GROWING FROM STRENGTH TO STRENGTH

Annual Report 2015

NEW OPPORTUNITIES ARE WAITING BEYOND THE HORIZON...

AND AS WE POWER FORWARD INTO NEW TERRITORIES...

WE FIND THAT WITH CHANGE AND GROWTH COMES ***STRENGTH***

CONTENTS

Connections that enable our communities to live, work and play.

Electricity Supply Chain in New Zealand

Generation

Generators produce electricity at various hydro, gas, coal, wind farms and geothermal power stations throughout New Zealand to meet the needs of all consumers.

Transmission

Transpower transmits the electricity produced by generators. They operate the national grid – the system of extra high voltage power lines that allow power to be sent up and down the entire country.

Distribution

Network companies (Distribution or Lines companies) such as Horizon Energy, own the power lines and networks that connect to the national grid and deliver energy to each business and home in the company's local areas.

Horizon Energy Group

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

Horizon Energy

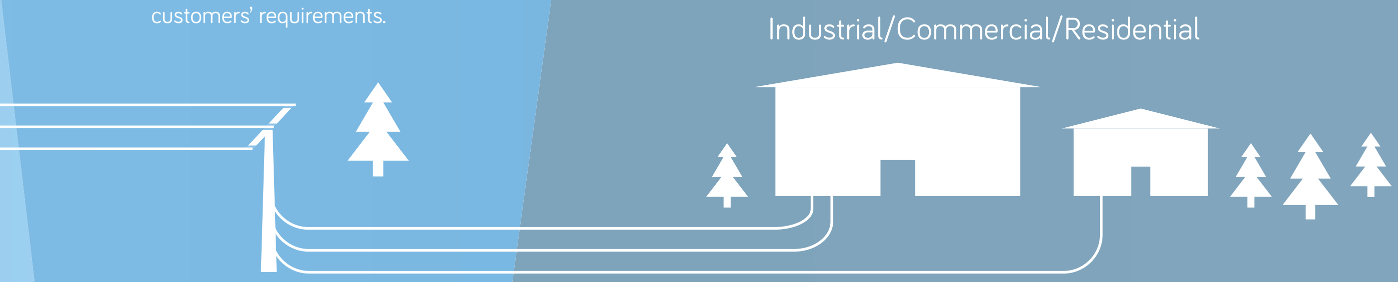
The Eastern Bay of Plenty's electricity distribution company. Horizon Energy owns, manages and operates over 2,300 kilometres of high voltage lines supplying 8,400 square kilometres of the Eastern Bay of Plenty, covering a diverse geographical area. Horizon Energy manages four large connections to the transmission system and more than 24,700 connections to customers' homes and businesses in the Eastern Bay of Plenty.

Retailer

Retailers purchase energy in bulk from the generators and pay for delivery services from Network companies. They repackage those costs and resell the energy at a variety of retail rates to meet their customers' requirements.

Customer

Customers determine the amount of electricity that has to be generated and where and when it is required to be delivered.



Horizon Services

Based in Whakatane with an electrical services business in Tauranga (Stewart Browne Electrical), Horizon Services maintains the Horizon Energy Network as well as provides specialised electrical and vegetation services to external customers in the Bay of Plenty region.

A1 Stump & Tree Services

A1 Stump and Tree Services enhances the vegetation capabilities of Horizon Services through the provision of vegetation management and control services to a range of customers within the Eastern Bay of Plenty.

Stewart Browne Electrical

Based in Tauranga, Stewart Browne Electrical provides electrical, data & security and automation services to industrial, commercial, infrastructure and residential customers throughout the wider Bay of Plenty region.

ESP Technologies

Acquired in July 2014 and based in the Eastern Bay of Plenty, ESP Technologies provides further diversification and capability to Horizon Services through the provision of electrical, mechanical, plumbing, farming and engineering services throughout the wider Bay of Plenty region.

Aquaheat

A national provider of heating, ventilation, cooling construction, servicing and infrastructure solutions with offices based in Auckland, Wellington and Christchurch. In November 2014 Aquaheat acquired Hawkins Refrigeration. Aquaheat has also extended its operations into the Pacific Islands providing HVAC contracting services.

Airpro Services

Airpro Services provides planned and non-planned air conditioning and refrigeration maintenance services to customers within the wider Auckland region. Operating from modern premises in Auckland, Airpro Services operate 24/7, 365 days of the year.

Clean Air Management

Clean Air Management is a specialist commercial heating, ventilation and air conditioning (HVAC) company that provides HVAC duct cleaning, kitchen exhaust system and air conditioning coil cleaning. Clean Air Management operates out of Auckland and services the needs of both regional and national customers who operate within various market segments.

Hawkins Refrigeration

Hawkins Refrigeration is a specialist refrigeration services and contracting business operating in the South Island.

HIGHLIGHTS

Key highlights for the year include:

$8.6M Network Capex Quantum

$2.5M Network Opex Quantum

173 Minutes SAIDI

1.98 SAIFI

$7.9M Revenue Increase

390 Horizon Energy Group Staff

Acquisition of

HAWKINS REFRIGERATION *in November.*

A refrigeration contracting and services business based in Christchurch and Nelson.

Acquisition of

ESP TECHNOLOGIES *in July.*

A multi-faceted electrical and mechanical contracting and services business based in the Eastern Bay of Plenty.

Retained all
SAFETY AND QUALITY
accreditations across the Group.

Implementation of
VAULT
Health & Safety System.

RE-NEGOTIATED
the Group's debt facilities.

The Company's regulatory strategy resulted in a
FAVOURABLE OUTCOME
from the Commerce Commission's price reset decision.

Horizon Services Limited and Aquaheat New Zealand Limited delivered
CREDIBLE RESULTS
on the back of a recovering construction market.

Completion of the
NETWORK CAPITAL DEVELOPMENT PROGRAMME *for the year.*


ASB
Aquaheat
Air Conditioning & Refrigeration
Installation & Service
0800 278 269
A member of the Horizon Energy Group

Aquaheat New Zealand Limited

STRENGTH IN QUALITY

With the recent acquisitions of Airpro Services and Hawkins Refrigeration, as well as the establishment of Aquaheat South Pacific, growth is definitely on the horizon for Aquaheat.

Hawkins Refrigeration Acquisition

Following on from the success of the Airpro Services acquisition, Aquaheat's next procurement was Christchurch-based Hawkins Refrigeration. Like the addition of Airpro Services, Hawkins Refrigeration continues their diversification into an end-to-end service offering. As well as new revenue streams, the Hawkins Refrigeration acquisition provides a solid platform for the growth of Aquaheat's national service network.

Hawkins Refrigeration are industrial and commercial refrigeration specialists providing services to a broad range of industry categories including meat, dairy, poultry, cold storage, winery, brewing, leisure and education facilities.

The business is led by Troy Ireland who will spearhead the growth and development of a national refrigeration business. The retention of Hawkins Refrigeration's pre-acquisition Managers keeps a significant amount of capability within Aquaheat, enabling this ambitious business to focus on national growth both organically and through further acquisitions.

Aquaheat South Pacific Limited

The recent establishment of a Fijian-based business has led to Aquaheat's involvement in the exciting Momi Bay Resort development. Partnering with Fletcher Construction, Aquaheat South Pacific are in the early stages of an 18 month project to deliver all mechanical and refrigeration installations for the resort, which is expected to become one of the brightest jewels in the crown of the Fijian tourism industry.

Aquaheat's foray into the Fijian market is another strategic decision, with many future construction projects in the region. Aquaheat is well positioned with the technical expertise and engineering capabilities to bring such projects to fruition.

With a great number of opportunities on the horizon, Aquaheat are committed to growing their presence in Fiji as they endeavour to leave an indelible mark on this emerging market.

Airpro Services Acquisition

The purchase of Airpro Services in 2013 enabled Aquaheat to offer a mechanical service in the Auckland region, complementing the existing Auckland contracting business and delivering a platform to build a national HVAC service business.

To complete the transition and remove confusion from the market Airpro Services was re-branded to Aquaheat Service resulting in one brand delivering both Contracting and Service in the market working closely with our customers to provide a quality service in all aspects of their mechanical requirements from design, installation, manufacturing, commissioning, service and all forms of maintenance and asset management.

This supports our mission and vision statement "To be the nationally recognised premier mechanical services provider of choice that generates value to customers and shareholders".

This strategic acquisition provides great benefits to the Group including recurring revenue and consistent profit year on year due to the nature of the service industry.

By diversifying the business, Aquaheat are able to avoid the peaks and troughs associated with the construction industry while providing customers with end-to-end services supporting their asset management strategies in terms of capital replacement, refurbishment and offering alternative engineering or design solutions.

Horizon Services Limited

STRENGTH IN DIVERSITY

Horizon Services increased its capability and diversity during the year with the acquisition of Whakatane based business ESP Technologies. The business continues to grow and expand its range of services and is constantly looking beyond the horizon.

ESP Technologies Acquisition

The acquisition of ESP Technologies aligns with the Group's vision of building a nationally recognised infrastructure services provider that will deliver increased shareholder value, while complementing and enhancing the capabilities of Horizon Services.

The ESP Technologies acquisition offers Horizon Services additional revenue, scale, capability and diversity in activities reducing business exposure to any one sector.

ESP Technologies is a very strong local brand that has been around for over 15 years and also offers detailed engineering, CAD design, construction and facility maintenance services to a diverse range of clients.

The former owners of the business Allan Goldsmith and Brett Waghorn remain with ESP Technologies, working alongside the Management team at Horizon Services to ensure a smooth transition and support the continued growth of the business.

Horizon Energy Distribution Limited

STRENGTH IN CONNECTIONS

It has been another busy, successful year for the Network team, as they continue to strengthen connections along the network and enable further growth in the community.

As a business focused on a reliable quality of supply, this year's projects reflect a commitment to not only asset replacement and renewal, but to proactively enhancing the network for the long term. With the Network team entering the final year of a six-year reliability programme, it is evident that the culmination of many small network enhancements is year on year improving the network performance trends.

Highlights of this year's capital programme included the successful implementation of a 11kV Switchboard Replacement at Galatea, the Automation of Snake Hill and the acquisition of land to develop a substation to better service Opotiki.

Galatea 11kV Switchboard Replacement

This important project involved replacing the end of life outdoor 11kV overhead bus section and switches, as the equipment was unable to be safely maintained and was becoming a network security risk.

The new Schneider GenieEvo - Compact Modular Switchboard was installed into a portacom off-site while the foundation work was being constructed, reducing building costs and on-site construction time frames.

Snake Hill Automation

The installation of automated reclosers at Snake Hill has improved reliability and reduced the time taken to restore supply on the network's longest sub-transmission circuit serving the Galatea and Kaiangaroa regions.

The ability to detect faults remotely allows the Control Room operators to determine where faults are, sectionalise the fault and often restore supply within a matter of minutes, significantly reducing the time it previously took and without the need for faultmen to be on-site.

Opotiki Substation

A new substation under development in Opotiki will soon improve power quality and provide sufficient additional capacity for foreseeable future load growth over the next 40 years.

The expansion of Kiwifruit processing plants in the town and the planned future Opotiki Harbour development means an increased demand on both the Opotiki and Factory feeders. Land has already been purchased to house the new substation, which will provide the infrastructure to supply the town's key industry and future developments.

SWITCH ARE YOU SWITCHED ON?

