

Financial Statements

For the year ended 31st March 2022



Investing
In Our
Community

TRUST 
HORIZON

TRUST HORIZON
FOR THE YEAR ENDED 31 MARCH 2022

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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 2022 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 2022.

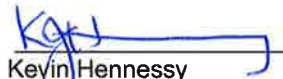
For and on behalf of the Board of Trustees:



David Glover
Chair
25 August 2022



David Bulley
Deputy Chair
25 August 2022



Kevin Hennessy
Trustee
25 August 2022

DIRECTORY

Chief Executive
Trust Office

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Trustees

Chairman
Deputy Chairman
Trustees

David Glover	021 630 579
David Bulley	027 291 0297
Yvonne Boyes	021 305 528
Edwina O'Brien	021 0831 3757
Kevin Hennessy	027 625 9379
Merrin Stables	027 446 0127

Advisors

Legal

Accountants
Auditors
Bankers

Sharp Tudhope
Holland Beckett
Arrow Accountants Limited
KPMG
ASB Bank

Tauranga
Whakatane
Whakatane
Tauranga
Tauranga

Directors on Related Party Boards

Development Enterprises Ltd

Trust Horizon Trustee

David Glover
Kevin Hennessy
Edwina O'Brien
David Bulley
Yvonne Boyes
Merrin Stables

TRUST HORIZON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022


	Notes	2022 \$000	2021 \$000
ASSETS			
Current Assets			
Cash and cash equivalents		3,510	2,226
Short term deposits		5,400	3,653
Trade and other receivables	10	39,534	30,509
Debtor retentions		6,863	6,414
Inventories and work in progress	11	22,246	12,128
Current tax assets		-	106
Total Current Assets		77,553	55,036
Non-Current Assets			
Property, plant and equipment	12	183,361	178,982
Intangible assets	13	34,436	33,337
Restricted bank deposits		152	259
Derivative financial instruments		1,469	-
Other receivables		48	53
Investments	14	8,579	3,951
Total Non-Current Assets		228,045	216,582
Total Assets		305,598	271,618
LIABILITIES			
Current Liabilities			
Trade and other payables	15	28,101	21,249
Creditor retentions		3,269	3,065
Grants owing		2,941	1,710
Provision for staff entitlements	16a	11,190	9,400
Construction work in progress	20	12,952	12,201
Current tax liabilities		40	-
Derivative financial instruments		73	201
Deferred capital contributions	18	18	18
Provisions	16b	2,389	2,882
Total Current Liabilities		60,973	50,726
Non-Current Liabilities			
Provision for staff entitlements	16a	121	264
Deferred capital contributions	18	432	450
Term loans	5,17	61,700	53,200
Derivative financial instruments		199	2,449
Total Non-Current Liabilities		62,452	56,363
Total Liabilities		123,425	107,089
Net Assets		182,172	164,529
EQUITY			
Capital	8	26,638	26,638
Reserves	9	66,310	66,247
Retained earnings		89,224	71,643
Total Equity		182,172	164,529

These financial statements have been authorised for issue by the Board of Trustees on 25 August 2022

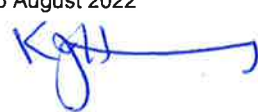
Trustee



Trustee



Trustee



Date: 25 August 2022

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

TRUST HORIZON
CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 \$000	2021 \$000
Operating revenue	6a	284,845	238,105
Operating expenses	6b	(265,915)	(221,473)
Operating surplus		18,930	16,632
Other Income			
Dividend income		241	176
Financing Income and Expenses			
Interest income		36	19
Interest expense		(2,386)	(2,224)
Fair value gain/(loss) of financial derivatives		3,847	1,187
		1,497	(1,018)
Surplus before tax		20,668	15,790
Income tax benefit / (expense)	7	(163)	(187)
Surplus after tax from continuing operations		20,505	15,603
Surplus for the year		20,505	15,603
Other comprehensive surplus			
Fair value gain of Investments in NZ and International shares (or "equities")	9	136	1,010
(Loss)/gain on foreign currency translation	9	(73)	(24)
Other comprehensive surplus for the year net of tax		63	986
Total comprehensive surplus for the year		20,568	16,589

