Financial Statements

For the year ended 31st March 2023

Investing
In Our
Community

TRUST HORIZON

Contents	**Page**

Trustees' declaration

In the opinion of the Trustees of Trust Horizon, the Consolidated Financial Statements and the notes, on pages 4 to 42:

- comply with New Zealand generally accepted accounting practice and fairly present the financial position of the Trust as at 31 March 2023 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 2023.

For and on behalf of the Board of Trustees:

David Glover	Merrin Stables	Kevin Hennessy
Chair	Trustee	Trustee
24 August 2023	24 August 2023	24 August 2023

DIRECTORY

Chief Executive	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

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

Advisors

Legal	Sharp Tudhope	Tauranga
	Holland Beckett	Whakatane
Accountants	Arrow Accountants Limited	Whakatane
Auditors	KPMG	Auckland
Bankers	ASB Bank	Tauranga

Directors on Related Party Boards

	Trust Horizon Trustee
Development Enterprises Ltd	David Glover
	Kevin Hennessy
	Edwina O'Brien
	David Bulley
	Yvonne Boyes
	Merrin Stables

TRUST HORIZON
STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2023

Who we are

Trust Horizon is a local Charitable Trust representing Whakatāne, Ōpōtiki, Kawerau, and Kaingaroa Village (the Eastern Bay of Plenty "EBOP"). The Trust was established in 1994 to support the beneficial use, application or enjoyment of energy resources in the District, with equity from Bay of Plenty Electricity. In 2008 it registered as a Charity and its six trustees are responsible for ensuring the Trust's funds and investments go back into the community, where they can help create long-lasting benefits for the Eastern Bay.

This year, Trust Horizon has continued its work to drive the region forward, and bring prosperity and wellbeing to its people. We look forward to increasing our contribution to the region (rohe), well into the future.

Scope of statement

Note unless specifically mentioned the scope of this statement is for the activities undertaken by Trust Horizon. Trust Horizon is the 100% owner/shareholder of Horizon Energy Distribution Limited (HEDL) which is run independently from Trust Horizon. Due to our ownership the financial statements are reported as Group consolidated accounts. HEDL is the ultimate holding company for the Horizon Energy Group (HEG) and its various subsidiaries. Further information on HEG's activities can be found at www.hegroup.nz

Our purpose

Our mission
Transformational investing in our community.
He haumi hapori e hua ai he āhua kē.

Our vision
Enabling pride, prosperity, and people.
Hei whakaihi, hei whakarangatira, hei whakamana i te iwi.

Our desired outcomes

Transformational Investment in Community Pride
Bringing positive change to the communities we know and love.

Sustainable Energy Transition
Helping our rohe transition to a sustainable energy and low-emissions future.

Work-ready Rangatahi
Creating an equitable and thriving workforce for our tamariki and rangatahi.

Employed Locals
Creating more and better quality jobs within our communities.

Community Leadership
Meeting the community's needs with grants, funding and investments.

This is the first year of the Trust's reporting on its newly adopted Outcome areas.

How we're funded - Our funding and investments

Funding for our activities comes from our investment portfolio which includes $199m in consolidated net assets (2022: $182m), held on behalf of – and for the benefit of – the Eastern Bay of Plenty District. Horizon Energy Group is the largest investment in the Trust's portfolio and is also part of our Trust Horizon Charities Group. The company directly contributes to our Charitable purpose both directly and indirectly through Horizon Energy Distribution Limited (known as Horizon Networks) – the local regulated electricity lines distribution business. Horizon Networks directly contributes through its activities such as making reliability and safety improvements to the District's power supply system, as well as indirectly through providing a return on investment for the sole benefit of Trust Horizon's charitable objectives. The other charitable companies registered by the Horizon Energy Group support the Trust indirectly with the arms-length relationship governed by a Statement of Corporate Intent.

The Horizon Energy Group continues to grow from strength to strength, offering employment opportunities locally and across New Zealand.

Aside from its investment in HEG, the Trust directly controls Development Enterprises Limited which is used to hold investments on behalf of the Trust. The Trust can allocate up to 25% of its portfolio to local impact investments and allocate up to 25% of its portfolio to a diversified investment portfolio.

Trust Horizon received $12.2m (2022: $9.2m) by way of dividend from the Horizon Energy Group and this represented 98% of Trust income received. Other income of $0.3m (2022: $0.1m) was received from interest and management fees.

Where our money goes

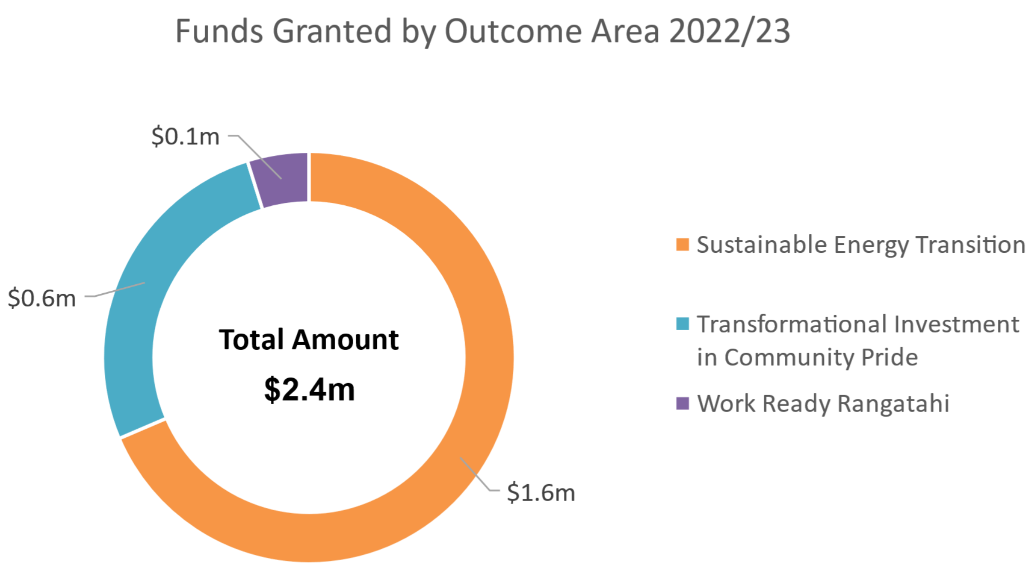
Historically the main way the Trust has applied the income it receives is into Community Grants or reinvesting it into the Horizon Energy Group to support the company to be successful. The grant funding supports energy-related initiatives for communities across the District. To date Trust Horizon has granted $45.2m (2022: $43.1m) to applications for community funding across the Eastern Bay of Plenty and the value of funds paid was $43.4m (2022: $41.6m). The difference between amounts is due to grants that are still to be disbursed to recipients.

