# Financial Statements

For the year ended 31st March 2021

Investing
In Our
Community

TRUST HORIZON

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**Trustees' declaration**

In the opinion of the Trustees of Trust Horizon, the Consolidated Financial Statements and the notes, on pages 4 to 30:

- comply with New Zealand generally accepted accounting practice and fairly present the financial position of the Trust as at 31 March 2021 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 statements, incorporating the Consolidated Financial Statements of Trust Horizon for the year ended 31 March 2021.

For and on behalf of the Board of Trustees:

| | | |
|---|---|---|
| Aaron Milne | David Bulley | Kevin Hennessy |
| Chair | Deputy Chair | Trustee |
| 26 August 2021 | 26 August 2021 | 26 August 2021 |

## DIRECTORY

| | | |
|---|---|---|
| Manager | Derek Caudwell | |
| 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 | reception@trusthorizon.org.nz | |
| Website | www.trusthorizon.org.nz | |



| | | |
|---|---|---|
| **Trustees** | | |
| Chairman | Aaron Milne | 021 053 0557 |
| Deputy Chairman | David Bulley | 07 312 5874 |
| Trustees | Don Lewell | 07 308 7244 |
| | Edwina O'Brien | 07 323 8513 |
| | Kevin Hennessy | 07 315 7348 |
| | Merrin Stables | 027 4460 127 |



| | | |
|---|---|---|
| **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**

| | |
|---|---|
| | **Trust Horizon Trustee** |
| **Development Enterprises Ltd** | Don Lewell |
| | Kevin Hennessy |
| | Edwina O'Brien |
| | David Bulley |
| | Aaron Milne |
| | Merrin Stables |

## TRUST HORIZON
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 MARCH 2021

| | Notes | 2021 $000 | 2020 $000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | 2,226 | 2,307 |
| Short term deposits | | 3,653 | 1,900 |
| Trade and other receivables | **10** | 30,509 | 39,976 |
| Debtor retentions | | 6,414 | 5,744 |
| Inventories and work in progress | **11** | 12,128 | 7,535 |
| Current tax assets | | 106 | 361 |
| **Total Current Assets** | | 55,037 | 57,823 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | **12** | 178,982 | 175,638 |
| Intangible assets | **13** | 33,337 | 33,582 |
| Restricted bank deposits | | 259 | 1,491 |
| Other receivables | | 53 | 53 |
| Investments | **14** | 3,951 | 3,526 |
| **Total Non-Current Assets** | | 216,581 | 214,290 |
| **Total Assets** | | 271,618 | 272,113 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | **15** | 21,249 | 26,461 |
| Creditor retentions | | 3,065 | 3,218 |
| Grants owing | | 1,710 | 1,817 |
| Provision for staff entitlements | **16a** | 9,400 | 7,907 |
| Construction work in progress | **20** | 12,201 | 11,532 |
| Derivative financial instruments | | 201 | 196 |
| Deferred capital contributions | **18** | 18 | 18 |
| Provisions | **16b** | 2,882 | 2,038 |
| **Total Current Liabilities** | | 50,726 | 53,187 |
| **Non-Current Liabilities** | | | |
| Provision for staff entitlements | **16a** | 264 | 182 |
| Deferred capital contributions | **18** | 450 | 468 |
| Term loans | **5** | 53,200 | 66,200 |
| Derivative financial instruments | | 2,449 | 3,640 |
| **Total Non-Current Liabilities** | | 56,363 | 70,490 |
| **Total Liabilities** | | 107,089 | 123,677 |
| **Net Assets** | | **164,529** | **148,436** |
| **EQUITY** | | | |
| Capital | **8** | 26,638 | 26,638 |
| Reserves | **9** | 66,247 | 65,261 |
| Retained earnings | | 71,643 | 56,537 |
| **Total Equity** | | **164,529** | **148,436** |

These financial statements have been authorised for issue by the Board of Trustees on 26 August 2021

Trustee Trustee Trustee K Hennessy

Date: 26 August 2021

The notes on page 8 to 30 are integral to these Financial Statements



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**TRUST HORIZON**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES**
**FOR THE YEAR ENDED 31 MARCH 2021**

| | Notes | 2021 $000 | 2020 $000 |
|---|---|---|---|
| Operating revenue | 6a | 238,105 | 252,822 |
| Operating expenses | 6b | (221,473) | (236,618) |
| **Operating surplus** | | 16,631 | 16,204 |
| **Other Income** | | | |
| Dividend income | | 176 | 57 |
| **Financing Income and Expenses** | | | |
| Interest income | | 19 | 145 |
| Interest expense | | (2,224) | (2,873) |
| Fair value gain/(loss) of financial derivatives | | 1,186 | (1,165) |
| | | (1,018) | (3,893) |
| **Surplus before tax** | | 15,790 | 12,368 |
| Income tax benefit / (expense) | 7 | (140) | (306) |
| **Surplus after tax from continuing operations** | | 15,650 | 12,062 |
| **Surplus for the year** | | 15,650 | 12,062 |
| **Other comprehensive surplus** | | | |
| Fair value gain of Investments in NZ and International shares (or "equities") | 9 | 1,010 | 299 |
| Prior period tax adjustment | 7 | (46) | - |
| (Loss)/gain on foreign currency translation | 9 | (24) | (66) |
| **Other comprehensive surplus for the year net of tax** | | 940 | 233 |
| **Total comprehensive surplus for the year** | | 16,589 | 12,295 |



