ANNUAL REPORT
2017 - 2018

32,829
ELECTRICITY CUSTOMERS

893
NEW CONNECTIONS IN THE YEAR TO 31 MARCH 2018

25
ELECTRICITY RETAILER OFFERINGS ON THE ALPINE ENERGY NETWORK

CONTENTS

CHAIRMAN'S REVIEW

Chairman's Review

Following on from 2016/17 the Alpine Energy Group has delivered another satisfactory outcome. Year-end surplus was just ahead of our 2016/17 financial year results.
Revenue was close to budget but expenses exceeded budget due mostly to higher than budgeted depreciation levels and higher than budgeted Transpower transmission charges. Surplus after tax ended the year slightly ahead of surplus for the previous year.

Infratec Limited, a subsidiary company within the Alpine Group, continues to grow having successfully secured revenues in excess of $20 million p.a. from New Zealand and across the South Pacific. Infratec retains a developed and mature pipeline of committed projects and opportunities.

At balance date we recognised gross profit achieved from completed Infratec Limited projects. Profits from uncompleted projects will fall into next year.

Alpine's balance sheet remains strong and shareholder value continues to accumulate.

Health and safety retains its place as the highest priority for the Group. It is the first substantive item discussed and reviewed at each Board meeting with directors making every effort to ensure our people and all other stakeholders are safe. It also remains the only activity of the business where the Board has approved unlimited access to funds to the CEO and management.

This allows quick, efficient, and appropriate authority to act immediately to any escalation of critical risks.

We continue our health and safety journey of reaching through to various stakeholders such as staff, their families, contractors, subcontractors, our consumers, schools, regulators, and the general public.

The Board acknowledge the effort of management and staff for their unrivalled commitment to the safety and wellbeing of all.

South Canterbury's growth expectation remains buoyant. However on the back of the Government's decision to remove Crown funding for the Hunter Downs Water scheme we have scaled back our expectations of additional large scale irrigation loading on our network. Areas of anticipated growth include commercial/industrial and sub-division expansion, examples of which are unfolding already such as Tekapo's township and Washdyke's industrial area.

It is pleasing to note that we reached year-end without exceeding our reliability of supply regulatory thresholds; making two out of the last three years that we have achieved this. This is important as it confirms the underlying good condition of our assets and services provided have not sustained material deterioration of quality and reliability. We continue to support the need to invest prudently in our network as well as in technologies and systems to drive efficiencies throughout our business.

Emerging and cost effective technologies continue to feature as the main disruptor of the future electricity market. Our investment in Infratec puts us at the leading edge of these technologies and this provides Alpine with valuable insights into the viability and application of new solutions. Overall the current investment of solar and other new technologies is low throughout South Canterbury but we do expect this to increase over future years.

Our roll out of advanced metering stock to replace aged and end of life assets is in its final stage. We had expected to complete the metering replacement programme by 31 March 2018. However, with the disestablishment of smart metering deployment teams within some electricity retailers our finish date is now expected to be by 31 March 2019. A key feature of our metering stock is compliance, which we have again successfully confirmed for the reporting period.

Continuation on creating un-regulated revenues took a further step forward during the reporting period as we rolled out more backhaul fibre through Alpine Data Networks. Expressions of interest to lease Alpine fibre remained strong throughout the year as did inquiries to extend our current fibre reach between communities.

During the year we embarked on reviewing the governance of Alpine companies NETcon and Infratec ensuring appropriate skill sets were in place for the future. Infratec governance was changed to total four directors, two from Alpine and two independent. The new Board's first item of business was the appointment of a Chief Executive. Mr Greg Visser takes on this role from June 2018. NETcon is following that of Infratec with a total of four directors to govern the company comprised of two from Alpine and two independent. Recruitment of a new Chief Executive is underway.

The Alpine Group continues to forge a pathway of success achieving improvements over the short to long term for consumers and all other stakeholders. To my fellow directors I thank you for the support and contribution you provide in setting and endorsing strategic direction from which further shareholder value is created. Special thanks also to management and staff for your commitment not only to the success of this business but also to the contribution in creating value for our communities.

This is a very interesting, if not challenging, time for a lines company. Alpine Energy is very well placed to respond to the disruption the sector faces.

Stephen Thompson

CHIEF EXECUTIVE'S REVIEW

Chief Executive's Review

I am very pleased to report another good year for the Alpine Group. Not only were we able to substantively complete all key maintenance works but we were also able to complete additional capital expenditure work. While group surplus didn't quite achieve our budgets we did lift the returns from our business slightly from the previous year.

A reduction in irrigation load between January and March 31 2018 resulted in revenue for our electricity lines coming in under budget at year end. Conversely we received a very strong uplift from capital contributions which helped to offset the loss of lines revenue.

Another business year in attending to electricity network spend ensued. By the year end the top five areas of network capex spend for the year included:

- $4.13 million, overhead line replacement and renewal projects
- $3.70 million, new connections and subdivisions
- $3.29 million, second transformer at Bells Pond substation
- $2.06 million, supply infrastructure for Fonterra's mozzarella 3 plant
- $1.8 million, O/H to underground conversion of the 33 kV Timaru to Pareora substations across town (known as the Morgans Road cable project)
- $0.49 million, overhead lines new build projects

The total network capex was $ 19 million against a budget of $18.2 million.

Delivered energy across the network at 806.85 GWh was up 3.8% on the previous year of 777.25 GWh.

Again we placed strong emphasis on health and safety with a number of new health initiatives introduced throughout the year as well as a continued raising of the bar around identifying, controlling, and monitoring critical risks. We held two half day sessions on 'mental health and well-being' and had guest speaker and mental health advocate Mr Mike King present to staff from across Alpine, NETcon, and Infratec.

As with previous years, we continued to proudly contribute widely to the community through personal development scholarships, organisational and facilities sponsorships, and well-being initiatives.

Our Alliance with NETcon has reached a maturity where we now intend to retire the Alliance model in favour of a traditional contestable model. We expect to transition to a mature contestable model within the next four years. NETcon is being restructured in preparation for this transition and new roles created within the business are expected to be filled by the third quarter of 2018.

Also in transition was a move to our new premise Alpine House. We vacated the numerous locations across our Washdyke site of portacoms, houses, and buildings and moved the majority of Alpine group staff to our new building by mid April 2018.

Year one into our significant business system investment of Technology One we have established a base year of data from which we expect to only improve and enhance. Technology One as an ERP system contains business modules Asset Management, Finance, Payroll, and HR. Over the years ahead we intend to make further investments in business systems ensuring we remain current yet nimble enough to adapt to ever-changing market conditions.

Commentary and interest on new technologies and 'disruption' featured strongly again during the year, however attention moved away from solar and battery to blockchain and peer-to-peer trading. We remain committed to embracing new technologies as we envisage they will greatly enhance Alpine's business, increase customer service, and improve overall the role we play for our shareholder and communities.

Across the Group we have worked hard to deliver the service and quality our communities have come to expect and the returns our shareholders have come to enjoy. I thank all staff for their continued support and effort in contributing to our success.

In conclusion it was another very solid performance from the Alpine Group which we intend to emulate and improve on over future years.

Andrew Tombs

GOVERNANCE & MANAGEMENT

The Board of Directors

The Alpine Group operates under a set of corporate governance principles designed to ensure the group is effectively managed. The board is the governing body of Alpine Energy Limited. It has five directors and meets seven times a year.

Stephen Thompson
Chairman

Alister France
Director

Rick Ramsay
Director

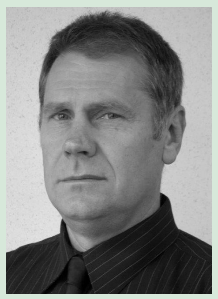
Don Elder
Director

Warren McNabb
Director

Andrew Tombs
Chief Executive

Michael Boorer
Group Manager - Corporate Services

Sara Carter
General Manager - Commercial & Regulatory



Willem Rawlins
General Manager - Network

Stephen Small
Group Manager - Safety & Risk

Responsibilities

The board is responsible for the governance and direction of the company. This incorporates the long-term strategic financial plan, strategic initiatives, budgets and policy framework. The board has developed and maintains clear policies which define the individual and collective responsibilities of the board and management.

FINANCIAL SUMMARY

Trend Statement for the Group

	2018	2017	2016	2015	2014
	$'000	$'000	$'000	$'000	$'000
FINANCIAL PERFORMANCE					
Operating Revenue	93,338	63,655	63,851	63,749	53,590
Associate Entities' Earnings	(25)	11	439	159	(37)
Operating Surplus before Tax	19,362	18,677	23,622	22,153	15,396
Taxation	(5,390)	(5,233)	(6,568)	(5,461)	(4,071)
Net Surplus	13,972	13,444	17,054	16,692	11,325
Shareholder Distribution	9,918	9,299	8,472	7,976	7,563
FINANCIAL POSITION					
Current Assets	18,955	17,795	8,226	9,420	6,893
Non-Current Assets	266,577	237,053	213,314	192,642	183,092
Total Assets	285,532	254,848	221,540	202,062	189,985
Liabilities	145,241	118,479	90,489	78,566	73,894
Net Assets	140,291	136,369	131,051	123,496	116,092
Share Capital	41,328	41,328	41,328	41,328	41,328
Retained Earnings and Reserves	98,963	95,041	89,723	82,168	74,764
Equity	140,291	136,369	131,051	123,496	116,092
FINANCIAL RATIOS					
Net Surplus to Average Shareholders Equity	10.1%	10.1%	13.4%	13.9%	9.9%
Tangible Assets per Share	$6.79	$6.07	$5.34	$4.89	$4.58
Earnings per Share (cents)	33.8	32.5	41.3	40.4	27.4
Dividend per Share (cents)	24.0	22.5	20.5	19.3	18.3
STATISTICS					
SAIDI (System Average Interruption Duration Index)	115	133	155	140	275
SAIFI (System Average Interruption Frequency Index)	0.99	1.07	1.18	1.16	2.00

Note: All financial figures have been prepared in accordance with NZ IFRS.

DIRECTORS' REPORT

General Disclosures

PRINCIPAL ACTIVITIES

The principal activity of Alpine Energy Limited (the Company) is ownership of its electricity distribution network. The Group, comprising Alpine Energy Limited and its subsidiaries (NETcon Limited Group and Timaru Electricity Limited) and associated entities (Rockgas Timaru Limited and On Metering Limited) also undertakes asset management and contract services. Alpine also has 14.29% shareholding in SmartCo Limited and further 7.15% through its associated entity On Metering Limited.

REVIEW OF OPERATIONS

Group operating revenue of $93.34 million was achieved for the year, 46.63% greater than the previous year.
The group operating surplus before tax for the year was $19.36 million, 3.67% more than the previous year.

REVIEW OF FINANCIAL PERFORMANCE

The financial statements presented have been prepared in accordance with the accounting policies forming part of these financial statements.

Results For The Year Ended 31 March 2018

	2018 $'000	2017 $'000
Profit before Income Tax	19,362	18,677
Income Tax	(5,390)	(5,233)
Net Surplus after Income Tax attributable to the Shareholders	13,972	13,444

SHARE CAPITAL

Total issued and paid up capital as at the 31st March 2018 was 41,328,017 ordinary fully paid shares. There have been no movements in share capital during the year.