Strength in a shared vision

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 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

Strength from strategic growth

Rob Tait
Chairman

Ajay Anand
Chief Executive

A WORD FROM THE TOP

We are pleased to present to you the Horizon Energy Group Annual Report for the year ended 31 March 2015 which incorporates the audited financial statements of Horizon Energy Distribution Limited and its subsidiaries.

Overview

The Group has reported an audited net profit after tax of $4.1 million for the year which is lower than the 2014 after tax result of $7.2 million. The prior period after tax result included a number of one-off adjustments totalling $2.2 million, whereas this year's result was impacted by a non-cash loss from interest rate hedging of $1.1 million post tax compared to a $1.3 million gain included in the prior period.

The theme of this year's report is "Growing from Strength to Strength" and reflects the Company's ongoing journey of leveraging the strength of our existing businesses and acquiring additional businesses to grow the Group and support our vision of becoming a national infrastructure services business.

The Group's net profit after tax from the underlying operations, excluding the one-off items, was up 6.6% on the previous year. However, the financial returns of the core network business remain challenging as a consequence of declining domestic consumption, regulated revenue constraints, increased compliance and operating costs and increased network capital investment and its associated interest and depreciation charges.

The non-regulated businesses of Aquaheat and Horizon Services continue to have a positive impact, providing 22% of the Group's operational profit compared to 16% for the previous year. The ongoing growth and development of this part of the Group will underpin future profitability.

The adjacent graphs demonstrate the developing trend of the declining profitability of the core network business. This trend was identified some years ago and the strategy to develop and grow profitability from non-regulated sources has underpinned the growth strategy for the Company.

Key Achievements for the Year

Health and Safety

The business activities across the Group are such that our focus and commitment to safety is a priority and during the year we launched the Group Vault Safety Management System that provides all the information we require to manage the safety of our staff. The system was put to the test during the year through a number of independent audits of the Group's safety procedures and we are pleased to report that the Group has retained all its safety accreditations. This is a particularly pleasing outcome and reflects the positive attitude towards safety of all staff across the Group. In anticipation of the proposed changes to the Health and Safety Act, several projects are underway to ensure we continue to comply and enhance health and safety practices across the Group.

Staff Succession

Last year we completed a succession planning analysis across the Group for our most important resource – our staff. We are pleased to report significant progress has been made in implementing a number of training and development plans for our staff. This is an ongoing process and will ensure we have the best people in the right positions necessary to drive the Group.

Cost Control

Our focus on reducing operating costs continues and during the year several projects resulted in significant savings. By way of example, the selection of Westpac and Vodafone to provide the Group's debt and telecommunications services respectively will result in excess of $0.4 million of savings per annum. Further procurement review initiatives are well underway which should result in additional savings for the Group.

Strategic Growth Initiatives

Fifteen business opportunities were investigated during the year consistent with our stated strategy to add non-regulated value accretive businesses to the Group. We acquired and successfully integrated two businesses during the financial year. Whakatane based ESP Technologies was successfully acquired and integrated into our Horizon Services business which strengthens our local operations by providing greater scale and diversity. Christchurch based Hawkins Refrigeration was successfully acquired and integrated into our Aquaheat business. This not only provides us with a new income stream but also serves as a platform to launch Aquaheat's South Island HVAC service business.

Group Financial

The Group has delivered a sound result for the year despite the challenges with the profitability of the electricity distribution business. The improved underlying operational profitability for the year can be attributed to the contribution made by the non-regulated businesses. However, the Group net profit after tax has been offset by several accounting adjustments, these being:

- Reduced allowable revenue of $0.5 million (post-tax) required for a claw-back adjustment as a consequence of the 2010–2015 price reset announced in November 2012;
- The Company has a non-cash after tax loss this year of $1.1 million in its interest rate derivative portfolio as the interest rate swap portfolio is marked to market at balance date. The prior year had a non-cash after tax gain of $1.3 million; and
- A provision of $0.3 million for compensation has been made for settlement of the breach of the Default Price-Quality Path ('DPP') in the 2012 year.

The prior period result included a number of one-off adjustments as noted earlier in this report.

Strong Cash Flows and Balance Sheet

The improved Group operating performance is reflected in an increase in total assets of $7.8 million and paying over 90% of after tax net profits in dividends to Shareholders. External debt increased by $9.7 million to $44.8 million which was used primarily to fund increased capital expenditure and business acquisition activities during the year.

With total assets of approximately $156 million and relatively low external debt of $44.8 million, the Group continues to enjoy a strong Balance Sheet.

Health and Safety and Quality

Although the Group continues to focus on health and safety the level of injuries sustained by our Aquaheat staff and contractors is by our standards unacceptable with a total of 10 lost time injuries experienced by the Aquaheat business in this year under review. There were no lost time injuries reported for the rest of the Group and the Horizon Services business continues to exceed industry safety benchmarks.

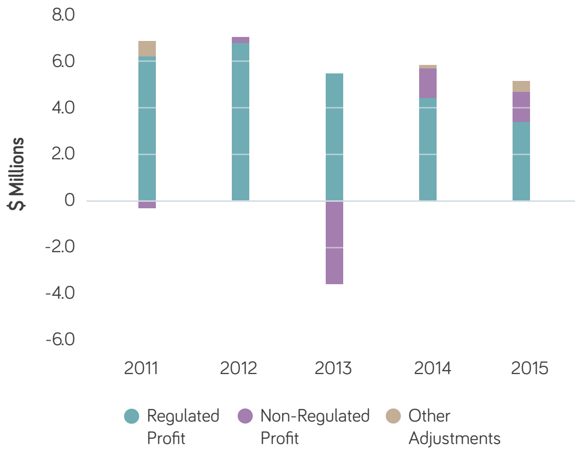
Notwithstanding that the work undertaken by Aquaheat is by its nature hazardous, the Management team has made significant progress to improve the level of health and safety practices with its sub-contractors and staff and the business has been free of lost time injuries for the last six months.

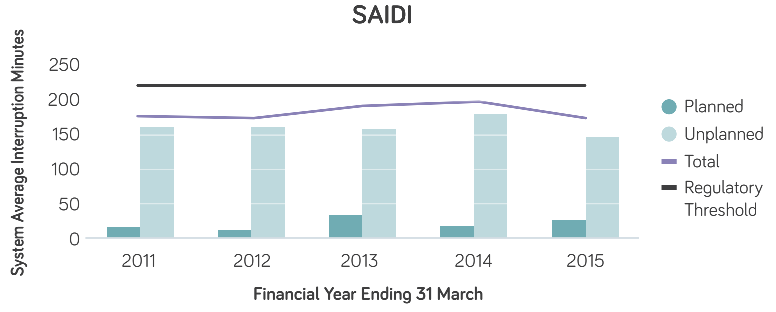
Whilst the business has good processes, systems, effective worker participation and visible safety leadership, the journey to developing a zero harm culture remains. In order to further develop this there will be an increased focus over the next twelve months on understanding the behavioural elements that contribute to an incident or accident.

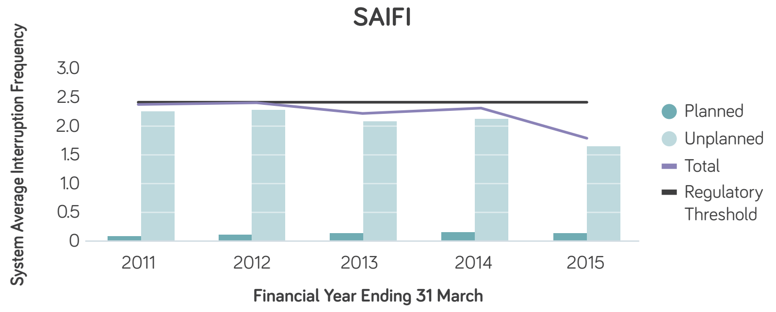
We are pleased to advise that during the year the Aquaheat HVAC business achieved ISO 9001 accreditation and we expect that the recent additions to the Group will meet the requirements in the coming financial year.

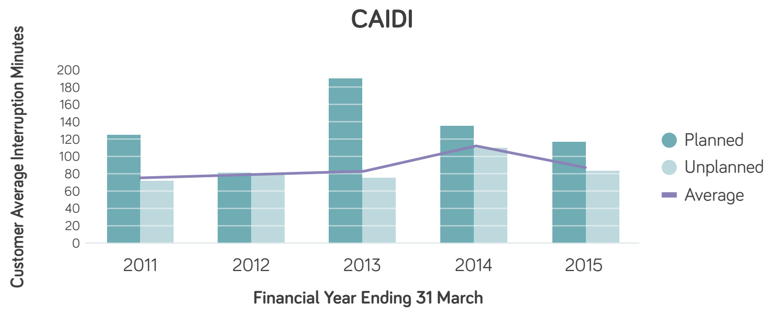
Net Profit after Tax

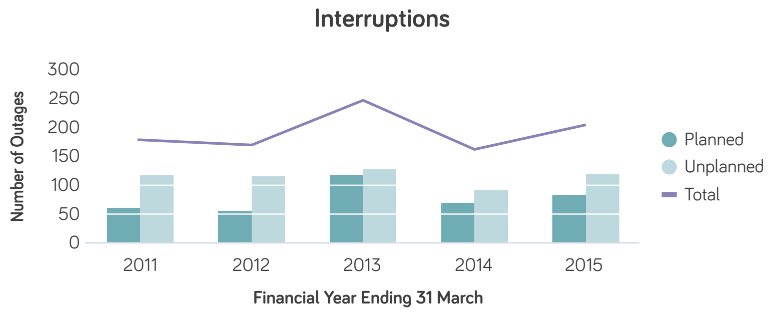
Net Profit after Tax (Excluding Interest Rate Swaps)











Regulated Segment

Operationally the electricity distribution business has had a successful year remaining within its price and quality thresholds as set by the Commerce Commission. The adjacent graphs show the five year network performance trends across SAIDI, SAIFI, CAIDI and the number of interruptions.

The downward trends in unplanned SAIDI and SAIFI are pleasing and reflect over $4 million in additional investment in reliability projects that the Company has undertaken over the last three years.

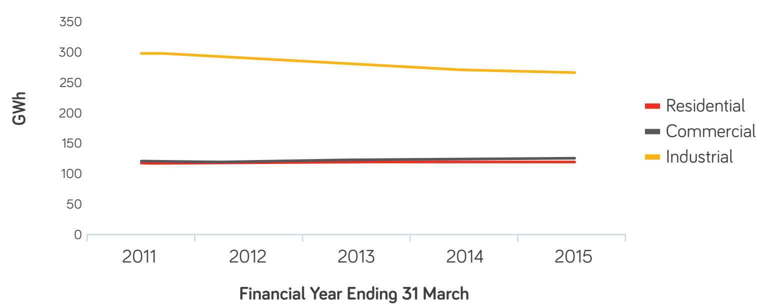
After a year of fewer than normal faults in 2013-2014 the number of faults on the network in 2014-2015 was at historically high levels. The primary cause of faults is equipment failure and largely reflects the age of the network. In order to improve the overall network performance the business has terminated its outsourced asset inspection service and now employs a dedicated team of Asset Inspectors. This change will enhance the implementation of a new Asset Management System which will result in better asset condition assessment information being captured that will, over time, enable better asset replacement decisions based on assessed condition of components of the network before they are due to fail.

