Realising the vision

ANNUAL REPORT 2013

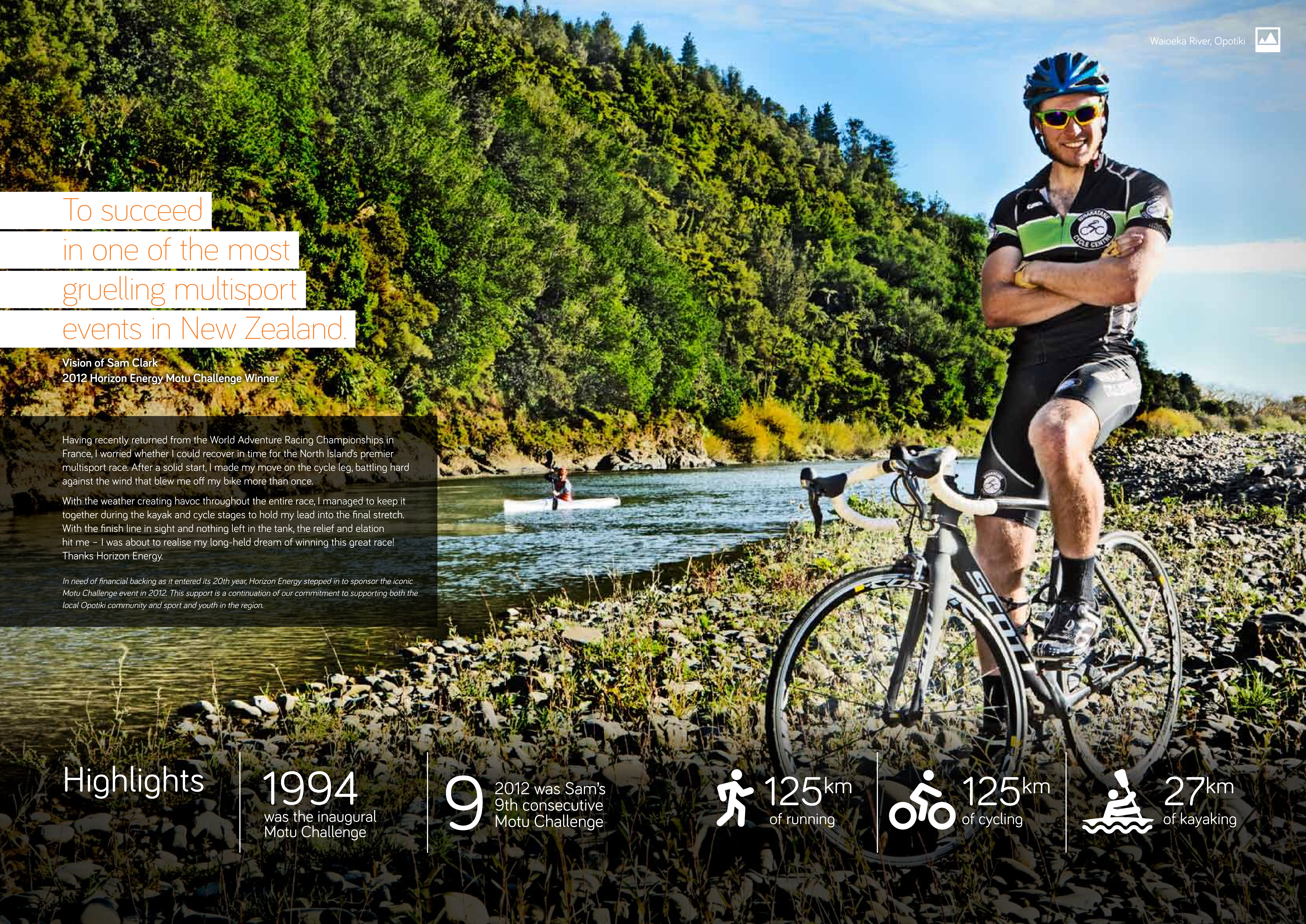
HORIZON ENERGY

Ohope Beach

Our vision is to be a nationally recognised infrastructure services provider that generates long term value for our shareholders…

but we realise
that we can’t achieve
this without our people,
and they have visions
of their own...

these are their stories.
Welcome...



Waioeka River, Opotiki

To succeed in one of the most gruelling multisport events in New Zealand.

Vision of Sam Clark
2012 Horizon Energy Motu Challenge Winner

Having recently returned from the World Adventure Racing Championships in France, I worried whether I could recover in time for the North Island's premier multisport race. After a solid start, I made my move on the cycle leg, battling hard against the wind that blew me off my bike more than once.

With the weather creating havoc throughout the entire race, I managed to keep it together during the kayak and cycle stages to hold my lead into the final stretch. With the finish line in sight and nothing left in the tank, the relief and elation hit me – I was about to realise my long-held dream of winning this great race! Thanks Horizon Energy.

In need of financial backing as it entered its 20th year, Horizon Energy stepped in to sponsor the iconic Motu Challenge event in 2012. This support is a continuation of our commitment to supporting both the local Opotiki community and sport and youth in the region.

Highlights

1994 was the inaugural Motu Challenge

9 2012 was Sam's 9th consecutive Motu Challenge

125km of running

125km of cycling

27km of kayaking

Horizon Energy Library at Te Kōputu a te whanga a Toi – the Whakatāne Library and Exhibition Centre

To create a community hub and the cultural 'heart' of the town.

Vision of Tangimeriana Rua
Team Leader – Library Services

Sponsorship of the Horizon Energy Library is a leading example of corporate citizenship partnering with a great community facility. Horizon's generosity has allowed us to create an attractively furnished, welcoming space where everyone in our community can feel comfortable. People use the Horizon Energy Library for a multitude of purposes; from traditional library lending to on-line research, access to wi-fi, a meeting place for friends, or just a great place to sit in a sunny spot and catch up on the news.

We have just completed an in-depth report on the first eight months of operation across the facility. We are proud of what has been achieved to date, but we look forward to even more opportunities ahead in partnership with key sponsors such as Horizon Energy.

Highlights

28 June 2012 project completed

1,299 new customers registered since the new facility opened

The Horizon Energy Library is **open seven days a week**

66% more visitors since library opening

Increased brand exposure within the community

To develop successful teams with a love of the game.

Vision of Steve Everitt
Whakatane High School Boys 1st XI Hockey Coach

As a hockey coach of both Whakatane Intermediate and Whakatane High School, I can appreciate how the speed and level of skill required in the sport is constantly increasing. To achieve our vision of developing teams that are both successful and respected on the field, we must have access to a good surface to play and practice on – and our facility at Stadium Horizon is just that.

With the installation of large floodlights and high ongoing use of electricity, Horizon Energy was a logical choice of naming rights sponsor. They were able to provide us with a significant boost at the time of construction, and we all proudly refer to the facility as Stadium Horizon.

Highlights

2005
Horizon Energy has sponsored the Stadium since its inception

Over 1200 players use the turf annually

Sports
Stadium Horizon is used for **hockey, soccer and marching**

1
of the best turf surfaces in the country

Less Lamps needed - high efficiency bulbs with minimal spill light

Onsite Bracken Street, Whakatane

A more exciting future.

Vision of Simon Hudson and Michael Stevens
Horizon Trainees

Working for Horizon has been a refreshing experience. Every day there is so much to learn – from the experienced senior staff, to the people like us who are new to the Company and still working through their electrical training requirements. We work with guys that are happy to come to work and we see happy customers, and it's great to be involved.

Horizon has given us the opportunity to get into a varied and exciting industry where every day is different. Horizon has invested in our future and is committed to providing us with the requisite training and we hope to be able to repay this investment by generating long-term value for the Company.

As far as we are concerned, our vision of being qualified Line Mechanics is becoming more of a reality every day.

Highlights

4 trainees per year on average

2nd generation Horizon Energy employees

Electricity Industry Trainee programme (with support from the Eastern Bay Energy Trust)

Trade specifications assistance

Health and Safety training

Dalton Drive, Papamoa

To deliver a brighter future to Tauranga city.

Vision of John Cox
Horizon Contractor

The Tauranga City Council Streetlight Upgrade Project was a great example of what a small team of five committed Horizon employees can achieve when working together. We were contracted to upgrade the lighting in over 100 sites in Tauranga, installing revolutionary new LED lights with controlled illumination and zero greenhouse emissions.

The 14 week deadline was always going to be a challenge, especially when it involved us having to rebuild and change 38% of the units due to a supplier fault. Thanks to amazing teamwork and constant communication with the public, we managed to complete the project with two days to spare, receiving a 100% tick from the Tauranga City Council for completing the project to a very high level of satisfaction.

Highlights

14 week project

134 streetlights replaced with LEDs

4x greater lamp light

60% more energy efficient

20 year lamp life expectancy

Horizon Energy Office, Commerce Street

A long and rewarding career as a qualified linesman.

Vision of Kemara Miringaorangi
Horizon Line Mechanic

As a young man I worked for several different electricity companies and have had a long and fulfilling career within the electricity industry – 47 years later, I'm still going strong as a Line Mechanic for Horizon.

There have been many significant projects and memorable achievements throughout the years, but it is hard to look past the Coast Project, which started around the same time as me and was completed in 1970. This project involved the installation of an 11kV line from Opotiki to Cape Runaway, supplying electricity to those communities for the first time.

So, after 47 years of accident and injury free employment, I am proud to say I have achieved my vision.

Highlights

47 years accident-free service

11kV line installation from Opotiki to Cape Runaway

49 Employees when I joined Horizon in 2008

298 Employees now in 2013, the team is much larger

500% staff growth in the last 5 years

To provide the best service to our customers and contractors.

Vision of Kevin Riini
Horizon Energy, Engineering Officer/Controller

Having worked for Bay of Plenty Energy as a Control Room Operator many years ago, I have noticed a major improvement on the network system. Horizon Energy's Control Room utilises up to date equipment and technology to enable restoration of supply to customers faster than what we would have in the past, as well as communicate with customers about planned and unplanned outages.

In my opinion, Horizon Energy's systems upgrade has been absolutely essential in building upon our reputation as a trusted Company who can deliver a fantastic service to our customers.

Highlights

- More efficient communication with retailers and public of outages
- Able to track jobs and monitor costs
- Faster response times
- **Better control gear** to restore or isolate parts of the network during faults
- **Regular safety** audits ensure work is being done in a safe and proper manner

Onsite, Ohope Beach

To be the No. 1 arborist company in the Eastern Bay of Plenty.

Vision of Kevin Knight
Field Services Supervisor

I have been in the Whakatane aborist industry for in excess of 20 years. Initially, we started off as A1 Lawnmowing and then diversified to become A1 Stump & Tree Services.

Such diversification was essential to sustain the business, and the Horizon acquisition has created even greater security and stability for my business. We are now more widely recognised throughout the Eastern Bay of Plenty, especially as we are assisting with the vegetation near power lines through the provision of chipping services.

I'm still very passionate about A1 Stump & Tree Services, and am pleased that our association with Horizon has brought us closer to our vision.

Highlights

20 years experience in arboriculture

Major contracts within the Eastern Bay of Plenty

Highest standard of safety qualifications for all staff

Utilising the most up to date equipment and technology

Exceptional customer service

Henderson Street, Whakatane

A safer place for my children to play.

Vision of Kelly Waterson
Member of our Community

Like all parents, I worry about the safety of my children every day. When my two boys Taj and Jax are at school, I have to trust that the environment they play in is safe from any dangerous electrical hazards.

Horizon Energy's presence is felt throughout the community, as they do a lot to educate the public about keeping safe around electricity and the infrastructures that house it – such as power lines and power boxes. The messages from Horizon's public safety campaigns are memorable and simple enough for my children to understand, so even when I can't be with them, I know they will be safe.

Highlights

- Material for School safety programmes
- **Electrical safety** posters and brochures in the Horizon Energy Library
- Public safety radio advertising
- **Free** cable location service for safe digging near underground cables
- **Safe tree-cutting** practices around power lines

To continually grow and diversify.

Vision of Paul De Bernardo from Aquaheat New Zealand Limited

Following a short period of Australian ownership, Aquaheat New Zealand Ltd is very pleased to be back under New Zealand ownership and part of the Horizon Energy group of companies.

The Aquaheat story goes back to 1950 when Mr Ido De Bernardo established his own contracting business, carrying out plumbing and drainlaying. In 1974, the company was renamed Aquaheat Industries, reflecting the ongoing diversification of the business.

On 11 August 2012, an agreement was signed for Horizon Energy to purchase Aquaheat Industries, Hastie New Zealand and Professional Building Services. We now look forward to the integration of our business systems with Horizon, and the diversification of our activities into the industrial and infrastructure market sectors, while we grow our service and maintenance operations.

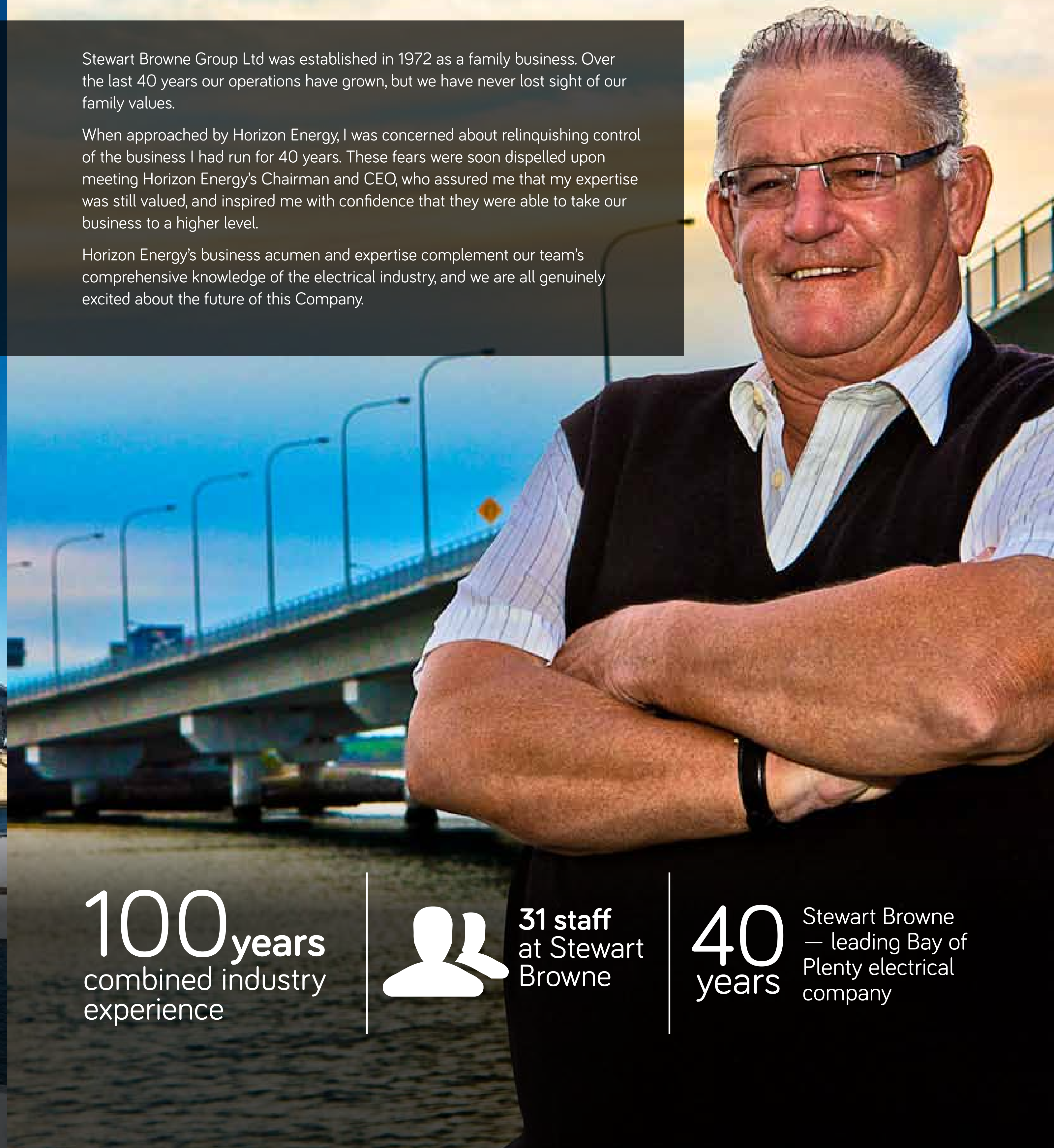
Highlights

24/7 Service Provider

5 regional Aquaheat bases

The electrical company of choice in the Bay of Plenty.

