Financial Statements

For the year ended 31 March 2016

EASTERN BAY ENERGY TRUST

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Whakatane

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Energising Our Community

Contents

Trustees' declaration

In the opinion of the Trustees of the Eastern Bay Energy Trust, the financial statements and the notes, on pages 4 to 40:

- comply with New Zealand generally accepted accounting practice and fairly present the financial position of the Trust as at 31 March 2016 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 2013.

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 2016.

For and on behalf of the Board of Trustees:

Don Lewell	David Bulley	Donna Smit
Chair	Deputy Chair	Trustee
28 July 2016	28 July 2016	28 July 2016

DIRECTORY

Manager	Rawinia Kamau	
Trust Office	5 Richardson Street	
	Whakatane	
Postal	PO Box 567, Whakatane 3158	
Phone	07 307 0893	
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Website	www.ebet.org.nz	

Trustees

Chairman	Don Lewell	07 308 7244
Deputy Chairman	David Bulley	07 312 5874
Trustees	Edwina O'Brien	07 323 8513
	Kevin Hennessy	07 315 7348
	Donna Smit	07 304 9921
	Wade Brown	07 312 5615

Advisors

Legal	Sharp Tudhope	Tauranga
	OAC Limited	Whakatane
Accountants	Arrow Accountants Limited	Whakatane
Auditors	KPMG	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

EASTERN BAY ENERGY TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Notes	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
ASSETS					
Current Assets					
Cash and cash equivalents		1,291	1,194	227	412
Short term deposits		1,000	6,775	1,000	6,775
Trade and other receivables	11	27,923	17,845	15	60
Inventories and work in progress	12	4,276	5,929	-	-
Current tax assets		107	886	-	-
Investment property intended for sale		-	320	-	-
Derivative financial instruments		9	-	-	-
Total Current Assets		34,606	32,949	1,242	7,247
Non-Current Assets					
Property, plant and equipment	13	139,774	124,834	9	10
Intangible assets	14	21,427	18,272	-	-
Restricted bank deposits		230	-	-	-
Other receivables		78	77	-	-
Investments in subsidiaries	15	-	-	111,954	60,784
Loans to related parties	15	-	-	393	451
Other investments	15	4,900	4,626	4,103	3,885
Total Non-Current Assets		166,409	147,809	116,459	65,130
Total Assets		201,015	180,758	117,701	72,377
LIABILITIES					
Current Liabilities					
Trade and other payables	16	19,636	12,757	185	50
Current tax liabilities		881	-	-	-
Grants owing		1,133	939	1,133	939
Provision for staff entitlements	16	3,113	2,395	6	6
Construction work in progress	21	3,117	2,570	-	-
Derivative financial instruments		31	60	-	-
Deferred capital contributions	19	18	18	-	-
Provisions	17	912	1,302	-	-
Total Current Liabilities		28,841	20,041	1,324	995
Non-Current Liabilities					
Provision for staff entitlements	16	77	77	-	-
Deferred capital contributions	19	540	558	-	-
Term loans	18	65,765	44,785	17,000	-
Derivative financial instruments		2,830	1,592	-	-
Deferred tax liabilities	8	-	22,325	-	-
Total Non-Current Liabilities		69,212	69,337	17,000	-
Total Liabilities		98,053	89,378	18,324	995
Net Assets		**102,962**	**91,380**	**99,377**	**71,382**
EQUITY					
Capital	9	26,638	26,638	26,638	26,638
Non-controlling interest		-	15,247	-	-
Reserves	10	30,869	8,064	52,299	25,955
Retained earnings		45,455	41,431	20,440	18,789
Total Equity		**102,962**	**91,380**	**99,377**	**71,382**

These financial statements have been authorised for issue by the Board of Trustees on 28 July 2016

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

Date: 28 July 2016

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EASTERN BAY ENERGY TRUST
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Group		Parent	
		2016	2015	2016	2015
		$000	$000	$000	$000
Operating revenue	6	137,537	112,833	24	24
Operating expenses	6	(126,348)	(104,186)	(564)	(771)
Operating surplus / (deficit)		11,189	8,647	(540)	(747)
Other Income					
Dividend income		85	56	4,361	2,923
Realised gain on sale of shares		-	252	-	9
		85	308	4,361	2,932
Financing Income and Expenses					
Interest income		261	399	258	422
Interest expense		(3,126)	(2,494)	(616)	-
Fair value (loss) of financial derivatives		(1,200)	(1,458)	-	-
		(4,065)	(3,553)	(358)	422
Surplus / (deficit) before tax		7,209	5,402	3,463	2,607
Income tax expense	7	9,201	(1,354)	-	-
Other items recorded in statement of revenue and expenses					
Impairment recovery of property, plant and equipment		-	70	-	-
Impairment recovery of investment property		30	-	-	-
Total other items		30	70	-	-
Surplus / (deficit) after tax from continuing operations		16,440	4,118	3,463	2,607
Surplus / (deficit) attributable to:					
Non-controlling interest		-	931	-	-
Trustees of the Eastern Bay Energy Trust		16,440	3,187	3,463	2,607
		16,440	4,118	3,463	2,607
Other comprehensive surplus / (deficit)					
Change in fair value of shares in HEDL	10	-	-	25,766	(2,897)
Change in fair value of Craigs Portfolio	10	67	107	67	107
Plus/(less) fair revaluation of OTK Orchards	10	55	-	-	-
Change in fair value of other investments	10	11	-	511	-
Fair value revaluation of the network assets	10	11,387	-	-	-
Reversal of deferred tax on revaluation	10	11,298	-	-	-
Gain on foreign currency translation	10	25	-	-	-
Other comprehensive surplus / (deficit) for the year net of tax		22,843	(251)	26,344	(2,790)
Total comprehensive surplus / (deficit) for the year		39,283	4,225	29,807	(183)
Total comprehensive surplus / (deficit) attributable to:					
Non-controlling interest		-	931	-	-
Trustees of the Eastern Bay Energy Trust		39,283	3,294	29,807	(183)
		39,283	4,225	29,807	(183)