Despite the increased number of faults, the response of our field staff is praise worthy as the overall outage times experienced by our customers has reduced during the year.

Regulated Revenue Issues

The business continues to experience near stagnant volume growth and is forecast to remain at this level for some time. Although there has been an increase in investment opportunity by our commercial customers this is offset by reduction in domestic customer consumption. This predicament will continue to put pressure on the network revenue while the demand and cost of continued improvements in quality of supply remains.

Electricity Supplied



2015-2020 Regulatory Period

During the year the Commerce Commission finalised their starting price adjustment for the 2015-2020 regulatory period. After considerable deliberation, Horizon Energy received a starting price adjustment of 3.44% which factored in the forecast increased costs that the Company will be facing over the next five years. Following this one-off adjustment to its prices for the network service, Horizon Energy will be allowed to increase its prices at a rate equivalent to CPI for the next five years. Although the one-off adjustment recognises the requirement to spend more on the network the Commerce Commission also signalled its intention to ensure the regulations also incentivise distributors to manage costs, maintain and improve quality, and undertake energy efficiency and demand side management initiatives.

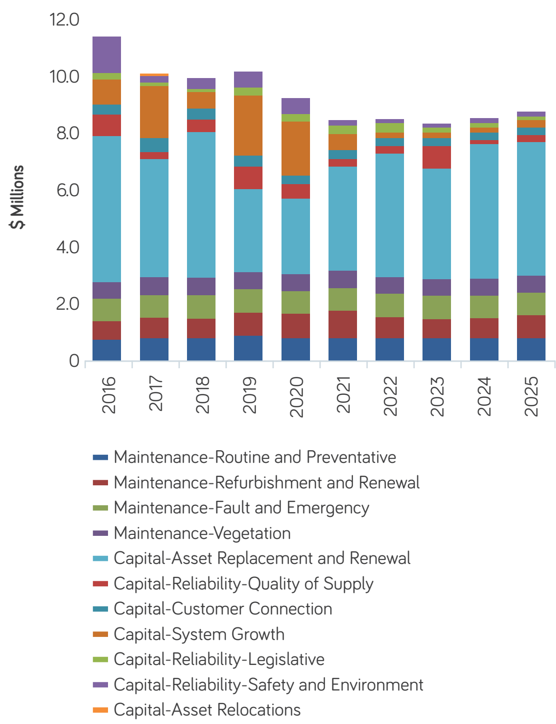
During the ensuing year, the Company will be developing appropriate plans and strategies in order to maximise its returns from the available incentives.

Asset Management Plan

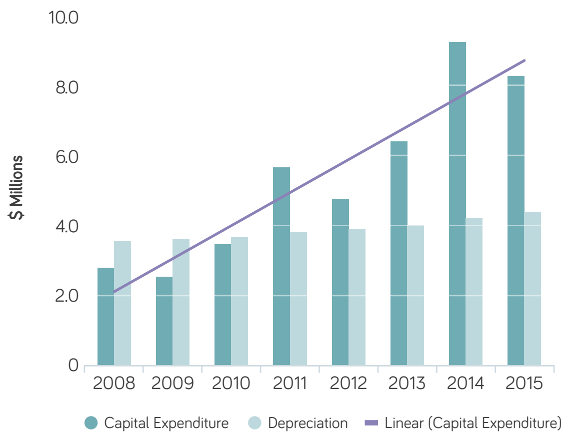
The Company has undertaken a comprehensive review of its Asset Management Plan and the graph below sets out the level of expenditure that is expected over the next 10 years. The quantum of spend over the 10 year planning period differs materially from previously published plans due to several delays in a number of customer initiated projects.

Despite the challenges with the regulatory regime, the Board will continue to ensure that a prudent level of expenditure is maintained on the network to ensure the Eastern Bay of Plenty has a reliable, efficient and safe electricity network capable of meeting the current and future needs of the consumers.

10 Year Projected Network Expenditure



Historic Network Capital Expenditure



Projects completed during the year:

- Galatea substation outdoor to indoor circuit breaker replacement
  $1.4 million
- Reinforcement of the Plateau Feeder
  $0.6 million
- Purchase of new 1MVA generator
  $0.6 million
- Waiewe Street Undergrounding
  $0.2 million
- Snake Hill Feeder Reliability Improvement
  $0.3 million
- Larch Pole Replacement Programme
  $0.3 million

Non-Regulated Segment

Aquaheat New Zealand Limited

This subsidiary contributed a net profit of $0.5 million for the year. This result is less than forecast and reflects the losses arising from the Christchurch operation which has suffered from project delays, ongoing costs relating to retention of key staff integral to meet the forecast demand in the construction market. It is pleasing to report that we are now seeing significant numbers of tenders becoming available and post the end of the reporting year we have secured a large contract in Christchurch.

Despite the above challenges, the rest of the business units delivered credible results for the year. The business has reasonable forward orders on the back of an improving construction market in Auckland and Christchurch that will see the business meet and or exceed its 2015-2016 budget.

During the year, Aquaheat acquired the industrial refrigeration business and assets of Christchurch based Hawkins Holdings (2007) Limited. This acquisition is consistent with our diversification strategy of non-regulated businesses. The business is trading well and we expect to grow the business and the new refrigeration segment considerably over the next twelve months.

Also during the year the business established Aquaheat South Pacific Limited to execute the Momi Bay Project that was secured with Fletcher Construction (Fiji). Since establishing the business we have been successful in securing other work in Fiji which will see this Subsidiary add to the overall Group profitability.

Horizon Services Limited

In July 2014, Horizon Services acquired the business and assets of Energy Systems Professionals NZ Limited in Whakatane. This acquisition has provided our local operations with the capacity, capability and diversity which now include the provision of electrical, mechanical, plumbing, farming and engineering services to our Horizon Services customers in the Bay of Plenty.

Our Tauranga business, Stewart Browne Electrical has expanded its service offering into the industrial and infrastructure sector. This has been made possible by the engagement of the majority of technicians and some associated work arising from the liquidation of another contractor, Concord Electrical. We have used this opportunity to develop an industrial and infrastructure division and are making sound progress and are well positioned to grow this business in the Bay of Plenty.

The combined businesses have performed well despite a challenging and competitive market environment. These businesses will continue to diversify their revenue base and broaden their geographic reach across the Bay of Plenty region.

As reported last year we continue to face challenges of recruiting skilled staff, particularly as we grow and diversify. We have mitigated this issue to some extent by training and upskilling our staff and in attracting new staff from Australia and other regions. This challenge will remain as we continue to grow.

The future outlook for Horizon Services is positive as it continues to build scale, capability, diversifies and expands its operations to pursue new market opportunities.

Dividends

The fully imputed final dividend for the year of 8 cents per share together with the interim dividend of 6 cents per share brings the total dividend paid for the year to 14 cents per share. The total dividend is lower than historic levels and reflects the Board's continuing view that a prudent level of dividend payment is necessary given the ongoing requirement for capital investment on the network and the need for the Company to continue to progress its strategic growth objectives.

Strategic Direction

The Company has received from the Eastern Bay Energy Trust ('EBET') a copy of the Pre-Bid Agreement that it has signed with Marlborough Lines Limited ('MLL') to acquire MLL's shares in the Company subject to certain conditions being met.

EBET and MLL currently hold 77.29% and 13.89% respectively of the issued shares in the Company. By acquiring MLL shares EBET will own 91.18% of the Company. Under the Takeovers Code EBET will be allowed to compulsorily acquire the remaining shares in the Company.

Notwithstanding the potential for EBET to own 100% of Horizon Energy's shares, there remains a strong sense of commitment and passion by the Company to deliver sound results year on year and we are encouraged by the universal support we receive from our staff in pursuit of these objectives. It has been a challenging journey over the past few years as we develop our strategy to build a diversified and successful business, but we are building a strong business that will deliver sustainable returns well into the future.

The recent decision by the Commerce Commission at least provides the network business with some stability and clarity over the next five years and we now need to maximise our revenue and profitability from this division of the Group.

Sponsorships and the Community

Horizon Energy was actively involved in the community through its continuing support of the following organisations and events:

- Sponsorship of the biennial 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; and
- Sponsor of the Eastern Bay Chamber of Commerce.

Appreciation and Acknowledgements

Our goal of becoming "a nationally recognised infrastructure services provider that generates long term value for our shareholders" remains. We have made substantial progress during the year.

We extend our sincere thanks to Directors, Executives and all staff throughout the Group for your ongoing commitment, contribution and support in pursuit of this goal.

Robert Tait
Chairman

Ajay Anand
Chief Executive

Horizon Energy Group Executive Team

Ajay Anand
Chief Executive

John Anderson
Chief Financial Officer
/ Company Secretary

Derek Caudwell
General Manager Network

Oloff Visser
General Manager
People and Performance

Kiran Watkins
General Manager
Commercial

Karla Meharry
General Manager Contracting

Gary Diggs
Aquaheat
Chief Operating Officer

Board of Directors

Robert 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

Chris Ellis
Director
BE, MS

REPORT OF THE DIRECTORS' TO SHAREHOLDERS

DEAR SHAREHOLDERS

The Directors take pleasure in presenting their report, including the consolidated financial statements of Horizon Energy Distribution Limited (the Company) and its Subsidiaries (the Group), for the year ended 31 March 2015.

Overview

Principal Activities

During the period, the Company has been engaged principally in the operation of an electricity distribution network and the provision of electrical contracting and infrastructure construction services in the Eastern Bay of Plenty, and a nationwide heating, ventilation and cooling construction and servicing business. The Company is listed on the NZX Main Board.

Significant Changes

Mr Christopher Ellis was appointed to the Board on 1 January 2015.

During the year Dr Derek Caudwell was appointed General Manager Network following the retirement of Mr Peter Middlemiss.

Mr Oloff Visser was appointed to the role of General Manager People and Performance in April 2015 following the resignation of Mrs Jan Pedersen in January 2015.

At the 2014 Annual Shareholders Meeting KPMG were appointed as auditors for the Company and Group.

Financial Performance

Financial Results

The consolidated financial statements for the Group appear on pages 32 to 63 of this report. The after tax profit for the Group for the period was $4.1 million. The equity of the Group as at 31 March 2015 is $67.311 million, an increase of $0.35 million from the previous year.

Dividends

On 13 May 2015, the Directors approved a final dividend of 8 cents per ordinary share for the year ended 31 March 2015. This dividend will be paid on 26 June 2015 to shareholders registered as at 12 June 2015. It follows payment of an interim dividend of 6 cents per ordinary share and brings the total dividends paid for the 2015 financial year to 14 cents per share. 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 five Directors. A listing of the present Directors is contained in the Directory on page 68 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 Main Board Listing Rules. The Board normally meets once each month.

Committees of the Board

All Directors are currently 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, the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. 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, Appointment 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 2015 Annual Shareholders Meeting, Mr Christopher Boyle retires by rotation and offers himself for re-election. Mr Christopher Ellis, being appointed during the year also offers himself for election. A brief profile of both Directors is adjacent.

Christopher Boyle

MBA, BE, (electrical and electronic), AFNZIM, MIPENZ, MInstD

Christopher's background in heavy current electrical and electronic engineering is led by seventeen years in the electricity industry as a Network Manager and an international consulting career in infrastructure asset management and corporate structure. His assignments have taken him to the Maldives, Butan and Nepal.