Trust Horizon – Investing in our Community

Impact Granting

Purpose: Enabling community groups to build stronger, healthier and better-connected communities.
Value: individual grants from between $1k to $500k.

During the year $2.4m was granted across a range of priorities with a total of 60 applications received and 88% approved. At the end of each year prior grant commitments are reviewed, and if they not going to be uplifted by a recipient an adjustment is made. This year the adjustment is higher than normal at ($1.7m) compared with ($0.3m) 2022, this amount is expected to return to more normal levels in 2024 with changes made to improve timing around when a grant commitment is recognised.



Impact Investing

Purpose: Enabling the economy to grow, providing local jobs and employment.
Value: individual investments from over $100k.

Portfolio: Includes Lodestone, Whakatōhea Mussels and OTK Orchards valued at $8.4m or 4.2% of net assets (2022: $3.2m or 1.8%). Both Whakatōhea Mussels and OTK Orchards had a decline in their values following difficult seasons respectively. Further investments will be made in companies, organisations, and funds who share the Trust's intention to generate positive social or environmental impacts, as well as financial returns.

During the year the following additional investments were made:
Impact Investments
$5m was invested in Lodestone Energy Limited, who are developing renewable grid-scale solar farms across Aotearoa, with two in the Eastern Bay of Plenty.
A further $1m was invested in Whakatōhea Mussels (Ōpōtiki) Limited (WMOL) (2022: valuation $1.8m). They operate an offshore mussel marine farm and onshore processing plant in Ōpōtiki. WMOL is a significant employer in the region.

Other significant use of funds

At a minimum the Trust aims for its income from investments to cover its Impact Granting activities (discussed above) as well as the cost to administer the Trust at $0.8m or 0.4% of net consolidated assets (2022: $0.7m). In recent years there has been an excess of funds allowing for Impact Investments to be made as well as establishing a Diversified Portfolio.
During the year other significant use of funds include:

Diversified Portfolio
A further $2.2m was invested in the Simplicity Balanced fund and it was valued at $6.4m (2022: valuation $4.3m). The Seeka shares were valued at $0.6m (2022: valuation $1.1m) following a difficult season and no further funds have been invested.

Other
The Trust acquired 17 Pyne Street in Whakatāne (known as Concordia House) for $3m to be transformed into the new long-term head office for HEG. The redevelopment aims to provide a high-quality, environmentally sustainable building and an improved working environment for HEG staff. When HEG becomes a tenant following redevelopment the investment will become part of the Group's property, plant & equipment.
Bank term deposits are used to manage cashflow with the amount invested over the year fluctuating with maturity and reinvestment. The amount held of $6m at year end was $0.6m above the prior year (2022: $5.4m).

Performance reporting on our desired outcomes

Sustainable Energy Transition
The Trust supports helping our rohe (region) take action towards achieving a sustainable energy and low emissions future with grants to transition away from fossil fuels and improve energy efficiency/use. Additionally, we are working on reducing our own emissions profile and encouraging our investments to do likewise.

Key Sustainable Development Goals Supported	
13 CLIMATE ACTION; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	*13. Take urgent action to combat climate change and its impacts* *12. Ensure sustainable consumption and production patterns*

Impact Measurement & Reporting - Global Impact Investing Network (GIIN) Measures	
Revenue from Grants and Donations (RGD)	Value of revenue contributed as grants and donations during the reporting period. IRIS+ ID: FP3021
Value of Community Facilities Financed (VCFF)	Value of community facilities projected to be built, renovated, or purchased as a result of investments made by the organization during the reporting period. IRIS+ ID: PI2410
Greenhouse Gas Emissions: Total (GGET)	Amount of greenhouse gases (GHG) emitted as a result of the organization's operations during the reporting period. IRIS+ ID: OI1479
Greenhouse Gas Emissions Avoided Due to Carbon Offsets Purchased (GGEA)	Amount of greenhouse gas (GHG) emissions avoided through carbon offsets purchased during the reporting period. IRIS+ ID: OI6774
Energy Generated for Use: Total (EGUT)	Amount of energy generated and consumed by the organization during the reporting period. IRIS+ ID: OI9624

Performance Impact Measures				
Description of Impact	*Measure*	*Current Yr*	*Prior Yr*	*Change*
Grants made towards Sustainable Energy Transition	RGD	$1.6m	N/A	N/A
Homes in deprivation receiving energy efficient heating at low/no cost	CHRFPS	82	0	↑82
Renewable energy generated from investments	EGUT	1.7MWh	0	↑1.7MWh
Trust Horizon parent operational emissions (Scope 1 and 2)	GGET	4.9 tCO_2e	3.8 tCO_2e	↑1.1 tCO_2e

Trust Horizon parent operational emissions (Scope 1 and 2) offset through offset purchases	GGEA	0 tCO_2e	0 tCO_2e	–

Short-term Targets		
Target description	*Value*	*By when*
Trust Horizon parent operations (scope 1 and 2) achieve net zero emissions	0	31 Mar 2023
Trust Horizon parent reduces (scope 1 and 2) emissions	<2 tCO_2e	31 Mar 2025
Increase in Sustainable Energy Transition funding (grants and loans) total	>$3M	31 Mar 2025
Homes in deprivation receiving heating per year	250	31 Mar 2025

Long-term Indicators			
Indicator	*Current*	*Target*	*By when*
Whakatane District achieves Council target of net zero carbon emissions	Unknown	0	31 Mar 2030

Commentary

A sustainable energy transition for the District requires New Zealanders to conserve energy where possible, migrate from fossil fuels to renewable energy sources such as electricity and collective action so that those least able to afford the transition are not left behind. Of the Trust's granting this year 69% has been made towards achieving this outcome across a broad range of community initiatives. Our target set is close to double this amount by 2025. Energy efficient heating grants alongside the Government's Warmer Kiwi Homes programme have supported 82 homes least able to afford the conversion (at no or low cost) from either no or fossil fuel forms of heating, reducing their carbon footprint and improving health and wellbeing outcomes for whanau. We have set a target of 250 homes per year which will require the support of Government and local providers to achieve.

The Trust supported the transition to more renewable generation sources by investing in an 18.5kW solar system which only started producing energy in March 2023, and it is anticipated our investment in Lodestone will begin generating from its first solar farm in late 2023.

Our scope 1 and 2 operational emissions, the bulk of which are from travel, increased this year as training, events and conferences returned to being in person. We are committed to bringing these down to under 2 tCO_2e through transitioning to a fully electric Trust vehicle in the future and carpooling where possible.

