Financial statements for the year ended 31 March 2015

EASTERN BAY ENERGY TRUST

Energising our community

5 Richardson Street
Whakatane
Phone 307 0893 / 0800 323 800
Email: ebetrust@ebet.org.nz
www.ebet.org.nz

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 52:

- 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 2015 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 2015.

For and on behalf of the Board of Trustees:

Don Lewell	Kevin Hennessy	Donna Smit
Chair	Deputy Chair	Trustee
30 July 2015	30 July 2015	30 July 2015

DIRECTORY

Manager	Rawinia Kamau (appointed 1/12/2014) Kaye Jamieson (retired 19/12/2014)	
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	07 312 5874
	Donna Smit	07 304 9921
	Wade Brown	07 312 5615
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**
EOCCL / DEL / EBET Investments Ltd (formally Energy Options Limited)	Don Lewell Kevin Hennessy Edwina O'Brien Donna Smit Wade Brown David Bulley
DEL Property Investment Ltd	Wade Brown Donna Smit Kevin Hennessy
DEL Investments Ltd	Wade Brown Edwina O'Brien Donna Smit
ECO Finance Ltd (struck off 12/09/2014)	David Bulley Kevin Hennessy Donna Smit

EASTERN BAY ENERGY TRUST
CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2015

	Notes	Group		Parent	
		2015 $000	2014 $000	2015 $000	2014 $000
ASSETS					
Current Assets					
Cash and cash equivalents	13	1,194	1,733	412	351
Short term deposits	14	6,775	5,844	6,775	5,844
Trade and other receivables	15	17,845	18,413	60	212
Inventories and work in progress	16	5,929	4,717	-	-
Current tax assets		886	249	-	-
Investment property intended for sale	18	320	-	-	-
Derivative financial instruments	25	-	1	-	-
Total Current Assets		32,949	30,957	7,247	6,407
Non-Current Assets					
Property, plant and equipment	17	124,834	119,710	10	17
Investment property	18	-	320	-	-
Intangible assets	19	18,272	16,138	-	-
Other receivables		77	83	-	-
Investments in subsidiaries	20	-	-	60,784	65,582
Loans to related parties	20	-	-	451	-
Other investments	20	4,626	4,028	3,885	1,631
Derivative financial instruments	25	-	676	-	-
Total Non-Current Assets		147,809	140,955	65,130	67,230
LIABILITIES					
Current Liabilities					
Trade and other payables	21	12,757	14,795	50	33
Grants owing		939	592	939	592
Provision for staff entitlements	21	2,395	2,065	6	17
Construction work in progress	27	2,570	4,641	-	-
Derivative financial instruments	25	60	62	-	-
Deferred capital contributions	24	18	18	-	-
Provisions	21	1,302	657	-	-
Total Current Liabilities		20,041	22,830	995	642
Non-Current Liabilities					
Provision for staff entitlements	21	77	124	-	-
Provisions	21	-	380	-	-
Deferred capital contributions	24	558	575	-	-
Term loans	23	44,785	35,115	-	-
Derivative financial instruments	25	1,592	809	-	-
Deferred tax liabilities	9	22,325	22,315	-	-
Total Non-Current Liabilities		69,337	59,318	-	-
Total Liabilities		89,378	82,148	995	642
Net Assets		91,380	89,764	71,382	72,995

The notes on page 10 to 52 are integral to these financial statements

EASTERN BAY ENERGY TRUST
CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2015

	Notes	Group		Parent	
		2015	2014	2015	2014
		$000	$000	$000	$000
EQUITY					
Capital	10	26,638	26,638	26,638	26,638
Non-controlling interest	26	15,247	15,170	-	-
Reserves	11	8,064	7,718	25,955	28,745
Retained earnings	12	41,431	40,238	18,789	17,612
Total Equity		**91,380**	**89,764**	**71,382**	**72,995**

These financial statements have been authorised for issue by the Board of Trustees on 30 July 2015

Trustee........................ Trustee........................ Trustee........................

Date: 30 July 2015

Ingham Mora Marked for Identification Purposes Tauranga

EASTERN BAY ENERGY TRUST
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	Group		Parent	
		2015	2014	2015	2014
		$000	$000	$000	$000
Operating revenue	6	112,833	105,335	24	24
Operating expenses	6	(104,186)	(95,828)	(771)	(813)
Operating profit		8,647	9,507	(747)	(789)
Interest income	7	399	342	422	265
Dividend income		56	133	2,923	1,932
Interest expense	7	(2,494)	(2,279)	-	-
Realised gain on sale of shares		252	-	9	-
Fair value gain /(loss) of financial derivatives	24	(1,458)	1,783	-	-
		(3,245)	(21)	3,354	2,197
Profit before tax		5,402	9,486	2,607	1,408
Income tax expense	8	(1,354)	(2,717)	-	-
Other items recorded in statement of comprehensive income					
Impairment recovery of property, plant and equipment	17	70	65	-	-
Impairment of investment property	18	-	(10)	-	-
Total other items		70	55	-	-
Profit after tax from continuing operations		4,118	6,824	2,607	1,408
Profit attributable to:					
Non-controlling interest	26	931	1,629	-	-
Trustees of the Eastern Bay Energy Trust		3,187	5,195	2,607	1,408
		4,118	6,824	2,607	1,408
Other comprehensive income					
Change in fair value of shares in HEDL	11	-	-	(2,897)	966
Change in fair value of Craigs Portfolio	11	107	-	107	-
Change in fair value of other investments	20	-	(251)	-	-
Total comprehensive income for the year		4,225	6,573	(183)	2,374
Total comprehensive income attributable to:					
Non-controlling interest	26	931	1,629	-	-
Trustees of the Eastern Bay Energy Trust		3,294	4,944	(183)	2,374
		4,225	6,573	(183)	2,374

EASTERN BAY ENERGY TRUST
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015