He has worked with Anglian Water, one of the United Kingdom's largest in the water reticulation sector, and with various infrastructure companies in Australia, as well as being a management and business consultant to a number of New Zealand companies. He is also the Managing Director of a high tech superconducting engineering company based in Christchurch. He enjoys the Eastern Bay of Plenty for surfing, mountain biking and spear fishing.

Christopher is currently a Director of Third Bearing Limited, Fabrum Solutions Limited, FS Assets Limited, RAB Holdings Limited, TBL Investments Limited and Biolumic Limited.

Chris Ellis
BE, MS

Chris' background spans the manufacturing, heavy construction and engineering sectors. He has held CEO roles with Brightwater Group and prior to that at Fletcher Building Limited where he was Chief Executive of the Building Products Division.

Chris holds a Bachelor of Engineering degree from the University of Canterbury and a Masters degree (Engineering Science and Management) from Stanford University in California.

Chris is currently Chairman of HiWay Group Limited and Energy Works Holdings Limited and also serves on the Board of Directors of WorkSafe New Zealand.

Directors' Statutory Information

Shareholders approve the remuneration for Directors. The maximum total aggregate fees payable annually to Directors is set at $260,000, with an increase to $300,000 if an additional Director was appointed during the year. The actual level of fees paid during the year was $272,500.

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

Director	Directors Fees	
	2015	2014
R.Tait (Chairman)	$97,500	$90,500
J. McDonald	$62,500	$56,500
C. Boyle	$50,000	$46,500
A. de Farias	$50,000	$46,500
C. Ellis	$12,500	$ -
Totals	**$272,500**	**$240,000**

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 to the extent permitted by law, Directors or Executive employees will incur no monetary loss as a result of action undertaken by them as Directors or employees.

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

The Company'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 NZX Main Board.

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.

Compliance

Appropriate observance of best practice recommendations for listed companies is made in accordance with the extent and nature of the Company's operations. These recommendations include the NZX Listing Rules, NZX Corporate Governance Best Practice Code and the Corporate Governance Principles and Guidelines published by the New Zealand Securities Commission. 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 the Company'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, the Company 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 trading in Company securities.

Conflicts of Interest

The Company's Directors' Code of Ethics requires that individuals and the Board restrict their involvement in other businesses that 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 the Company's 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, and policy requires a specific declaration in respect of this matter to be made as appropriate in order to prevent insider trading. 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 the Company is comprised of individuals who bring a depth and breadth of qualifications, skills and experience appropriate to the Company's business.

The Board calls for nominations for director candidates each year in advance of the Company's Annual Shareholders Meeting. The Board also keeps under review the need for additional directors' skills, knowledge, experience and perspectives, and has the ability to appoint directors between shareholder meetings.

Board Processes

The Board has a regular on-site meeting schedule complemented by teleconference meetings. There were twelve Board Meetings, four Teleconference Special Meetings and three Audit Committee Meetings for the 12 month period ended 31 March 2015.

Director	Board Meetings		Conference Calls & Special Meetings		Audit Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
R. Tait (Chairman)	12	12	4	4	3	3
J. McDonald	12	12	4	3	3	3
C. Boyle	12	11	3	2	3	3
A. de Farias	12	12	3	3	3	3
C. Ellis	2	2	1	1	1	1

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.

An additional Director was appointed during the year to add specific skills related to non-regulated acquisitions made by the Company.

When appointing directors the Board has regard to the guidelines for appointments contained in the Corporate Governance Principles and Guidelines.

The five Directors on the Board, as at 31 March 2015, were as follows:

- Robert Tait (Chairman);
- John McDonald;
- Christopher Boyle;
- Anthony de Farias; and
- Christopher Ellis

No Directors ceased to hold office during the financial year.

As at 31 March 2015, all of the Directors act in a non-executive role with one member being elected as Chairperson annually. A biography of each member is provided on the Company's website at www.horizonenergy.net.nz.

Independence of Directors

In the opinion of the Board, independence from 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, as at 31 March 2015, each of its Directors is deemed independent under the NZX Main Board 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 Executive Management team.

Principle 3
Board Committees

Given its small size, the Board has determined that it is appropriate for the full Board to administer the review of Executive remuneration, succession planning (including nomination of Directors) and performance reviews of the Chief Executive.

Audit Committee

A separate Audit Committee has all five of the non-executive Directors as members. The Audit Committee 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, which can be viewed in the Investors section of the Company's website at www.horizonenergy.net.nz.

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 and Chief Financial Officer regularly attend meetings at the invitation of the Audit Committee. 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 the financial statements is overseen by the Audit Committee.

This Committee reviews the 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 Chief Executive, Chief Financial Officer and the Chairman of the Audit Committee certify in writing that the Company's financial report presents a true and fair view of the Company's performance and position in all material respects.

Timely and Balanced Disclosure

The Board has complied with the general and continuous disclosure obligations under the Companies Act 1993 and the NZX Main Board Listing Rules by advising 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.

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 the Company 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 the business faces and to develop mitigation strategies. Upon identification of significant risks, the Board will be advised and discuss such risks. 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 both the lines business and the electrical and construction industries, the Company takes a proactive stance to its Health and Safety obligations.

Health and Safety management practices are deployed across the Group and a detailed monthly report is provided to the Board on all pertinent safety 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 also maintained the AS/NZS 4801 Health and Safety Management Systems standard and the NZS 7901 Public Safety standard.

In addition, during the year under review, the Aquaheat HVAC business attained ISO 9001 accreditation. The Group now has full compliance with the ISO 9001 Quality Systems framework in all its operations, except for the businesses acquired during the year.

Chief Executive and Chief Financial Officer Assurance

The Chief Executive and Chief Financial Officer have provided the Board with written confirmation that the Group's 2015 consolidated 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 Executive Management provide 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

As at 31 March 2015, the Group's external auditor is KPMG.

As at 31 March 2014, the Group's external auditor was PricewaterhouseCoopers. Deloitte was engaged during 2013 to provide assurance over the 2014 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 that includes:

- periodic and continuous disclosure to NZX;
- information distribution to local and national media;
- regular 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 at www.horizonenergy.net.nz.

Principle 9
Stakeholder Interests

The Company 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 Services Limited – Mr A. Anand
- Horizon Energy Group Limited – Mr A. Anand
- Horizon Energy Limited – Mr A. Anand
- Aquaheat New Zealand Limited – Mr R. Tait, Mr J. McDonald, Mr C. Boyle, Mr A. de Farias and Mr C. Ellis
- Aquaheat South Pacific Limited – Mr R. Tait and Mr A. Anand

Diversity Policy and Disclosure

The Company has not adopted a formal diversity policy. The gender diversity at Executive Management and Board level is shown in the following table:

	Male	Female	Male	Female
	2015		2014	
Board of Directors	5	-	4	-
Executive Management	6	1	5	2

Employee Remuneration

Details of the salary ranges for employees or former employees of the Parent Company and subsidiaries receiving remuneration and benefits in excess of $100,000 for the year ended 31 March 2015 are as follows:

Remuneration Range	Number of Employees 2015	2014
$530,001 - $540,000	1	-
$460,001 - $470,000	-	1
$300,001 - $310,000*	-	1
$230,001 - $240,000	1	-
$220,001 - $230,000	1	-
$210,001 - $220,000	1	1
$200,001 - $210,000	-	2
$190,001 - $200,000	1	-
$180,001 - $190,000	2	1
$170,001 - $180,000	3	1
$160,001 - $170,000	-	4
$150,001 - $160,000	6	1
$140,001 - $150,000	3	3
$130,001 - $140,000	7	5
$120,001 - $130,000	8	6
$110,001 - $120,000	7	7
$100,001 - $110,000	10	6

*Includes restructuring payments

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 and its subsidiary companies, the results of these operations, or the state of affairs of the Group.

Donations

No donations were made by the Company during the financial period.

Annual Report Certificate

This Annual Report is dated 9 June 2015 and is signed on behalf of the Board by:

Robert Tait
Chairman

John McDonald
Director

OUR FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

	Note	GROUP 2015 $000	2014 $000
Trading Operations			
Operating Revenue	5	112,250	104,388
Operating Expenses	5	(103,179)	(94,964)
Operating Profit		**9,071**	**9,424**
Other Income			
Other Income	5	342	871
		342	**871**
Financing Income and Expenses			
Interest Income		7	68
Interest Expense		(2,494)	(2,279)
Fair Value Movement of Financial Derivatives	18	(1,458)	1,784
		(3,945)	**(427)**
Profit before Tax		**5,468**	**9,868**
Income Tax Expense	6	(1,367)	(2,699)
Net Profit after Tax		**4,101**	**7,169**
Total Comprehensive Income for the Year		**4,101**	**7,169**
Total Profit and Comprehensive Income Attributable to:			
Equity Holders of the Company		4,101	7,169
		4,101	**7,169**

Earnings per share for profit attributable to the Equity Holders of the Company during the year were:

		GROUP 2015 cents	2014 cents
Earnings per Share (Cents per Share)	22	**16.41**	**28.69**

Notes on pages 36 to 63 are an integral part of these Financial Statements

STATEMENT OF FINANCIAL POSITION

		GROUP	
	Note	2015 $000	2014 $000
Current Assets			
Cash and Cash Equivalents	11	496	712
Trade and Other Receivables	11	17,781	17,589
Construction Work in Progress	12	3,293	2,614
Inventories		2,636	2,103
Derivative Financial Instruments		-	1
Current Tax Assets		832	195
Total Current Assets		**25,038**	**23,214**
Non-Current Assets			
Property, Plant and Equipment	13	123,499	118,997
Intangible Assets	14	7,003	4,869
Derivative Financial Instruments		-	676
Other Receivables		78	83
Total Non-Current Assets		**130,580**	**124,625**
Total Assets		**155,618**	**147,839**
Current Liabilities			
Trade and Other Payables	15	12,631	14,132
Employee Benefit Accruals		2,389	2,049
Provisions	16	1,302	657
Construction Revenue in Advance	12	2,570	4,641
Deferred Capital Contributions		18	18
Derivative Financial Instruments		60	62
Total Current Liabilities		**18,970**	**21,559**
Non-Current Liabilities			
Employee Benefit Accruals		77	124
Provisions	16	-	380
Deferred Capital Contributions		558	576
Non-Current Portion of Bank Loans	17	44,785	35,115
Derivative Financial Instruments		1,592	809
Deferred Tax Liabilities	7	22,325	22,315
Total Non-Current Liabilities		**69,337**	**59,319**
Total Liabilities		**88,307**	**80,878**
Net Assets		**67,311**	**66,961**
Equity			
Share Capital	9	8,433	8,433
Retained Earnings		26,653	26,303
Revaluation Reserves	10	32,225	32,225
Total Equity		**67,311**	**66,961**
Total Equity and Liabilities		**155,618**	**147,839**

Robert Tait
Director
13 May 2015

John McDonald
Director

Notes on pages 36 to 63 are an integral part of these Financial Statements

STATEMENT OF CHANGES IN EQUITY

	Share Capital $000	Retained Earnings $000	Revaluation Reserves $000	Total Equity $000
GROUP				
Balance as at 31 March 2013	**8,433**	**21,634**	**32,225**	**62,292**
Net Profit after Tax	-	7,169	-	7,169
Total Comprehensive Income for the Year	**-**	**7,169**	**-**	**7,169**
Dividends Paid	-	(2,500)	-	(2,500)
Balance as at 31 March 2014	**8,433**	**26,303**	**32,225**	**66,961**
Net Profit after Tax	-	4,101	-	4,101
Total Comprehensive Income for the Year	**-**	**4,101**	**-**	**4,101**
Dividends Paid	-	(3,751)	-	(3,751)
Balance as at 31 March 2015	**8,433**	**26,653**	**32,225**	**67,311**