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

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TRUST HORIZON
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 MARCH 2022

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 2020	26,638	56,537	(40)	63,197	2,104	148,436
Total comprehensive revenue	-	15,603	(24)	-	1,011	16,590
Grants paid and approved	-	(498)	-	-	-	(498)
Balance as at 31 March 2021	26,638	71,643	(64)	63,197	3,115	164,529
Total comprehensive revenue	-	20,505	(73)	-	136	20,568
Grants paid and approved	-	(2,925)	-	-	-	(2,925)
Balance as at 31 March 2022	26,638	89,223	(137)	63,197	3,251	182,172

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

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TRUST HORIZON
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 \$000	2021 \$000
Operating activities			
Cash receipts from customers		266,862	244,568
Cash paid to suppliers		(248,458)	(217,622)
Interest received		36	27
Interest paid		(2,353)	(2,396)
Net cash from / (used in) operating activities before tax		16,086	24,577
Taxes paid		(17)	-
Net cash from / (used in) operating activities	28	16,069	24,577
Investing activities			
Short term deposits		(1,747)	(1,761)
Restricted bank deposits		107	1,232
Dividend income received		241	165
Purchases of property, plant & equipment		(10,847)	(10,086)
Purchase of intangible assets		(998)	(1,609)
Purchase of businesses		(4,257)	-
Purchase of investments		(4,500)	(1,500)
Disposal of investments		8	2,177
Proceeds on disposal of property, plant & equipment		411	425
Net cash from/ used in investing activities		(21,583)	(10,957)
Financing activities			
Grants paid		(1,693)	(609)
Repayment of term debt		(124,340)	(109,913)
Term debt drawn down		132,831	96,821
Net cash from/(used in) financing activities		6,798	(13,701)
Net (decrease)/increase in cash and cash equivalents		1,284	(81)
Cash and cash equivalents at the beginning of the year		2,226	2,307
Cash and cash equivalents at the end of the year		3,510	2,226

**TRUST HORIZON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

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 2022 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 and the community to create transformational change to the Eastern Bay of Plenty.

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
- Aquaheat Fire New Zealand Limited (AFNZL) – 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 Financial Statements were approved by the Board of Trustees on 25 August 2022. 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.

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.

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.

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.

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.

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 2022 was compiled using the discounted cash flow technique (as was the previous valuation at 31 March 2019).

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 2022 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 2022 forecasts;
- iv. A post tax discount rate (WACC) of 5.77% has been used in discounting the present value of expected cash flows;
- v. Inflation has been applied at 2.0%; and
- vi. Terminal value has been calculated using a long term growth rate of 2.0%.

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.

Variable	Change in variable	Impact on valuation
WACC (5.77%)	+ / - 0.25%	+ / - \$13m
DPP4 WACC	+ / - 0.25%	+ / - \$8m
Risk Free Rate	10 year government bond rate	+\$12m

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 MANAGEMENT

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 2022, if interest rates on long term borrowing had changed by +/- 1% (2021: +/- 1%) with all other variables held constant, pre tax profit and equity for the year would have been \$29,792 lower/higher (2021: \$42,967 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.

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.

2022	Stmnt 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	61,700	14,407	19,143	33,450	-
Grant payments owing	2,941	1,765	882	294	-
Trade and other payables	28,101	28,101	-	-	-
Creditor Retentions	3,269	2,942	327	-	-
Derivatives					
- Inflows		(856)	(888)	(1,374)	(363)
- Outflows		1,311	1,304	1,966	508
	96,011	47,670	20,768	34,336	145
2021					
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

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.