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# TRUST HORIZON
## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
## FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | Trust Capital $000 | Retained Earnings $000 | Foreign Currency Translation Reserve $000 | Revaluation Reserve $000 | Fair Value Reserve $000 | Total $000 |
|---|---|---|---|---|---|---|---|
| **Balance as at 31 March 2019** | 8 | 26,638 | 46,417 | 26 | 63,197 | 1,805 | 138,083 |
| Total comprehensive revenue | | - | 12,062 | (66) | - | 299 | 12,295 |
| Grants paid and approved | | - | (1,943) | - | - | - | (1,943) |
| **Balance as at 31 March 2020** | 8 | **26,638** | **56,537** | **(40)** | **63,197** | **2,104** | **148,436** |
| Total comprehensive revenue | | - | 15,603 | (24) | - | 1,011 | 16,591 |
| Grants paid and approved | | - | (498) | - | - | - | (498) |
| **Balance as at 31 March 2021** | 8 | **26,638** | **71,642** | **(64)** | **63,197** | **3,115** | **164,529** |

# TRUST HORIZON
## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | 2021<br>$000 | 2020<br>$000 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash receipts from customers | | 244,567 | 249,227 |
| Cash paid to suppliers | | (217,622) | (225,297) |
| Interest received | | 27 | 150 |
| Interest paid | | (2,396) | (2,973) |
| **Net cash from / (used in) operating activities before tax** | | **24,577** | **21,107** |
| Taxes paid | | - | (236) |
| **Net cash from / (used in) operating activities** | | **24,577** | **20,871** |
| **Investing activities** | | | |
| Short term deposits | | (1,761) | 405 |
| Restricted bank deposits | | 1,232 | (1,331) |
| Dividend income received | | 165 | 57 |
| Purchases of property, plant & equipment | | (10,086) | (11,281) |
| Purchase of intangible assets | | (1,609) | (2,023) |
| Purchase of businesses | | - | (8,753) |
| Purchase of investments | | (1,500) | (64) |
| Disposal of investments | | 2,177 | 3,464 |
| Proceeds on disposal of property, plant & equipment | | 425 | 3,365 |
| **Net cash from/ used in investing activities** | | (10,957) | (16,161) |
| **Financing activities** | | | |
| Grants paid | | (609) | (1,970) |
| Repayment of term debt | | (109,913) | (126,548) |
| Term debt drawn down | | 96,821 | 123,950 |
| **Net cash from/(used in) financing activities** | | (13,701) | (4,568) |
| **Net (decrease)/increase in cash and cash equivalents** | | (81) | 142 |
| Cash and cash equivalents at the beginning of the year | | 2,307 | 2,165 |
| **Cash and cash equivalents at the end of the year** | | **2,226** | **2,307** |



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## 1. REPORTING ENTITY

Trust Horizon 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 but operations are also undertaken in the South Pacific.
The Financial Statements of the Group for the year ended 31 March 2021 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:

- Trust Horizon (TH)
- Development Enterprises Limited (DEL) - 100% owned by TH
- Horizon Energy Distribution Limited (HEDL) – 100% owned by TH
- Horizon Services Limited (HSL) – 100% owned by HEDL
- Horizon Energy Group Limited (HEGL) – 100% owned by HEDL (non-trading)
- Horizon Energy Limited (HEL) – 100% owned by HEDL (non-trading)
- Aquaheat New Zealand Limited (ANZL) – 100% owned by HEDL
- Aquaheat South Pacific Limited (ASPL) – 100% owned by ANZL
- Aquaheat Facility Services Limited (AFSL) – 100% owned by HEDL
- CoolLogic Refrigeration Limited (CLFL) – 100% owned by HEDL
- Caldwell and Levesque Limited – 100% owned by HEDL

## 2. BASIS OF PREPARATION

### Statement of compliance

The Financial Statements have been prepared in accordance with the Financial Reporting Act 2013 and Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the Public Benefit Entity Accounting Standards as appropriate for Tier 1 not-for-profit public benefit entities. The Group has early adopted IPSAS41 Financial Instruments, which replaces IPSAS29 Financial Instruments: Recognition and Measurement. The Group has not restated comparative information which was in accordance with IPSAS29.

The Financial Statements were approved by the Board of Trustees on 26 August 2021. 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.

### 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.

## 2. BASIS OF PREPARATION (continued)

### 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 12 – valuation of buildings and network distribution system
- Note 13 – valuation of intangibles

## 3. SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of consolidation

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

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

Profits 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.

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 PBE IPSAS 29 either in profit or loss or as a change to other comprehensive income.

Amalgamations within the Group are accounted for by the surviving entity taking on the assets and liabilities of the non-surviving entity at the values at the date of amalgamation.



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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Business Combinations (continued)**

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.

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 from Exchange Transactions

**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.

**Construction contracts**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the percentage of completion. Variations to contract work, claims and incentive payments are included to the extent that they have been agreed with the customer and can be reliably measured.