	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	36,068	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	11,12	-	(1,025)	-	-	(1,025)
Balance at end of year		**26,638**	**40,238**	**7,718**	**15,170**	**89,764**
This Year						
Balance at beginning of year		26,638	40,238	7,718	15,170	89,764
Total comprehensive income	11,12,26	-	3,187	107	931	4,225
Transfer	10,11	-	(239)	239	-	-
Dividends paid to non-controlling interests	26	-	-	-	(854)	(854)
Grants paid and proposed	12	-	(1,755)	-	-	(1,755)
Balance at end of year		**26,638**	**41,431**	**8,064**	**15,247**	**91,380**
Parent						
Last 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
This Year						
Balance at beginning of year		26,638	17,612	28,745	-	72,995
Total comprehensive income	11,12	-	2,607	(2,790)	-	(183)
Grants paid and proposed	12	-	(1,430)	-	-	(1,430)
Balance at end of year		**26,638**	**18,789**	**25,955**	-	**71,382**

EASTERN BAY ENERGY TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Operating activities					
Cash receipts from customers		113,194	103,639	24	34
Cash paid to suppliers		(101,728)	(88,233)	(585)	(1,003)
Total operating receipts and payments		11,466	15,406	(561)	(969)
Interest received		376	339	399	261
Interest paid		(2,494)	(2,279)	-	-
Taxes paid		(1,980)	(1,898)	-	-
Net cash from / (used in) operating activities		7,368	11,570	(162)	(708)
Investing activities					
Loans to related parties		-	-	(451)	98
Short term deposits		(930)	(619)	(930)	(619)
Restricted bank deposits		-	1,050	-	-
Dividend income received		55	134	2,923	1,932
Purchases of property, plant & equipment		(10,698)	(9,382)	-	(8)
Purchase of intangible assets		(423)	(621)	-	-
Investment in subsidiaries		(3,356)	(1,592)	1,900	-
Purchase of subsidiaries - escrow refund		-	500	-	-
Purchase of investments		(2,138)	(29)	(2,138)	(29)
Disposal of investments		1,900	-	-	-
Proceeds on disposal of property, plant & equipment		275	56	-	7
Net cash from investing activities		(15,315)	(10,603)	1,304	1,381
Financing activities					
Dividends paid		(854)	(568)	-	-
Grants paid		(1,408)	(1,013)	(1,081)	(857)
Repayment of term debt		(38,719)	(43,704)	-	-
Term debt drawn down		48,389	43,969	-	-
Net cash from/(used in) financing activities		7,408	(1,316)	(1,081)	(857)
Net (decrease)/increase in cash and cash equivalents		(539)	(249)	61	(184)
Cash and cash equivalents at the beginning of the year		1,733	1,982	351	535
Cash and cash equivalents at the end of the year	13	1,194	1,733	412	351

EASTERN BAY ENERGY TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES					
Reported profit after tax		4,118	6,824	2,607	1,408
Adjustments for non cash items:					
Depreciation and amortisation		6,215	5,690	6	4
Capital contributions amortised		(17)	(18)	-	-
Bad debts provided for		-	24	-	-
Impairment of property, plant and equipment		(70)	(65)	-	-
Impairment of investment property		-	10	-	-
(Gain)/loss on sale of fixed assets		135	78	-	(4)
Loss/(gain) on fair value of interest rate swaps		1,458	(1,783)	-	-
Operating cash flows before movements in working capital		11,839	10,760	2,613	1,408
(Increase) / decrease in assets					
Trade and other receivables		573	(5,695)	152	(179)
Construction work in progress		(679)	(1,141)	-	-
Inventories		(533)	(278)	-	-
Increase / (decrease) in liabilities					
Trade and other payables		(1,691)	3,955	17	(11)
Provision for employee entitlements		281	354	(12)	6
Provisions		265	260		
Construction revenue received in advance		(2,071)	2,134	-	-
Deferred tax liabilities		10	1,044	-	-
Current tax liability		(637)	(374)	-	-
Items reclassified as Investing activities		(695)	(134)	(2,932)	(1,932)
Subsidiary working capital acquired		706	685	-	-
Add/(less) movements in working capital		(4,471)	810	(2,775)	(2,116)
Net cash flow from operating activities		**7,368**	**11,570**	**(162)**	**(708)**

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 2015 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 (struck off 12 September 2014)
- Energy Options Charitable Company Limited (EOCCL) - 100% owned by EBET
- Horizon Energy Distribution Limited (HEDL) – 77.29% owned by EBET
- Horizon Energy Group Limited (HEGL) – 100% owned by HEDL (non-trading 2014/15)
- Horizon Energy Limited (HEL) – 100% owned by HEDL (non-trading 2014/15)
- Horizon Services Limited previously known as Horizon Energy Investments Limited (HEIL) – 100% owned by HEDL
- Aquaheat New Zealand Limited (ANZL) – 100% owned by HEDL
- Aquaheat South Pacific Limited (ASPL) – 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 2013. 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.

HEDL is a FMC reporting entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. Both these Acts have become effective for HEDL for the financial year beginning on 1 April 2014.

The financial statements were approved by the Board of Trustees on 30 July 2015. 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 modified by the revaluation of network distribution assets, derivative financial instruments, investment property, land, 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.

2. BASIS OF PREPARATION (continued)

(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.

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

These Financial Statements incorporate the Financial Statements of the Trust and its Subsidiaries.

The Financial Statements incorporate the assets and liabilities of all subsidiaries of the Eastern Bay Energy Trust as at 31 March 2015.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated.

Profit and losses resulting from inter-company transactions that are recognised in assets are also eliminated.

(b) Business Combinations

Subsidiaries are entities (including special purpose entities) over which the Group has the power and rights or exposure to variable returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business Combinations (continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with NZ IAS 39 either in profit or loss or as a change to other comprehensive income.

Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiaries acquired, the difference is recognised in the profit and loss.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the event that the Group ceases to have control, any retained interest in the entity would be remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are to be accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in the other comprehensive income are reclassified to profit or loss.

(c) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services, including distribution revenue generated in the normal course of business, net of rebates and discounts, net of Goods and Services Tax (GST) and after eliminating sales within the Group. Distribution revenue is based on actual and assessed readings and includes an allowance for unread meters at balance date.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on Construction Contracts as set out below.