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EASTERN BAY ENERGY TRUST
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Trust Capital $000	Retained Earnings $000	Reserves $000	Non-Controlling Interest $000	Total $000
Group						
Balance as at 31 March 2014		26,638	40,238	7,718	15,170	89,764
Total comprehensive revenue	10	-	3,187	107	931	4,225
Dividends paid to non-controlling interests	10	-	(239)	239	-	-
Unclaimed dividends added back / (paid)		-	-	-	(854)	(854)
Grants paid and proposed	10	-	(1,755)	-	-	(1,755)
Balance as at 31 March 2015		**26,638**	**41,431**	**8,064**	**15,247**	**91,380**
Balance as at 31 March 2015		26,638	41,431	8,064	15,247	91,380
Total comprehensive revenue	10	-	16,440	22,843	-	39,283
Prior period adjustment	10	-	9	-	-	9
Dividends paid to non-controlling interests		-	-	-	(461)	(461)
Transfer	10	-	38	(38)	-	-
Grants paid and proposed		-	(1,718)	-	-	(1,718)
Purchase of minority interest	15a	-	-	-	(14,786)	(14,786)
Loss on purchase of minority interest	15a	-	(10,745)	-	-	(10,745)
Balance as at 31 March 2016		**26,638**	**45,455**	**30,869**	**-**	**102,962**
Parent						
Balance as at 31 March 2014		26,638	17,612	28,745	-	72,995
Total comprehensive revenue	10	-	2,607	(2,790)	-	(183)
Grants paid and proposed		-	(1,430)	-	-	(1,430)
Balance as at 31 March 2015		26,638	18,789	25,955	-	71,382
Balance as at 31 March 2015		26,638	18,789	25,955	-	71,382
Total comprehensive revenue		-	3,463	26,344	-	29,807
Grants paid and proposed		-	(1,812)	-	-	(1,812)
Balance as at 31 March 2016		26,638	20,440	52,299	-	99,377

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EASTERN BAY ENERGY TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Operating activities					
Cash receipts from customers		128,574	113,194	24	24
Cash paid to suppliers		(111,765)	(101,728)	(385)	(585)
Total operating receipts and payments		16,809	11,466	(361)	(561)
Interest received		299	376	258	399
Interest paid		(3,119)	(2,494)	(616)	-
Net cash from / (used in) operating activities before tax		**13,989**	**9,348**	**(719)**	**(162)**
Taxes paid		(109)	(1,980)	-	-
Net cash from / (used in) operating activities		**13,880**	**7,368**	**(719)**	**(162)**
Investing activities					
Loans to related parties		-	-		(451)
Short term deposits		5,844	(930)	5,844	(930)
Restricted bank deposits		(230)	-	-	-
Dividend income received		67	55	4,361	2,923
Purchases of property, plant & equipment		(8,374)	(10,698)	-	-
Purchase of intangible assets		(801)	(423)	-	-
Purchase of business combinations		(3,834)	(3,356)	-	-
Purchase of investments		(25,684)	(2,138)	(25,684)	(2,138)
Disposal of investments		181	1,900	631	1,900
Proceeds on disposal of other investments		(208)	-	-	-
Proceeds on disposal of property, plant & equipment		383	275	-	-
Net cash from investing activities		(32,656)	(15,315)	(14,848)	1,304
Financing activities					
Dividends paid		(454)	(854)	-	-
Grants paid		(1,618)	(1,408)	(1,618)	(1,081)
Repayment of term debt		(58,371)	(38,719)	-	-
Term debt drawn down		79,316	48,389	17,000	-
Net cash from/(used in) financing activities		18,873	7,408	15,382	(1,081)
Net (decrease)/increase in cash and cash equivalents		97	(539)	(185)	61
Cash and cash equivalents at the beginning of the year		1,194	1,733	412	351
Cash and cash equivalents at the end of the year		1,291	1,194	227	412

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EASTERN BAY ENERGY TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	Group		Parent	
	2016	2015	2016	2015
	$000	$000	$000	$000
RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES				
Reported surplus before tax	16,441	4,118	3,463	2,608
Adjustments for non cash items:				
Depreciation and amortisation	6,728	6,215	2	6
Capital contributions amortised	(17)	(17)	-	-
Impairment of property, plant and equipment	(30)	(70)	-	-
Net Loss from foreign currency exchange	20	-	-	-
Loss on sale of fixed assets	26	135	-	-
Loss on Fair Value Movement of Financial Derivatives	1,200	1,458	-	-
Operating cash flows before movements in working capital	24,368	11,839	3,465	2,614
(Increase) / decrease in assets				
Trade and other receivables	(10,087)	573	40	152
Construction work in progress	1,535	(679)	-	-
Inventories	118	(533)	-	-
Increase / (decrease) in liabilities				
Trade and other payables	6,938	(1,691)	135	17
Provision for employee entitlements	719	281	-	(12)
Provisions	(390)	265	-	-
Construction revenue received in advance	547	(2,071)	-	-
Deferred tax liabilities	(9,201)	10	-	-
Current tax liability	(109)	(637)	-	-
Items reclassified as Investing activities	(1,070)	(695)	(4,359)	(2,932)
Subsidiary working capital acquired	514	706	-	-
Less movements in working capital	(10,486)	(4,471)	(4,184)	(2,775)
Net cash flow from operating activities	**13,882**	**7,368**	**(719)**	**(161)**