The Group measures revenue using the measure of progress that best reflects the Group's percentage of completion. The different methods of measuring progress include an input method (e.g. costs incurred) or an output method (e.g. milestones reached). The Group has used the input method to measure the progress of all its construction contracts.

**Service Revenue**

Services revenue is primarily generated from maintenance and other services supplied. Typically, under the performance obligations of service contract, the customer consumes and receives the benefit of the service as it is provided. As such, service revenue is recognised over time as the services are provided.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Distribution Revenue**

Distribution revenue is generated from line charges to customers. The customer consumes and receives the benefit of the service as it is provided. As such, distribution revenue is recognised over time as the services are provided.

### d) Revenue from Non-Exchange Transactions

**Capital Contributions from Non-Government Entities**

Capital contributions received from non-government entities relating to the purchase of property, plant and equipment are included in profit or loss in the year in which the contribution is earned.

**Deferred Capital Contributions**

Discretionary capital contributions from local authorities for the construction of network distribution assets meet the definition of a government grant under PBE IPSAS 23 “Revenue from non-exchange transactions”. Such cash receipts are included in non-current liabilities as deferred income and are amortised over a 45 year period which approximates the obligation period attached to these grants. There are no unfulfilled conditions and other contingencies attached to these contributions.

### 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) Foreign Operations

The assets and liabilities of foreign operations are translated to New Zealand Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Zealand Dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

The Group does not have significant transactions involving foreign currencies.

### g) Borrowing Costs

Borrowing costs 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.

### h) Employee entitlements

**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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### i) 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 represents the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Consideration is also given to discounting the provision if the effect is material.

### j) Bonus plans

The Group recognises a liability and an expense for the Group 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.

### k) 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.

### l) Property, plant and equipment

**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.

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

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

**Land and buildings**

Land and buildings held 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.



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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Land and buildings (continued)**
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.

**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.

**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 Revenue and Expenses.

**Depreciation**
Depreciation is recognised in the Statement of Comprehensive 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.

### m) Intangible Assets

**Computer Software**
Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (five to ten years) on a straight-line basis.

Acquired customer lists are measured at fair value. This is amortised on a straight-line basis over a period of 3 – 5 years.

**Goodwill**
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 subsidiary acquired, the difference is recognised in profit or loss.

### n) Impairment of Non Financial Assets

At each reporting date the Group reviews the carrying amounts of its depreciated or amortised assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the assets are tested for impairment.

At each reporting date the Group tests intangible assets with indefinite useful lives for impairment.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Impairment of Non Financial Assets (continued)**
To test an asset for impairment, the recoverable amount of the asset is estimated. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs being the smallest group of assets that, together, generate cash flows independently of other assets or cash-generating units.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease to the extent of any revaluation reserve balance.

**o) Inventories**
Inventories are stated at the lower of cost or net realisable value. Cost includes the cost of direct materials and other charges, such as freight costs, that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

**p) Financial Instruments**
Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes a party to the contractual provisions (the trade-date) of the instrument.

The Group classifies its financial assets in the following categories: fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Loans and receivables include trade receivables and cash and cash equivalents. Financial assets at fair value through profit or loss include derivative financial instruments.

Management determines the classification of its financial assets at initial recognition.

**Non-Derivative Financial Instruments**
Non-Derivative Financial Instruments include: Investments in Equity Securities, Trade Receivables, Cash and Cash Equivalents, Bank Borrowings and Trade Payables.

**(i) Investments in Equity Securities**
Investment in equity securities by the Group are classified as Investments and are stated at fair value, with any resultant gain or loss being recognised in other comprehensive income and presented in the fair value reserve in equity.

**(ii) Trade Receivables**
Trade receivables are initially measured at fair value and subsequently measured at amortised cost.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.



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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 due to economic or legal reasons relating 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 the estimated future cash flows discounted using the effective interest rate.

**(iii) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and other short term highly liquid investments with original maturities of 3 months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

**(iv) Bank Borrowings**

Interest bearing bank loans and overdrafts are initially measured at fair value (net of transaction costs), and are subsequently measured at amortised cost, using the effective interest rate method.

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.

**(v) Trade 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.

**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 designate its derivative financial instruments for hedge accounting. Consequently they are classified as 'fair value through profit or loss' with changes in the fair value of these derivative instruments recognised immediately in profit or loss.

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.

**q) Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, it is more likely than not that the future sacrifice of economic benefits will arise and the amount of the provision can be measured reliably. Provisions are measured at the Trustees best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Provisions are not recognised for future operating losses.



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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### r) Grant Expenditure

Grants approved are recorded in equity as distributions from retained earnings when the requirements under the grant agreement have been met.

### s) 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 received is included in operating activities.

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.

## 4. CRITICAL JUDGEMENTS IN APPLYING THE ENTITY' ACCOUNTING POLICIES

### Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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 Consolidated Financial Statements.

**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 the total distribution revenue.

**Valuation of 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 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.

**Goodwill**

Goodwill acquired through business combinations has been allocated to six cash generating units (CGU's) that will operate within four reporting segments for impairment testing, comprising Regulated, Electrical, HVAC Mechanical & Service and Refrigeration. 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 seven years exceed the carrying value of each business including goodwill.



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## 4. CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES (continued)

**Valuation of Network Distribution Assets**

The Group estimates the fair value of the network distribution 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 2019 was compiled using the discounted cash flow technique (as was the previous valuation at 31 March 2016).

