

HORIZON ENERGY INTERIM REPORT 2013

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

...And thanks to our people we are on track to make our vision a reality.

Highlights

The logo for SWITCH, with each letter in a different color: S (green), W (yellow), I (blue), T (cyan), C (magenta), H (red).

Guiding principles campaign launched company wide in August 2013

Airpro

Services and Clean Air Management acquired in August 2013

Aquaheat

Upgrade of ERP System



Chairman's Report



Rob Tait

Chairman



A word from the top

The Directors of Horizon Energy Distribution Limited report an unaudited net profit after tax for the six months ended 30 September 2013 of \$4.2 million. This result compares favourably with a net profit after tax of \$2.6 million for the six months to 30 September 2012.

The six months results have been impacted by several factors:

- A decline in the after tax profit of the core regulated electricity distribution business (2013: \$2.3 million excluding derivative gains) as compared to the same six month period last year (2012: \$3.2 million excluding derivative losses), due largely to the pricing changes imposed on the business by the Commerce Commission's pricing regulation, lower energy consumption due to the mild winter weather and higher maintenance and depreciation expenses.
- Gains of \$1.0 million (post tax) in the mark to market value of the Company's interest rate derivative portfolio as a result of improved market interest rates as at 30 September 2013. This compares to a loss of \$0.4 million (post tax) reported for the same period last year.
- During this period the Company also settled an outstanding matter arising from the acquisition of the Aquaheat business resulting in a receipt of \$0.5 million (net of tax) which has been included in the reported profit for the six month period.

\$4.2 million

Unaudited net profit after tax for the six months ended 30 September 2013

On Target

To meet forecast profit levels by the financial year end

The network operation continues to perform well. The Company strives to improve the quality and reliability of its service to consumers and excluding any adverse climatic events, it expects to remain within the annual quality standards set by the Commerce Commission.

Our non-regulated businesses have performed satisfactorily for the six month period despite operating in competitive markets and all currently remain on target to meet forecast profit levels by the financial year end.

Our Bay of Plenty based electrical contracting businesses continue to perform well. Horizon Services, our Whakatane based electrical services contractors are on schedule to deliver the increased network capital expenditure programme and network maintenance work. The contracting and service teams are maximising every opportunity to secure on-going external work. Our Tauranga based business, Stewart Browne Electrical, continues to grow and is expected to achieve forecast profit results for the year.

Aquaheat, our heating, ventilation and air conditioning (HVAC) business is also on track to achieve forecast results for the year despite operating in strongly competitive markets. The fallout from the Mainzeal receivership has continued to have an impact on the business with

delays incurred to retender and negotiate several projects that were associated with Mainzeal.

In August 2013 Horizon Energy acquired the business and assets of Airpro Services Limited and Clean Air Management (2005) Limited ("Airpro"). These businesses significantly increase the capability of our servicing division within Aquaheat by increasing our presence within the Auckland market and also providing access to key HVAC service contracts.

Exposure to regulatory control and the resulting uncertainty of network revenue reinforces the strategy of pursuing diversification into non-regulated businesses. We continue to make good progress in developing our current growth strategy and acquiring, where possible, synergistic businesses that, when fully integrated, are expected to provide additional profits to supplement the profit from regulated activities.

Health and safety of employees, contractors and the public will always be of paramount importance. We continue to ensure all safety hazards and risks are identified, and either eliminated, minimised or isolated. As a Company, we endeavour to maintain and continually enhance our safety systems, our training competencies and compliance practices for the benefit of our employees, contractors and the wider community.

\$145 million

Total assets of the Company

During the reporting period the SWITCH guiding principles campaign was launched. The Company's vision, core values and the strategic objectives are strengthened by these guiding principles.

The 2013/14 full year after tax result is now forecast to be around \$6.0 million. This forecast includes the gains of \$1.0 million (net of tax) from the mark to market value of the Company's interest rate derivatives included in these six months results.

The financial position of the Company remains strong with total assets of \$145 million and term debt of \$38 million.

The Directors have resolved to pay a fully imputed interim dividend of 6.0 cents per share on 12 December 2013 to all shareholders recorded on the register at 5.00pm on 2 December 2013. This compares with the previous interim dividend of 6.0 cents per share and reflects the Directors view that while a conservative interim dividend is prudent at this time, the Company is performing well.



