



# Interim Report 2014





# Chairman's Report

## A word from the top

The Directors of Horizon Energy Distribution Limited ('Horizon Energy') report an unaudited net profit after tax for the six months ended 30 September 2014 of \$1.8 million. Although this result is significantly lower than the net profit after tax of \$4.2 million for the six months to 30 September 2013, the prior period result included one off receipts relating to gains in interest rate hedging of \$1.0 million and a \$0.5 million gain relating to the Aquaheat acquisition.

The current six months results have been impacted by the following factors:

- A decline in the after tax profit excluding interest rate hedging of the regulated electricity distribution business to \$1.6 million from \$2.3 million in 2013 due principally to the \$0.5 million claw-back resulting from the Commerce Commission's 2012 default price-quality path decision plus higher depreciation expenses;
- Legal costs of \$0.4 million post tax relating to a working capital issues dispute arising from the 2012 acquisition of the Aquaheat business; and
- Accounting for non-cash losses of \$0.3 million (post tax) in the mark to market value of the Company's interest rate derivative portfolio as at 30 September 2014. This compares to a gain of \$1.0 million (post tax) reported for the same period last year.



Rob Tait  
Chairman

## \$1.8 million

Unaudited net profit after tax for the six months ended 30 September 2014

Operationally the regulated electricity distribution business continues to perform well and will deliver the year's capital and maintenance spend and remains within the quality thresholds set by the Commerce Commission. The Commerce Commission has recently published the final cost of capital determination for the default price-quality path as being 7.19% at the 67th percentile. This is a reduction on the 8.77% WACC at the 75th percentile that was previously applied within the default price-quality path. This change going forward will continue to adversely impact the profitability of the electricity distribution business. The Commerce Commission will be releasing its final decisions in November 2014 relating to the 2015-2020 default price-quality path, following which the Board will review its approach to ongoing investment in the network.

## ESP Technologies

In July 2014, we acquired the business assets of Energy Systems Professionals NZ Limited

The non-regulated businesses have contributed a positive return for the six month period.

The Auckland and Wellington operations of Aquaheat are performing well and are well placed to deliver the year end forecast. The Christchurch operation has had a difficult six months of trading which has been impacted by the competitive environment and the delays in larger projects being tendered. There has of late been an increase in tendering activity which should see the business secure forward work that will contribute to the Group's earnings going forward. The service businesses are performing very well and are well positioned to deliver a sound result for the year.

Our Tauranga based business, Stewart Browne Electrical, operates in a market that has become increasingly competitive. This business is entering a new phase of growth and development and has recently been enhanced with the appointment of a new Operations Manager.

## \$150.1 million

Total assets of the Company

In July 2014, we acquired the business assets of Energy Systems Professionals NZ Limited trading as ESP Technologies. This business significantly increases the capacity and capability of our external business unit within the Eastern Bay of Plenty and brings with it a diverse range of services that covers electrical, mechanical, plumbing and refrigeration disciplines.

Continuing uncertainty and instability imposed by ongoing intrusive regulatory change in our core electricity distribution business profitability reinforces the strategy of pursuing diversification into non-regulated businesses.

Health and safety of employees, contractors and the public continues to be of paramount importance. We are ensuring that 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. During the year the Company has successfully commissioned a new Group wide safety system that is designed to provide a proactive platform for managing all safety matters.

The 2014-15 full year after tax result is forecast to be around \$4.3 million. This year end forecast is \$2.9 million below the March 2014 result which included a total of \$2.2 million in receipts that will not be repeated in the current year. Improved gains from a full twelve months trading of the service division of Aquaheat and nine months of trading from ESP Technologies will partially offset the reduced returns from the electricity distribution business.

The financial position of the Group remains strong with total assets of \$150.1 million and term debt of \$40.5 million.

The Directors have resolved to pay a fully imputed interim dividend of 6.0 cents per share on 12 December 2014 to all shareholders recorded on the register at 5.00pm on 4 December 2014. This is on par with the previous interim dividend of 6.0 cents per share and reflects the Directors' view that a conservative interim dividend is prudent at this time.