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1. REPORTING ENTITY

The Eastern Bay Energy Trust is a trust established in New Zealand by Deed of Trust dated 1 August 1994. The Trust and all its subsidiaries are domiciled in New Zealand.
The financial statements of the Group for the year ended 31 March 2016 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
- DEL Property Investments Limited (DPIL) - 100% owned by DEL
- DEL Investments Limited (DIL) - 100% owned by DEL
- Energy Options Charitable Company Limited (EOCCL) - 100% owned by EBET (Sold 30 June 2015)
- Horizon Energy Distribution Limited (HEDL) – 100% owned by EBET
- Horizon Energy Group Limited (HEGL) – 100% owned by HEDL (non-trading)
- Horizon Energy Limited (HEL) – 100% owned by HEDL (non-trading)
- 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. EBET is a public benefit entity and has reported in accordance with Tier 1 PBE standards.

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 28 July 2016. 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.

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2. BASIS OF PREPARATION (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis as modified by the revaluation of network distribution assets, derivative financial instruments at fair value through profit or loss, and available for sale financial assets are measured at fair value. The method used to measure fair values is discussed further in note 4.
These financial statements are presented in New Zealand dollars ($), which is the Group's functional currency. Amounts have been rounded to the nearest thousand.

(c) 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 13 – valuation of buildings and network distribution system
- Note 15 – 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 2016.

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.

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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.

(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,

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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) 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) 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.

(e) 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 revenue and expenses. All borrowing costs are recognised in the statement of revenue and expenses 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Employee entitlements

(i) Wages, salaries and annual leave

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

(ii) Long service leave and retirement gratuity

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

(iii) Bonus plans

The group recognises a liability and an expense for HEDL 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.

(g) Goods and Services Tax (GST)

Revenues, expenses and assets and liabilities 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

(h) Taxation

The Eastern Bay Energy Trust is a charity registered with the Charities Commission. As such it is tax exempt. In July 2013 Inland Revenue and Treasury published a combined Official Issues Paper which sought to clarify tax issues in relation to charities. In that paper they confirmed that where a registered charity conduced commercial activities through a subsidiary company, then that subsidiary company will also have the same tax exempt status as the registered charity. On 29 April 2015 Eastern Bay Energy Trust obtained a non-binding indicative ruling from Inland Revenue confirming the advice from the Official Issues Paper and confirming that should EBET become the 100% owner of Horizon Energy Distribution Limited then that company would become tax exempt. Horizon became tax exempt from 1 August 2015 on completion of the takeover of the remaining shares by EBET.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments

(i) Non-derivative financial instruments

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

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

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

(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.

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.

(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 revenue and expenses 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) 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 revenue and expenses when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of trade.

The criteria the Group uses to determine that there is objective evidence of an impairment of receivables includes significant difficulty of the debtor, breach of contract such as default, granting of a concession to the debtor's financial difficulty, or the debtor likely entering bankruptcy or reorganisation.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(iv) Trade and other receivables (continued)

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.

(v) 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.

(vi) 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.

(vii) Derivative financial instruments

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 revenue and expenses.

(j) Property, plant and equipment

(i) Recognition and measurement

(a) Network distribution systems

Network distribution system assets held for use are stated in the statement of financial position 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

(a) Network distribution systems (continued)

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 as part of the network distribution system are stated in the statement of financial position at valuation, 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 such land and buildings is accumulated in the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to the net profit to the extent that it exceeds the balance, if any, held in the capital revaluation reserve relating to a previous revaluation of that asset.
Land and buildings for administration purposes are stated at cost, comprising the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended service.

(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 revenue and expenses as incurred.

(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 revenue and expenses.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

(f) Depreciation

Depreciation is recognised in the statement of revenue and expenses 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
• Computer software	3-5 years

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

(k) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries.

(a) Acquisitions of non controlling interests

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

When the excess is negative (negative goodwill), it is recognised immediately in the statement of revenue and expenses.

(b) Subsequent measurement

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

(ii) Computer software

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

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 revenue and expenses when incurred.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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.

(m) 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 revenue and expenses.

(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 revenue and expenses.

(ii) Impairment of receivables

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

(iii) Non-financial assets

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment (continued)

(iii) Non-financial assets (continued)

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.

(n) 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.

(o) Grant expenditure

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

(p) Comparative balances

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

(q) Statement of Cash Flows

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) New standards and interpretations

Effect of first-time adoption of Public Benefit Entity (PBE) standards on accounting policies and disclosures

This is the first set of financial statements of the EBET and Group that is presented in accordance with PBE standards. EBET and Group have previously reported in accordance with NZ IFRS.

The accounting policies adopted in these financial statements are consistent with those of the previous year, except for instances when the accounting or reporting requirements of PBE standard are different to requirements under NZ IFRS (PBE).

The changes to accounting policies and disclosures caused by first time application of PBE accounting standards are considered minor.

4. CRITICAL JUDGEMENTS IN APPLYING THE ENTITIES ACCOUNTING POLICIES

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

(a) Revenue recognition

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

(b) Fair value of derivatives

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

(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 revenue and expenses 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 statement of financial position. 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.

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

(e) Valuation of network distribution system

The Group estimates the fair value of the distribution network assets 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 distribution asset sale transactions, there is a lack of market-based evidence available to determine fair value. The valuation undertaken at 31 March 2016 has been compiled using the discounted cash flow technique (as was the previous valuation at 31 March 2013).