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6. OPERATING REVENUES & EXPENSES BY NATURE

	Notes	2022 \$000	2021 \$000
6a. Revenue from Exchange Transactions			
Distribution revenue		33,582	31,252
Contracting and servicing income		246,968	197,818
Capital contributions revenue		2,484	2,092
Other revenue		1,751	6,882
Rental income		60	61
		284,845	238,105
6b. Operating expenses include:			
Depreciation	12	8,425	8,031
Net loss/(gain) on disposal of fixed assets		270	277
Rental and operating lease expenses		5,498	4,837
Maintenance of network distribution assets		3,743	3,546
Employee entitlements		86,383	81,749
Transmission charges		6,689	6,556
Movement in doubtful debts provision		41	(1,366)
Trustees' fees & expenses		156	128
Directors' remuneration and retirement		404	352
Bad debts		101	75
Auditors' remuneration	22	311	257
Investment property expenses		41	27

7. INCOME TAX BENEFIT / (EXPENSE)

	2022 \$000	2021 \$000
Current tax	163	186
Income tax benefit / (expense)	163	186

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

Profit before tax	20,668	15,790
Income not subject to tax	(20,169)	(15,534)
Taxable profit	499	-
Income tax benefit / (expense) attributable to taxable profit	140	-
Tax effect of amounts which are non-deductible / (taxable) in calculating taxable income		
Prior year adjustments	56	(1)
Prior Period Unrecoverable Tax Asset	-	81
Foreign income Taxable at 20%	(33)	106
Total income tax benefit / (expense)	163	186

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%.

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.

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8. CAPITAL ACCOUNT	2022	2021
	\$000	\$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	2022	2021
	\$000	\$000
Opening balance	66,247	65,261
Fair value revaluation of Investments in NZ and International shares (or "equities")	136	1,010
Currency translation (losses)/ gains	(73)	(24)
Balance as at 31 March	66,310	66,247

Balance consists of:

Network asset revaluation reserve	63,197	63,197
Investment fair value reserve	3,251	3,114
Foreign currency translation reserve	(137)	(64)
	66,311	66,247

10. TRADE & OTHER RECEIVABLES	2022	2021
	\$000	\$000
Trade receivables	39,386	30,461
Less provision for doubtful debts	(475)	(434)
Other receivables and prepayments	623	482
	39,534	30,509

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 FY22, principally arising from an earlier than expected economic recovery from COVID-19. As at 31 March 2022, trade receivables of \$7,723,068 (2021: \$7,517,923) were past due.

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

	2022	2021
	\$000	\$000
Up to 3 months	35,609	25,101
Over 3 months	3,777	4,907
	39,386	30,008

11. INVENTORIES AND WORK IN PROGRESS	2022	2021
	\$000	\$000
Construction work in progress (Note 20)	15,511	7,538
Inventories	6,735	4,590
Balance at 31 March	22,246	12,128

TRUST HORIZON
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12. PROPERTY PLANT & EQUIPMENT		2022	2021
		\$000	\$000
Property plant and equipment comprise:			
Land and buildings	<i>Opening cost or valuation</i>	5,247	4,657
	<i>Additions</i>	305	598
	<i>Additions from business combinations</i>	21	-
	<i>Disposals</i>	(1)	(8)
	<i>Closing cost or valuation</i>	5,572	5,247
	<i>Accumulated depreciation and impairment</i>	(1,847)	(1,591)
	<i>Net book value</i>	3,725	3,656
Plant and equipment	<i>Opening cost or valuation</i>	12,466	12,200
	<i>Additions</i>	1,094	622
	<i>Additions from business combinations</i>	185	-
	<i>Asset Reclassification</i>	(31)	(4)
	<i>Disposals</i>	(148)	(332)
	<i>Capital work in progress</i>	(6)	(20)
	<i>Closing cost or valuation</i>	13,560	12,466
	<i>Accumulated depreciation and impairment</i>	(10,413)	(9,229)
	<i>Net book value</i>	3,147	3,237
Furniture and fittings	<i>Opening cost or valuation</i>	1,543	1,407
	<i>Additions</i>	126	168
	<i>Asset Reclassification</i>	4	-
	<i>Disposals</i>	-	(6)
	<i>Closing cost or valuation</i>	1,673	1,569
	<i>Accumulated depreciation</i>	(1,165)	(1,080)
	<i>Net book value</i>	508	489
Motor vehicles	<i>Opening cost or valuation</i>	11,220	11,247
	<i>Additions</i>	1,915	924
	<i>Additions from business combinations</i>	628	-
	<i>Asset Reclassification</i>	34	3
	<i>Disposals</i>	(1,103)	(883)
	<i>Capital work in progress</i>	9	(88)
	<i>Closing cost or valuation</i>	12,703	11,203
	<i>Accumulated depreciation</i>	(7,069)	(6,611)
	<i>Net book value</i>	5,634	4,593