Vision of Stewart Browne from Stewart Browne Group Limited



Stewart Browne Group Ltd was established in 1972 as a family business. Over the last 40 years our operations have grown, but we have never lost sight of our family values.

When approached by Horizon Energy, I was concerned about relinquishing control of the business I had run for 40 years. These fears were soon dispelled upon meeting Horizon Energy's Chairman and CEO, who assured me that my expertise was still valued, and inspired me with confidence that they were able to take our business to a higher level.

Horizon Energy's business acumen and expertise complement our team's comprehensive knowledge of the electrical industry, and we are all genuinely excited about the future of this Company.

100 **years** combined industry experience

31 staff at Stewart Browne

40 years Stewart Browne — leading Bay of Plenty electrical company

Our people are
realising their visions.

So is the Company,
thanks to our guiding
principles...

Contents

SWITCH

ARE YOU **SWITCHED ON?**

Sustainability – Investing in our Future

Wellbeing – Creating success through our People

Innovation and Excellence – Thinking beyond the Horizon

Transparency – Acting with honesty and integrity in everything that we do

Customer Focus – Striving to exceed expectations all the time

Health and Safety – Act Safe, Work Safe, Live Safe

Chairman and Chief Executive's Report

To be a nationally recognised infrastructure services provider that generates long term value for our shareholders…

Vision of Horizon Energy Chairman, Rob Tait and Chief Executive, Ajay Anand

Rob Tait

Chairman

Ajay Anand

Chief Executive

A word from the top

We are pleased to report on a year of significant progress in pursuit of our vision to be a nationally recognised infrastructure services provider that will generate long term value for our shareholders.

OVERVIEW

We are also pleased to present to you the Company's 2013 Annual Report which incorporates the audited Financial Statements of Horizon Energy Distribution Limited and its subsidiaries, collectively known as Horizon Energy Group.

The theme of this year's report 'realising the vision' reflects several years of developing the capability, resources and strategy necessary to grow the Company.

The Group's principal activities now comprise the electricity lines business serving the Eastern Bay of Plenty, an electrical contracting and service business with offices in Whakatane and Tauranga and a national provider of heating, ventilation, cooling, building and infrastructure solutions through our recently acquired subsidiary, Aquaheat New Zealand Limited ('Aquaheat' or 'ANZL').

The reporting year has been one of successes mixed with challenges. Our successes include:

- The continued development of a set of corporate Guiding Principles that are applicable to all our businesses;
- The Company has made good progress towards executing a number of operational and strategic objectives to achieve our vision;
- The network business delivering a credible financial result within the challenges of the electricity regulations, additional compliance costs and reduced revenue;
- The network operation remained within the price and quality thresholds set by the Commerce Commission;
- A significantly reduced impact from the Regulatory Price Reset from that initially proposed by the Commerce Commission;
- Completing the network capital development and maintenance programme in line with our Asset Management Plan;
- Our electrical services subsidiaries achieving their growth, operational and financial targets;
- Transition of Stewart Browne Group Limited to be a 100% owned subsidiary;
- The acquisition and successful integration of the Aquaheat business into the Group;
- An enhanced health and safety culture across the Group;
- On-going development of successful community sponsorships;
- Increased level of staff training across the Group; and
- The on-going development of management and reporting systems enhancing the capability to manage existing and future businesses.

The most significant challenges for the Company was associated with financial outcomes from the Price Reset for our electricity lines business and unforeseen losses associated with the receivership of Mainzeal Property and Construction Limited ('Mainzeal'), a major customer of Aquaheat.

GROUP FINANCIAL

The Directors' report an after tax profit of $1.94 million for the year ended 31 March 2013 and have declared a fully imputed final dividend of 4.0 cents per share.

This dividend brings the total paid for the year to a fully imputed 10 cents per share. This is a reduction of 7.0 cents per share on the previous year and reflects the Directors' view that a prudent level of dividend payment is appropriate given our financial result for the year, the resources needed to rebuild profitability, our commitment to network development and to pursue our strategic objectives.

Key contributors to this lower than forecast result compared with the previous year are:

- The financial impact of the Mainzeal receivership ($2.08 million). This outcome is improved from the $2.9 million after tax loss expected in February 2013 immediately following announcement of the receivership. However, when added to the higher than forecast Aquaheat operating losses, and accounting for the full acquisition costs of $0.4 million, the overall after tax loss from this subsidiary of $3.76 million is disappointing.

  Under accounting standards the costs associated with an acquisition of a business such as undertaking due diligence, legal and other advice must be expensed in the year they are incurred and not capitalised as part of the asset purchase cost.
- The additional unbudgeted transmission costs from embedded generators of $0.3 million. Each year the Company is required to calculate the transmission cost as a portion of its overall line charges to consumers. However, given the timing difference that currently exists between the Company receiving final data from generators connected to its network and the Company setting its final prices there is an inherent forecast risk that may result in an over or under recovery in transmission costs.
- Reduced revenue arising from refunding of an over recovery of lines charges for the 2012 financial year of $0.3 million. Prices for Horizon Energy's electricity lines business are set for each ensuing year calculated on certain assumed and estimated data. The Company passes on any over or under recovery of revenue to consumers when setting prices for the following year. The excess revenue received for the 2012 year was returned in 2013 by way of reduced lines charges that applied for this year.

FIVE YEAR PROFIT COMPARISON

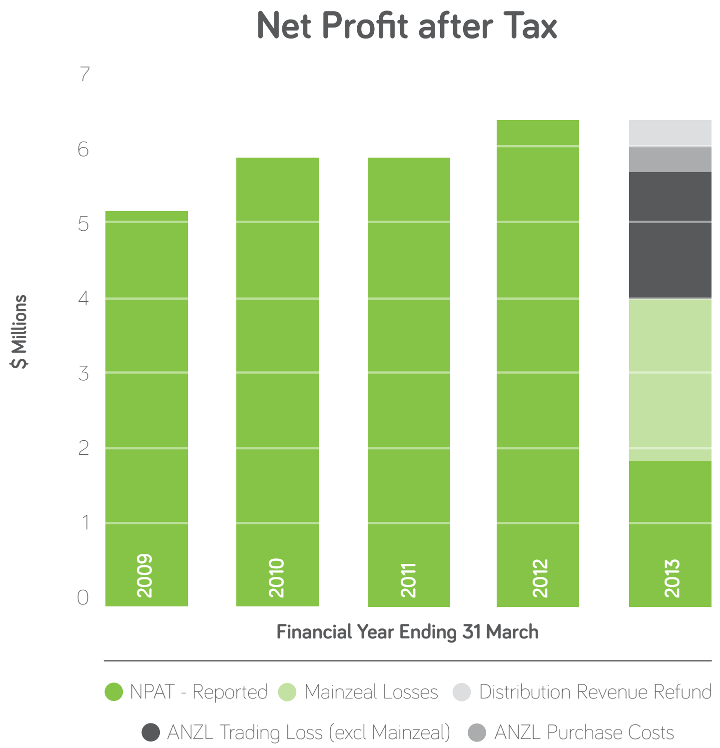
Overall the Company had a successful year with the core network business returning a solid profit after adjusting for the negative impact of the events noted above. The contracting businesses of Horizon Services and Stewart Browne Group Limited also returned sound profits.

By way of comparison the business has had a strong underlying performance with a NPAT (net profit after taxation) of around $6.4 million (2012: $6.4 million) after adjustments for Aquaheat and Mainzeal trading losses ($3.76 million), Aquaheat purchase costs ($0.4 million) and the refund of over recovered line charges ($0.3 million).

Operating cash flows for the Company declined by approximately $1.0 million compared to 2012 after incorporating the losses sustained at Aquaheat. External debt increased by $9 million to $34.8 million mainly reflecting the investments made in two subsidiaries of $6.1 million (including working capital) and from budgeted purchase of network assets of $7.6 million ($2.5 million above depreciation).

As required under the accountancy standard an independent valuation of the network assets was undertaken which resulted in an increase in book value by $6.5 million to $109 million.

Shareholders' funds increased by $4.6 million at year end, largely as a result of the $6.5 million revaluation gains, the after tax profit earned for the year, and after allowing for dividends paid to shareholders. With total assets of approximately $136 million and relatively low external debt of $34.8 million, the Company continues to enjoy a strong Balance Sheet.



INTEREST RATE HEDGE CONTRACTS (DERIVATIVES)

Horizon Energy uses interest rate hedge contracts as a mechanism to manage the cost of interest on loans to the Company. The financial impact of accounting for gains and losses on our interest rate hedge portfolio has been a feature of our financial results for several years. In the previous financial year this was an after tax loss of $0.44 million. At this year end the impact was a modest after tax gain of $8,000 for the year.

The Company retains the services of an independent treasury consultant to provide advice on management of its hedge portfolio. Their advice is to continue with the current interest rate management strategy.

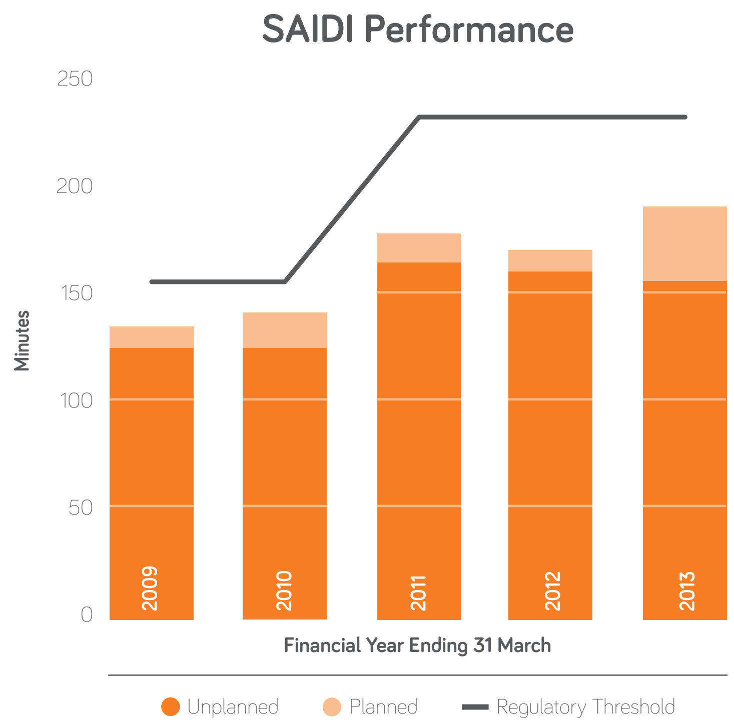
HEALTH AND SAFETY

The health and safety of our employees is paramount. The Board and Management are collectively focussed on ensuring that the highest standard of compliance is maintained at all times. Our continued commitment is reflected in health and safety being one of our core Guiding Principles that ensures our staff ACT SAFE, WORK SAFE and LIVE SAFE.

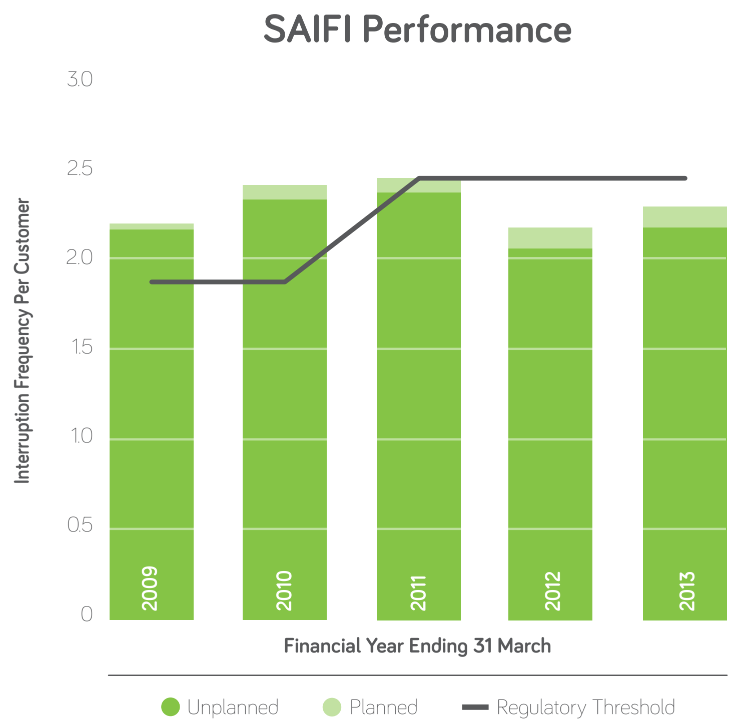
During the year the Company achieved ISO 9001 (Stage One) and maintained the safety accreditation standards for NZS 7901, AS/NZS 4801 and ACC WSMP.

OUR ELECTRICITY LINES BUSINESS

The core network operation has had another successful year with the Company remaining within its regulated price and quality thresholds set by the Commerce Commission as shown in the adjacent SAIDI and SAIFI graphs. Despite the increase in the number of faults during the year, the investments made in previous years in systems and equipment designed to improve the reliability of the network are proving their worth by limiting the number of customers affected by power outages and allowing the Company to repair and restore power sooner.



SAIDI (System Average Interruption Duration Index) – measures the average length of each interruption.



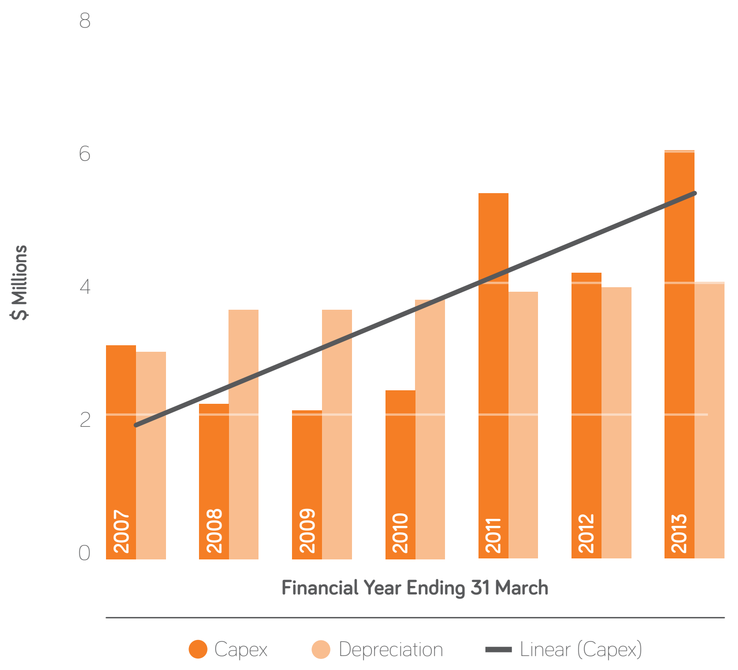
SAIFI (System Average Interruption Frequency Index) – measures the average number of interruptions per customer.

Our network staff have undertaken a number of capital projects throughout the year and completed $9.7 million of capital and maintenance works during the year under review. The capital investment graph adjacent demonstrates the programme of necessary investment in the network but also exhibits our capability to deliver the various projects.

The most notable network projects completed during the year include:

- Ohope Harbour Road – 3.6km of 11kV new cable reinforcement that is designed to improve the reliability of supply;
- 3km of 33kV line upgrade to Ohope;
- 5km Waiotahi to Waioeka SWER line upgrade;
- 5km Thornton line rebuild;
- 2km of 11kV cable reinforcement for the Whakatane Hospital; and
- 11kV point of connection for the new Te Whare Wananga O Awanuiarangi University.

Network Capital Expenditure



PRICE RESET AND ADDITIONAL COMPLIANCE FOR ELECTRICITY LINES BUSINESS

Following an extended period of consultation the Commerce Commission published its final decision on 30 November 2012, resetting the Company's current and future allowable revenue down by 2.9%. This decision has resulted in a downward price adjustment for Horizon Energy that will take effect from 1 April 2013. There is also an additional downward price adjustment that will take effect 1 April 2014, due to the delay in the Commerce Commission's final decision that was originally intended to take place in 2011. Both of these downward price adjustments will have an impact on the short term future profitability of the electricity lines business.