Changes in these valuation estimates could have a material effect on the carrying amount of the network distribution assets disclosed in Note 12.

The key valuation assumptions relating to the network distribution assets revaluation performed at 31 March 2019 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 2019 forecasts;
iv. A post tax discount rate (WACC) of 5.4% 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.

**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.

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.

| Key Variable | Change | Value impact ($million) | |
|---|---|---|---|
| Horizon WACC (5.4%) | +/- 0.5% | -3.6 | +3.7 |
| CPI | +/- 0.5% | -1.5 | +1.1 |
| Capital Expenditure | +/- 10% | -3.3 | +3.3 |
| Terminal Year RAB Multiple | +/- 5% | -5.7 | +5.7 |

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

## 5. FINANCIAL RISK MANAGMENT

Risk management is carried out by Management under policies approved by the Trustees. Management identifies and evaluates relevant financial risks and acts to manage these risks where possible, within the parameters set out by the 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.

### Market Risk

#### Foreign Exchange Risk

The Group's revenue is predominantly denominated in New Zealand dollars and it has no significant currency exposure in the foreseeable future. The Group conducts its business activities in the South Pacific in a foreign currency, and may from time to time purchase assets 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.

### 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 2021, if interest rates on long term borrowing had changed by +/- 1% (2020: +/- 1%) with all other variables held constant, pre tax profit and equity for the year would have been $42,967 lower/higher (2020: $116,339 lower/higher)

### 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.


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## 5. FINANCIAL RISK MANAGEMENT (continued)

### 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 approve 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 17. In the table below cashflows relating to bank loans are presented in accordance with facility maturity dates.

| 2021 | Stmt of Financial Position | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 5 years |
|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 |
| Unsecured loans & borrowings | 53,200 | 33,176 | 21,076 | 865 | - |
| Grant payments owing | 1,710 | 1,026 | 513 | 171 | - |
| Trade and other payables | 21,249 | 21,249 | - | - | - |
| Creditor Retentions | 3,065 | 2,776 | 289 | - | - |
| Derivatives | | | | | |
| - Inflows | | (164) | (124) | (178) | (15) |
| - Outflows | | 1,243 | 943 | 1,434 | 152 |
| | **79,224** | **59,306** | **22,697** | **2,292** | **137** |
| **2020** | | | | | |
| Unsecured loans & borrowings | 66,200 | 5,425 | 33,104 | 21,055 | 9,867 |
| Grant payments owing | 1,817 | - | 1,817 | - | - |
| Trade and other payables | 29,679 | 29,679 | - | - | - |
| Creditor Retentions | 3,218 | 3,218 | | | |
| Derivatives | | | | | |
| - Inflows | | (133) | (128) | (232) | (41) |
| - Outflows | | 1,358 | 1,243 | 2,071 | 351 |

### Capital Risk Management

The Group manages its capital structure and makes adjustments to it in light of economic conditions and business requirements. The Group monitors capital using a gearing ratio, which is net debt divided by net debt plus equity. Net debt is calculated as borrowings less cash and cash equivalents.

## 6. OPERATING REVENUES & EXPENSES BY NATURE

| | Notes | 2021 $000 | 2020 $000 |
|---|---|---|---|
| ***6a. Revenue from Exchange Transactions*** | | | |
| Distribution revenue | | 31,252 | 33,299 |
| Contracting and servicing income | | 197,819 | 214,794 |
| Capital contributions revenue | | 2,092 | 3,104 |
| Other revenue | | 6,882 | 1,565 |
| Rental income | | 61 | 60 |
| | | **238,106** | **252,822** |
| ***6b. Operating expenses include:*** | | | |
| Depreciation | **12** | 8,031 | 8,068 |
| Net loss/(gain) on disposal of fixed assets | | 277 | 370 |
| Rental and operating lease expenses | | 4,837 | 4,296 |
| Maintenance of network distribution assets | | 3,546 | 3,751 |
| Employee entitlements | | 81,749 | 73,819 |
| Transmission charges | | 6,556 | 8,965 |
| Movement in doubtful debts provision | | (1,366) | 1,330 |
| Trustees' fees & expenses | | 128 | 139 |
| Directors' remuneration and retirement | | 352 | 350 |
| Bad debts | | 75 | 58 |
| Auditors' remuneration | **22** | 257 | 316 |
| Investment property expenses | | 27 | 27 |

## 7. INCOME TAX BENEFIT / (EXPENSE)

| | 2021 $000 | 2020 $000 |
|---|---|---|
| Current tax | (140) | (306) |
| **Income tax benefit / (expense)** | **(140)** | **(306)** |

The tax charge for the year can be reconciled to the profit per the Statement of Comprehensive Revenue and Expenses as follows:

| | 2021 $000 | 2020 $000 |
|---|---|---|
| **Profit before tax** | 15,790 | 12,368 |
| Income not subject to tax | (15,534) | (12,368) |
| Utilisation of losses carried forward | (256) | - |
| **Income tax benefit / (expense) attributable to taxable profit** | **-** | **-** |
| **Tax effect of amounts which are non-deductible / (taxable) in calculating taxable income** | | |
| Prior year adjustments | (47) | (47) |
| Prior Period Unrecoverable Tax Asset | 81 | |
| Foreign Withholding Tax Deducted at Source Not Recoverable | - | 237 |
| Foreign income Taxable at 20% | 106 | 116 |
| **Total income tax benefit / (expense)** | **140** | **306** |

The Group ceased to be a taxable entity on 31 July 2015. The applicable tax rate until 31 July 2015 for the subsidiaries of the Group was 28%.