TRUST HORIZON
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12. PROPERTY PLANT & EQUIPMENT (CONTINUED)		2,022	2,021
		\$000	\$000
Distribution system	<i>Opening cost or valuation</i>	175,054	165,632
	<i>Additions</i>	8,682	8,846
	<i>Revaluation Movement</i>	(12,342)	-
	<i>Disposals</i>	(1,606)	(76)
	<i>Capital work in progress</i>	462	652
	Closing cost or valuation	170,250	175,054
	<i>Accumulated depreciation</i>	-	(8,134)
	Net book value	170,250	166,920
Finance leased assets	<i>Opening cost or valuation</i>	182	182
	<i>Asset reclassification</i>	20	-
	Closing cost or valuation	202	182
	<i>Accumulated depreciation</i>	(104)	(94)
	Net book value	98	88
Total	Closing cost or valuation	203,960	205,721
	Accumulated depreciation	(20,599)	(26,739)
	Net book value	183,361	178,982

Depreciation Expense	2022	2021
	\$000	\$000
Buildings	238	201
Plant and equipment	1,340	1,255
Furniture and fittings	119	96
Motor vehicles	1,342	1,296
Distribution system	5,376	5,174
Finance leased assets	10	10
Total	8,425	8,031

Valuation of Distribution System Assets

The network distributions assets were revalued as at 31 March 2022 by Pricewaterhouse Coopers on a discounted cashflow basis in accordance with generally accepted valuation techniques. The Network revaluation recognised nil gain or loss on revaluation as Fair Value was determined to be equal to the Carrying Amount. Therefore the reduction in cost of \$12.3 million is offset by an equal reduction in accumulated depreciation, leaving the cost of the Network representing fair value at 31 March 2022.

The carrying amount of the Group's network distribution commissioned assets had they been recognised under the cost model is \$149.6 million (2021: \$144.2 million). Refer Note 4 for further information for Key Assumptions

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 2022 was \$94,492 (2021: \$88,724) at the Group weighted average effective interest rate.

**TRUST HORIZON
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13. INTANGIBLE ASSETS

	2022	2021
	\$000	\$000
Goodwill		
<i>Opening cost or valuation</i>	26,692	26,692
<i>Additions</i>	2,315	-
<i>Net book value</i>	<u>29,007</u>	<u>26,692</u>
Software and intellectual property		
<i>Opening cost or valuation</i>	15,955	14,582
<i>Additions</i>	182	4,381
<i>Foreign Exchange Transactions</i>	10	(5)
<i>Customer Assets Intangible Attributed on Acquisition</i>	12	-
<i>Disposals</i>	(343)	(231)
<i>Intangibles Work in Progress</i>	816	(2,772)
Closing cost or valuation	<u>16,632</u>	<u>15,955</u>
<i>Accumulated amortisation</i>	<u>(11,203)</u>	<u>(9,310)</u>
<i>Net book value</i>	5,429	6,645
Total		
Closing cost or valuation	45,639	42,647
Accumulated amortisation	<u>(11,203)</u>	<u>(9,310)</u>
Total	<u><u>34,436</u></u>	<u><u>33,337</u></u>

Goodwill and Intangible Assets

Allocation of Goodwill to Cash Generating Units

Goodwill is allocated and monitored based on the Groups segments as follows:

	2022	2021
	\$000	\$000
Regulated	11,269	11,269
Electrical	10,053	9,893
HVAC Mechanical & Service	3,834	2,654
Refrigeration	3,851	2,876
	<u>29,007</u>	<u>26,692</u>