We have not reported any offset purchases this year as the 51 native trees we funded through Trees that Count are not part of a certified programme. In 2024 we are enrolled in the Tōitu Carbon Reduce programme to verify and audit our carbon emissions and offsets.

In the longer term the success of this outcome will be measured by our local Councils and the communities progress to achieving net zero emissions for the District through collective action, including our own. At the moment there is insufficient public reporting to monitor progress.

Transformational Investment in Community Pride

The Trust supports bringing positive change and reduced inequality to the communities within our region by granting to grass-roots groups, Councils and others seeking funding to transform their local communities (for example public spaces, sports, cultural and interest groups).

Key Sustainable Development Goals Supported	
11 SUSTAINABLE CITIES AND COMMUNITIES 10 REDUCED INEQUALITIES	*11. Make cities and human settlements inclusive, safe, resilient and sustainable* *10. Reduce inequality within and among countries*

Impact Measurement & Reporting - Global Impact Investing Network (GIIN) Measures	
Revenue from Grants and Donations (RGD)	Value of revenue contributed as grants and donations during the reporting period. IRIS+ ID: FP3021
Client Households: Receiving Free Products/Services (CHRFPS)	Number of unique client households who received free products/services from the organization during the reporting period. IRIS+ ID: PI1583
Number of Housing Units Improved (NHUI)	Number of housing units improved or refurbished by the organization during the reporting period. IRIS+ ID: PI6058

Performance Impact Measures				
Description of Impact	*Measure*	*Current Yr*	*Prior Yr*	*Change*
Grants made towards Transformational Investment in Community Pride	RGD	$0.6m	N/A	N/A
Homes in deprivation assessed for energy/well being improvement	NHUI	232	168	↑64
Homes in deprivation insulated at low/no cost[1]	CHRFPS	440	336	↑104

Short-term Targets		
Target description	*Value*	*By when*
Grants made towards Transformational Investment in Community Pride per year	>$1M	31 Mar 2025
Homes in deprivation insulated per year	400	31 Mar 2025

Long-term Indicators			
Indicator	*Current*	*Target*	*By when*
Homes that are always mouldy	6-9%[2]	<3%	31 Mar 2030

[1] Grant $ amounts for insulation are included in the Sustainable Energy Transition metric, noting houses insulated are not included in the assessment numbers above

[2] Source: DotLovesData using StatsNZ - Housing quality: dwelling dampness, mould, and access to basic amenities 2018

Commentary

Communities aspire to having inclusive, safe, resilient, and sustainable environments whether that is in their homes, local facilities or public spaces. The provision of amenities and events across a diverse range of interest groups and services (for those most in need to live healthy lives) also supports reducing long-standing inequities present in society. The Trust supports applicants' aspirations (and particularly those with the potential to have transformational impact) with funding granted to a broad range of community-led or socially minded initiatives. This year 27% of the amount granted went to this outcome. We would like to see this double.

The Trust has been supporting (alongside other funders) for the last 2 years a programme across the Bay of Plenty called 20 Degrees that supports the most vulnerable whanau to reduce their energy requirements, heat their homes and improve their health outcomes. The EBOP portion of the programme has been able to reach 38% more homes compared with prior years.

The Trust has been supporting (alongside Government) insulating homes across the EBOP since 1998. Insulation improves energy efficiency and is needed to support our transition away from fossil fuels but it also brings health improvements to occupants and creates sustainable, resilient and more equitable communities. That is why we have chosen to report it across two outcomes, the financial grant amount is reported against Sustainable Energy Transition and the number of households in deprivation supported contributing to transforming the quality of housing stock available to residents over time. Our target is to keep the level of homes in deprivation insulated above 400 until there are no more homes requiring assistance.

A measure of overall quality of housing stock is the level of mould present. Homes that are adequately insulated, warm and dry should not be reporting mould always present. Statistics NZ reports the metric every 5 years (next update due in 2024). We would like to see current levels for the District reduce by 50-66% through collective action.

Work Ready Rangatahi
The Trust supports creating an equitable, diverse and thriving workforce through granting towards education programmes, apprenticeships and scholarships for our tamariki (children) and rangatahi (youth).

Key Sustainable Development Goals Supported	
4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH	*4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all* *8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all*

Impact Measurement & Reporting - Global Impact Investing Network (GIIN) Measures	
Revenue from Grants and Donations (RGD)	Value of revenue contributed as grants and donations during the reporting period. IRIS+ ID: FP3021
Value of New Education Facility Materials (VNEFM)	Value of new educational facility materials provided to students by the organization during the reporting period. IRIS+ ID: PI4554
Students Provided Partial Scholarship (SPPS)	Number of students receiving partial scholarships during the reporting period. IRIS+ ID: PI3499

Performance Impact Measures				
Description of Impact	*Measure*	*Current Yr*	*Prior Yr*	*Change*
Grants made towards Work Ready Rangatahi	RGD	$0.1m	N/A	N/A
Value of grants toward new educational materials/programmes[3]	VNEFM	$88k	$41k	↑$47k
Students receiving an energy apprenticeship award or scholarship	SPPS	2	1	↑1

Short-term Targets		
Target description	*Value*	*By when*
Local energy training facility established	N/A	31 Mar 2025
New STEM education programmes delivered locally	>2	31 Mar 2025

Long-term Indicators			
Indicator	*Current*	*Target*	*By when*
Reduction in those leaving school with no qualification[4]	16-37%	<10%	31 Mar 2030

Commentary
Work ready rangatahi starts with receiving a quality education including in the areas of Science, Technology, Engineering and Mathematics (STEM). STEM resources, including specialist teachers and materials, are often beyond the reach of individual schools. The Trust supports schools and other education providers to deliver STEM resources and education across the school years. There is also funding to support individuals pursuing careers in energy through work training programmes and University degrees. Overall, 4% of funding was granted with the majority of this going towards local educational materials/programmes as well as the amount granted in this area being an increase from the previous year.

[3] These grant values are included in the category Work Ready Rangatahi for the current year
[4] Source: DotLovesData using EducationCounts 2021 data

Two locals were supported in their studies (one at University and the other towards an apprenticeship) an increase from 1 in the prior year.

In the short-term and alongside providers the Trust is targeting having a local energy training facility and over two new STEM education programmes delivered locally.
Longer term, there needs to be a reduction in those leaving school with no qualification (a pre-cursor for the majority of employment opportunities). To meet the target set will require increased focus and funding from Government and education providers, as the Trust is only making a very small contribution in this area.