## 8. CAPITAL ACCOUNT

| | **2021 $000** | **2020** $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 Trust Horizon upon its formation.

## 9. RESERVES

| | **2021 $000** | **2020** $000 |
|---|---|---|
| Opening balance | 65,261 | 65,028 |
| Fair value revaluation of Investments in NZ and International shares (or "equities") | 1,010 | 299 |
| Currency translation (losses)/ gains | (24) | (66) |
| **Balance as at 31 March** | **66,247** | **65,261** |

Balance consists of:

| | | |
|---|---|---|
| Network asset revaluation reserve | 63,197 | 63,197 |
| Investment fair value reserve | 3,114 | 2,104 |
| Foreign currency translation reserve | (64) | (40) |
| | **66,247** | **65,261** |

## 10. TRADE & OTHER RECEIVABLES

| | **2021 $000** | **2020** $000 |
|---|---|---|
| Trade receivables | 30,461 | 41,375 |
| Less provision for doubtful debts | (434) | (1,800) |
| Other receivables and prepayments | 482 | 401 |
| | **30,509** | **39,976** |

All receivables are denominated in New Zealand dollars except for South Pacific trading which are in Fiji dollars.

The Trustees consider that the carrying amount of trade and other receivables approximates fair value. There are no significant 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. The Group has adjusted the level of impairment of trade receivables in the current period to reflect lower levels of write off experienced in FY21, principally arising from an earlier than expected economic recovery from COVID-19. As at 31 March 2021, trade receivables of $7,517,923 (2020: $14,387,171) were past due.

The ageing analysis of trade and other receivables that are not impaired is as follows:

| | **2021 $000** | **2020** $000 |
|---|---|---|
| Up to 3 months | 25,101 | 38,448 |
| Over 3 months | 4,907 | 6,871 |
| | **30,008** | **45,319** |

## 11. INVENTORIES AND WORK IN PROGRESS

| | 2021 $000 | 2020 $000 |
|---|---|---|
| Construction work in progress (Note 20) | 7,538 | 2,893 |
| Inventories | 4,590 | 4,642 |
| **Balance at 31 March** | **12,128** | **7,535** |

## 12. PROPERTY PLANT & EQUIPMENT

| | | 2021 $000 | 2020 $000 |
|---|---|---|---|
| Property plant and equipment comprise: | | | |
| Land and buildings | *Opening cost or valuation* | 4,657 | 5,304 |
| | *Additions* | 598 | 1,412 |
| | *Additions from business combinations* | - | 15 |
| | *Disposals* | (8) | (1,974) |
| | *Capital work in progress* | - | (100) |
| | ***Closing cost or valuation*** | 5,247 | 4,657 |
| | *Accumulated depreciation and impairment* | (1,591) | (1,373) |
| | ***Net book value*** | 3,656 | 3,284 |
| Plant and equipment | *Opening cost or valuation* | 12,200 | 10,634 |
| | *Additions* | 622 | 1,422 |
| | *Additions from business combinations* | - | 186 |
| | *Asset Reclassification* | (4) | (24) |
| | *Disposals* | (332) | (35) |
| | *Capital work in progress* | (20) | 17 |
| | ***Closing cost or valuation*** | 12,466 | 12,200 |
| | *Accumulated depreciation and impairment* | (9,229) | (8,314) |
| | ***Net book value*** | 3,237 | 3,886 |
| Furniture and fittings | *Opening cost or valuation* | 1,407 | 1,267 |
| | *Additions* | 168 | 143 |
| | *Disposals* | (6) | 11 |
| | ***Closing cost or valuation*** | 1,569 | 1,421 |
| | *Accumulated depreciation* | (1,080) | (1,007) |
| | ***Net book value*** | 489 | 414 |
| Motor vehicles | *Opening cost or valuation* | 11,247 | 10,551 |
| | *Additions* | 924 | 438 |
| | *Additions from business combinations* | - | 591 |
| | *Asset Reclassification* | 3 | - |
| | *Disposals* | (883) | (477) |
| | *Capital work in progress* | (88) | 89 |
| | ***Closing cost or valuation*** | 11,203 | 11,192 |
| | *Accumulated depreciation* | (6,611) | (5,926) |
| | ***Net book value*** | 4,593 | 5,267 |

## 12. PROPERTY PLANT & EQUIPMENT (CONTINUED)

| | | 2021 $000 | 2020 $000 |
|---|---|---|---|
| Distribution system | *Opening cost or valuation* | 165,632 | 158,792 |
| | *Additions* | 8,846 | 11,357 |
| | *Disposals* | (76) | (2,871) |
| | *Capital work in progress* | 652 | (1,646) |
| | ***Closing cost or valuation*** | 175,054 | 165,632 |
| | *Accumulated depreciation* | (8,134) | (2,964) |
| | ***Net book value*** | 166,920 | 162,668 |
| Finance leased assets | *Opening cost or valuation* | 182 | 182 |
| | ***Closing cost or valuation*** | 182 | 182 |
| | *Accumulated depreciation* | (94) | (84) |
| | ***Net book value*** | 88 | 98 |
| **Total** | ***Closing cost or valuation*** | **205,721** | **195,306** |
| | ***Accumulated depreciation*** | **(26,739)** | **(19,667)** |
| | **Net book value** | **178,982** | **175,638** |