Changes in these valuation estimates could have a material effect on the carrying amount of the network distribution assets disclosed in note 11.

The key valuation assumptions relating to the network distribution assets revaluation performed at 31 March 2016 are outlined below and were adopted in determining the fair value of the Group's network distribution assets:

(i) Network distribution assets have been valued on a going concern basis;
(ii) Revenue is based on the current pricing applying current Input Methodologies set out under the Commerce Commission regulations;
(iii) Costs were based on 2016 forecasts;
(iv) A post tax discount rate (WACC) of 5.8% has been used in discounting the present value of expected cash flows;
(v) Inflation has been applied at 2.0%; and
(vi) A Terminal Year Regulatory Asset Base (RAB) multiple of 1.0 has been applied.

(f) Valuation Sensitivity

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)	
Horizon WACC (5.8%)	+/- 0.5%	-4.6	+4.8
CPI	+/- 0.5%	-4.3	+4.5
Capital Expenditure	+/- 10%	-4.7	+4.7
Terminal Year RAB Multiple	+/- 5%	-4.5	+4.5

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.

(i) Market Risk

(a) 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.

Trustees 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

(b) 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 derivatives is governed by the Group's policies approved by the Trustees, 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.

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 2016, if interest rates on long term borrowing had changed by +/- 1% (2015: +/- 1%) with all other variables held constant, post tax profit and equity for the year would have been $138,196 lower/higher (2015: $114,800 lower/higher)

(ii) 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.

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5. FINANCIAL RISK MANAGEMENT (continued)

(ii) Credit Risk (continued)

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.

(iii) 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 Trustees approves all new borrowing facilities.

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

The classifications of borrowings and facilities available are disclosed in Note 20. In the table below cashflows relating to bank loans are presented in accordance with facility maturity dates.

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

2016	Stmt of financial position $000	Less than 1 year $000	Between 1 and 2 years $000	Between 2 and 3 years $000	Between 3 and 5 years $000
Unsecured loans & borrowings	65,765	1,754	20,752	46,366	-
Grant payments owing	1,133	-	1,133	-	-
Trade and other payables	19,636	19,636	-	-	-
Derivatives					
- Inflows		(862)	(789)	(1,654)	(415)
- Outflows		1,619	1,498	2,978	693
	86,534	22,147	22,594	47,690	278
2015					
Unsecured loans & borrowings	35,115	2,084	11,894	38,574	-
Grant payments owing	592	-	939	-	-
Trade and other payables	14,795	12,760	-	-	-
Derivatives					
- Inflows		(1,150)	(1,305)	(3,249)	(2,049)
- Outflows		1,503	1,511	3,234	1,560
	50,502	15,197	13,039	38,559	(489)

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5. FINANCIAL RISK MANAGMENT (continued)

(iv) 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 statement of financial position plus net debt. 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.

	Notes	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
6. OPERATING REVENUES & EXPENSES BY NATURE					
(i) Operating revenues					
Distribution revenue		31,514	31,552	-	-
Contracting income		103,951	79,271	-	-
Capital contributions revenue		1,530	1,427	-	-
Recovery of bad debts		4	-	-	-
Other revenue		471	492	24	24
Rental income		67	91	-	-
		137,537	**112,833**	**24**	**24**
(ii) Operating expenses					
Depreciation	13	6,026	5,824	6	6
Amortisation of software		451	391	-	-
Net loss/(gain) on disposal of fixed assets		26	135	-	-
Rental and operating lease expenses		1,102	871	32	28
Maintenance of network distribution assets		3,383	2,525	-	-
Employee entitlements		34,185	27,133	142	146
Transmission charges		8,814	10,660	-	-
Movement in doubtful debts provision		(1)	(16)	-	-
Trustees' fees & expenses		115	120	115	120
Directors' remuneration and retirement		310	273	-	-
Bad debts		45	13	-	-
Auditors' remuneration	23	287	207	30	29
Share Purchase costs		-	57	-	57
High court application costs		-	20	-	20
Investment property expenses		39	65	-	-

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7. INCOME TAX EXPENSE

	Notes	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Current tax		1,826	1,344	-	-
Deferred tax	8	(1,052)	10	-	-
Reversal of Deferred Tax on change in Tax Status	8	(9,975)	-	-	-
Income tax expense		**(9,201)**	**1,354**	-	-

The tax charge for the year can be reconciled to the profit per the statement of revenue and expenses as follows:

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Profit before tax	7,210	5,402	3,463	2,607
Expenses not deductible for tax purposes	1,775	1,578	564	771
Income not subject to tax	(6,714)	(252)	(4,027)	(3,378)
Taxable profit	**2,271**	**6,728**	-	-
Income tax expense attributable to taxable profit	**636**	**1,744**	-	-
Prior year adjustments	225	68	-	-
Prior period tax losses transferred for no consideration	(138)	(458)	-	-
Foreign income post 31 July 2015 Taxable at 20%	51	-	-	-
Reversal of deferred tax on change in tax status	(9,975)	-	-	-
Income tax expense	**(9,201)**	**1,354**	-	-

The applicable tax rate is 28% until 31 July when the subsidiaries of the Group ceased to be a taxable entity (2015: 28%), refer note 3n.

The south pacific operations of the Group are taxable in the overseas country at the applicable company tax rate for the jurisdiction in which the income is derived.