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 the actual service provided as a proportion of the total services to be provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable

(i) 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,

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Construction contracts (continued)

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 and can be reliably measured.

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 by reference to the stage of completion.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(ii) 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.

(iii) 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.

(iv) 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.

(v) Deferred Capital Contributions

Discretionary capital contributions from local authorities for the construction of network distribution assets meet the definition of a government grant under NZ IAS 20, 'Accounting for Government Grants'. Such 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 and other contingencies attached to these contributions.

(d) Finance Leases

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Ingham Mora Marked for Identification Purposes Tauranga

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Finance Leases (continued)

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 recognised in profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(e) Operating Leases

Leases in which a substantial portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received by the lessor) are recognised in profit or loss on a straight line basis over the period of the lease.

(f) 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.

(g) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Employee entitlements (continued)

(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.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST. Receivables and payables are recognised inclusive of GST, except receivables arising from construction contracts for which no tax invoice has been issued

(i) Taxation

Current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at balance date. The income tax expense or revenue for the year in the Statement of Comprehensive Income is the current tax adjusted by changes in deferred tax assets and liabilities.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Statements and their corresponding tax bases. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is recognised in profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity (such as asset revaluations).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(j) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

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.

(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 and Development Enterprises Limited).
The fair value of equity investments classified as available-for-sale is their quoted bid price at the balance date of the financial statements. If the market for a financial instrument is not active the group establishes fair value by using valuation techniques. Where 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,

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(vi) Trade and other receivables (continued)

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 payables and other accounts payable are recognised when the Group becomes obligated to make future payments resulting from the purchase of goods and services.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(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 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.

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.

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 seven additional interest rate swaps were purchased and two interest rate swaps matured.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Property, plant and equipment

(i) Recognition and measurement

(a) 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.

(b) 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.

(c) 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.

(d) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

(e) 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.

(f) 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.

(l) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries.

<u>Acquisitions of non controlling interests</u>

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.

When the excess is negative (negative goodwill), it is recognised immediately in the statement of comprehensive income.

<u>Subsequent measurement</u>

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Intangible assets (continued)

(iii) Subsequent expenditure (continued)

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.

(m) 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.

(n) 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.

(o) 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Impairment (continued)

(ii) Impairment of receivables

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.

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.

(p) 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.

(q) Grant expenditure

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

(r) 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Discontinued operations (continued)

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.

(s) Comparative balances

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

(t) Cash Flow Statement

Cash flows are categorised into operating, investing and financing activities. Operating activities are disclosed using the direct method, whereby major classes of cash receipts from customers and cash payments to suppliers and to employees are disclosed for operating activities. Cash receipts and payments are shown exclusive of GST. Interest and dividends received are included in operating activities.

Investing activities include the purchase and disposal of assets, shown exclusive of GST. Financing activities include loans drawn and/or repaid and finance raised from equity holders or dividends paid to shareholders and interest paid on instruments classified as equity.

Operating activities include all transactions and other events of the Group that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

(u) New standards and interpretations

There were no standards, amendments and interpretations to existing standards that were adopted by the Group from 1 April 2014.

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

(i) NZ IFRS 9 Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) New standards and interpretations (continued)

(i) NZ IFRS 9 Financial Instruments (continued)

the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one Management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39.

The Group is yet to assess NZ IFRS 9's full impact and intends to adopt NZ IFRS 9 no later than 1 April 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 contains a single model that applies to contracts with customers. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. Revenue may be recognised over time, in a manner that best reflects the entity's performance, or at a point in time, when control of the goods or service is transferred to the customer.

IFRS 15 includes extensive new disclosure requirements. IFRS 15 may be adopted retrospectively, or as of the application date by adjusting retained earnings at that date and disclosing the effect of adoption on each line of profit or loss (the 'cumulative effect approach').

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-13 Revenue-Barter Transactions Involving Advertising Services. IFRS 15 does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Group is yet to assess NZ IFRS 15's full impact and intends to adopt NZ IFRS 15 no later than 1 April 2017.

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

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.

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

(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 ten years exceed the carrying value for the business including goodwill.

(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 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%

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

(c) Valuation of network distribution system (continued)

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 of HEDL 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 Governance. Management identifies and evaluates relevant financial risks and acts to manage these risks where possible, within the parameters set out by the Governance. Governance provides 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 Governance 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.

Board 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

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 Board, 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.

5. FINANCIAL RISK MANAGMENT (continued)

(ii) Cash Flow and Fair Value Interest Rate Risk (continued)

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 2015, if interest rates on long term borrowing had changed by +/- 1% (2014 +/- 1%) with all other variables held constant, post tax profit and equity for the year would have been $114,800 lower/higher (2014: $76,600 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.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the Statement of Financial Position.

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.

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

The Board approves all new borrowing facilties.

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 23. In the table below cashflows relating to bank loans are presented in accordance with facility maturity dates.

5. FINANCIAL RISK MANAGMENT (continued)

c) Liquidity Risk (continued)

The following table sets out the contractual maturities of financial liabilities including interest payments:

2015	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	2,084	11,894	38,574	-
Grant payments owing	-	939	-	-
Trade and other payables	12,760	-	-	-
Derivatives				
- Inflows	(1,150)	(1,305)	(3,249)	(2,049)
- Outflows	1,503	1,511	3,234	1,560
	15,197	**13,039**	**38,559**	**(489)**
2014				
Unsecured loans & borrowings	1,359	14,293	9,984	13,171
Grant payments owing	-	605	(13)	-
Trade and other payables	14,795	-	-	-
Derivatives				
- Inflows	(1,067)	(1,246)	(2,931)	(1,201)
- Outflows	1,521	1,619	3,772	1,397
	16,608	**15,271**	**10,812**	**13,367**

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.