In addition, the Commerce Commission now require extended disclosure requirements on electricity lines businesses that will lead to a considerable increase in complexity and volume of information to be disclosed by Horizon Energy. The Company will incur additional costs to meet the on-going regulatory compliance requirements with questionable benefits to consumers.

HORIZON SERVICES AND STEWART BROWNE

During the year, the Company acquired the remaining 40% shares in Stewart Browne Group Limited and this Company is now a fully owned subsidiary of the Group. Stewart and family members working in the business remain with the Company.

Since acquisition, the financial and management functions of the business have been integrated with Horizon Services, new operating systems are expected to be implemented by March 2014. The Group will retain the Stewart Browne brand in the Western Bay of Plenty. The business continues to benefit from the collective skills and resources of the combined businesses when tendering for work.

A new Manager was appointed to Horizon Services during the year and this business continues to grow its year on year profitability as a result of increased sales both internally (on Horizon's Energy's network) and for external customers. In order to grow its range of services, the Whakatane based arborist business of Boyd Tree Services was acquired and integrated into Horizon Services during the year.

During the year Horizon Services gained accreditation to work on the Powerco network in the Western Bay of Plenty. This will enable the business to reticulate electricity to new subdivisions that will be connecting to Powerco's network.

AQUAHEAT NEW ZEALAND LIMITED

Acquired by Horizon Energy on 1 September 2012, this business has been operating for around 60 years and is a national provider of heating, ventilation, cooling, building and infrastructure solutions with offices in Auckland, Wellington and Christchurch. The Aquaheat brand and its people are widely known and respected in the New Zealand building industry.

This business was purchased from the Receivers of Aquaheat's former Australian parent company for the value of the assets acquired. The acquisition costs, planned integration costs and the loss of business momentum and sales for Aquaheat as a consequence of the parent company receivership were budgeted for in the period to 31 March 2013. The additional losses arising as a result of the receivership of Mainzeal, a major customer of Aquaheat, were not forecast at the time of acquisition.

Throughout the period of integration, considerable changes were made at Aquaheat which reduced the fixed operating costs and rationalised resources without the loss of core skills. Forecasts for the 2014 financial year are for the business to return to profitability.

Although the business suffered a significant setback as a result of the Mainzeal receivership, the strength of the brand and its people has ensured the Company remains a preferred sub-contractor on a number of large and complex building, servicing and infrastructure projects.

STRATEGIC DIRECTION

We remain focussed on maximising the revenue available from the operation of the lines network, however the Commerce Commission Price Reset requirements poses challenges to sustain the historic level of revenue.

Although future revenues are constrained, the Board is satisfied that there is a well-defined Asset Management Plan to complete the capital development and maintenance programme necessary to ensure a safe, reliable and efficient network.

The Eastern Bay of Plenty has, for some time now, maintained low economic development growth and consequently the electricity consumption and consumer number increase in the short to medium term are expected to remain low.

The Board has determined that the potential for growing the Company based on the electricity lines business alone is limited. Indeed, given the current restrictions imposed by the regulations to network revenue, the electricity lines business profitability is likely to steadily decline both in real and relative terms over the next two years. Based on the current regulatory framework the Company anticipates an improvement in its allowable revenue and returns post the 2015 price reset.

The Company's focus remains on growing its non-regulated businesses.

The Board is also satisfied that the Executive and Management team possess the requisite skills necessary to manage a larger organisation, provide the capability to acquire businesses within our core competencies, and profitably manage these businesses. A number of opportunities were investigated during the year and some negotiations are on-going.

RELATIONSHIP WITH EASTERN BAY ENERGY TRUST (EBET)

The Company continues to maintain a good working relationship with EBET, its major shareholder. During the year, the Company received financial support from EBET for the funding of specialist training programmes for apprentices and lines staff. We are very appreciative to receive this funding which is critical in maintaining our operational capability as the ability to attract and retain skilled lines staff remains a challenge within the industry.

SPONSORSHIPS AND THE COMMUNITY

Horizon Energy has been active in the community during the year by supporting a range of community organisations and events including:

- Sponsorship of the Horizon Business Excellence Awards in Whakatane;
- Principal sponsor of the Horizon Energy Motu Challenge;
- Naming sponsor of the Horizon Energy Library;
- Principal sponsor of Stadium Horizon;
- Sponsor of the Eastern Bay Chamber of Commerce.

APPRECIATION AND ACKNOWLEDGEMENTS

We extend our sincere thanks to Directors, Senior Management and all staff within the Group for your on-going contribution and support in what has been a challenging year for the Company.

Robert Tait
Chairman

Ajay Anand
Chief Executive

Introducing the Horizon Energy Group Executive Team

Our Executive Team

Ajay Anand

Chief Executive

Todd Campbell

Chief Financial Officer /Company Secretary

Peter Middlemiss

Network Manager

Jan Pedersen

Group People and Performance Manager

Kiran Watkins

Group Commercial and Regulatory Manager

Karla Meharry

Divisional Manager - Contracting

Paul De Bernardo

Executive General Manager - Aquaheat

Directors' Report to Shareholders

Our Board of Directors

Rob Tait

Chairman,
BCom, MInstD

John McDonald

Audit Committee Chairman,
BCA(Hons), BCom, CA,
CMA, MInstD

Christopher Boyle

Director,
MBA, BE, AFNZIM, MIPENZ, MInstD

Anthony de Farias

Director,
MInstD

Dear Shareholders

The Directors take pleasure in presenting their report, including the Financial Statements of Horizon Energy Distribution Limited, for the year ending 31 March 2013.

OVERVIEW

Principal Activities

During the period, the Company has been engaged principally in the construction and operation of an electricity distribution network, the provision of electrical contracting services and infrastructure construction. The Company is listed on the New Zealand Stock Exchange (NZX).

Significant Changes

In August 2012, Mr Pete Theron resigned from the position of Divisional Manager – Contracting and was succeeded by Mrs Karla Meharry.

FINANCIAL PERFORMANCE

Financial Results

The Financial Statements for the Company appear on pages 45 to 83 of this report. The after tax profit for the Group for the period was $19.4 million. The equity of the Company at the end of the year totalled $62.3 million.

Dividends

The Directors on 30 May 2013 approved a final dividend of 4.0 cents per ordinary share for the period ended 31 March 2013. This dividend will be paid on 27 June 2013 to shareholders registered as at 14 June 2013. It follows payment of an interim dividend of 6.0 cents per ordinary share and brings the total dividends paid for the 2013 year to 10 cents. Full imputation credits attach to the dividends.

DIRECTORS

Board Composition

The Company's Constitution authorises Directors to fix the number of Directors at no more than eight and no less than three. The Board of Directors ('the Board') is currently comprised of four Directors. A listing of the present Directors is contained in the Directory on page 88 of this report. All present Directors are ordinarily resident in New Zealand and all have been determined by the Board to be Independent Directors as that term applies in the NZX Listing Rules. The Board normally meets once each month.

Committees of the Board

All Directors are members of the Audit Committee. Mr John McDonald Chairs the Audit Committee and is a Chartered Accountant.

The function of the Audit Committee is to assist the Board in carrying out its responsibilities under the Companies Act 1993 and the Financial Reporting Act 1993. It pronounces on matters relating to Management's accounting practices, policies and controls relevant to the Company's financial position, and liaises with external auditors on behalf of the Board. The Audit Committee has the responsibility for monitoring the effectiveness of the Company's risk management activities.

Rotation, Resignation and Retirement of Directors

In accordance with the Company's Constitution, at each Annual Shareholders Meeting of the Company one third (or the number nearest to one third) of the Directors must retire from office. A retiring Director is eligible for re-election. At the 2013 Annual Shareholders Meeting, Mr Rob Tait retires by rotation and offers himself for re-election. A brief profile of the retiring Director is detailed below:

Rob Tait BCom, MInstD

A Director of Horizon Energy since 2007, Rob has an extensive background in finance, accounting and corporate strategy. Working in both the public and private sectors he has considerable experience in governance roles.

He is a Director of NZX listed Comvita Limited, Quayside Holdings Limited and is a former Director of a number of public and private companies and trusts. Rob retains a number of directorships with small to medium enterprises and operates an independent consulting practice. He is a member of the Institute of Directors.

Directors' Statutory Information

Shareholders approve the remuneration for Directors. The maximum total aggregate fees payable annually to Directors is set at $225,000. The level of fees paid during the year was $223,125.

Directors' remuneration paid during the period under review was as follows:

Director	Directors Fees	
	2013	2012
R.B.Tait (Chairman)	$85,625	$85,000
J. McDonald	$52,500	$50,000
C.P. Boyle	$42,500	$40,000
A.E. de Farias	$42,500	$40,000
Totals	**$223,125**	**$215,000**

Disclosures of Interest

There are no disclosures of interest to report for the year.

Directors' Insurance

The Company has effected insurance of $10 million for Directors and Executive employees with QBE Insurance (International) Limited. This ensures that generally, Directors or Executive employees will incur no monetary loss as a result of action undertaken by them as Directors or employees, provided they operate within the law.

Use of Information by Directors

There were no requests received from Directors of the Company, to use Company information received in their capacities as Directors, which would not otherwise have been available to them.

Share Dealings by Directors

There have not been any acquisitions or disposals of shares, either beneficially or non-beneficially, by Directors during the period under review.

Corporate Governance

Horizon Energy's Board and Executive are committed to conducting the Company's business ethically and with high standards of corporate governance. The Board regularly reviews governance structures and processes to ensure consistency in form and substance, observing best practice and meeting the requirements of an entity listed on the New Zealand Stock Exchange (NZX).

Building long-term shareholder value is the Board's primary objective with due regard to other stakeholder interests. This is achieved through the provision of strategic direction and providing guidance on its successful execution.

The Board's Charter sets out the governance principles, authority, responsibilities, membership and operation of the Board. This statement reflects corporate governance principles in place as at 27 May 2011.

Compliance

Appropriate observance of best practice recommendations for listed companies is made in accordance with the extent and nature of Horizon Energy's operations. These recommendations include the NZX Listing Rules, NZX Corporate Governance Best Practice Code and the New Zealand Securities Commission's Corporate Governance Principles and Guidelines. Together, these are hereinafter referred to as 'the Principles'.

This section of the Annual Report is aligned with the requirements of the New Zealand Securities Commission's Corporate Governance Principles and Guidelines. It is the view of the Board that Horizon Energy's corporate governance principles, policies, and practices do not materially differ from the Principles.

The Company's Constitution, the Board and Committee Charters, Codes and Policies referred to in this document can be viewed online at www.horizonenergy.net.nz in the Investors section.

GOVERNANCE PRINCIPLES AND GUIDELINES

Principle 1
Ethical Standards: Directors Observe and Foster High Ethical Standards

As a minimum standard, Horizon Energy expects its Directors, Officers and Employees to act legally, maintain sound ethical standards and demonstrate integrity consistent with Company policies, guiding principles and values. These standards are encapsulated in a Director's Code of Ethics which can be viewed in the Investors section of the Company's website at www.horizonenergy.net.nz.

Policies are in place to ensure that the Company maintains high standards of performance and behaviour in its interactions with customers, suppliers, shareholders and staff. Additionally, specific policies refer to environment management, Privacy Act requirements, confidentiality, complaints from stakeholders and trade in Company securities.

Conflicts of Interest

The Horizon Energy Directors' Code of Ethics requires that individuals and the Board restrict their involvement in other businesses which could result in a conflict of interest. The salient interests are recorded in an Interest Register. Where a conflict arises, the affected Director must advise the Board and absent themselves from discussions and voting.

Trading in Horizon Energy Securities

The Board is required to consider whether any matters under consideration are likely to materially influence the present or future market expectations of the Company, including share value. It must determine if share trading by Directors or Officers of the Company is permissible. Policy requires a specific declaration in respect of this matter to be made as appropriate. All proposed transactions by Directors or Officers require specific prior approval by the Chairperson of the Board, who in turn requires approval from the Audit Committee Chairperson.

Principle 2
Board Composition and Performance

A balance of independence, skill, knowledge, experience and perspective is required of the Board to enable it to effectively execute its mandate.

Board Size and Composition

The Board of Horizon Energy is comprised of individuals who bring a depth and breadth of qualifications, skills and experience appropriate to the Company's business. The four Directors on the Board all act in a non-executive role; one member is annually elected as Chairperson. A biography of each member is provided on the Horizon Energy website.

Independence of Directors

In the opinion of the Board, independence of the Executive is fundamental. There should be no relationship which could interfere materially (or be perceived to interfere) with the Director's exercise of his or her unclouded judgment.

The Board Charter specifies the issues considered in determining Director independence. The Company is satisfied that the provisions for independence are met. Furthermore, the Board is satisfied that each of its Directors is deemed independent in terms of NZX Listing Rules.

Responsibilities of the Board and Management

The business and affairs of the Company are executed under the direction of the Board on behalf of shareholders.

Board responsibilities include:

- Appointment of the Chief Executive and monitoring performance;
- Approval of the Company's objectives and values;
- Engagement in strategic direction formulation and review;
- Approval of Company strategies and transactions involving merger, acquisition or divestment or other transactions of a material nature;
- Review and approval of Company budgets and business plans and progress monitoring;
- Review of key risk identification processes and systems; monitoring risk management;
- Approval and review of overall policy framework within which the business of the Company is conducted. This includes remuneration, financial reporting, compliance, treasury management, insider trading, market disclosure and travel;
- Monitoring the performance of Management with respect to these matters; and
- Communication and reporting to shareholders.

The Board delegates responsibility for the day-to-day operations and administration to the Chief Executive and the Senior Management team.

Appointment and Retirement of Directors

At each Annual Shareholders Meeting, one third (or the number nearest to one third) of the Directors retire by rotation. Retired individuals may apply for re-election at the Annual Shareholders Meeting, along with any appointments made since the previous Annual Shareholders Meeting. The Company does not pay retirement benefits to any Director.

Board Processes

The Board has a regular on-site meeting schedule complemented by teleconference meetings. There were ten Board Meetings, nine Teleconference Special Meetings and three Audit Committee Meetings for the 12 month period ending 31 March 2013.

Director	Board Meetings		Conference Calls & Special Meetings		Audit Committee (incl. Conference calls)	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
R.B.Tait (Chairman)	10	10	9	9	3	3
J. McDonald	10	10	9	9	3	3
C.P. Boyle	10	10	8	6	3	3
A.E. de Farias	10	10	8	6	3	3

Note: In addition to the formal Board Meetings and conference calls, there are a number of unofficial discussions with either the full Board or subsets of the Board. Board members that are not available for any particular Board Meeting or conference call usually discuss their views on key issues with the Chairman in advance of the meeting.

Principle 3
Board Committees

Given the small size of the Board it has been deemed appropriate that the full Board of Directors administer the review of Executive remuneration, succession planning and performance reviews of the Chief Executive.

Audit Committee

A separate Audit Committee containing all Directors as members meets a minimum of three times per annum. This Committee is chaired independently from the Chairman of the Board and operates under its own Charter document. Currently the Chairman of the Audit Committee is Mr John McDonald.

The role of the Audit Committee is to review the annual audit process, the financial and operational information provided to the stakeholders and others, to monitor the management of business risk to the organisation, and review the framework of internal control and governance which the Executive and the Board have established. The Chief Executive Officer ('CEO') and Chief Financial Officer ('CFO') regularly attend meetings. The Company's external auditors attend committee meetings as deemed necessary by the Committee.

Principle 4
Reporting and Disclosure

The Board insists on integrity in financial reporting and in the timeliness and balance of disclosure on Company affairs. This is considered essential, together with the provision of information to the market and shareholders which reflects a considered view on the present and future prospects of the Company.

Financial Reporting

The quality and integrity of external financial reporting including the accuracy, completeness and timeliness of Financial Statements is overseen by the Audit Committee.

This Committee reviews Financial Statements on a six-monthly basis and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of the external audit.

The CEO and CFO certify in writing that the Company's financial report presents an accurate and fair view of the Company's performance and position in all material respects.

