Financial Statements

For the year ended
31 March 2020

EASTERN BAY ENERGY TRUST

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Whakatane

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Energising Our Community

Contents

Trustees' declaration

In the opinion of the Trustees of the Eastern Bay Energy Trust, the Consolidated Financial Statements and the notes, on pages 4 to 31:

- comply with New Zealand generally accepted accounting practice and fairly present the financial position of the Trust as at 31 March 2020 and the results of its operations and cash flows for the year ended on that date.

- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Trustees believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Trust and facilitate compliance of the Financial Statements with the Financial Reporting Act 2013.

The Trustees consider that they have taken adequate steps to safeguard the assets of the Trust, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the Financial Statements.

The Trustees are pleased to present the financial report, incorporating the Consolidated Financial Statements of the Eastern Bay Energy Trust for the year ended 31 March 2020.

For and on behalf of the Board of Trustees:

Aaron Milne	David Bulley	Kevin Hennessy
Chair	Deputy Chair	Trustee
29 July 2020	29 July 2020	29 July 2020

DIRECTORY

Manager	Rawinia Kamau	
Trust Office	5 Richardson Street	
	Whakatane	
Postal	PO Box 567, Whakatane 3158	
Phone	07 307 0893	
Freephone	0800 323 800	
Fax	07 307 0896	
Email	ebetrust@ebet.org.nz	
Website	www.ebet.org.nz	
Trustees		
Chairman	Aaron Milne	021 053 0557
Deputy Chairman	David Bulley	07 312 5874
Trustees	Don Lewell	07 308 7244
	Edwina O'Brien	07 323 8513
	Kevin Hennessy	07 315 7348
	Merrin Stables	027 4460 127
	Wade Brown (ceased 10 March 2020)	
Advisors		
Legal	Sharp Tudhope	Tauranga
	OAC Limited	Whakatane
Accountants	Arrow Accountants Limited	Whakatane
Auditors	KPMG	Tauranga
Bankers	ASB Bank	Tauranga
	Westpac Bank	Auckland

Directors on Related Party Boards	
	EBET Trustee
Development Enterprises Ltd	Don Lewell
	Kevin Hennessy
	Edwina O'Brien
	David Bulley
	Aaron Milne
DEL Property Investment Ltd	Kevin Hennessy

EASTERN BAY ENERGY TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	2020 $000	2019 $000
ASSETS			
Current Assets			
Cash and cash equivalents		2,307	2,164
Short term deposits		1,900	2,304
Trade and other receivables	10	45,720	34,889
Inventories and work in progress	11	7,535	8,130
Current tax assets		361	410
Total Current Assets		57,823	47,897
Non-Current Assets			
Property, plant and equipment	12	175,638	172,335
Intangible assets	13	33,582	27,166
Restricted bank deposits		1,491	160
Other receivables		53	58
Investments	14	3,526	6,628
Total Non-Current Assets		214,290	206,347
Total Assets		272,113	254,244
LIABILITIES			
Current Liabilities			
Trade and other payables	15	29,679	26,119
Grants owing		1,817	1,841
Provision for staff entitlements	16a	7,907	6,060
Construction work in progress	20	11,532	8,961
Term loans	17	-	2,300
Derivative financial instruments		196	71
Deferred capital contributions	18	18	18
Provisions	16	2,038	1,041
Total Current Liabilities		53,187	46,411
Non-Current Liabilities			
Provision for staff entitlements	16a	182	166
Deferred capital contributions	18	468	486
Term loans	17	66,200	66,499
Derivative financial instruments		3,640	2,599
Total Non-Current Liabilities		70,490	69,750
Total Liabilities		123,677	116,161
Net Assets		**148,436**	**138,083**
EQUITY			
Capital	8	26,638	26,638
Reserves	9	65,261	65,028
Retained earnings		56,537	46,417
Total Equity		**148,436**	**138,083**

These financial statements have been authorised for issue by the Board of Trustees on 29 July 2020

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

Date: 29/7/20

EASTERN BAY ENERGY TRUST
CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 $000	2019 $000
Operating revenue	6	252,822	195,805
Operating expenses	6	(236,618)	(182,973)
Operating surplus		16,204	12,832
Other Income			
Dividend income		57	115
Financing Income and Expenses			
Interest income		145	183
Interest expense		(2,873)	(2,925)
Fair value gain/(loss) of financial derivatives		(1,165)	(920)
		(3,893)	(3,662)
Surplus before tax		12,368	9,285
Income tax benefit / (expense)	7	(306)	68
Surplus after tax from continuing operations		12,062	9,353
Surplus for the year		12,062	9,353
Other comprehensive surplus			
Fair value gain of Investments in NZ and International shares (or "equities")	9	299	270
Fair value gain of OTK Orchards	9	-	235
Fair value gain of the network assets	9	-	7,103
(Loss)/gain on foreign currency translation	9	(66)	93
Other comprehensive surplus for the year net of tax		233	7,701
Total comprehensive surplus for the year		12,295	17,054

