Financial statements for the year ended 31 March 2014

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EASTERN BAY ENERGY TRUST

Energising our community

Contents

Trustees' declaration

In the opinion of the Trustees of the Eastern Bay Energy Trust, the financial statements and the notes, on pages 4 to 48:

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Trust as at 31 March 2014 and the results of its operations and cash flows for the year ended on that date.
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Trustees believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Trust and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Trustees consider that they have taken adequate steps to safeguard the assets of the Trust, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The Trustees are pleased to present the financial report, incorporating the financial statements of the Eastern Bay Energy Trust for the year ended 31 March 2014.

For and on behalf of the Board of Trustees:

Don Lewell	Kevin Hennessy	Donna Smit
Chair	Deputy Chair	Trustee
31 July 2014	31 July 2014	31 July 2014

DIRECTORY

Manager	Kaye Jamieson
Trust Office	5 Richardson Street Whakatane
Postal	PO Box 567, Whakatane 3158
Phone	07 307 0893
Freephone	0800 323 800
Fax	07 307 0896
Email	ebetrust@ebet.org.nz
Website	www.ebet.org.nz

Trustees

Chairman	Don Lewell	07 308 7244
Deputy Chairman	Kevin Hennessy	07 315 7348
Trustees	Edwina O'Brien	07 323 8513
	David Bulley (appointed Oct 2013)	07 312 5874
	Donna Smit	07 304 9921
	Wade Brown	07 312 5615
	Peter Patterson (resigned Oct 2013)	N/A

Advisors

Legal	Sharp Tudhope	Tauranga
	OAC Limited	Whakatane
Accountants	Arrow Accountants Limited	Whakatane
Auditors	Ingham Mora	Tauranga
Bankers	ASB Bank	Tauranga

Directors on Related Party Boards	**EBET Trustee**
EOL	Wade Brown
EOCCL / DEL / EBET Investments Ltd (formally Energy Options Limited)	Don Lewell Kevin Hennessy Edwina O'Brien Donna Smit
DEL Property Investment Ltd **ECO Finance Ltd** **DEL Investments Ltd**	Wade Brown David Bulley (Appointed Sept 2013) Peter Patterson (resigned Sept 2013)

EASTERN BAY ENERGY TRUST
CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2014

	Notes	Group		Parent	
		2014 $000	2013 $000	2014 $000	2013 $000
ASSETS					
Current Assets					
Cash and cash equivalents	13	1,733	1,982	351	535
Short term deposits	14	5,844	5,225	5,844	5,225
Trade and other receivables	15	18,413	12,716	212	33
Inventories and work in progress	16	4,717	3,298	-	-
Current tax assets		249	-	-	-
Derivative financial instruments	25	1	-	-	-
Total Current Assets		30,957	23,221	6,407	5,793
Non-Current Assets					
Property, plant and equipment	17	119,710	115,409	17	16
Investment property	18	320	330	-	-
Intangible assets	19	16,138	15,280	-	-
Restricted bank deposits	25	-	1,050	-	-
Other receivables		83	88	-	-
Investments in subsidiaries	20	-	-	65,582	64,616
Loans to related parties	20	-	-	-	98
Other investments	20	4,028	4,250	1,631	1,602
Derivative financial instruments	25	676	47	-	-
Total Non-Current Assets		140,955	136,454	67,230	66,332
Total Assets		171,913	159,675	73,637	72,125
LIABILITIES					
Current Liabilities					
Trade and other payables	21	14,795	10,840	33	43
Current tax liabilities		-	125	-	-
Grants owing		592	580	592	580
Provision for staff entitlements	21	2,065	1,691	17	11
Construction work in progress	27	4,641	2,507	-	-
Term loans	22	-	3,850	-	-
Derivative financial instruments	25	62	-	-	-
Deferred capital contributions	23	18	18	-	-
Provisions	21	657	397	-	-
Total Current Liabilities		22,831	20,008	642	634
Non-Current Liabilities					
Provision for staff entitlements	21	124	144	-	-
Provisions	21	380	-	-	-
Deferred capital contributions	23	575	593	-	-
Term loans	22	35,115	31,000	-	-
Derivative financial instruments	25	809	2,025	-	-
Deferred tax liabilities	9	22,315	21,120	-	-
Total Non-Current Liabilities		59,318	54,882	-	-
Total Liabilities		82,148	74,890	642	634
Net Assets		89,764	84,785	72,995	71,491

The notes on page 10 to 48 are integral to these financial statements

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EASTERN BAY ENERGY TRUST
CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2014

	Notes	Group		Parent	
		2014	2013	2014	2013
		$000	$000	$000	$000
EQUITY					
Capital	10	26,638	26,638	26,638	26,638
Non-controlling interest	26	15,170	14,110	-	-
Reserves	11	7,718	7,969	28,745	27,779
Retained earnings	12	40,238	36,068	17,612	17,074
Total Equity		**89,764**	**84,785**	**72,995**	**71,491**

These financial statements have been authorised for issue by the Board of Trustees on 31 July 2014

Trustee.......................... Trustee KgH.......................... Trustee..........................

Date: 31/7/14

The notes on page 10 to 48 are integral to these financial statements

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EASTERN BAY ENERGY TRUST
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Group		Parent	
		2014	2013	2014	2013
		$000	$000	$000	$000
Operating revenue	6	105,335	67,668	24	53
Operating expenses	6	(95,828)	(63,979)	(813)	(803)
Operating profit		9,507	3,689	(789)	(750)
Interest income	7	342	293	265	265
Dividend income		133	232	1,932	2,897
Interest expense	7	(2,279)	(1,962)	-	-
Realised gain on sale of shares		-	518	-	439
Fair value gain /(loss) of financial derivatives	24	1,783	11	-	-
		(21)	(908)	2,197	3,601
Profit before tax		9,486	2,781	1,408	2,351
Income tax expense	8	(2,717)	(817)	-	-
Other Items recorded in statement of comprehensive income					
Change in fair value in other investments	20	-	-	-	(250)
Impairment of property, plant and equipment	17	65	(218)	-	-
Impairment of investment property	18	(10)	(65)	-	-
Total other items		55	(283)	-	(250)
Profit after tax from continuing operations		6,824	1,681	1,408	2,601
Loss for the year from discontinued operations	35	-	(788)	-	-
Profit for the year		6,824	893	1,408	2,601
Profit attributable to:					
Non-controlling Interest	26	1,629	478	-	-
Trustees of the Eastern Bay Energy Trust		5,195	415	1,408	2,601
		6,824	893	1,408	2,601
Other comprehensive income					
Change in fair value of shares in HEDL	11	-	-	966	966
Change in fair value of shares in DEL	11	-	-	-	849
Change in fair value of other investments	20	(251)	577	-	-
Revaluation of network distribution systems	20	-	6,458	-	-
Other comprehensive income for the year net of tax		(251)	7,035	966	1,815
Total comprehensive income for the year		6,573	7,928	2,374	4,416
Total comprehensive income attributable to:					
Non-controlling interest	26	1,629	1,945	-	-
Trustees of the Eastern Bay Energy Trust		4,944	5,983	2,374	4,416
		6,573	7,928	2,374	4,416

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EASTERN BAY ENERGY TRUST
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Trust Capital $000	Retained Earnings $000	Reserves $000	Non-Controlling Interest $000	Total $000
Group						
Last Year						
Balance at beginning of year		26,638	36,330	2,327	13,110	78,405
Total comprehensive income	11,12,26	-	414	5,569	1,945	7,928
Transfer	11,12	-	(73)	73	-	-
Dividends paid to non-controlling interests	26	-	-	-	(944)	(944)
Unclaimed dividends added back / (paid)	12,26	-	-	-	(1)	(1)
Grants paid and proposed	11,12	-	(603)	-	-	(603)
Balance at end of year		**26,638**	**36,068**	**7,969**	**14,110**	**84,785**
This Year						
Balance at beginning of year		26,638	36,068	7,969	14,110	84,785
Total comprehensive income	11,12,26	-	5,195	(251)	1,629	6,573
Dividends paid to non-controlling interests	26	-	-	-	(568)	(568)
Unclaimed dividends added back / (paid)	12,26	-	-	-	(1)	(1)
Grants paid and proposed	12	-	(1,025)	-	-	(1,025)
Balance at end of year		**26,638**	**40,238**	**7,718**	**15,170**	**89,764**
Parent						
Last Year						
Balance at beginning of year		26,638	15,467	25,964	-	68,069
Total comprehensive income	11,12	-	2,601	1,815	-	4,416
Grants paid and proposed	12	-	(994)	-	-	(994)
Balance at end of year		**26,638**	**17,074**	**27,779**	**-**	**71,491**
This Year						
Balance at beginning of year		26,638	17,074	27,779	-	71,491
Total comprehensive income	11,12	-	1,408	966	-	2,374
Grants paid and proposed	12	-	(870)	-	-	(870)
Balance at end of year		**26,638**	**17,612**	**28,745**	**-**	**72,995**

The notes on page 10 to 48 are integral to these financial statements

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EASTERN BAY ENERGY TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Operating activities					
Cash receipts from customers		103,639	62,356	34	53
Cash paid to suppliers		(88,233)	(52,665)	(1,003)	(996)
Total operating receipts and payments		15,406	9,691	(969)	(943)
Interest received		339	296	261	274
Interest paid		(2,279)	(1,962)	-	-
Taxes paid		(1,896)	(354)	-	-
Net cash from / (used in) operating activities		11,570	7,671	(708)	(669)
Investing activities					
Short term deposits		(619)	(2,725)	(619)	(2,725)
Restricted bank deposits		1,050	(1,050)	-	-
Dividend income received		134	232	1,932	2,897
Purchases of property, plant & equipment		(9,382)	(5,577)	(8)	(2)
Purchase of intangible assets		(621)	(776)	-	-
Purchase of subsidaries		(1,592)	(5,039)	-	-
Purchase of subsidaries - escrow refund		500	-	-	-
Purchase of investments		(29)	(93)	(29)	(93)
Repayment of loans to related parties		-	-	98	1,316
Loans to others		-	3	-	3
Proceeds on disposal of investment in subsidary		-	-	-	1,138
Proceeds on disposal of other investments		-	1,843	-	-
Proceeds on disposal of property, plant & equipment		56	-	7	-
Net cash from (used in) investing activities		(10,503)	(13,182)	1,381	2,534
Financing activities					
Dividends paid		(568)	(946)	-	-
Grants paid		(1,013)	(958)	(857)	(1,701)
Repayment of loan from minority shareholder		-	(483)	-	-
Repayment of term debt		(43,704)	(24,490)	-	-
Term debt drawn down		43,969	33,515	-	-
Net cash from/(used in) financing activities		(1,316)	6,638	(857)	(1,701)
Net (decrease)/increase in cash and cash equivalents		(249)	1,127	(184)	164
Cash and cash equivalents at the beginning of the year		1,982	855	535	371
Cash and cash equivalents at the end of the year	13	**1,733**	**1,982**	**351**	**535**