The applicable tax rate for the Parent is 0% (2015: 0%)

8. 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 2014		21,981	(55)	389	22,315
Adjustments through income tax expense	7	9	(407)	449	51
Deferred tax recognised on business acquisition	7	(41)	-	-	(41)
Income tax rate changes adjusted through the revaluation reserve		-	-	-	-
Balance at 31 March 2015		21,949	(462)	838	22,325
Adjustments through income tax expense	7	86	(179)	(959)	(1,052)
Reversal of Deferred tax on change in tax status through income tax expense	7	(10,737)	641	121	(9,975)
Reversal of deferred tax on change in tax status through asset revaluation reserve		(11,298)	-	-	(11,298)
Balance at 31 March 2016		-	-	-	-

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9. CAPITAL ACCOUNT	Group and Parent 2016 $000	Group and Parent 2015 $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.

10. RESERVES

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Opening balance	8,064	7,718	25,955	28,745
Fair value revaluation of HEDL	-	-	25,765	(2,897)
Fair value revaluation of Craigs Portfolio	67	107	67	107
Fair value revaluation of OTK Orchards	55	-	-	-
Fair value revaluation of Del Limited	-	-	500	-
Transfer minority interest gain to reserves	-	239	-	-
Transfer to retained earnings	(38)	-	-	-
Realised gain from sale of investments	11	-	11	-
Deferred tax change on tax status	11,298	-	-	-
Fair Value Revaluation of the Network Assets	11,387	-	-	-
Currency translation (losses)/ gains	25	-	-	-
Balance as at 31 March	**30,869**	**8,064**	**52,298**	**25,955**

Balance consists of:

Horizon Energy Distribution Ltd	29,501	6,790	50,764	24,999
Craig's Investment Partners Portfolio	174	107	173	107
Sale of EOCCL	11	-	11	-
Development Enterprise Limited	-	-	1,350	849
Capital reserve	1,183	1,167	-	-
	30,869	**8,064**	**52,298**	**25,955**

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11. TRADE & OTHER RECEIVABLES

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Trade receivables	27,681	17,443	-	-
Less provision for doubtful debts	(104)	(105)	-	-
Other receivables and prepayments	346	507	15	60
	27,923	**17,845**	**15**	**60**

All receivables are denominated in New Zealand dollars.

The Trustees 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 2016, trade receivables of $3,853,128 (2015: $3,832,651) were past due.
The ageing analysis of trade and other receivables that are not impaired is as follows:

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Up to 3 months	26,356	16,378	-	60
Over 3 months	1,221	1,245	-	-
	27,577	**17,623**	**-**	**60**

12. INVENTORIES AND WORK IN PROGRESS

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Construction work in progress	1,758	3,293	-	-
Inventories	2,518	2,636	-	-
Balance at 31 March	**4,276**	**5,929**	**-**	**-**

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13. PROPERTY PLANT & EQUIPMENT

Property plant and equipment comprise:

		Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Land and buildings	*Cost or valuation*	2,614	2,479	-	-
	Additions	104	135	-	-
	Additions from business	51	-	-	-
	Asset reclassifications	339	-	-	-
	Capital work in progress	5	-	-	-
	Cost or valuation	3,113	2,614	-	-
	Accumulated depreciation and impairment	(729)	(485)	-	-
	Net book value	2,384	2,129	-	-
Plant and equipment	*Cost*	7,454	6,621	-	-
	Additions	483	558	-	-
	Additions from business combinations	41	346	-	-
	Disposals	(10)	(44)	-	-
	Asset reclassification	(339)	-	-	-
	Capital work in progress	9	(27)	-	-
	Cost	7,638	7,454	-	-
	Accumulated depreciation and impairment	(4,647)	(3,876)	-	-
	Net book value	2,991	3,578	-	-
Furniture and fittings	*Cost*	949	936	47	52
	Additions	21	13	5	-
	Additions from business combinations	15	-	-	-
	Capital work in progress	1	-	-	-
	Cost or valuation	986	949	52	52
	Accumulated depreciation	(752)	(677)	(43)	(42)
	Net book value	234	272	9	10
Motor vehicles	*Cost*	4,792	3,916	-	-
	Additions	881	864	-	-
	Additions from business combinations	386	243	-	-
	Disposals	(218)	(231)	-	-
	Capital WIP	81	-	-	-
	Cost or valuation	5,922	4,792	-	-
	Accumulated depreciation	(2,978)	(2,515)	-	-
	Net book value	2,944	2,277	-	-

13. PROPERTY PLANT & EQUIPMENT (CONTINUED)

		Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Distribution system	*Cost or Valuation*	124,733	116,700	-	-
	Additions	7,261	8,589	-	-
	Disposals	(53)	(219)	-	-
	Capital WIP	583	(336)	-	-
	Revaluation	(1,459)	-	-	-
	Cost or valuation	131,065	124,734	-	-
	Accumulated depreciation	-	(8,331)	-	-
	Net book value	131,065	116,403	-	-
Finance leased assets	*Cost*	220	220	-	-
	Disposals	(19)	-	-	-
	Cost	201	220	-	-
	Accumulated depreciation	(44)	(45)	-	-
	Net book value	157	175	-	-
Total	***Cost or valuation***	**148,925**	**140,585**	**52**	**49**
	Accumulated depreciation	**(9,151)**	**(15,751)**	**(43)**	**(39)**
	Net book value	**139,774**	**124,834**	**9**	**10**

Depreciation Expense	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Buildings	201	75	-	-
Plant and equipment	774	776	2	-
Furniture and fittings	76	47	5	6
Motor vehicles	461	570	-	-
Distribution system	4,515	4,342	-	-
Finance leased assets	(1)	14	-	-
Total	6,026	5,824	7	6

Valuation of Distribution System Assets

The network distributions assets were last revalued on 31 March 2016 by Ernst Young 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 $104.8 million (2015: $98.9 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 2016 year was $77,749 (2015: $108,985) at the Group weighted average effective interest rate.