Employed Locals
The Trust supports employed locals through its local investments. By investing locally those businesses invested in create opportunities for sustainable productive employment and decent work as they develop.

Key Sustainable Development Goals Supported	
8 DECENT WORK AND ECONOMIC GROWTH	*8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all*

Impact Measurement & Reporting - Global Impact Investing Network (GIIN) Measures	
Jobs in Directly Supported/Financed Enterprises (JDS)	Number of full-time equivalent employees working for enterprises financed or supported by the organization as of the end of the reporting period. IRIS+ ID: PI4874

Performance Impact Measures				
Description of Impact	*Measure*	*Current Yr*	*Prior Yr*	*Change*
Direct employees and share of investment employees	JDS	124	118	↑6

Short-term Targets		
Target description	*Value*	*By when*
Local employment supported	>150	31 Mar 2025

Long-term Indicators			
Indicator	*Current*	*Target*	*By when*
The Whakatane, Opotiki and Kawerau districts are not in the bottom 10% of NZ for unemployment[5]	62-67 out of 68	<61	31 Mar 2030

Commentary
The Trust's impact investments create local employment opportunities throughout the Eastern Bay of Plenty and sustainable growth. It is unlikely to be an area the Trust can support through grant funding. The main contributor of local employment is the Horizon Energy Group of which Horizon Networks owns and operates the local electricity network, there is also a local AquaHeat office and Group shared services. Followed by our investment in Whakatōhea Mussels Ōpōtiki who have increased their employment to 217 employees. This local business growth has seen the number employed locally increase by 6.

The Trust's target is to support over 150 jobs locally by 2025, and longer term we would like to contribute towards our Districts no longer being in the bottom 10% of Districts in NZ for unemployment.

[5] Source: DotLovesData using the percentage of the working aged population that are employed sourced from StatsNZ 2018 data

Provide Community Leadership
The Trust provides Community leadership through working with other community leaders/groups on their goals and partnering with other funders to achieve collective impact.

Key Sustainable Development Goals Supported	
	17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

Impact Measurement & Reporting - Global Impact Investing Network (GIIN) Measures	
Revenue from Grants and Donations (RGD)	Value of revenue contributed as grants and donations during the reporting period. [IRIS+ ID: FP3021]

Performance Impact Measures				
Description of Impact	*Measure*	*Current Yr*	*Prior Yr*	*Change*
Grant applications received - all categories[6]	RGD	$2.6m	$2.1m	↑$0.5m
Total grants made - all categories	RGD	$2.4m	$1.7m	↑$0.7m
Total grant applications received[7]	Custom	60	52	↑8
Total grant applications approved	Custom	88%	87%	↑1%
Number of grants over $100k funded	Custom	7	3	↑4
Number of media releases published	Custom	19	26	↓7
Trustee elections % voting	Custom	N/A	14.5%	N/A

Short-term Targets		
Target description	*Value*	*By when*
Grant applications received per year	>$3M	31 Mar 2025
Regularly publish media releases per year	>24	31 Mar 2025
Percentage of votes cast at elections	>20%	31 Mar 2025

Long-term Indicators			
Indicator	*Current*	*Target*	*By when*
The number of co-funding Partnerships	2	5	31 Mar 2030

Commentary
Addressing the root causes of issues (rather than symptoms) requires transforming structures, mindsets, and policies. To do so requires active leadership and the collaboration of diverse people and organisations. By working on shared goals to solving complex societal problems with a variety of stakeholders the Trust can help influence the longer-term community outcomes set out above positively.

The Trust is able to influence stakeholders through its granting activities and amplify impact. Examples of this are:

- setting minimum energy performance standards and funding equipment that can be powered from renewable sources.
- supporting and promoting the adoption of new technology such as EV chargers at schools and a network of secure bike locks and chargers.

Whilst the upfront cost may be more and adoption slower than existing solutions it is the right thing to do for the long-term sustainability of the community. Providing learning opportunities and accelerating adoption.

[6] Metrics are based on Trustee decision date.
[7] There were an additional 7 grants received in year but not decided until after the year end.

Total amount spent on removal or replacement of inadequate or unreliable systems	Custom	$4.4m	$3.6m	↑$0.8m
Total line length removed or replaced relating to inadequate or unreliable systems	LBI	5km	7km	↓2km
Average customer minutes interrupted per unplanned event[9]	SHI	119min	203min	↓84min
Average times per year a customer has their supply interrupted due to an unplanned event[10]	SI	1.7	1.2	↑0.5

Commentary
The total spent on the removal and replacement of overhead hazards to improve public safety has increased due to more high value assets have been replaced in FY23.

Total line length on removal or replacement of overhead hazards has decreased by 7km due to reduced reactive works on overhead conductors and less customer-driven conductor replacement works for FY23.

The average customer minutes interrupted per unplanned event has decreased due to the overall customer impact from the adverse weather events in FY23 being less severe. The November 2021 Severe Thunderstorm in FY22 has caused more prolonged interruptions to the Network in comparison to Cyclone Gabrielle in FY23.

The average times per year a customer has their supply interrupted due to an unplanned event has increased for FY23 due to a higher number of faults observed.

Disclosure of judgements

In preparing the service performance information for the period Trust Horizon has made a number of judgements about what information to present, based on an assessment of what information would be most appropriate and meaningful to users when assessing performance and charitable activity.

The decisions about what service performance information to present were made in consultation with Trust Horizon's Board, key management personnel and stakeholders.

The performance measures relating to the "Electricity Network" were chosen based on Horizon Network activities that directly support aspects specifically highlighted in the Trust Deed and can be readily understood by the general public.

[9] Customer Average Interruption Duration Index (CAIDI) raw figures used with rural/remote classification is based on the location of interruption.
[10] System Average Interruption Frequency Index (SAIFI) raw figures used with rural/remote classification is based on the location of interruption.

Most of our performance measures to grow awareness of our funding and its impact have improved as we look to fund more initiatives and increase awareness. There was a slight decline in the media releases published as availability of our communications resource changed and we transitioned to an alternate provider. Noting Trustee elections only occur every 2 years.

Long-term we see collective impact being necessary to address complex societal problems such as housing, poverty, energy hardship and transition, education, and employment. Currently we are part of two co-funding partnerships and are targeting at least five partnerships by 2030:

- The 20 Degrees programme which is delivered by Sustainability Options and part-funded in the EBOP by ourselves, BayTrust and Government.
- The Warmer Kiwi Homes programme which is delivered locally by approved installers and primarily funded by EECA with Trust Horizon topping up funding to make it no or low cost for those eligible.