Notes on pages 36 to 63 are an integral part of these Financial Statements

CASH FLOW STATEMENT

	Note	GROUP 2015 $000	GROUP 2014 $000
Operating Activities			
Cash Receipts from Customers		111,996	102,776
Cash Paid to Suppliers		(73,293)	(62,201)
Salaries and Wages Paid to Employees		(26,840)	(24,120)
Total Operating Receipts and Payments		**11,863**	**16,455**
Interest Received		7	49
Interest Paid		(2,494)	(2,550)
Cash Flow from Operating Activities Before Tax	29	**9,376**	**13,954**
Income Tax Paid		(2,038)	(1,869)
Net Cash Generated from Operating Activities		**7,338**	**12,085**
Investing Activities			
Purchases of Property, Plant and Equipment		(9,768)	(9,232)
Purchases of Intangible Assets		(396)	(621)
Business Combinations - Acquisitions	24	(3,356)	(1,592)
Business Combinations - Escrow Refund		-	500
Restricted Bank Deposits		-	1,050
Proceeds on Disposal of Property, Plant and Equipment		45	49
Net Cash Used in Investing Activities		**(13,475)**	**(9,846)**
Financing Activities			
Dividends Paid		(3,749)	(2,499)
Draw Down of Term Debt		48,389	43,969
Repayment of Term Debt		(38,719)	(43,704)
Net Cash (Used In)/Generated from Financing Activities		**5,921**	**(2,234)**
Net Increase/(Decrease) in Cash and Cash Equivalents		**(216)**	**5**
Cash and Cash Equivalents at the Beginning of the Year		712	707
Cash and Cash Equivalents at the End of the Year	11	**496**	**712**

Notes on pages 36 to 63 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. The principal activities of Horizon Energy and its Subsidiaries ('the Group') consists of owning and operating an electricity distribution network; an electrical contracting and infrastructure construction business, both in the Eastern Bay of Plenty; and a nationwide heating, ventilation, and cooling construction and servicing business. The Group is designated as a profit-oriented entity for financial reporting purposes.

The Financial Statements were authorised for issue by the Directors on 13 May 2015.

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 is a FMC reporting entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. Both these Acts have become effective for financial years beginning on or after 1 April 2014, and the Financial Reporting Act 1993 was repealed with effect from this date. These Financial Statements comply with these Acts and 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.

These 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 21.

The Consolidated Financial Statements incorporate the assets and liabilities of all subsidiaries of Horizon Energy as at 31 March 2015.

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.

Business Combinations

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

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

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

Acquisition related costs are expensed as incurred. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with NZ IAS 39 either in profit or loss or as a change to other comprehensive income.

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

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.

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 remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the 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 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 of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED...

Revenue Recognition

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

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

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

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

Construction Contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the 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 and can be reliably measured.

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 by reference to the stage of completion.

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 profit or loss in the year in which the contribution is earned..

Deferred Capital Contributions

Discretionary capital contributions from local authorities for the construction of network distribution assets meet the definition of a government grant under NZ IAS 20, 'Accounting for Government Grants'. Such 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.

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 recognised in profit or loss 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 recognised in profit or loss 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 profit or loss 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. Receivables and payables are recognised inclusive of GST, except receivables arising from construction contracts for which no tax invoice has been issued.

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 costs 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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED...

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. 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 recognised in profit or loss, 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

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

Any revaluation increase arising on the revaluation of network distribution assets is recognised in other comprehensive income and accumulated in the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such assets is charged as an expense to profit or loss 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 directly attributable costs such as 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 are stated in the Statement of Financial Position at valuation, being the fair value at the date of revaluation less any subsequent accumulated depreciation and 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 accumulated in the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to the net profit to the extent that it exceeds the balance, if any, held in the capital revaluation reserve relating to a previous revaluation of that asset.

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 profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED...

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)
Network Distribution	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) on a straight-line basis.

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 for impairment.

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

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

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

Inventories

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

Financial Instruments

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

The Group classifies its financial assets in the following categories: fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Loans and receivables include trade receivables and cash and cash equivalents. Financial assets at fair value through profit or loss include 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 profit or loss when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

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

The allowance recognised is measured as the difference between the assets' carrying amount and the present value of 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 Statement of Financial Position.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED...

Trade Payables

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

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

Derivative Financial Instruments

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

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

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

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

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

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

Standards, amendments and interpretations to existing standards that were adopted by the Group from 1 April 2014.

There were no standards, amendments and interpretations to existing standards that were adopted by the Group from 1 April 2014.

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

NZ IFRS 9 Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one Management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39.

The Group is yet to assess NZ IFRS 9's full impact and intends to adopt NZ IFRS 9 no later than 1 April 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 contains a single model that applies to contracts with customers. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. Revenue may be recognised over time, in a manner that best reflects the entity's performance, or at a point in time, when control of the goods or service is transferred to the customer.

IFRS 15 includes extensive new disclosure requirements. IFRS 15 may be adopted retrospectively, or as of the application date by adjusting retained earnings at that date and disclosing the effect of adoption on each line of profit or loss (the 'cumulative effect approach').

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED...

Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-13 Revenue-Barter Transactions Involving Advertising Services. IFRS 15 does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Group is yet to assess NZ IFRS 15's full impact and intends to adopt NZ IFRS 15 no later than 1 April 2017.

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

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

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

These adjustments are immaterial compared with the total distribution revenue.

Valuation of 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 Statement of Financial Position. The accuracy of these judgements can only be determined when a project is completed or has met a clear contract milestone.

Goodwill

Goodwill acquired through business combinations has been allocated to two cash generating units (CGU's) for impairment testing, comprising Electrical Contracting & Servicing and HVAC Construction & Servicing. 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 ten years exceed the carrying value of each business including goodwill.

Valuation of Network Distribution Assets

The Group estimates the fair value of the network distribution assets using independent valuers in accordance with the property, plant and equipment accounting policy. Because of the specialised nature of the network and the infrequency of network distribution asset sale transactions, there is a lack of market-based evidence available to determine fair value. The last valuation undertaken was at 31 March 2013 and was compiled using the discounted cash flow technique (as was the previous valuation at 31 March 2010). Prior to these valuations the network distribution assets were 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 network distribution assets disclosed in Note 13.

The key valuation assumptions relating to the network distribution assets 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 distribution 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 default price-quality path determinations 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%)	+ / - 0.4%	-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

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

NOTES TO THE FINANCIAL STATEMENTS

4. OPERATING SEGMENTS

Segment information is presented in respect of the Group's business. The Group operates primarily 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 and Servicing
- Electrical Contracting and Servicing

The chief operating decision maker, the Chief Executive, 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 & Servicing $000	Electrical Contracting & Servicing $000	Elimination $000	Group $000
Year ended 31 March 2015					
Operating Revenue					
Operating External Revenue	32,979	67,220	12,051	-	112,250
Operating Internal Revenue	-	-	9,702	(9,702)	-
Total Segment Operating Revenue	**32,979**	**67,220**	**21,753**	**(9,702)**	**112,250**
Interest Income	403	1	4	(401)	7
Interest Expense	2,488	178	229	(401)	2,494
Depreciation	4,654	483	592	(79)	5,650
Amortisation	364	17	10	-	391
Fair Value Movement of Financial Derivatives (Gain)/Loss	1,458	-	-	-	1,458
Income Tax Expense	772	267	272	56	1,367
Operating Profit After Income Tax	**3,102**	**527**	**622**	**(150)**	**4,101**
Assets and Liabilities					
Segment Assets	139,873	19,979	11,605	(15,839)	155,618
Total Assets	**139,873**	**19,979**	**11,605**	**(15,839)**	**155,618**
Segment Liabilities	73,238	17,619	7,781	(10,331)	88,307
Total Liabilities	**73,238**	**17,619**	**7,781**	**(10,331)**	**88,307**
Capital Additions	9,282	909	1,154	(533)	10,812
Goodwill Additions	-	1,734	363	-	2,097

One customer in the Electricity Distribution operating segment (Nova Energy) comprised 13.30% of the Group's revenue in 2015 (2014: 15.04%).

NOTES TO THE FINANCIAL STATEMENTS

4. OPERATING SEGMENTS CONTINUED...

	Electricity Distribution $000	HVAC Construction & Servicing $000	Electrical Contracting & Servicing $000	Elimination $000	Group $000
Year ended 31 March 2014					
Operating Revenue					
Operating External Revenue	30,220	65,164	9,004	-	104,388
Operating Internal Revenue	-	-	10,811	(10,811)	-
Total Segment Operating Revenue	**30,220**	**65,164**	**19,815**	**(10,811)**	**104,388**
Interest Income	402	63	1	(398)	68
Interest Expense	2,261	223	193	(398)	2,279
Depreciation	4,386	401	536	(65)	5,258
Amortisation	330	9	-	-	339
Fair Value Movement of Financial Derivatives (Gain)/Loss	(1,784)	-	-	-	(1,784)
Income Tax Expense	2,088	299	455	(143)	2,699
Operating Profit After Income Tax	**5,911**	**597**	**1,027**	**(366)**	**7,169**
Assets and Liabilities					
Segment Assets	130,881	17,311	9,496	(9,849)	147,839
Total Assets	**130,881**	**17,311**	**9,496**	**(9,849)**	**147,839**
Segment Liabilities	63,596	15,476	6,295	(4,489)	80,878
Total Liabilities	**63,596**	**15,476**	**6,295**	**(4,489)**	**80,878**
Capital Additions	9,933	730	262	(574)	10,351
Goodwill Additions	-	567	-	-	567

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE & EXPENSES BY NATURE

	GROUP	
	2015 $000	2014 $000
Operating Revenue		
Distribution Revenue	31,552	29,671
Contracting Revenue	79,271	74,168
Capital Contributions Revenue	1,427	549
Total Operating Revenue	**112,250**	**104,388**
Other Income		
Sundry Income	337	421
Net Gain on Acquisition	-	447
Recovery of Bad Debts	5	3
Total Other Income	**342**	**871**
Operating Expenses Include the Following		
Net Loss on Sale of Property, Plant and Equipment	135	82
Operating Lease Payments	871	942
Movement in Doubtful Debt Provisions	(16)	(1,328)
Maintenance of Network Distribution Assets*	2,525	2,815
Employee Costs	26,987	24,377
Transmission Charges	10,660	8,630
Bad Debts Expense	13	24

* Maintenance of Network Distribution Assets includes employee costs incurred by Horizon Services Limited for the services they provide to the Group and employee costs incurred by Horizon Energy Distribution Limited. These employee costs are also disclosed within Employee Costs.

NOTES TO THE FINANCIAL STATEMENTS

6. INCOME TAX EXPENSE

		GROUP	
		2015	2014
	Note	$000	$000
Income Tax Expense Comprises:			
Current Tax		1,357	1,504
Deferred Tax		10	1,195
Income Tax Expense		**1,367**	**2,699**

The applicable tax rate is 28% (2014: 28%).