Rob Tait
Chairman



Our Financial Statements

Statement of Comprehensive Income

	Notes	GROUP	GROUP	GROUP
		Six months to 30-Sep-13 (Unaudited) \$000	Six months to 30-Sep-12 (Unaudited) \$000	Year ended 31-Mar-13 (Audited) \$000
Trading Operations				
Operating Revenue		45,274	25,824	67,124
Operating Expenses		(40,435)	(20,905)	(62,594)
Operating Profit		4,839	4,919	4,530
Other Income				
Gain on Acquisition - Aquaheat	11	500	-	-
Other Income		43	62	155
		543	62	155
Financing Income and Expenses				
Interest Income		31	1	9
Less Finance Expenses				
Interest on Loans		(1,190)	(954)	(1,962)
Fair Value Movement of Financial Derivatives	3	1,394	(480)	11
		235	(1,433)	(1,942)
Profit before Tax		5,617	3,548	2,743
Income Tax Expense		(1,428)	(995)	(801)
Net Profit after Tax		4,189	2,553	1,942
Items of Comprehensive Income which will not be reclassified to the Profit and Loss Account:				
Revaluation of Network Distribution System (Net of Deferred Tax)		-	-	6,458
Total Comprehensive Income		4,189	2,553	8,400
Profit Attributable to:				
Equity Holders of Horizon Energy Distribution Limited		4,189	2,503	1,894
Non-Controlling Interest		-	50	48
		4,189	2,553	1,942
Total Comprehensive Income Attributable to:				
Equity Holders of Horizon Energy Distribution Limited		4,189	2,503	8,352
Non-Controlling Interest		-	50	48
		4,189	2,553	8,400

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

	GROUP	GROUP	GROUP
	30-Sep-13 cents	30-Sep-12 cents	31-Mar-13 cents
Basic and Diluted Earnings per Share (Cents per Share)	16.76	10.02	7.58

The accompanying notes form an integral part of these interim financial statements.

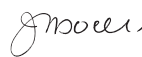
Balance Sheet

	Notes	GROUP	GROUP	GROUP
		As at 30-Sep-13 (Unaudited) \$000	As at 30-Sep-12 (Unaudited) \$000	As at 31-Mar-13 (Audited) \$000
Current Assets				
Cash and Cash Equivalents		1,671	726	707
Trade and Other Receivables		17,008	20,570	12,634
Construction Work in Progress		1,846	858	1,473
Inventories		2,005	1,760	1,825
Current Tax Assets		180	-	-
Total Current Assets		22,710	23,914	16,639
Non-Current Assets				
Restricted Bank Deposits		1,050	-	1,050
Property, Plant and Equipment		116,778	103,522	114,672
Intangible Assets		4,454	4,223	4,011
Derivative Financial Instruments		-	-	47
Total Non-Current Assets		122,282	107,745	119,780
Total Assets		144,992	131,659	136,419
Current Liabilities				
Trade and Other Payables		13,036	13,296	11,040
Current Tax Liabilities		-	611	149
Employee Benefit Accruals		1,944	1,645	1,681
Construction Revenue in Advance		3,567	2,080	2,507
Deferred Capital Contributions		18	18	18
Loan from Minority Shareholder		-	488	-
Current Portion of Bank Loans	8	7,150	-	3,850
Total Current Liabilities		25,715	18,138	19,245
Non-Current Liabilities				
Employee Benefit Accruals		174	445	144
Deferred Capital Contributions		584	602	593
Non-Current Portion of Bank Loans		31,000	32,620	31,000
Derivative Financial Instruments		582	2,468	2,025
Deferred Tax Liabilities		21,456	19,347	21,120
Total Non-Current Liabilities		53,796	55,482	54,882
Total Liabilities		79,511	73,620	74,127
Net Assets		65,481	58,039	62,292
Equity				
Share Capital		8,433	8,433	8,433
Retained Earnings		24,823	23,744	21,634
Revaluation Reserves		32,225	25,767	32,225
		65,481	57,944	62,292
Non-Controlling Interest	6	-	95	-
Total Equity		65,481	58,039	62,292
Total Equity and Liabilities		144,992	131,659	136,419



Robert Tait
Director

20 November 2013



John McDonald
Director

The accompanying notes form an integral part of these interim financial statements.