Trust Deed Measures relating to the Electricity Network

In addition to the Trust's strategic priorities which are supported through energy-related grants the Trust Deed includes purposes that relate to Horizon Networks' capital programme and network performance. The Company invests a significant amount in improving the electricity network and in areas relevant to the Trust Deed as can be seen below.

Publicly available information on the general performance of electricity network is also made available by the Company according to the industry's Regulations and is disclosed at https://www.horizonnetworks.nz/ with the Commerce Commission providing comparative information on their website https://comcom.govt.nz/

Key Sustainable Development Goals Supported	
	*11. Make cities and human settlements inclusive, safe, resilient and sustainable*
Impact Measurement & Reporting - Global Impact Investing Network (GIIN) Measures	
Length of Transmission Lines Built or Improved (LBI)	Length of transmission[8] lines built or improved by the organization during the reporting period. IRIS+ ID: PI4515
Service Hours Interrupted (SHI)	Number of hours-of-service interruptions during the reporting period. IRIS+ ID: PI2230
Service Interruptions (SI)	Number of service interruptions experienced by clients during the reporting period. IRIS+ ID: PI3720

Performance Impact Measures				
Description of Impact	*Measure*	*Current Yr*	*Prior Yr*	*Change*
The below apply to all of Network				
Total spent on removal or replacement of overhead hazards to improve public safety	Custom	$5.5m	$4.8m	↑$0.7m
Total line length removed or replaced relating to overhead hazards to improve public safety	LBI	7km	14km	↓7km
The below only apply to rural or remote electricity supplies as classified by Horizon Networks				

[8] In the electricity industry transmission relates to a particular voltage level(s), in this context the measure includes all voltage levels.

TRUST HORIZON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Notes	2023 $000	2022 $000
ASSETS			
Current Assets			
Cash and cash equivalents		821	3,510
Short term deposits		6,000	5,400
Trade and other receivables	**11**	58,773	39,534
Debtor retentions		9,176	6,863
Inventories and work in progress	**12**	26,365	22,246
Derivative financial instruments		67	-
Total Current Assets		101,202	77,553
Non-Current Assets			
Property, plant and equipment	**13**	187,750	183,361
Intangible assets	**14**	34,915	34,436
Restricted bank deposits		88	152
Derivative financial instruments		2,854	1,469
Other receivables		43	48
Investment property	**15**	2,990	-
Investments	**16**	15,513	8,579
Total Non-Current Assets		244,153	228,045
Total Assets		345,355	305,598
LIABILITIES			
Current Liabilities			
Trade and other payables	**17**	36,526	28,101
Creditor retentions		2,783	3,269
Grants owing		1,812	2,941
Provision for staff entitlements	**17a**	13,057	11,190
Construction work in progress	**22**	21,218	12,952
Current tax liabilities		89	40
Derivative financial instruments		-	73
Deferred capital contributions	**20**	18	18
Provisions	**17b**	2,358	2,389
Total Current Liabilities		77,861	60,973
Non-Current Liabilities			
Provision for staff entitlements	**17a**	285	121
Deferred capital contributions	**20**	414	432
Term loans	**5,17**	68,300	61,700
Derivative financial instruments		-	199
Total Non-Current Liabilities		68,999	62,452
Total Liabilities		146,860	123,425
Net Assets		**198,495**	**182,172**
EQUITY			
Capital	**8**	26,638	26,638
Reserves	**10**	65,212	66,310
Retained earnings		106,645	89,224
Total Equity		**198,495**	**182,172**

These financial statements have been authorised for issue by the Board of Trustees on 24 August 2023

Trustee David Glover Trustee Trustee K Hennessy

The notes on page 20 to 42 are integral to these Financial Statements

KPMG

TRUST HORIZON
CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 $000	2022 $000
Operating revenue	6a	382,264	284,845
Operating expenses	6b	(362,568)	(265,915)
Operating surplus		19,696	18,930
Other Income			
Dividend income		78	241
Financing Income and Expenses			
Interest income		154	36
Interest expense		(3,411)	(2,386)
Fair value gain/(loss) of financial derivatives		1,724	3,847
		(1,533)	1,497
Surplus before tax		18,241	20,668
Income tax benefit / (expense)	7	(161)	(163)
Surplus after tax from continuing operations		18,079	20,505
Surplus for the year		**18,079**	**20,505**
Other comprehensive surplus			
Fair value (loss)/gain of Investments in NZ and International shares (or "equities")	10	(1,233)	136
(Loss)/gain on foreign currency translation	10	134	(73)
Other comprehensive surplus for the year net of tax		(1,099)	63
Total comprehensive surplus for the year		**16,981**	**20,568**

KPMG

TRUST HORIZON
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 MARCH 2023

	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 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**	**89,224**	**(137)**	**63,197**	**3,251**	**182,172**
Total comprehensive revenue		-	18,079	134	-	(1,233)	16,981
Grants paid and approved	9	-	(658)	-	-	-	(658)
Balance as at 31 March 2023		**26,638**	**106,645**	**(3)**	**63,197**	**2,018**	**198,495**

KPMG

TRUST HORIZON
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 $000	2022 $000
Operating activities			
Cash receipts from customers		369,069	266,862
Cash paid to suppliers		(348,073)	(248,458)
Interest received		118	36
Interest paid		(2,847)	(2,353)
Net cash from / (used in) operating activities before tax		**18,267**	**16,086**
Taxes paid		(112)	(17)
Net cash from / (used in) operating activities	29	**18,155**	**16,069**
Investing activities			
Short term deposits		(600)	(1,747)
Restricted bank deposits		64	107
Dividend income received		78	241
Purchases of property, plant & equipment		(11,604)	(10,847)
Purchase of intangible assets		(132)	(998)
Purchase of businesses		(2,700)	(4,257)
Purchase of investments		(11,237)	(4,500)
Disposal of investments		-	8
Proceeds on disposal of property, plant & equipment		487	411
Net cash from/ used in investing activities		(25,644)	(21,583)
Financing activities			
Grants paid		(1,801)	(1,693)
Repayment of term debt		(184,430)	(124,340)
Term debt drawn down		191,030	132,831
Net cash from/(used in) financing activities		4,800	6,798
Net (decrease)/increase in cash and cash equivalents		(2,689)	1,284
Cash and cash equivalents at the beginning of the year		3,510	2,228
Cash and cash equivalents at the end of the year		**821**	**3,510**

KPMG

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 2023 comprise the Trust and its subsidiaries (together referred to as the “Group”).

The principal activity of the Group is that of investment in a diversified portfolio of investments, predominantly in energy 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 and service performance information 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 24 August 2023. 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 (including land and buildings related to 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.