Rob Tait

Chairman

# Our Financial Statements

For the six months ended 30 September 2014

HORIZON ENERGY DISTRIBUTION LIMITED

## Statement of Comprehensive Income

	Note	GROUP	GROUP	GROUP
		Six months to 30-Sep-14 (Unaudited) \$000	Six months to 30-Sep-13 (Unaudited) \$000	Year ended 31-Mar-14 (Audited) \$000
<b>Trading Operations</b>				
Operating Revenue		57,447	45,274	104,388
Operating Expenses		(53,432)	(40,435)	(94,964)
<b>Operating Profit</b>		<b>4,015</b>	<b>4,839</b>	<b>9,424</b>
<b>Other Income</b>				
Gain on Acquisition - Aquaheat		-	500	447
Other Income		208	43	424
		<b>208</b>	<b>543</b>	<b>871</b>
<b>Financing Income and Expenses</b>				
Interest Income		2	31	68
Less Finance Expenses				
Interest Expense		(1,226)	(1,190)	(2,279)
Fair Value Movement of Financial Derivatives	3	(348)	1,394	1,784
		<b>(1,572)</b>	<b>235</b>	<b>(427)</b>
<b>Profit before Tax</b>		<b>2,651</b>	<b>5,617</b>	<b>9,868</b>
Income Tax Expense		(876)	(1,428)	(2,699)
<b>Net Profit after Tax</b>		<b>1,775</b>	<b>4,189</b>	<b>7,169</b>
<b>Total Comprehensive Income for the Period</b>		<b>1,775</b>	<b>4,189</b>	<b>7,169</b>
<b>Profit Attributable to:</b>				
Equity Holders of Horizon Energy Distribution Limited		1,775	4,189	7,169
		<b>1,775</b>	<b>4,189</b>	<b>7,169</b>
<b>Total Comprehensive Income Attributable to:</b>				
Equity Holders of Horizon Energy Distribution Limited		1,775	4,189	7,169
		<b>1,775</b>	<b>4,189</b>	<b>7,169</b>

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

	GROUP	GROUP	GROUP
	30-Sep-14 cents	30-Sep-13 cents	31-Mar-14 cents
<b>Basic and Diluted Earnings per Share (Cents per Share)</b>	<b>7.10</b>	<b>16.76</b>	<b>28.69</b>

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

## Statement of Financial Position

	GROUP	GROUP	GROUP
	As at 30-Sep-14 (Unaudited) \$000	As at 30-Sep-13 (Unaudited) \$000	As at 31-Mar-14 (Audited) \$000
<b>Current Assets</b>			
Cash and Cash Equivalents	295	1,671	712
Trade and Other Receivables	18,176	16,922	17,589
Construction Work in Progress	1,531	1,846	2,614
Inventories	2,463	2,005	2,103
Derivative Financial Instruments	1	-	1
Current Tax Assets	846	180	195
<b>Total Current Assets</b>	<b>23,312</b>	<b>22,624</b>	<b>23,214</b>
<b>Non-Current Assets</b>			
Restricted Bank Deposits	-	1,050	-
Property, Plant and Equipment	121,146	116,778	118,997
Intangible Assets	5,168	4,454	4,869
Derivative Financial Instruments	383	-	676
Other Receivables	81	86	83
<b>Total Non-Current Assets</b>	<b>126,778</b>	<b>122,368</b>	<b>124,625</b>
<b>Total Assets</b>	<b>150,090</b>	<b>144,992</b>	<b>147,839</b>
<b>Current Liabilities</b>			
Trade and Other Payables	12,576	12,612	14,132
Employee Benefit Accruals	2,293	1,944	2,049
Provisions	691	424	657
Construction Revenue in Advance	3,532	3,567	4,641
Deferred Capital Contributions	18	18	18
Current Portion of Bank Loans	-	7,150	-
Derivative Financial Instruments	6	-	62
<b>Total Current Liabilities</b>	<b>19,116</b>	<b>25,715</b>	<b>21,559</b>
<b>Non-Current Liabilities</b>			
Employee Benefit Accruals	121	174	124
Provisions	-	-	380
Deferred Capital Contributions	566	584	576
Non-Current Portion of Bank Loans	40,530	31,000	35,115
Derivative Financial Instruments	903	582	809
Deferred Tax Liabilities	22,367	21,456	22,315
<b>Total Non-Current Liabilities</b>	<b>64,487</b>	<b>53,796</b>	<b>59,319</b>
<b>Total Liabilities</b>	<b>83,603</b>	<b>79,511</b>	<b>80,878</b>
<b>Net Assets</b>	<b>66,487</b>	<b>65,481</b>	<b>66,961</b>
<b>Equity</b>			
Share Capital	8,433	8,433	8,433
Retained Earnings	25,829	24,823	26,303
Revaluation Reserves	32,225	32,225	32,225
<b>Total Equity</b>	<b>66,487</b>	<b>65,481</b>	<b>66,961</b>
<b>Total Equity and Liabilities</b>	<b>150,090</b>	<b>144,992</b>	<b>147,839</b>