Statement of Changes in Equity

	Notes	GROUP				
		Share Capital \$000	Retained Earnings \$000	Revaluation Reserves \$000	Non - Controlling Interest \$000	Total Equity \$000
Balance as at 31 March 2012 (Audited)		8,433	23,490	25,767	45	57,735
Net Profit after Tax	6	-	2,503	-	50	2,553
Total Comprehensive Income for the Period		-	2,503	-	50	2,553
Dividends Paid		-	(2,249)	-	-	(2,249)
Balance as at 30 September 2012 (Unaudited)		8,433	23,744	25,767	95	58,039
Net Profit after Tax		-	(609)	-	(2)	(611)
Revaluation of Network Distribution System (Net of Deferred Tax)		-	-	6,458	-	6,458
Total Comprehensive Income for the Period		-	(609)	6,458	(2)	5,847
Unclaimed Dividends Now Presented		-	(1)	-	-	(1)
Dividends Paid		-	(1,500)	-	(93)	(1,593)
Balance as at 31 March 2013 (Audited)		8,433	21,634	32,225	-	62,292
Net Profit after Tax	6	-	4,189	-	-	4,189
Total Comprehensive Income for the Period		-	4,189	-	-	4,189
Dividends Paid		-	(1,000)	-	-	(1,000)
Balance as at 30 September 2013 (Unaudited)		8,433	24,823	32,225	-	65,481

The accompanying notes form an integral part of these interim financial statements.

Cash Flow Statement

	GROUP		
	Six months to 30-Sep-13 (Unaudited)	Six months to 30-Sep-12 (Unaudited)	Year ended 31-Mar-13 (Audited)
Notes	\$000	\$000	\$000
Operating Activities			
Cash Receipts from Customers	44,494	24,044	72,494
Cash Paid to Suppliers	(22,757)	(12,776)	(42,710)
Salaries and Wages Paid to Employees	(15,225)	(4,839)	(15,967)
Total Operating Receipts and Payments	6,512	6,429	13,817
Interest Received	31	1	9
Interest Paid	(1,333)	(950)	(1,820)
Cash Flow from Operating Activities before Tax	5,210	5,480	12,006
Income Tax Paid	(1,404)	(1,793)	(2,546)
Net Cash from Operating Activities	3,806	3,687	9,460
Investing Activities			
Purchases of Property, Plant & Equipment	(3,971)	(2,445)	(6,810)
Purchases of Intangible Assets	(106)	(139)	(776)
Purchase of Investments	-	-	(31)
Purchase of Aquaheat	-	(5,025)	(5,039)
Gain on Acquisition - Aquaheat	500	-	-
Purchase of Airpro	(1,592)	-	-
Restricted Bank Deposits	-	-	(1,050)
Proceeds on Disposal of Property, Plant & Equipment	27	-	155
Net Cash Used in Investing Activities	(5,142)	(7,609)	(13,551)
Financing Activities			
Dividends Paid	(1,000)	(2,249)	(3,842)
Loan from Minority Shareholder	-	4	(483)
Repayment of Term Debt	(16,900)	(8,900)	(24,490)
Term Debt Drawn Down	20,200	15,695	33,515
Net Cash Used in Financing Activities	2,300	4,550	4,700
Net Increase in Cash and Cash Equivalents	964	628	609
Cash and Cash Equivalents at the Beginning of the Period	707	98	98
Cash and Cash Equivalents at the End of the Period	1,671	726	707
Reconciliation of Net Profit to Net Cash from Operating Activities			
Profit before Tax for the Period	5,617	3,548	2,743
Adjustments for:			
Gain on Acquisition - Aquaheat	(500)	-	-
Capital Contributions Amortised	(9)	(8)	(17)
Bad Debts Provided For	-	-	2,807
Depreciation and Amortisation	2,768	2,439	5,088
Loss on Disposal of Fixed Assets	1	51	123
Loss/(Gain) on Fair Value of Interest Rate Swaps	(1,394)	480	(11)
Operating Cash Flows before Movements in Working Capital	6,483	6,510	10,733
Changes in Working Capital			
Trade and Other Receivables	(4,374)	(2,210)	(7,487)
Construction Work in Progress	(373)	(432)	(1,047)
Inventories	(180)	3	(658)
Trade and Other Payables	1,996	1,127	6,999
Trade and Other Payables Related to Fixed Assets	(113)	52	-
Warranty Provisions	-	413	-
Construction Revenue Received in Advance	1,487	-	2,507
Deferred Capital Contributions	(9)	(9)	(17)
Provision for Employee Costs	293	26	976
Net Changes in Working Capital	(1,273)	(1,030)	1,273
Cash Flow from Operating Activities before Tax	5,210	5,480	12,006

The accompanying notes form an integral part of these interim financial statements.