Subsidiaries are 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.

b) Business Combinations

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.

KPMG

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.

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 provision for staff entitlements 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 staff entitlements 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

Network distribution assets held for use are initially measured at cost and subsequently measured 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 network distribution 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 for administration purposes are initially measured at cost and subsequently measured at cost less accumulated depreciation, 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 initially measured at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Land is not depreciated.

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

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

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

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 cost less accumulated amortisation. 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 Comprehensive Revenue and Expenses.

Goodwill arising on the acquisition of subsidiaries is subsequently measured at cost less accumulated impairment losses.

n) Impairment of Non Financial Assets

At each reporting date the Group reviews the carrying amounts of its non-financial 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non Financial Assets (continued)
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 represent finished goods and 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 Comprehensive Revenue and Expenses or at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Financial Assets measured at amortised cost include trade receivables and cash and cash equivalents. Financial assets at fair value through Comprehensive Revenue and Expenses 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 transaction price 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 transaction price 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 Comprehensive Revenue and Expenses.

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. Provision for warranties are recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities. 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.

KPMG

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.

Grants are provided for both Trust Horizon initiated proactive programmes and grant applications received from community organisations which are required to meet specific requirements to be eligible.

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'S 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.

Valuation of Investments

Various methods are used for the valuation of investments. Where the investment is in listed shares or funds the value at balance date is used. The Lodestone investment is valued at cost as no other external information is available. OTK Orchards is valued using a discounted cashflow model. Concordia House will be independently valued each two years.

KPMG

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

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.

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 MANAGMENT

Risk management is carried out by Trustees or their delegates, together forming Governance, under policies approved by the Trustees. Management identifies and evaluates relevant financial risks and acts to manage these risks where possible, within the parameters set out by the Trustees. The Trustees provide written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments. Management reports to 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 2023, if interest rates on long term borrowing had changed by +/- 1% (2022: +/- 1%) with all other variables held constant, pre tax profit and equity for the year would have been $148,917 lower/higher (2022: $29,792 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.

2023	**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	68,300	16,406	38,474	26,161	-
Grant payments owing	1,812	1,087	544	181	-
Trade and other payables	36,526	36,526	-	-	-
Creditor Retentions	2,783	2,505	278	-	-
Derivatives					
- Inflows		(3,402)	(2,512)	(4,369)	(781)
- Outflows		1,714	1,307	2,422	406
	109,421	**54,836**	**38,091**	**24,395**	**(375)**
2022					
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**

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	2023 $000	2022 $000
6a. Revenue from Exchange Transactions			
Distribution revenue		32,633	33,582
Contracting and servicing income		345,827	246,968
Capital contributions revenue		2,593	2,484
Other revenue		888	1,751
Rental income		324	60
		382,264	**284,845**
6b. Operating expenses include:			
Depreciation	**13**	8,566	8,425
Amortisation costs	**14**	1,412	2,232
Net loss/(gain) on disposal of fixed assets		699	270
Rental and operating lease expenses		6,591	5,498
Maintenance of network distribution assets		3,969	3,743
Materials and consumables used		220,027	151,800
Employee entitlements		110,027	86,383
Transmission charges		7,089	6,689
Movement in doubtful debts provision		277	41
Trustees' fees and expenses		163	156
Directors' remuneration and retirement		404	404
Bad debts		159	101
Auditors' remuneration	**24**	350	311
Investment property expenses		157	41
Other expenses		2,677	(179)
		362,568	**265,915**

7. INCOME TAX BENEFIT / (EXPENSE)

	2023 $000	2022 $000
Current tax	161	163
Income tax benefit / (expense)	**161**	**163**

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

	2023 $000	2022 $000
Profit before tax	18,241	20,668
Income not subject to tax	(17,418)	(20,169)
Taxable profit	**823**	**499**
Income tax benefit / (expense) attributable to taxable profit	**230**	**140**
Tax effect of amounts which are non-deductible / (taxable) in calculating taxable income		
Prior year adjustments	-	56
Foreign income taxable at 20%	(69)	(33)
Total income tax benefit / (expense)	**161**	**163**

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.

8. CAPITAL ACCOUNT

	2023 $000	2022 $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. GRANTS PAID AND APPROVED

	2023 $000	2022 $000
Grants Paid and approved during the current year	2,393	3,193
Less previous granst approved returned to the pool	1,735	268
	658	2,925

10. RESERVES

	2023 $000	2022 $000
Opening balance	66,310	66,247
Fair value revaluation of Investments in NZ and International shares (or "equities")	(1,233)	136
Currency translation (losses)/ gains	135	(73)
Balance as at 31 March	**65,212**	**66,310**

11. TRADE & OTHER RECEIVABLES

	2023 $000	2022 $000
Trade receivables	57,732	39,386
Less provision for doubtful debts	(752)	(475)
Other receivables and prepayments	1,793	623
	58,773	**39,534**

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

Due to the short term natureThe 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.

The Group has adjusted the level of impairment of trade receivables in the current period to reflect current expected losses. As at 31 March 2023, trade receivables of $8,153,107 (2022: $7,723,068) were past due.

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

	2023 $000	2022 $000
Up to 3 months	54,862	35,609
Over 3 months	2,824	3,777
	57,686	**39,386**

KPMG

12. INVENTORIES AND WORK IN PROGRESS

	2023 $000	2022 $000
Construction work in progress (Note 20)	17,829	15,511
Inventories	8,536	6,735
Balance at 31 March	**26,365**	**22,246**

13. PROPERTY PLANT & EQUIPMENT

		2023 $000	2022 $000
Property plant and equipment comprise:			
Land and buildings	*Opening cost or valuation*	5,572	5,247
	Additions	637	305
	Additions from business combinations	-	21
	Foreign exchange transactions	7	-
	Disposals	(534)	(1)
	Closing cost or valuation	5,682	5,572
	Accumulated depreciation and impairment	(1,968)	(1,847)
	Net book value	3,713	3,725
Plant and equipment	*Opening cost or valuation*	13,560	12,466
	Additions	1,245	1,094
	Additions from business combinations	133	185
	Asset reclassification	(73)	(31)
	Disposals	(665)	(148)
	Foreign exchange transactions	14	-
	Capital work in progress	30	(6)
	Closing cost or valuation	14,244	13,560
	Accumulated depreciation and impairment	(11,007)	(10,413)
	Net book value	3,237	3,147
Furniture and fittings	*Opening cost or valuation*	1,673	1,543
	Additions	242	126
	Additions from business combinations	1	-
	Asset reclassification	-	4
	Disposals	(119)	-
	Capital work in progress	1	-
	Closing cost or valuation	1,798	1,673
	Accumulated depreciation	(1,167)	(1,165)
	Net book value	632	508
Motor vehicles	*Opening cost or valuation*	12,703	11,220
	Additions	1,144	1,915
	Additions from business combinations	191	628
	Asset reclassification	-	34
	Disposals	(1,077)	(1,103)
	Foreign exchange transactions	43	-
	Capital work in progress	(21)	9
	Closing cost or valuation	12,983	12,703
	Accumulated depreciation	(7,504)	(7,069)
	Net book value	5,479	5,634