6. OPERATING REVENUES & EXPENSES BY NATURE

	Notes	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
a) Operating revenues					
Distribution revenue		31,552	29,671	-	-
Contracting income		79,271	74,105	-	-
Capital contributions revenue		1,427	549	-	-
Other revenue		492	923	24	24
Rental income		91	87	-	-
		112,833	**105,335**	**24**	**24**
b) Operating expenses					
Depreciation	17	5,824	5,351	6	4
Amortisation of software		391	339	-	-
Net loss/(gain) on disposal of fixed assets		135	78	-	(4)
Rental and operating lease expenses		871	942	28	28
Maintenance of network distribution assets*		2,525	2,815	-	-
Employee entitlements		27,133	24,519	146	142
Transmission charges		10,660	8,630	-	-
Movement in doubtful debts provision		(16)	(1,352)	-	-
Trustees' fees & expenses		120	109	120	109
Directors' remuneration and retirement		273	240	-	-
Bad debts		13	21	-	-
Auditors' remuneration	30	207	465	29	31
Share Purchase costs		57	-	57	-
High court application costs		20	316	20	316
Investment property expenses		65	51	-	-
Other expenses		55,908	53,304	365	187
		104,186	**95,828**	**771**	**813**

*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

	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Net interest comprises:				
Interest expense	(2,494)	(2,279)	-	-
Interest income	399	342	422	265
Net interest	**(2,095)**	**(1,937)**	**422**	**265**

8. INCOME TAX EXPENSE

	Notes	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Current tax		1,344	1,522	-	-
Deferred tax	9	10	1,195	-	-
Income tax expense		**1,354**	**2,717**	-	-

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

	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Profit before tax	5,402	9,486	2,607	1,408
Expenses not deductible for tax purposes	1,578	1,550	771	813
Income not subject to tax	(252)	(450)	(3,378)	(2,221)
Taxable profit	**6,728**	**10,586**	-	-
Income tax expense attributable to taxable profit	**1,744**	**2,862**		
Prior year adjustments	68	6	-	-
Prior period tax losses transferred for no consideration	(458)	(151)	-	-
Income tax expense	**1,354**	**2,717**	-	-
Effective income tax expense rate	20.1%	25.7%	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% (2014: 0%). (2014: all entities excluding Energy Options Charitable Company Limited: 28%.)

The applicable tax rate for the Parent is 0% (2014: 0%)

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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 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
Adjustments through income tax expense	8	9	(407)	449	51
Deferred tax recognised on business acquisition	8	(41)	-	-	(41)
Balance at 31 March 2015		21,949	(462)	838	22,325

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 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Deferred tax assets				
Deferred tax assets	(1,458)	(951)	-	-
Deferred tax liabilities				
Deferred tax liabilities	23,783	23,266	-	-
Net deferred tax liabilities	22,325	22,315	-	-

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.

10. CAPITAL ACCOUNT

	Group and Parent 2015 $000	Group and Parent 2014 $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 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Opening balance		7,718	7,969	28,745	27,779
Plus/(less) fair value revaluation of HEDL (Net of tax)		-	-	(2,897)	966
Plus/(less) fair value revaluation of Craigs Portfolio		107	-	107	-
Plus/(less) fair value revaluation of Comvita Limited		-	(251)	-	-
Transfer from retained earnings		239	-	-	-
Balance as at 31 March		**8,064**	**7,718**	**25,955**	**28,745**

Balance consists of:

	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Horizon Energy Distribution Ltd	6,790	6,790	24,999	27,896
Craigs Investment Partners Portfolio	107	-	107	-
Comvita Ltd	-	928	-	-
Development Enterprise Limited	-	-	849	849
Capital reserve	1,167	-	-	-
	8,064	**7,718**	**25,955**	**28,745**

12. RETAINED EARNINGS

	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Opening retained earnings	40,238	36,068	17,612	17,074
Surplus after taxation	3,187	5,195	2,607	1,408
Transfer to capital reserve	(239)	-	-	-
Less grants paid and proposed	(1,755)	(1,025)	(1,430)	(870)
Balance as at 31 March	**41,431**	**40,238**	**18,789**	**17,612**

13. CASH & CASH EQUIVALENTS

	Notes	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Cash at bank		1,194	1,733	412	351
		1,194	**1,733**	**412**	**351**

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.

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14. SHORT TERM DEPOSITS

	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Short term deposits with maturities between three months and one year	6,775	5,844	6,775	5,844
	6,775	**5,844**	**6,775**	**5,844**

15. TRADE & OTHER RECEIVABLES

	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Trade receivables	17,443	18,241	-	186
Less provision for doubtful debts	(105)	(121)	-	-
Other receivables and prepayments	507	293	60	26
	17,845	**18,413**	**60**	**212**

All receivables are denominated in New Zealand dollars.

The Board considers 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 2015, trade receivables of $3,832,651 (2014: $2,124,916) were past due.
The ageing analysis of trade and other receivables that are not impaired is as follows:

	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Up to 3 months	16,378	17,619	60	186
Over 3 months	1,245	622	-	-
	17,623	**18,241**	**60**	**186**

16. INVENTORIES AND WORK IN PROGRESS

	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Work in progress	3,293	2,614	-	-
Finished goods	2,636	2,103	-	-
Balance at 31 March	**5,929**	**4,717**	-	-

17. PROPERTY PLANT & EQUIPMENT

		Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Property plant and equipment comprise:					
Land and buildings	*Cost or valuation*	2,164	2,133	-	-
	Additions	135	30	-	-
	Revaluation	135	65	-	-
	Cost or valuation	2,434	2,228	-	-
	Accumulated depreciation and impairment	(305)	(230)	-	-
	Net book value	2,129	1,998	-	-
Plant and equipment	*Cost*	6,621	5,728	-	-
	Additions	558	407	-	-
	Additions from business combinations	346	340		
	Disposals	(44)	(58)	-	-
	Capital WIP	(27)	61		
	Cost	7,454	6,478	-	-
	Accumulated depreciation and impairment	(3,876)	(3,695)	-	-
	Net book value	3,578	2,783	-	-
Furniture and fittings	*Cost*	936	870	49	41
	Additions	13	66	-	8
	Cost or valuation	949	936	49	49
	Accumulated depreciation	(677)	(642)	(39)	(32)
	Net book value	272	294	10	17
Motor vehicles	*Cost*	3,918	3,859	(0)	19
	Additions	864	179	-	-
	Additions from business combinations	243	-		
	Disposals	(231)	(120)	-	(19)
	Cost or valuation	4,794	3,918	(0)	-
	Accumulated depreciation	(2,517)	(2,089)	-	-
	Net book value	2,277	1,829	(0)	-