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

Profit before Tax		**5,468**	**9,868**
Expenses Not Deductible for Tax Purposes		806	738
Income Not Subject to Tax		-	(450)
Taxable Profit		**6,274**	**10,156**
Income Tax Expense at 28%		**1,757**	**2,844**
Prior Year Adjustments		68	6
Prior Period Tax Losses Transferred for No Consideration	27	(458)	(151)
Income Tax Expense		**1,367**	**2,699**
Effective Income Tax Expense Rate		25.0%	27.4%

NOTES TO THE FINANCIAL STATEMENTS

7. DEFERRED TAX

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

GROUP	Property, Plant & Equipment $000	Derivatives Fair Value $000	Provisions & Accruals $000	Total $000
At 31 March 2013	**22,154**	**(554)**	**(480)**	**21,120**
Adjustments through Income Tax Expense	(173)	499	869	1,195
At 31 March 2014	**21,981**	**(55)**	**389**	**22,315**
Adjustments through Income Tax Expense	9	(407)	449	51
Deferred Tax recognised on Business Acquisition	(41)	-	-	(41)
At 31 March 2015	**21,949**	**(462)**	**838**	**22,325**

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	
	2015 $000	2014 $000
Deferred Tax Assets	**(1,458)**	**(951)**
Deferred Tax Liabilities	**23,783**	**23,266**
Net Deferred Tax Liabilities	**22,325**	**22,315**

8. 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	
	2015 $000	2014 $000
Imputation Credits available for Subsequent Reporting Periods	**4,171**	**4,120**

NOTES TO THE FINANCIAL STATEMENTS

9. SHARE CAPITAL

	GROUP	
	2015 **$000**	2014 $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 $000	**Network Land & Buildings $000**	**Total $000**
GROUP			
At 31 March 2014	**32,163**	**62**	**32,225**
At 31 March 2015	**32,163**	**62**	**32,225**

NOTES TO THE FINANCIAL STATEMENTS

11. OTHER FINANCIAL ASSETS

	GROUP	
	2015 $000	2014 $000
Cash and Cash Equivalents		
Cash at Bank	496	712
	496	**712**

Cash and cash equivalents 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.

Trade and Other Receivables		
Trade Receivables	17,675	17,464
Less Provision for Doubtful Debts	(105)	(121)
Prepayments	211	246
	17,781	**17,589**

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. There are no significant amounts where settlement is expected in more than 12 months.

Trade receivables are assessed for impairment on an individual basis. The only receivables impaired are provided for within doubtful debts. As at 31 March 2015, trade receivables of $3,832,651 (2014: $2,124,916) were past due.

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

Up to 3 months	16,560	16,721
Over 3 months	1,010	622
	17,570	**17,343**

12. 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 Statement of Financial Position. Refer to Note 2, Accounting Policies - Construction Contracts.

	GROUP	
	2015 $000	2014 $000
Gross Construction Work in Progress plus Margin to Date	90,108	68,759
Progress Billings	(89,385)	(70,786)
Work in Progress	**723**	**(2,027)**
Construction Contracts with Net Work in Progress	3,293	2,614
Construction Contracts with Net Funds Received in Advance of Cost and Margin	(2,570)	(4,641)
Net Carrying Amount at the End of the Year	**723**	**(2,027)**
Retentions Owing within Trade Debtors on Completed Construction Contracts	**3,526**	**3,489**

13. PROPERTY, PLANT AND EQUIPMENT

	Network Distribution $000	Land & Buildings $000	Plant & Equipment $000	Furniture & Fittings $000	Vehicles $000	Finance Leased Assets $000	Total $000
GROUP							
Cost or Valuation							
At 31 March 2013	**108,176**	**1,553**	**5,041**	**831**	**3,838**	**220**	**119,659**
Additions	9,787	30	407	58	179	-	10,461
Additions from Business Combinations	-	-	340	-	-	-	340
Disposals	(122)	-	(6)	-	(101)	-	(229)
Capital Works in Progress Movement	(1,141)	-	61	-	-	-	(1,080)
At 31 March 2014	**116,700**	**1,583**	**5,843**	**889**	**3,916**	**220**	**129,151**
Additions	8,588	135	558	13	864	-	10,158
Additions from Business Combinations	-	-	346	-	243	-	589
Disposals	(219)	-	(43)	-	(231)	-	(493)
Capital Works in Progress Movement	(336)	-	(27)	-	-	-	(363)
At 31 March 2015	**124,733**	**1,718**	**6,677**	**902**	**4,792**	**220**	**139,042**
Accumulated Depreciation and Impairment							
At 31 March 2013	**-**	**159**	**2,624**	**554**	**1,633**	**17**	**4,987**
Depreciation Charge for the Year	4,128	71	488	56	501	14	5,258
Eliminated on Disposal	(45)	-	(1)	-	(45)	-	(91)
At 31 March 2014	**4,083**	**230**	**3,111**	**610**	**2,089**	**31**	**10,154**
Depreciation Charge for the Year	4,342	75	608	41	570	14	5,650
Eliminated on Disposal	(94)	-	(12)	(13)	(142)	-	(261)
At 31 March 2015	**8,331**	**305**	**3,707**	**638**	**2,517**	**45**	**15,543**
Carrying Amount (Net Book Value)							
At 31 March 2014	**112,617**	**1,353**	**2,732**	**279**	**1,827**	**189**	**118,997**
At 31 March 2015	**116,402**	**1,413**	**2,970**	**264**	**2,275**	**175**	**123,499**

The network distribution assets were last 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's network distribution commissioned assets had they been recognised under the cost model is $98.9 million (2014: $92.5 million).

Interest is capitalised to the network distribution 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.

Interest capitalised for the 2015 year was $108,985 (2014: $133,032) at the Group weighted average effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

14. INTANGIBLE ASSETS

	Note	Software $000	Goodwill $000	Total $000
GROUP				
Cost				
At 31 March 2013		**3,340**	**1,050**	**4,390**
Software Additions		439	-	439
Goodwill Additions		-	567	567
Information Systems Work in Progress		191	-	191
At 31 March 2014		**3,970**	**1,617**	**5,587**
Software Additions		85	-	85
Goodwill Additions	24	-	2,097	2,097
Software Additions from Business Combinations	24	5	-	5
Information Systems Work in Progress		338	-	338
At 31 March 2015		**4,398**	**3,714**	**8,112**
Accumulated Amortisation				
At 31 March 2013		**379**	**-**	**379**
Amortisation Charge for the Year		339	-	339
At 31 March 2014		**718**	**-**	**718**
Amortisation Charge for the Year		391	-	391
At 31 March 2015		**1,109**	**-**	**1,109**
Carrying Amount (Net Book Value)				
At 31 March 2014		**3,252**	**1,617**	**4,869**
At 31 March 2015		**3,289**	**3,714**	**7,003**

Goodwill and Intangible Assets

Allocation of Goodwill to Cash Generating Unit

Goodwill is allocated to the Group's cash generating units which mirror the Group's segments. Goodwill acquired through business combinations has been allocated to two cash generating units ('CGU's') for impairment testing, comprising Electrical Contracting & Servicing and HVAC Construction & Servicing.

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 ten year period. The pre-tax discount rate applied to cash flow projections is 17.4% (2014: 21%).

Carrying Amount of Goodwill Allocated to each Cash Generating Unit

	2015 $000	2014 $000
Electrical Contracting and Servicing	1,413	1,050
HVAC Construction and Servicing	2,301	567
	3,714	**1,617**

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 long term growth has been assumed to be 2% (2014: 2% and 3%), with a terminal growth rate of 2.0% (2014: 2.4%).

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.

NOTES TO THE FINANCIAL STATEMENTS

15. TRADE AND OTHER PAYABLES

	GROUP	
	2015	2014
	$000	$000
Trade Payables	9,149	11,117
Other Payables	3,482	3,015
Total Trade Payables and Other Payables	**12,631**	**14,132**

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. PROVISIONS

Balance at Beginning of Year	1,037	397
Provisions Made during the Year	774	904
Provisions Used during the Year	(233)	(176)
Provisions Reversed during the Year	(276)	(88)
Balance at End of Year	**1,302**	**1,037**
Represented by:		
Current Liabilities	**1,302**	**657**
Non-Current Liabilities	**-**	**380**
Total Provisions	**1,302**	**1,037**

The resulting outflows of all provisions are not expected to be fully paid within the following financial year. The provisions made are based on the best current estimate of outflows expected to settle these obligations.

Warranty Provision

Balance at Beginning of Year	657	397
Provisions Made during the Year	434	524
Provisions Used during the Year	(233)	(176)
Provisions Reversed during the Year	(276)	(88)
Balance at End of Year	**582**	**657**
Represented by:		
Current Liabilities	**582**	**657**

Provision for warranty costs are recognised at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Group's obligation.

Default Price Path Breach Provision

Balance at Beginning of Year	380	-
Provisions Made during the Year	340	380
Balance at End of Year	**720**	**380**
Represented by:		
Current Liabilities	**720**	**-**
Non-Current Liabilities	**-**	**380**

In 2012 Horizon Energy breached section 87(1)(a) of the Commerce Act 1986 ('the Act') by contravening a price-quality path requirement applying to regulated goods or services for the 2012 assessment period ('the Breach'). Horizon Energy accepts the Breach, which occurred due to mitigating circumstances which are explained in its 2012 Compliance Statement.

During the reporting period, Horizon Energy reached an agreement with the Commerce Commission ('the Commission') regarding the final value of the settlement. The terms of the settlement require Horizon Energy to reduce 2015-2016 prices by $737,934. This will be by way of compensation to retailers operating on the Horizon Energy network through a reduction in the 2015-2016 tariff pricing. The Company provided $380,000 for the Breach in the year ended 31 March 2014. A further $340,000 has been provided for in the year ended 31 March 2015.

NOTES TO THE FINANCIAL STATEMENTS

17. BANK LOANS

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 was 5.15% (2014: 4.75%). The weighted average floating interest rate excludes the effect of the Company's interest rate risk management.

As at 31 March 2015, the Company had debt facilities available of $60 million (2014: $50 million), with undrawn debt facilities of $15.2 million (2014: $14.9 million).

All borrowings are with the same financial institution.

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

18. FAIR VALUE MEASUREMENT

Fair Value Measurements Recognised in the Statement of Financial Position

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

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

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

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

	Note	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
GROUP					
31 March 2014					
Assets Designated at Fair Value					
Network Distribution Assets	13	-	-	112,617	112,617
Derivative Financial Instruments		-	676	-	676
Financial Liabilities Designated at Fair Value					
Derivative Financial Instruments		-	809	-	809
31 March 2015					
Assets Designated at Fair Value					
Network Distribution Assets	13	-	-	116,402	116,402
Financial Liabilities Designated at Fair Value					
Derivative Financial Instruments		-	1,592	-	1,592

There were no transfers between Levels 1, 2 and 3 during the year.

Assets and Liabilities in Level 2

Derivative Financial Instruments

The methodology used is a current exposure methodology of comparing the Net Present Value of the future cash flows and valuations of the financial instrument on a risk-free basis to the Net Present Value which includes a credit spread.