EASTERN BAY ENERGY TRUST
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 MARCH 2020

	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 2018	8	26,638	38,894	(67)	56,094	1,299	122,858
Total comprehensive revenue		-	9,353	93	-	506	9,952
Grants paid and approved		-	(1,830)	-	-	-	(1,830)
Revaluation of Network Distribution Assets		-	-		7,103	-	7,103
Balance as at 31 March 2019	8	**26,638**	**46,417**	**26**	**63,197**	**1,805**	**138,083**
Total comprehensive revenue		-	12,062	(66)	-	299	12,296
Grants paid and approved		-	(1,943)	-	-	-	(1,943)
Balance as at 31 March 2020	8	**26,638**	**56,537**	**(40)**	**63,197**	**2,104**	**148,436**

EASTERN BAY ENERGY TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 $000	2019 $000
Operating activities			
Cash receipts from customers		249,227	189,412
Cash paid to suppliers		(225,297)	(172,667)
Interest received		150	182
Interest paid		(2,973)	(2,880)
Net cash from / (used in) operating activities before tax		**21,107**	**14,047**
Taxes paid		(236)	1
Net cash from / (used in) operating activities		**20,871**	**14,048**
Investing activities			
Short term deposits		405	(5)
Restricted bank deposits		(1,331)	208
Dividend income received		57	115
Purchases of property, plant & equipment		(11,281)	(16,767)
Purchase of intangible assets		(2,023)	(1,168)
Purchase of businesses		(8,753)	(3,701)
Purchase of investments		(64)	(170)
Disposal of investments		3,464	141
Proceeds on disposal of property, plant & equipment		3,365	347
Net cash from (used in) investing activities		(16,161)	(21,000)
Net Cash Used in Investing Activities		(16,161)	(21,000)
Financing activities			
Grants paid		(1,970)	(1,922)
Repayment of term debt		(126,548)	(82,026)
Term debt drawn down		123,950	92,107
Net cash from/(used in) financing activities		(4,568)	8,159
Net (decrease)/increase in cash and cash equivalents		142	1,207
Cash and cash equivalents at the beginning of the year		2,165	957
Cash and cash equivalents at the end of the year		**2,307**	**2,164**

1. REPORTING ENTITY

The Eastern Bay Energy Trust is a trust established in New Zealand by Deed of Trust dated 1 August 1994. The Trust and all its subsidiaries are domiciled in New Zealand.
The Consolidated Financial Statements of the Group for the year ended 31 March 2020 comprise the Trust and its subsidiaries (together referred to as the "Group").

The principal activity of the Group is that of investment in electricity related entities.

The Group consists of the following entities:

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

2. BASIS OF PREPARATION

Statement of compliance

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

The Financial Statements were approved by the Board of Trustees on 29 July 2020. The Trustees do not have the authority to amend the Financial Statements after issue.

The accounting policies have been applied consistently throughout the Group for all periods presented unless otherwise stated.

Basis of measurement

The Financial Statements have been prepared on the historical cost basis as modified by the revaluation of network distribution assets, derivative financial instruments at fair value through profit or loss, and available for sale financial assets are measured at fair value. The method used to measure fair values is discussed further in note 4.

These Financial Statements are presented in New Zealand dollars ($), which is the Group's functional currency. Amounts have been rounded to the nearest thousand.

2. BASIS OF PREPARATION (continued)

Use of estimates and judgements

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the Financial Statements are described in the following notes:

- Note 12 – valuation of buildings and network distribution system
- Note 13 – valuation of intangibles
- Note 14 – valuation of investments

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

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

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

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

b) Business Combinations

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

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

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

Acquisition related costs are expensed as incurred. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with PBE IPSAS 29 either in profit or loss or as a change to other comprehensive income.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)
Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

c) Revenue from Exchange Transactions

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

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

Sales of services are recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Distribution Revenue

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

d) Revenue from Non-Exchange Transactions

Capital Contributions from Non-Government Entities

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

Deferred Capital Contributions

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

e) Operating Leases

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

f) Foreign Operations

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

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

The Group does not have significant transactions involving foreign currencies.

g) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, borrowing costs are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

h) Employee entitlements

Wages, salaries and annual leave

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Long service leave and retirement gratuity

The liability for long service leave and retirement gratuity is recognised in the provision for employee benefits and measured such that the liability represents the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Consideration is also given to discounting the provision if the effect is material.

j) Bonus plans

The Group recognises a liability and an expense for the Group bonuses based on a bonus pool that is available for distribution subject to certain performance criteria being met. The Group recognises a provision where it is contractually obliged or where there is a past practice that has created a constructive obligation.

k) Goods and Services Tax (GST)

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

l) Property, plant and equipment

Network distribution systems

Network distribution system assets held for use are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance date.