Timely and Balanced Disclosure

In terms of its continuous disclosure obligations, NZX requires all listed companies to advise the market about any material events and developments as soon as the Company becomes aware of them. The Company has policies and a monitoring programme in place to ensure that it complies with these obligations on an on-going basis. It ensures timely communication of material items to shareholders through NZX or directly as appropriate.

Principle 5
Remuneration

The remuneration of Directors is transparent, fair and reasonable and is approved by shareholders.

Principle 6
Risk Management

The Board regularly verifies that Horizon Energy has appropriate processes to identify and manage potential and relevant risks.

Business Risks

A risk management plan which identifies and addresses areas of significant business risk is in place. Adequate insurance policies cover the insurable risks of the Company, and where appropriate exposure to any foreign exchange risk and on going interest rate risk is managed in accordance with policies laid down by the Directors.

Together with the Executive team, the Chief Executive is required to identify major risks faced by the business and to develop mitigation strategies. Upon identification of significant risks, the Board is advised. Such risks are discussed and the Executive is mandated to undertake prompt corrective action to mitigate and monitor the risk.

Health and Safety & Quality

Given the inherent risks associated with its line of business, the Company takes a proactive stance to its Health and Safety obligations. Health and Safety management are employed and a monthly report is provided to the Board on all pertinent matters. The Company's on-going commitment to providing a safe work environment is evidenced by maintaining the ACC Tertiary Level Accreditation of Workplace Safety Management Programme. Throughout the year under review we are pleased to advise that the Company has achieved and maintained the AS/NZS 4801 Health and Safety Management Systems standard and the NZS 7901 Public Safety standard.

Also, during the year under review, the Company has attained Stage One of the ISO 9001 Quality Systems framework and is working towards full accreditation by 2014.

CEO and CFO Assurance

The CEO and CFO have provided the Board with written confirmation that Horizon Energy's 2013 Financial Statements are founded on a sound system of risk management and internal compliance and control. They assert that all such systems are operating efficiently and effectively in all material respects.

Risk Monitoring

The Audit Committee annually reviews the Company's risk management policies and processes and the Executive provides an updated risk assessment profile at each Board meeting.

Principle 7
Auditors

The Board ensures the quality and independence of the external audit process and monitors this through the Audit Committee. To ensure the independence of the Company's external auditors, the Board has agreed the external auditors will not provide any services prohibited under the International Federation of Accountants Regulations.

External Auditor

Horizon Energy's external auditor is PricewaterhouseCoopers. PricewaterhouseCoopers continue as auditors in accordance with the provisions of the Companies Act 1993.

Deloitte was engaged during 2012 to provide assurance over the 2013 results of Aquaheat New Zealand Limited.

Principle 8
Shareholder Relations

The Board fosters constructive relationships with shareholders and encourages engagement with the Company. It takes measures to keep all shareholders abreast of information necessary to assess the strategic direction and performance of the Company.

This is achieved through a communication strategy which includes:

- Periodic and continuous disclosure to NZX;
- Information distributed to local and national media and briefings to the major shareholders;
- Half-yearly and Annual Reports;
- The Annual Shareholders Meeting, conducted in an open manner which permits a wide range of questions; and
- The Company website which includes a comprehensive Investor relations section, www.horizonenergy.net.nz.

Principle 9
Stakeholder Interests

Horizon Energy seeks to manage its business to produce positive outcomes for all stakeholders including the public, customers, staff, shareholders and suppliers. The Company is an active and committed member of the communities in which it operates; it acts in a socially responsible manner with all stakeholders. This commitment is demonstrated in the activities described throughout this report.

SUBSIDIARY COMPANIES

The following persons held the office of Director of the respective subsidiaries during the year:

- Horizon Energy Investments Limited – A. Anand
- On 20 December 2012 the Company acquired the remaining 40% of the equity in Stewart Browne Group Limited, thereby resulting in 100% ownership of the Tauranga based subsidiary Company. The Directors representing Horizon Energy Distribution Limited's interests within this Company are Mr R. Tait and Mr A. Anand.
- On 3 August 2012 the wholly owned subsidiary Aquaheat New Zealand Limited was incorporated with all existing Horizon Energy Directors serving on the Board of this Company.

DIVERSITY POLICY AND DISCLOSURE

Horizon Energy has not adopted a formal diversity policy.

The gender diversity at Senior Management and Board level is shown in the following table:

	2013		2012	
	Male	**Female**	Male	Female
Board of Directors	**4**	**-**	4	-
Executive Management	**5**	**2**	5	1

EMPLOYEE REMUNERATION

Details of the salary ranges for employees or former employees of the holding Company and subsidiaries receiving remuneration and benefits in excess of $100,000 for the year ended 31 March 2013 are as follows:

Remuneration Range	Number of Employees	
	2013	2012
$380,001 – $390,000	**1**	-
$350,001 – $360,000	**-**	1
$190,001 – $200,000	**1**	1
$170,001 – $180,000	**1**	1
$130,001 – $140,000	**2**	1
$120,001 – $130,000	**4**	1
$110,001 – $120,000	**4**	1
$100,001 – $110,000	**2**	1

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any other matter or circumstance at the end of the financial year, not otherwise dealt with in this report or in the Financial Statements, which may significantly affect the operations of Horizon Energy Distribution Limited, the results of these operations, or the state of affairs of the Company.

ANNUAL REPORT CERTIFICATE

This Annual Report is dated 11 June 2013 and is signed on behalf of the Board by:

Robert Tait
Chairman

John McDonald
Director

Our Financial Statements

Statement of Comprehensive Income

	Notes	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Trading Operations					
Operating Revenue	6	67,124	36,527	31,138	29,843
Operating Expenses	6	(62,594)	(25,445)	(22,235)	(19,285)
Operating Profit		**4,530**	**11,082**	**8,903**	**10,558**
Other Income					
Other Income	6	155	141	220	105
		155	**141**	**220**	**105**
Financing Income and Expenses					
Interest Income		9	2	271	227
Less Finance Expenses					
Interest on Loans		(1,962)	(1,676)	(1,950)	(1,667)
Fair Value Movement of Financial Derivatives	18	11	(610)	11	(610)
		(1,942)	**(2,284)**	**(1,668)**	**(2,050)**
Profit before Tax		**2,743**	**8,939**	**7,455**	**8,613**
Income Tax Expense	7	(801)	(2,507)	(1,978)	(2,390)
Net Profit after Tax		**1,942**	**6,432**	**5,477**	**6,223**
Revaluation of Network Distribution System (Net of Deferred Tax)	10	6,458	-	5,132	-
Total Comprehensive Income		**8,400**	**6,432**	**10,609**	**6,223**
Profit Attributable to:					
Equity Holders of Horizon Energy Distribution Limited		1,894	6,387	5,477	6,223
Non-Controlling Interest		48	45	-	-
		1,942	**6,432**	**5,477**	**6,223**
Total Comprehensive Income Attributable to:					
Equity Holders of Horizon Energy Distribution Limited		8,352	6,387	10,609	6,223
Non-Controlling Interest		48	45	-	-
		8,400	**6,432**	**10,609**	**6,223**

Earnings per share for profit attributable to the equity holders of the Company during the year

	Notes	GROUP 2013 cents	GROUP 2012 cents
Basic and Diluted Earnings per Share (Cents per Share)	25	**7.58**	**25.56**

Notes on pages 50 to 83 are an integral part of these Financial Statements

Balance Sheet

		GROUP		PARENT	
		2013	2012	**2013**	2012
	Notes	**$000**	$000	**$000**	$000
Current Assets					
Cash and Cash Equivalents	11	707	98	51	-
Trade and Other Receivables	11	12,634	5,147	3,687	3,876
Construction Work in Progress	21	1,473	426	-	-
Inventories	12	1,825	1,167	162	-
Total Current Assets		**16,639**	**6,838**	**3,900**	**3,876**
Non-Current Assets					
Restricted Bank Deposits	11	1,050	-	-	-
Investments in Subsidiaries	22	-	-	5,151	-
Property, Plant and Equipment	13	114,672	101,798	109,392	99,973
Intangible Assets	14	4,011	3,703	2,932	2,652
Derivative Financial Instruments	18	47	-	47	-
Intercompany Receivables	29	-	-	7,004	3,235
Total Non-Current Assets		**119,780**	**105,501**	**124,526**	**105,860**
Total Assets		**136,419**	**112,339**	**128,426**	**109,736**
Current Liabilities					
Bank Overdraft	11	-	-	-	51
Trade and Other Payables	15	11,040	4,072	4,481	3,330
Current Tax Liabilities		149	1,172	763	1,029
Employee Benefit Accruals	16	1,681	696	431	341
Construction Revenue in Advance	21	2,507	-	-	-
Deferred Capital Contributions	17	18	18	18	18
Loan from Minority Shareholder	29	-	483	-	-
Current Portion of Bank Loans	19	3,850	-	3,850	-
Derivative Financial Instruments	18	-	15	-	15
Total Current Liabilities		**19,245**	**6,456**	**9,543**	**4,784**
Non-Current Liabilities					
Employee Benefit Accruals	16	144	153	35	71
Deferred Capital Contributions	17	593	611	593	611
Non-Current Portion of Bank Loans	19	31,000	25,825	31,000	25,825
Derivative Financial Instruments	18	2,025	1,974	2,025	1,974
Deferred Tax Liabilities	8	21,120	19,585	21,356	19,456
Total Non-Current Liabilities		**54,882**	**48,148**	**55,009**	**47,937**
Total Liabilities		**74,127**	**54,604**	**64,552**	**52,721**
Net Assets		**62,292**	**57,735**	**63,874**	**57,015**
Equity					
Share Capital	9	8,433	8,433	8,433	8,433
Retained Earnings		21,634	23,490	24,886	23,159
Revaluation Reserves	10	32,225	25,767	30,555	25,423
		62,292	**57,690**	**63,874**	**57,015**
Non-Controlling Interest		-	45	-	-
Total Equity		**62,292**	**57,735**	**63,874**	**57,015**
Total Equity and Liabilities		**136,419**	**112,339**	**128,426**	**109,736**

Robert Tait
Director
30 May 2013

John McDonald
Director

Notes on pages 50 to 83 are an integral part of these Financial Statements

Statement of Changes in Equity

	Notes	Share Capital $000	Retained Earnings $000	Revaluation Reserves $000	Non-Controlling Interest $000	Total Equity $000
GROUP						
Balance as at 31 March 2011		**8,433**	**21,604**	**25,767**	-	**55,804**
Net Profit after Tax		-	6,387	-	45	6,432
Total Comprehensive Income for the Year		**-**	**6,387**	**-**	**45**	**6,432**
Unclaimed Dividends Now Presented		-	(3)	-	-	(3)
Dividends Paid		-	(4,498)	-	-	(4,498)
Balance as at 31 March 2012		**8,433**	**23,490**	**25,767**	**45**	**57,735**
Net Profit after Tax		-	1,894	-	48	1,942
Revaluation of Network Distribution System (Net of Deferred Tax)	10	-	-	6,458	-	6,458
Total Comprehensive Income for the Year		**-**	**1,894**	**6,458**	**48**	**8,400**
Unclaimed Dividends Now Presented		-	(1)	-	-	(1)
Dividends Paid		-	(3,749)	-	(93)	(3,842)
Balance as at 31 March 2013		**8,433**	**21,634**	**32,225**	**-**	**62,292**
PARENT						
Balance as at 31 March 2011		**8,433**	**21,437**	**25,423**	**-**	**55,293**
Net Profit after Tax		-	6,223	-	-	6,223
Total Comprehensive Income for the Year		**-**	**6,223**	**-**	**-**	**6,223**
Unclaimed Dividends Now Presented		-	(3)	-	-	(3)
Dividends Paid		-	(4,498)	-	-	(4,498)
Balance as at 31 March 2012		**8,433**	**23,159**	**25,423**	**-**	**57,015**
Net Profit after Tax		-	5,477	-	-	5,477
Revaluation of Network Distribution System (Net of Deferred Tax)	10	-	-	5,132	-	5,132
Total Comprehensive Income for the Year		**-**	**5,477**	**5,132**	**-**	**10,609**
Unclaimed Dividends Now Presented		-	(1)	-	-	(1)
Dividends Paid		-	(3,749)	-	-	(3,749)
Balance as at 31 March 2013		**8,433**	**24,886**	**30,555**	**-**	**63,874**

Notes on pages 50 to 83 are an integral part of these Financial Statements

Cash Flow Statement

	Notes	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Operating Activities					
Cash Receipts from Customers		72,494	35,856	31,371	29,879
Cash Paid to Suppliers		(42,710)	(15,609)	(13,857)	(13,227)
Salaries and Wages Paid to Employees		(15,967)	(5,648)	(2,963)	(2,566)
Total Operating Receipts and Payments		**13,817**	**14,599**	**14,551**	**14,086**
Interest Received		9	2	2	227
Interest Paid		(1,820)	(1,678)	(1,808)	(1,668)
Cash Flow from Operating Activities Before Tax	31	**12,006**	**12,923**	**12,745**	**12,645**
Income Tax Paid		(2,546)	(2,544)	(2,438)	(2,543)
Net Cash Generated from Operating Activities		**9,460**	**10,379**	**10,307**	**10,102**
Investing Activities					
Dividends Received		-	-	140	-
Purchases of Property, Plant & Equipment		(6,810)	(5,671)	(6,622)	(5,223)
Purchases of Intangible Assets		(776)	(1,679)	(424)	(1,201)
Purchase of Aquaheat New Zealand Limited		(5,039)	-	(5,039)	-
Purchase of Investments		(31)	-	(31)	-
Loan Repayments (to)/from Subsidiaries		-	-	(3,583)	(119)
Restricted Bank Deposits		(1,050)	-	-	-
Proceeds on Disposal of Property, Plant & Equipment		155	-	78	-
Net Cash Used in Investing Activities		**(13,551)**	**(7,350)**	**(15,481)**	**(6,543)**
Financing Activities					
Dividends Paid		(3,842)	(4,498)	(3,749)	(4,498)
Loan from Minority Shareholder		(483)	483	-	-
Draw Down of Term Debt		33,515	32,895	33,515	32,895
Repayment of Term Debt		(24,490)	(32,070)	(24,490)	(32,070)
Net Cash Generated from Financing Activities		**4,700**	**(3,190)**	**5,276**	**(3,673)**
Net Increase/(Decrease) in Cash and Cash Equivalents		**609**	**(161)**	**102**	**(114)**
Cash and Cash Equivalents at the Beginning of the Year		98	259	(51)	63
Cash and Cash Equivalents at the End of the Year	11	**707**	**98**	**51**	**(51)**

Notes on pages 50 to 83 are an integral part of these Financial Statements

Notes to the Financial Statements

1. GENERAL INFORMATION

Horizon Energy Distribution Limited ('Horizon Energy' or 'the Company') is a limited liability company incorporated in New Zealand. The Company is listed on the New Zealand Stock Exchange.

The address of the Company's registered office is 52 Commerce Street, Whakatane and its principal activities are substantially carried out in the greater Eastern Bay of Plenty region of New Zealand. The principal activities of Horizon Energy and its Subsidiaries ('the Group') are the provision of an electricity distribution network for the conveyance of electricity, electrical contracting and infrastructure construction. The Company and Group are designated as profit-orientated entities for financial reporting purposes.

The Financial Statements were authorised for issue by the Directors on 30 May 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of Preparation

The Company and Group are reporting entities for the purposes of the Financial Reporting Act 1993 and their Financial Statements comply with that Act and the Companies Act 1993. The Financial Statements have been prepared in accordance with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities.

These Financial Statements comply with International Financial Reporting Standards.

The Consolidated 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) and derivative financial instruments at fair value through profit or loss.

Basis of Consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and its Subsidiaries, as listed in Note 22.

The Consolidated Financial Statements incorporate the assets and liabilities of all subsidiaries of Horizon Energy at 31 March. Where necessary, adjustments are made to the Financial Statements of Subsidiaries, to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business Combinations

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. 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 values 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 the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.

Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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. Accounting policies of Subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the event that the Group ceases to have control, any retained interest in the entity would be re-measured 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 purposes 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 other comprehensive income are reclassified to profit or loss.