 Robert Tait  
Director

 John McDonald  
Director

20 November 2014

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

## Statement of Changes in Equity

	GROUP			
	Share Capital \$000	Retained Earnings \$000	Revaluation Reserves \$000	Total Equity \$000
<b>Balance as at 31 March 2013 (Audited)</b>	<b>8,433</b>	<b>21,634</b>	<b>32,225</b>	<b>62,292</b>
Net Profit after Tax	-	4,189	-	4,189
<b>Total Comprehensive Income for the Period</b>	<b>-</b>	<b>4,189</b>	<b>-</b>	<b>4,189</b>
Dividends Paid	-	(1,000)	-	(1,000)
<b>Balance as at 30 September 2013 (Unaudited)</b>	<b>8,433</b>	<b>24,823</b>	<b>32,225</b>	<b>65,481</b>
Net Profit after Tax	-	2,980	-	2,980
<b>Total Comprehensive Income for the Period</b>	<b>-</b>	<b>2,980</b>	<b>-</b>	<b>2,980</b>
Unclaimed Dividends Now Presented	-	(1)	-	(1)
Dividends Paid	-	(1,499)	-	(1,499)
<b>Balance as at 31 March 2014 (Audited)</b>	<b>8,433</b>	<b>26,303</b>	<b>32,225</b>	<b>66,961</b>
Net Profit after Tax	-	1,775	-	1,775
<b>Total Comprehensive Income for the Period</b>	<b>-</b>	<b>1,775</b>	<b>-</b>	<b>1,775</b>
Dividends Paid	-	(2,249)	-	(2,249)
<b>Balance as at 30 September 2014 (Unaudited)</b>	<b>8,433</b>	<b>25,829</b>	<b>32,225</b>	<b>66,487</b>