17. PROPERTY PLANT & EQUIPMENT (CONTINUED)

		Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Distribution system	*Cost or Valuation*	116,700	108,176	-	-
	Additions	8,589	9,787	-	-
	Disposals	(219)	(122)	-	-
	Capital WIP	(336)	(1,141)	-	-
	Cost or valuation	124,734	116,700	-	-
	Accumulated depreciation	(8,331)	(4,083)	-	-
	Net book value	116,403	112,617	-	-
Finance leased assets	*Cost*	220	220	-	-
	Cost	220	220	-	-
	Accumulated depreciation	(45)	(31)	-	-
	Net book value	175	189	-	-
Total	***Cost or valuation***	**140,585**	**130,480**	**49**	**49**
	Accumulated depreciation	**(15,751)**	**(10,770)**	**(39)**	**(32)**
	Net book value	**124,834**	**119,710**	**10**	**17**

Depreciation Expense	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Buildings	75	71	-	-
Plant and equipment	776	577	-	-
Furniture and fittings	47	60	6	4
Motor vehicles	570	501	-	-
Distribution system	4,342	4,128	-	-
Finance leased assets	14	14	-	-
Total	5,824	5,351	6	4

Valuation of Distribution System Assets

The network distributions assets were last revalued on 31 March 2013 by Deloitte on a discounted cashflow basis in accordance with generally accepted valuation techniques

The carrying amount of the Group's network distribution commissioned assets had they been recognised under the cost model is $98.9 million (2014: $92.5 million)

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

Interest capitalised for the 2015 year was $108,985 (2014: $133,032) at the Group weighted average effective interest rate.

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 21 April 2015 Boyes Campbell Limited assessed the current market value of the Richardson St property to be $715,000 (2014 $645,000). The property was previously revalued on 03 June 2014 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.

17. PROPERTY PLANT & EQUIPMENT (CONTINUED)

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.

18. INVESTMENT PROPERTY

	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Balance at 1 April	320	330	-	-
Revaluation	-	(10)	-	-
Balance at 31 March	**320**	**320**	**-**	**-**

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 21st April 2015. Boyes Campbell Limited assessed the current market value of the property to be $320,000 (2014 $320,000). The property was previously revalued on 04 June 2014 as the property is valued every year. The cost price of the property was $585,000. In 2014, 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.

	Notes	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
19. INTANGIBLE ASSETS					
Goodwill					
Cost		12,886	12,319	-	-
Additions		2,097	567	-	-
Cost or valuation		14,983	12,886	-	-
Net book value		14,983	12,886	-	-
Software and intellectual property					
Cost		3,970	3,340	-	-
Additions		90	439	-	-
Information systems - work in progress		338	191	-	-
Cost or valuation		4,398	3,970	-	-
Accumulated amortisation		(1,109)	(718)	-	-
Net book value		3,289	3,252	-	-
Total					
Cost or valuation		19,381	16,856	-	-
Accumulated amortisation		(1,109)	(718)	-	-
Total	**Total**	18,272	16,138	-	-

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 two cash generating units ('CGU's) for impairment testing, comprising Electrical Contracting & servicing and HVAC Construction & Servicing.

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 ten year period. The pre-tax discount rate applied to cashflow projections is 17.4% (2014: 21%)

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

	Group 2015 $000	Group 2014 $000
Horizon Energy Distribution Limited	11,269	11,269
Electrical Contracting	1,413	1,050
HVAC Construction and Servicing	2,301	567
	14,983	**12,886**

(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 2%, (2014: 2% and 3%), with a terminal growth rate of 2% (2014: 2.4%)

(iv) Sensitivity

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

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 2015 was $58,914,196 or $3.05 per share (2014: $61,811,616 or $3.20 per share)

	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Shares - Horizon Energy Distribution Limited	-	-	58,914	61,812
Shares - Development Enterprises Limited	-	-	201	201
Shares (Redeemable) - Development Enterprises Limited	-	-	1,638	3,538
Shares - EBET Investment Limited (see a below)	-	-	31	31
Total investment in subsidiaries	-	-	**60,784**	**65,582**
Loans to related parties				
Loans to associates	-	-	451	-
Total loans to related parties	-	-	**451**	-
Other investments				
Shares - OPAC Limited (see b below)	590	590	-	-
Shares - OTK Orchards Limited (see c below)	151	151	-	-
Shares - Comvita Limited (see d below)	-	1,656	-	-
Craigs Share Portfolio	2,167	-	2,167	-
ASB - Bond portfolio	1,718	1,631	1,718	1,631
Total other investments	**4,626**	**4,028**	**3,885**	**1,631**

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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) (Struck off 12/09/2014)	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 no impairment in the carrying value of the investment in EBET Investment Limited.

Further details regarding external share investments (held by DEL)

Investment	Number of Shares Held	Cost Price ($)	2015 Value $/share	2015 Value $	2014 Value $/share	2014 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	0.27	151,265
Comvita Limited (see d below)	501,780	1,575,311	-	-	3.30	1,655,874
		2,665,107		741,221		2,397,095

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(j)(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 14.5 cents (32 cents 2014) per share. The Trust owns 4.27% of OPAC shares.

c) Shares in OTK Orchards Limited

Development Enterprises Limited has not invested further in OTK Orchards Limited during the 2015 financial year (2014 $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 (2014 $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% (2014 14.77%) of the shares.

d) Shares in Comvita Limited

During the year the Comvita shares were sold for $3.80 per share ($1,906,764).