Any revaluation increase arising on the revaluation of network distribution system assets is credited to the assets' revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the net profit, in which case the increase is credited to the net profit to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such assets is charged to the net profit to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

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

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

Land and buildings

Land and buildings held as part of the network distribution system are stated in the Statement of Financial Position at valuation, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance date.

Any revaluation increase arising on the revaluation of such land and buildings is accumulated in the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to the net profit to the extent that it exceeds the balance, if any, held in the capital revaluation reserve relating to a previous revaluation of that asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Land and buildings (continued)
Land and buildings for administration purposes are stated at cost, comprising the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended service.

Plant and equipment, furniture and fittings and vehicles
Plant and equipment, furniture and fittings and vehicles are stated at cost less accumulated depreciation and any accumulated impairment losses.

Gain or loss on disposal
The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Revenue and Expenses.

Depreciation
Depreciation is recognised in the Statement of Comprehensive Revenue and Expenses using either a straight-line or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

- Buildings 40-100 years
- Plant and machinery 2-10 years
- Vehicles 5-10 years
- Furniture and fittings 10 years
- Distribution system 8-70 years
- Computer software 3-5 years

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non Financial Assets (continued)

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

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

o) Inventories

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

p) Financial Instruments

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

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

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

q) Trade Receivables

Trade receivables are initially measured at fair value and subsequently measured at amortised cost.

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

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

The allowance recognised is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted using the effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short term highly liquid investments 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.

s) Bank Borrowings

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

Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

t) Trade Payables

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

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

u) Derivative Financial Instruments

Derivative financial instruments are initially measured at fair value on the contract date, and revalued to fair value at subsequent reporting dates. The Group has elected not to designate its derivative financial instruments for hedge accounting. Consequently they are classified as 'fair value through profit or loss' with changes in the fair value of these derivative instruments recognised immediately in profit or loss.

Under interest rate swap contracts the Group agrees to exchange the difference between floating and fixed rate interest amounts calculated on notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on a portion of the Group's debt.

Management regularly monitors the level of interest derivatives held and the rates currently available and adjusts the interest derivatives portfolio as they believe prudent.

v) Provisions

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

w) Grant Expenditure

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Cash Flow Statement

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

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

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

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

4. CRITICAL JUDGEMENTS IN APPLYING THE ENTITY' ACCOUNTING POLICIES

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the process of applying the entity's accounting policies, which are described in Note 3, Management have made the following judgements and estimates that have significant effects on the amounts recognised in the Consolidated Financial Statements.

Revenue Recognition

Distribution revenue includes an accrual for unbilled revenue, where consumption is estimated to the end of the billing period based on historical actual electricity usage.

Occasionally historical electricity usage data is not consistent and subsequent adjustments are made.

These adjustments are immaterial compared with the total distribution revenue.

Valuation of Work in Progress

The Group is required to exercise judgement in assessing the stage of completion of each incomplete construction contract on a contract by contract basis to determine the realisable revenue and costs to be reported in the Statement of Comprehensive Revenue and Expenses at the end of an accounting period. This judgement impacts the value of profits reported and the value of construction work in progress carried in the Statement of Financial Position. The accuracy of these judgements can only be determined when a project is completed or has met a clear contract milestone.

Goodwill

Goodwill acquired through business combinations has been allocated to five cash generating units (CGU's) that will operate within three reporting segments for impairment testing, comprising Electrical, HVAC Mechanical & Service and Refrigeration. The Directors and Trustees have reviewed the carrying value of goodwill and do not believe there is any impairment on the basis that the budgeted cash flows for the next ten years exceed the carrying value of each business including goodwill.

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

Valuation of Network Distribution Assets

The Group estimates the fair value of the network distribution assets using independent valuers in accordance with the property, plant and equipment accounting policy. Because of the specialised nature of the network and the infrequency of network distribution asset sale transactions, there is a lack of market-based evidence available to determine fair value. The valuation undertaken at 31 March 2019 was compiled using the discounted cash flow technique (as was the previous valuation at 31 March 2016).