Segment Reporting

The Group operates in one geographical segment, being New Zealand. The operating segments have been determined based on the reports reviewed by the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions for the Group, has been identified as the Chief Executive Officer of the Company.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services, including lines 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. Electricity lines revenue is based on actual and assessed readings and includes an allowance for unread meters at balance date.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED...

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 stage of completion of the contract activity at balance date, as measured by the proportion that contract costs for work performed to date bear to the total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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 revenue in the year in which the contribution is earned.

Finance Leases

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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 charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

Currencies

Functional and Presentation Currency

Items included in the Financial Statements of each of the Group's entities are measured and presented using the currency of the primary economic environment in which the entity operates ('the functional currency').

The Financial Statements are presented in New Zealand dollars, rounded to the nearest thousand, which is the Company's functional currency and the Group's presentation currency.

Foreign Currency Transactions and Balances

The Group does not have significant transactions involving foreign currencies.

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, 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 the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except for receivables and payables, which are recognised inclusive of GST.

Employee Benefits

Wages, Salaries and Annual Leave

Liabilities for wages, 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.

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.

Bonus Plans

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

Taxation

Current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at balance date. The income tax expense or revenue for the year in the Statement of Comprehensive Income is the current tax adjusted by changes in deferred tax assets and liabilities.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Statements and their corresponding tax bases using the balance

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED...

sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity (such as asset revaluations).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, Plant and Equipment

Network Distribution System

Network distribution system assets held for use are stated at valuation, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Distribution assets have been revalued on a discounted cash flow basis for the year ended 31 March 2013. 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 asset 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 and attributable overheads, and for qualifying assets include capitalised interest.

Land and Buildings

Land and buildings held as part of the network distribution system are stated in the Balance Sheet at valuation, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any 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 credited to the 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 land and buildings is charged to the net profit to the extent that it exceeds the balance, if any, held in the capital revaluation reserve relating to a previous revaluation of that asset.

Land and buildings held 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, Vehicles, Furniture and Fittings

Plant, vehicles, furniture and fittings 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 sale proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

Estimated Useful Lives

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method. No depreciation is charged on land.

The following estimated useful lives are used in the calculation of depreciation. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

Category	Estimated Useful Life (Years)
Distribution System	8 - 70
Buildings	40 - 100
Plant and Equipment	2 - 10
Motor Vehicles	5 - 10
Furniture and Fittings	10

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).

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.

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 and intangible assets not yet available for use for impairment.

2. SIGNIFICANT ACCOUNTING POLICIES 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 the Statement of Comprehensive Income 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.

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 marketing, selling and distribution.

Financial Instruments

Financial assets and financial liabilities are recognised on the Group's Consolidated Balance Sheet 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 and 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 all derivative financial instruments.

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

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 the Statement of Comprehensive Income 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 estimated future cash flows discounted using the effective interest rate.

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 Balance Sheet.

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.

Trade Payables

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

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

Derivative Financial Instruments

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

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 Directors' best estimate of the expenditure required to settle the obligation at balance date, and are discounted to present value where the effect is material. Provisions are not recognised for future operating losses.

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 and dividends received are included in operating activities.

Investing activities include the purchase and disposal of assets, shown exclusive of GST. Financing activities include loans drawn and/or repaid and finance raised from equity holders or dividends paid to shareholders and interest paid on instruments classified as equity.

Operating activities are the principal revenue-producing activities of the Group and other activities 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED...

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

Standards, amendments and interpretations to existing standards that were adopted by the Group from 1 April 2012.

FRS 44 New Zealand Additional Disclosures and Harmonisation Amendments

FRS 44 sets out New Zealand specific disclosures for entities that apply NZ IFRSs. These disclosures have been relocated from NZ IFRSs to clarify that these disclosures are additional to those required by NZ IFRS. Adoption of the new rules does not affect any of the amounts recognised in the Financial Statements, but may simplify some of the Group's current disclosures.

The Harmonisation Amendments amends various NZ IFRSs for the purpose of harmonising with the source IFRSs and Australian Accounting Standards.

The significant amendments include:

- Deletion of the requirement for an independent valuer to conduct the valuation of investment property and property, plant and equipment;
- Inclusion of the option to account for investment property using either cost or fair value model;
- Introduction of the option to use the indirect method of reporting cash flows that is not currently in NZ IAS 7.

In addition, various disclosure requirements have been deleted.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

NZ IAS 1 Amendments Presentation of Items of Other Comprehensive Income

The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the Balance Sheet or the profit or loss in the current period. The Group intends to adopt the new standard from 1 April 2013.

NZ IFRS 9 Financial Instruments

This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. NZ IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of IAS 39 requirements. The main change is that in cases where the fair value option is taken for financial liabilities, the part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess NZ IFRS 9's full impact and intends to adopt NZ IFRS 9 no later than 1 April 2015.

NZ IFRS 10 Consolidated Financial Statements

NZ IFRS 10 replaces all of the guidance on control and consolidation in NZ IAS 27 Consolidated and Separate Financial Statements, and NZ SIC 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules. The Group intends to adopt NZ IFRS 10 no later than 1 April 2013.

NZ IFRS 12 Disclosures of Interests in Other Entities

NZ IFRS 12 sets out the required disclosures for entities reporting under the two new standards, NZ IFRS 10 and NZ IFRS 11, and replaces the disclosure requirements currently found in NZ IAS 28. Application of this standard by the Group will not affect any of the amounts recognised in the Financial Statements, but will impact the type of information disclosed in relation to the Group's investments. The Group intends to adopt NZ IFRS 12 no later than 1 April 2013.

NZ IFRS 13 Fair Value Measurement

NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the Financial Statements. However, application of the new standard will impact the type of information disclosed in the Notes to the Financial Statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 March 2014.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. 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 2, Management have made the following judgements and estimates that have significant effects on the amounts recognised in the Financial Statements.

Revenue Recognition

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

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

These adjustments are immaterial compared with total network revenue.

Valuation of Construction Work in Progress

The Group is required to exercise judgement in assessing the stage of completion of each incomplete construction contract on a contract by contract basis to determine the realisable revenue and costs to be reported in the Statement of Comprehensive Income 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 Balance Sheet. The accuracy of these judgements can only be determined when a project is completed or has met a clear contract milestone.

Fair Value of Derivatives

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

Goodwill

Goodwill has been allocated to Horizon Energy Investments Limited, Stewart Browne Group Limited and Aquaheat New Zealand Limited. The Directors 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 five years exceed the carrying value of goodwill recorded.

Where goodwill has an element of contingent consideration Management have used budgeted earnings to estimate the contingent consideration due based on the contracted formula for its calculation.

Valuation of Network Distribution System

The Group estimates the fair value of the distribution network 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 sale transactions, there is a lack of market-based evidence available to determine fair value. The valuation undertaken at 31 March 2013 has been compiled using the discounted cash flow technique (as was the previous valuation at 31 March 2010). Prior to these valuations the distribution network was valued using a depreciated replacement cost method as there was insufficient regulatory certainty to perform a reliable discounted cash flow valuation.

Changes in these valuation estimates could have a material effect on the carrying amount of the distribution network disclosed in Note 13.

The key valuation assumptions relating to the network revaluation performed at 31 March 2013 are outlined below and were adopted in determining the fair value of the Group's network distribution assets:

i. Network assets have been valued on a going concern basis;

ii. Revenue is based on the current pricing applying the CPI-X methodology (with X = 0 for the full forecast period). For 2015 the revenue has been reduced by the estimated value of the regulatory claw back resulting from the Commerce Commission's determined default price-quality path announced on 30 November 2012;

iii. In-fill growth being new connections to existing infrastructure is estimated at 50% of historic growth rates being 0.4% growth;

iv. Costs were based on 2013 forecasts;

v. A post tax discount rate (WACC) of 7.01% has been used in discounting the present value of expected cash flows;

vi. Inflation has been applied at 2.4% and the terminal growth rate at 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.

Key Variable	Change	Value Impact ($million)	
Horizon WACC (7.01%)	+ / - 0.39%	-8.7	+10.2
CPI	+ / - 0.5%	-6.8	+7.0
Organic growth as % total forecast growth (50%)	+ / - 100%	-2.5	+2.5
Capital Expenditure	+ / - 10%	-8.3	+8.3

Notes to the Financial Statements

4. FINANCIAL RISK MANAGEMENT

Risk management is carried out by Management under policies approved by the Board of Directors (the 'Board'). Management identifies and evaluates relevant financial risks and acts to manage these risks where possible within the parameters set out by the Board. The Board 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 the Board regularly on financial risk management.

a) Market Risk

(i) Foreign Exchange Risk

The Group's revenue is entirely denominated in New Zealand dollars and it has no significant currency exposure in the foreseeable future. The Group may from time to time purchase assets, or conduct service transactions denominated in foreign currency.

Board 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.

(ii) 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 Board, 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 borrowings 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 specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts, calculated by reference to the agreed notional principal amounts.

At 31 March 2013, if interest rates had changed by +/- 1% (2012: +/- 1%) with all other variables held constant, post-tax profit and equity for the year would have been $49,600 lower/higher (2012: $8,700 lower/higher).

b) 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 set by the Board. The utilisation of credit limits by customers is regularly monitored by Management.

Three customers comprised 49.4% of the Group's total trade and other receivables as at 31 March 2013 (2012: 36%). Subsequent to the balance dates, the amounts due were cleared.

c) 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 Board approves all new borrowing facilities.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the Balance Sheet date to the contractual maturity date.

Refer to Note 19 Bank Loans for classifications of borrowings and facilities available. In the following table cash flows relating to bank loans are presented in accordance with facility maturity dates.

4. FINANCIAL RISK MANAGEMENT CONTINUED...

31 March 2013	Less than 1 year $000	Between 1 and 2 years $000	Between 2 and 5 years $000	Over 5 years $000
GROUP				
Trade and Other Payables	11,055	-	-	-
Bank Overdrafts and Loans	4,780	967	32,695	-
Derivatives				
- Inflows	(909)	(941)	(2,308)	(2,246)
- Outflows	1,507	1,430	3,252	2,206
	16,432	**1,456**	**33,639**	**(40)**
PARENT				
Trade and Other Payables	4,481	-	-	-
Bank Overdrafts and Loans	4,780	967	32,695	-
Derivatives				
- Inflows	(909)	(941)	(2,308)	(2,246)
- Outflows	1,507	1,430	3,252	2,206
	9,858	**1,456**	**33,639**	**(40)**
31 March 2012				
GROUP				
Trade and Other Payables	4,406	-	-	-
Bank Overdrafts and Loans	-	19,000	6,825	-
Derivatives				
- Inflows	(638)	(634)	(1,378)	(543)
- Outflows	1,276	1,238	2,587	1,068
	5,044	**19,604**	**8,034**	**525**
PARENT				
Trade and Other Payables	3,330	-	-	-
Bank Overdrafts and Loans	-	19,000	6,825	-
Derivatives				
- Inflows	(638)	(634)	(1,378)	(543)
- Outflows	1,276	1,238	2,587	1,068
	3,968	**19,604**	**8,034**	**525**

Notes to the Financial Statements

4. FINANCIAL RISK MANAGEMENT CONTINUED...

d) Capital Risk Management

The Group manages its capital structure and makes adjustments to it in light of economic conditions and business requirements. Total capital is calculated as 'equity' shown in the Balance Sheet plus net debt. To maintain or adjust the existing structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by net debt plus equity. The Group includes within net debt, borrowings less cash and cash equivalents. The Group complied with all borrowing covenants during the year.

The gearing ratios are as follows:

	GROUP	
	2013 $000	2012 $000
Borrowings	34,850	25,825
Plus / (Less): Cash and Bank	(707)	(98)
Net Debt	**34,143**	**25,727**
Equity	62,292	57,735
Equity plus Net Debt	**96,435**	**83,462**
Gearing Ratio	**35%**	**31%**

e) Fair Value Estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value for any financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market condition existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value of the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The fair value measurements of financial instruments are disclosed using the following fair value measurement hierarchy:

Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Refer to Note 20 for further information.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

5. OPERATING SEGMENTS

Segment information is presented in respect of the Group's business. The Group operates in one geographical region being New Zealand.

Operating Segments

The Group comprises of the following main operating segments:

- Electricity Distribution
- Heating Ventilation and Air Conditioning (HVAC) Construction
- Electrical Contracting

The chief operating decision maker assesses the performance of the operating segments based on operating profit/(loss) after tax. Intersegment pricing is determined on agreed terms and conditions.

	Electricity Distribution $000	HVAC Construction $000	Electrical Contracting $000	Elimination $000	Group $000
Year ended 31 March 2013					
Revenue					
External Revenue	31,138	27,316	8,670	-	67,124
Internal Revenue	-	-	8,958	(8,958)	-
Total Segment Revenue	**31,138**	**27,316**	**17,628**	**(8,958)**	**67,124**
Depreciation	4,194	200	555	(48)	4,901
Amortisation	182	5	-	-	187
Fair Value Movement of Financial Derivatives	(11)	-	-	-	(11)
Net Finance Costs	1,950	3	10	-	1,963
Income Tax Expense	1,978	(1,345)	324	(156)	801
Operating Profit/(Loss) After Income Tax	**5,477**	**(3,763)**	**811**	**(583)**	**1,942**
Assets and Liabilities					
Segment Assets	128,426	13,967	8,836	(14,810)	136,419
Total Assets	**128,426**	**13,967**	**8,836**	**(14,810)**	**136,419**
Segment Liabilities	64,552	12,729	6,663	(9,817)	74,127
Total Liabilities	**64,552**	**12,729**	**6,663**	**(9,817)**	**74,127**
Capital Additions	7,102	2,517	686	(663)	9,642
Revaluation of Network Distribution System	7,127	-	-	1,829	8,956

One customer (Nova Energy) comprised 26.4% of the Group's revenue in 2013 (2012: 55.3%).

Notes to the Financial Statements

5. OPERATING SEGMENTS CONTINUED...

	Electricity Distribution $000	HVAC Contruction $000	Electrical Contracting $000	Elimination $000	Group $000
Year ended 31 March 2012					
Revenue					
External Revenue	29,819	-	6,708	-	36,527
Internal Revenue	24	-	6,774	(6,798)	-
Total Segment Revenue	**29,843**	**-**	**13,482**	**(6,798)**	**36,527**
Depreciation	4,088	-	502	(35)	4,555
Amortisation	49	-	-	-	49
Fair Value Movement of Financial Derivatives	610	-	-	-	610
Net Finance Costs	1,667	-	-	-	1,667
Income Tax Expense	2,390	-	257	(140)	2,507
Operating Profit After Income Tax	**6,223**	**-**	**569**	**(360)**	**6,432**
Assets and Liabilities					
Segment Assets	109,736	-	7,706	(5,103)	112,339
Total Assets	**109,736**	**-**	**7,706**	**(5,103)**	**112,339**
Segment Liabilities	52,721	-	6,126	(4,243)	54,604
Total Liabilities	**52,721**	**-**	**6,126**	**(4,243)**	**54,604**
Capital Additions	6,435	-	1,089	(553)	6,971
Goodwill Additions	-	-	839	-	839

Notes to the Financial Statements

6. OPERATING REVENUES & EXPENSES BY NATURE

	Notes	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
a) Operating Revenue					
Distribution Revenue		30,188	29,003	30,188	29,003
Contracting Revenue		35,986	6,684	-	-
Capital Contributions Revenue		950	840	950	840
Total Operating Revenue		**67,124**	**36,527**	**31,138**	**29,843**
b) Other Income					
Sundry Income		150	120	215	84
Net Gain from Sale of Property, Plant and Equipment		-	18	-	18
Recovery of Bad Debts		5	3	5	3
Total Other Income		**155**	**141**	**220**	**105**
c) Operating Expenses Include the Following					
Depreciation	13	4,901	4,555	4,194	4,088
Software Amortisation	14	187	49	182	47
Net Loss on Sale of Property, Plant and Equipment		123	31	59	-
Operating Lease Payments		547	248	98	105
Movement in Doubtful Debt Provisions	11	1,344	80	-	-
Directors' Remuneration	29	223	215	223	215
Maintenance of Network Distribution Assets		1,016	1,081	2,560	2,323
Employee Costs		15,224	6,464	2,964	2,589
Transmission Charges		8,627	7,722	8,748	7,843
Bad Debts Expense		2,807	92	-	-

Notes to the Financial Statements

7. INCOME TAX EXPENSE

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Current Tax	1,537	2,811	2,074	2,660
Deferred Tax	(736)	(304)	(96)	(270)
Income Tax Expense	**801**	**2,507**	**1,978**	**2,390**

The applicable tax rate is 28% (2012: 28%).