DIVIDENDS

Interim dividends, each of 4.80 cents per share, were paid in September and December 2017 and March 2018.
A fully imputed final dividend of $3.967 million will be paid on 31st July 2018 to all shareholders on the company's register at the close of business on the 20th July 2018. This dividend is included in the dividends for the year of $9.918 million, and has been provided for.

Solvency certificates were completed in support of the interim dividend declarations on 28th September and 23rd November 2017 and 22nd March 2018, and the final dividend solvency certificate will be submitted to Directors for approval on the 26th July 2018. The interim and final dividends relating to 2017/18 represent 100.21% of the total comprehensive income for the Group, excluding customer contributions.

RETURN ON SHAREHOLDERS' EQUITY & STATE OF AFFAIRS

The Group net surplus after income tax attributable to the shareholders for the year ended 31st March 2018 represents 10.10% return on average total shareholders equity.
The Directors are of the opinion that the state of affairs of the company is satisfactory.

CORPORATE GOVERNANCE

The Group operates under a set of corporate governance principals designed to ensure the Group is effectively managed.

BOARD OF DIRECTORS

The Board is the governing body of Alpine Energy Limited and currently has five members. The Board is appointed by shareholders to oversee the management of the company and is responsible for all corporate governance matters. The Board endeavours to ensure that the activities undertaken are carried out in the best interests of all shareholders, while respecting the rights of other stakeholders. The Board met seven times during the year.

OPERATION OF THE BOARD RESPONSIBILITIES

The Board is responsible for the management, supervision and direction of the company. This incorporates the long-term strategic financial plan, strategic initiatives, budgets and policy framework. The Board has developed and maintains clear policies which define the individual and collective responsibilities of the Board and management.

AUDIT AND RISK COMMITTEE

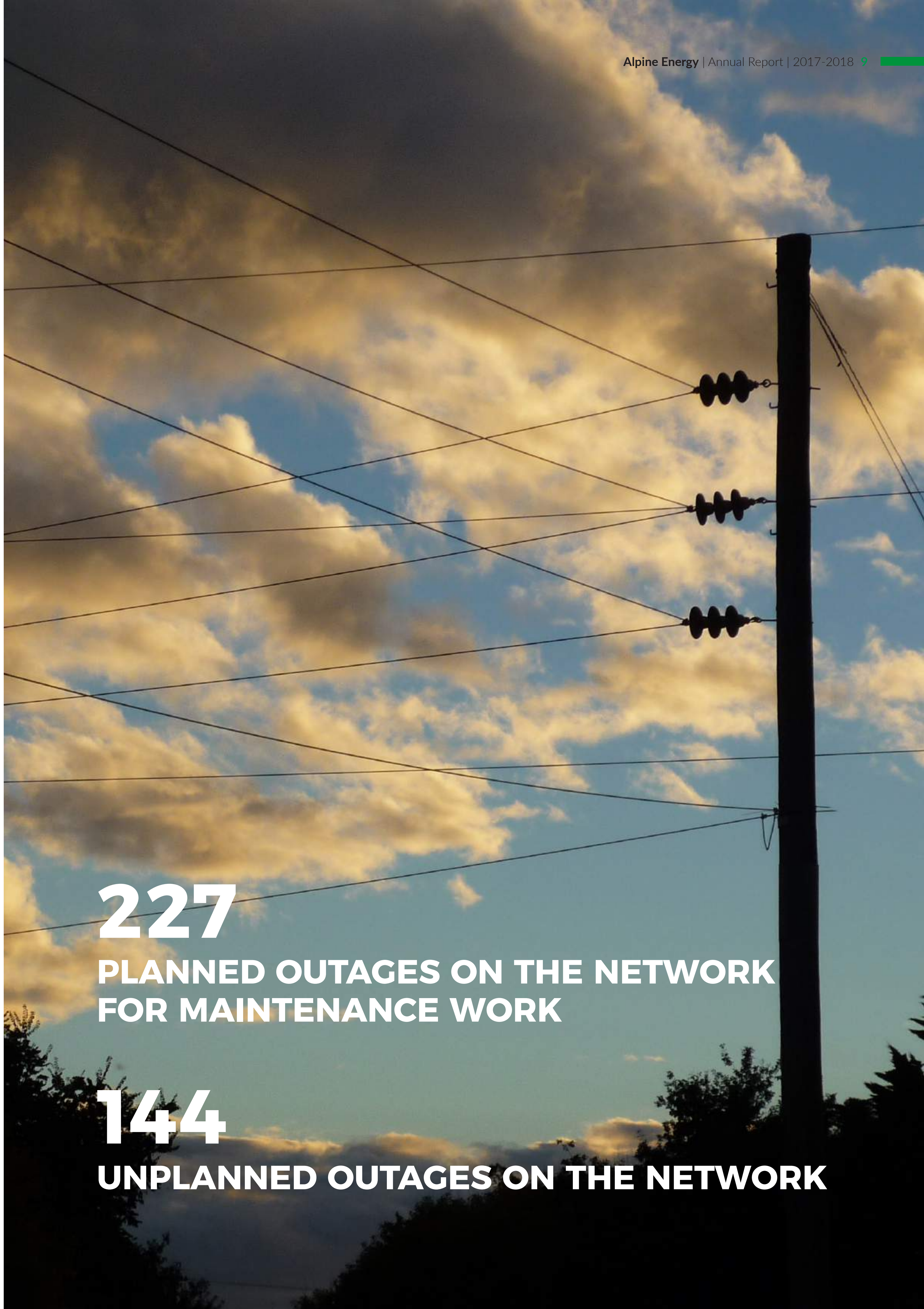
The Audit and Risk Committee, comprising three directors (Steve Thompson, Warren McNabb and Don Elder), reviews the company's financial statements and announcements. It also liaises with the external auditors and reviews internal controls which are relevant to financial reporting and related matters. This Committee is chaired by Mr McNabb.

DIRECTORS

Parent
Mr S.R. Thompson (Chairman), Mr R.D. Ramsay, Mr A.J. France
Mr W.J. Bell (to 29 November 2017), Mr W.B. McNabb
Mr D.M. Elder (from 29 November 2017)

Subsidiaries
Mr S.R. Thompson (Chairman), Mr R.D. Ramsay, Mr A.J. France
Mr W.J. Bell (to 29 November 2017), Mr M.F. Boorer,
Mr W.B. McNabb, Mr D.M. Elder (from 29 November 2017)

Associates
Mr A.J. France (Chairman), Mr R.D. Ramsay, Mr A.G. Tombs
Mr M.F. Boorer



DIRECTORS' REPORT

The following directors of companies within the Group have declared interests in identified entities as shareholder and/or director. The declaration serves as notice that the Director may benefit from any transactions between the Company or Group and the identified entities.

Directors Interests in Contracts

Mr S. R. Thompson

Abbey Field Construction Limited	Shareholder
Andgra Limited	Shareholder
Aspiring Guides Limited	Shareholder
Aurora Energy Limited	Chairman
Cairnmuir Road Winery Limited	Director
Cairnmuir Road Winery Limited	Shareholder
F.S. Investments Limited	Director
Infratec Limited	Chairman
Infratec Renewables (Rarotonga) Limited	Director
Integrated Contract Solutions Limited	Director
Keano's Trustee Company Limited	Director
Kingsgate Properties Limited	Shareholder
McKenzie Architects Limited	Shareholder
Millenium Solutions Limited	Director
NETcon Limited	Chairman
OB Horn Company Limited	Shareholder
Owhiro River Limited	Shareholder
Passmore Consulting Services Limited	Director
Passmore Consulting Services Limited	Shareholder
Prospectus Nominees	Director
Prospectus Nominees	Shareholder
Richard E Shackleton Architects Limited	Shareholder
Ripponvale Irrigation Company Limited	Shareholder
Timaru Electricity Limited	Chairman
Thompson Bloodstock Limited	Chairman
Thompson Bloodstock Limited	Shareholder
Wanaka Bay Limited	Director
Westminster Resources Limited	Director
Whangamata Water 2 Limited	Shareholder
Whitestone Contracting Limited	Director

Mr R. D. Ramsay

Infratec Limited	Director
Infratec Renewables (Rarotonga) Limited	Director
NETcon Limited	Director
Pukaki Airport Board	Member
Rockgas Timaru Limited	Director
Salmon Smolt New Zealand Limited	Director
Tourism Waitaki	Director

Mr A. J. France

Geraldine Bus Services Trust	Chairman
Geraldine Licensing Trust	Trustee
Holbrook Trust	Trustee
Infratec Ltd	Director
Infratec Renewables (Rarotonga) Ltd	Director
NETcon Limited	Director
Rockgas Timaru Ltd	Chairman
The Juicy Tree Co Ltd	Director

Mr D.M. Elder

1200 Properties Limited	Alternate Director
Aoraki Services Limited	Director
Aoraki Services Limited	Shareholder
Aoraki Partners Holdings Limited	Director
Aoraki Partners Holdings Limited	Shareholder
Aoraki Holdings (No 2) Limited	Director
Aoraki Holdings (No 2) Limited	Shareholder
Bras D'Or Investments Limited	Director
Bras D'Or Investments Limited	Shareholder
Bras D'Or Services Limited	Director
Bras D'Or Services Limited	Shareholder
Canterbury Seismic Instruments Limited	Director
Canterbury Seismic Instruments Limited	Shareholder
Construction Components New Zealand Limited	Alternate Director
Family Help Trust	Trustee
Infratec Limited	Director
Infratec Renewables (Rarotonga) Limited	Director
Lyttelton Port Company Limited	Director
NETcon Limited	Director
New Zealand Panelised Building Systems Limited	Director
New Zealand Panelised Property Limited	Director
Portabuild (2007) Limited	Director
Spanbild Holdings Limited	Chairman
Spanbild Holdings Limited	Chief Executive
Spanbild New Zealand Limited	Director
Spanbild Projects Limited	Director
Versatile Properties Limited	Director
Versatile Australia Holdings Limited	Director

Mr W. B. McNabb

Altimarloch Joint Venture Limited	Director
Altimarloch Joint Venture Limited	Shareholder
Awatere Vineyard Services Limited	Director
Boyce Investments Limited	Director
Boyce Investments Limited	Shareholder
Cattleman's Bluff Limited	Director
Cattleman's Bluff Limited	Shareholder
Delta Lake Limited	Director
Delta Lake Limited	Shareholder
Energy3 Limited	Director
Energy3 Limited	Shareholder
FMG NZ Limited	Director
Gosling Creek Limited	Director
Gosling Creek Limited	Shareholder
Infratec Limited	Director
Infratec Renewables (Rarotonga) Limited	Director
Independent Electricity Generators Association	Chairman
Lancewood Forest Limited	Director
Lancewood Forest Limited	Shareholder
Lulworth Wind Farm Limited	Director
McCormick Capital Corporation Limited	Director
NETcon Limited	Director
Pioneer Energy Limited	Director
Pistol Vineyard Investments Limited	Director
Strathy House Limited	Director
The Bluffs Vineyard Company Limited	Director
The Bluffs Vineyard Company Limited	Shareholder
Wekopa Investments Limited	Director
Weld Cone Wind Farm Limited	Director
Westlock Holdings Limited	Director
Widegate Investments Limited	Director

Mr A. G. Tombs

Hunter Downs Water Ltd	Director
New Zealand and Pacific Solar & Storage Council	Director
SC Chamber of Commerce	Vice President
SmartCo Ltd	Director

Mr M. F. Boorer

Rockgas Timaru Ltd	Alternative Director
Timaru Electricity Ltd	Director
On Metering Ltd	Director
SmartCo Ltd	Director
South Canterbury District Health Board	Member

No material contracts involving directors' interests were entered into after the end of the previous financial year or existed at the end of the financial year other than the transactions detailed in note 26 to the financial statements.