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

The key valuation assumptions relating to the network distribution assets revaluation performed at 31 March 2019 are outlined below and were adopted in determining the fair value of the Group's network distribution assets:

i. Network distribution assets have been valued on a going concern basis;
ii. Revenue is based on the current pricing applying current Input Methodologies set out under the Commerce Commission regulations;
iii. Costs were based on 2019 forecasts;
iv. A post tax discount rate (WACC) of 5.4% has been used in discounting the present value of expected cash flows;
v. Inflation has been applied at 2.0%; and
vi. A Terminal Year Regulatory Asset Base (RAB) multiple of 1.0 has been applied.

Valuation Sensitivity

The nature of the valuation methodology adopted provides that a small number of key variables can have a significant value impact. The key sensitivities are provided below with the forecast impact on value as the result of the possible identified change.
In the process of applying the entity's accounting policies, which are described in note 3, Management have made the following judgements and estimates that have significant effects on the amounts recognised in the Financial Statements.

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

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

5. FINANCIAL RISK MANAGMENT

Risk management is carried out by Management under policies approved by the Trustees. Management identifies and evaluates relevant financial risks and acts to manage these risks where possible, within the parameters set out by the Governance. Governance provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments. Management reports to Governance regularly on financial risk management.

Market Risk

Foreign Exchange Risk

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

Trustees approval is required for foreign currency denominated contracts valued above a specified threshold, together with a recommendation on the manner in which the foreign currency exposure is to be managed, which may include the use of foreign exchange contracts.

Cash Flow and Fair Value Interest Rate Risk

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's borrowings are denominated in New Zealand dollars.

The Group manages its interest rate risk by using floating-to-fixed interest rate swaps.

Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The use of financial derivatives is governed by the Group's policies approved by the Trustees, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

The Group does not use derivative financial instruments for speculative purposes.

Generally the Group raises long term borrowing at floating rates and swaps them into fixed rates to manage interest rate risk. Under the interest rate swaps, the Group agrees with other parties to exchange, at specific intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts, calculated by reference to the agreed notional principle amounts.

At 31 March 2020, if interest rates on long term borrowing had changed by +/- 1% (2019: +/- 1%) with all other variables held constant, post tax profit and equity for the year would have been $116,339 lower/higher (2019: $100,403 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.

2020	Stmt of Financial Position $000	Less than 1 year $000	Between 1 and 2 years $000	Between 2 and 3 years $000	Between 3 and 5 years $000
Unsecured loans & borrowings	66,200	5,425	33,104	21,055	9,867
Grant payments owing	1,817	-	1,817	-	-
Trade and other payables	29,679	29,679	-	-	-
Derivatives					
- Inflows		(133)	(128)	(232)	(41)
- Outflows		1,358	1,243	2,071	351
	97,696	36,329	36,036	22,894	10,177
2019					
Unsecured loans & borrowings	68,800	2,300	6,850	59,650	-
Grant payments owing	1,841	-	1,841	-	-
Trade and other payables	26,119	26,119	-	-	-
Derivatives					
- Inflows		(657)	(650)	(1,363)	(359)
- Outflows		1,362	1,258	2,502	690
	96,760	29,124	9,299	60,789	331

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	2020 $000	2019 $000
Revenue from Exchange Transactions			
Distribution revenue		33,299	32,406
Contracting and servicing income		214,794	161,434
Capital contributions revenue		3,104	1,616
Other revenue		1,565	289
Rental income		60	60
		252,822	195,805
Operating expenses include:			
Depreciation	12	8,068	7,201
Net loss/(gain) on disposal of fixed assets		370	309
Rental and operating lease expenses		4,296	1,824
Maintenance of network distribution assets		3,751	3,172
Employee entitlements		73,819	55,798
Transmission charges		8,965	9,237
Movement in doubtful debts provision		1,330	320
Trustees' fees & expenses		139	128
Directors' remuneration and retirement		350	357
Bad debts		58	1,199
Auditors' remuneration	22	252	240
Donations		-	-
Investment property expenses		27	27

7. INCOME TAX BENEFIT / (EXPENSE)

	2020 $000	2019 $000
Current tax	306	(68)
Income tax benefit / (expense)	306	(68)

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

	2020 $000	2019 $000
Profit before tax	12,368	9,285
Income not subject to tax	(12,368)	(9,285)
Taxable profit	-	-
Income tax benefit / (expense) attributable to taxable profit	-	-
Prior year adjustments	(47)	(87)
Foreign Withholding Tax Deducted at Source Not Recoverable	237	-
Foreign income Taxable at 20%	116	19
Income tax benefit / (expense)	306	(68)

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

	2020 $000	2019 $000
Trust capital	26,638	26,638

The capital account is the capital that was assigned to the initial shares settled on the Trustees of the Eastern Bay Energy Trust upon its formation.