Notes to the Financial Statements

1. GENERAL INFORMATION

Reporting Entity

The principal activities of Horizon Energy Distribution Limited (the Company) are the development, ownership and operation of electricity distribution, the provision of electrical contracting activities and the provision of heating ventilation and air conditioning activities. The Group consists of the Company and its subsidiaries Horizon Services Limited and Aquaheat New Zealand Limited. The consolidated Group is designated as a profit-oriented entity for financial reporting purposes. All operations take place within New Zealand.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 52 Commerce Street, Whakatane.

The Company is listed on the New Zealand Stock Exchange.

These interim financial statements relate to the six months ended 30 September 2013 and were approved for issue by the Board of Directors on 20 November 2013.

2. ACCOUNTING POLICIES

Horizon Energy Distribution Limited is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

These unaudited interim financial statements have been prepared in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting as well as International Accounting Standard 34 Interim Financial Reporting and should be read in conjunction with the financial statements and related notes included in the Group's Annual Report for the year ended 31 March 2013. Except as described below, the accounting policies and methods of computation are consistent with those used in the most recent Annual Report which can be obtained from either the registered office of the Company or www.horizonenergy.net.nz.

Standards, amendments and interpretations to existing standards that were adopted by the Group from 1 April 2013.

NZ IAS 1 Amendments Presentation of Items of Other Comprehensive Income

The amendments require entities to separate items presented in other comprehensive income into two groups based on whether they may be reclassified to profit or loss in the future. This will not affect the measurement of any of the items recognised in the Balance Sheet or the profit or loss in the current period. The amendments have been applied from 1 April 2013.

NZ IFRS 13 Fair Value Measurement

NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group obtains external valuations in respect of all assets and liabilities held at fair value and has used these valuations, which are based on observable market data, as the basis for accounting for items at fair value under NZ IFRS 13. The new standard has been applied from 1 April 2013.

3. FINANCIAL INSTRUMENTS

The Group uses interest rate swaps to manage interest rate risk on its term bank loans. Under New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") the Company is required to flow gains and losses on interest rate swaps through the profit component of the Statement of Comprehensive Income. These gains and losses are non-cash and are a by-product of the Company's Treasury Risk Management Policy. The Board of Directors review the Treasury Risk Management Policy at least annually and monitor compliance on a monthly basis. The Directors believe the policy reflects prudent risk management.

Notes to the Financial Statements

4. OPERATING SEGMENTS

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

Operating Segments

The Group comprises of the following main operating segments:

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

The chief operating decision maker assesses the performance of the operating segments based on operating profit/(loss) after tax. Intersegment pricing is determined on an arms length basis.

	Electricity Distribution	HVAC Construction	Electrical Contracting	Elimination	Group
Notes	\$000	\$000	\$000	\$000	\$000
Six months ended 30 September 2013					
Revenue					
External Revenue	15,558	25,097	4,619	-	45,274
Internal Revenue	-	-	5,120	(5,120)	-
Total Segment Revenue	15,558	25,097	9,739	(5,120)	45,274
Depreciation	(2,140)	(196)	(269)	-	(2,605)
Amortisation	(159)	(2)	(1)	-	(162)
Gain on Acquisition - Aquaheat	-	(500)	-	-	(500)
Fair Value Movement of Financial Derivatives	1,394	-	-	-	1,394
Net Finance Costs	(1,184)	(5)	(1)	-	(1,190)
Income Tax Expense	(1,290)	4	(252)	110	(1,428)
Operating Profit/(Loss) after Income Tax	3,294	489	696	(290)	4,189
Assets and Liabilities					
Segment Assets	132,011	17,494	8,687	(13,200)	144,992
Total Assets	132,011	17,494	8,687	(13,200)	144,992
Segment Liabilities	65,837	15,762	5,822	(7,910)	79,511
Total Liabilities	65,837	15,762	5,822	(7,910)	79,511
Capital Additions	4,535	105	139	(402)	4,377
Goodwill Additions	11	497	-	-	497