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

	2022	2021
	\$000	\$000
Seeka Limited	1,103	1,055
OTK Orchards Limited <small>15.45% share interest (2021: 15.45%)</small>	1,356	1,396
Whakatohea Mussels (Opotiki) Limited	1,800	1,500
Simplicity Investment Portfolio	4,320	-
Total other investments	<u><u>8,579</u></u>	<u><u>3,951</u></u>

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15. TRADE & OTHER PAYABLES	2022	2021
	\$000	\$000
Trade payables	26,863	18,810
Other payables	1,238	2,439
Total trade payables and other payables	28,101	21,249

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 2022 the Group held contract retentions withheld in New Zealand from creditors of \$3,268,704 (2021: \$3,065,213).

16. PROVISIONS

16a. PROVISION FOR STAFF ENTITLEMENTS	2022	2021
	\$000	\$000
Classified as:		
Current employee entitlements	11,190	9,400
Non-current employee entitlements	121	264
Total employee entitlements	11,311	9,664

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	2022	2021
	\$000	\$000
Balance at beginning of year	2,882	2,038
Reclassification from accrued expenses	2	549
Provisions made during the year	1,314	1,921
Provisions used during the year	(1,516)	(1,312)
Provisions reversed during the year	(293)	(314)
Balance at end of year	2,389	2,882
Classified as:		
Current liabilities	2,389	2,882
Total provisions	2,389	2,882

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.

**TRUST HORIZON
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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 2.44% (2021: 2.01%). The weighted average floating interest rate excludes the effect of the Group's interest rate risk management.

As at 31 March 2022, the Group had debt facilities available of \$90.0 million (2021: \$90.0 million), with undrawn debt facilities of \$28.3 million (2021: \$36.8 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 Group complied with all its banking covenants during the year.

18. DEFERRED CAPITAL CONTRIBUTIONS

	2022	2021
	\$000	\$000
Opening balance	468	486
Less amounts recognised as revenue during year	(18)	(18)
Balance at 31 March	450	468
Classified as:		
Current	18	18
Non-current	432	450
	450	468

**TRUST HORIZON
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FOR THE YEAR ENDED 31 MARCH 2022**

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 or liability that are not based on observable market data (unobservable inputs).

Level 1 Assets	2022 \$000	2021 \$000
Seeka Limited	1,103	1,055
Total for level 1	<u>1,103</u>	<u>1,055</u>
 Level 2		
Derivative financial instruments	(273)	(2,650)
Simplicity Investment Portfolio	4,320	-
Total for level 2	<u>4,048</u>	<u>(2,650)</u>
 Level 3		
Assets		
Network Distribution Assets	170,250	166,920
Other investments	3,156	2,896
	<u>173,407</u>	<u>169,816</u>
 Level 3 reconciliation		
Opening balance	170,871	164,108
Additions	8,942	11,357
Revaluation movement	(12,342)	-
Disposal	(1,606)	(76)
Capital work in progress	462	652
Accumulated Depreciation	8,134	(5,170)
	<u>174,462</u>	<u>170,871</u>

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.

	2022 \$000	2021 \$000
Contracts in progress at balance date:		
Gross construction work in progress plus margin to date	241,074	247,469
Progress billings	(238,515)	(252,132)
Work in Progress	<u>2,559</u>	<u>(4,663)</u>
 Classified as:		
Construction contracts with net work in progress (note 11)	15,511	7,538
Construction contracts with net funds received in advance of cost and margin	(12,952)	(12,201)
Carrying amount at the end of the year	<u>2,559</u>	<u>(4,663)</u>

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21. OPERATING LEASES

	2022	2021
	\$000	\$000
As Lessee		
Operating lease commitments fall due for payment in the following periods:		
Within one year	4,563	4,095
Within one to five years	7,881	8,912
Over five years	-	680
	<u>12,444</u>	<u>13,687</u>

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.