9. RESERVES

	2020 $000	2019 $000
Opening balance	65,028	57,327
Fair value revaluation of Investments in NZ and International shares (or "equities")	299	270
Fair value revaluation of OTK Orchards	-	235
Revaluation of Network Distribution Assets	-	7,103
Currency translation (losses)/ gains	(66)	93
Balance as at 31 March	**65,261**	**65,028**

Balance consists of:

	2020 $000	2019 $000
Network asset revaluation reserve	63,197	63,197
Investment fair value reserve	2,104	1,805
Foreign currency translation reserve	(40)	26
	65,261	**65,028**

10. TRADE & OTHER RECEIVABLES

	2020 $000	2019 $000
Trade receivables	47,119	34,895
Less provision for doubtful debts	(1,800)	(470)
Other receivables and prepayments	401	464
	45,720	**34,889**

All receivables are denominated in New Zealand dollars.

The Trustees considers that the carrying amount of trade and other receivables approximates fair value because all amounts are due within one month and there are no amounts where settlement is expected in more than 12 months.

Trade receivables are assessed for impairment on an individual basis. The only receivables impaired are provided for within doubtful debts. Due to Covid-19, the impairment of trade receivables was increased by $1,200,000, in accordance with IPSAS41 Financial Instruments. As at 31 March 2020, trade receivables of $14,384,171 (2019: $9,743,891) were past due.

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

	2020 $000	2019 $000
Up to 3 months	38,448	29,250
Over 3 months	6,871	5,177
	45,319	**34,427**

11. INVENTORIES AND WORK IN PROGRESS

	2020 $000	2019 $000
Construction work in progress (Note 20)	2,893	4,386
Inventories	4,642	3,744
Balance at 31 March	7,535	8,130

12. PROPERTY PLANT & EQUIPMENT

Property plant and equipment comprise:

		2020 $000	2019 $000
Land and buildings	*Cost or valuation*	5,304	4,224
	Additions	1,412	118
	Additions from business combinations	15	986
	Disposals	(1,974)	(24)
	Capital work in progress	(100)	-
	Cost or valuation	4,657	5,304
	Accumulated depreciation and impairment	(1,373)	(1,207)
	Net book value	3,284	4,097
Plant and equipment	*Cost*	10,634	10,048
	Additions	1,422	686
	Additions from business combinations	186	128
	Asset Reclassification	(24)	-
	Disposals	(35)	(148)
	Capital work in progress	17	(80)
	Cost	12,200	10,634
	Accumulated depreciation and impairment	(8,314)	(7,189)
	Net book value	3,886	3,445
Furniture and fittings	*Cost*	1,267	1,149
	Additions	143	115
	Additions from business combinations	11	3
	Cost or valuation	1,421	1,267
	Accumulated depreciation	(1,007)	(919)
	Net book value	414	348
Motor vehicles	*Cost*	10,551	8,554
	Additions	438	2,255
	Additions from business combinations	591	415
	Asset Reclassification		
	Disposals	(477)	(402)
	Capital WIP	89	(304)
	Cost or valuation	11,192	10,518
	Accumulated depreciation	(5,926)	(4,973)
	Net book value	5,267	5,545

12. PROPERTY PLANT & EQUIPMENT (CONTINUED)		2020 $000	2019 $000
Distribution system	*Cost or Valuation*	158,792	148,901
	Additions	11,357	14,146
	Disposals	(2,871)	(403)
	Revaluation Movement	-	(5,489)
	Capital WIP	(1,646)	1,637
	Cost or valuation	165,632	158,792
	Accumulated depreciation	(2,964)	-
	Net book value	162,668	158,792
Finance leased assets	*Cost*	182	201
	Disposals	-	(19)
	Cost	182	182
	Accumulated depreciation	(84)	(74)
	Net book value	98	108
Total	***Cost or valuation***	**195,306**	**186,697**
	Accumulated depreciation	**(19,667)**	**(14,362)**
	Net book value	**175,638**	**172,335**

Depreciation Expense	2020 $000	2019 $000
Buildings	194	188
Plant and equipment	1,143	919
Furniture and fittings	93	77
Motor vehicles	1,259	1,119
Distribution system	5,369	4,888
Finance leased assets	10	10
Total	8,068	7,201

Valuation of Distribution System Assets
The network distributions assets were revalued as at 31 March 2019 by Ernst Young on a discounted cashflow basis in accordance with generally accepted valuation techniques

The carrying amount of the Group's network distribution commissioned assets had they been recognised under the cost model is $138.0 million (2019: $131.8 million)

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

Interest capitalised for the year ended 31 March 2020 was $76,645 (2019: $123,218) at the Group weighted average effective interest rate.