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

## Cash Flow Statement

Note	GROUP	GROUP	GROUP
	Six months to 30-Sep-14 (Unaudited) \$000	Six months to 30-Sep-13 (Unaudited) \$000	Year ended 31-Mar-14 (Audited) \$000
<b>Operating Activities</b>			
Cash Receipts from Customers	56,670	44,494	102,776
Cash Paid to Suppliers	(38,329)	(22,757)	(62,201)
Salaries and Wages Paid to Employees	(13,534)	(15,225)	(24,120)
<b>Total Operating Receipts and Payments</b>	<b>4,807</b>	<b>6,512</b>	<b>16,455</b>
Interest Received	2	31	49
Interest Paid	(1,301)	(1,333)	(2,550)
<b>Cash Flow from Operating Activities before Tax</b>	<b>3,508</b>	<b>5,210</b>	<b>13,954</b>
Income Tax Paid	(1,479)	(1,404)	(1,869)
<b>Net Cash Generated from Operating Activities</b>	<b>2,029</b>	<b>3,806</b>	<b>12,085</b>
<b>Investing Activities</b>			
Purchases of Property, Plant and Equipment	(4,516)	(3,971)	(9,232)
Purchases of Intangible Assets	(172)	(106)	(621)
Business Combinations - Acquisitions	9 (927)	(1,592)	(1,592)
Business Combinations - Escrow Refund	-	500	500
Restricted Bank Deposits	-	-	1,050
Proceeds on Disposal of Property, Plant & Equipment	3	27	49
<b>Net Cash Used in Investing Activities</b>	<b>(5,612)</b>	<b>(5,142)</b>	<b>(9,846)</b>
<b>Financing Activities</b>			
Dividends Paid	(2,249)	(1,000)	(2,499)
Draw Down of Term Debt	23,964	20,200	43,969
Repayment of Term Debt	(18,549)	(16,900)	(43,704)
<b>Net Cash (Used in)/Generated from Financing Activities</b>	<b>3,166</b>	<b>2,300</b>	<b>(2,234)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(417)</b>	<b>964</b>	<b>5</b>
Cash and Cash Equivalents at the Beginning of the Period	712	707	707
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>295</b>	<b>1,671</b>	<b>712</b>
<b>Reconciliation of Net Profit to Net Cash from Operating Activities</b>			
<b>Profit before Tax for the Period</b>	<b>2,651</b>	<b>5,617</b>	<b>9,868</b>
Adjustments for:			
Capital Contributions Amortised	(9)	(9)	(18)
Bad Debts Provided For	1	-	24
Depreciation and Amortisation	2,929	2,768	5,597
Loss on Disposal of Fixed Assets	7	1	82
Loss/(Gain) on Fair Value Movement of Financial Derivatives	348	(1,394)	(1,784)
Items Reclassified as Investing Activities	(68)	(1,368)	(649)
Increase/(Decrease) in Employee Benefit Accruals - Non-Current	(3)	30	(20)
Increase/(Decrease) in Provisions - Non-Current to Current	(380)	-	380
<b>Operating Cash Flows before Movements in Working Capital</b>	<b>5,476</b>	<b>5,645</b>	<b>13,480</b>
<b>Changes in Working Capital</b>			
(Increase)/Decrease in Construction Work in Progress	1,083	(373)	(1,141)
Increase/(Decrease) in Trade and Other Payables	(1,556)	1,996	3,489
Increase in Trade and Other Receivables	(587)	(4,374)	(5,043)
Increase in Provisions	34	-	260
Increase/(Decrease) in Construction Revenue Received in Advance	(1,109)	1,487	2,134
Increase in Inventories	(360)	(180)	(278)
Deferred Capital Contributions	-	(9)	-
Increase in Employee Benefit Accruals	244	263	368
Airpro and Clean Air Management Acquisition Working Capital	-	755	685
ESP Technologies Acquisition Working Capital	9 283	-	-
<b>Net Changes in Working Capital</b>	<b>(1,968)</b>	<b>(435)</b>	<b>474</b>
<b>Cash Flow from Operating Activities before Tax</b>	<b>3,508</b>	<b>5,210</b>	<b>13,954</b>

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 ('Horizon Energy' or 'the Company') 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 consists of the Company and its subsidiaries Horizon Services Limited and Aquaheat New Zealand Limited. The Company and Group are 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 are for the six months ended 30 September 2014 and were authorised for issue by the Directors on 20 November 2014.

## 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. These Financial Statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 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 2014. 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](http://www.horizonenergy.net.nz).

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

## 3. FINANCIAL INSTRUMENTS

The Group uses interest rate swaps to manage interest rate risk on its term bank loans. Derivative financial instruments are initially measured at fair value on the contract date, and revalued to fair value at subsequent reporting dates. The Company has elected not to designate its derivative financial instruments for hedge accounting. Therefore, they are classified as financial instruments at fair value through profit or loss with changes in the fair value recognised in 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 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.

## 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 and Servicing

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

	Electricity Distribution	HVAC Construction & Servicing	Electrical Contracting & Servicing	Elimination	Group
	\$000	\$000	\$000	\$000	\$000
<b>Six months ended 30 September 2014</b>					
<b>Revenue</b>					
External Revenue	16,459	35,327	5,661	-	57,447
Internal Revenue	-	-	4,642	(4,642)	-
<b>Total Segment Revenue</b>	<b>16,459</b>	<b>35,327</b>	<b>10,303</b>	<b>(4,642)</b>	<b>57,447</b>
<b>Operating Profit after Income Tax</b>	<b>1,343</b>	<b>286</b>	<b>119</b>	<b>27</b>	<b>1,775</b>
<b>Assets and Liabilities</b>					
Segment Assets	133,904	15,032	9,876	(8,722)	150,090
<b>Total Assets</b>	<b>133,904</b>	<b>15,032</b>	<b>9,876</b>	<b>(8,722)</b>	<b>150,090</b>
Segment Liabilities	67,528	12,913	6,555	(3,393)	83,603
<b>Total Liabilities</b>	<b>67,528</b>	<b>12,913</b>	<b>6,555</b>	<b>(3,393)</b>	<b>83,603</b>

Within the Electrical Contracting and Servicing segment for the six months ended 30 September 2014 margins are not charged on related party services. In the comparative periods these margins were included, however they were eliminated at the consolidated Group level.