### Depreciation Expense

| | 2021 $000 | 2020 $000 |
|---|---|---|
| Buildings | 201 | 194 |
| Plant and equipment | 1,255 | 1,143 |
| Furniture and fittings | 96 | 93 |
| Motor vehicles | 1,296 | 1,259 |
| Distribution system | 5,174 | 5,369 |
| Finance leased assets | 10 | 10 |
| **Total** | 8,031 | 8,068 |

**Valuation of Distribution System Assets**

The network distributions assets were revalued as at 31 March 2019 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 $144.2 million (2020: $131.8 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 year ended 31 March 2021 was $88,724 (2020: $76,645) at the Group weighted average effective interest rate.



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## 13. INTANGIBLE ASSETS

| | 2021 $000 | 2020 $000 |
|---|---|---|
| **Goodwill** | | |
| *Opening cost or valuation* | 26,692 | 22,278 |
| *Additions* | - | 4,414 |
| *Net book value* | 26,692 | 26,692 |
| | | |
| **Software and intellectual property** | | |
| *Opening cost or valuation* | 14,582 | 10,159 |
| *Additions* | 4,381 | 300 |
| *Foreign Exchange Transactions* | (5) | - |
| *Customer Assets Intangible Attributed on Acquisition* | - | 2,400 |
| *Disposals* | (231) | - |
| *Software additions from business combinations* | - | 3 |
| *Intangibles Work in Progress* | (2,772) | 1,720 |
| ***Closing cost or valuation*** | 15,955 | 14,582 |
| *Accumulated amortisation* | (9,310) | (7,692) |
| *Net book value* | 6,645 | 6,890 |
| | | |
| **Total** | | |
| ***Closing cost or valuation*** | 42,647 | 41,274 |
| ***Accumulated amortisation*** | (9,310) | (7,692) |
| **Total** | 33,337 | 33,582 |

**Goodwill and Intangible Assets**
**Allocation of Goodwill to Cash Generating Units**
Goodwill is allocated and monitored based on the Groups segments as follows:

| | 2021 $000 | 2020 $000 |
|---|---|---|
| Regulated | 11,269 | 11,269 |
| Electrical | 9,893 | 9,893 |
| HVAC Mechanical & Service | 2,654 | 2,654 |
| Refrigeration | 2,876 | 2,876 |
| | 26,692 | 26,692 |

**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 an impairment to be recognised.

## 14. INVESTMENTS

| | 2021 $000 | 2020 $000 |
|---|---|---|
| Opotiki Packing & Cool Storage Limited 3.11% share interest (2020: 3.11%) | 1,055 | 590 |
| OTK Orchards Limited 15.45% share interest (2020: 15.45%) | 1,396 | 850 |
| Whakatohea Mussels (Opotiki) Limited | 1,500 | - |
| ASB - Fixed Interest Bond Portfolio | - | 2,086 |
| **Total other investments** | **3,951** | **3,526** |


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## 15. TRADE & OTHER PAYABLES

| | 2021 $000 | 2020 $000 |
|---|---|---|
| Trade payables | 18,810 | 22,798 |
| Other payables | 2,439 | 3,663 |
| **Total trade payables and other payables** | **21,249** | **26,461** |

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.

As at 31 March 2021 the Group held contract retentions withheld in New Zealand from creditors of $3,065,213 (2020: $3,217,787).

## 16. PROVISIONS

### 16a. PROVISION FOR STAFF ENTITLEMENTS

| | 2021 $000 | 2020 $000 |
|---|---|---|
| **Classified as:** | | |
| Current employee entitlements | 9,400 | 7,907 |
| Non-current employee entitlements | 264 | 182 |
| **Total employee entitlements** | **9,664** | **8,089** |

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.

### 16b. WARRANTY PROVISIONS

| | 2021 $000 | 2020 $000 |
|---|---|---|
| Balance at beginning of year | 2,038 | 1,041 |
| Reclassification from accrued expenses | 549 | - |
| Provisions made during the year | 1,921 | 1,613 |
| Provisions used during the year | (1,312) | (596) |
| Provisions reversed during the year | (314) | (20) |
| Balance at end of year | 2,882 | 2,038 |
| **Classified as:** | | |
| Current liabilities | 2,882 | 2,038 |
| Total provisions | 2,882 | 2,038 |

The resulting outflows of all provisions are not expected to be fully paid within the following financial year. 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 Groups obligations.


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## 17. 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 debt facilities of Trust Horizon are subject to the Horizon Energy Group Deed of Negative Pledge and gearing covenants.

The weighted average floating interest rate, inclusive of margins, on term loans was 2.01% (2020: 3.13%). The weighted average floating interest rate excludes the effect of the Group's interest rate risk management.

As at 31 March 2021, the Group had debt facilities available of $90.0 million (2020: $90.0 million), with undrawn debt facilities of $36.8 million (2020: $23.8 million). Bank loans are classified as non-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 the same financial institution.