13. INTANGIBLE ASSETS

	Notes	2020 $000	2019 $000
Goodwill			
Cost		22,278	21,497
Additions	25	4,414	796
Adjustment		-	(15)
Net book value		26,692	22,278
Software and intellectual property			
Cost		10,159	8,976
Additions		300	143
Customer Assets Intangible Attributed on Acquisition		2,400	-
Software additions from business combinations		3	15
Intangibles Work in Progress		1,720	1,025
Cost or valuation		14,582	10,159
Accumulated amortisation		(7,692)	(5,271)
Net book value		6,890	4,888
Total			
Cost or valuation		41,274	32,437
Accumulated amortisation		(7,692)	(5,271)
Total		33,582	27,166

Goodwill and Intangible Assets
Allocation of Goodwill to Cash Generating Units
Goodwill is allocated and monitored based on the Groups segments. During the year there was an adjustment to the Goodwill balance in the Electrical segment for an internal sale to HVAC Mechanical and Service segment.

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

Carrying Amount of Goodwill Allocated to each Segment	2020 $000	2019 $000
Regulated	11,269	11,269
Electrical	9,893	6,026
HVAC Mechanical & Service	2,654	2,324
Refrigeration	2,876	2,659
	26,692	22,278

14. INVESTMENTS

	2020 $000	2019 $000
Opotiki Packing & Cool Storage Limited 3.11% share interest (2019: 3.11%)	590	590
Shares - OTK Orchards Limited 15.45% share interest (2019: 15.63%)	850	1,060
Investments in NZ and International Shares (or "equities")	-	2,956
ASB - Fixed Interest Bond Portfolio	2,086	2,022
Total other investments	**3,526**	**6,628**

15. TRADE & OTHER PAYABLES

	2020 $000	2019 $000
Trade payables	22,798	21,042
Other payables	6,881	5,077
Total trade payables and other payables	**29,679**	**26,119**

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

The Trustees consider that the carrying amount of trade and other payables approximate fair value because the amounts due will be settled within 12 months.

As at 31 March 2020 the Group held contract retentions withheld in New Zealand from creditors of $3,217,787 (2019: $3,301,342).

16. PROVISIONS

16a. PROVISION FOR STAFF ENTITLEMENTS

	2020 $000	2019 $000
Classified as:		
Current employee entitlements	7,907	6,060
Non-current employee entitlements	182	166
Total employee entitlements	**8,089**	**6,226**

The provision for employee entitlements includes accrued wages, bonuses, accrued holiday pay, long service leave and retirement gratuities. Where settlement is greater than one year, consideration is given to discounting as set out in the accounting policies.

The Trustees consider that the carrying amount of the provision for staff entitlements approximates fair value.

16b. WARRANTY PROVISIONS

	2020 $000	2019 $000
Balance at beginning of year	1,041	1,690
Provisions made during the year	1,613	1,092
Provisions used during the year	(596)	(729)
Provisions Reversed during the Year	(20)	(1,012)
Balance at end of year	2,038	1,041
Classified as:		
Current liabilities	2,038	1,041
Total provisions	2,038	1,041

The resulting outflows of all provisions are not expected to be fully paid within the following financial year. Provision for warranty costs are recognised at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Groups obligations.

17. TERM LOANS

The Trustees estimate the fair values of the Group's bank loans are reflected in their book value because the interest rates on these loans are determined at variable market rates, and therefore any impact of discounting is immaterial.

All term loans are unsecured and are subject to negative pledge undertakings. The debt facilities of the Eastern Bay Energy Trust 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 3.13% (2019: 4.42%). The weighted average floating interest rate excludes the effect of the Group's interest rate risk management.

As at 31 March 2020, the Group had debt facilities available of $90.0 million (2019: $87.8 million), with undrawn debt facilities of $23.8 million (2019: $19.9 million). Bank loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for more than 12 months after balance date.

The borrowings are with the same financial institution, and expire on 29 August 2021.