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EASTERN BAY ENERGY TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES					
Reported profit after tax		6,824	893	1,408	2,601
Less items classified as investing:					
Dividends received		(134)	(232)	(1,932)	(2,897)
(Gain)/loss on sale of shares		-	(518)	-	(439)
Adjustments for non cash items:					
Depreciation and amortisation		5,690	5,134	4	9
Bad debts provided for		24	-	-	-
Impairment of property, plant and equipment		(65)	218	-	-
Impairment of investment property		10	65	-	-
Impairment of other investments		-	-	-	250
(Gain)/loss on sale of fixed assets		78	124	(4)	-
Loss/(gain) on fair value of interest rate swaps		(1,783)	(11)	-	-
Operating cash flows before movements in working capital		10,644	5,673	(524)	(476)
(Increase) / decrease in assets					
Trade and other receivables		(5,695)	(6,202)	(179)	9
Construction work in progress		(1,141)	(1,047)	-	-
Inventories		(278)	(658)	-	-
Available for sale assets		-	464	-	-
Increase / (decrease) in liabilities					
Trade and other payables		3,955	5,806	(11)	(204)
Deferred capital contributions		(18)	(18)	-	-
Provision for employee entitlements		354	858	6	2
Available for sale liabilities		-	(174)	-	-
Provisions		260			
Construction revenue received in advance		2,134	2,507	-	-
Deferred tax liabilities		1,044	1,535	-	-
Current tax liability		(374)	(1,074)	-	-
Subsidary working capital acquired		685	-	-	-
Add/(less) movements in working capital		926	1,997	(184)	(193)
Net cash flow from operating activities		11,570	7,671	(708)	(669)

The notes on page 10 to 48 are integral to these financial statements

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1. REPORTING ENTITY

The Eastern Bay Energy Trust is a trust established in New Zealand by Deed of Trust dated 1 August 1994. The Trust and all its subsidiaries are domiciled in New Zealand.
The financial statements of the Group for the year ended 31 March 2014 comprise the Trust and its subsidiaries (together referred to as the "Group").

The principal activity of the Group is that of investment in electricity related entities.
The Group consists of the following entities:

- Eastern Bay Energy Trust (EBET)
- Development Enterprises Limited (DEL) - 100% owned by EBET
- EBET Investments Limited previously known as Energy Options Limited (EOL). The business of EOL was sold on 30 June 2012. - 100% owned by EBET
- DEL Property Investments Limited (DPIL) - 100% owned by DEL
- DEL Investments Limited (DIL) - 100% owned by DEL
- Eco Finance Limited (EFL) - 100% owned by DEL
- Energy Options Charitable Company Limited (EOCCL) - 100% owned by EBET
- Horizon Energy Distribution Limited (HEDL) – 77.29% owned by EBET
- Horizon Energy Investments Limited (HEIL) – 100% owned by HEDL
- Stewart Browne Group Limited (SBGL) – 100% owned by HEDL
- Aquaheat New Zealand Limited (ANZL) – 100% owned by HEDL

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with the Financial Reporting Act 1993. The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and they comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for public benefit entities.
The financial statements were approved by the Board of Trustees on 31 July 2014. The Trustees do not have the authority to amend the financial statements after issue.
The accounting policies have been applied consistently throughout the Group for all periods presented unless otherwise stated.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except that derivative financial instruments, investment property, buildings and available for sale financial assets are measured at fair value. The method used to measure fair values is discussed further in note 4.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Group's functional currency. Amounts have been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 17 – valuation of buildings and network distribution system
- Note 18 – valuation of investment property
- Note 20 – valuation of investments
- Note 24 – valuation of financial instruments

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the statement of comprehensive income.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

(ii) Available-for-sale financial assets

The Group's investments in equity securities are classified as available for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(iii) Financial instruments at fair value through profit or loss

A financial instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognised in the statement of comprehensive income when incurred. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

(iv) Other

Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(v) Investments in equity securities

Investments in equity securities held by the Group are classified as available-for-sale, except for investments in equity securities of subsidiaries and associates which are measured at cost in the separate financial statements of the Group, (excluding the investment in Horizon Energy Distribution Limited, as there is an active market, see below).
The fair value of equity investments classified as available-for-sale is their quoted bid price at the balance date of the financial statements. Where there is no active market for the equity instrument and their fair value cannot be reliably measured, the instrument is measured at cost.

(vi) Trade and other receivables

Trade receivables are initially measured at fair value and subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of trade.
The criteria the Group uses to determine that there is objective evidence of an impairment of receivables includes significant difficulty of the debtor, breach of contract such as default, granting of a concession to the debtor's financial difficulty, or the debtor likely entering bankruptcy or reorganisation.
The allowance recognised is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted using the effective interest rate.

(vii) Loans and borrowings

Borrowings are initially recorded at fair value, net of costs incurred. Interest-bearing borrowings are classified as other non-derivative financial instruments, measured at amortised cost.
Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings, is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

(viii) Trade and other payables

Trade and other payables are stated at cost.

(ix) Derivative financial instruments

The Group's activities expose it primarily to the financial risk of changes in interest rates. The interest rate risk arises from bank loans. The Group's policy is to convert a proportion of its floating rate debt to fixed rate using financial derivatives.
The use of financial derivatives is governed by the Group's policies approved by the respective Governance Board, which provide written principles on the use of financial derivatives

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

(ix) Derivative financial instruments (continued)

consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and revalued to fair value at subsequent reporting dates. The Group has elected not to apply hedge accounting and as such fair value movements in derivative financial instruments are recognised immediately in the statement of comprehensive income.

(c) Property, plant and equipment

(i) Recognition and measurement

Network distribution systems

Network distribution system assets held for use are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance date.

Any revaluation increase arising on the revaluation of network distribution system assets is credited to the assets' revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the net profit, in which case the increase is credited to the net profit to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such assets is charged to the net profit to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

In the event of the sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings.

Annual additions between valuations are recorded at cost. Internally constructed assets include materials, labour, attributable overheads, and capitalised interest for qualifying assets.

Land and buildings

Land and buildings held by DEL properties and part of the network distribution system for use in the production or supply of goods or services are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance date.

Any revaluation increase arising on the revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the net profit, in which case the increase is credited to the net profit to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such assets is charged to the net profit to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Land and buildings for administration purposes are stated in the balance sheet at the value of consideration given to acquire the asset 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.

Plant and equipment, furniture and fittings and vehicles

Plant and equipment, furniture and fittings and vehicles are stated at cost less accumulated depreciation and any accumulated impairment losses.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

(iii) Gain or loss on disposal

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

(iv) Depreciation

Depreciation is recognised in the statement of comprehensive income using either a straight-line or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

- Buildings 40-100 years
- Plant and machinery 2-10 years
- Vehicles 5-10 years
- Furniture and fittings 10 years
- Distribution system 8-70 years

The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date.

(d) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries.

Acquisitions of non controlling interests

Goodwill arising on the acquisition of a non controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in the statement of comprehensive income.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment. Goodwill has an indefinite useful life, it is not subject to amortisation and it is tested annually for impairment.

(ii) Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring it to a condition available for use. These costs are amortised over their estimated useful lives, which is three to five years.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of comprehensive income when incurred.

(e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in the statement of comprehensive income. When the use of a property changes such that it is reclassified as property, plant & equipment, its fair value at that date of reclassification becomes its cost for subsequent accounting.

Ingham Mora Marked for Identification Purposes Tauranga

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leased assets

Finance leases are capitalised at the leases' commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.
Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability of each period.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories include the cost of direct material and other charges, such as freight, that have been incurred in bringing inventories to their present location and condition. Cost is calculated using the weighted average principle. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling, marketing and distribution expenses.

(h) Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment.
An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of comprehensive income.

(i) Impairment of equity instruments

Equity instruments are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price. For this purpose, prolonged is regarded as any period longer than nine months and significant as more than 20 percent of the original purchase price of the equity instrument.
Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the statement of comprehensive income.

(ii) Impairment of receivables

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows. Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.
For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.
An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.
Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Ingham Mora Marked for Identification Purposes Tauranga

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment (continued)

(iii) Non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee entitlements

(i) Wages, salaries and annual leave

Liabilities for wages and salaries and annual leave expected to be settled within 12 months from the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave and retirement gratuity

The liability for long service leave and retirement gratuity is recognised in the provision for employee benefits and measured such that the liability is not materially different from the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Consideration is also given to discounting using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Bonus plans

The group recognises a liability and an expense for bonuses based on a bonus pool that is available for distribution subject to certain performance criteria being met. The group recognises a provision where it is contractually obliged or where there is a past practice that has created a constructive obligation.

(j) Revenue

(i) Distribution revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, including lines charges generated in the normal course of business, net of rebates and discounts. Electricity lines revenue is based, in part, on actual and assessed readings and includes an allowance for unread meters at balance date.

(ii) Services

Sales of services are recognised in the accounting period in which the services are rendered by reference to the completion of the specific transaction assessed on the basis of actual service provided as a proportion of total services to be provided.

(iii) Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at balance date, as measured by the proportion that contract costs for work performed to date bear to the total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Ingham Mora Marked for Identification Purposes Tauranga

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Revenue (continued)

(iii) Construction contracts (continued)

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are recoverable.
Contract costs are recognised as expenses in the period in which they are incurred.
When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(iv) Dividend income

Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(v) Rental income

Rental income from investment properties is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(vi) Grant income

Capital contributions received from non-government entities relating to the purchase of property, plant and equipment are included in other income in the year in which the contribution is earned. Capital contributions received from government entities relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

(k) Lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(l) Provisions

Provisions are recognised when the Group has a present obligation as a result of past events. It is more likely than not that the future sacrifice of economic benefit(s) will arise and the amount of the provision can be measured reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at balance date, and are discounted to present value where the effect is material. Provisions are not recognised for future operating losses.

(m) Finance income and expenses

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, impairment losses recognised on financial assets (except for trade receivables), losses on the disposal of available-for-sale financial assets, and losses on hedging instruments that are recognised in the statement of comprehensive income. All borrowing costs are recognised in the statement of comprehensive income using the effective interest method. Where borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, borrowing costs are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Ingham Mora Marked for Identification Purposes Tauranga

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Grant expenditure

Grants paid are recognised in retained earnings when the requirements under the grant agreement have been met.

(o) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available, against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(p) Goods and Services Tax (GST)

All amounts are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

(q) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of, or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation has been discontinued from the start of the comparative period.