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	Notes	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
14. INTANGIBLE ASSETS					
Goodwill					
Cost		14,983	12,886	-	-
Additions		2,819	2,097	-	-
Cost or valuation		17,802	14,983	-	-
Net book value		17,802	14,983	-	-
Software and intellectual property					
Cost		4,398	3,970	-	-
Additions		489	90	-	-
Information systems - work in progress		366	338	-	-
Software additions from business combinations		8	-	-	-
Revaluation		(76)	-	-	-
Cost or valuation		5,185	4,398	-	-
Accumulated amortisation		(1,560)	(1,109)	-	-
Net book value		3,625	3,289	-	-
Total					
Cost or valuation		22,987	19,381	-	-
Accumulated amortisation		(1,560)	(1,109)	-	-
Total	**Total**	21,427	18,272	-	-

Goodwill and Intangible Assets

(i) Allocation of Goodwill to Cash Generating Units

Goodwill is allocated and monitored based on the Groups segments. Goodwill acquired through business combinations has been allocated to the Electricity Distribution segment.

(ii) Sensitivity

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

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15. INVESTMENTS

a) Subsidiary companies

During July 2015 the Trust undertook a successful takeover offer for the remaining shares it did not already own in Horizon Energy Distribution Limited. From 29 July 2015 the Trust owned 100% (24,991,385 shares). The takeover offer was conducted pursuant to the Takeovers Code at an offer price of $4.41 per share. This value has been used to value all the shares at 31 March 2016.

As a result of the purchase a loss of $10,745,000 has been recognised as a loss on purchase of the minority interest through the statement of changes in net assets.

	Parent 2016 $000	Parent 2015 $000
Shares - Horizon Energy Distribution Limited	110,213	58,914
Shares - Development Enterprises Limited	283	201
Shares (Redeemable) - Development Enterprises Limited	1,457	1,638
Shares - EBET Investment Limited	-	31
Total investment in subsidiaries	**111,953**	**60,784**

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
b) Loans to related parties				
Loans to subsidiaries	-	-	393	451
Total loans to related parties	**-**	**-**	**393**	**451**
c) Other investments				
OPAC Limited 3.11% share interest (2015: 4.27%)	590	590	-	-
Shares - OTK Orchards Limited 15.43% share interest (2015 14.77%)	207	151	-	-
Craigs Share Portfolio	2,292	2,167	2,292	2,167
ASB - Bond portfolio	1,811	1,718	1,811	1,718
Total other investments	**4,900**	**4,626**	**4,103**	**3,885**

Further details regarding external share investments (held by DEL)

Investment	Number of Shares Held	Cost Price ($) $000	2016 Value $/share	2016 Value $ $000	2015 Value $/share	2015 Value $ $000
OPAC Limited	147,489	590	4.00	590	4.00	590
OTK Orchards Limited	568,000	500	0.3640	207	0.2663	151
		1,090		797		741

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16. TRADE & OTHER PAYABLES	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Trade payables	16,208	9,275	185	50
Accruals	3,428	3,482	-	-
Total trade payables and other payables	**19,636**	**12,757**	**185**	**50**

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 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Classified as:				
Current employee entitlements	3,113	2,395	6	6
Non-current employee entitlements	77	77	-	-
Total employee entitlements	**3,190**	**2,472**	**6**	**6**

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.

17. PROVISIONS	Group 2016 $000	Parent 2016 $000
Balance at beginning of year	1,302	-
Provisions made during the year	330	-
Provisions used during the year	(720)	-
Balance at end of year	912	-
Represented by:		
Current liabilities	912	-
Total provisions	912	-

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.

18. TERM LOANS

The Trustees estimate 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 4.62% (2015: 5.15%). The weighted average floating interest rate excludes the effect of the Group's interest rate risk management.

As at 31 March 2016, the Group had debt facilities available of $77 million (2015: $60 million), with undrawn debt facilities of $11.235 million (2015: $15.2 million). Bank loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for more than 12 months after balance date.
The borrowings are with two different institutions which are ASB and Westpac.

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

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19. DEFERRED CAPITAL CONTRIBUTIONS

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Opening balance	576	593	-	-
Less amounts recognised as revenue during year	(18)	(17)	-	-
Balance at 31 March	**558**	**576**	-	-
Classified as:				
Current	18	18	-	-
Non-current	540	558	-	-
	558	**576**	-	-

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.

20. 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 Level 1 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 2016	Group 2015	Parent 2016	Parent 2015
Assets	$000	$000	$000	$000
Investment in Subsidiaries	-	-	-	58,914
Other investments	5,103	10,660	5,103	10,660
Total for level 1	5,103	10,660	5,103	69,574
Level 2				
Liabilities				
Derivative financial instruments	(2,861)	(1,652)	-	-
Total for level 2	(2,861)	(1,652)	-	-
Level 3				
Assets				
Network Distribution Assets	131,065	116,403	-	-
Other investments	797	741	111,953	1,870
	131,862	117,144	111,953	1,870
Level 3 reconciliation				
Opening balance	117,143	113,358	1,870	3,770
Additions	7,316	8,589	-	-
Revaluation movement	(1,459)	-	-	-
Movement between Level 1 and Level 3	-	-	110,082	
Disposal	(53)	(219)	-	(1,900)
Capital work in progress	584	(336)	-	-
Accumulated Depreciation	8,331	(4,249)	-	-
	131,862	117,143	111,952	1,870

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20. FINANCIAL INSTRUMENTS (CONTINUED)

(i) 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 2016 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 2016. The debit value adjustment is calculated for 'out-of-the-money' derivatives as at 31 March 2016.