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

18. DEFERRED CAPITAL CONTRIBUTIONS

	2020 $000	2019 $000
Opening balance	504	521
Less amounts recognised as revenue during year	(18)	(17)
Balance at 31 March	486	504
Classified as:		
Current	18	18
Non-current	468	486
	486	504

19. FINANCIAL INSTRUMENTS

Fair value measurements recognised in the balance sheet

The following table provides an analysis of assets and liabilities that are measured subsequent to initial recognition at fair value grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset of liability that are not based on observable market data (unobservable inputs)

	2020	2019
Level 1	**2020**	**2019**
Assets	**$000**	$000
Other investments	2,086	4,979
Term deposits	1,900	2,305
Total for level 1	3,986	7,284
Level 2		
Liabilities		
Derivative financial instruments	(3,836)	(2,670)
Total for level 2	(3,836)	(2,670)
Level 3		
Assets		
Network Distribution Assets	162,668	158,792
Other investments	1,440	1,650
	164,108	160,442
Level 3 reconciliation		
Opening balance	160,442	142,642
Additions	11,147	14,240
Revaluation movement	-	(5,489)
Disposal	(2,871)	(403)
Capital work in progress	(1,646)	1,637
Accumulated Depreciation	(2,964)	7,815
	164,108	160,442

20. CONSTRUCTION WORK IN PROGRESS

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

	2020	**2019**
	$000	$000
Contracts in progress at balance date:		
Gross construction work in progress plus margin to date	207,174	156,551
Progress billings	(215,813)	(161,126)
Work in Progress	(8,639)	(4,575)
Classified as:		
Construction contracts with net work in progress (note 11)	2,893	4,386
Construction contracts with net funds received in advance of cost and margin	(11,532)	(8,961)
Carrying amount at the end of the year	(8,639)	(4,575)

21. OPERATING LEASES

	2020 $000	2019 $000
As Lessee		
Operating lease commitments fall due for payment in the following periods:		
Within one year	2,974	2,772
Within one to five years	5,537	3,657
Over five years	8	20
	8,519	6,449

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

	2020 $000	2019 $000
As Lessor		
Future minimum lease payments receivable are:		
Within one year	150	150
Within one to five years	13	163
	163	313

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

22. REMUNERATION OF AUDITORS

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

	2020 $000	2019 $000
Paid or payable for services provided by the auditor		
Statutory Audit		
Auditing of the Parent financial statements	24	24
Audit of the subsidiary financial statements	167	155
Total Audit and Assurance Services	191	179
Audit Related Services		
Audit of the Information Disclosure Statements and Default Price-Quality Compliance Statement reported to the Commerce Commission	48	48
Audit application of new Accounting Standards	9	9
Review of the Half Year Financial Statements of Horizon Energy Distribution Limited	4	4
Total Audit Related services	61	61
Other Services		
Credit Risk Review	35	-
Taxation Compliance and Advisory Services for subsidiaries	29	24
Total Other Services	64	24
Total auditors' remuneration	316	264

23. RELATED PARTY TRANSACTIONS

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

The Eastern Bay Energy Trust owns 100% (2019: 100%) of the ordinary shares of Horizon Energy Distribution Limited (HEDL) and Development Enterprises Limited (DEL).
DEL owns 100% of the shares of DEL Property Investments Limited.

The Trustees consider that no loans are impaired for 2020 (2019: the Trustees considered that no loans were impaired).

23. RELATED PARTY TRANSACTIONS (continued)

Key management remuneration	2020 $000	2019 $000
Remuneration of key management personnel, trustees and directors		
Salaries and other short term benefits	3,020	2,831
Directors' fees and payments	350	357
Trustees' fees and payments	139	128
	3,509	3,316

24. COMMITMENTS

	2020 $000	2019 $000
Capital expenditure contracted for at balance date but not yet incurred is:		
Intangibles	25	-
Non network assets	134	66
Network distribution assets	24	64
	183	130

25. BUSINESS COMBINATIONS

Acquisition of the Net Assets and Business of Airco
On 1 April 2019, Horizon Energy Distribution Limited (through its subsidiary) acquired the business assets and certain liabilities of David Bright Air Conditioning Limited, a facility service business based in Christchurch.

Acquisition of the Net Assets and Business of Logicool
On 1 April 2019, Horizon Energy Distribution Limited (through its subsidiary) acquired the business assets and certain liabilities of Logicool Limited, a commercial and industrial refrigeration installer based in the Bay of Plenty.