One customer in the Electricity Distribution segment (Nova Energy) comprised 15.6% of the Group's revenue in 2014 (2013: 26.4%).

## 4. OPERATING SEGMENTS continued...

	Electricity Distribution	HVAC Construction & Servicing	Electrical Contracting & Servicing	Elimination	Group
	\$000	\$000	\$000	\$000	\$000
<b>Six months ended 30 September 2013</b>					
<b>Revenue</b>					
External Revenue	15,558	25,097	4,619	-	45,274
Internal Revenue	-	-	5,120	(5,120)	-
<b>Total Segment Revenue</b>	<b>15,558</b>	<b>25,097</b>	<b>9,739</b>	<b>(5,120)</b>	<b>45,274</b>
<b>Operating Profit after Income Tax</b>	<b>3,294</b>	<b>489</b>	<b>696</b>	<b>(290)</b>	<b>4,189</b>
<b>Assets and Liabilities</b>					
Segment Assets	132,011	17,494	8,687	(13,200)	144,992
<b>Total Assets</b>	<b>132,011</b>	<b>17,494</b>	<b>8,687</b>	<b>(13,200)</b>	<b>144,992</b>
Segment Liabilities	65,837	15,762	5,822	(7,910)	79,511
<b>Total Liabilities</b>	<b>65,837</b>	<b>15,762</b>	<b>5,822</b>	<b>(7,910)</b>	<b>79,511</b>
<b>Year ended 31 March 2014</b>					
<b>Revenue</b>					
External Revenue	30,220	65,164	9,004	-	104,388
Internal Revenue	-	-	10,811	(10,811)	-
<b>Total Segment Revenue</b>	<b>30,220</b>	<b>65,164</b>	<b>19,815</b>	<b>(10,811)</b>	<b>104,388</b>
<b>Operating Profit after Income Tax</b>	<b>5,911</b>	<b>597</b>	<b>1,027</b>	<b>(366)</b>	<b>7,169</b>
<b>Assets and Liabilities</b>					
Segment Assets	130,881	17,311	9,496	(9,849)	147,839
<b>Total Assets</b>	<b>130,881</b>	<b>17,311</b>	<b>9,496</b>	<b>(9,849)</b>	<b>147,839</b>
Segment Liabilities	63,596	15,476	6,295	(4,489)	80,878
<b>Total Liabilities</b>	<b>63,596</b>	<b>15,476</b>	<b>6,295</b>	<b>(4,489)</b>	<b>80,878</b>



## 5. DIVIDENDS (CENTS PER SHARE)

Amounts recognised as distributions to Equity Holders in the period:

	GROUP 30-Sep-14	GROUP 30-Sep-13
	Cents	Cents
Dividend for the Period	9.0	4.0

The final dividend for the year ended 31 March 2014 of 9.0 cents per share was paid in June 2014. All dividends have full imputation credits attached.

## 6. 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.

### Breach of the 2012 Regulatory Default Price Path

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 has 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 \$727,934. 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 \$180,000 has been provided for in the six months ended 30 September 2014.

### Unclaimed Dividends

As provided for under clause 27.8 of the Company's constitution, unclaimed dividends now total \$126,227 (2013: \$110,466). 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 30 September 2014 the total value of performance bonds issued is \$1.0 million (2013: \$1.0 million) and the total value of Parent Company Guarantees is \$12.2 million (2013: \$12.2 million).