The valuation is based on the New Zealand yield curve at 31 March 2015 with credit adjustments to reflect the credit curves for both the counterparty and the Group. The credit value adjustment is calculated for 'in-the-money' derivatives as at 31 March 2015. The debit value adjustment is calculated for 'out-of-the-money' derivatives as at 31 March 2015.

The Credit Curves Applied are:

For the counterparty (Westpac and BNZ) is AA-;

For the Group the basis is the refinancing of debt that took place during the year.

18. FAIR VALUE MEASUREMENT CONTINUED...

Assets and Liabilities in Level 3

Network Distribution Assets

The valuation techniques, inputs and sensitivities used in the fair value measurement are disclosed in Note 3.

Disclosure of the Level 3 movement in fair value in the Network Distribution Assets is disclosed in Note 13.

Of the total losses for the period recognised in profit or loss, $125,632 (2014: $77,974) relates to Network Distribution Assets written off during the reporting period, primarily as a result of damage to Network Distribution Assets as a result of the April 2014 Easter storms. Fair value gains or losses on these assets are included in the Statement of Comprehensive Income.

19. 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.

Market Risk

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.

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 2015, if interest rates had changed by +/- 1% (2014: +/- 1%) with all other variables held constant, post tax profit and equity for the year would have been $114,800 lower/higher (2014: $76,600 lower/higher).

Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum credit rating of A are accepted. If other customers are independently rated, these credit ratings are used. Otherwise, if there is no independent rating, Management assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits by customers is regularly monitored by Management.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the Statement of Financial Position.

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.

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL RISK MANAGEMENT CONTINUED...

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 table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. This is based on the undiscounted contracted cash flows for the period from the Statement of Financial Position date to the contractual maturity date.

In the table below cash flows relating to bank loans are presented in accordance with facility repayment dates.

Maturity Analysis - Financial Liabilities

	Less than 1 year $000	Between 1 and 2 years $000	Between 2 and 5 years $000	Over 5 years $000
GROUP				
31 March 2014				
Trade and Other Payables	14,132	-	-	-
Bank Loans	1,359	14,293	9,984	13,171
Derivatives				
- Inflows	(1,150)	(1,305)	(3,249)	(2,049)
- Outflows	1,503	1,511	3,234	1,560
	15,844	**14,499**	**9,969**	**12,682**

	Less than 1 year $000	Between 1 and 2 years $000	Between 2 and 5 years $000	Over 5 years $000
GROUP				
31 March 2015				
Trade and Other Payables	12,631	-	-	-
Bank Loans	2,084	11,894	38,574	-
Derivatives				
- Inflows	(1,067)	(1,246)	(2,931)	(1,201)
- Outflows	1,521	1,619	3,772	1,397
	15,169	**12,267**	**39,415**	**196**

Capital Risk Management

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

20. FINANCIAL INSTRUMENTS

All financial assets are classified as loans and receivables, with the exception of derivative financial assets which are classified as assets at fair value through profit or loss.

All financial liabilities are classified as measured at amortised cost, with the exception of derivative financial liabilities which are classified as liabilities at fair value through profit or loss.

21. SUBSIDIARY COMPANIES

The Company has four wholly owned subsidiary companies being:
- Horizon Services Limited
- Horizon Energy Group Limited
- Horizon Energy Limited
- Aquaheat New Zealand Limited
    - Aquaheat South Pacific Limited

Horizon Energy Distribution Limited and all its subsidiary companies are incorporated in New Zealand.

Aquaheat South Pacific Limited was incorporated on 3 April 2014. Aquaheat South Pacific Limited is a subsidiary of Aquaheat New Zealand Limited.

Horizon Energy Group Limited and Horizon Energy Limited have not traded during the year.

22. EARNINGS PER SHARE

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	
	2015	2014
Profit Attributable to Equity Holders of the Company ($000)	4,101	7,169
Weighted Average Number of Ordinary Shares on Issue	24,991,385	24,991,385
Basic Earnings per Share (Cents per Share)	**16.41**	**28.69**

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.

23. DIVIDENDS (CENTS PER SHARE)

Amounts recognised as distributions to Equity Holders in the period:

	GROUP	
	2015 cents	2014 cents
Final (for Previous Financial Year)	9.0	4.0
Interim	6.0	6.0

All dividends had full imputation credits attached.

As set out in Note 26 a fully imputed final dividend for the year ended 31 March 2015 was declared post year end. The financial impact of this dividend has not been recognised in these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

24. BUSINESS COMBINATIONS

Acquisition of the Net Assets and Business of Energy Systems Professionals NZ Limited

On 1 July 2014, Horizon Energy Distribution Limited (through its subsidiary Horizon Services Limited) acquired the business assets and certain liabilities of Energy Systems Professionals NZ Limited.

The investment is consistent with Horizon Energy's strategy to develop its non-regulated revenue streams. The new business complements the existing electrical services business providing farming, electrical, HVAC, and plumbing solutions.

Details of Net Assets and Goodwill Acquired:

The Company has determined the fair values of the net assets and goodwill acquired, and the amounts outlined below are final at 31 March 2015.

The consideration paid is finalised in respect to changes in working capital items at the date of acquisition.

The values assigned to Motor Vehicles are the revalued amounts as determined by reference to market data.

	GROUP 2015 $000
Consideration on Acquisition	**927**
	Fair Value 2015 $000
Consisting of:	
Receivables	479
Inventories	182
Construction Work in Progress	34
Plant and Equipment	74
Motor Vehicles	243
Intangibles	5
Total Assets Acquired	**1,017**
Trade and Other Payables	(318)
Employee Liabilities	(94)
Deferred Tax	(41)
Total Liabilities Acquired	**(453)**
Fair Value of Net Assets Acquired	**564**
Goodwill on Acquisition	363
Total Purchase Consideration Settled in Cash	**927**

Other costs associated with the acquisition of $46,930 incurred in 2014 and $62,193 incurred in 2013 (total: $109,123) have been expensed and are recorded in Operating Expenses in the Statement of Comprehensive Income.

Goodwill is attributable to the presence in the market place and workforce of the acquired business and is not a separately identifiable intangible asset. Goodwill related to this business combination is non-deductible for income tax purposes.

Consolidation Treatment

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

The amounts included in the Consolidated Statement of Comprehensive Income and in the Electrical Contracting and Servicing operating segment for the nine months post acquisition to 31 March 2015 include:

	2015 $000
Revenue	3,694
Net Loss after Tax	(37)

It is impractical for the Group to obtain reliable revenue and profit/(loss) figures prior to acquisition, therefore the disclosures as if the acquisition occurred from 1 April 2014 have not been made.

24. BUSINESS COMBINATIONS CONTINUED...

Acquisition of the Net Assets and Business of Hawkins Holdings (2007) Limited and Hawkins Refrigeration Tasman Limited

On 3 November 2014 the Company purchased the business assets and certain liabilities of Hawkins Holdings (2007) Limited and Hawkins Refrigeration Tasman Limited.

The investment is consistent with Horizon Energy's strategy to develop its non-regulated revenue streams. The new business complements the existing Heating Ventilation and Air Conditioning (HVAC) Construction and Servicing business providing HVAC, and refrigeration solutions.

Details of Net Assets and Goodwill Acquired:

The consideration paid is subject to adjustment due to changes in working capital items up to the date of acquisition.

	GROUP Provisional 2015 $000
Consideration on Acquisition	**2,429**
Consisting of:	**Fair Value 2015 $000**
Receivables	1,284
Inventories	245
Construction Work in Progress	4
Plant and Equipment	272
Total Assets Acquired	**1,805**
Trade and Other Payables	(1,024)
Employee Liabilities	(86)
Total Liabilities Acquired	**(1,110)**
Fair Value of Net Assets Acquired	**695**
Goodwill on Acquisition	1,734
Total Purchase Consideration Settled in Cash	**2,429**

Goodwill is attributable to the presence in the market place and workforce of the acquired business and is not a separately identifiable intangible asset. Goodwill related to this business combination is non-deductible for income tax purposes.

Consolidation Treatment

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

The amounts included in the Consolidated Statement of Comprehensive Income and in the Heating Ventilation and Air Conditioning (HVAC) Construction and Servicing operating segment for the five months post acquisition to 31 March 2015 include:

	2015 $000
Revenue	1,641
Net Profit after Tax	45

It is impractical for the Group to obtain reliable revenue and profit/(loss) figures prior to acquisition, therefore the disclosures as if the acquisition occurred from 1 April 2014 have not been made.

NOTES TO THE FINANCIAL STATEMENTS

25. CONTINGENT LIABILITIES

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.

Contract Claim

The Group has received an unsubstantiated claim for costs against a Subsidiary in relation to a contract. The value of the claim cannot be reliably estimated at this time. The Group's insurers have been advised.

Unclaimed Dividends

As provided for under clause 27.8 of the Company's Constitution, unclaimed dividends now total $131,170 (2014: $119,508) relating to the period. 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 2015 the total value of performance bonds issued is $0.595 million (2014: $1.09 million) and the total value of Parent Company Guarantees is $5.6 million (2014: $12.2 million).

26. EVENTS AFTER BALANCE DATE

Dividend Declaration

On 13 May 2015 the Directors declared a final fully imputed dividend of 8.0 cents (2014: 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.

27. RELATED PARTY TRANSACTIONS

Major Shareholders

The Group is controlled by the Eastern Bay Energy Trust ('EBET') 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.

	2015 $000	2014 $000
Transactions with Eastern Bay Energy Trust		
Contributions Received towards Undergrounding Works	4	36
Contributions Received towards Staff Training	7	9
Services Supplied by Horizon Energy to EBET	-	9
	11	**54**
Prior Period Tax Losses from EBET to Horizon Energy for No Consideration	**458**	**151**

Trading Transactions with Entities of which Key Management Personnel and Directors are associated include:

During the year the Group had sales of $281,604 (2014: $29,061) and as at 31 March 2015 $101,724 (2014: Nil) was due from Opotiki Packing and Cool Storage Limited.

Remuneration of Key Management Personnel and Directors Short Term Costs

Salaries and Other Short Term Employee Costs	1,603	1,566
Directors' Fees	273	240
	1,876	**1,806**

NOTES TO THE FINANCIAL STATEMENTS

28. COMMITMENTS

Capital Commitments

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

	GROUP	
	2015	2014
	$000	$000
Non-Network Assets	11	112
Network Distribution Assets	10	398
	21	**510**

Operating Lease Commitments

The Group is party to a number of operating leases. The leasing arrangements 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	1,525	987
Within One to Five Years	2,454	2,063
Over Five Years	5	-
	3,984	**3,050**

NOTES TO THE FINANCIAL STATEMENTS

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

		GROUP	
		2015	2014
	Note	$000	$000
Profit before Tax for the Year		**5,468**	**9,868**
Adjustments for:			
Capital Contributions Amortised		(18)	(18)
Depreciation and Amortisation		6,041	5,597
Loss on Disposal of Fixed Assets		135	82
Loss/(Gain) on Fair Value Movement of Financial Derivatives		1,458	(1,784)
Operating Cash Flows before Movements in Working Capital		**13,084**	**13,745**
Changes in Working Capital			
Increase in Construction Work in Progress	12	(679)	(1,141)
Increase/(Decrease) in Trade and Other Payables		(1,501)	3,489
Increase in Trade and Other Receivables		(192)	(5,043)
Increase in Provisions	16	645	260
Increase/(Decrease) in Construction Revenue Received in Advance		(2,071)	2,134
Increase in Inventories		(533)	(278)
Increase in Provision for Employee Costs		340	368
Airpro and Clean Air Management Acquisition Working Capital		-	685
ESP Technologies and Hawkins Refrigeration Acquisition Working Capital	24	706	-
Add Items Reclassified as Investing Activities		(423)	(265)
		(3,708)	**209**
Cash Flow from Operating Activities before Tax		**9,376**	**13,954**

NOTES TO THE FINANCIAL STATEMENTS

30. REMUNERATION OF AUDITORS

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

	GROUP 2015 $000
Statutory Audit	
Audit of the Financial Statements	118
Total Audit and Assurance Services	**118**
Audit Related Services	
Audit of the Information Disclosure Statements and Default Price-Quality Compliance Statement reported to the Commerce Commission	44
Review of the Half Year Financial Statements	3
Total Audit Related Services	**47**
Other Services	
Taxation Compliance and Advisory Services	13
Total Other Services	**13**
Total Auditors' Remuneration	**178**

The fees above exclude travel disbursements.

