confirmed at this level until 31 October 2006.

#### 14 OPERATING LEASES

Operating lease commitments fall due for repayment in the following periods:

|                            |            |            |          |          |
|----------------------------|------------|------------|----------|----------|
| Within One Year            | 85         | 87         | -        | -        |
| Within One to Two Years    | 63         | 77         | -        | -        |
| Within Two to Five Years   | 190        | 168        | -        | -        |
| Within Five to Eight Years | 42         | 111        | -        | -        |
|                            | <b>380</b> | <b>443</b> | <b>-</b> | <b>-</b> |

#### 15 REMUNERATION OF AUDITORS

Amounts received, or due and receivable, by the auditors for:

|                                    |            |            |           |           |
|------------------------------------|------------|------------|-----------|-----------|
| Auditing the Financial Statements: | 61         | 59         | 11        | 10        |
| Other Services:                    |            |            |           |           |
| Assurance related                  | 63         | 118        | -         | -         |
|                                    | <b>124</b> | <b>177</b> | <b>11</b> | <b>10</b> |

## EASTERN BAY ENERGY TRUST

### NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2005

#### 16 RELATED PARTY TRANSACTIONS

All members of the Group are considered to be related parties of the Trust, and this includes the subsidiaries identified in Note 11. The Group conducts business predominantly in the Eastern Bay of Plenty and undertakes transactions with shareholders, company officers and other related parties that reside in the region. All transactions with related parties have been carried out on a commercial and "arms length" basis.

| <i>Transactions</i>   | <b>2005</b><br><b>\$000</b> | <b>2004</b><br><b>\$000</b> |
|---|-----------------------------|-----------------------------|
| Dividend paid by HEDL to Eastern Bay Energy Trust                 | 4,444                       | 4250                        |
| Services provided by EOL to EBET                                  | 4                           | 0                           |
| Services provided by EOL to EOCCL                                 | 559                         | 0                           |
| Interest on intercompany loan between EOCCL and EOL               | 6                           | 0                           |
| Interest on intercompany loan between EBET and Energy Options Ltd | 2                           | 0                           |
| Interest on intercompany loan between EBET and Development enterj | 3                           | 0                           |
| <b>Balance</b>  |                             |                             |
| Loan from EBET to Energy Options Limited                          | 60                          | 60                          |
| Loan from EOCCL to EOL  | 181                         | 0                           |
| Loan from EBET to Development Enterprises Limited                 | 100                         | 0                           |

The Group had no capital commitments at 31/3/05 (\$2004 - none)

#### 17 FINANCIAL INSTRUMENTS

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

(i) Interest Rates

The Group generally uses swaps to manage interest rate risk.

As at 31 March 2005, the face value of the swaps the Group held were as follows:

| <b>Rate</b> | <b>Term</b>  | <b>Commencement<br/>Date</b> | <b>Group<br/>2004<br/>\$000</b> | <b>Group<br/>2005<br/>\$000</b> |
|-------------|--------------|------------------------------|---------------------------------|---------------------------------|
| 7.07%       | Twelve Years | 3 April, 1998                | 4,800                           | 6,900                           |
| 6.76%       | 45 Months    | 20 March, 2003               | 4,000                           | 4,000                           |
| 6.98%       | 69 Months    | 20 September, 2004           | 4,000                           | 4,000                           |
| 7.27%       | 66 Months    | 20 December, 2000            | 0                               | 4,000                           |
| 7.16%       | Six Years    | 29 June, 2001                | 4,000                           | 3,000                           |
| 6.68%       | Seven Years  | 16 August, 2002              | 3,000                           | -                               |
|             |              |                              | <b>19,800</b>                   | <b>21,900</b>                   |

The mark to market value of the interest rate swap agreements as at 31 March 2005 showed a loss of \$54,490 (2004 - loss of \$759,309). No provision is made for any unrealised loss.

(ii) Credit

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

(b) Fair Values

The fair value of Term Loans is \$26.6 million which is the same as the carrying value disclosed in Note 12.

## EASTERN BAY ENERGY TRUST

### NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2005

| 18 PROVISIONS                         | Group<br>2005 | Group<br>2004 | Parent<br>2005 | Parent<br>2004 |
|---------------------------------------|---------------|---------------|----------------|----------------|
| Balance at the beginning of the year  | 90            | -             | -              | -              |
| Current year provision                | 58            | 90            | -              | -              |
| Provision released                    | -             | -             | -              | -              |
|                                       |               |               | -              | -              |
| <b>Balance at the end of the year</b> | <b>148</b>    | <b>90</b>     | <b>-</b>       | <b>-</b>       |

The provision includes allowances for costs associated with disputes. Refer also to Note 12.

### 19 SEGMENTAL

The Group 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.

### 20 CONTINGENT LIABILITIES

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

The purchasers are continuing to meet their obligations under the contract and the Trustees are not aware of any circumstances that might give rise to the purchasers failing to meet their obligations in future periods.

| 21 MINORITY INTERESTS                             | Group<br>2005<br>\$000 | Group<br>2004<br>\$000 | Parent<br>2005<br>\$000 | Parent<br>2004<br>\$000 |
|---|------------------------|------------------------|-------------------------|-------------------------|
| Balance at the beginning of the year              | 10,093                 | 7,489                  | -                       | -                       |
| Acquisition of Energy Options Limited             | -                      | 180                    | -                       | -                       |
| Share of surplus in subsidiaries                  | 1,750                  | 1,440                  | -                       | -                       |
| Share of revaluation gain                         | 370                    | 2,413                  | -                       | -                       |
| Dividends paid and provided to minority interests | (1,305)                | (1,429)                | -                       | -                       |
| <b>Balance at the end of the year</b>             | <b>10,908</b>          | <b>10,093</b>          | <b>-</b>                | <b>-</b>                |

### 22 SUBSEQUENT EVENTS

On 16 May 2005, Horizon Energy Distribution Limited approved an ordinary dividend payment of 12 cents per ordinary share together with a special dividend of 4 cents per ordinary share. This dividend was paid on 24 June 2005 and resulted in revenue of \$3,091k being recorded by the Parent company.

## **Auditors' Report**

to the trustees of Eastern Bay Energy Trust

We have audited the financial statements on pages 2 to 15. The financial statements provide information about the past financial performance and cash flows of the Trust and Group for the year ended 31 March 2005 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 7 and 8.

### **Trustees' Responsibilities**

The Trustees are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Trust and Group as at 31 March 2005 and their financial performance and cash flows for the year ended on that date.

### **Auditors' Responsibilities**

We are responsible for expressing an independent opinion on the financial statements presented by the Trustees and reporting 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:

- (a) the significant estimates and judgements made by the Trustees in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Trust and Group, consistently applied and adequately disclosed.

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

We have no relationship with or interests in the Trust or any of its subsidiaries other than in our capacities as auditors, tax advisors and providers of other assurance services.

**Auditors' Report**  
Eastern Bay Energy Trust

**Unqualified Opinion**

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

In our opinion:

- (a) proper accounting records have been kept by the Trust as far as appears from our examination of those records; and
- (b) the financial statements on pages 2 to 15:
  - (i) comply with generally accepted accounting practice in New Zealand; and
  - (ii) give a true and fair view of the financial position of the Trust and Group as at 31 March 2005 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 22 July 2005 and our unqualified opinion is expressed as at that date.

*PriceWaterhouseCoopers.*

Chartered Accountants

Auckland