(r) Comparative balances

The presentation of certain comparative balances has been amended to ensure consistency with current year disclosures.

(s) New standards and interpretations

A number of new standards, interpretations and amendments came into effect during the reporting year and have been applied in preparing the financial statements. These standards have been consistently applied to all years presented, unless otherwise stated.

(ii) Standards, interpretations and amendments to existing standards that were adopted by the Group from 1 April 2013

- NZ IAS 1 'Presentation of financial statements' (effective for annual periods beginning on or after 1 July 2012). The amendment requires profit or loss and other comprehensive income (OCI) to be presented, either in a single continuous statement or in two separate but consecutive statements. However, the format of the OCI section

Ingham Mora
Marked for Identification Purposes
Tauranga

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) New standards and interpretations (continued)

(i) Standards, interpretations and amendments to existing standards that were adopted by the Group from 1 April 2013 (continued)

is required to separate items that might be recycled from items that will not be recycled to profit.

- NZ IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 1 January 2013). NZ IFRS 10 replaces all of the guidance on control and consolidation. The core principles that a consolidated entity presents a parent and its subsidiaries as if they are single economic entities remain unchanged, as do the mechanics behind consolidation. The standard introduces a single definition of control that applies to all entities focusing on the need to have both power and rights or exposure to variable returns before control is present.

- NZ IFRS 12 'Consolidation – disclosure of involvement with other entities' (effective for annual periods beginning on or after 1 January 2013). IFRS 12 brings together in one standard the disclosure requirements related to subsidiaries, joint arrangements, joint ventures and associates.

- NZ IFRS 13 'Fair value measurement guidance' (effective for annual periods beginning on or after 1 January 2013). Fair value measurement guidance contained in individual IFRS is replaced with a single, unified definition of fair value; it also contains guidance on the application of fair value measurement in in-active markets.

- NZ IFRS 27 'Separate financial statements' (effective for annual periods beginning on or after 1 January 2013). NZ IAS 27 is renamed Separate financial statements and is now a standard dealing solely with separate financial statements. Application of this standard by the group and parent entity will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the parent's investments in the separate parent entity financial statements.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

- NZ IFRS 9 Financial instruments.
  This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. NZ IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of IAS39 requirements. The main change is that in cases where the fair value option is taken for financial liabilities, the part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess NZ IFRS 9's full impact and intends to adopt NZ IFRS 9 no later than 1 April 2015.

- There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have material impact on the Group.

Ingham Mora Marked for Identification Purposes Tauranga

4. CRITICAL JUDGEMENTS IN APPLYING THE ENTITIES ACCOUNTING POLICIES

In the process of applying the entity's accounting policies, which are described in note 3, management have made the following judgements and estimates that have significant effects on the amounts recognised in the financial statements.

(a) Revenue recognition

Distribution revenue includes an accrual for unbilled revenue, where consumption is estimated to the end of the billing period, based on historical actual electricity usage. Occasionally historical electricity usage data is not consistent and subsequent adjustments are made. These adjustments are immaterial compared with total network revenue.

(b) Fair value of derivatives

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. Changes in these estimates could have material effect on the value of the derivative financial statements in the balance sheet and the associated change in fair values disclosed in the statement of comprehensive income.

(c) Valuation of construction work in progress

The Group is required to exercise judgement in assessing the stage of completion of each incomplete construction contract, on a contract by contract basis, to determine the realisable revenue and costs to be reported in the statement of comprehensive income at the end of an accounting period. This judgement impacts the value of profits reported and the value of construction work in progress carried in the balance sheet. The accuracy of these judgements can only be determined when a project is completed or has met a clear contract milestone.

(d) Goodwill

Goodwill has been allocated to Horizon Energy Distribution Limited. The Trustees have reviewed the carrying value of goodwill and do not believe there is any impairment on the basis that the budgeted cash flows for the next two years exceed the carrying value of goodwill recorded.

(e) Valuation of network distribution system

The Group estimates the fair value of the distribution network using independent valuers in accordance with the property, plant and equipment accounting policy. Because of the specialised nature of the network and the infrequency of network sale transactions, there is a lack of market-based evidence available to determine fair value. The valuation undertaken at 31 March 2013 has been compiled using the discounted cash flow technique (as was the previous valuation at 31 March 2010). Previously the distribution network was valued using a depreciated replacement cost method as there was insufficient regulatory certainty to perform a reliable discounted cash flow valuation.

Changes in these valuation estimates could have a material effect on the carrying amount of the distribution network disclosed in note 17.

The key valuation assumptions relating to the network revaluation, performed at 31 March 2013, are outlined below and were adopted in determining the fair value of the Group's network distribution assets:

(i) Network assets have been valued on a going concern basis;

(ii) Revenue is based on the current pricing applying the CPI-X methodology (with X = 0 for the full forecast period), For 2015 the revenue has been reduced by

Ingham Mora Marked for Identification Purposes Tauranga

4. CRITICAL JUDGEMENTS IN APPLYING THE ENTITIES ACCOUNTING POLICIES (continued)

(e) Valuation of network distribution system (continued)

the estimated value of the regulatory claw back resulting from the Commerce Commission determined default price-quality path announced on 30 November 2012;

(iii) In-fill growth, being new connections to existing infrastructure, is estimated at 50% of historic growth rates being 0.4% growth;
(iv) Costs were based on 2013 forecasts;
(v) A post tax discount rate (WACC) of 7.01% has been used in discounting the present value of expected cash flows; and
(vi) Inflation has been applied at 2.4% and the terminal growth rate at 2.0%

The nature of the valuation methodology adopted provides that a small number of key variables can have a significant value impact. The key sensitivities are provided below with the forecast impact on value as the result of the possible identified change.

Key Variable	Change	Value impact ($million)	
Group WACC (7.01%)	+/- 0.4%	-8.7	+10.2
CPI	+/- 0.5%	-6.8	+7.0
Organic growth as % total forecast growth (50%)	+/- 100%	-2.5	+2.5
Capital Expenditure	+/- 10%	-8.3	+8.3

The directors have reviewed the carrying value of the network distribution assets and consider this continues to represent fair value.

5. FINANCIAL RISK MANAGMENT

Risk management is carried out by management under policies approved by the Trustees. Management identifies and evaluates relevant financial risks and acts to manage these risks where possible, within the parameters set out by the Trustees. The Trustees provide written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments. Management reports to the Board regularly on financial risk management.

(a) Market Risk

(i) Foreign Exchange Risk

The Group's revenue is entirely denominated in New Zealand dollars and it has no significant currency exposure in the foreseeable future. The group may from time to time purchase assets, or conduct service transactions denominated in foreign currency.

Trustee approval is required for foreign currency denominated contracts valued above a specified threshold, together with a recommendation on the manner in which the foreign currency exposure is to be managed, which may include the use of foreign exchange contracts

Ingham Mora
Marked for Identification Purposes
Tauranga

5. FINANCIAL RISK MANAGMENT (continued)

ii) Cash Flow and Fair Value Interest Rate Risk

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The group's borrowings are denominated in New Zealand dollars.

The Group manages its interest rate risk by using floating-to-fixed interest rate swaps.

Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The use of financial derivates is governed by the Group's policies approved by the Trustees, which provide written principles on the use of financial derivates consistent with the Group's risk management strategy.

The Group does not use derivate financial instruments for speculative purposes.

Generally the Group raises long term borrowing at floating rates and swaps them into fixed rates to manage interest rate risk. Under the interest rate swaps, the Group agrees with other parties to exchange, at specific intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts, calculated by reference to the agreed notional principle amounts.

At 31 March 2014, if interest rates had changed by +/- 1% (2013 +/- 1%) with all other variables held constant, post tax profit and equity for the year would have been $76,600 lower/higher (2013: $49,600 lower/higher)

b) Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum credit rating of A are accepted. If other customers are independently rated, these credit ratings are used. Otherwise, if there is no independent rating, management assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits by customers is regularly monitored by management.

Three customers comprised 31.3% of the Group's total trade and other receivables as at 31 March 2014 (2013,49.4%). Subsequent to the balance dates, the amounts due were cleared.

c) Liquidity Risk

Liquidity risk management has the objective of maintaining sufficient cash, and the availability of funding through an adequate amount of credit facilities, to meet the short and long term commitments of the Group as they arise in an orderly manner.

The Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has bank facilities available to cover potential shortfalls.

Ingham Mora
Marked for Identification Purposes
Tauranga

5. FINANCIAL RISK MANAGMENT (continued)

c) Liquidity Risk (continued)

Management monitors rolling forecasts of the Group's liquidity requirements on the basis of expected cash flow

The Trustees approves all new borrowing faculties.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the Balance Sheet date to the contractual maturity date. This is based on the undiscounted contracted cash flows for the period from the Balance Sheet date to the contractual maturity date.

The classifications of borrowings and facilities available are disclosed in Note 25. In the table below cashflows relating to bank loans are presented in accordance with facility maturity dates.

2014	Stmt of financial position $000's	Less than 1 year $000's	Between 1 and 2 years $000's	Between 2 and 3 years $000's	Between 3 and 5 years $000's
Unsecured loans & borrowings	35,115	-	13,000	9,000	13,115
Grant payments owing	592	-	605	(13)	-
Trade and other payables	14,795	14,795	-	-	-
Total non-derivative liabilities	**50,503**	**14,795**	**13,605**	**8,987**	**13,115**
2013					
Unsecured loans & borrowings	34,850	3,850	-	13,000	18,000
Grant payments owing	580	-	(127)	707	-
Trade and other payables	11,237	11,237	-	-	-
Total non-derivative liabilities	**46,667**	**11,237**	**3,723**	**13,707**	**18,000**

d) Capital Risk Management

The Group manages its capital structure and makes adjustments to it in light of economic conditions and business requirements. Total capital is calculated as 'equity' shown in the Balance Sheet plus net debt. To maintain or adjust the existing structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by net debt plus equity. The group includes within debt, borrowings less cash and cash equivalents. The Group complied with all borrowing covenants during the year.