As Lessor

Future minimum lease payments receivable are:

Within one year	-	13
	<u>-</u>	<u>13</u>

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:

Paid or payable for services provided by the auditor

Statutory Audit

Auditing of the Group financial statements	29	29
Audit of the subsidiary financial statements	198	173
Total Audit and Assurance Services	<u>227</u>	<u>202</u>

Audit Related Services

Audit of the Information Disclosure Statements and Default Price-Quality Compliance Statement reported to the Commerce Commission	54	48
Audit application of new Accounting Standards	-	-
Review of the Half Year Financial Statements of Horizon Energy Distribution Limited	4	4
Total Audit Related services	<u>58</u>	<u>52</u>

Other Services

Credit Risk Review	-	-
Taxation Compliance and Advisory Services for subsidiaries	26	3
Total Other Services	<u>26</u>	<u>3</u>
Total Auditors' remuneration	<u>311</u>	<u>257</u>

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% (2021: 100%) of the ordinary shares of Horizon Energy Distribution Limited (HEDL) and Development Enterprises Limited (DEL).

The Trustees consider that no loans are impaired for 2022 (2021: the Trustees considered that no loans were impaired).

**TRUST HORIZON
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23. RELATED PARTY TRANSACTIONS (continued)

Key management remuneration	2022 \$000	2021 \$000
Remuneration of key management personnel, trustees and directors		
Salaries and other short term benefits	3,474	3,725
Directors' fees and payments	404	352
Trustees' fees and payments	156	128
	<u>4,034</u>	<u>4,205</u>

Transactions with trustees

In June 2021 trustee Don Lewell purchased an e-bike from Trust Horizon for \$2,300.

24. COMMITMENTS	2022 \$000	2021 \$000
Capital expenditure contracted for at balance date but not yet incurred is:		
Intangibles	644	24
Non network assets	545	86
Network distribution assets	1	82
Leases	1,838	768
	<u>3,028</u>	<u>960</u>

25. CONTINGENT LIABILITIES

Unclaimed Dividends

As provided for under clause 27.8 of HEDL's constitution, unclaimed dividends now total \$63,350 (2021: \$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 2022 the total value of performance bonds issued is \$2,363,965 (2021: \$2,875,833) and the total value of HEDL Guarantees is \$0.00 million (2021: \$0.00 million).

26. COVID-19

In the year ended 31 March 2022, the Group received grants from the Ministry of Social Development (MSD) totalling \$1,063,918 (2021: \$6,091,933). 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.

**TRUST HORIZON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

27. SUBSEQUENT EVENTS

Lodestone Energy Limited

Development Enterprises Limited has committed to an investment in Lodestone Energy Limited for an amount of \$5,000,000 to be paid in July 2022.

Commercial Property

On 26 May 2022, Development Enterprises Limited purchased the commercial property at 17 Pyne Street, Whakatane for \$3,000,000.

Dividend declaration

On 31 May 2022 HEDL declared a final dividend of 30.0 cents (2021: 24.0 cents) per ordinary share.

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

	2022	2021
	\$000	\$000
Reported surplus before tax	20,668	15,790
Adjustments for non cash items:		
Depreciation and amortisation	10,657	9,880
Capital contributions amortised	(18)	(18)
(Gain) on disposal	(272)	-
Loss on sale of fixed assets	270	277
Non Cash Vested Assets	(1,748)	(1,313)
Loss/(Gain) on Fair Value Movement of Financial Derivatives	(3,847)	(1,186)
Income tax expense	(27)	-
Operating cash flows before movements in working capital	25,683	23,430
(Increase) / decrease in assets		
Trade and other receivables	(9,359)	8,640
Construction work in progress	(7,973)	(4,645)
Inventories	(2,145)	52
Increase / (decrease) in liabilities		
Trade and other payables	7,061	(5,372)
Provision for employee entitlements	1,644	1,575
Provisions	(493)	844
Construction revenue received in advance	751	669
Items reclassified as Investing activities	(173)	(616)
Working capital from acquisitions	1,090	-
Less movements in working capital	(9,598)	1,147
Net cash flow from operating activities before tax payment	16,086	24,577



Independent Auditor's Report

To the Beneficiaries of Trust Horizon

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the 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 2022 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 2022;
- 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 *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('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 Standards (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.



KPMG
Tauranga

25 August 2022