Acquisition of the Net Assets and Business of Caldwell and Levesque Limited
On 4 June 2019, Horizon Energy Distribution Limited (through its subsidiary) acquired the business assets and certain liabilities from C&L Group, Caldwell and Levesque Electrical Limited, Datatech Services Limited and Electrical Consulting Group Limited

Details of the aggregated Net Assets and Goodwill Acquired	Group 2020 $000
Consideration on Acquisition	**8,753**
	Fair Value 2020 $000
Consisting of:	
Total Assets Acquired	9,102
Total Liabilities Acquired	(4,763)
Fair Value of Net Assets Acquired	**4,339**
Goodwill on Acquisition	4,414
Total Purchase Consideration	**8,753**

26. CONTINGENT LIABILITIES

Unclaimed Dividends

As provided for under clause 27.8 of HEDL's constitution, unclaimed dividends now total $65,890 (2019: $65,377). 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 2020 the total value of performance bonds issued is $1,378,043 (2019: $876,980) and the total value of HEDL Guarantees is $0.00 million (2019: $1.318 million).

Default Price-Quality Path Quality Standard for the 2018 Assessment Period

The Commerce Commission is investigating Horizon Energy's non-compliance with the quality standards for the 2018 assessment period. The quality standards that apply are set out in the Electricity Distribution Services Default Price-Quality Path Determination 2015. In 2018, Horizon Energy reported its non-compliance with the quality standards contained in clause 9.1 of the Electricity Distribution Services Default Price-Quality Path Determination 2015 due to failing to comply with the annual reliability assessment for the 2017 and 2018 Assessment Periods. There is a range of possible enforcement actions available to the Commerce Commission in responding to this instance of non-compliance. The Commerce Commission's enforcement response may include taking no action, issuing a warning letter, seeking pecuniary penalties or taking other action under the enforcement provisions of the Commerce Act 1986. As at the date of signing the Financial Statements, the Commerce Commission investigation is still ongoing. The Group made a provision in the year ended 31 March 2020.

27. SUBSEQUENT EVENTS

COVID-19

At balance date New Zealand was at Alert level 4 in response to the COVID-19 Pandemic. Subsequent to balance date and as at the date of issue, New Zealand has now moved to Alert level 1.

Horizon Energy Distribution Limited were able to remain operating as an essential business, and the Group expects to maintain its financial viability, but additional costs will be incurred within the Group to manage the impacts of COVID-19 and as a result profitability will be impacted.

As a direct result of COVID-19 the sole adjustment for the year ended 31 March 2020 was the increase impairment recognised in relation to trade receivables (see Note 10). The Trustees note that all judgements and estimates used in the financial statements are based on 31 March 2020 fact patterns and assumptions.

The escalation of COVID-19 will crystallise in the year ended 31 March 2021, as follows:

- Recognition of a Government grant from the Ministry of Social Development (MSD) for the Wage Subsidy Scheme. An application was lodged after 31 March 2020 and the Group received $5,876,656 under the Scheme.
- Recognition of a provision for any future formal plans approved by the Board to restructure businesses within the Group and reporting an expense for any termination benefits.

The impact on profitability of the operating subsidiaries may have an impact on the dividends paid to the Trust from HEDL which will have an impact on the Trust's grant distributions.

WHAKATOHEA MUSSELS (OPOTIKI) LIMITED

Subsequent to balance date the Trustees entered into an agreement to invest $1.5m in Whakatohea Mussels (Opotiki) Limited and paid an initial instalment of $300,000 in relation to this investment. The investment will be held through the subsidiary, Development Enterprises Limited.

Dividend declaration

On 29 May 2020 HEDL declared a final dividend of 4.0 cents (2019: 12.0 cents) per ordinary share.

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

	2020 $000	2019 $000
Reported surplus before tax	12,368	9,285
Adjustments for non cash items:		
Depreciation and amortisation	10,490	8,515
Capital contributions amortised	(18)	(18)
Net Loss from foreign currency exchange	(39)	(53)
Loss on sale of fixed assets	370	309
Loss/(Gain) on Fair Value Movement of Financial Derivatives	1,165	920
Operating cash flows before movements in working capital	24,336	18,958
(Increase) / decrease in assets		
Trade and other receivables	(10,858)	(7,943)
Construction work in progress	1,493	(2,115)
Inventories	(898)	(1,568)
Increase / (decrease) in liabilities		
Trade and other payables	3,566	6,073
Provision for employee entitlements	1,847	1,268
Provisions	997	(649)
Construction revenue received in advance	2,571	717
Items reclassified as Investing activities	(3,080)	(2,052)
Subsidiary working capital acquired	1,133	1,358
Less movements in working capital	(3,230)	(4,911)
Net cash flow from operating activities before tax payment	**21,107**	**14,047**