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

## 18. DEFERRED CAPITAL CONTRIBUTIONS

| | **2021** | **2020** |
|---|---|---|
| | **$000** | $000 |
| Opening balance | 486 | 504 |
| Less amounts recognised as revenue during year | (18) | (18) |
| **Balance at 31 March** | **468** | **486** |
| **Classified as:** | | |
| Current | 18 | 18 |
| Non-current | 450 | 468 |
| | **468** | **486** |

## 19. 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<br>Assets | **2021**<br>**$000** | **2020**<br>$000 |
|---|---|---|
| Other investments | - | 2,086 |
| Term deposits | - | 1,900 |
| Total for level 1 | - | 3,986 |
| | | |
| Level 2 | | |
| Derivative financial instruments | (2,650) | (3,836) |
| Total for level 2 | (2,650) | (3,836) |
| | | |
| Level 3 | | |
| Assets | | |
| Network Distribution Assets | 166,920 | 162,668 |
| Other investments | 3,951 | 1,440 |
| | 170,871 | 164,108 |
| | | |
| Level 3 reconciliation | | |
| Opening balance | 164,108 | 160,442 |
| Additions | 11,357 | 11,147 |
| Revaluation movement | - | - |
| Disposal | (76) | (2,871) |
| Capital work in progress | 652 | (1,646) |
| Accumulated Depreciation | (5,170) | (2,964) |
| | 170,871 | 164,108 |

## 20. CONSTRUCTION WORK IN PROGRESS

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.

| | **2021**<br>**$000** | **2020**<br>$000 |
|---|---|---|
| Contracts in progress at balance date: | | |
| Gross construction work in progress plus margin to date | 247,469 | 207,174 |
| Progress billings | (252,132) | (215,813) |
| Work in Progress | (4,663) | (8,639) |
| | | |
| **Classified as:** | | |
| Construction contracts with net work in progress (note 11) | 7,538 | 2,893 |
| Construction contracts with net funds received in advance of cost and margin | (12,201) | (11,532) |
| Carrying amount at the end of the year | (4,663) | (8,639) |



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## 21. OPERATING LEASES

| | 2021 $000 | 2020 $000 |
|---|---|---|
| **As Lessee** | | |
| Operating lease commitments fall due for payment in the following periods: | | |
| Within one year | 4,095 | 2,974 |
| Within one to five years | 8,912 | 5,537 |
| Over five years | 680 | 8 |
| | **13,687** | **8,519** |

The Group is party to a number of operating leases. The leasing arrangements are for office, warehouse and depot space, radio communication sites and motor vehicles.

| | 2021 $000 | 2020 $000 |
|---|---|---|
| **As Lessor** | | |
| Future minimum lease payments receivable are: | | |
| Within one year | 13 | 150 |
| Within one to five years | - | 13 |
| | **13** | **163** |

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.

## 22. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by KPMG for the audit of the Group, and for other services provided by KPMG:

| | 2021 $000 | 2020 $000 |
|---|---|---|
| **Paid or payable for services provided by the auditor** | | |
| **Statutory Audit** | | |
| Auditing of the Group financial statements | 29 | 24 |
| Audit of the subsidiary financial statements | 173 | 167 |
| **Total Audit and Assurance Services** | 202 | 191 |
| **Audit Related Services** | | |
| Audit of the Information Disclosure Statements and Default Price-Quality Compliance Statement reported to the Commerce Commission | 48 | 48 |
| Audit application of new Accounting Standards | - | 9 |
| Review of the Half Year Financial Statements of Horizon Energy Distribution Limited | 4 | 4 |
| **Total Audit Related services** | 52 | 61 |
| **Other Services** | | |
| Credit Risk Review | - | 35 |
| Taxation Compliance and Advisory Services for subsidiaries | 3 | 29 |
| **Total Other Services** | 3 | 64 |
| **Total Auditors' remuneration** | 257 | 316 |

## 23. RELATED PARTY TRANSACTIONS

The Trust conducts business in the Eastern Bay of Plenty and undertakes transactions with subsidiaries and other related parties. All intercompany transactions have been eliminated on consolidation. All loans and advances to subsidiary companies are payable on demand and unsecured.

Trust Horizon owns 100% (2020: 100%) of the ordinary shares of Horizon Energy Distribution Limited (HEDL) and Development Enterprises Limited (DEL). DEL and it's subsidiary, DEL Property Investments Limited, were amalgamated during the year.

The Trusees consider that no loans are impaired for 2021 (2020: the Trustees considered that no loans were impaired).



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## 23. RELATED PARTY TRANSACTIONS (continued)

| **Key management remuneration** | **2021** | **2020** |
|---|---|---|
| | **$000** | $000 |
| Remuneration of key management personnel, trustees and directors | | |
| Salaries and other short term benefits | 3,725 | 3,020 |
| Directors' fees and payments | 352 | 350 |
| Trustees' fees and payments | 128 | 139 |
| | 4,205 | 3,509 |

### Transactions with trustees

A Trust Horizon motor vehicle was sold during the year to trustee Aaron Milne for $15,200 inclusive of GST.
Two Apple ipads which were no longer required by the Trust were sold to trustees Aaron Milne and David Bulley for $228 each GST inclusive during the year.