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

Notes to the Financial Statements

4. OPERATING SEGMENTS continued...

	Electricity Distribution	HVAC Construction	Electrical Contracting	Elimination	Group
	\$000	\$000	\$000	\$000	\$000
Six months ended 30 September 2012					
Revenue					
External Revenue	15,941	5,556	4,327	-	25,824
Internal Revenue	-	-	3,705	(3,705)	-
Total Segment Revenue	15,941	5,556	8,032	(3,705)	25,824
Depreciation	(2,075)	(31)	(275)	-	(2,381)
Amortisation	(55)	(2)	(1)	-	(58)
Fair Value Movement of Financial Derivatives	(480)	-	-	-	(480)
Net Finance Costs	(947)	(1)	(6)	-	(954)
Income Tax Expense	(1,094)	71	(94)	122	(995)
Operating Profit/(Loss) after Income Tax	2,805	(184)	244	(312)	2,553
Assets and Liabilities					
Segment Assets	116,528	12,264	9,226	(6,359)	131,659
Total Assets	116,528	12,264	9,226	(6,359)	131,659
Segment Liabilities	58,963	12,447	7,398	(5,188)	73,620
Total Liabilities	58,963	12,447	7,398	(5,188)	73,620
Capital Additions	2,833	7	337	(434)	2,743
Goodwill Additions	-	659	-	-	659
Year ended 31 March 2013					
Revenue					
External Revenue	31,138	27,316	8,670	-	67,124
Internal Revenue	-	-	8,958	(8,958)	-
Total Segment Revenue	31,138	27,316	17,628	(8,958)	67,124
Depreciation	4,194	200	555	(48)	4,901
Amortisation	182	5	-	-	187
Fair Value Movement of Financial Derivatives	(11)	-	-	-	(11)
Net Finance Costs	1,950	2	10	-	1,962
Income Tax Expense	1,978	(1,345)	324	(156)	801
Operating Profit/(Loss) after Income Tax	5,477	(3,763)	811	(583)	1,942
Assets and Liabilities					
Segment Assets	128,426	13,967	8,836	(14,810)	136,419
Total Assets	128,426	13,967	8,836	(14,810)	136,419
Segment Liabilities	64,552	12,729	6,663	(9,817)	74,127
Total Liabilities	64,552	12,729	6,663	(9,817)	74,127
Capital Additions	7,102	2,517	686	(663)	9,642
Revaluation of Network Distribution System	7,127	-	-	1,829	8,956

Notes to the Financial Statements

5. DIVIDENDS (CENTS PER SHARE)

Amounts recognised as distributions to Equity Holders in the period:

	GROUP	GROUP
	30-Sep-13	30-Sep-12
	Cents	Cents
Dividend for the Period	4.0	9.0

The final dividend for the year ended 31 March 2013 of 4.0 cents per share was paid in June 2013. All dividends had full imputation credits attached.

6. NON-CONTROLLING INTEREST

On 1 April 2011 the Company purchased 60% of shares in Stewart Browne Group Limited. During the year to 31 March 2013, Horizon Energy Distribution Limited acquired a further 400 shares in Stewart Browne Group Limited and now holds 100% of shares in the Company. The non-controlling interest in Stewart Browne Group Limited was recognised within Equity as follows:

	GROUP	GROUP	GROUP
	30-Sep-13	30-Sep-12	31-Mar-13
	\$000	\$000	\$000
Balance at Beginning of Period	-	45	95
Share of Net Profit after Tax	-	50	(2)
Dividend for the Period	-	-	(93)
Balance at End of Period	-	95	-

7. CONTINGENT LIABILITIES

The Company is in discussion with the Commerce Commission to resolve the matter of the breach of the 2012 Default Price-Quality Path under Section 87(1)(a) of the Commerce Act 1986. The likely financial outcome (if any) cannot be determined with any certainty at this time.

There are no other significant contingent liabilities known by the Group at 30 September 2013 (September 2012: Nil; March 2013: Nil).