21. TRADE & OTHER PAYABLES	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Trade payables	9,275	11,780	50	33
Accruals	3,482	3,015	-	-
Total trade payables and other payables	**12,757**	**14,795**	**50**	**33**

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 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Classified as:				
Current employee entitlements	2,394	2,065	6	17
Non-current employee entitlements	77	124	-	-
Total employee entitlements	**2,471**	**2,189**	**6**	**17**
Total employee entitlements	**2,471**	**2,189**	**6**	**17**

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.

22. PROVISIONS

	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Balance at beginning of year	1,037	397	-	-
Provisions made during the year	774	904	-	-
Provisions used during the year	(233)	(176)	-	-
Provisions reversed during the year	(276)	(88)	-	-
Balance at end of year	1,302	1,037	-	-
Represented by:				
Current liabilities	1,302	657	-	-
Non-current liabilities	-	380	-	-
Total provisions	1,302	1,037	-	-

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

	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Warranty provision				
Balance at beginning of year	657	397	-	-
Provisions made during the year	434	524	-	-
Provisions used during the year	(233)	(176)	-	-
Provisions reversed during the year	(276)	(88)	-	-
Balance at end of year	582	657	-	-
Represented by:				
Current liabilities	582	657	-	-

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 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Default price path breach provision				
Balance at beginning of year	380	380	-	-
Provisions made during the year	340			
Balance at the end of the year	720	380	-	-
Represented by:				
Current Liabilitities	720	-	-	-
Non current Liabilitites	-	380	-	-
	-	380	-	-

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.

During the reporting period, Horizon Energy reached an agreement with the Commerce Commission ('the Commission') regarding the final value of the settlement. The terms of the settlement require Horizon Energy to reduce 2015-2016 prices by $737,934. This will be by way of compensation to retailers operating on the Horizon Energy network through a reduction in the 2015-2016 tariff pricing. The Company provided $380,000 for the Breach in the year ended 31 March 2014. A further $340,000 has been provided for in the year ended 31 March 2015.

23. TERM LOANS

The Board estimates the fair values of the Group's bank loans are reflected in their book value because the interest rates on these loans are determined at variable market rates, and therefore any 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 was 5.15% (2014: 4.75%). The weighted average floating interest rate excludes the effect of the Company's interest rate risk management.

As at 31 March 2015, the Company had debt facilities available of $60 million (2014: $50 million), with undrawn debt facilities of $15.2 million (2014: $14.9 million).

All borrowings are with the same financial institution.

The company complied with all its banking covenants during the year.

24. DEFERRED CAPITAL CONTRIBUTIONS

	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Opening balance	593	611	-	-
Less amounts recognised as revenue during year	(17)	(18)	-	-
Balance at 31 March	**576**	**593**	-	-
Classified as:				
Current	18	18	-	-
Non-current	558	575	-	-
	576	593	-	-

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.

25. FINANCIAL INSTRUMENTS

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)

Level 1	Group 2015	Group 2014	Parent 2015	Parent 2014
Assets	$000	$000	$000	$000
Investment in subsidiaries	-	-	58,914	61,812
Other investments	10,660	9,131	10,660	7,475
Total for level 1	10,660	9,131	69,574	69,287
Level 2				
Assets				
Derivative financial instruments	-	676	-	-
Liabilities				
Derivative financial instruments	(1,652)	(871)	-	-
Total for level 2	(1,652)	(195)	-	-
Level 3				
Assets				
Investments in subsidiaries	-	-	1,870	3,770
Network Distribution Assets	116,403	112,617	-	-
Other investments	741	741	-	-
	117,144	113,358	1,870	3,770
Level 3 reconciliation				
Opening balance	113,358	108,917	3,770	3,770
Additions	8,589	9,787	-	-
Disposal	(219)	(122)	(1,900)	-
Capital work in progress	(336)	(1,141)	-	-
Accumulated Depreciation	(4,249)	(4,083)	-	-
	117,143	113,358	1,870	3,770

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

25. FINANCIAL INSTRUMENTS (CONTINUED)

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 2015 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 2015. The debit value adjustment is calculated for 'out-of-the-money' derivatives as at 31 March 2015.

The credit curves applied are:
For the counterparty (Westpac and 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

Disclosure 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, $125,632 (2014: $77,974) relates to network distribution assets written off during the reporting period, primarily as a result of damage to Network Distribution Assets as a result of the April 2014 Easter storms. Fair value gains or losses on these assets are included in the Statement of Comprehensive income.

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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% (2014 22.7%).

	Group 2015 $000	Group 2014 $000
Balance at the beginning of the year	15,170	14,110
Share of surplus	931	1,629
Share of unclaimed dividends added back/(paid)	-	(1)
Dividends paid	(854)	(568)
Balance at the end of the year	**15,247**	**15,170**

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

Current Assets	25,038	23,214
Non-Current Assets	130,580	124,625
Total Assets	**155,618**	**147,839**
Current Liabilities	18,970	21,559
Non current Liabilities	69,337	59,319
Total Liabilities	**88,307**	**80,878**
Equity Attributable:		
Trustees of EBET	**52,064**	**51,791**
NCI	**15,247**	**15,170**
Revenue	112,599	105,327
Profit for the year attributable to trustees of EBET	3,170	5,541
Profit for the year attributable to NCI	931	1,629
Profit for the year	**4,101**	**7,169**
Total comprehensive income for the year attributable to trustees of EBET	3,170	5,541
Total comprehensive income for the year attributable to NCI	931	1,629
Total comprehensive income for the year	**4,101**	**7,169**
Net Cash from (used in) operating activities	7,338	12,085
Net cash from (used in) investing activities	(13,475)	(9,846)
Net cash from (used in) financing activities	5,921	(2,234)
Net cash inflow (outflow)	**(216)**	**5**

27. CONSTRUCTION CONTRACTS

The following amounts relating to construction contracts in progress at balance date, are included within inventories and work in progress, trade and other receivables and trade and other payables in the balance sheet. Refer to note 3, significant accounting policies - Construction Contracts.