INDEMNIFICATION & INSURANCE OF OFFICERS & DIRECTORS

The company continues to indemnify all Directors named in this report against any liability to any person other than the Company or a related company for any act done or omission made in a Director's capacity as a Director of the Company, and all costs incurred in defending or settling any claim or proceedings related to such liability, unless the liability is criminal liability for breach of Section 131 of the Companies Act 1993.

During the financial year the Company paid insurance premiums in respect of directors, and officers' liability insurance. The policies do not specify the premium for individual directors and executive officers.

The Directors' and Officers' liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company or a related body corporate) incurred in their position as Director or Executive Officer unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

DONATIONS

Donations paid during the year totalled $25,080 (FY 2017 $23,800).

USE OF COMPANY INFORMATION

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

Directors Remuneration

	Parent	Subsidiaries	Joint Venture	Total
S.R. Thompson	84,378	-	-	84,378
R.D. Ramsay	47,772	-	1,875	49,647
A.J. France	44,772	-	3,525	48,297
W.J. Bell	31,848	-	-	31,848
W.B. McNabb	45,022	-	-	45,022
D.M. Elder	14,924	-	-	14,924
Total	**268,716**	**-**	**5,400**	**274,116**

Mr Boorer and Mr Tombs did not receive any remuneration directly related to the position of director of a subsidiary company that they held for a period during the year.
No director of the company has, since the end of the previous financial year, received or become entitled to receive a benefit, (other than a benefit included in the total emoluments received or due and receivable by directors shown in the financial statements) other than those due in the ordinary course of business.

Employee Remuneration

Details of remuneration ranges for employees of the Group are:

Remuneration Range	Number of Employees
$100,000-$109,999	11
$110,000-$119,999	6
$120,000-$129,999	8
$130,000-$139,999	11
$140,000-$149,999	9
$150,000-$159,999	5
$160,000-$169,999	1
$180,000-$189,999	2
$190,000-$199,999	1
$200,000-$209,999	1
$210,000-$219,999	1
$260,000-$269,999	2
$360,000-$369,999	1

Auditors

In accordance with Section 45 of the Energy Companies Act 1992, the Auditor-General is responsible for the audit of Alpine Energy Limited. In accordance with Section 29 of the Public Finance Act 1977, the Auditor-General has contracted the audit of Alpine Energy Limited to Nathan Wylie, using the staff and resources of PricewaterhouseCoopers. The audit fee for the Group for FY 2018 is $139,000 (FY 2017 was $94,500).

S.R. Thompson
Chairman (07 June 2018)

W.B McNabb
Director

Directors Responsibility Statement

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group at 31 March 2018 and their financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Group have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgements and estimates, and that all relevant reporting and accounting standards have been met.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013.
The Directors consider they have taken adequate steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

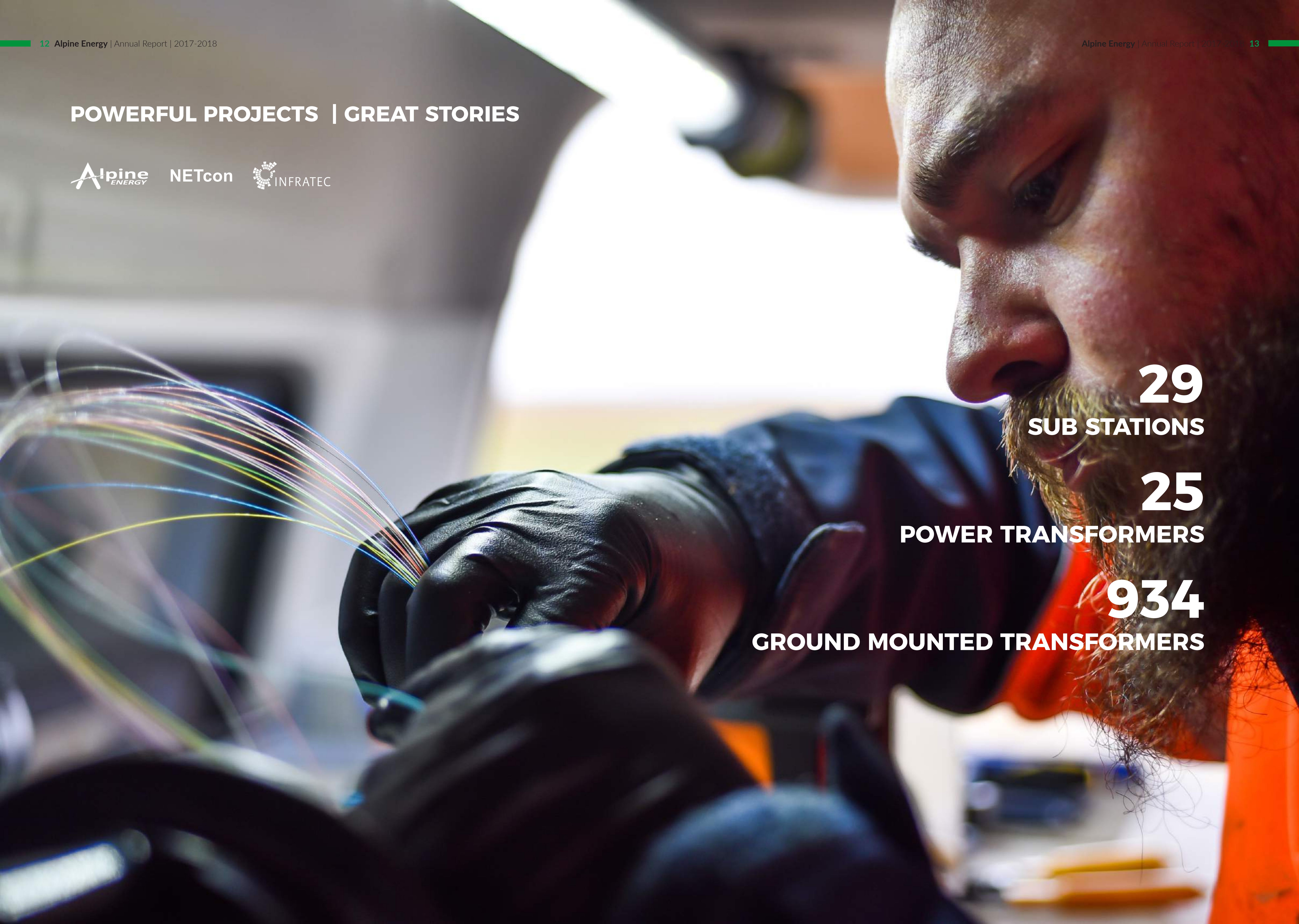
The Directors have pleasure in presenting the financial statements of Alpine Energy Group for the year ended 31 March 2018.

For and on behalf of the Directors,

S.R. Thompson
Chairman (07 June 2018)

W.B McNabb
Director

POWERFUL PROJECTS | GREAT STORIES



29
SUB STATIONS

25
POWER TRANSFORMERS

934
GROUND MOUNTED TRANSFORMERS

ALPINE HOUSE | POWERFUL PROJECTS AND GREAT STORIES

Alpine House in Washdyke is one of a kind!

The newly constructed 3,200m^2 building features a communications tower, three electric vehicle chargers and will house the Alpine Energy Group with plenty of room for growth.

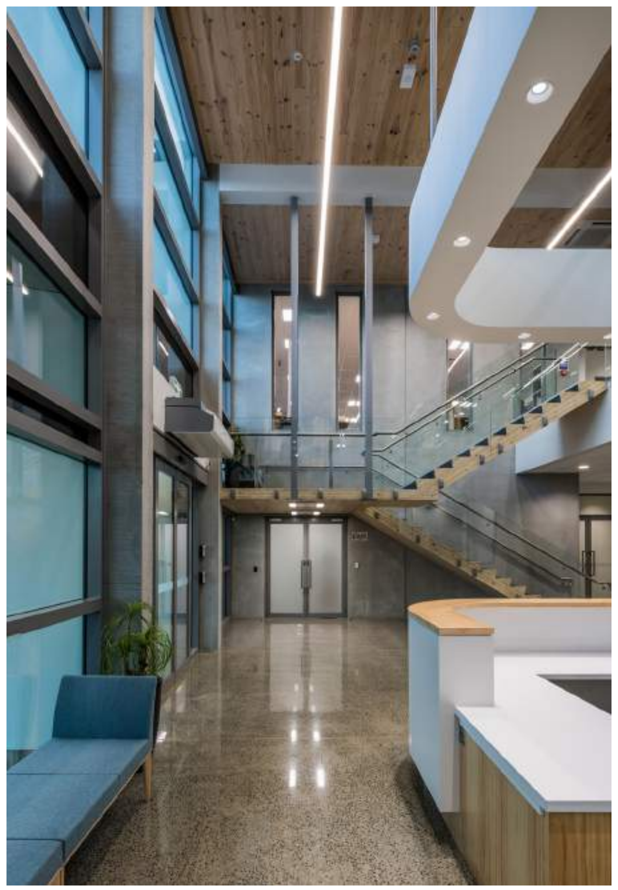
The bespoke building, named Alpine House, was brought on stream in March 2018 after 18 months of design and construction.

The $12m project was lead internally and a team formed, including external professionals as executors of the contract, quantity surveyors, consultants and the build team. The build was completed on budget and to specific time requirements. Alpine House was designed and constructed to a Level 4 seismic resilience standard, enabling the business to consolidate operations and staff on the Alpine Energy 5.5 hectare site. This also allows for expansion of operations and staff and formed part of the initial design brief.

The building showcases the benefits of using modern 3D Building Information Modelling (BIM) in the initial concept design with the construction firm. In effect, the building was digitally built before fabrication and construction began.