## 24. COMMITMENTS

| | **2021** | **2020** |
|---|---|---|
| | **$000** | $000 |
| Capital expenditure contracted for at balance date but not yet incurred is: | | |
| Intangibles | 24 | 25 |
| Non network assets | 86 | 134 |
| Network distribution assets | 82 | 24 |
| | **192** | **183** |

## 25. CONTINGENT LIABILITIES

### Unclaimed Dividends

As provided for under clause 27.8 of HEDL's constitution, unclaimed dividends now total $65,890 (2020: $65,890). 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 2021 the total value of performance bonds issued is $2,875,833 (2020: $1,378,043) and the total value of HEDL Guarantees is $0.00 million (2020: $0.00 million).

## 26. COVID-19

In the year ended 31 March 2021, the Group received grants from the Ministry of Social Development (MSD) totalling $6,091,933 for the Wage Subsidy Scheme ($5,403,032) and the Wage Subsidy Extension Scheme ($688,901). The Government grants are recorded as Operating Revenue in Consolidated Statement of Revenue and Expenses and in Cash Receipts from Customers in the Consolidated Statement of Cash Flows.

The Group did not make any provisions for formal plans to restructure businesses from COVID-19.

Additionally, the Group has adjusted the level of impairment of trade receivables in the current period to reflect an earlier than expected economic recovery from COVID-19.



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## 27. SUBSEQUENT EVENTS

### Opotiki Packing & Cool Storage Limited (OPAC)

On 25 March 2021 the Boards of OPAC and Seeka Limited announced that they are unanimously recommending to their respective shareholders to amalgamate the two companies. On 13 April 2021 OPAC held a Special General Meeting of its shareholders where the proposed amalgamation was approved by those shareholders. On 3 May 2021 it was announced that the amalgamation was complete. The impact on the Group is that the 147,489 OPAC shares held on 3 May 2021 were converted to 218,770 Seeka shares.

### Acquisition of Pohutu Street Land

On 31 May 2021, Horizon Energy Distribution Limited entered into a conditional agreement to purchase leasehold property situated at Pohutu Street, Whakatane as a site for its facility management business.

### Dividend declaration

On 31 May 2021 HEDL declared a final dividend of 24.0 cents (2020: 4.0 cents) per ordinary share.

## 28. RECONCILIATION OF NET PROFIT BEFORE TAX TO NET CASH FROM OPERATING ACTIVITIES

| | 2021 $000 | 2020 $000 |
|---|---|---|
| **Reported surplus before tax** | 15,790 | 12,368 |
| **Adjustments for non cash items:** | | |
| Depreciation and amortisation | 9,880 | 10,490 |
| Capital contributions amortised | (18) | (18) |
| Net Loss from foreign currency exchange | - | (39) |
| Loss on sale of fixed assets | 277 | 370 |
| Non Cash Vested Assets | (1,313) | |
| Loss/(Gain) on Fair Value Movement of Financial Derivatives | (1,186) | 1,165 |
| **Operating cash flows before movements in working capital** | 23,430 | 24,336 |
| **(Increase) / decrease in assets** | | |
| Trade and other receivables | 8,640 | (10,858) |
| Construction work in progress | (4,645) | 1,493 |
| Inventories | 52 | (898) |
| **Increase / (decrease) in liabilities** | | |
| Trade and other payables | (5,372) | 3,566 |
| Provision for employee entitlements | 1,575 | 1,847 |
| Provisions | 844 | 997 |
| Construction revenue received in advance | 669 | 2,571 |
| Items reclassified as Investing activities | (616) | (3,080) |
| Subsidiary working capital acquired | - | 1,133 |
| **Less movements in working capital** | 1,146 | (3,229) |
| **Net cash flow from operating activities before tax payment** | **24,577** | **21,107** |

# Independent Auditor's Report

To the Beneficiaries of Trust Horizon

**Report on the audit of the consolidated financial statements**

## Opinion

In our opinion, the accompanying consolidated financial statements of Trust Horizon (the 'Trust') and its subsidiaries (the 'Group') on pages 4 to 30:

i. Present fairly in all material respects the Group's financial position as at 31 March 2021 and its financial performance and cash flows for the year ended on that date; and

ii. Comply with Public Benefit Entity Standards (Not-for-Profit).

We have audited the accompanying consolidated financial statements which comprise:

— The consolidated statement of financial position as at 31 March 2021;

— The consolidated statements of comprehensive revenue and expenses, changes in net assets and cash flows for the year then ended; and

— Notes, including a summary of significant accounting policies and other explanatory information.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the Group in relation to taxation compliance 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.

## Other information

The Trustees, on behalf of the Group, are responsible for the other information included in the entity's financial statements. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Use of this independent auditor's report

This independent auditor's report is made solely to the beneficiaries as a body. Our audit work has been undertaken so that we might state to the beneficiaries those matters we are required to state to them in the independent 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 beneficiaries as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

## Responsibilities of the Trustees for the consolidated financial statements

The Trustees, on behalf of the Trust, are responsible for:

— The preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standard (Not-for-Profit));

— Implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— Assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

— To obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— To issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/

This description forms part of our independent auditor's report.

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Tauranga

26 August 2021