	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Contracts in progress at balance date:				
Gross construction work in progress plus margin to date	90,108	68,759	-	-
Progress billings	(89,385)	(70,786)	-	-
Work in Progress	723	(2,027)	-	-
Construction contracts with net work in progress	3,293	2,614	-	-
Construction contracts with net funds received in advance of cost and margin	(2,570)	(4,641)	-	-
Carrying amount at the end of the year	723	(2,027)	-	-
Retentions owing within Trade Debtors on completed construction contracts:	3,526	3,489	-	-

28. IMPUTATION CREDIT ACCOUNT

	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Opening Balance	4,324	4,069	-	-
Credits gained from income tax paid	(1,980)	(1,853)	-	-
Imputation credits attached to dividends received	2,031	2,112	-	-
Income tax refund received	-	(4)	-	-
	4,374	**4,324**	-	-

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

29. OPERATING LEASES

As Lessee

	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Operating lease commitments fall due for payment in the following periods:				
Within one year	1,525	987	-	-
Within one to five years	2,454	2,063	-	-
Over five years	5	-	-	-
	3,984	**3,050**	-	-

The Group leases office, warehouse, depot space and radio communication sites.

As Lessor

Future minimum lease payments receivable are:	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Within one year	150	-	-	-
Within one to five years	600	-	-	-
Over five years	163	-	-	-
	913	-	-	-

The CT scanner is leased out under a non-cancellable operating lease for a period of seven years from the commencement of the lease. The lease contains no renewal options or contingent rentals.

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 and for services provided by KPMG, auditors of Horizon Energy Distribution Limited Amounts received, or due and receivable, by the auditors are as follows:

	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Paid or payable for services provided by Ingham Mora:				
Auditing the financial statements:	29	31	29	31
Total remuneration for services provided by Ingham Mora	29	31	29	31
Paid or payable for services provided by PricewaterhouseCoopers				
Auditing the financial statements:	-	112	-	-
Total remuneration for audit services	-	112	-	-
Other assurance related services:				
Section 53ZD information request engagement	-	5		
Regulatory assurance	-	45	-	-
Taxation compliance services	-	29	-	-
Total remuneration for assurance services	-	79	-	-
Other Services				
Regulatory advice and preparation of submissions	-	33	-	-
Tax advice and opinions	-	9	-	-
Financial and regulatory advice on proposed asset acquisition	-	124		
Treasury Advisory Services	-	24	-	-
Total remuneration for other services	-	190	-	-
Total remuneration for services provided by PricewaterhouseCoopers	-	381	-	-
Paid or payable for services provided by Deloitte				
Auditing the financial statements:	-	35	-	-
Other Services	-	10		
Total remuneration for audit services	-	45	-	-
Other Services				
Property, Plant and Equipment valuation	-	8	-	-
Total Other Services	-	8	-	-
Total remuneration for services provided by Deloitte	-	53	-	-
Paid or payable for services provided by KPMG				
Auditing the financial statements:	-	-	-	-
Statutory Audit				
Audit of the Financial Statements	118	-	-	-
Total Audit and Assurance Services	118	-	-	-
Audit Related Services				
Audit of the Information Disclosure Statements and Default Price-Quality Compliance Statement reported to the Commerce Commission	44	-	-	-
Review of the Half Year Financial Statements	3	-	-	-
Total Audit Related services	47	-	-	-
Other Services				
Taxation Compliance and Advisory Services	13	-	-	-
Total Other Services	13	-	-	-
Total Paid or Payable to KPMG	178	-	-	-

Ingham Mora Marked for Identification Purposes Tauranga

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 2015 $000	Group 2014 $000
Transactions		
Dividend paid by HEDL to EBET	2,897	1,932
	2,897	**1,932**
Grants paid from EBET to HEDL	11	60
Grants paid from EBET to EOCCL	13	63
Grants paid from EOCCL to EBET	-	200
	24	**323**
Services provided by EBET to DEL	24	24
Services provided by DPIL to EBET	28	28
Services provided by HEDL to EBET		11
	53	**63**
Interest on intercompany loan between EBET and DEL	39	4
	39	**4**
Loans advanced - EBET to DEL	630	-
Loans repaid - DEL to EBET	(179)	(98)
	451	**(98)**
Balances		
Loan from EBET to DEL	451	-
Loan from DEL to DPIL	756	756
	1,207	**756**
Shares in HEDL	58,914	61,812
Shares in DEL	201	201
Redeemable shares in DEL	1,638	3,538
Shares in EFL	-	38
Shares in DIL	728	728
Shares in EBETIL	31	31
Shares in DPIL	333	333
	61,845	**66,681**

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 DEL Property Investments Limited and DEL Investments Limited.

The Trustees consider that no loans are impaired for 2015 (2014: the Trustees considered that no loans were impaired).

Key management remuneration

Remuneration of key management personnel, trustees and directors	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
Salaries and other short term benefits	1,603	1,566	-	-
Directors' fees and payments	273	240	-	-
Trustees' fees and payments	120	109	120	109
	1,996	1,915	120	109

Details of the salary ranges for employees or former employees of the Group receiving remuneration and other benefits in excess of $100,000 for the year ended 31 March 2015 are as follows:

Remuneration Range	Number of Employees Group 2015	Group 2014
$530,001 - $540,000	1	-
$460,001 - $470,000	-	1
*$300,001 - $310,000	-	1
$230,001 - $240,000	1	-
$220,001 - $230,000	1	-
$210,001 - $220,000	1	1
$200,001 - $210,000	-	2
$190,001 - $200,000	1	-
$180,001 - $190,000	2	1
$170,001 - $180,000	3	1
$160,001 - $170,000	-	4
$150,001 - $160,000	6	1
$140,001 - $150,000	3	3
$130,001 - $140,000	7	5
$120,001 - $130,000	8	6
$110,001 - $120,000	7	7
$100,001 - $110,000	10	6

* includes restructuring payments

32. CAPITAL COMMITMENTS

Capital expenditure contracted for at balance date but not yet incurred is:	Group 2015 $000	Group 2014 $000	Parent 2015 $000	Parent 2014 $000
CT scanner	-	977	-	200
Non network assets	11	112	-	-
Network distribution assets	10	398	-	-
	21	1,487	-	200

33. BUSINESS COMBINATIONS

Acquisitions of the net assets and business of Energy Systems Professional NZ Limited

On 1 July 2014, Horizon Energy Distribution (Through its subsidiary Horizon Services Limited) acquired the business and certain liabilities of Energy Systems Professionals NZ Limited.