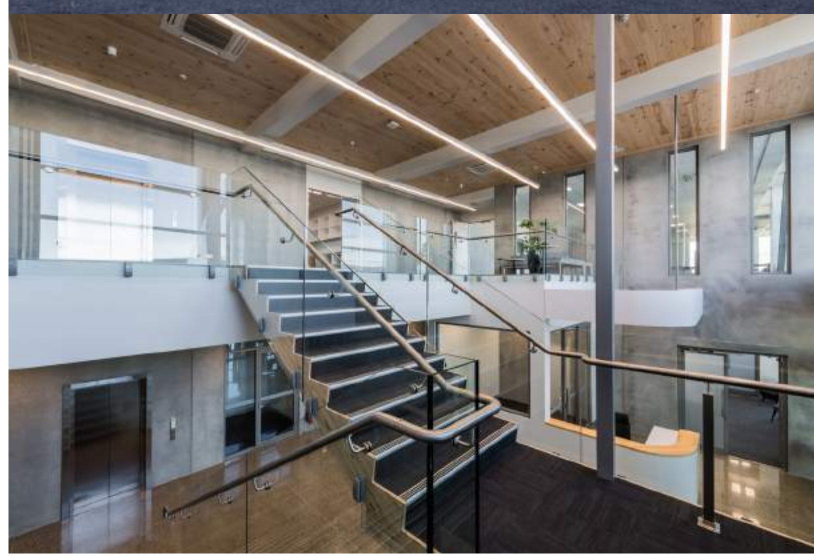
Materials were chosen that were in keeping with commercial and industrial cross-theme, with key architectural elements being achieved through the deliberate use of connecting precast concrete, steel and cross-laminated timber (CLT).
Almost 2,000m^2 of CLT was installed for stairwells, feature ceilings in the foyer and safe pass staircases. This also reduced the weight in the mid-floor while complementing our vision of a modern yet visibly strong building.

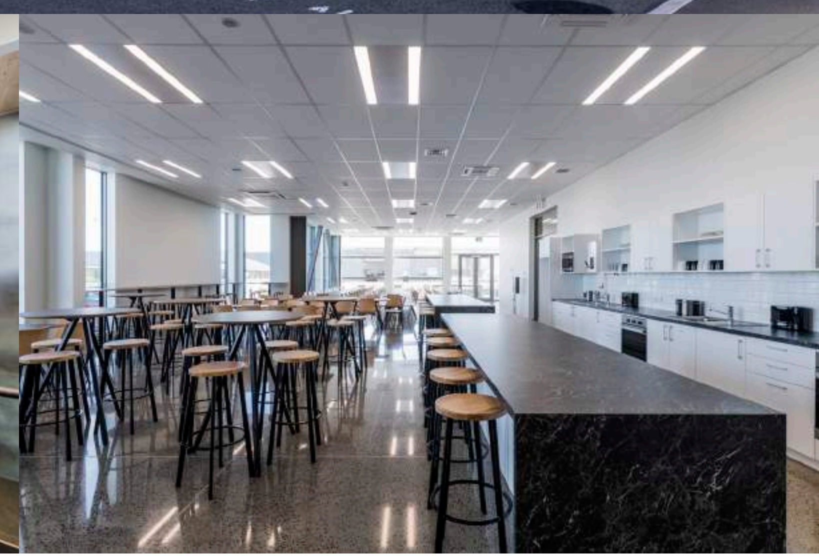
A key feature of the building is the entrance, which provides a sense of strength, security and integrity through the use of raw materials, precast concrete, steel and glass.



Locally sourced expertise, which supports the Alpine Energy Group community ownership ethos, was used throughout the build process. The majority of people and companies involved with the entire build process were from the South Canterbury and Canterbury Region.

The building is a positive result for the community and an asset to the shareholders for the future.





ALPINE HOUSE | POWERFUL PROJECTS AND GREAT STORIES

THE NUMBERS AT A GLANCE

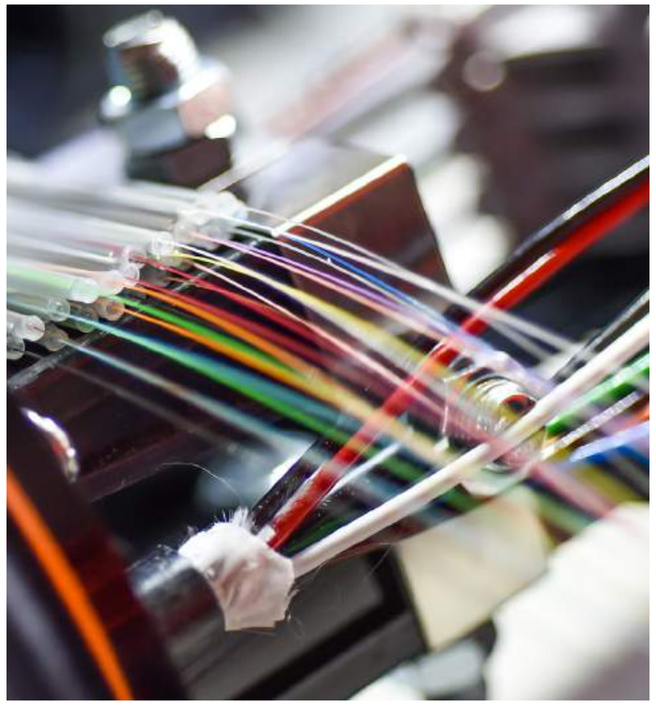
60	Number of workers and contractors on site on some days
4	Importance level structural design standard achieved for seismic resistance
10,000	Cups of coffee consumed over the 18-month construction period
0	number of notifiable injuries on site during the build
100	Percentage traceability on all structural elements
100	Tonnes of concrete and steel to hold down the comms tower
1,900	Square metres of XLam cross laminated timber used
8	The number of exclusively Timaru and mid-Canterbury sub-contractors used
120	Numbers of Timaru youth visiting the site as part of a local Pathways programme to introduce the next generation to design and trade
1	One in 15-year rain event in middle of the build programme
10,000	Square metres of trees to supply timber for the CLT floor and laminated timber studs for the internal walls
30	Centimetres of specifications
3	EV car charging stations

ALPINE DATA NETWORKS | POWERFUL PROJECTS AND GREAT STORIES

The last 12 months has been an exciting journey for us and our data network project.
We are taking ultra-fast broadband (UFB) to rural communities in the South Island and recently expanded our back haul fibre network into the Alexandra exchange and the township of Naseby.

Our vision is to become the premier provider of UFB to the heartland community in the South Island and beyond.
Not only do we plan to extend our back-haul network into Cromwell, Palmerston, and Waimate, but are extending our fibre network to other towns which are not flagged to be connected until 2024 or later.
By providing the highest of global standards we want to improve connectivity for hard-working kiwis and be part of the combined effort to become a leading digital nation.
Our business model sees us building and owning the infrastructure of a fibre optic network, which provides businesses and residents access to fast internet in rural communities.

With the rural economy being the backbone of our nation, we want to provide a solution that enables them to tap into the benefits of having UFB.



BELLS POND SUBSTATION | POWERFUL PROJECTS AND GREAT STORIES

Ensuring sufficient capacity is available to meet customer demand while improving network resilience has seen the continuation of infrastructure investment.

One of the many upgrades under taken was installing a second transformer at the Bells Pond substation, Glenavy.

The new transformer provides additional capacity to cater for customer load growth, setting us up for the next 30-40 years of forecast development in irrigation, farming, and dairy factory loads. It also provides partial redundancy, reducing the impact of equipment failures on customers.

The construction work was delivered by NETcon.

This new transformer, commissioned in early April 2018, is the largest to be installed on our network and is capable of supplying up to 30 MVA at 11 kV and 20 MVA at 33 kV.

Since commissioning in 2010, the load on Bells Pond substation was steadily growing to the point it had approached its limit. The completion of the installation ensures we deliver a safe and reliable service that meets stakeholder expectations.

BLOOD DRIVE | POWERFUL PROJECTS AND GREAT STORIES

New blood and new beginnings at Alpine House.

A blood drive held in Alpine House exceeded all expectations with more than 50 donors providing life-saving blood products.

In mid-2017 we approached the NZ Blood Service after we heard they needed a site in Washdyke. In March we opened the doors to the new building and welcomed new and existing donors from the South Canterbury community.

The support received surpassed targets with 60 people attending. Of those, 53 were able to donate blood – four came from new donors – and put the service three units over its target. The event was a great way to showcase Alpine House to the community and the location in the Washdyke industrial area enabled more of those donors working in the area an opportunity to donate blood.

The blood drive encompassed the desire to have more than a building, but to have an asset that can be enjoyed and shared with our ultimate shareholder - the South Canterbury community.

FUTURE TECHNOLOGIES | POWERFUL PROJECTS AND GREAT STORIES

The cost of alternative technologies for the independent supply of electrical power to consumers is reducing. We see these technologies not as a replacement of conventional infrastructure but rather an addition to it in order to provide the best solution at the right cost to our consumers. It presents us with many exciting opportunities.

We are currently monitoring some of these opportunities on our network through the use of advanced meter information, the installation of a battery energy system as well as having a photovoltaic (PV) system installed on one of our substation buildings.

We have also installed electric vehicle charging stations in six locations in South Canterbury to support the use of this technology and to gain an understanding of the impact on existing infrastructure.

ELECTRICAL SAFETY IN SCHOOLS | POWERFUL PROJECTS & GREAT STORIES

A free electrical safety programme was launched to South Canterbury schools by our health and safety committee.
The purpose of the programme, delivered to schools by the safety and risk team, is to increase awareness in the community of the dangers of electrical infrastructure and to explain how to be safe around electricity.

Students undertake a set of activities which have been linked into the New Zealand Curriculum to increase knowledge of the uses of electricity and how to avoid being harmed by it both in the home and in the wider community.

The project forms part of our overall public safety strategy which includes the training of fire brigades and talking to groups such as Young Farmers, Rotary and Lions etc.

In less than six months, the programme was delivered in five schools with multiple visits across different age groups.

The aim is for the information to be used by the children to be safe around electricity and take the messages home to their parents.

GLOBAL CORORATE CHALLENGE | POWERFUL PROJECTS & GREAT STORIES

Virgin Pulse Global Challenge

Over the past two years the Alpine Energy Group has participated in an employee health and performance programme encouraging staff to be more active.

The Global Corporate Challenge helped staff improve their physical and psychological health through fun challenges, education, awareness and motivation. The first time we ran the programme in 2016 / 17 we saw 10 teams of seven participate, 70 staff in total. This year it was 12 teams of seven with 84 staff taking part.

The challenge is run over 100 days and participants are encouraged to walk, cycle and swim to achieve 'steps'.

Our final results meant we accomplished a total of 83,159,422 steps coving a distance of 53,222km, up from last year's where we walked 71,146,070 steps which equated to walking around the world 1.22 times.

KEEPING YOU INFORMED | POWERFUL PROJECTS AND GREAT STORIES

Let's talk – Our communication channels

In 2017 we joined Snap Send Solve, a mobile phone application for reporting issues on our network that may impact on electricity delivery. The free to download smartphone app makes it easier for the public to report network damage and any electricity concerns across South Canterbury. The app works by identifying the location the photo is taken using the phone's GPS data and sends an email reporting the concern directly to us.

Smaller and harder to identify sites can be accurately located thanks to the app's functionality. It allows us to immediately understand the extent of the issue and assign the appropriate action.

With more and more people using digital channels and social media platforms for information and high customer expectations for self-service, the way we communicate is also changing to meet future opportunities.

In 2017 we launched a new look website offering online customer self-service capabilities such as fault reporting and being responsive to power outage through updated notifications. We have delivered a technology platform that will grow with us.

The effectiveness of our Facebook page was highlighted during a storm event in July 2017 when we experienced post reach of up to 10,000. Utilising our social media and website has meant we were able to inform more people, more immediately than ever before.

We have also recognised there is a group of people who prefer to use other means to get their information. With this in mind, we are making phone system improvements to provide callers with specific messages.