Ingham Mora Marked for Identification Purposes Tauranga

5. FINANCIAL RISK MANAGMENT (continued)

d) Capital Risk Management (continued)

The gearing ratios are as follows:

	2014 Group $000	2013 Group $000
Borrowings	35,115	34,850
Plus / (Less): Cash and bank	(7,578)	(7,207)
Net debt	27,537	27,643
Equity	89,764	84,785
	117,301	112,428
Gearing ratio	23%	25%

6. OPERATING REVENUES & EXPENSES BY NATURE

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
a) Operating revenues					
Distribution revenue		29,671	30,188	-	-
Contracting income		74,105	35,986	-	-
Capital contributions revenue		549	950	-	-
Other revenue		923	518	24	53
Rental income		87	26	-	-
		105,335	67,668	24	53
Revenue included in discontinued operations	35	-	2,728	-	-
		105,335	70,396	24	53
b) Operating expenses					
Depreciation	17	5,351	4,947	4	9
Amortisation of software		339	187	-	-
Net loss/(gain) on disposal of fixed assets		78	124	(4)	-
Rental and operating lease expenses		942	601	28	54
Maintenance of network distribution assets*		2,815	1,016	-	-
Employee entitlements		24,519	15,350	142	126
Transmission charges		8,630	8,627	-	-
Movement in doubtful debts provision		(1,352)	1,368	-	-
Trustees' fees & expenses		109	115	109	115
Directors' remuneration and retirement		240	223	-	-
Bad debts		21	2,810	-	-
Auditors' remuneration	30	465	683	31	30
High court application costs		316	244	316	244
Investment property expenses		51	52	-	-
Other expenses		53,304	27,632	187	225
		95,828	63,979	813	803
Expenses included in discontinued operations	35	-	3,520	-	-
		95,828	67,499	813	803

*Maintenance of network distribution assets includes employee costs incurred by Horizon Services Limited for the services they provide to the Group. These employee costs are also disclosed within employee costs.

7. INTEREST

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Net interest comprises:					
Interest expense		(2,279)	(1,962)	-	-
Interest income		342	293	265	265
Net interest		(1,937)	(1,669)	265	265
Net interest included in discontinued operations	35	-	2	-	-
Net Interest		(1,937)	(1,667)	265	265

Ingham Mora
Marked for Identification Purposes
Tauranga

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
8. INCOME TAX EXPENSE					
Current tax		1,522	1,553	-	-
Deferred tax	9	1,195	(736)	-	-
Income tax expense		**2,717**	**817**	-	-

The tax charge for the year can be reconciled to the profit per the income statements as follows:

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Profit before tax		9,486	2,781	1,408	2,851
Expenses not deductible for tax purposes		1,550	1,172	813	803
Income not subject to tax		(450)	47	(2,223)	(3,654)
Taxable profit		**10,586**	**4,000**	-	-
Income tax expense attributable to taxable profit		**2,862**	**882**	-	-
Prior year adjustments		6	(65)	-	-
Prior period tax losses transferred for no consideration		(151)	-	-	-
Income tax expense		**2,717**	**817**	-	-
Taxation included in discontinued operations	35	-	(2)	-	-
Income tax expense		**2,717**	**815**	-	-
Effective income tax expense rate		25.7%	20.4%	0.0%	0.0%

The applicable tax rate is 28% for companies within the group excluding Energy Options Charitable Company Limited. Energy Options Charitable Company Limited is a registered charitable entity and the applicable tax rate is 0% (2013: 0%). (2013: all entities excluding Energy Options Charitable Company Limited: 28%.)

The applicable tax rate for the Parent is 0% (2013: 0%)

Ingham Mora Marked for Identification Purposes Tauranga

9. DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Group including movements during the current and prior reporting period;

Group	Notes	Revaluation of Property, Plant & Equipment $000	Derivatives Mark to Market $000	Provisions and accruals $000	Total $000
Balance at 1 April 2012		19,909	(557)	233	19,585
Adjustments through income tax expense	8	(263)	3	(476)	(736)
Income tax rate changes adjusted through tax expense	8	-	-	(237)	(237)
Income tax rate changes adjusted through the revaluation reserve		2,508	-	-	2,508
Balance at 31 March 2013		22,154	(554)	(480)	21,120
Adjustments through income tax expense	8	(173)	499	869	1,195
Balance at 31 March 2014		21,981	(55)	389	22,315

All deferred tax assets and liabilities have been offset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Deferred tax assets				
Recovered after more than 12 months	(162)	(554)	-	-
Recovered within 12 months	(789)	(1,132)	-	-
	(951)	(1,686)	-	-
Deferred tax liabilities				
Recovered after more than 12 months	22,436	22,806	-	-
Recovered within 12 months	830	-	-	-
	23,266	22,806	-	-
Net deferred tax liabilities	22,315	21,120	-	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Tax on losses carried-forward	431	546	132	132

The tax loss carry-forwards do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

Ingham Mora Marked for Identification Purposes Tauranga

10. CAPITAL ACCOUNT	Group and Parent 2014 $000	Group and Parent 2013 $000
Trust capital	26,638	26,638

The capital account is the capital that was assigned to the initial shares settled on the Trustees of the Eastern Bay Energy Trust upon its formation.

11. RESERVES

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Opening balance		7,969	2,327	27,779	25,964
Plus/(less) fair value revaluation of HEDL (Net of tax)		-	4,992	966	966
Plus/(less) fair value revaluation of Development Enterprises Limited		-	-	-	849
Plus/(less) fair value revaluation of Comvita Limited		(251)	577	-	-
Transfer from retained earnings		-	73		
Balance as at 31 March		**7,718**	**7,969**	**28,745**	**27,779**
Balance consists of:					
Horizon Energy Distribution Ltd		6,790	6,790	27,896	26,930
Development Enterprises Ltd		-	-	849	849
Comvita Ltd		928	1,179	-	-
		7,718	**7,969**	**28,745**	**27,779**

12. RETAINED EARNINGS

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Opening retained earnings	36,068	36,330	17,074	15,467
Transfer to reserves	-	(73)	-	-
Surplus after taxation	5,195	414	1,408	2,601
Less grants paid and proposed	(1,025)	(603)	(870)	(994)
Balance as at 31 March	**40,238**	**36,068**	**17,612**	**17,074**

Ingham Mora Marked for Identification Purposes Tauranga

13. CASH & CASH EQUIVALENTS

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Cash at bank		1,733	1,982	351	535
		1,733	**1,982**	**351**	**535**

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with a maturity of three months or less. The carrying amount of these assets equates to fair value.

14. SHORT TERM DEPOSITS

	Group 2014	Group 2013	Parent 2014	Parent 2013
Short term deposits with maturities between three months and one year	5,844	5,225	5,844	5,225
	5,844	**5,225**	**5,844**	**5,225**

15. TRADE & OTHER RECEIVABLES

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Trade receivables	18,241	13,958	186	11
Less provision for doubtful debts	(121)	(1,473)	-	-
Other receivables and prepayments	293	231	26	22
	18,413	**12,716**	**212**	**33**

All receivables are denominated in New Zealand dollars.

The Trustees consider that the carrying amount of trade and other receivables approximates fair value because all amounts are due within one month and there are no amounts where settlement is expected in more than 12 months.

Trade receivables are assessed for impairment on an individual basis. The only receivables impaired are provided for within doubtful debts. As at 31 March 2014, trade receivables of $2,124,916 (2012: $1,405,097) were past due ; These relate to a number of independent customers for whom there is no recent history of default and are not impaired
The ageing analysis of trade and other receivables that are not impaired is as follows:

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Up to 3 months	17,619	13,016	186	11
Over 3 months	622	942	-	-
	18,241	**13,958**	**186**	**11**

Movements on the provision for doubtful trade receivables is as follows:

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Opening Balance at 1 April	(1,473)	(105)	-	-
Movement in provision	1,352	(1,368)	-	-
Closing Balance at 31 March	(121)	(1,473)	-	-

The creation and release of the provision for doubtful trade receivables has been included in 'operating expenses' in the statement of comprehensive income.

Ingham Mora Marked for Identification Purposes Tauranga

16. INVENTORY AND WORK IN PROGRESS

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Work in progress	2,614	1,473	-	-
Finished goods	2,103	1,825	-	-
Balance at 31 March	**4,717**	**3,298**	**-**	**-**

17. PROPERTY PLANT & EQUIPMENT

Property plant and equipment comprise:

		Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Land and buildings	*Cost or valuation*	2,133	2,255	-	-
	Additions	30	96	-	-
	Revaluation	65	(218)	-	-
	Cost or valuation	2,228	2,133	-	-
	Accumulated depreciation	(230)	(159)	-	-
	Net book value	1,998	1,974	-	-
Plant and equipment	*Cost*	5,728	3,965	-	-
	Additions	407	410	-	-
	Additions from business combinations	340	1,542		
	Disposals	(58)	(114)	-	-
	Asset reclassification	-	(75)		
	Capital WIP	61	-		
	Cost	6,478	5,728	-	-
	Accumulated depreciation	(3,695)	(3,171)	-	-
	Net book value	2,783	2,557	-	-
Furniture and fittings	*Cost*	870	675	41	37
	Additions	66	137	8	4
	Asset reclassifications	-	58	-	-
	Cost or valuation	936	870	49	41
	Accumulated depreciation	(642)	(581)	(32)	(29)
	Net book value	294	289	17	12
Motor vehicles	*Cost*	3,859	2,867	19	19
	Additions	179	581	-	-
	Additions from business combinations	-	719		
	Disposals	(120)	(308)	(19)	-
	Cost or valuation	3,918	3,859	-	19
	Accumulated depreciation	(2,089)	(1,649)	-	(15)
	Net book value	1,829	2,210	-	4

Ingham Mora Marked for Identification Purposes Tauranga

		Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Distribution system	*Cost or Valuation*	108,176	105,054	-	-
	Revaluation movement	-	(2,343)		
	Additions	9,787	4,225	-	-
	Disposals	(122)	(268)	-	-
	Capital WIP	(1,141)	1,508	-	-
	Cost or valuation	116,700	108,176	-	-
	Accumulated depreciation	(4,083)	-	-	-
	Net book value	112,617	108,176	-	-
Financed leased assets	*Cost*	220	201	-	-
	Additions	-	19	-	-
	Disposals	-	(17)	-	-
	Asset reclassification	-	17	-	-
	Cost	220	220	-	-
	Accumulated depreciation	(31)	(17)	-	-
	Net book value	189	203	-	-
Total	***Cost or valuation***	**130,480**	**120,986**	**49**	**60**
	Accumulated depreciation	**(10,770)**	**(5,577)**	**(32)**	**(44)**
	Net book value	**119,710**	**115,409**	**17**	**16**

Depreciation Expense	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Buildings	71	68	-	-
Plant and equipment	577	411	-	-
Furniture and fittings	60	45	4	7
Motor vehicles	501	455	-	2
Distribution system	4,128	3,951	-	-
Financed leased assets	14	17	-	-
Total	5,351	4,947	4	9
Depreciation included in discontinued operations 35	-	40	-	-
Total	5,351	4,987	4	9

Valuation of Richardson St property

DEL Property Investments Limited owns a property in Richardson Street, Whakatane. The property is leased to related entities on commercial terms. This property is classified as property, plant and equipment and is included in the amounts above. DEL Property Investments Limited is 100% owned by the Trust.