The investment is consistent with Horizon Energy's strategy to develop its non-regulated revenue streams. The new business complements the existing electrical business providing farming, electrical, HVAC and plumbing solutions.

Details of net assets and goodwill acquired:

The company has determined the fair values of the net assets and goodwill acquired, and the amounts outlined below at 31 March 2015.

The consideration paid is finalised in respect to changes in working capital items at the date of acquisition

The values assigned to Motor Vehicles are the revalued amounts as determined by reference to market data.

	Group 2015 $000
Consideration on acquisition	**927**
Consisting of:	**Fair Value $000**
Receivables	479
Inventories	182
Construction work in progress	34
Plant and equipment	74
Motor vehicles	243
Intangibles	5
Total assets acquired	**1,017**
Trade and other payables	(318)
Employee liabilities	(94)
Deferred tax	(41)
Total liabilities acquired	**(453)**
Fair value of net assets acquired	**564**
Goodwill on acquisition	363
Total purchase consideration settled in cash	**927**

Other costs associated with the acquisition of $46,930 incurred in 2014 and $62,193 incurred in 2013 (total: $109,123) have been expensed and are recorded in operating expenses in the Statement of Comprehensive Income.

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-deductible for income tax purposes

33. BUSINESS COMBINATIONS (CONTINUED)

Acquisitions of the Net Assets and Business of Energy Systems Professional NZ Limited (cont)

Consolidation Treatment

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

The amounts included in the Statement of Comprehensive Income for the nine months post acquisition to 31 March 2015 include:

Acquisitions of the Net Assets and Business of Energy Systems Professional NZ Limited (cont.)

	2015 $000
Revenue	3,694
Net loss after tax	(37)

It is impractical for the Group to obtain reliable revenue and profit/(loss) figures prior to acquisition, therefore the disclosures as if the acquisition occurred from 1 April 2014 have not been made.

33. BUSINESS COMBINATIONS (CONTINUED)

Acquisitions of the net assets and business of Hawkins Holdings 2007 Limited and Hawkins Refrigeration Tasman Limited

On 3 November 2014, Horizon Energy Distribution (through its subsidiary Horizon Services Limited) purchased the business assets and certain liabilities of Hawkins Holdings (2007) Limited and Hawkins Refrigeration Tasman Limited.

The investment is consistent with Horizon Energy's strategy to develop its non-regulated revenue streams. The new business complements the existing Heating, Ventilation and Air Conditioning (HVAC) Construction and servicing business providing HVAC and refrigeration solutions.

Details of net assets and goodwill acquired:

The consideration paid is subject to adjustment due to changes in working capital items at the date of acquisition.

	Group Provisional 2015 $000
Consideration on acquisition	**2,429**
Consisting of:	**Fair Value $000**
Receivables	1,284
Inventories	245
Construction work in progress	4
Plant and equipment	272
Total assets acquired	**1,805**
Trade and other payables	(1,024)
Employee liabilities	(86)
Total liabilities acquired	**(1,110)**
Fair value of net assets acquired	**695**
Goodwill on acquisition	1734
Total purchase consideration settled in cash	**2,429**

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-deductible for income tax purposes

Consolidation Treatment

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

The amounts included in the Statement of Comprehensive Income for the five months post acquisition to 31 March 2015 include:

	2015 $000
Revenue	1,641
Net profit after tax	45

It is impractical for the Group to obtain reliable revenue and profit/(loss) figures prior to acquisition, therefore the disclosures as if the acquisition occurred from 1 April 2014 have not been made.

34. CONTINGENT LIABILITIES

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 now total $131,170 (2014:$119,508) relating to the period. 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 2015 the total value of performance bonds issued is $0.595 million (2014: $1.09 million) and the total value of HEDL guarantees is $5.6 million (2014 $12.2 million).

Contract Claim

HEDL has recevied an unsubstantiated claim for costs against a Subsidary in relation to a contract. The value of the claim cannot be reliably estimated at this time. HEDL's insurers have been advised.

35. SUBSEQUENT EVENTS

Dividend declaration

On 13 May 2015, the Directors of HEDL declared a final fully imputed dividend of 8.0 cents (2014: 9.0 cents imputed) per ordinary share. As this event occurred after balance date, the financial effect has not been recognised in the financial statements.

Purchase of Horizon Energy Distribution Limited

On 5 June 2015 the Trust issued HEDL with a takeover notice advising of their intention to purchase all the shares that they did not already own at a price of $4.41 per share ($25,027,874). Prior to commencing this process, the Trust had entered into a pre-bid agreement with Marlborough Lines Limited to purchase their shareholding in HEDL. The combined total of the shares the trust already owns and the Marlborough lines shares will provide the trust with in excess of 90%, allowing the remaining shares to be compulsorily acquired. On the same day, The Trust, commenced a poll of the Eastern Bay power consumers to obtain their permission to purchase these additional shares as is required under the Trust deed. This process is scheduled to be fully completed by 31 July 2015.

INGHAM MORA

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 52, which comprise the consolidated and separate balance sheets of Eastern Bay Energy Trust and Group as at 31 March 2015, the consolidated and separate statements of comprehensive income, 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 and fair presentation of financial statements in accordance with generally accepted accounting practice in New Zealand, the New Zealand equivalents to International Financial Reporting Standards, 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 52:

- 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 2015, and the financial performance and cash flows for the year then ended, in accordance with New Zealand equivalents to International Financial Reporting Standards.

Ingham Mora

INGHAM MORA
Tauranga
30 July 2015