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

	GROUP 2014 $000
Statutory Audit	
Audit of the Financial Statements	112
Total Audit and Assurance Services	**112**
Audit Related Services	
Section 53ZD Schedule B Disclosure Assurance Engagement	5
Regulatory DPP Compliance Statement Audit	24
Regulatory Disclosure Information Assurance Engagement	21
Taxation Compliance Services	29
Total Audit Related Services	**79**
Other Services	
Due Diligence on Proposed Asset Acquisitions	124
Regulatory Advice and Preparation of Submissions	33
Taxation Advice and Opinions	9
Treasury Advisory Services	24
Total Other Services	**190**
Total Paid or Payable to PricewaterhouseCoopers	**381**

The fees above exclude travel disbursements.

30. REMUNERATION OF AUDITORS CONTINUED...

Other Services

Regulatory advice included assistance with regulatory submissions to the Commerce Commission in relation to regulatory compliance, standardisation of distribution tariffs, Default Price Path 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.

During the prior 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 2014 $000
Statutory Audit	
Audit of the Financial Statements	35
Other Services	10
Total Audit and Assurance Services	**45**
Other Services	
Property, Plant and Equipment Valuation	8
Total Other Services	**8**
Total Paid or Payable to Deloitte	**53**
Total Auditors' Remuneration	**434**

AUDITORS' REPORT

KPMG

Independent Auditor's Report

To the shareholders of Horizon Energy Distribution Limited

We have audited the accompanying consolidated financial statements of Horizon Energy Distribution Limited and its subsidiaries ("the group") on pages 32 to 63. The financial statements comprise the consolidated statement of financial position as at 31 March 2015, the consolidated statements of comprehensive income and changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand, the New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements 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 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 presentation of the consolidated financial statements.

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

Our firm has also provided other services to the group in relation to taxation and regulatory audit and assurance services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Opinion

In our opinion, the consolidated financial statements on pages 32 to 63 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the consolidated financial position of Horizon Energy Distribution Limited as at 31 March 2015 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Other Matter

The consolidated financial statements of the group, for the year ended 31 March 2014, were audited by another auditor who expressed an unmodified opinion on those statements on 29 May 2014.

KPMG

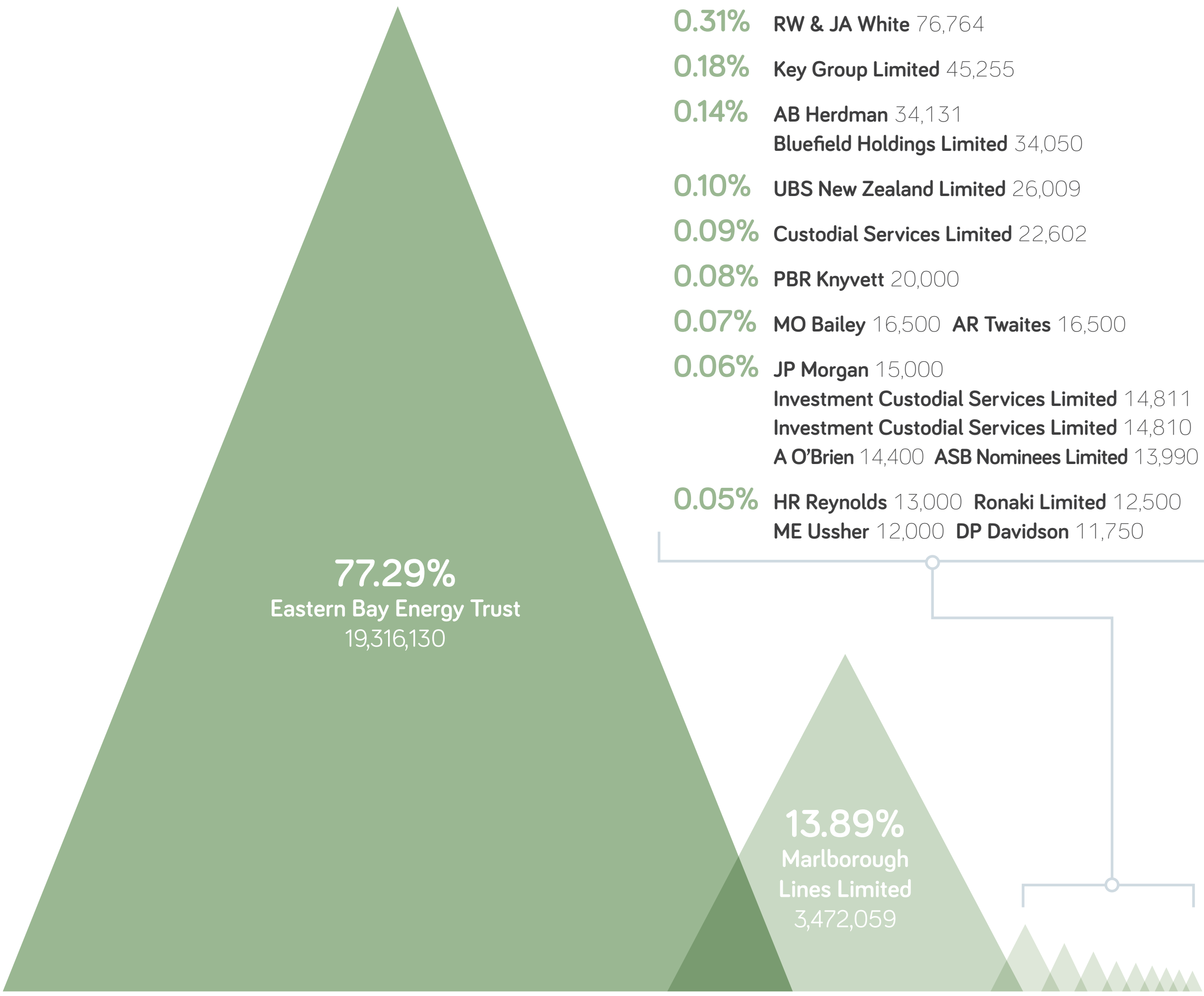
13 May 2015
Auckland

SHAREHOLDERS' STATISTICS

At 31 May 2015 there were 24,991,385 voting securities on issue. They were held by 1,719 shareholders.

Twenty Largest Shareholders

The names of the twenty largest Shareholders of Ordinary Shares as at 31 May 2015 are listed below:



Statement of Directors' Shareholdings

as at 31 March 2015

Fully Paid Ordinary Shares

Name	Beneficially Held		Non-Beneficially Held	
	31 March 2015	31 March 2014	**31 March 2015**	31 March 2014
R. Tait	-	-	-	-
J. McDonald	-	-	-	-
C. Boyle	-	-	-	-
A. de Farias	-	-	-	-
C. Ellis	-	-	-	-

Substantial Security Holders

According to notices given to the Company under the Securities Markets Act 1988, as at 31 May 2015 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	3,472,059	13.89

SHAREHOLDERS' STATISTICS

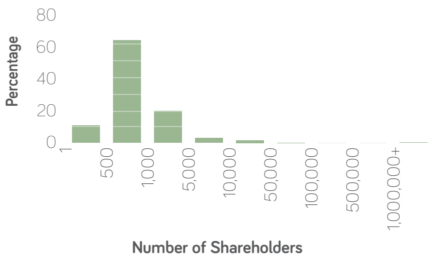
Analysis of Shareholder by Location

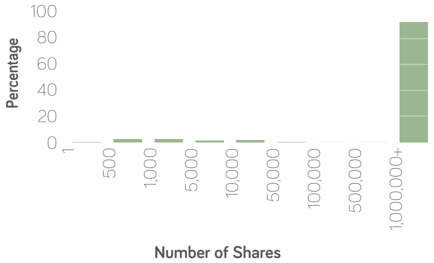
as at 31 May 2015

	Shareholders		Shares	
	Number	Percentage	Number	Percentage
Bay of Plenty	1,353	78.70%	20,578,883	82.34%
Blenheim	1	0.06%	3,472,059	13.89%
Auckland	116	6.75%	269,655	1.08%
Waikato	54	3.14%	58,762	0.24%
Wellington	39	2.27%	143,639	0.58%
Christchurch	11	0.64%	43,520	0.17%
Dunedin	11	0.64%	37,315	0.15%
Other	116	6.75%	375,862	1.50%
New Zealand	**1,701**	**98.95%**	**24,979,695**	**99.95%**
Overseas	18	1.05%	11,690	0.05%
Total Holders by Location	**1,719**	**100.00%**	**24,991,385**	**100.00%**

Spread of Security Holders

as at 31 May 2015





	Shareholders		Shares	
	Number	Percentage	Number	Percentage
1 to 499	188	10.93%	57,743	0.23%
500 to 999	1,106	64.34%	641,510	2.57%
1,000 to 4,999	344	20.01%	661,688	2.65%
5,000 to 9,999	50	2.91%	311,853	1.25%
10,000 to 49,999	28	1.63%	453,638	1.81%
50,000 to 99,999	1	0.06%	76,764	0.31%
100,000 to 499,999	-	-	-	-
500,000 to 999,999	-	-	-	-
1,000,000 and over	2	0.12%	22,788,189	91.18%
Total	**1,719**	**100.00%**	**24,991,385**	**100.00%**

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. de Farias
C. Ellis

Chief Executive
A. Anand

Bankers
Westpac
Bank of New Zealand
ANZ

Solicitors
Bell Gully

Auditors
KPMG

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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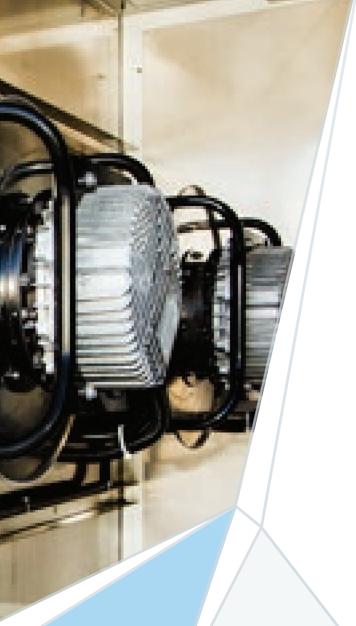
Telephone +64 9 488 8777
Facsimile +64 9 488 8787

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

Beyond the horizon

is a vision of constant growth...

...and an exciting future for our people.




HORIZON