KPMG

13. PROPERTY PLANT & EQUIPMENT (CONTINUED)

		2023 $000	2022 $000
Network distribution	*Opening cost or valuation*	170,250	175,054
	Additions	10,777	8,682
	Asset reclassification	73	-
	Revaluation Movement	-	(12,342)
	Disposals	(1,292)	(1,606)
	Capital work in progress	(657)	462
	Closing cost or valuation	179,150	170,250
	Accumulated depreciation	(4,549)	-
	Net book value	174,601	170,250
Finance leased assets	*Opening cost or valuation*	202	182
	Asset reclassification	-	20
	Closing cost or valuation	202	202
	Accumulated depreciation	(114)	(104)
	Net book value	88	98
Total	***Closing cost or valuation***	**214,059**	**203,960**
	Accumulated depreciation	**(26,309)**	**(20,599)**
	Net book value	**187,750**	**183,361**

Depreciation Expense	**2023** **$000**	**2022** $000
Buildings	238	238
Plant and equipment	1,281	1,340
Furniture and fittings	120	119
Motor vehicles	1,354	1,342
Network distribution	5,563	5,376
Finance leased assets	10	10
Total	8,566	8,425

Valuation of Network Distribution Assets

The network distribution assets were revalued as at 31 March 2022 by Pricewaterhouse Coopers 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 $155.9 million (2022: $149.6 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 2023 was $103,798 (2022: $94,492) at the Group weighted average effective interest rate.

14. INTANGIBLE ASSETS

	2023 $000	2022 $000
Goodwill		
Opening cost or valuation	29,007	26,692
Additions	1,705	2,315
Foreign exchange transactions	47	-
Net book value	30,759	29,007
Software and intellectual property		
Opening cost or valuation	16,632	15,955
Additions	370	182
Foreign Exchange Transactions	10	10
Customer Assets Intangible Attributed on Acquisition	-	12
Disposals	-	(343)
Intangibles Work in Progress	(238)	816
Closing cost or valuation	16,774	16,632
Accumulated amortisation	(12,618)	(11,203)
Net book value	4,156	5,429
Total		
Closing cost or valuation	47,533	45,639
Accumulated amortisation	(12,618)	(11,203)
Total	34,915	34,436

Goodwill and Intangible Assets

Allocation of Goodwill to Cash Generating Units

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

	2023 $000	2022 $000
Regulated	11,269	11,269
Electrical	10,053	10,053
HVAC Mechanical & Service	5,586	3,834
Refrigeration	3,851	3,851
	30,759	29,007

Sensitivity

The Trustees have considered the variability of the key assumptions underlining the recoverable value including discounts rates, terminal growth rates and forecast cashflows. The Trustees believe that the range of reasonable variability would not cause a material change in these carrying amounts.

15. INVESTMENT PROPERTY

	2023 $000	2022 $000
Commercial Property - Concordia House	2,990	-
	2,990	**-**

16. INVESTMENTS

	2023 $000	2022 $000
Seeka Limited	654	1,103
OTK Orchards Limited 15.45% share interest (2022: 15.45%)	1,335	1,356
Whakatohea Mussels (Opotiki) Limited	2,100	1,800
Lodestone Energy Limited	5,000	-
Simplicity Investment Portfolio	6,424	4,320
Total other investments	**15,513**	**8,579**

KPMG

17. TRADE & OTHER PAYABLES	**2023** **$000**	**2022** $000
Trade payables	29,151	26,863
Other payables	7,375	1,238
Total trade payables and other payables	**36,526**	**28,101**

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

Due to the short term nature of trade and other payables, the carrying value approximately fair value.

As at 31 March 2023 the Group held contract retentions withheld in New Zealand from creditors of $2,782,871 (2022: $3,268,704).

18. PROVISIONS

18a. PROVISION FOR STAFF ENTITLEMENTS	**2023** **$000**	**2022** **$000**
Classified as:		
Current employee entitlements	13,057	11,190
Non-current employee entitlements	285	121
Total employee entitlements	**13,342**	**11,311**

The provision for staff 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.

18b. WARRANTY PROVISIONS	**2023** **$000**	**2022** **$000**
Balance at beginning of year	2,389	2,882
Provisions made during the year	2,604	1,316
Provisions used during the year	(591)	(1,516)
Provisions reversed during the year	(2,044)	(293)
Balance at end of year	2,358	2,389
Classified as:		
Current liabilities	2,358	2,389
Total provisions	2,358	2,389

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 Group's obligations.

19. TERM LOANS

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 5.05% (2022: 2.44%). The weighted average floating interest rate excludes the effect of the Group's interest rate risk management.

As at 31 March 2023, the Group had debt facilities available of $110.0 million (2022: $90.0 million), with undrawn debt facilities of $41.7 million (2022: $28.3 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.

Term and Repayment Schedule	**Nominal Interest Rate**	**Year of Maturity**	**Carrying Amount**	
			2023	**2022**
			$000	$000
Bank Loan Tranche B (Expired)			-	12,000
Bank Loan Tranche B (Current)			32,000	32,000
Bank Loan Tranche C			12,300	-
Bank Loan Tranche E			-	9,200
Bank Loan Tranche F			-	8,500
Bank Loan 138-06			24,000	-
Balance as at 31 March			68,300	61,700

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

20. DEFERRED CAPITAL CONTRIBUTIONS

	2023	**2022**
	$000	$000
Opening balance	450	468
Less amounts recognised as revenue during year	(18)	(18)
Balance at 31 March	**432**	**450**
Classified as:		
Current	18	18
Non-current	414	432
	432	**450**

21. FAIR VALUE MEASUREMENT

Fair value measurements recognised in the statement of financial position

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 Assets	**2023** **$000**	2022 $000
Seeka Limited	654	1,103
Total for level 1	654	1,103
Level 2		
Derivative financial instruments	2,921	1,197
Simplicity Investment Portfolio	6,424	4,320
Total for level 2	9,345	5,517
Level 3		
Assets		
Network Distribution Assets	174,601	170,250
Other investments	11,426	3,156
	186,027	173,407
Level 3 reconciliation		
Opening balance	174,462	170,871
Additions	19,047	8,942
Revaluation movement	-	(12,342)
Disposal	(1,292)	(1,606)
Capital work in progress	(657)	462
Accumulated Depreciation	(4,549)	8,134
	187,011	174,462

22. 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.