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

	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Profit before Tax	**2,743**	**8,939**	**7,455**	**8,613**
Expenses Not Deductible for Tax Purposes	370	11	53	10
Income Not Subject to Tax	(19)	-	(159)	-
Taxable Profit	**3,094**	**8,950**	**7,349**	**8,623**
Income Tax Expense at 28%	**866**	**2,506**	**2,058**	**2,414**
Prior Year Adjustments	(65)	1	(80)	(24)
Income Tax Expense	**801**	**2,507**	**1,978**	**2,390**
Effective Income Tax Expense Rate	29.2%	28.0%	26.5%	27.8%

8. DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Company and Group including movements during the current and prior reporting period.

	Property, Plant & Equipment $000	Derivatives Mark to Market $000	Provisions & Accruals $000	Total $000
GROUP				
At 31 March 2011	**20,546**	**(379)**	**(278)**	**19,889**
Adjustments through Income Tax Expense	(637)	(178)	511	(304)
At 31 March 2012	**19,909**	**(557)**	**233**	**19,585**
Adjustments through Income Tax Expense	(263)	3	(476)	(736)
Deferred Tax recognised on Business Acquisition	-	-	(237)	(237)
Revaluation of Network Distribution System	2,508	-	-	2,508
At 31 March 2013	**22,154**	**(554)**	**(480)**	**21,120**
PARENT				
At 31 March 2011	**20,296**	**(379)**	**(191)**	**19,726**
Adjustments through Income Tax Expense	(610)	(178)	518	(270)
At 31 March 2012	**19,686**	**(557)**	**327**	**19,456**
Adjustments through Income Tax Expense	(250)	3	151	(96)
Revaluation of Network Distribution System	1,996	-	-	1,996
At 31 March 2013	**21,432**	**(554)**	**478**	**21,356**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	GROUP		PARENT	
	2013 $000	2012 $000	**2013 $000**	2012 $000
Deferred Tax Assets				
Recoverable after more than 12 Months	(554)	(557)	(554)	(557)
Recoverable within 12 Months	(1,132)	(180)	(121)	(86)
	(1,686)	**(737)**	**(675)**	**(643)**
Deferred Tax Liabilities				
Recoverable after more than 12 Months	22,806	20,022	22,031	19,690
Recoverable within 12 Months	-	300	-	409
	22,806	**20,322**	**22,031**	**20,099**
Net Deferred Tax Liabilities	**21,120**	**19,585**	**21,356**	**19,456**

Notes to the Financial Statements

9. SHARE CAPITAL

	GROUP & PARENT	
	2013	2012
	$000	$000
Issued and Fully Paid Share Capital	8,433	8,433

Share Capital comprises:	**No. of Shares**	**No. of Shares**
Ordinary Shares Issued and Fully Paid	24,991,385	24,991,385

All ordinary shares have no par value and rank equally with one vote attached to each fully paid share.

10. REVALUATION RESERVES

The asset revaluation reserve arises on the revaluation of network distribution system assets, and land and buildings that are part of the network distribution system. Where an asset is sold the portion of the asset revaluation reserve which relates to that asset is effectively realised and is transferred directly to retained earnings.

	Network Distribution Assets	Network Land & Buildings	Total
	$000	$000	$000
GROUP			
At 31 March 2011	**25,705**	**62**	**25,767**
At 31 March 2012	**25,705**	**62**	**25,767**
Revaluation Gain (Net of Tax)	6,458	-	6,458
At 31 March 2013	**32,163**	**62**	**32,225**
PARENT			
At 31 March 2011	**25,361**	**62**	**25,423**
At 31 March 2012	**25,361**	**62**	**25,423**
Revaluation Gain (Net of Tax)	5,132	-	5,132
At 31 March 2013	**30,493**	**62**	**30,555**

11. OTHER FINANCIAL ASSETS

	GROUP		PARENT	
	2013	2012	2013	2012
	$000	$000	$000	$000
a) Cash and Cash Equivalents				
Bank Overdrafts	-	-	-	(51)
Cash at Bank	707	98	51	-
	707	**98**	**51**	**(51)**

Bank balances and cash comprise cash held by the Group and short-term bank deposits with a maturity of three months or less. The carrying amount of these assets equates to fair value.

b) Trade and Other Receivables

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Trade Receivables	13,806	5,095	3,441	3,701
Less Provision for Doubtful Debts	(1,449)	(105)	(5)	(5)
Trade Receivables Owing by Subsidiary (Note 29a)	-	-	9	29
Prepayments	277	157	242	151
	12,634	**5,147**	**3,687**	**3,876**

All receivables are denominated in New Zealand dollars.

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

Trade receivables have been reviewed by Management with respect to their collectibility and impaired where collectibility is considered doubtful. As at 31 March 2013, trade receivables of $1,405,097 (2012: $285,270) were past due; these relate to a number of independent customers for whom there is no recent history of default and are not impaired.

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

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Up to 3 months	11,415	4,625	3,367	3,653
Over 3 months	942	365	69	43
	12,357	**4,990**	**3,436**	**3,696**

Movements in the provision for impairment of trade receivables are as follows:

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Opening Balance at 1 April	**(105)**	**(25)**	**(5)**	**(5)**
Net Provision Provided For	(1,344)	(80)	-	-
Closing Balance at 31 March	**(1,449)**	**(105)**	**(5)**	**(5)**

c) Restricted Bank Deposits

Restricted bank deposits are cash deposited into term investment accounts as security for performance guarantees provided by the bank on large construction contracts. The carrying amount of these assets approximates fair value.

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Closing Balance at 31 March	**1,050**	**-**	**-**	**-**

12. INVENTORIES

Inventories at balance date were comprised of:

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Raw Materials	328	-	-	-
Finished Goods	1,497	1,167	162	-
Closing Balance at 31 March	**1,825**	**1,167**	**162**	**-**

Notes to the Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT

	Network Distribution System (At Valuation) $000	Land & Buildings (At Cost) $000	Plant & Equipment (At Cost) $000	Furniture & Fittings (At Cost) $000	Vehicles (At Cost) $000	Finance Leased Assets (At Cost) $000	Total $000
GROUP							
Cost or Valuation							
At 31 March 2011	**101,188**	**1,094**	**3,014**	**607**	**2,482**	**-**	**108,385**
Additions	3,881	304	332	6	409	-	4,932
Asset Reclassification	(351)	147	168	25	11	-	-
Transfer of Software to Intangibles	-	-	(242)	-	-	-	(242)
Disposals	(15)	-	3	-	(55)	-	(67)
Capital Works in Progress	351	-	2	-	-	201	554
At 31 March 2012	**105,054**	**1,545**	**3,277**	**638**	**2,847**	**201**	**113,562**
Additions	4,225	8	1,953	135	1,299	19	7,639
Revaluation Movement	(2,343)	-	-	-	-	-	(2,343)
Asset Reclassification	-	-	(75)	58	-	17	-
Disposals	(268)	-	(114)	-	(308)	(17)	(707)
Capital Works in Progress	1,508	-	-	-	-	-	1,508
At 31 March 2013	**108,176**	**1,553**	**5,041**	**831**	**3,838**	**220**	**119,659**
Accumulated Depreciation and Impairment							
At 31 March 2011	**3,771**	**64**	**2,184**	**478**	**962**	**-**	**7,459**
Depreciation Charge for the Year	3,883	28	254	28	362	-	4,555
Asset Reclassification	(171)	(1)	174	3	(5)	-	-
Transfer of Software to Intangibles	-	-	(242)	-	-	-	(242)
Eliminated on Disposals	(3)	-	(5)	-	-	-	(8)
At 31 March 2012	**7,480**	**91**	**2,365**	**509**	**1,319**	**-**	**11,764**
Depreciation Charge for the Year	3,951	68	372	39	453	18	4,901
Asset Reclassification	-	-	(10)	6	-	4	-
Revaluation Movement	(11,299)	-	-	-	-	-	(11,299)
Eliminated on Disposals	(132)	-	(103)	-	(139)	(5)	(379)
At 31 March 2013	**-**	**159**	**2,624**	**554**	**1,633**	**17**	**4,987**
Carrying Amount (Net Book Value)							
At 31 March 2012	97,574	1,454	912	129	1,528	201	101,798
At 31 March 2013	**108,176**	**1,394**	**2,417**	**277**	**2,205**	**203**	**114,672**

13. PROPERTY, PLANT AND EQUIPMENT CONTINUED...

	Network Distribution System (At Valuation) $000	Land & Buildings (At Cost) $000	Plant & Equipment (At Cost) $000	Furniture & Fittings (At Cost) $000	Vehicles (At Cost) $000	Finance Leased Assets (At Cost) $000	Total $000
PARENT							
Cost or Valuation							
At 31 March 2011	**101,923**	**300**	**2,192**	**538**	**278**	**-**	**105,231**
Additions	4,414	128	140	-	-	-	4,682
Asset Reclassification	(352)	148	145	18	41	-	-
Transfer of Software to Intangibles	-	-	(242)	-	-	-	(242)
Disposals	(15)	-	-	-	-	-	(15)
Capital Works in Progress	351	-	-	-	-	201	552
At 31 March 2012	**106,321**	**576**	**2,235**	**556**	**319**	**201**	**110,208**
Additions	4,888	-	174	-	38	-	5,100
Revaluation Movement	(4,275)	-	-	-	-	-	(4,275)
Transfer from Subsidiary	-	-	-	-	32	-	32
Disposals	(268)	-	(103)	-	(56)	-	(427)
Capital Works in Progress	1,508	-	-	-	-	-	1,508
At 31 March 2013	**108,174**	**576**	**2,306**	**556**	**333**	**201**	**112,146**
Accumulated Depreciation and Impairment							
At 31 March 2011	**3,792**	**15**	**1,865**	**459**	**262**	**-**	**6,393**
Depreciation Charge for the Year	3,917	12	118	21	20	-	4,088
Asset Reclassification	(171)	-	149	(3)	25	-	-
Transfer of Software to Intangibles	-	-	(242)	-	-	-	(242)
Eliminated on Disposals	(3)	-	(1)	-	-	-	(4)
At 31 March 2012	**7,535**	**27**	**1,889**	**477**	**307**	**-**	**10,235**
Depreciation Charge for the Year	3,999	29	124	16	12	14	4,194
Depreciation Transferred from Subsidiary	-	-	-	-	18	-	18
Revaluation Movement	(11,402)	-	-	-	-	-	(11,402)
Eliminated on Disposals	(132)	-	(103)	-	(56)	-	(291)
At 31 March 2013	**-**	**56**	**1,910**	**493**	**281**	**14**	**2,754**
Carrying Amount (Net Book Value)							
At 31 March 2012	98,786	549	346	79	12	201	99,973
At 31 March 2013	**108,174**	**520**	**396**	**63**	**52**	**187**	**109,392**

Network distribution system was revalued on 31 March 2013 by Deloitte on a discounted cash flow basis in accordance with generally accepted valuation techniques.

The carrying amount of the Group and Parent network distribution system commissioned assets had they been recognised under the cost model is $89.8 million (2012: $82.5 million).

The cost model is defined as the deemed cost on adoption of NZ IFRS on 1 April 2006. This amount comprises the revalued amount of the network distribution system assets as at 31 March 2000, as elected by Horizon Energy under NZ IFRS 1 'First time adoption of NZ equivalents to International Financial Reporting Standards'. This has subsequently been adjusted for additions and disposals.

Notes to the Financial Statements

14. INTANGIBLE ASSETS

	Software $000	Goodwill $000	Total $000
GROUP			
Cost			
At 31 March 2011	**1,657**	**211**	**1,868**
Software Additions	938	-	938
Goodwill Additions	-	839	839
Transfer of Software from Property, Plant and Equipment	242	-	242
Disposals	(255)	-	(255)
Information Systems Work in Progress	263	-	263
At 31 March 2012	**2,845**	**1,050**	**3,895**
Software Additions	495	-	495
Goodwill Additions	-	-	-
At 31 March 2013	**3,340**	**1,050**	**4,390**
Accumulated Amortisation			
At 31 March 2011	**156**	**-**	**156**
Amortisation Charge for the Year	49	-	49
Transfer of Software from Property, Plant and Equipment	242	-	242
Disposals	(255)	-	(255)
At 31 March 2012	**192**	**-**	**192**
Amortisation Charge for the Year	187	-	187
At 31 March 2013	**379**	**-**	**379**
Carrying Amount (Net Book Value)			
At 31 March 2012	2,653	1,050	3,703
At 31 March 2013	**2,961**	**1,050**	**4,011**

Goodwill and Intangible Assets

i) Allocation of Goodwill to Cash Generating Units

Goodwill is allocated to the Group's cash generating units, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. Goodwill acquired through business combinations has been allocated to two cash generating units ('CGU's') for impairment testing, comprising Stewart Browne Group Limited and Horizon Energy Investments Limited.

The recoverable amounts have been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by Senior Management covering a 5 year period. The pre-tax discount rate applied to cash flow projections is 21%.

ii) Carrying Amount of Goodwill Allocated to each Cash Generating Unit

	2013 $000	2012 $000
Horizon Energy Investments Limited	252	252
Stewart Browne Group Limited	798	798
	1,050	**1,050**

iii) The Calculation of Value in Use for Cash Generating Units

The calculation of value in use for all CGU's is most sensitive to assumptions on discount rates and growth rates. Discount rates are based on the Company's cost of capital and growth has been assumed at rates between 3% and 10%, with a terminal growth rate of 3%.

iv) Sensitivity

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

14. INTANGIBLE ASSETS CONTINUED...

	Software $000	Goodwill $000	Total $000
PARENT			
Cost			
At 31 March 2011	**1,645**	**-**	**1,645**
Additions	938	-	938
Transfer of Software from Property, Plant and Equipment	242	-	242
Disposals	(255)	-	(255)
Information Systems Work In Progress	263	-	263
At 31 March 2012	**2,833**	**-**	**2,833**
Additions	462	-	462
At 31 March 2013	**3,295**	**-**	**3,295**
Accumulated Amortisation			
At 31 March 2011	**147**	**-**	**147**
Amortisation Charge for the Year	47	-	47
Transfer of Software from Property, Plant and Equipment	242	-	242
Disposals	(255)	-	(255)
At 31 March 2012	**181**	**-**	**181**
Amortisation Charge for the Year	182	-	182
At 31 March 2013	**363**	**-**	**363**
Carrying Amount (Net Book Value)			
At 31 March 2012	2,652	-	2,652
At 31 March 2013	**2,932**	**-**	**2,932**

Interest has been capitalised to Intangible Assets to reflect the financing costs to the Company attributable to the acquisition of qualifying assets, in accordance with the Group's accounting policy on borrowing costs.

The interest rate applied for the 2013 year was 5.34% (2012: 5.75%), being the average cost of borrowings for the Company during the year. Interest capitalised for the 2013 year was $58,080 (2012: $100,459).

Notes to the Financial Statements

15. TRADE AND OTHER PAYABLES

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Trade Payables	7,882	2,102	1,049	1,061
Trade Payables Owed by Parent Company to Subsidiary (Note 29)	-	-	1,428	867
Other Payables	3,158	1,821	2,004	1,402
Contingent Liability Arising on a Business Combination	-	149	-	-
Total Trade Payables and Other Payables	**11,040**	**4,072**	**4,481**	**3,330**

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

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

16. EMPLOYEE BENEFIT ACCRUALS

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Classified as:				
Current Employee Costs	1,681	696	431	341
Non-Current Employee Costs	144	153	35	71
Total Employee Costs	**1,825**	**849**	**466**	**412**

The Employee Benefits Accrual includes accrued wages, bonuses, accrued holiday pay, long service leave and retirement costs.