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.

(ii) 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 losses for the period recognised in profit and loss, $47,966 (2015: $125,632) relates to network distribution assets written off during the reporting period with the 2015 writeoff, primarily being 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 Revenue and Expenses.

Other Investments

During the process of the Parent acquiring the additional Horizon shares, valuation work was undertaken by Deloittes to determine an appropriate value for the acquisition. Deloittes valued the Horizon shares at between $3.47 and $4.97 per share, justifying the eventual purchase price of $4.41 per share. At 31 March 2016 all the Horizon shares held by the Trust have been valued at $4.41 per share. Deloittes valuation was determined using discounted cash flow methodology to determine an EBITDA and then applying a multiple in line with industry standard.

The value of the DEL shares has been determined by the current value of the underlying assets owned by DEL less any liabilities owing. This method has determined the current value of the net assets of DEL at $1,511,712. The current value of the underlying assets was determined as follows:

OPAC shares - value of recent share placement to the market
OTK Orchards shares - discounted cash flow analysis
Property - recent market valuation
Lease - discounted cash flow analysis

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21. 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 Statement of Financial Position. Refer to note 3, significant accounting policies - Construction Contracts.

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Contracts in progress at balance date:				
Gross construction work in progress plus margin to date	97,090	90,108	-	-
Progress billings	(98,449)	(89,385)	-	-
Work in Progress	(1,359)	723	-	-
Construction contracts with net work in progress (note 12)	1,758	3,293	-	-
Construction contracts with net funds received in advance of cost and margin	(3,117)	(2,570)	-	-
Carrying amount at the end of the year	(1,359)	723	-	-
Retentions owing within Trade Debtors on completed construction contracts:	3,963	3,526	-	-

22. OPERATING LEASES

As Lessee

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Operating lease commitments fall due for payment in the following periods:				
Within one year	1,718	1,525	-	-
Within one to five years	2,923	2,454	-	-
Over five years	114	5	-	-
	4,755	3,984	-	-

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

As Lessor

Future minimum lease payments receivable are:	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Within one year	150	150	-	-
Within one to five years	600	600	-	-
Over five years	13	163	-	-
	763	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.

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23. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by Ingham Mora, for 2015, KPMG the auditor of the Parent and the Group, and for services provided by KPMG, by the auditors are as follows:

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Paid or payable for services provided by the auditor				
Statutory Audit				
Auditing of the Parent financial statements*	30	29	30	29
Audit of the Group financial statements	122	118	-	-
Total Audit and Assurance Services	152	147	30	29
Audit Related Services				
Audit of the Information Disclosure Statements and Default Price-Quality Compliance Statement reported to the Commerce Commission	48	44	-	-
Review of the Half Year Financial Statements	8	3	-	-
Total Audit Related services	56	47	-	-
Other Services				
Taxation Compliance and Advisory Services	79	13	-	-
Total Other Services	79	13	-	-
Total auditors' remuneration *	287	207	30	29

*Audit fees for 2015 for the Parent company were incurred by Ingham Mora. All other fees have been for services provided by KPMG.

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24. 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 2016 $000	Group 2015 $000
Transactions		
Dividend paid by HEDL to EBET	4,294	2,897
	4,294	**2,897**
Grants paid from EBET to HEDL	94	11
Grants paid from EBET to EOCCL	-	13
	94	**24**
Services provided by EBET to DEL	24	24
Services provided by DPIL to EBET	32	28
Services provided by HEDL to EBET	137	-
	193	**52**
Interest on intercompany loan between EBET and DEL	38	39
	38	**39**
Loans advanced - EBET to DEL	-	630
Loans repaid - DEL to EBET	58	(179)
	58	**451**
Balances		
Loan from EBET to DEL	393	451
Loan from DEL to DPIL	306	756
	699	**1,207**
Shares in HEDL	110,213	58,914
Shares in DEL	283	201
Redeemable shares in DEL	1,457	1,638
Shares in DIL	-	728
Shares in EBETIL	-	31
Shares in DPIL	333	333
	112,286	**61,845**

The Eastern Bay Energy Trust owns 100% (2015: 77.29%) of the ordinary shares of Horizon Energy Distribution Limited, and 100% of the shares of Energy Options Charitable Company Limited (sold 30 June 2015), 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 2016 (2015: the Trustees considered that no loans were impaired).

Key management remuneration

Remuneration of key management personnel, trustees and directors	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Salaries and other short term benefits	1,828	1,603	-	-
Directors' fees and payments	310	273	-	-
Trustees' fees and payments	115	120	115	120
	2,253	1,996	115	120

25. CAPITAL COMMITMENTS

Capital expenditure contracted for at balance date but not yet incurred is:	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Non network assets	189	11	-	-
Network distribution assets	750	10	-	-
	939	21	-	-

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26. BUSINESS COMBINATIONS

Acquisition of the Net Assets and Business of AcmeTech Limited

On 1 July 2015, Horizon Energy Distribution Limited (through its subsidiary Aquaheat New Zealand Limited) acquired the business assets and certain liabilities of AcmeTech Limited.

The investment is consistent with Horizon Energy's strategy to develop its non-regulated revenue streams. The new business trades under the name AcmeTech and complements the refrigeration business providing refrigeration service and installation solutions.

Details of Net Assets and Goodwill Acquired

The consideration paid is still subject to an earn out payment which has been fair valued as at the acquisition date and included in Trade and Other Payables in the Statement of Financial Position. There has been no change in the fair value as at 31 March 2016. Any changes to the fair value after acquisition will be reflected through profit or loss.