The Richardson Street property has been valued by Boyes Campbell Limited, an independent registered valuer. The date of the valuation was 3 June 2014. Boyes Campbell Limited assessed the current market value of the Richardson St property to be $645,000 (2013 $580,000). The property was previously revalued on 07 May 2013 as the property is valued every year. The cost price of the property was $815,866. The increase in fair value has been recorded directly to the statement of comprehensive income.

Boyes Campbell Limited considered the summation method including depreciation cost and the capitalisation of annual cash flow method in determining the market value.

Ingham Mora
Marked for Identification Purposes
Tauranga

DEL Property Investments Limited also owns a property situated in Pohutu Street, Whakatane. The property is leased to a non-related party on commercial terms. As such this property is classified as an investment property and is detailed in note 18 and is not included above.

Valuation of distribution system assets

The network distribution system was revalued on 31 March 2013 by Deloitte on a discounted cash flow basis in accordance with generally accepted valuation techniques

The carrying amount of the Group and Parent network distribution system commissioned assets had they been recognised under the cost model is $97.4 million (2013: $89.8 million)

Interest is capitalised to the network distribution assets to reflect the financing costs to the Company attributable to the acquisition of qualifying assets, in accordance with the Group's accounting policy on borrowing costs.

Interest capitalised for the 2014 year was $133,032 (2013: $Nil) at the Group's effective weighted interest rate.

18. INVESTMENT PROPERTY

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Balance at 1 April	330	395	-	-
Revaluation	(10)	(65)	-	-
Balance at 31 March	**320**	**330**	**-**	**-**

Investment property comprises of one commercial property that is leased to third parties.
No contingent rents are charged.

This property has been valued by Boyes Campbell Limited, an independent registered valuer. The date of the valuation was 4 June 2014. Boyes Campbell Limited assessed the current market value of the property to be $320,000 (2013 $330,000). The property was previously revalued on 07 May 2013 as the property is valued every year. The cost price of the property was $585,000. The decrease in fair value has been recorded directly to the statement of comprehensive income, net of tax.

Boyes Campbell Limited considered the summation method including depreciation cost and the capitalisation of annual cash flow method in determining the market value.

Ingham Mora
Marked for Identification Purposes
Tauranga

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
19. INTANGIBLE ASSETS					
Goodwill					
Cost		12,319	12,319	-	-
Additions		567	-	-	-
Cost or valuation		12,886	12,319	-	-
Accumulated amortisation		-	-	-	-
Net book value		12,886	12,319	-	-
Software and intellectual property					
Cost		3,340	2,845	-	-
Additions		439	495	-	-
Information systems - work in progress		191	-	-	-
Cost or valuation		3,970	3,340	-	-
Accumulated amortisation		(718)	(379)	-	-
Net book value		3,252	2,961	-	-
Total					
Cost or valuation		16,856	15,659	-	-
Accumulated amortisation		(718)	(379)	-	-
Total	**Total**	16,138	15,280	-	-

Goodwill and Intangible Assets

(i) Allocation of Goodwill to Cash Generating Unit

Goodwill is allocated to the Group's cash generating units, being the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other groups of assets. Goodwill acquired through business combinations has been allocated to three cash generating units ('CGU's) for impairment testing, comprising Horizon Services and Stewart Browne Electrical, both divisions of Horizon Services Limited, and Aquaheat New Zealand Limited.

The recoverable amounts have been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by Senior Management covering a five year period. The pre-tax discount rate applied to cashflow projections is 21% (2013: 21%)

(ii) Carrying Amount of Goodwill Allocated to each Cash Generating Unit

	Group 2014 $000	Group 2013 $000
Horizon Energy Distribution Limited	11,269	11,269
Horizon Services	252	252
Stewart Browne Electrical	798	798
Aquaheat New Zealand Limited	567	-
	12,886	12,319

(iii) The Calculation of Value in Use for Cash Generating Units

The calculation of value in use for all CGU's is most sensitive to assumptions on discount rates and growth rates. Discount rates are based on cost of capital and growth has been assumed to be between 2% and 3%, (2013: 3% and 10%), with a terminal growth rate of 2.4% (2013: 3%)

(iv) Sensitivity

The Trustees have considered the variability of the key assumptions underlining the carrying amounts for the intangible assets set out above. The Trustees believe that the range of reasonable variability would not cause a material change in these carrying amounts.

Ingham Mora Marked for Identification Purposes Tauranga

19. INTANGIBLE ASSETS (CONTINUED)

Interest has been capitalised to intangible assets work in progress (software development and implementation) to reflect the financing costs to the Company attributable to the acquisition of qualifying assets, in accordance with the Group's accounting policy on borrowing costs. Interest capitalised for the 2014 year was $Nil (2013: $58,080) with the interest rate applied for the 2013 year being 5.34%.

20. INVESTMENTS

Subsidiary companies

The Trust owns 77.29% of Horizon Energy Distribution Limited (holding 19,316,130 of total shares issued). The market value of these shares as at 31 March 2014 was $61,811,616 or $3.20 per share (2013: $60,845,810 or $3.15 per share)

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Shares - Horizon Energy Distribution Limited	-	-	61,812	60,846
Shares - Development Enterprises Limited	-	-	201	201
Shares (Redeemable) - Development Enterprises Limited	-	-	3,538	3,538
Shares - EBET Investment Limited (see a below)	-	-	31	31
Total investment in subsidiaries	-	-	**65,582**	**64,616**
Loans to related parties				
Loans to associates	-	-	-	98
Total loans to related parties	-	-	-	**98**
Other investments				
Shares - OPAC Limited (see b below)	590	590	-	-
Shares - OTK Orchards Limited (see c below)	151	108	-	-
Convertible notes - OTK Orchards Limited (see c below)	-	43	-	-
Shares - Comvita Limited (see d below)	1,656	1,907	-	-
ASB - Bond portfolio	1,631	1,602	1,631	1,602
Total other investments	**4,028**	**4,250**	**1,631**	**1,602**
Total other investments	4,028	4,250	1,631	1,602

Interest is capitalised to software assets where the project is undertaken over a period of time to reflect the financing costs to the Company attributable to the acquisition of qualifying assets, in accordance with the Groups' accounting policy on borrowing costs

Interest capitalised for the 2014 year was $Nil (2013: $58080) with the interest rate applied for the 2013 year being 5.34%

Ingham Mora Marked for Identification Purposes Tauranga

20. INVESTMENTS (CONTINUED)

Subsidiary companies:	Percent Interest	
Horizon Energy Distribution Limited (HEDL)	77.29%	Owned by EBET
EBET Investments Limited (Formerly Energy Options Limited) (EBETIL)	100.00%	Owned by EBET
Energy Options Charitable Company Limited (EOCCL)	100.00%	Owned by EBET
Development Enterprises Limited (DEL)	100.00%	Owned by EBET
DEL Investments Ltd (DIL)	100.00%	Owned by DEL
Eco Finance Limited (EFL)	100.00%	Owned by DEL
DEL Property Investments Limited (DPIL)	100.00%	Owned by DEL

Parent investment in subsidiaries

a) Shares in EBET Investments Limited formally known as Energy Options Limited

The Trustees have considered the carrying value of their investment in EBET Investments Limited. The Trustees consider that there is an impairment in the carrying value of the investment in EBET Investment Limited of $0. (2013 $250,000). In making this decision the Trustees have reviewed the actual sale price obtained for Energy Options Limited and the likelihood of collecting in the remaining assets.

Further details regarding external share investments (held by DEL)

Investment	Number of Shares Held	Cost Price ($)	2014 Value $/share	2014 Value $	2013 Value $/share	2013 Value $
OPAC Limited (see b below)	147,489	589,956	4.00	589,956	4.00	589,956
OTK Orchards Limited (see c below)	568,000	499,840	0.27	151,265	0.19	108,046
Comvita Limited (see d below)	501,780	1,575,311	3.30	1,655,874	3.80	1,906,764
		2,665,107		2,397,095		2,604,766

b) Shares in OPAC Limited

The Trustees have considered the carrying value of their investment in OPAC Limited. The Trustees continue to record the investment at cost price in accordance with Group policy as stated in note 3(b)(v). In making this decision, the Trustees have reviewed the financial reports of OPAC and other publicly available information regarding this company and industry. The dividend paid in the year was 32 cents (20 cents 2013) per share. The Trust owns 3.30% of OPAC shares.

c) Shares in OTK Orchards Limited

Development Enterprises Limited has not invested further in OTK Orchards Limited during the 2014 financial year (2013 $0).

The Trustees have considered the carrying value of their investment in OTK Orchards Limited. The Trustees consider that there is no further impairment in the carrying value of the investment (2013 $0). In making this decision, the Trustees have reviewed the financial reports of OTK Orchards Limited and other publicly available information regarding this industry and other comparable orchards in the area. The Trust owns 14.77% (2013 14.77%) of the shares.

d) Shares in Comvita Limited

Comvita Limited is a publicly listed company and its value can be readily measured. The Trustees consider that the market value is representative of the fair value of Comvita Limited shares. The dividend paid in 2014 was 14 cents (2013 14 cents) per share. DEL sold 500,000 shares at $3.70 per share ($1,842,600) DEL owns 1.66% (2013 1.66%) of the shares in Comvita. Subsequent to balance date the Trust sold the balance of the Comvita shares at $3.80. ($1,906,764)

Ingham Mora
Marked for Identification Purposes
Tauranga

20. INVESTMENTS (CONTINUED)

Impairment of Investments

	Value of Impairment			
	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Energy Options Limited	-	-	-	250
Total	-	-	-	250

21. TRADE & OTHER PAYABLES

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Trade payables	11,780	7,682	33	43
Accruals	3,015	3,158	-	-
Total trade payables and other payables	**14,795**	**10,840**	**33**	**43**

Trade and other payables principally comprise amounts outstanding for trade purchases and other ongoing costs.

The Trustees consider that the carrying amount of trade and other payables approximate fair value because the amounts due will be settled within 12 months.

PROVISION FOR STAFF ENTITLEMENTS

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Classified as:				
Current employee entitlements	2,065	1,691	17	11
Non-current employee entitlements	124	144	-	-
Total employee entitlements	**2,189**	**1,835**	**17**	**11**

The provision for employee entitlements includes accrued wages, bonuses, accrued holiday pay, long service leave and retirement gratuities. Where settlement is greater than one year, consideration is given to discounting as set out in the accounting policies.

The Trustees consider that the carrying amount of the provision for staff entitlements approximates fair value.