## 7. COMMITMENTS

Capital expenditure contracted for at 30 September 2014 but not yet incurred is:

	GROUP 30-Sep-14	GROUP 30-Sep-13	GROUP 31-Mar-14
	\$000	\$000	\$000
Non-Network Assets	201	283	112
Network Distribution Assets	221	1,268	398
	<b>422</b>	<b>1,551</b>	<b>510</b>

### Operating Lease Commitments

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

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

	GROUP 30-Sep-14	GROUP 30-Sep-13	GROUP 31-Mar-14
	\$000	\$000	\$000
Within one year	999	854	987
Within one to five years	2,028	595	2,063
	<b>3,027</b>	<b>1,449</b>	<b>3,050</b>

## 8. RELATED PARTY TRANSACTIONS

### Transactions with Padova Properties Limited

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

	GROUP 30-Sep-14 \$000	GROUP 30-Sep-13 \$000	GROUP 31-Mar-14 \$000
Gross Rental Paid	210	217	419
Sales from Aquaheat New Zealand Limited to Padova Properties Limited	9	1	2

### Transactions with Eastern Bay Energy Trust (EBET)

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 30-Sep-14 \$000	GROUP 30-Sep-13 \$000	GROUP 31-Mar-14 \$000
Contributions Received towards Undergrounding Works	-	-	36
Contributions Received towards Staff Training	-	-	9
Services Supplied by Horizon Energy to EBET	4	-	9
	<b>4</b>	<b>-</b>	<b>54</b>

## 9. BUSINESS COMBINATIONS

### Acquisition 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 trades under the name ESP Technologies and complements the existing electrical services business providing farming, electrical, HVAC and plumbing solutions.

### 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 as at 30 September 2014 are provisional. In particular, the resolution of the following matters may 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 values assigned to Motor Vehicles are the revalued amounts as determined by reference to market data.

Deferred tax may be recognised arising from the resolution of the matters above.

9. BUSINESS COMBINATIONS *continued...*

	GROUP
	Provisional 30-Sep-14 \$000
<b>Consideration on Acquisition</b>	927
	Fair Value 30-Sep-14 \$000
<b>Consisting of:</b>	
Receivables	479
Inventories	182
Construction Work in Progress	34
Plant and Equipment	79
Motor Vehicles	243
<b>Total Assets Acquired</b>	<b>1,017</b>
Trade and Other Payables	(318)
Employee Liabilities	(94)
<b>Total Liabilities Acquired</b>	<b>(412)</b>
<b>Fair Value of Net Assets Acquired</b>	<b>605</b>
Goodwill on Acquisition	322
<b>Total Purchase Consideration</b>	<b>927</b>

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 from 1 July 2014.

ESP Technologies is a division of Horizon Services Limited. The amounts included in the Consolidated Statement of Comprehensive Income and in the Electrical Contracting and Servicing operating segment for the three months post acquisition to 30 September 2014 include:

	30-Sep-14 \$000
Revenue	1,109
Net Profit after Tax	20

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

## 10. EVENTS SUBSEQUENT TO BALANCE DATE

**Dividend Declaration**

On 20 November 2014 the Directors declared an interim dividend of 6.0 cents for the 2015 year (2014: 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.

**Purchase of Hawkins Refrigeration**

On 8 October 2014 the Directors approved the acquisition of the operations and business assets of Hawkins Holdings (2007) Limited and Hawkins Refrigeration Tasman Limited, together known as 'Hawkins Refrigeration'. Hawkins Refrigeration provides industrial refrigeration services in the South Island. This business was acquired by Aquaheat New Zealand Limited, a wholly owned subsidiary of Horizon Energy and will be integrated into the HVAC Construction and Servicing operating segment of the Group. The settlement date was 3 November 2014.

## Company Directory

### Registered Office

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Facsimile +64 7 306 2907  
Email: [info@horizonenergy.net.nz](mailto:info@horizonenergy.net.nz)  
Website: [www.horizonenergy.net.nz](http://www.horizonenergy.net.nz)

### Postal Address

PO Box 281, Whakatane 3158  
New Zealand

### Directors

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

### Chief Executive

A. Anand

### Bankers

Bank of New Zealand  
Westpac  
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](http://www.investorcentre.com/nz)

General enquiries can be directed to:  
[enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)  
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Please assist our Registrar by quoting your CSN or shareholder number.

Through the power of  
connections, we will continue  
to make our vision a reality.



HORIZON ENERGY