Notes to the Financial Statements

8. EVENTS SUBSEQUENT TO REPORTING DATE

a) Dividend Declaration

On 20 November 2013 the Directors declared an interim dividend of 6.0 cents for the 2014 year (2013: 6.0 cents) per ordinary share. As this event occurred after the reporting period the financial effect has not been recognised in the financial statements.

b) Debt Facility Extension

The Company has negotiated an extension of the bank debt facility. The \$19 million tranche due to expire on 23 November 2013 has been replaced with two new tranches of five and seven year terms respectively.

9. RELATED PARTY TRANSACTIONS

a) Transactions with Horizon Services Limited (formerly Horizon Energy Investments Limited)

On 30 July 2013 Horizon Energy Investments Limited changed its name to Horizon Services Limited. Horizon Services Limited is a 100% owned subsidiary of Horizon Energy Distribution Limited the Parent Company. Horizon Services Limited is a New Zealand registered company. On 30 September 2013 Stewart Browne Group Limited was amalgamated with Horizon Services Limited. Horizon Services Limited will continue to trade under the trade names of Stewart Browne Electrical and Horizon Services.

Horizon Services Limited provides distribution network capital and maintenance services to the Parent Company. These services are purchased by the Parent on an arms length basis at commercial terms and conditions that are available to third parties. The value and effect of intercompany transactions are shown in Note 4 Operating Segments as eliminations.

b) Transactions with Eastern Bay Energy Trust

The Eastern Bay Energy Trust, which owns 77.29% of the Company's shares, makes contributions to certain capital projects for conversion of overhead lines to underground cables undertaken by the Company.

	GROUP	GROUP	GROUP
	30-Sep-13	30-Sep-12	31-Mar-13
	\$000	\$000	\$000
Contributions Received towards Undergrounding Works	-	-	20
Goods and Services Supplied by Horizon Energy	-	-	2
Contributions towards Staff Training	-	-	31
Eastern Bay Energy Trust	-	-	53

c) Transactions with Padova Properties Limited

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

Gross Rental Paid	217	-	252
Sales from Aquaheat New Zealand Limited to Padova Properties	1	-	18

Notes to the Financial Statements

10. COMMITMENTS

Capital commitments contracted at the reporting date but not yet incurred are:

	GROUP 30-Sep-13 \$000	GROUP 30-Sep-12 \$000	GROUP 31-Mar-13 \$000
Capital commitments contracted to external parties	283	211	5
Capital commitments contracted to subsidiaries	1,268	2,998	935

Operating Lease Commitments

The Group is party to a number of operating leases. The leasing arrangements are for office, warehouse and depot space, motor vehicles and office equipment.

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

	GROUP 30-Sep-13 \$000	GROUP 30-Sep-12 \$000	GROUP 31-Mar-13 \$000
Within one year	854	985	866
Within one to five years	595	1,119	1,017
Over five years	-	-	-

Notes to the Financial Statements

11. BUSINESS COMBINATIONS

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

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

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

Details of Net Assets and Goodwill Acquired

The Company has determined the fair values of the net assets and discount on acquisition, and the amounts outlined below are final at 30 September 2013 and show no change since the 31 March 2013 disclosed values.

	Final GROUP 30-Sep-13 \$000	Provisional GROUP 30-Sep-12 \$000	GROUP 31-Mar-13 \$000
Consideration on Acquisition	5,039	5,025	5,039
Fair Value Adjustment	\$000	Acquiree's Carrying Amount	Fair Value Adjustment
		\$000	\$000
Consisting of:			
Cash and Cash Equivalents	2	2	2
Receivables and Prepayments	12,666	12,665	12,666
Inventories	302	302	302
Work In Progress	(1,993)	(1,852)	(1,993)
Plant and Equipment	1,542	1,362	1,542
Motor Vehicles	719	279	719
Deferred Tax Asset	237	-	237
Total Assets Acquired	13,475	12,758	13,475
Trade and Other Payables	(6,750)	(6,771)	(6,750)
Employee Liabilities	(1,280)	(1,215)	(1,280)
Warranty Provisions	(406)	(406)	(406)
Total Liabilities Acquired	(8,436)	(8,392)	(8,436)
Fair Value of Net Assets Acquired	5,039	4,366	5,039
Goodwill on Acquisition	-	659	-
Total Purchase Consideration	5,039	5,025	5,039

The values assigned to Receivables are the Net Receivables at acquisition.