HOSPICE SOLAR PANELS | POWERFUL PROJECTS AND GREAT STORIES

Helping to those who help others

Helping the local hospice achieve a $4,200 yearly reduction in electricity costs with the installation of solar panels was an exciting opportunity for Alpine to be involved in.
The installation costs of the 16.25 kilowatt system, comprising of 50 photovoltaic panels, was covered by us with Infratec donating the design work.

As well as supporting a worthwhile charity as part of our commitment to the South Canterbury community, the project was also able to demonstrate the ability and innovation of our subsidiary Infratec to deliver alternative solutions for the provision of electricity to our consumers.

South Canterbury Hospice general manager Peter O'Neill is delighted with the advantages the panels will bring.
It will reduce the hospice's power bill by 20 per cent a year which is significant over the lifetime of the system.

We were one of three organisations who contributed to the project. The St Vianney's Timaru Trust met the cost of materials, we paid for the installation costs while Infratec proved the design work free of charge and the scaffolding work was donated by United Scaffolding.

Infratec was pleased to have participated in a fantastic community project, putting the largest solar PV system currently on the Alpine Energy network.

Hospice South Canterbury manager Peter O'Neill, left, celebrates the installation of solar panels on the hospice roof along with St Vianneys Timaru Trust chairman Dale Walden, Alpine Energy group manager, corporate services, Michael Boorer, United Scaffolding Group Timaru branch manager Martin Knight and Infratec general manager of operations George Ritchie.

STREET LIGHTS | POWERFUL PROJECTS AND GREAT STORIES

Celebration as New Zealand company returns street lighting to Kiritimati Island

Infratec was proud to have delivered an offshore project which ended 40 years of darkness on the streets of a remote north Pacific island.

The last street light was switched off on Kiritimati Island in 1978.

A total of 66 lights were installed as part of the Kiritimati Renewable Energy Project, being carried out by Infratec.

The EU Development Fund and New Zealand Ministry of Foreign Affairs and Trade-funded project includes the building of two new power stations, 30km of high voltage network and a 150kW solar photovoltaic plant.

Infratec has installed sustainable renewable energy systems around the world from Afghanistan to Tuvalu and New Zealand. The Kiritimati Island project started in August 2016 and was completed in April 2018.

Infratec project manager Paul Bowler says that Kiritimati has four main population centres, with each operating on their own ageing generator.

"This project will centralise the power system for Kiritimati, providing a more reliable, efficient and safe electricity supply for the island. The 150kW solar system will reduce the island's dependence on expensive diesel."

"The street lights are a critical piece of infrastructure for the island. It is much safer for local people to walk and drive at night time. The first night the lights were on people were eating dinner outside under the lights. Wherever we go, people are saying thank you."

Infratec's approach reduces reliance and dependency on external short-term "expat" resources and empowers the islands to manage their power supply.

"Our work with the local island communities is a crucial aspect to the success of the project."

Kiritimati Island, in Kiribati's Line Islands group, is the world's largest coral atoll and the largest of the 33 islands in the Republic of Kiribati.

The island is approximately 3,300 km east of Kiribati's capital, Tarawa.

COMMUNITY OUTREACH | POWERFUL PROJECTS AND GREAT STORIES

Building a stronger community

Alpine's commitment to the South Canterbury community goes beyond keeping the lights on. The company's community sponsorship, awareness and engagement programmes foster strong connections with the community we live and work in.

In 2018 we kicked off our electrical safety programme in schools, we partnered with the New Zealand Blood Service, supported the installation of solar panels at Hospice and raised hundreds of dollars for the charity through a fundraising stall.

Our sponsorship programme has matured to beyond handing out grants to reinforcing our contribution to the economic growth and celebration of our region and the locals who call it home.

Geraldine Arts and Plants Festival

To mark our long-standing association with the Geraldine Arts and Plants Festival the 20 pieces of art purchased over the 20-year sponsorship of the event were incorporated into the public art display. The 20 year anniversary was a fantastic opportunity to celebrate the community-owned artwork which has become an integral part of our and the festival's history.

The longevity of the sponsorship is testament to the fabulous work by the Geraldine community which has grown the event into a nationally regarded festival.

Over the last five years, we have given close to $2m to the South Canterbury community through sponsorship and personal development grants.

South Canterbury Chamber of Commerce Business Awards

Since 2009 Alpine has been a key sponsor of the hugely popular and successful Chamber of Commerce Business Awards. We believe the awards are an important way of recognising businesses helping to drive economic and job growth in the region.

Personal Development Grants

In the last five years we've given close to $200,000 to the South Canterbury community through our personal development grants. The financial support helps ensure continued success of our future stars. Our grants are all about giving locals a helping hand with their personal endeavours.
We are fortunate to have many talented and dedicated people in our region who compete and achieve at local and national levels.

Canterbury West Coast Air Rescue

Supporting the Canterbury West Coast Air Rescue made sense for an organisation which has staff working in remote locations across South Canterbury.
Safety of our staff is paramount. We understand an air rescue may be a person's only chance of survival in a life and death situation particularly when every minute counts

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	NOTE	GROUP 2018 $'000	GROUP 2017 $'000
Revenue	5	93,338	63,655
Expenses	6		
Transmission		16,508	15,433
Depreciation, Amortisation and Loss on Disposal		10,077	8,194
Contract Services		28,364	5,746
Employee Benefits		12,591	11,769
Interest	7	3,331	2,444
Other		3,080	1,403
		73,951	44,989
Operating Surplus		19,387	18,666
Share of (Loss)/Profit from Joint Ventures/ Associates	10	(25)	11
Profit Before Income Tax		19,362	18,677
Taxation	11	5,390	5,233
Profit From Operations		13,972	13,444
Other Comprehensive Income for the Year			
Items that will not be reclassified to Profit or Loss			
Gain on Revaluation of Land and Buildings	12	144	474
		144	474
Items that may be subsequently reclassified to Profit or Loss			
(Loss)/Gain on Interest Rate Swap		(276)	699
		(276)	699
Total Comprehensive Income for the Year		13,840	14,617

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Contributed Equity $'000	Revaluation Reserve $'000	Hedge Reserve $'000	Retained Earnings $'000	Total Equity $'000
GROUP					
Balance as at 1 April 2016	41,328	2,438	(2,421)	89,706	131,051
Comprehensive Income					
Profit from Operations	-		-	13,444	13,444
Other Comprehensive Income /(Loss)	-	474	699	-	1,173
	-	474	699	13,444	14,617
Transactions with Owners					
Dividends	-	-	-	(9,299)	(9,299)
BALANCE AT 31 MARCH 2017	41,328	2,912	(1,722)	93,851	136,369
GROUP					
Balance as at 1 April 2017	41,328	2,912	(1,722)	93,851	136,369
Comprehensive Income					
Profit from Operations	-		-	13,972	13,972
Other Comprehensive Income /(Loss)	-	144	(276)	-	(132)
	-	144	(276)	13,972	13,840
Transactions with Owners					
Dividends	-	-	-	(9,918)	(9,918)
BALANCE AT 31 MARCH 2018	41,328	3,056	(1,998)	97,905	140,291

FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 MARCH 2018

	NOTE	GROUP 2018 $'000	GROUP 2017 $'000
Equity			
Share Capital	17	41,328	41,328
Reserves		1,058	1,190
Retained Earnings	18	97,905	93,851
Total Shareholders Equity		140,291	136,369
Current Assets			
Cash and Cash Equivalents	16	1,016	4,370
Trade and Other Receivables	15	10,207	2,936
Inventories	9	5,100	5,904
Work In Progress		1,677	3,601
Tax Receivable		955	984
Total Current Assets		18,955	17,795
Current Liabilities			
Trade and Other Payables	19	8,666	10,239
Derivative Financial Liabilities	14	423	-
Employee Entitlements		1,753	1,706
Deferred Revenue		2,311	6,380
Dividends Payable		3,967	3,720
Total Current Liabilities		17,120	22,045
Net Working Capital		1,835	(4,250)
Non-Current Assets			
Investments Accounted for Using the Equity Method	10	30	155
Property, Plant and Equipment	12	255,751	226,746
Intangible Assets	13	3,843	4,049
Related Party Loan	26	6,690	5,840
Investment - Hunter Downs Irrigation Scheme		263	263
Total Non-Current Assets		266,577	237,053
Non-Current Liabilities			
Deferred Tax	21	26,347	24,403
Derivatives	14	2,774	2,391
Loans	20	99,000	69,640
Total Non-Current Liabilities		128,121	96,434
Net Assets		140,291	136,369

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	NOTE	GROUP 2018 $'000	GROUP 2017 $'000
Cash Flows From Operating Activities			
Cash was provided from:			
Receipts from Customers		85,660	67,708
		85,660	67,708
Cash was applied to:			
Payments to Suppliers		(61,325)	(34,521)
Income Tax Paid		(3,366)	(4,015)
Net GST Paid		(1,201)	408
Interest Paid		(3,331)	(2,444)
		(69,223)	(40,572)
Net Cash Inflow From Operating Activities	22	16,437	27,136
Cash Flows From Investing Activities			
Cash was provided from:			
Proceeds from Sale of Fixed Assets		46	321
Dividends Received		100	100
Cash was applied to:			
Purchase of Property, Plant and Equipment		(37,796)	(30,587)
Purchase of Intangible Assets		(980)	-
Investment in Associated Entities		(850)	(1,553)
Net Cash Outflow From Investing Activities		(39,480)	(31,719)
Cash Flows From Financing Activities			
Cash was provided from: Loan from Bank		29,360	17,230
Cash was applied to: Dividend Paid		(9,671)	(8,968)
Cash Inflow From Financing Activities		19,689	8,262
Net (Decrease)/Increase In Cash Held		(3,354)	3,679
Add opening cash brought forward		4,370	691
Cash and Cash Equivalents at End of the Year		1,016	4,370

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Alpine Energy Limited ("the Company") and its subsidiaries and joint arrangements (together, "the Group") own an electricity distribution network, and also undertake asset management contracting services.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 24 Elginshire Street, Washdyke, Timaru.

These consolidated financial statements have been approved for issue by the Board of Directors on 07 June 2018.

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 the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as applicable for profit-oriented entities. The consolidated financial statements also comply with International Financial Reporting Standards ('IFRS').

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Entities reporting
The consolidated financial statements for the 'Group' are for the economic entity comprising Alpine Energy Limited, its subsidiaries and joint arrangements. The Company and Group are designated as profit oriented entities for financial reporting purposes.

Statutory base
Alpine Energy Limited is a company registered under the Companies Act 1993 and an Energy Company under the Energy Companies Act 1992. The financial statements of the Group have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Energy Companies Act 1992, and the Companies Act 1993. In accordance with the Energy Companies Act 1992 because group financial statements are prepared and presented for Alpine Energy Limited and its subsidiaries, separate financial statements for Alpine Energy Limited are no longer required to be prepared and presented.

2.1.1 Changes in accounting policies and disclosures

(a) Standards and interpretations issued but not yet effective in the current period

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the group's future financial statements:

NZ IFRS 9: Financial Instruments - effective 1 April 2018

NZ IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and requires a new impairment model for financial assets. The Group's preliminary high level assessment of the estimated impacts from the new measurement, classification and de-recognition rules on the Group's financial assets and liabilities have indicated that they are not expected to have a material impact.