	2023 $000	**2022** $000
Contracts in progress at balance date:		
Gross construction work in progress plus margin to date	418,324	241,074
Progress billings	(421,713)	(238,515)
Work in Progress	(3,389)	2,559
Classified as:		
Construction contracts with net work in progress (note 11)	17,829	15,511
Construction contracts with net funds received in advance of cost and margin	(21,218)	(12,952)
Carrying amount at the end of the year	(3,389)	2,559

23. OPERATING LEASES

	2023 $000	**2022** $000
As Lessee		
Operating lease commitments fall due for payment in the following periods:		
Within one year	5,742	4,563
Within one to five years	11,347	7,881
Over five years	114	-
	17,203	**12,444**

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.

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. The CT Scanner was fully vested in Whakatane Hospital in September 2022

24. 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	54	29
Audit of the subsidiary financial statements	240	198
Total Audit and Assurance Services	294	227
Audit Related Services		
Audit of the Information Disclosure Statements and Default Price-Quality Compliance Statement reported to the Commerce Commission	58	54
Agreed Upon Procedures for the Half Year Financial Statements of Horizon Energy Distribution Limited	4	4
Total Audit Related services	62	58
Other Services		
Debt Remission & LAFHA	3	-
Taxation Compliance and Advisory Services for subsidiaries	2	26
Total Other Services	5	26
Total Auditors' remuneration	361	311

KPMG

25. 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% (2022: 100%) of the ordinary shares of Horizon Energy Distribution Limited (HEDL) and Development Enterprises Limited (DEL).

Trust Horizon Trustee, Yvonne Boyes, is a shareholder of Boyes James McKay Limited who provide valuation services to DEL. The total value of services provided for the year ended 31 March 2023 was $1,795 (2022: $3,500).

The Trustees consider that no loans are impaired for 2023 (2022: the Trustees considered that no loans were impaired).

Key management remuneration	**2023**	**2022**
	$000	$000
Remuneration of key management personnel, trustees and directors		
Salaries and other short term benefits	4,096	3,474
Directors' fees and payments	404	404
Trustees' fees and payments	163	156
	4,663	4,034

26. COMMITMENTS	**2023**	**2022**
	$000	$000
Capital expenditure contracted for at balance date but not yet incurred is:		
Intangibles	581	644
Non network assets	1,952	545
Network distribution assets	610	1
Leases	4,456	1,838
	7,599	**3,028**

27. CONTINGENT LIABILITIES

Unclaimed Dividends

As provided for under clause 27.8 of HEDL's constitution, unclaimed dividends now total $58,770 (2022: $63,350). 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 2023 the total value of performance bonds issued is $3,112,184 (2022: $2,363,965) and the total value of HEDL Guarantees is $0.00 million (2022: $0.00 million).

28. COVID-19

In the year ended 31 March 2023, the Group did not receive any grants from the Ministry of Social Development (MSD) (2022: $1,063,918). 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.

29. SUBSEQUENT EVENTS

Dividend declaration

On 31 May 2023 HEDL declared a final dividend of 22.0 cents (2022: 30.0 cents) per ordinary share.

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

	2023 $000	**2022** $000
Reported surplus before tax	18,241	20,668
Adjustments for non cash items:		
Depreciation and amortisation	9,974	10,657
Capital contributions amortised	(18)	(18)
(Gain) on disposal	(354)	(272)
Loss on sale of fixed assets	699	270
Non Cash Vested Assets	(1,793)	(1,748)
Loss/(Gain) on Fair Value Movement of Financial Derivatives	(1,724)	(3,847)
Other	71	(27)
Operating cash flows before movements in working capital	25,097	25,683
(Increase) / decrease in assets		
Trade and other receivables	(20,415)	(9,359)
Construction work in progress	(2,318)	(7,973)
Inventories	(1,801)	(2,145)
Increase / (decrease) in liabilities		
Trade and other payables	8,008	7,061
Provision for employee entitlements	2,010	1,644
Provisions	(31)	(493)
Construction revenue received in advance	8,266	751
Items reclassified as Investing activities	(78)	(173)
Prepayments	(1,128)	-
Working capital from acquisitions	656	1,090
Less movements in working capital	(6,830)	(9,598)
Net cash flow from operating activities before tax payment	**18,267**	**16,086**

KPMG

Independent Auditor's Report

To the beneficiaries of Trust Horizon

Report on the audit of the consolidated financial report

Opinion

In our opinion, the consolidated financial report of Trust Horizon (the 'trust') and its subsidiaries (the 'group') on pages 4 to 42 presents fairly, in all material respects:

i. the Group's financial position as at 31 March 2023 and its financial performance and cash flows for the year ended on that date; and

ii. the service performance for the year ended 31 March 2023 in accordance with the trust's service performance criteria;

in accordance with New Zealand Equivalents to International Financial Reporting Standards for Public Benefit Entities issued by the New Zealand Accounting Standards Board.

We have audited the accompanying consolidated financial report which comprises:

— the consolidated statement of financial position as at 31 March 2023;

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

— notes, including a summary of significant accounting policies; and

— the consolidated statement of service performance on pages 4 to 15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'), and the audit of the statement of service performance, in accordance with the New Zealand Auditing Standard 1 *The Audit of Service Performance Information* ('NZ AS 1'). 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 (Including International Independence Standards) (New Zealand)* 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) and NZ AS 1 are further described in the *Auditor's responsibilities for the audit of the consolidated financial report* section of our report.

Our firm has also provided other services to the group in relation to regulatory reporting to the New Zealand Commerce Commission and tax compliance advice. 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 Annual Report. Our opinion on the consolidated financial report 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 report our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial report 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 report

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

— the preparation and fair presentation of the consolidated financial report in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards for Public Benefit Entities) issued by the New Zealand Accounting Standards Board;

— implementing necessary internal control to enable the preparation of a consolidated financial report that is free from material misstatement, whether due to fraud or error;

— service performance criteria that are suitable in order to prepare service performance information in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards for Public Benefit Entities); 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 report

Our objective is:

— to obtain reasonable assurance about whether the financial statements as a whole and the statement of service performance is 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 and NZ AS 1 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 and collectively, they could reasonably be expected to influence the economic decisions of users taken on the basis of this consolidated financial report.

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

https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-13/

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

KPMG

KPMG
Auckland

24 August 2023