PROVISIONS

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Balance at beginning of year	397	406	-	-
Provisions made during the year	904	279	-	-
Provisions used during the year	(176)	(79)	-	-
Provisions reversed during the year	(88)	(209)	-	-
Balance at end of year	1,037	397	-	-
Represented by:				
Current liabilities	657	397	-	-
Non-current liabilities	380	-	-	-
Total provisions	1,037	397	-	-

The resulting outflows of all provisions are not expected to be fully paid within the following financial year. The provisions made are expected to settle these obligations. based on the best current estimate of outflows

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Warranty provision				
Balance at beginning of year	397	406	-	-
Provisions made during the year	524	279	-	-
Provisions used during the year	(176)	(79)	-	-
Provisions reversed during the year	(88)	(209)	-	-
Balance at end of year	657	397	-	-
Represented by:				
Current liabilities	657	397	-	-

Provision for warranty costs are recognised at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Group's obligation.

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Default price path breach provision				
Provisions made during the year	380	-	-	-
Balance at end of year	380	-	-	-
Represented by:				
Non-current liabilities	380	-	-	-

The provision of $380,000 in relation to the 2012 Default Price Path breach is referred to in Note 34.

Ingham Mora Marked for Identification Purposes Tauranga

22. TERM LOANS

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Term loans fall due for repayment in the following periods:				
Within one year	-	3,850	-	-
Within one to two years	13,000	-	-	-
Within two to three years	9,000	13,000	-	-
Within three to five years	13,115	18,000	-	-
Balance as at 31 March	35,115	34,850	-	-
Disclosed in balance sheet as:				
Amount due for settlement within 12 months (Current)	-	3,850	-	-
Amount due for settlement after 12 months (Non-current)	35,115	31,000	-	-
Balance as at 31 March	35,115	34,850	-	-

Bank loans are drawn down at floating rates and expose the Group to interest rate risk. Borrowings are classified as current and non-current based on the terms of available facilities, as these represent unconditional rights to defer payments until maturity.

The Trustees estimate the fair value of the Group's bank loans are reflected in their book value, as the impact of discounting is immaterial.

All term loans are unsecured and are subject to negative pledge undertakings. The weighted average floating interest rate, inclusive of margins, on term loans is 4.75%% (2013 4.29%). The weighted average floating interest rate excludes the effect of the Group's interest rate risk management.

As at 31 March 2014 the Group had available undrawn debt facilities of $14.9 million (2013: $15.2 million).

All entities in the Group complied with all banking covenants during the year.

23. DEFERRED CAPITAL CONTRIBUTIONS

	Group 2014 $000	Group 2013 $000 $0	Parent 2014 $000	Parent 2013 $000 $0
Opening balance	611	629	-	-
Less amounts recognised as revenue during year	(18)	(18)	-	-
Balance at 31 March	**593**	**611**	-	-
Classified as:				
Current	18	18	-	-
Non-current	575	593	-	-
	593	**611**	-	-

Capital contributions from local authorities for the construction of network distribution assets meet the definition of a government grant under New Zealand Equivalents to International Accounting Standard 20, 'Accounting for Government Grants'. These cash receipts are included in non-current liabilities as deferred income, and are amortised over a 45 year period which approximates the expected life of the asset. There are no unfulfilled conditions or other contingencies attached to these contributions.

Ingham Mora
Marked for Identification Purposes
Tauranga

24. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swaps

The notional and fair value of the swaps the Group and Parent held at 31 March 2014 were as follows:

Commencement Date	Rate	Term	Expiry Date	Notional Value 2014 $000	Fair Value 2014 $000	Notional Value 2013 $000	Fair Value 2013 $000
21 June 2012	3.83%	120 Months	21 June 2022	2,000	138	2,000	3
21 June 2012	3.83%	120 Months	21 June 2022	2,000	138	2,000	6
12 February 2013	3.84%	96 Months	12 February 2021	3,000	157	-	-
3 October 2014	3.90%	84 Months	3 October 2021	-	-	4,000	38
3 October 2014	3.90%	84 Months	3 October 2021	4,000	242	-	-
22 June 2015	4.60%	9 Months	22 March 2016	2,000	1	-	-
Total Non-Current Assets				**13,000**	**676**	**8,000**	**47**
21 December 2011	4.99%	33 Months	21 September 2014	2,000	(17)	-	-
5 March 2012	6.44%	30 Months	5 September 2014	2,800	(45)	-	-
Total Current Liabilities				**4,800**	**(62)**	**-**	**-**
5 July 2007	6.44%	140 Months	5 March 2019	2,000	(164)	2,000	(324)
9 March 2009	4.60%	84 Months	9 March 2016	2,000	(24)	2,000	(92)
17 August 2009	4.61%	93 Months	17 May 2017	3,000	(31)	3,000	(168)
21 June 2010	5.25%	60 Months	21 June 2015	2,000	(38)	2,000	(103)
26 September 2010	6.58%	117 Months	26 June 2020	3,000	(291)	3,000	(563)
26 September 2010	6.58%	93 Months	26 June 2018	2,000	(158)	2,000	(309)
26 September 2010	5.85%	63 Months	29 December 2015	1,000	(31)	1,000	(76)
21 December 2011	4.99%	33 Months	21 September 2014	-	-	2,000	(66)
21 December 2011	5.33%	57 Months	21 September 2016	2,000	(55)	2,000	(147)
5 March 2012	6.44%	30 Months	5 September 2014	-	-	2,800	(152)
12 February 2013	3.84%	96 Months	12 February 2021	-	-	3,000	(25)
5 September 2014	4.64%	36 Months	5 September 2017	2,800	(7)	-	-
29 December 2015	5.09%	48 Months	30 December 2019	1,000	(1)	-	-
29 June 2018	5.58%	36 Months	28 June 2021	2,000	(9)	-	-
Total Non-Current Liabilities				**22,800**	**(809)**	**24,800**	**(2,025)**
Total Net Liabilities				**40,600**	**(195)**	**32,800**	**(1,978)**

The non current assets fair value is the credit value adjustment for 'in-the-money' interest rate swaps. The current liabilities and non current liabilities fair value is the debit value adjustment for 'out-of-the-money' interest rate swaps.

Under interest rate swap contracts, the Group agrees to exchange the difference between floating and fixed rate interest amounts calculated on notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on a portion of the Group's debt as set out in note 3, Accounting Policy - Derivative Financial Instruments.

Management regularly monitors the level of interest derivatives held and the rates currently available and adjusts the interest derivatives portfolio as they believe prudent. During the financial year, no interest rate swap matured and five additional swaps were purchased.

No interest rate swaps have been designated as cash flow hedges and are therefore classified as 'held for trading' for accounting purposes. Consequently, changes in fair value have been charged directly to the Statement of Comprehensive Income.

As at March 2014, there are five forward start swaps in place with a notional value of $11,800,000 (2013: $4,000,000)

As at March 2014, there were two immaterial forward foreign exchange contracts with a change in fair value of $1,000 (2013 $Nil) represented as a current asset.

Net Increase/(Decrease) in Fair Value recognised in the Statement of Comprehensive Income	Group 2014 $000	Group 2013 $000
Fair Value at 31 March	(195)	(1,978)
Net Change in Fair Value	1,783	11

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the Balance Sheet.

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25. FINANCIAL INSTRUMENTS

Financial instruments by category

Group

	Note	Designated at fair value	Available for sale	Loans and receivables	Measured at Amortised Cost	Total carrying amount
		$000's	$000's	$000's	$000's	$000's
2014						
Assets						
Investments	20	-	4,028	-	-	**4,028**
Other receivables		-	-	83		**83**
Derivative financial instruments		676	-	-	-	**676**
Total non-current assets		**676**	**4,028**	**83**	-	**4,787**
Short term deposits	14	-	-	5,844	-	**5,844**
Trade receivables and other receivables	15	-	-	18,413	-	**18,413**
Cash and cash equivalents	13	-	-	1,733	-	**1,733**
Derivative Financial Instruments		1	-	-	-	**1**
Total current assets		**1**	**-**	**25,990**	**-**	**25,991**
Total assets		**677**	**4,028**	**26,073**	**-**	**30,778**
Liabilities						
Loans and borrowings	22	-	-	-	35,115	**35,115**
Derivative financial instruments		809	-	-	-	**809**
Total non-current liabilities		**809**	-	-	**35,115**	**35,924**
Grant payments owing		-	-	-	592	**592**
Trade and other payables	21	-	-	-	14,795	**14,795**
Derivative financial instruments		62	-	-	-	**62**
Total current liabilities		**62**	-	-	**15,388**	**15,450**
Total liabilities		**871**	**-**	**-**	**50,503**	**51,374**

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25. FINANCIAL INSTRUMENTS (CONTINUED)

Group	Note	Designated at fair value	Available for sale	Loans and receivables	Measured at Amortised Cost	Total carrying amount
2013						
Assets						
Investments	20	-	4,250	-	-	4,250
Restricted bank deposits		-	-	1,050	-	1,050
Other receivables		-	-	88	-	88
Derivative financial instruments		47	-	-	-	47
Total non-current assets		47	4,250	1,138	-	5,435
Short term deposits	14	-	-	5,225	-	5,225
Trade receivables	15	-	-	12,716	-	12,716
Cash and cash equivalents	13	-	-	1,982	-	1,982
Total current assets		-	-	19,923	-	19,923
Total assets		47	4,250	21,061	-	25,358
Liabilities						
Loans and borrowings	22	-	-	-	31,000	31,000
Derivative financial instruments		2,025	-	-	-	2,025
Total non-current liabilities		2,025	-	-	31,000	33,025
Loans and borrowings	22	-	-	-	3,850	3,850
Grant payments owing		-	-	-	580	580
Trade and other payables	21	-	-	-	10,840	10,840
Total current liabilities		-	-	-	15,270	15,270
Total liabilities		2,025	-	-	46,270	48,295

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25. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value Measurements Recognised in the Balance Sheet

The following table provides an analysis of assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level1 that are observable for the asset or liability, either directly (i.e. As prices) or indirectly (i.e. Derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset of liability that are not based on observable market data (unobservable inputs)

	Group 2014	Group 2013	Parent 2014	Parent 2013
Level 1				
Assets	$000	$000	$000	$000
Investment in subsidiaries	-	-	61,812	60,846
Other investments	9,131	8,734	7,475	6,827
Total for level 1	9,131	8,734	69,287	67,673
Level 2				
Assets				
Derivative financial instruments	676	47	-	-
Liabilities				
Derivative financial instruments	(871)	(2,025)	-	-
Total for level 2	(195)	(1,978)	-	-
Level 3				
Assets				
Investments in subsidiaries	-	-	3,770	3,770
Network Distribution Assets	112,617	108,176	-	-
Other investments	741	741	-	-
	113,358	108,917	3,770	3,770
Level 3 reconciliation				
Opening balance	108,917	105,795	3,770	3,870
Additions	9,787	4,225	-	-
Revaluation movement	-	(2,343)	-	-
Disposal	(122)	(268)	-	(100)
Capital work in progress	(1,141)	1,508	-	-
Accumulated Depreciation	(4,083)	-	-	-
	113,358	108,917	3,770	3,770

There were no transfers between levels 1, 2 and 3 during the year

a) Assets and Liabilities in level 2

Derivative financial assets

The methodology used is a simple current exposure methodology of comparing the net present value of the future cash flows/valuations of the financial instrument on a risk-free basis to the net present value which includes capital spread

The valuation is based on the New Zealand zero curve at 31 March 2014 with credit adjustments to reflect the credit curves for both the counterparty and the Group. The credit value adjustment is calculated for 'in-the-money' derivatives as at 31 March 2014. The debit value adjustment is calculated for 'out-of-the-money' derivatives as at 31 March 2014.