NZ IFRS 15: Revenue from Contracts with Customers – effective 1 April 2018

NZ IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. NZ IFRS 15 replaces NZ IAS 18 which covers contracts for goods and services and NZ IAS 11 which covers construction contracts.

NZ IFRS 15 also provides new presentation and disclosure requirements, which are more detailed than under the current standards. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in Group's financial statements. Many of the disclosure requirements in NZ IFRS 15 are completely new and might require additional data to be captured.

The core principle of NZ IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:
- Step 1: identify the contract(s) with a customer
- Step 2: identify the performance obligations in the contract

NOTES TO THE FINANCIAL STATEMENTS

- Step 3: determine the transaction price
- Step 4: allocate the transaction price to the performance obligations in the contract
- Step 5: recognize revenue when (or as) the entity satisfies a performance obligation

Under NZ IFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. When 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Management has commenced a detailed assessment of the impact of NZ IFRS 15 on the Group's revenue recognition. Although the potential impact has not yet been quantified, areas of focus include but are not limited to:
- certain industry considerations specific to electricity distribution;
- the timing of recognition of capital contributions;
- the treatment of revenue from directly billed customers with dedicated assets;
- the method used to recognise contracting revenue over time; and
- the contract cost to be capitalised for work in progress.

IFRS 16: Leases – effective 1 April 2019

NZ IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $512k, see note 24. The Group estimates that approximately 37.5% of these relate to payments for short-term and low value leases which will be recognized on a straight-line basis as an expense in profit and loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary due to the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the Group's profit and losses and classification of cash flows going forward.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 purchase method to account for business combinations. The consideration transferred for an acquisition of a subsidiary is measured as the fair value of assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred and non-controlling interest is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

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

(b) Joint Arrangements

The Group has applied NZ IFRS 11 to all joint arrangements as of 1 April 2013. Under NZ IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Alpine Energy Limited has assessed the nature of its two joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint venture are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. This has been applied from 1 April 2013.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in New Zealand dollars, which is the Group's functional and presentation currency.

(b) Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented within 'Other (losses)/gains-net'.

2.4 Property, plant and equipment

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the assets' original cost is transferred from 'other reserves' to 'retained earnings'.

Land is not depreciated. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. The rates are as follows:

• Reticulation system	1.00%	-	36.00%
• Meters and Relays	2.00%	-	50.00 %
• Plant and Equipment	1.00%	-	67.00%
• Fibre	4.00%	-	21.00%

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.
Capital work in progress is not depreciated until commissioned.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other (losses)/gains – net" in the statement of comprehensive income.

When revalued assets are sold, the amounts included in revaluation reserves are transferred to retained earnings.

2.5 Intangible assets

(a) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets have a finite useful life and are amortised over their economic useful life of 2-5 years.

(b) Easements

Assets sited on easements will normally be renewed at the end of their economic life in the same location that they are currently housed. On this basis the easement itself has an infinite life. Easements are recorded at cost and are tested annually for any sign of impairment and whenever there is an indicator of impairment.

2.6 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.7 Financial assets

2.7.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets/liabilities if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents', and 'other investments' in the balance sheet.

(c) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(d) Available for sale financial assets

Available for sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the balance sheet date.

(e) Derivative financial instruments and hedge accounting

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates.

The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. The Group designates certain derivatives as hedges of the change of fair value of recognised assets and liabilities. Hedge accounting is discontinued when the

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hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

2.7.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sells the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "other (losses)/gains-net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.10 Inventories

Inventories are stated at the lower of weighted average cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of work in progress comprises design costs, raw materials, direct labour, and other direct costs and related production overheads (based on normal operating capacity).

2.11 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's

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carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade payables are recognised at fair value.

2.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.15 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that 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.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associated and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there

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is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for employee entitlements is carried at the present value of the estimated future cash flows.

The Group has no post-employment schemes.

2.18 Provisions

Provisions for legal claims, service warranties and rental obligations are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.19 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods supplied stated net of discounts, rebates and goods and services tax. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Network lines charges
Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

(b) Sales of goods
Sales of goods are recognised when a Group entity has delivered a product to the customer. Retail sales are usually in cash or by bank transfer. The recorded revenue is the gross amount of sale.

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

(d) Construction contracting
Contract revenue and expenses related to individual construction contracts are recognised as a percentage of completion of each contract on a monthly basis.

(e) Rental income
Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(f) Customer contributions
Contributions from customers in relation to the construction of new lines for the network and donated assets are accounted for as income when the asset is connected to the network.

(g) Metering Revenue
Revenue received from the rental of smart meters is recognised in accordance with the relevant agreements.

2.20 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.21 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.22 Leases

(a) Group is the lessee

Leases in which a significant 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 from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) Group is the lessor

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Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Board.

2.24 Construction contracts

A construction contract is defined by IAS 11, 'Construction contracts', as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of the contract costs incurred that are likely to be recoverable.

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

Contract work in progress is stated at cost less amounts invoiced to customers. Cost includes all expenses directly related to specific contracts.

2.25 Goods and services tax (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group may from time to time purchase assets denominated in foreign currency. The policy is that Board approval is required for foreign currency denominated contracts valued above a specified threshold, together with a recommendation on the manner in which the foreign currency exposure is to be managed, which may include the use of foreign exchange contracts.

(ii) Cash flow and fair value interest rate risk

The Group operates under the following policy which prescribes the proportion of fixed interest rate cover that it must hold in relation to its future borrowings. This proportion is calculated based on the actual fixed rate cover held and the forecast debt levels.

The Group will have various interest rate financial instruments to manage exposure to fluctuations in interest rates. Any resulting differential to be paid or received on the instruments is recognized as a component of interest paid.

The following framework is utilised by the Group to determine the proportion of fixed rate interest rate cover it must hold.

Hedging profile

Period	Minimum Cover	Maximum Cover
0 – 10 years	25%	75%

The Board will determine the maximum and minimum percentages for each time period. Board approval is required for borrowings, together with a recommendation on the manner in which the interest rate risk is to be managed. The Group has no cash on deposit.

Occasionally the Group also enters into fixed-floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates in excess of the target.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. General financial reserves of the Group may be invested with any bank registered under New Zealand law, or in government or local government stock, or with financial institutions holding a formal credit rating by Standard and Poors or Moody's of an "A" or better, or financial institutions that provide well supported first ranking security. Funds will be invested only for periods of time which reflect the projected cash flow requirements of the Group. The maximum investment in any one financial institution shall not exceed a sum equivalent to 5% of the Group's total assets, as disclosed in the statement of financial position published in the preceding annual report of the Group. Credit risk associated with trade receivables is limited

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through retailer invoicing for line and metering charges rather than individual consumer invoicing for line and metering charges. Credit is also limited with trade receivables by the requirement of a 50% upfront payment of the customer contribution for new connections before work is started.

(c) Liquidity risk

Liquidity risk management has the objective of maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities to meet the short and long term commitments of the Group as they arise in an orderly manner. Management monitors rolling forecasts of the Group's liquidity requirements on the basis of expected cash flow. The Board of Directors approves all new borrowing facilities.

	2018	2017
	$'000	$'000
External funding arrangements		
Overdraft facility (BNZ)	500	500
Long Term funding		
Maturing greater than 12 months		
Flexible Credit Facility (ANZ)	40,000	35,000
Money Market Line (ANZ)	59,000	34,640

(d) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The value of any financial instruments that are not traded in and active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Refer to note 14.

(e) Capital risk management

The Group's objective when managing capital (which comprises share capital plus retained earnings) is to safe guard the ability to continue as a going concern in order to provide returns to shareholders, consumers, and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders.

During 2018, the Group's strategy, which was unchanged from 2017, was to maintain the Shareholders Equity to Total Asset ratio to be greater than 50%.

The Parent is subject to the following externally imposed capital requirements, which are measured at balance date. They relate to bank covenants within the Company's external debt facility.

	Parent	
	2018	2017
	$'000	$'000
Tangible Assets	283,823	246,051
Total Equity	141,712	136,080
Shareholders Equity to Total Assets	**50%**	**55%**
EBIT	25,309	22,424
Interest Cost	3,331	2,445
Interest Cover	**8:1**	**9:1**

(Shareholders' Investment/Total Tangible Assets) x 100 ≥ 50%
EBIT/Interest Costs ≥ 3.0

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with NZ IFRS requires management to make certain critical accounting estimates and judgements that affect the application of policies and reported amount of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Any changes to estimates are recognised in the period if the change affects that period, or in future periods if the change also affects future periods.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Meters

The useful life of the legacy meters has been shortened to allow for the change to new smart meters. The depreciation has been accelerated to reflect this change.

(b) Property, plant and equipment

Network reticulation assets' depreciation rates are as stated in the ODV Handbook issued by the Commerce Commission in 2004. These rates are considered a reasonable estimate of useful lives.

(c) Related Party Loan

Based on 10 years forecast for On Metering Limited, regular loan repayments are to be made starting in FY18/19. Based on this it is our view that all loans will be repaid over the life of the project.

4.2 Critical judgements in applying the entity's accounting policies

NOTES TO THE FINANCIAL STATEMENTS

(a) Joint arrangements

Alpine Energy has two joint arrangements – Rockgas Timaru Limited and On Metering Limited. Alpine Energy holds 50% of the voting rights of each of its joint arrangements. The Group has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

The Group's joint arrangements are structured as limited companies and provide the Group and the parties to the agreements with rights to the net assets of the limited companies under the arrangements. Therefore, both arrangements are classified as joint ventures.

5 REVENUE

	Group	
	2018	2017
	$'000	$'000
Network Lines Revenue	60,425	53,839
Meter Revenue	1,674	1,810
Contracting Revenue	25,260	3,378
Interest	15	8
Customer Contributions	3,943	3,013
Insurance Proceeds	1,000	-
Sundry	1,021	1,607
	93,338	**63,655**

The insurance proceeds (Note 5 Revenue) and costs (Note 6 Expenses) associated with insurance claim relate to an event that happened on the 6th May 2017. A ship carrying materials for our NETcon/Infratec Kiribati contract from Suva, Fiji sank. The value of materials lost were $2.593m (excluding GST). Our insurance covered $1.0m of the loss.

The increase in contract revenue is largely related to the growth of the subsidiary company Infratec Limited.