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

The Sale and Purchase Agreement with the Hastie Group allowed for the return of up to \$500,000 of the purchase price in the event that debtor balances as at 1 September 2012 had not been fully received during the 12 months after settlement. On 10 September 2013, Horizon Energy received \$513,415 being \$500,000 in recognition of unrecipited debtors plus net interest of \$13,415 from the escrow account in which the monies were held. In accordance with applicable accounting standards, a gain of \$500,000 has been recognised in the Statement of Comprehensive Income.

Other costs of \$510,010 associated with the acquisition were expensed during the year to 31 March 2013 and were recorded in Operating Expenses in the Statement of Comprehensive Income.

Notes to the Financial Statements

11. BUSINESS COMBINATIONS *continued...***Consolidation Treatment**

100% of the income, assets and liabilities have been consolidated within the Group results from 1 September 2012. Aquaheat New Zealand Limited amounts included in the Consolidated Statement of Comprehensive Income include:

	GROUP 30-Sep-13 \$000	GROUP 30-Sep-12 \$000	GROUP 31-Mar-13 \$000
Revenue	25,639	5,556	27,316
Net Loss after tax	11	184	3,763

It was impractical for the Group to obtain reliable revenue and profit/(loss) figures for the purchased Aquaheat Industries and Hastie New Zealand businesses prior to acquisition, therefore the disclosure as at 30 September 2012 as if the acquisition occurred from 1 April 2012 has not been made.

b) Acquisition of Airpro Services Limited and Clean Air Management (2005) Limited

On 13 August 2013, Horizon Energy Distribution Limited (through its subsidiary Aquaheat New Zealand Limited) acquired the business assets and certain liabilities of Airpro Services Limited, Airpro Mechanical Limited and Clean Air Management (2005) Limited.

The investment is consistent with Horizon Energy's strategy to develop its non-regulated revenue streams. The new businesses have a strong presence in the Auckland markets servicing heating, ventilation and air conditioning systems. The addition of the Airpro and Clean Air Management businesses to the Horizon Energy Group will enhance the contracting business enabling the Group to service the total needs of its customers and increase its involvement in large construction opportunities arising within the greater Auckland area.

Notes to the Financial Statements

11. BUSINESS COMBINATIONS *continued...***Details of Net Assets and Goodwill Acquired**

The Company is currently determining the fair values of the net assets and goodwill acquired and therefore the amounts outlined below as at 30 September 2013 are provisional. In particular, the resolution of the following matters may materially affect the provisional values assessed by the Company:

- The consideration paid is subject to adjustment due to changes in working capital items up to the date of acquisition. The Company is working with the Vendor to finalise the consideration amount in accordance with the terms of the Sale and Purchase Agreement.
- The Company is assessing what identifiable intangible assets were acquired and determining their fair value.
- The values assigned to Inventory, Plant and Equipment and Motor Vehicles are the revalued amounts as determined by the independent valuation undertaken by North Langley & Associates Limited, effective 26 September 2013.
- Deferred tax may be recognised arising from the resolution of the matters above.

	GROUP 30-Sep-13 \$000
Consideration on Acquisition	1,592
	Fair Value Adjustment \$000
Consisting of:	
Receivables	738
Inventories	55
Construction Work in Progress	143
Plant and Equipment	340
Total Assets Acquired	1,276
Employee Liabilities	(91)
General Business Insurance	(5)
Warranty Provisions	(85)
Total Liabilities Acquired	(181)
Fair Value of Net Assets Acquired	1,095
Goodwill on Acquisition	497
Total Purchase Consideration	1,592

The trading results for this business since acquisition have been reported within the HVAC operating segment.

It was impractical for the Group to obtain reliable revenue and profit/(loss) figures for Airpro prior to acquisition, therefore the disclosure as if the acquisition occurred from 1 April 2013 has not been made.

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

Company Directory

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

Chief Executive

Ajay Anand

Bankers

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37 Oxford Street, Tawa, Wellington 5028

Westpac

157 Lambton Quay, Wellington 6011

ANZ

53 Spring Street, Tauranga 3110

Solicitors

Bell Gully

48 Shortland Street, Auckland 1010

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PricewaterhouseCoopers

188 Quay Street, Auckland 1010

Deloitte

10 Brandon Street, Wellington 6140

Share Registry

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Managing Your Shareholding Online

To change your address, update your payment instructions and to view your investment portfolio including transactions, please visit:

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