The credit curves applied are:

For the counterparty (Westpac & BNZ) is AA-
For the group the basis is the refinancing of debt that took place during the year.

b) Assets and Liabilities in level 3

Network distribution assets

The valuation techniques, inputs and sensitivities used in the fair value measurement are disclosed in Note 3

Disclosures of the Level 3 movement in fair value in the network distribution assets is disclosed in Note 13

Of the total loses for the period recognised in profit and loss, $77,974 (2013: $136,860) relates to network distribution assets written off during the reporting period. Fair value gains or losses on these assets are included in the Statement

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26. NON-CONTROLLING INTERESTS

The Group includes one subsidiary, Horizon Energy Distribution Limited, with material non-controlling interests (NCI)
The proportion of ownership interests and voting rights held by the NCI was 22.7% (2013 22.7%)

	Group 2014 $000	Group 2013 $000
Balance at the beginning of the year	14,110	13,110
Share of surplus in subsidiaries	1,629	478
Share of revaluation gain within subsidiaries	-	1,467
Share of unclaimed dividends added back/(paid)	(1)	(1)
Dividends paid and provided to non controlling interests	(568)	(944)
Minority Interests in Stewart Browne Group		
Balance at the end of the year	**15,170**	**14,110**

Summarised financial information for Horizon Energy Distribution Limited, before intragroup eliminations is set out below

	2014	2013
Current Assets	23,214	16,551
Non-Current Assets	124,625	119,868
Total Assets	**147,839**	**136,419**
Current Liabilities	21,559	19,245
Non current Liabilities	59,319	54,882
Total Liabilities	**80,878**	**74,127**
Equity Attributable to owners of the parent	51,791	48,182
Non Controlling Interest	15,170	14,110
Revenue	105,327	67,288
Profit for the year attributable to owners of the parent	5,541	1,464
Profit for the year attributable to NCI	1,629	478
Profit for the year	**7,169**	**1,942**
Other comprehensive income for the year	-	6,458
Total comprehensive income for the year attributable to owners of the parent	5,541	6,455
Total comprehensive income for the year attributable to NCI	1,629	1,945
Total comprehensive income for the year	**7,169**	**8,400**
Net Cash from (used in) operating activities	2,744	2,148
Net cash from (used in) investing activities	(2,236)	(3,077)
Net cash from (used in) financing activities	(507)	1,067
Net cash inflow (outflow)	**1**	**138**

27. CONSTRUCTION CONTRACTS

The following amounts relating to construction contracts in progress at balance date, are included within trade and other receivables and trade and other payables.

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Contracts in progress at balance date:				
Gross construction work in progress plus margin to date	68,759	29,000	-	-
Progress billings	(70,786)	(30,034)	-	-
Work in Progress	(2,027)	(1,034)	-	-
Construction contracts with net work in progress	2,614	1,473	-	-
Construction contracts with net funds received in advance of cost and margin	(4,641)	(2,507)	-	-
Carrying amount at the end of the year	(2,027)	(1,034)	-	-
Retentions owing within Trade Debtors on completed construction contracts:	3,489	2,638	-	-

28. IMPUTATION CREDIT ACCOUNT

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Opening Balance	4,069	2,651	-	-
Credits gained from income tax paid	(1,853)	2,559	-	-
Imputation credits attached to dividends received	2,112	(1,136)	-	-
Income tax refund received	(4)	(5)	-	-
	4,324	**4,069**	-	-

Imputation credits are gained through income tax being paid by the Group and are subsequently available for attachment to future dividends payments.

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29. OPERATING LEASES

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Operating lease commitments fall due for payment in the following periods:				
Within one year	987	866	-	-
Within one to five years	2,063	1,017	-	-
	3,050	1,883	-	-

The Group leases office, warehouse, depot space and radio communication sites. The lease is typically for a 3 year period with an option to renew after that date.

30. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by Ingham Mora, the the auditor of the Parent and the Group, for services provided by PricewaterhouseCoopers, auditors of Horizon Energy Distribution Limited and for services provided by Deloitte, auditors of Aquaheat New Zealand Limited, a subsidiary of HEDL. Amounts received, or due and receivable, by the auditors are as follows:

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Paid or payable for services provided by Ingham Mora:				
Auditing the financial statements:	31	30	31	30
Total remuneration for services provided by Ingham Mora	31	30	31	30
Paid or payable for services provided by PricewaterhouseCoopers				
Auditing the financial statements:	112	112	-	-
Total remuneration for audit services	112	112	-	-
Other assurance related services:				
Section 53ZD information request engagement	5	5		
Regulatory assurance	45	58	-	-
Taxation compliance services	29	24	-	-
Total remuneration for assurance services	79	87	-	-
Other Services				
Regulatory advice and preparation of submissions	9	36	-	-
Tax advice and opinions	33	14	-	-
Financial and regulatory advice on proposed asset acquisition	124	313	-	-
Treasury Advisory Services	24	18	-	-
Total remuneration for other services	190	381	-	-
Total remuneration for services provided by PricewaterhouseCoopers	381	580	-	-
Paid or payable for services provided by Deloitte				
Auditing the financial statements:	35	40	-	-
Other Services	10			
Total remuneration for audit services	45	40	-	-
Other Services				
Property, Plant and Equipment valuation	8	33	-	-
Total Other Services	8	33	-	-
Total remuneration for services provided by Deloitte	53	73	-	-
	465	683	31	30
Audit fees included in discontinued operations				
Paid or payable for services provided by KPMG				
Auditing the financial statements:	-	(1)	-	-
Total remuneration for audit services	-	(1)	-	-
Total auditors' remuneration	465	682	31	30

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31. RELATED PARTY TRANSACTIONS

The Trust conducts business in the Eastern Bay of Plenty and undertakes transactions with subsidiaries and other related parties. All transactions with related parties have been carried out on a commercial and "arm's length" basis.
All intercompany transactions have been eliminated on consolidation. All loans and advances to subsidiary companies are payable on demand and unsecured.

	Group 2014 $000	Group 2013 $000
Transactions		
Dividend paid by HEDL to EBET	1,932	2,897
	1,932	**2,897**
Prior period tax losses from EBET to HEDL for no consideration	151	-
	151	**-**
Grants paid from EBET to HEDL	60	116
Grants paid from EBET to EOCCL	63	334
Grants paid from EOCCL to EBET	200	-
Grants paid from EBET to EOL	-	61
	323	**511**
Services provided by DPIL to EOL	-	20
Services provided by EBET to EOL	-	32
Services provided by EBET to DEL	24	21
Services provided by DPIL to EBET	28	-
Services provided by EOL to DIL	-	60
Services provided by EOL to EOCCL	-	304
Services provided by HEDL to EBET	11	2
	63	**439**
Interest on intercompany loan between EOCCL and EOL	-	1
Interest on intercompany loan between EBET and EOL	-	5
Interest on intercompany loan between EBET and DEL	4	18
Interest on intercompany loan between DEL and EOL	-	-
	4	**24**
Loans repaid - DEL to EBET	(98)	(1,214)
Loans repaid - EOL to EBET	-	(102)
	(98)	(1,316)
Balances		
Loan from EBET to DEL	-	98
Loan from DEL to DPIL	756	831
	756	**929**
Shares in HEDL	61,812	60,846
Shares in DEL	201	201
Redeemable shares in DEL	3,538	3,538
Shares in EFL	38	80
Shares in DIL	728	728
Shares in EBTIL	31	31
Shares in DPIL	333	333
	66,681	**65,757**

The Eastern Bay Energy Trust owns 77.29% of the ordinary shares of Horizon Energy Distribution Limited, and 100% of the shares of Energy Options Charitable Company Limited, EBET Investments Limited and Development Enterprises Limited (DEL).
DEL owns 100% of the shares of Eco Finance Limited, DEL Property Investments Limited and DEL Investments Limited.

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31. RELATED PARTY TRANSACTIONS (CONTINUED)

The Trustees consider that no loans are impaired for 2014 (2013: the Trustees considered that no loans were impaired)

Transactions between the Horizon Distribution Limited and Horizon Services Limited

Horizon Services Limited (previously Horizon Energy Investments Limited) is a wholly owned subsidiary of Horizon Energy Distribution Limited. Horizon Services Limited is a New Zealand registered company.

Horizon Services Limited provided distribution network capital and maintenance service to Horizon Energy Distribution Limited. These services are purchased on agreed terms and conditions.

	2014 $000	2013 $000
Purchase of contracting services and network assets from subsidiary	10,945	8,777
Interest income from subsidiary on shareholder advances	(186)	(269)
Management fee income from subsidiary	(451)	-
Rent expense paid to subsidiary	60	60
Balance of shareholder loan to subsidiary	3,079	2,626
Receivables owing by subsidiary	12	9
Payables owing to subsidiary	(1,093)	(1,428)

The shareholder loan is repayable on demand and incurs interest at the average weighted interest rate that the Group incurs incurs on its bank borrowings. No related party bad debts have been recognised for the current and previous year.

Transactions with Stewart Browne Group Limited

Horizon Services Limited (formerly Horizon Distribution Limited) (60% shareholder until 20 December 2012, then 100% shareholder after this date) and the Browne Family Trust (40% shareholder until the 20 December 2012) advanced funds to Stewart Browne Group Limited since the date of incorporation until it was amalgamated with Horizon Services Limited on 30 September 2013.

	Group 2014 $000	Group 2013 $000
Loans to Stewart Browne Group Limited from Horizon Energy		
Loan - Interest Free	-	1,182
Loan - Interest Bearing (@ 8% per annum)	-	245
	-	1,427

Transactions with Aquaheat NZ Limited

Interest income from subsidiary on shareholder advances		(212)	-
Management fee income from subsidiary		(95)	-
Loans to Aquaheat NZ Limited from Parent	(No fixed maturity date)	-	2,951
Balance of Loan to Parent from Subsidiary		348	-

The loans are repayable on demand and incur interest at the average weighted interest rate that the Group incurs on its bank borrowings. No related party bad debts have been recognised for the current and previous year.