6 EXPENSES

	Group	
	2018	2017
	$'000	$'000
Audit Fee	139	95
Auditor's Other Services		
- Non-assurance Services	2	15
- Information Disclosure Audit	33	31
- DPP Compliance Statement Audit	33	29
	207	**170**
Directors' Fees	274	271
Bad Debts Written Off	5	127
Donations	25	24
Rent	136	96
Interest Expense (Refer Note 7)	3,331	2,444
Costs Associated with Insurance Claim	2,593	-
	6,364	**2,962**
Depreciation of Property, Plant and Equipment		
Network Reticulation System	5,574	5,071
Meters and Relays	784	828
Land and Buildings	46	51
Fibre	153	144
Plant and Equipment	1,488	1,330
Total Depreciation of Property, Plant and Equipment	**8,045**	**7,424**
Amortisation	1,187	295
Loss on Disposal of Property, Plant and Equipment	845	475
Total Depreciation and Amortisation	**10,077**	**8,194**

7 FINANCE INCOME AND COSTS

	Group	
	2018	2017
	$'000	$'000
Interest Expense:		
- Bank Borrowings	3,331	2,444
Finance Costs	**3,331**	**2,444**
Finance Income:		
- Interest Income on Short-Term Bank Deposits	(15)	(8)
Finance income	(15)	(8)
Net Finance Costs	**3,316**	**2,436**

8 INVESTMENT IN SUBSIDIARIES

Subsidiaries of Alpine Energy Limited	Interest	Balance Date	Principal Activity
Timaru Electricity Limited	100%	31 March	Non-trading
NETcon Limited	100%	31 March	Lines construction & maintenance

NOTES TO THE FINANCIAL STATEMENTS

Subsidiaries of NETcon Limited	Interest	Balance Date	Principal Activity
Infratec Limited	100%	31 March	Renewable Energy Contracting
Infratec Renewables (Rarotonga) Limited	100%	31 March	Renewable Energy Contracting

9 INVENTORY

	Group	
Inventory on hand	2018	2017
	$'000	$'000
Smart Meters	2,084	4,294
Contracting Inventory	3,016	1,610
Closing Balance	5,100	5,904

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Joint Ventures include:	Interest	Balance Date	Principal Activity
Rockgas Timaru Limited	50%	31 March	Sale of LPG Gas
On Metering Limited	50%	31 March	Electricity meter leasing Company

Rockgas Timaru Limited is a joint venture to sell LPG in Timaru area. Rockgas Timaru Limited is owned by Alpine Energy Limited (50%) and Contact Energy Limited (50%) and formed on 29 March 1994.

On Metering Limited is a joint venture to install advanced meters in the Mainpower network area in North Canterbury. On Metering Limited is owned by Alpine Energy Limited (50%) and Network Tasman Limited (50%) and formed on 06 June 2013.

Rockgas Timaru Limited	2018	2017
	$'000	$'000
Assets	963	847
Liabilities	360	301
Revenues	2,625	2,468
Profit	257	254
Opening Balance	276	249
Share of Profit/(Loss)	129	127
Dividends Received	(100)	(100)
Closing Balance	305	276
Represented as:		
Shares	5	5
Retained Earnings	300	271
	305	276

On Metering Limited	2018 $'000	2017 $'000
Assets	12,445	11,603
Liabilities	12,995	11,842
(Loss)	(226)	(232)
Opening Balance	(121)	(5)
Prior Year Adjustment	(41)	-
Share of Profit/(Loss)	(113)	(116)
Closing Balance	(275)	(121)
Represented as:		
Retained Earnings	(275)	(121)
	(275)	(121)

Total Share of Profit from Joint Ventures	(25)	11
Rockgas Timaru Limited	305	276
On Metering Limited	(275)	(121)
Total Investment in Joint Ventures	30	155

11 INCOME TAX EXPENSE

	Group	
	2018	2017
	$'000	$'000
Operating Surplus Before Income Tax	19,362	18,677
Taxation @ 28 Cents	5,421	5,230
Movement in Income Tax Due to:		
Non Deferred Tax Differences		
Non Assessable Income	(4)	(123)
Non Deductible Expenses	(27)	138
Prior Period Adjustments	-	(12)
Tax Expense for Period	5,390	5,233

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Made up of:		
Income Tax Liability in Respect of Current Year	3,948	3,447
Prior Period Current Tax Adjustment	(553)	(169)
Prior Period Deferred Tax Adjustment	552	157
Deferred Taxation	1,443	1,798
	5,390	5,233

The tax (charge)/credit relating to components of other comprehensive income is as follows:

Gain/(Loss) on Revaluation of Land And Buildings Before Tax	200	508
The tax (charge)/credit on Revaluation of Land And Buildings	(56)	(34)
Gain/(Loss) on Revaluation of Land And Buildings After Tax	144	474
Gain/(Loss) on Interest Rate Swap Before Tax	(383)	971
The tax (charge)/credit on Interest Rate Swap (including Prior Period Adjustment)	107	(272)
Gain/(Loss) on Interest Rate Swap After Tax	(276)	699

Imputation Credit Account Group and Parent		
Opening Balance	2,528	2,827
Prior Period Adjustment		
Income Tax Paid/Payable	3,762	3,216
Income Tax Refunded/ Refundable	(366)	(72)
Imputation Credits Received	39	39
Imputation Credits Allocated and to be Allocated to Dividends	(2,411)	(3,482)
CLOSING BALANCE	3,552	2,528

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12 PROPERTY, PLANT AND EQUIPMENT

	Network Reticulation System	Meters and Relays	Land and Buildings	Fibre	Plant and Equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Year Ended 31 March 2017						
Opening Net Book Amount	186,081	4,868	7,401	2,841	6,600	207,791
Revaluation	-	-	508	-	-	508
Additions	16,253	4,840	3,303	420	1,849	26,665
Disposals	(306)	-	(484)	-	(4)	(795)
Depreciation Charge	(5,071)	(828)	(51)	(144)	(1,330)	(7,424)
Closing Net Book Amount	196,957	8,880	10,677	3,117	7,115	226,746
At 31 March 2017						
Cost	250,090	14,507	10,813	4,031	17,238	296,679
Accumulated Depreciation	(53,133)	(5,627)	(136)	(914)	(10,123)	(69,933)
Net Book Amount	196,957	8,880	10,677	3,117	7,115	226,746
Year Ended 31 March 2018						
Opening Net Book Amount	196,957	8,880	10,677	3,117	7,115	226,746
Revaluation	-	-	200	-	-	200
Additions	21,637	3,849	9,736	1,165	1,354	37,741
Disposals	(845)	-	-	-	(46)	(891)
Depreciation Charge	(5,574)	(784)	(46)	(153)	(1,488)	(8,045)
Closing Net Book Amount	212,175	11,945	20,567	4,129	6,935	255,751
At 31 March 2018						
Cost	**270,882**	**18,356**	**20,749**	**5,196**	**18,546**	**333,729**
Accumulated Depreciation	**(58,707)**	**(6,411)**	**(182)**	**(1,067)**	**(11,611)**	**(77,978)**
Net Book Amount	**212,175**	**11,945**	**20,567**	**4,129**	**6,935**	**255,751**

	2018	2017
	$'000	$'000
Included in the closing Net Book Value is Capital Work in Progress	16,260	16,984

Revaluation of Land and Buildings

An independent valuation of the Group's land and buildings was performed by G. A. Morton, an independent registered, public valuer, to determine the fair value of the land and buildings as at 31 March 2018.
The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is included in ' Revaluation Reserves' in equity.

Level 2 fair values of land and buildings have been derived using the market approach. This approach takes sales prices of comparable land and buildings in close proximity and adjusts for differences in key attributes such as property size. The market approach also takes into account rental income from the current lease agreements for the property.

NOTES TO THE FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS

Group	Easements	Computer Software	Total
Year Ended 31 March 2017			
Opening Net Book Amount	58	400	458
Additions	-	3,885	3,885
Amortisation	(1)	(293)	(294)
Closing Net Book Amount	57	3,992	4,049
At 31 March 2017			
Cost	99	5,140	5,239
Accumulated Amortisation	(42)	(1,148)	(1,190)
Net Book Amount	57	3,992	4,049
Year Ended 31 March 2018			
Opening Net Book Amount	57	3,992	4,049
Additions	-	981	981
Amortisation	(1)	(1,186)	(1,187)
Closing Net Book Amount	56	3,787	3,843
At 31 March 2018			
Cost	99	6,121	6,220
Accumulated Amortisation	(43)	(2,334)	(2,377)
Net Book Amount	56	3,787	3,843

14 DERIVATIVE FINANCIAL INSTRUMENTS

The following table analyses financial instruments carried at fair value, by valuation method.
The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Group				
Assets as per Balance Sheet	Derivatives used for Hedging	Derivatives held for Trading	Loans and Receivables	Total
	$'000	$'000	$'000	$'000
As at 31 March 2017				
Related Party Loan	-	-	5,840	5,840
Receivables	-	-	2,936	2,936
Cash and Cash Equivalents	-	-	4,370	4,370
Interest Rate Swaps	-	-	-	-
	-	-	13,146	13,146
As at 31 March 2018				
Related Party Loan	-	-	6,690	6,690
Receivables	-	-	10,207	10,207
Cash & Cash Equivalents	-	-	1,016	1,016
Interest Rate Swaps	-	-	-	-
	-	-	17,913	17,913
Liabilities as per Balance Sheet				
At 31 March 2017				
Trade and Other Payables	-	-	(11,029)	(11,029)
Interest Rate Swaps	(2,391)	-	-	(2,391)
Long Term Borrowings	-	-	(69,640)	(69,640)
Foreign Currency Forward Contracts	-	-	-	-
	(2,391)	-	(80,669)	(83,060)
At 31 March 2018				
Trade and Other Payables	-	-	(8,666)	(8,666)
Interest Rate Swaps	(2,774)	-	-	(2,774)
Long Term Borrowings	-	-	(99,000)	(99,000)
Foreign Currency Forward Contracts	-	(423)	-	(423)
	(2,774)	(423)	(107,666)	(110,863)

NOTES TO THE FINANCIAL STATEMENTS

There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant input required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.

Trade receivables, trade payables, related party loans & advances and term loans are disclosed at their carrying value. The carrying value of these assets and liabilities are equivalent to, or approximate their fair value.

15 TRADE AND OTHER RECEIVABLES

	Group	
	2018	2017
	$'000	$'000
The balance of Accounts Receivable comprises:		
Trade Receivables	9,624	2,294
Provision for Doubtful Debts	(75)	(75)
Prepayments	286	235
Unbilled Revenue	14	104
Due from Other Related Parties	146	204
Due from Joint Arrangements	14	10
Due from Shareholders District Councils	198	164
Balance at End of the Year	10,207	2,936
Trade Receivables less than 90 days old	9,382	2,285
Trade Receivables greater than 90 days old	600	385
	9,982	2,670
Trade Receivables which are neither past due nor impaired	9,202	2,008
Trade Receivables which are past due and not impaired	780	662
	9,982	2,670

The carrying amount of the Group receivables is denominated in the following currencies:

	2018	2017
	$'000	$'000
EUR	4,809	-
NZD	5,173	2,670
	9,982	2,670

NOTES TO THE FINANCIAL STATEMENTS

16 CASH AND CASH EQUIVALENTS

	Group	
	2018	2017
	$'000	$'000
Cash at bank and in hand	1,016	4,370
Cash and cash equivalents	1,016	4,370

The carrying amount of the Groups cash is denominated in the following currencies:

	2018	2017
	$'000	$'000
AUD	26	30
EUR	343	1,086
USD	1	-
NZD	646	3,254
	1,016	4,370

17 SHARE CAPITAL

Paid Up Capital: 41,328,017 Ordinary Shares. The shares have a value of $1.00 per share.
There are no unpaid or uncalled shares. All shares rank equally for voting rights and dividend distributions.