17. DEFERRED CAPITAL CONTRIBUTIONS

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Opening Balance at 1 April	**629**	**646**	**629**	**646**
Less Amounts Recognised as Revenue during Year	(17)	(17)	(17)	(17)
Closing Balance at 31 March	**612**	**629**	**612**	**629**
Classified as:				
Current	18	18	18	18
Non-Current	594	628	594	628
Total Deferred Capital Contributions	**612**	**646**	**612**	**646**

Discretionary capital contributions from local authorities for the construction of network distribution assets meet the definition of a government grant under NZ IAS 20, 'Accounting for Government Grants'. These cash receipts are included in non-current liabilities as deferred income and are amortised over a 45 year period which approximates the expected life of the asset. There are no unfulfilled conditions and other contingencies attached to these contributions.

18. DERIVATIVE FINANCIAL INSTRUMENTS

Interest Rate Swaps

The notional value and fair value of the swaps the Group and Parent held at 31 March 2013 and 31 March 2012 were as follows:

Commencement Date	Rate	Term	Expiry Date	Notional Value 2013 $000	Fair Value 2013 $000	Notional Value 2012 $000	Fair Value 2012 $000
21 Jun 2012	3.83%	120 Months	21 Jun 2022	2,000	3	-	-
21 Jun 2012	3.83%	120 Months	21 Jun 2022	2,000	6	-	-
03 Oct 2014	3.90%	84 Months	03 Oct 2021	4,000	38	-	-
Total Non-Current Assets				**8,000**	**47**	**-**	**-**
21 Sep 2009	4.19%	33 Months	21 Jun 2012	-	-	4,000	(15)
Total Current Liabilities				**-**	**-**	**4,000**	**(15)**
05 Mar 2012	6.44%	30 Months	05 Sep 2014	2,800	(152)	2,800	(225)
21 Dec 2011	4.99%	33 Months	21 Sep 2014	2,000	(66)	2,000	(90)
21 Jun 2010	5.25%	60 Months	21 Jun 2015	2,000	(103)	2,000	(121)
26 Sep 2010	5.85%	63 Months	29 Dec 2015	1,000	(76)	1,000	(85)
09 Mar 2009	4.60%	84 Months	09 Mar 2016	2,000	(92)	2,000	(85)
21 Dec 2011	5.33%	57 Months	21 Sep 2016	2,000	(147)	2,000	(145)
17 Aug 2009	4.61%	93 Months	17 May 2017	3,000	(168)	3,000	(130)
26 Sep 2010	6.58%	93 Months	26 Jun 2018	2,000	(309)	2,000	(296)
05 Jul 2007	6.44%	140 Months	05 Mar 2019	2,000	(324)	2,000	(295)
26 Sep 2010	6.58%	117 Months	26 Jun 2020	3,000	(563)	3,000	(502)
12 Feb 2013	3.84%	96 Months	12 Feb 2021	3,000	(25)	-	-
Total Non-Current Liabilities				**24,800**	**(2,025)**	**21,800**	**(1,974)**
Total				**32,800**	**(1,978)**	**25,800**	**(1,989)**

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 as set out in Note 2, Accounting Policy - Derivative Financial Instruments.

No interest rate swaps have been designated as cash flow hedges and are therefore classified as 'held for trading' for accounting purposes. Consequently changes in fair value have been charged directly to the Statement of Comprehensive Income.

Management regularly monitors the level of interest derivatives held and the rates currently available and adjusts the interest derivatives portfolio as they believe prudent. During the financial year one swap matured and four additional swaps were purchased.

	GROUP & PARENT	
Net Increase/(Decrease) in Fair Value recognised in the Statement of Comprehensive Income	**2013 $000**	2012 $000
Fair Value at 31 March	(1,978)	(1,989)
Net Change in Fair Value	**11**	**(610)**

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the Balance Sheet.

Notes to the Financial Statements

19. BANK LOANS

	GROUP		PARENT	
	2013 $000	2012 $000	**2013 $000**	2012 $000
The borrowings are repayable as follows:				
Within One Year	3,850	-	3,850	-
Within Two to Three Years	13,000	12,825	13,000	12,825
Within Three to Five Years	18,000	13,000	18,000	13,000
Total	**34,850**	**25,825**	**34,850**	**25,825**
Classified as follows:				
Amount due for Settlement within 12 Months (Current)	3,850	-	3,850	-
Amount due for Settlement after 12 Months (Non-Current)	31,000	25,825	31,000	25,825
Total	**34,850**	**25,825**	**34,850**	**25,825**

Bank loans are drawn down at floating rates and expose the Group to interest rate risk. Borrowings are classified as current and non-current based on the terms of available facilities as these represent unconditional rights to defer payments until maturity.

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

All term loans are unsecured and are subject to negative pledge undertakings. The weighted average floating interest rate, inclusive of margins, on term loans is 3.32% (2012: 3.35%). The weighted average floating interest rate excludes the effect of the Company's interest rate risk management.

As at 31 March 2013, the Company had available undrawn debt facilities of $15.2 million (2012: $6.2 million).

	Expiry	GROUP & PARENT Drawn $000	Undrawn $000
At 31 March 2013			
Tranche A	23/11/2013	19,000	-
Tranche B	23/11/2015	13,000	-
Tranche C	29/08/2017	2,850	6,150
Tranche D	30/11/2016	-	9,000
		34,850	**15,150**
At 31 March 2012			
Tranche A	23/11/2013	19,000	-
Tranche B	23/11/2015	6,825	6,175
		25,825	**6,175**

All borrowings are with the same financial institution. The non-current undrawn debt facilities of $15.2 million, which were available at 31 March 2013, have been offset against the fully drawn facility of $19.0 million which expires within the next year. Horizon Energy has the discretion to rollover Tranche A financing into Tranche C & D. Consequently the current portion of loans disclosed in the Balance Sheet is $3.85 million.

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

These covenants comprise:

- Interest Rate Coverage ratio must be greater than 2.5
- Gearing ratio must be less than 60%
- Secured Liabilities ratio must be less than 10%
- Guaranteeing Group Coverage ratio - EBITDA must be greater than 95%
- Guaranteeing Group Coverage ratio - Total Assets must be greater than 95%

20. FINANCIAL INSTRUMENTS BY CATEGORY

	Assets at Fair Value through Profit or Loss $000	Loans & Receivables $000	Total $000
Assets as per Balance Sheet			
GROUP			
Trade and Other Receivables	-	4,990	4,990
Cash and Cash Equivalents	-	98	98
At 31 March 2012	**-**	**5,088**	**5,088**
Derivative Financial Instruments	47	-	47
Trade and Other Receivables	-	12,357	12,357
Restricted Bank Deposits	1,050	-	1,050
Cash and Cash Equivalents	-	707	707
At 31 March 2013	**1,097**	**13,064**	**14,161**
PARENT			
Trade and Other Receivables	-	3,696	3,696
Intercompany Loans	-	3,235	3,235
At 31 March 2012	**-**	**6,931**	**6,931**
Derivative Financial Instruments	47	-	47
Trade and Other Receivables	-	3,436	3,436
Intercompany Loans	-	7,004	7,004
Cash and Cash Equivalents	-	51	51
At 31 March 2013	**47**	**10,491**	**10,538**

All derivatives at fair value relate to interest rate swaps, which have been determined to be Level 2 under the fair value hierarchy described in Note 4.

Notes to the Financial Statements

20. FINANCIAL INSTRUMENTS BY CATEGORY CONTINUED...

	Liabilities at Fair Value through Profit or Loss $000	Measured at Amortised Cost $000	Total $000
Liabilities as per Balance Sheet			
GROUP			
Bank Loans	-	25,825	25,825
Derivative Financial Instruments	1,989	-	1,989
Trade and Other Payables	-	4,072	4,072
At 31 March 2012	**1,989**	**29,897**	**31,886**
Bank Loans	-	34,850	34,850
Derivative Financial Instruments	2,025	-	2,025
Trade and Other Payables	-	11,040	11,040
At 31 March 2013	**2,025**	**45,890**	**47,915**
PARENT			
Bank Loans	-	25,825	25,825
Derivative Financial Instruments	1,989	-	1,989
Trade and Other Payables	-	3,330	3,330
Bank Overdraft	-	51	51
At 31 March 2012	**1,989**	**29,206**	**31,195**
Bank Loans	-	34,850	34,850
Derivative Financial Instruments	2,025	-	2,025
Trade and Other Payables	-	4,481	4,481
At 31 March 2013	**2,025**	**39,331**	**41,356**

21. CONSTRUCTION WORK IN PROGRESS

The following amounts relating to construction contracts in progress at balance date are included within Construction Work in Progress, Trade and Other Receivables and Trade and Other Payables in the Balance Sheet. Refer Note 2 Accounting Policies - Construction Contracts.

	GROUP		PARENT	
	2013 $000	2012 $000	**2013 $000**	2012 $000
Gross Construction Work in Progress plus Margin to Date	29,000	426	-	-
Progress Billings	(30,034)	(218)	-	-
Work in Progress	**(1,034)**	**208**	**-**	**-**
Construction Contracts with Net Work in Progress	1,473	426	-	-
Construction Contracts with Net Funds Received in Advance of Cost and Margin	(2,507)	(218)	-	-
Carrying Amount at the End of the Year	**(1,034)**	**208**	**-**	**-**
Retentions Owing within Trade Debtors on Completed Construction Contracts	**2,638**	**-**	**-**	**-**

22. SUBSIDIARY COMPANIES

The Company has three wholly owned subsidiary companies being:

- Horizon Energy Investments Limited;
- Stewart Browne Group Limited; and
- Aquaheat New Zealand Limited.

Horizon Energy Investments Limited was established as at 26 October 2006 for the Group's electrical contracting operation. The subsidiary has been fully consolidated with inter-company transactions eliminated. Horizon Energy Investments Limited is recorded at nil cost in the Balance Sheet of the Parent.

During the year Horizon Energy Distribution Limited acquired a further 400 shares in Stewart Browne Group Limited and now holds 100% of shares in the company.

On 3 August 2012 the Company also incorporated a new 100% owned company Aquaheat New Zealand Limited. Further information regarding the purchase of business assets and liabilities by Aquaheat NZ Limited is contained in Note 26.

	PARENT		PARENT	
	Number of Shares Held		Value of Shares Held	
	2013	2012	**2013**	2012
			$000	$000
Shares held in Stewart Browne Group Limited	1,000	600	150	-
Shares held in Horizon Energy Investments Limited	100	100	-	-
Shares held in Aquaheat NZ Limited	5,001	-	5,001	-
			5,151	**-**

23. DIVIDENDS (CENTS PER SHARE)

Amounts recognised as distributions to equity holders in the period:

	GROUP	
	2013	2012
	cents	cents
Final (for Previous Financial Year)	9.0	10.0
Interim	6.0	8.0

All dividends had full imputation credits attached.

As set out in Note 28 a fully imputed final dividend for the year ended 31 March 2013 was declared post year end. The financial impact of this dividend has not been recognised in these Financial Statements.

24. IMPUTATION CREDIT MEMORANDUM ACCOUNT

Imputation credits are gained through income tax being paid by the Group and are subsequently available for attachment to future dividend payments.

	GROUP		PARENT	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Imputation Credits Available for Subsequent Reporting Periods	**3,914**	**2,570**	**4,528**	**2,570**

Notes to the Financial Statements

25. EARNINGS PER SHARE

a) Basic

Basic earnings per share is calculated by dividing the profit attributable to Equity Holders of the Company by the weighted average number of ordinary shares on issue during the year.

	GROUP	
	2013	2012
Profit Attributable to Equity Holders of the Company ($000)	1,894	6,387
Weighted Average Number of Ordinary Shares on Issue	24,991,385	24,991,385
Basic Earnings per Share (Cents per Share)	**7.58**	**25.56**

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has no category of dilutive potential ordinary shares, therefore diluted earnings per share is equal to basic earnings per share.

26. BUSINESS COMBINATIONS

a) Completion of the Acquisition of Stewart Browne Group Limited

On 20 December 2012 Horizon Energy acquired the remaining 40% of the shares in Stewart Browne Group Limited. The final payment of $131,000 was $19,000 below the contingent consideration disclosed in the 2012 Annual Report business combinations note and this difference of $19,000 is included in sundry income within the Parent Income Statement.

b) Acquisition of Aquaheat Industries Limited and Hastie New Zealand Limited

On 1 September 2012, Horizon Energy Distribution Limited (through a newly incorporated wholly owned subsidiary company, Aquaheat New Zealand Limited) acquired the business assets and certain liabilities of Aquaheat Industries Limited and Hastie New Zealand Limited.

The investment is consistent with Horizon Energy's strategy to develop its non regulated revenue streams. The new businesses have a strong presence in the Auckland, Wellington and Christchurch markets providing heating, ventilation and air conditioning manufacturing and installation services. The addition of the Aquaheat businesses to the Horizon Energy Group will provide significant contracting business scale to enable the Group to increase its involvement in large construction opportunities arising throughout the country.

Horizon Energy Distribution Limited - Acquisition of Aquaheat Industries Limited and Hastie New Zealand Limited

The Company owns 100% of the issued shares in Aquaheat New Zealand Limited (ANZL) and purchased the business assets and certain liabilities of Aquaheat Industries Limited and Hastie New Zealand Limited as at 1 September 2012 as detailed on the following page.

26. BUSINESS COMBINATIONS CONTINUED...

	GROUP 31-Mar-13 $000
Consideration on Acquisition	**5,039**
	Fair Value Adjustment $000
Consisting of:	
Cash and Cash Equivalents	2
Receivables and Prepayments	12,666
Inventories	302
Work In Progress	(1,994)
Deferred Tax Asset	237
Plant and Equipment	1,542
Motor Vehicles	719
Total Assets Acquired	**13,474**
Trade and Other Payables	(6,750)
Employee Liabilities	(1,280)
Warranty Provisions	(406)
Total Liabilities Acquired	**(8,436)**
Fair Value of Net Assets Acquired	**5,039**
Total Purchase Consideration Settled in Cash	**5,039**

The values assigned to Plant and Equipment and Motor Vehicles are the revalued prices as determined by the independent valuation undertaken by Jones Lang LaSalle effective 30 November 2012.

Other costs of $522,000 associated with the acquisition have been expensed during the year.

The consideration paid is subject to adjustment of working capital items up to the date of acquisition. The Company is working with the Vendor to finalise the consideration amount in accordance with the terms of the Sale and Purchase Agreement.

Consolidation Treatment

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

Aquaheat New Zealand Limited amounts included in the Consolidated Statement of Comprehensive Income for the seven months post acquisition to 31 March 2013 include:

	$000
Revenue	27,316
Net Loss after Tax	3,763

Notes to the Financial Statements

27. CONTINGENT LIABILITIES

Electricity Regulatory Claw Back

On 30 November 2012, the Commerce Commission announced the reset of the default price-quality paths for 16 electricity distributors, one of which is the Horizon Energy's electricity distribution business. The Commerce Commission's announcement was made after electricity distributors had set their electricity prices for the period 1 April 2012 to 31 March 2013 and therefore Horizon Energy can only apply the electricity price reduction from 1 April 2013. As a result the Commerce Commission has stated it will apply claw back for any under or over recovery of electricity revenue by Horizon Energy in the electricity regulatory year to 31 March 2013. Subject to the outcome of the merits review of the Commerce Commission's input methodologies currently before the High Court, the claw back will be effected through a price adjustment in the electricity regulatory year to 31 March 2015. The value of the claw back if applied will impact Horizon Energy's electricity revenues from 1 April 2014 to 31 March 2015 therefore the claw back is not recognised in the reported electricity revenues in the current year's financial statements.

Electricity Purchase Commitment

In March 1999, as part of the sale of the Kapuni Generation assets, the Company assigned its rights under a long term contract for the purchase of electricity and remains contingently liable to purchase this electricity until the end of the contract (2017) should the purchasers fail to perform their obligations under the contract. In the event any claim is made against the Company under this long term contract for the purchase of electricity, the Company will have a claim against the purchaser of its Kapuni Generation assets under the relevant sale documentation.