HEDL has determined the fair values of the net assets and goodwill acquired, and the amounts outlined below are provisional at 31 March 2016 due to the earn out payment.

	Group Provisional 2016 $000
Consideration on Acquisition	1,091

	Fair Value Adjustment 2016 $000
Consisting of:	
Receivables	236
Inventories	37
Construction Work in Progress	-
Plant and Equipment	7
Motor Vehicles	18
Total Assets Acquired	298
Trade and Other Payables	(109)
Employee Liabilities	(23)
General Business Insurance	-
Warranty Provisions	-
Total Liabilities Acquired	(132)
Fair Value of Net Assets Acquired	166
Goodwill on Acquisition	925
Total Purchase Consideration	1,091

Other costs of $30,225 associated with the acquisition have been expensed and are recorded in Operating Expenses in the Statement of Revenue and Expenses.

Goodwill is attributable to the presence in the market place and workforce of the acquired business and is not a separately identifiable intangible asset. Goodwill related to this business combination is non-deductible for income tax purposes for the period up to 31 July 2015.

Consolidation Treatment

100% of the income, assets and liabilities have been consolidated within the Group results from 1 July 2015.

The amounts included in the Consolidated Statement of Revenue and Expenses for the nine months post acquisition to 31 March 2016 include:

	2016 $000
Revenue	1,771
Net Profit after Tax (Tax from 31 July is Nil due to Tax Exempt Status)	277

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 2015 have not been made.

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26. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of the Net Assets and Business of ElectriServ Limited

On 1 October 2015, Horizon Energy Distribution Limited (through its subsidiary Horizon Services Limited) acquired the business assets and certain liabilities of ElectriServ Limited. The consideration is included in the cash and cash equivalents in the Statement of Financial Position as at 31 March 2016.

The investment is consistent with Horizon Energy's strategy to develop its non-regulated revenue streams. The new business trades under the name ElectriServ and complements the existing electrical services business providing electrical and facilities management service and installation solutions.

Details of Net Assets and Goodwill Acquired

The values assigned to Leasehold Improvements, Plant and Equipment and Motor Vehicles are the revalued prices as determined by the independent valuation undertaken by North Langley & Associates effective 1 October 2015.

	Group Final 2016 $000
Consideration on Acquisition	2,743

	Fair Value 2016 $000
Consisting of:	
Working Capital	
Receivables	1,075
Prepayments	10
Inventories	13
Construction Work in Progress	65
Plant and Equipment, Office Furniture and Leasehold Improvements	100
Motor Vehicles	368
Software	8
Total Assets Acquired	1,639
Trade and Other Payables	(332)
Employee Liabilities	(458)
General Business Insurance	-
Warranty Provisions	-
Total Liabilities Acquired	(790)
Fair Value of Net Assets Acquired	849
Goodwill on Acquisition	1,894
Total Purchase Consideration	2,743

Other costs of $47,632 with the acquisition have been expensed and are recorded in Operating Expenses in the Statement of Revenue and Expenses.

Goodwill is attributable to the presence in the market place and workforce of the acquired business and is not a separately identifiable intangible asset.

Consolidation Treatment

100% of the income, assets and liabilities have been consolidated within the Group results from 1 October 2015.

ElectriServ is a division of Horizon Services Limited. The amounts included in the Consolidated Statement of Revenue and Expenses and in the Electrical Contracting and Servicing operating segment for the six months post acquisition to 31 March 2016 include:

	2016 $000
Revenue	3,129
Net Profit after Tax (Tax is Nil due to Tax Exempt Status)	109

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27. CONTINGENT LIABILITIES

Electricity Purchase Commitment

In March 1999, as part of the sale of the Kapuni Generation assets, the Group 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 HEDL's constitution, unclaimed dividends now total $122,034 (2015: $131,170) 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 HEDL 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 2016 the total value of performance bonds issued is $1.239 million (2015: $0.595 million) and the total value of HEDL Guarantees is $7.418 million (2015: $5.6 million).

28. SUBSEQUENT EVENTS

Dividend declaration

On 19 May 2016 HEDL declared a final dividend of 12.0 cents (2015: 8.0 cents imputed) per ordinary share. As this event occurred after balance date the financial effect has not been recognised in the Parent Financial Statements.

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Independent auditor's report

To the beneficiaries of Eastern Bay Energy Trust

We have audited the accompanying financial statements of Eastern Bay Energy Trust ("the trust") and the group, comprising the trust and its subsidiaries, on pages 4 to 40. The financial statements comprise the statements of financial position as at 31 March 2016, the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the trust and the group.

This report is made solely to the beneficiaries as a body. Our audit work has been undertaken so that we might state to the trust's beneficiaries those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the trust's beneficiaries as a body, for our audit work, this report or any of the opinions we have formed.

Trustees' responsibility for the trust and group financial statements

The trustees are responsible on behalf of the trust for the preparation and fair presentation of the trust and group financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards (Not-For-Profit)) 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 trust and group 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 trust and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the trust and group 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 trust and group's preparation and fair presentation of the financial statements 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 trust and group'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 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.

Our firm has also provided other services to the group in relation to taxation, compliance and advisory services and other regulatory audit and assurance services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Opinion

In our opinion, the financial statements on pages 4 to 40 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Eastern Bay Energy Trust and the group as at 31 March 2016 and their financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards (Not-For-Profit).

Other matter

The financial statements of Eastern Bay Energy Trust and the group, for the year ended 31 March 2015, were audited by another auditor who expressed an unmodified opinion on those statements on 30 July 2015.

KPMG

28 July 2016
Tauranga