Lease Transactions with Padova Properties Limited

During the year Aquaheat NZ Ltd leased property from Padova Properties Limited a company in which an employee is a director and shareholder. The lease terms are on terms and conditions based on an independent valuation.

Gross Rental paid	419	252
	419	252
Sales from Aquaheat NZ to Padova Properties	2	18
	2	18

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Key management remuneration

Remuneration of key management personnel, trustees and directors	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Salaries and other short term benefits	1,566	1,443	-	-
Directors' fees and payments	240	287	-	-
Trustees' fees and payments	109	115	109	115
	1,806	1,845	109	115

Details of the salary ranges for employees or former employees of the parent and subsidiaries receiving remuneration and other benefits in excess of $100,000 for the year ended 31 March 2014 are as follows:

Remuneration Range	Number of Employees Group 2014	Number of Employees Group 2013
$460,001 - $470,000	1	-
$380,001 - $390,000	-	1
*$300,001 - $310,000	1	-
$210,001 - $220,000	1	-
$200,001 - $210,000	2	-
$190,001 - $200,000	-	1
$180,001 - $190,000	1	-
$170,001 - $180,000	1	1
$160,001 - $170,000	4	-
$150,001 - $160,000	1	-
$140,001 - $150,000	3	-
$130,001 - $140,000	5	2
$120,001 - $130,000	6	4
$110,001 - $120,000	7	4
$100,001 - $110,000	6	2

* includes restructuring payments

32. CAPITAL COMMITMENTS

Capital expenditure contracted for at balance date but not yet incurred is:	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
CT Scanner	977	-	200	-
Non network assets	112	5	-	-
Network distribution assets	398	935	-	-
	1,487	940	200	-

33. BUSINESS COMBINATIONS

a) Completion of the acquisition of Stewart Browne Group Limited

On 20 December 2012 Horizon acquired the remaining 40% of the shares in Stewart Browne Group Limited. The final final payment of $131,000 was $19,000 below the contingent consideration disclosed in the 2012 Annual report business combinations note and this difference of $19,000 is included in sundry income in the 2013 comparatives.

b) Acquisition of Aquaheat Industries Limited and Hastie New Zealand Limited

On 1 September 2012, Horizon Energy Distribution Limited (through a newly incorporated wholly owned subsidiary company Aquaheat New Zealand Limited) acquired the business assets and certain liabilities of Aquaheat Industries Limited and Hastie New Zealand Limited.

The Investment is consistent with Horizon Energy's strategy to develop its non regulated revenue streams. The new businesses have a strong presence in the Auckland, Wellington and Christchurch markets providing heating, ventilation and air conditioning manufacturing and installation services. The addition of the Aquaheat businesses to the Horizon Energy Group will provide significant contracting business scale to enable the Group to increase its involvement in large construction opportunities arising throughout the country.

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33. BUSINESS COMBINATIONS (CONTINUED)

Horizon Energy Distribution Limited - Acquisition of Aquaheat Industries Limited and Hastie New Zealand Limited.

The company has determined the fair values of the net assets and discount on acquisition, and the amounts outlined below are final at 31 March 2014 and show no change since the 31 March 2013 disclosed values.

	Group Final 2014 $000	Group Provisional 2013 $000
Consideration on acquisition	**5,039**	**5,039**
Consisting of:	**Fair Value $000**	**Fair Value $000**
Cash and cash equivalents	2	2
Receivables and prepayments	12,666	12,666
Inventories	302	302
Work in progress	(1,993)	(1,993)
Deferred tax asset	237	237
Plant and equipment	1,542	1,542
Motor vehicles	719	719
Total assets acquired	**13,475**	**13,475**
	Group 2014 $001	**Group 2013 $000**
Trade and other payables	(6,750)	(6,750)
Employee liabilities	(1,280)	(1,280)
Warranty provisions	(406)	(406)
Total liabilities acquired	**(8,436)**	**(8,436)**
Fair value of net assets acquired	**5,039**	**5,039**
Total purchase consideration settled in cash	**5,039**	**5,039**

The values assigned to plant and equipment and motor vehicles are the revalued prices as determined by the independent valuation undertaken by Jones Lang LaSalle effective 30 November 2012.

Other costs of $nil (2013 $522,000) associated with the acquisition have been expensed during the year.

The sale and purchase agreement with the Hastie group allowed for the return of up to $500,000 of the purchase in the event that debtor balances as at 1 September 2012 had not been fully receipted during the 12 months after settlement. On 10 September 2013 Horizon Energy received $513,415.26, being $500,000 in recognition un-receipted debtors plus net interest of $13,415.26, from the escrow account, which has been recognised in the Statement of Comprehensive Income.

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33. BUSINESS COMBINATIONS (CONTINUED)

c) Acquisition of Airpro Services Limited and Clean Air Management (2005) Limited

On 13 August 2013, Horizon Energy Distribution Limited (through its subsidiary Aquaheat New Zealand Limited) acquired business assets and certain liabilities of Airpro Services Limited, Airpro Mechanical Limited and Clean Air Management (2005) Limited.

The investment is consistent with Horizon Energy's strategy to develop its non-regulated revenue streams. The new businesses have a strong presence in the Auckland markets servicing heating, ventilation and cooling systems. The addition of the Airpro and Clean Air Management businesses to Horizon Energy Group will enhance the contracting business enabling the Group to service the total needs of its customers and increase its involvement in large construction opportunities arising within the greater Auckland area.

	Final 2014 $000
Consideration on acquisition	**1,592**

Consisting of:	**Fair Value $000**
Receivables and prepayments	682
Inventories	55
Work in progress	129
Plant and equipment	340
Total assets acquired	**1,206**
Employee liabilities	(91)
General business insurance	(5)
Warranty provisions	(85)
Total liabilities acquired	**(181)**
Fair value of net assets acquired	**1,025**
Goodwill on acquisition	567
Total purchase consideration settled in cash	**1,592**

The values assigned to Plant and Equipment and Furniture and Fittings are the revalued prices as determined by the independent valuation undertaken by North Langley & Associates Limited effective 26 September 2013.

Other costs of $59,531 associated with the acquisition have been expensed during the year.

Goodwill is attributed to the presence in the market place and workforce of the acquired businesses and is not a separately identifiable intangible asset. Goodwill related to this business combination is non-deductable for income tax purposes.

Consolidation Treatment
100% of the income, assets and liabilities have been consolidated within the Group results.

Airpro and Clean Air Management are divisions of Aquaheat New Zealand Limited. The amounts included in the consolidated statement of comprehensive income for the seven months post acquisition to 31 March include:

	Group 2014 $000
Revenue	2,517
Net loss after tax	(33)

It is impractical for the Group to obtain reliable revenue and profit / (loss) figures for Airpro and Clean Air Management prior to acquisition, therefore the disclosures as if the acquisition occurred from 1 April 2013 have not been made.

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34. CONTINGENT LIABILITIES

Breach of the 2012 Regulatory Default Price Path

In 2012 Horizon Energy breached section 87(1)(a) of the Commerce Act 1986 ('the Act') by contravening a price -quality path requirement applying to regulated goods or services for the 2012 assessment period ('the Breach'). Horizon Energy accepts the Breach, which occurred due to mitigating circumstances which are explained in its 2012 Compliance Statement.

As at the date of signing the Financial Statements, Horizon Energy is still in negotiations with the Commerce Commission ('the Commission') regarding the final value of the settlement. Based on the Commissions calculations, this could be as high as $827,000. Should the Company reach settlement and agree a final value with the Commission, this will be refunded to retailers operating on the Horizon Energy network through a reduction in the 2015-2016 tariff pricing. Due to the on-going nature of discussions with the Commission and the inherent uncertainty of the outcome, the Company has provided $380,000 for the breach in the year ended 31 March 2014.

Electricity purchase commitment

In March 1999, as part of the sale of the Kapuni generation assets, HEDL 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 (2017) should the purchasers fail to perform their obligations under the contract. In the event any claim is made against HEDL under this long term contract for the purchase of electricity, HEDL will have a claim against the purchaser of its Kapuni generation assets under the relevant sale documentation.

Unclaimed dividends

As provided for under clause 27.8 of the constitution of HEDL, unclaimed dividends totalling $119,508 (2013:$104,817) relating to the period 1995 to 2007 have been written back to retained earnings. Subject to compliance with the solvency test, HEDL shall pay the dividend or other monetary distribution to the person or persons producing evidence of entitlement to these dividends.

Construction contract performance bonds and guarantees

As part of the terms of undertaking construction contracts the Group is required, in some cases, to provide additional security in the form of Bank Performance Bonds or HEDL Guarantees. The ability of the clients to call upon these securities is governed by the terms of the construction contracts but is generally contingent upon non-performance under the contract. As at 31 March 2014 the total value of performance bonds issued is $1.09 million (2013: $1.0 million) and the total value of HEDL guarantees is $12.2 million (2013 $12.2 million).

35. DISCONTINUED ACTIVITIES

Energy Options Limited

At the end of 2011, The Trustees decided to sell Energy Options Limited. Consequently, assets and liabilities allocable to Energy Options Limited were classified as a disposal group. Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit and loss from the Group's continuing operations and are shown as a single line item on the face of the income statement (see loss for the year from discontinued operations).

36. SUBSEQUENT EVENTS

Dividend declaration

On 29 May 2014, the Directors of HEDL declared a final fully imputed dividend of 9.0 cents (2013: 4.0 cents imputed) per ordinary share. As this event occurred after balance date, the financial effect has not been recognised in the financial statements.

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INDEPENDENT AUDITOR'S REPORT

To the Trustees of Eastern Bay Energy Trust and Group

Report on the Financial Statements

We have audited the financial statements of Eastern Bay Energy Trust and Group on pages 4 to 48, which comprise the consolidated and separate balance sheets of Eastern Bay Energy Trust and Group as at 31 March 2014, the consolidated and separate comprehensive income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

Trustees' Responsibility for the Financial Statements
The trustees are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Eastern Bay Energy Trust or any of its subsidiaries.

Opinion
In our opinion, the financial statements on pages 4 to 48:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of Eastern Bay Energy Trust and Group as at 31 March 2014, and the financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with sections 16 (1) (d) and 16 (1) (e) of the Financial Reporting Act 1993, we report that:

- We have obtained all the information and explanations that we have required.
- In our opinion proper accounting records have been kept by Eastern Bay Energy Trust and Group as far as appears from our examination of those records.

Ingham Mora

INGHAM MORA
Tauranga
5 August 2014