Unclaimed Dividends

As provided for under clause 27.8 of the Company's constitution, unclaimed dividends now total $104,817 (2012: $112,198) relating to the period 1995 to 2007. Subject to compliance with the solvency test, the Company 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 the Group is required, in some cases, to provide additional security in the form of Bank Performance Bonds or Parent Company 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 2013 total value of performace bonds issued is $1.0 million (2012: nil) and the total value of Parent Company Guarantees is $12.2 million (2012: nil).

28. EVENTS AFTER BALANCE DATE

The Directors authorised these financial statements for issue on 30 May 2013.

Dividend Declaration

On 30 May 2013 the Directors declared a final fully imputed dividend of 4.0 cents (2012: 9.0 cents imputed) per ordinary share. As this event occurred after balance date the financial effect has not been recognised in the Financial Statements.

29. RELATED PARTY TRANSACTIONS

The following transactions occurred with related parties:

a) Transactions between the Parent and Horizon Energy Investments Limited

Horizon Energy Investments Limited is a 100% owned subsidiary of Horizon Energy Distribution Limited the Parent Company. Horizon Energy Investments Limited is a New Zealand registered company.

Horizon Energy Investments Limited provided distribution network capital and maintenance services to the Parent Company. These services are purchased by the Parent on agreed terms and conditions

	2013	2012
	$000	$000
Purchase of contracting services and network assets from subsidiary	8,777	6,714
Interest income from subsidiary on shareholder advances	(269)	(225)
Rent income from subsidiary	-	(24)
Rent expense paid to subsidiary	60	60
Balance of shareholder loan to subsidiary	2,626	2,432
Receivables owing by subsidiary	9	29
Payables owing to subsidiary	(1,428)	(867)

The shareholder loan is repayable on demand and incurs interest at the average weighted interest rate that the Group incurs on its bank borrowings. No related party bad debts have been recognised for the current and previous year.

b) Major Shareholders

The Group is controlled by the Eastern Bay Energy Trust which owns 77.3% of the Company's shares. Marlborough Lines Limited holds 13.9% of the shares in the Company and is not a related party. The remaining 8.8% of shares in the Company are widely held.

Transactions with Eastern Bay Energy Trust

Contributions Received towards Undergrounding Works	20	330
Contributions received towards Staff Training	31	1
Services Supplied by Horizon to EBET	2	9
	53	**340**

c) Remuneration of Key Management Personnel and Directors

Short Term Benefits

Salaries and Other Short Term Employee Costs	1,139	863
Directors' Fees	223	215
	1,362	**1,078**

Notes to the Financial Statements

29. RELATED PARTY TRANSACTIONS CONTINUED...

d) Transactions with Stewart Browne Group Limited

Horizon Energy Distribution Limited (60% shareholder until 20 December 2012, then 100% shareholder after this date) and Browne Family Trust (40% shareholder until the 20 December 2012) have advanced funds to Stewart Browne Group Limited since the date of its incorporation.

	2013	2012
Loans to Stewart Browne Group Limited from Parent	**$000**	$000
Loan - Interest Free (No fixed maturity date)	1,182	562
Loan - Interest Bearing (No fixed maturity date)	245	241
	1,427	**803**
Loans to Stewart Browne Group Limited from Browne Family Trust		
Loan - Interest Free	-	375
Loan - Interest Bearing	-	108
	-	**483**

The loans were due to be repaid on 1 April 2014, however they were repaid to the Browne Family Trust on 20 December 2012 at the time the Company acquired 100% of Stewart Browne Group Limited.

Outstanding Liability Arising on a Business Combination	**100**	**149**

e) Transactions with Aquaheat NZ Limited

Loans to Aquaheat NZ Limited from Parent		
Loan - Interest Bearing (No fixed maturity date)	2,951	-
	2,951	**-**

f) Lease Transactions with Padova Properties Limited

During the year Aquaheat NZ Ltd leased property from Padova Properties Limited a company in which an employee is a director and shareholder. The lease terms are on terms and conditions based on an independent valuation.

Gross Rental Paid	252	-
	252	**-**
Sales from Aquaheat New Zealand Limited to Padova Properties	18	-
	18	**-**

30. COMMITMENTS

a) Capital Commitments

Capital expenditure contracted for at balance date but not yet incurred is:

	GROUP		PARENT	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Software	-	317	-	317
Non-Network Assets	5	-	-	-
Network Distribution Assets	935	1,092	935	1,092
	940	**1,409**	**935**	**1,409**

b) Operating Lease Commitments

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

Operating lease commitments fall due for payment in the following periods:

Within One Year	866	206	98	85
Within One to Five Years	1,017	535	49	49
	1,883	**741**	**147**	**134**

31. RECONCILIATION OF NET PROFIT TO NET CASH FROM OPERATING ACTIVITIES

		GROUP		PARENT	
		2013	2012	**2013**	2012
	Notes	**$000**	$000	**$000**	$000
Profit before Tax for the Year		**2,743**	**8,939**	**7,455**	**8,613**
Adjustments for:					
Capital Contributions Amortised	17	(17)	(17)	(17)	(17)
Dividend Received as Investing Income		-	-	(140)	-
Bad Debts Provided For		2,807	-	-	-
Depreciation and Amortisation	6	5,088	4,604	4,376	4,135
Loss on Disposal of Fixed Assets		123	31	59	-
Loss/(Gain) on Fair Value Movement of Interest Rate Swaps	18	(11)	610	(11)	610
Operating Cash Flows before Movements in Working Capital		**10,733**	**14,167**	**11,722**	**13,341**
Changes in Working Capital					
Construction Work in Progress	21	(1,047)	(176)	-	-
Trade and Other Payables		6,999	(39)	959	(608)
Trade and Other Receivables		(7,487)	(872)	189	(129)
Construction Revenue Received in Advance		2,507	-	-	-
Inventories	12	(658)	(340)	(162)	-
Deferred Capital Contributions	17	(17)	(17)	(17)	(17)
Provision for Employee Costs	16	976	200	54	58
		1,273	**(1,244)**	**1,023**	**(696)**
Cash Flow from Operating Activities before Tax		**12,006**	**12,923**	**12,745**	**12,645**

Notes to the Financial Statements

32. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Parent and the Group:

	GROUP		PARENT	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Statutory Audit				
Audit of the Financial Statements	112	81	112	81
Total Audit and Assurance Services	**112**	**81**	**112**	**81**
Audit Related Services				
Section 53ZD Schedule B Disclosure Assurance Engagement	5	-	5	-
Regulatory DPP Compliance Statement Audit	11	30	11	30
Regulatory Disclosure Information Assurance Engagement	47	20	47	20
Taxation Compliance Services	24	28	24	28
Total Audit Related Services	**87**	**78**	**87**	**78**
Other Services				
Due Diligence on Proposed Asset Acquisitions	313	7	313	7
Regulatory Advice and Preparation of Submissions	14	40	14	40
Tax Advice and Opinions	36	-	36	-
Treasury Advisory Services	18	-	18	-
Total Other Services	**381**	**47**	**381**	**47**
Total Paid or Payable to PricewaterhouseCoopers	**580**	**206**	**580**	**206**

The 2013 fees above include a service/admin charge of 5% and exclude travel disbursements.

Regulatory advice includes assistance with regulatory submissions to the Commerce Commission in relation to regulatory compliance, standardisation of distribution tariffs, DPP Starting Price Adjustment, Input Methodology draft decisions, Standardisation of Distribution tariffs and Model Use of System Agreements and review of the regulatory compliance impacts of a potential asset purchase.

32. REMUNERATION OF AUDITORS CONTINUED...

During the year the following fees were paid or payable for services provided by Deloitte, the auditor of Aquaheat New Zealand Limited, a subsidiary of the Group:

	GROUP		PARENT	
	2013	2012	2013	2012
	$000	$000	$000	$000
Statutory Audit				
Audit of the Financial Statements	40	-	-	-
Total Audit and Assurance Services	**40**	**-**	**-**	**-**
Other Services				
Property, Plant and Equipment Valuation	33	-	33	-
Total Other Services	**33**	**-**	**33**	**-**
Total Paid or Payable to Deloitte	**73**	**-**	**33**	**-**
Total Auditors' Remuneration	**653**	**206**	**613**	**206**

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Independent Auditors' Report

to the shareholders of Horizon Energy Distribution Limited

Report on the Financial Statements

We have audited the financial statements of Horizon Energy Distribution Limited ("the Company") on pages 45 to 83, which comprise the balance sheet as at 31 March 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 March 2013 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have no relationship with, or interests in, Horizon Energy Distribution Limited or any of its subsidiaries other than in our capacities as auditors, tax advisors and providers of other assurance, due diligence, regulatory and treasury advisory services. These services have not impaired our independence as auditors of the Company and the Group.

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HORIZON ENERGY DISTRIBUTION LIMITED
Auditors' Report

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Opinion

In our opinion, the financial statements on pages 45 to 83:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 31 March 2013, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2013:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' 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 Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

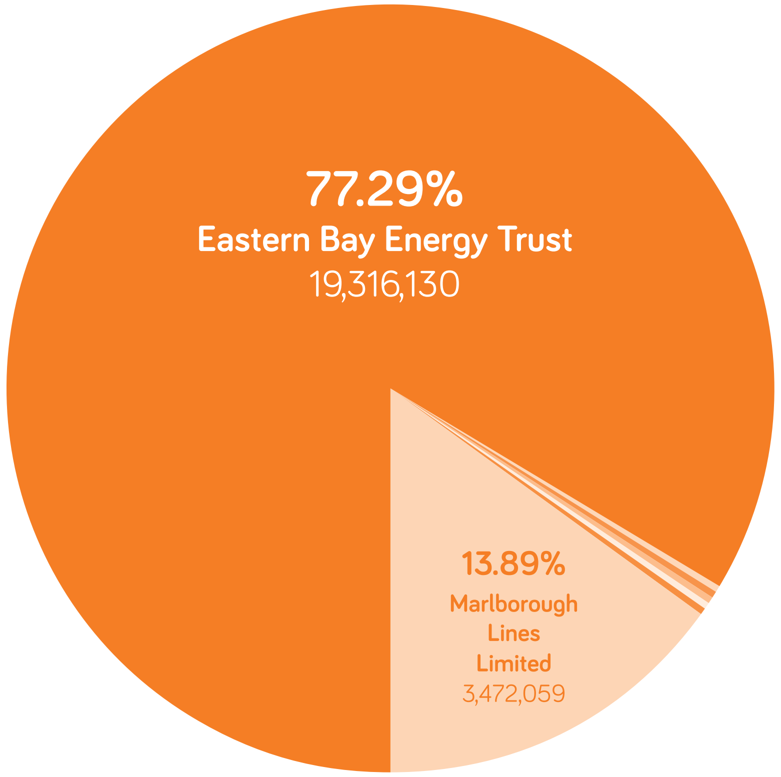
Chartered Accountants — Auckland
30 May 2013

Shareholders' Statistics

At 31 May 2013 there were 24,991,385 voting securities on issue. They were held by 1,804 shareholders.

Twenty Largest Shareholders

The names of the twenty largest Shareholders of Ordinary Shares as at 31 May 2013 are listed below:



0.28%
RW White 69,264

0.18%
Key Group Limited 44,205

0.10%
Custodial Services Limited 24,500
AB Herdman 24,171

0.08%
PBR Knyvett 20,000

0.07%
MO Bailey 16,500 AR Twaites 16,500

0.06%
JP Morgan 15,000
Investment Custodial Services Limited 14,811
Investment Custodial Services Limited 14,810

0.05%
A O'Brien 13,100 HR Reynolds 13,000
Ronaki Limited 12,500 PW Ludbrook 12,120
RA Ussher 12,000 DP Davidson 11,750
PN Bannan 11,575 RJ Wilson & MR Wilson 11,460

Statement of Directors' Shareholdings

as at 31 March 2013

Fully Paid Ordinary Shares

Name	Beneficially Held		Non-Beneficially Held	
	31 Mar 2013	31 Mar 2012	31 Mar 2013	31 Mar 2012
R.B. Tait	-	-	-	-
J. McDonald	-	-	-	-
C.P. Boyle	-	-	-	-
A.E. de Farias	-	-	-	-

Substantial Security Holders

According to notices given to the Company under the Securities Markets Act 1988, as at 31 May 2013 the following were substantial security holders in the Company. In terms of the Act, the number of shares and percentages shown adjacent are as last advised to Horizon Energy by the substantial security holder and may not be their current holding.

Name	Number of Shares	Percentage of Shares
Eastern Bay Energy Trust	19,316,130	77.29
Marlborough Lines Limited	3,393,826	13.58

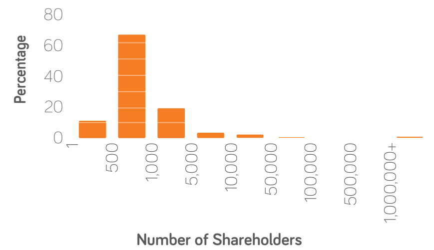
Analysis of Shareholder by Location

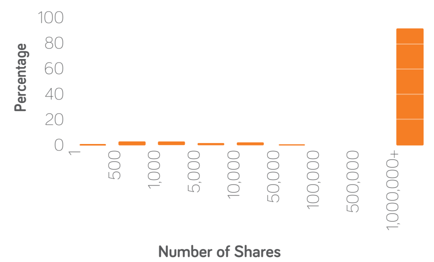
as at 31 May 2013

	Shareholders		Shares	
	Number	Percentage	Number	Percentage
Bay of Plenty	1,416	78.49%	20,626,000	82.53%
Blenheim	1	0.06%	3,472,059	13.89%
Auckland	127	7.04%	261,430	1.05%
Waikato	56	3.10%	79,398	0.32%
Wellington	38	2.11%	128,914	0.52%
Christchurch	13	0.72%	43,070	0.17%
Dunedin	12	0.67%	35,750	0.14%
Other	120	6.65%	331,299	1.33%
New Zealand	**1,783**	**98.84%**	**24,977,920**	**99.95%**
Overseas	21	1.16%	13,465	0.05%
Total Holders by Location	**1,804**	**100%**	**24,991,385**	**100%**

Spread of Security Holders

as at 31 May 2013





	Shareholders		Shares	
	Number	Percentage	Number	Percentage
1 to 499	200	11.09%	60,965	0.24%
500 to 999	1,163	64.47%	673,978	2.70%
1,000 to 4,999	363	20.12%	692,659	2.77%
5,000 to 9,999	45	2.50%	279,928	1.12%
10,000 to 49,999	30	1.66%	426,402	1.71%
50,000 to 99,999	1	0.05%	69,264	0.28%
100,000 to 499,999	-	-	-	-
500,000 to 999,999	-	-	-	-
1,000,000 and over	2	0.11%	22,788,189	91.18%
Total	**1,804**	**100%**	**24,991,385**	**100%**

Our vision is to be a nationally recognised infrastructure services provider that generates long term value for our shareholders...

Company Directory

Registered Office
52 Commerce Street, Whakatane 3120
Telephone +64 7 306 2900
Facsimile +64 7 306 2907
Email: info@horizonenergy.net.nz
Website: www.horizonenergy.net.nz

Postal Address
PO Box 281, Whakatane 3158,
New Zealand

Directors
R. Tait (Chairman), J. McDonald,
C. Boyle, A.E. de Farias

Chief Executive
Ajay Anand

Bankers
Bank of New Zealand
125 Queen Street, Auckland 1010
37 Oxford Street, Tawa, Wellington 5028
Westpac
157 Lambton Quay, Wellington 6011
ANZ
53 Spring Street, Tauranga 3110

Solicitors
Bell Gully
48 Shortland Street, Auckland 1010

Auditors
PricewaterhouseCoopers
188 Quay Street, Auckland 1010
Deloitte
10 Brandon Street, Wellington 6140

Share Registry
Computershare Investor Services Limited
Private Bag 92119, Auckland 1142
Level 2, 159 Hurstmere Road, Takapuna,
Auckland 0622, New Zealand

Managing Your Shareholding Online
To change your address, update your payment instructions and to view your investment portfolio including transactions, please visit:
www.investorcentre.com/nz

General enquiries can be directed to:
enquiry@computershare.co.nz
Private Bag 92119, Auckland 1142,
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Telephone +64 9 488 8777
Facsimile +64 9 488 8787

Please assist our Registrar by quoting your CSN or shareholder number.

and thanks to our people we
will achieve this vision.

HORIZON ENERGY