The Company is owned as follows:	No. of shares	
Timaru District Holdings Limited	19,630,808	47.50%
Waimate District Council	3,116,132	7.54%
MacKenzie District Council	2,049,870	4.96%
LineTrust South Canterbury	16,531,207	40.00%
	41,328,017	100.00%

There were no changes to shareholdings during the year.

18 RETAINED EARNINGS

	Group
	$'000
At 1 April 2016	89,706
Profit for the year	13,444
Dividends paid	(9,299)
At 31 March 2017	93,851
At 1 April 2017	93,851
Profit for the year	13,972
Dividends paid	(9,918)
At 31 March 2018	97,905

19 TRADE AND OTHER PAYABLES

	Group	
	2018	2017
	$'000	$'000
The balance of Accounts Payable comprises:		
Trade Payables	6,072	5,398
Accruals	2,306	4,740
Due to Associated Entities	274	97
Due to Shareholders District Councils	14	4
Balance at End of the Year	**8,666**	**10,239**

20 BORROWINGS

The Group has a loan facility with the ANZ Bank to draw down a maximum of $105,000,000 (2017:$75,000,000).
The loan facility is an interchangeable arrangement between a Flexible Credit Facility and a Money Market Line. At balance date the following amounts were drawn down. All borrowings are in New Zealand Dollars.

	2018	2017
	$'000	$'000
Flexible Credit Facility	40,000	35,000
Money Market Line	59,000	34,640
Total	99,000	69,640

The termination date of the total facility is 16 August 2019. The loan is subject to a negative pledge. Four $7 million and one $12 million interest rate swap transactions had been entered into, effective 20 December 2015 and 20 December 2017, borrowed against the Flexible Credit Facility for a period of four years, six years, eight years and ten years. The interest rate applied to borrowings against the Money Market Line facility is linked to the Reserve Bank of New Zealand Official Cash Rate. A movement of 1.0% in this rate would result in a movement of $590,000 (2017: $346,400) in the interest expense for the year. The covenants governing the loan have not been breached during the year.

	2018	2017
	$'000	$'000
Bank Overdraft	-	-
The Group has the following undrawn borrowing facilities:		
Floating rate:		
Expiring within one year	-	-
Expiring beyond one year	6,000	5,360
Fixed Rate:Expiring within one year	-	-
Total	6,000	5,360

NOTES TO THE FINANCIAL STATEMENTS

21 DEFERRED INCOME TAX

The gross movement on the Deferred Income Tax Account is as follows:	2018 $'000	2017 $'000
At 1 April	(24,403)	(22,142)
Tax (charge)/credit Relating to Components of Comprehensive Income	(1,995)	(1,955)
Tax (charge)/credit directly to Equity	51	(306)
AS AT 31 MARCH	(26,347)	(24,403)

The Movement in Deferred Income Tax Assets and Liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Group	
Deferred Tax Liabilities	Accelerated Tax Depreciation $'000	Total $'000
At 1 April 2016	(24,732)	(24,732)
Charged/(Credited) to the Statement of Comprehensive Income	(2,459)	(2,459)
At 31 March 2017	(27,191)	(27,191)
Charged/(Credited) to the Statement of Comprehensive Income	(2,851)	(2,851)
At 31 March 2018	(30,042)	(30,042)

Deferred Tax Assets	Provisions $'000	Total $'000
At 1 April 2016	2,590	2,590
Charged/(Credited) to the Statement of Comprehensive Income	505	505
Charged/(Credited) to the Statement of Changes in Equity	(306)	(306)
At 31 March 2017	2,789	2,789
Charged/(Credited) to the Statement of Comprehensive Income	855	855
Charged/(Credited) to the Statement of Changes in Equity	51	51
At 31 March 2018	3,695	3,695

22 RECONCILIATION OF CASH FLOWS

(a) Cash Flows from Operating Activities

	Group	
	2018 $'000	2017 $'000
Operating Surplus After Income Tax	13,972	13,444
Add/(Deduct) Non Cash Items		
Depreciation and Amortisation	10,077	8,194
Increase in Deferred Tax Liability	2,052	2,261
Net Movement in Non Cash Items	12,129	10,455
Add/(Deduct) Movements in Working Capital Items		
(Increase)/Decrease in Accounts Receivable	(5,348)	(180)
(Increase)/Decrease in Inventories and Work in Progress	804	(4,976)
(Increase)/Decrease in Associated Entities Profit	25	(11)
Increase/(Decrease) in Creditors and Employee Entitlements	(1,895)	3,550
Increase/(Decrease) in Deferred Revenue	(3,279)	5,590
Increase/(Decrease) in Provision for Tax	29	(736)
Net Movement in Working Capital Items	(9,664)	3,237
Add (Deduct) Items Classified as Financing		
Net Cash Flows From Operating Activities	16,437	27,136
In the statement of cash flows, proceeds from sale of PPE comprise:		
Net Book Amount	891	795
Profit/(Loss) on Disposal of PPE	(845)	(474)
Proceeds from Disposal of PPE	46	321

NOTES TO THE FINANCIAL STATEMENTS

22 RECONCILIATION OF CASH FLOWS (CONT.)

(b) Net Debt Reconciliation

	Group	
	2018 $'000	2017 $'000
Cash and Cash Equlvalents	1,016	4,370
Borrowings - Repayable After One Year	(99,000)	(69,640)
Net Debt	(97,984)	(65,270)
Cash and Cash Equlvalents	1,016	4,370
Gross Debt - Variable Interest Rates	(99,000)	(69,640)
Net Debt	(97,984)	(65,270)

	Cash $'000	Borrow Due after 1 Year $'000	Total $'000
Net Debt as at 31 March 2017	4,370	(69,640)	(65,270)
Cash Flows	(3,354)	(29,360)	(32,714)
Net Debt as at 31 March 2018	1,016	(99,000)	(97,984)

23 CONTINGENCIES

The Group has contingent liabilities as at 31 March 2018 of $9,106,474 in the form of performance and import guarantees to cover ongoing project work (2017 NZD 8,627,480).

24 COMMITMENTS

	2018 $'000	2017 $'000
(a) Capital commitments	6,547	5,538
(b) Lease commitments as lessee:		
Within one year	192	327
Between one and five years	320	414
Over five years	-	-

(c) Outstanding commitments on forward exchange contracts:

The Group has other commitments totalling $1,512,368.13 per annum relating to new investment contracts with Transpower. The contracts generally have a term of 20 years, and the existing contracts have expiry dates ranging from 2017 until 2029.

25 OPERATING LEASES

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

		2018 $'000	2017 $'000
Lease of fibre network	Within one year	512	512
	Between one and five years	2,558	2,558
	Over five years	5,968	6,479
Rentals from building lease agreements	Within one year	102	177
	Between one and five years	89	207
	Over five years	-	-

26 RELATED PARTIES

Shareholders

All transactions between the Company and its Shareholder District Councils have been conducted on a commercial basis. Charges between the parties are made for services provided as part of the normal trading activities of the Company, and as such have been incorporated into the operating costs and revenues of the Company.

	Group	
	2018 $'000	2017 $'000
Revenues from Shareholder District Councils - Contracting Activities		
MacKenzie District Council	47	269
Timaru District Council	1,297	417
Waimate District Council	32	21
Payments to Shareholder District Councils - Rates		
MacKenzie District Council	17	16
Timaru District Council	86	79
Waimate District Council	19	13
Balances due from and to Shareholder District Councils are shown in note 15 and 19		

NOTES TO THE FINANCIAL STATEMENTS

26 RELATED PARTIES (CONT.)

Transactions with Related Parties

	Group	
	2018	2017
	$'000	$'000
Revenues from Rockgas Timaru Limited	47	27
Revenues from SmartCo	1,350	652
Revenues from On Metering	82	204

Balances due from and to joint ventures are shown in notes 15 and 19

Key Management Compensation

	Group	
	2018	2017
	$'000	$'000
Short term employee benefits	1,983	1,979
Loans to Related Parties		
Shareholder loan to On Metering Limited	6,475	5,625
Shareholder loan to SmartCo	215	215
Balance at end of year	6,690	5,840

Shareholder loan to On Metering has no fixed term and is not subject to interest.

There is no provision for doubtful debts or bad debt expenses for related parties

Guarantees to Related Parties

	Group	
	2018	2017
	$'000	$'000
Alpine Energy Limited guarantee to NETcon Limited	-	2,948
Alpine Energy Limited guarantee to Infratec Limited	4,875	-
NETcon Limited guarantee to Infratec Limited	125	125

27 EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any matter or circumstance since the end of the financial year not otherwise dealt with in this report that has significantly affected or may significantly affect the operation of the Company or Group, the results of those operations or the state of affairs of the Company or Group.

PERFORMANCE REPORT

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2018

Performance targets were set in the Statement of Corporate Intent approved by Directors.

FINANCIAL INFORMATION

	Group	
	2018	2017
Ratio of Net Surplus attributable to the Shareholders to Average Shareholders Equity:		
Target	14.7%	11.8%
Result	10.1%	10.1%
Tangible Assets per Share:		
Target	$6.91	$6.10
Result	$6.79	$6.07
Earnings per Share:		
Target	$0.519	$0.387
Result	$0.338	$0.325
Ratio of Shareholders' Equity to Total Assets:		
Minimum Target	53%	55%
Result	50%	54%

The financial results for the Alpine Group were affected markedly by the unfavourable summer weather which resulted in line revenue being down $2.9m down on the budget.
The sinking of the ship carrying materials for Infratec resulted in a $1.593m loss. This has had a negative impact on the various financial ratios.

NON FINANCIAL INFORMATION

	Group	
	2018	2017
Average Interruption Duration (SAIDI)		
Maximum Target (Minutes per Duration)	132.81	154.16
Result (Normalised)	**115.29**	**133.47**
Average Interruption Frequency (SAIFI)		
Maximum Target (Interruptions per Customer)	**1.30**	**1.51**
Result (Normalised)	0.99	1.07

Health and Safety Measures

Health and safety continues to be the most important aspect of what we do and why we do it. It's the first core business agenda item at each board meeting and is supported by key information from all corners of Alpine's group of businesses. Alpine is an active member of the Business Leaders' Health and Safety forum whose perquisite for membership is a pledge to Zero Harm. Within the reporting period, Alpine's Public Safety Management System was externally audited and we retained certification. Like many other companies we continue to assess our key critical risks and the management thereof, with increasing insight being put on the health component of health & safety.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ALPINE ENERGY LIMITED'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2018

The Auditor-General is the auditor of Alpine Energy Limited Group (the Group). The Auditor-General has appointed me, Nathan Wylie, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements and the performance information of the Group on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 26 to 48, that comprise the balance sheet as at 31 March 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on page 49.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2018; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards, as defined in the Financial Reporting Act 2013.
- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2018.

Our audit was completed on 7 June 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

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INDEPENDENT AUDITOR'S REPORT

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is also responsible on behalf of the Group for preparing performance information that is fairly presented.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

- We obtain an understanding of internal control relevant to the audit 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.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance;
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements and performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

INDEPENDENT AUDITOR'S REPORT

In addition to the audit we have carried out assignments in the areas of compliance with the Electricity Distribution (Information Disclosure) Determination 2012, Electricity Distribution Services Default Price-Quality Path Determination 2012, other regulatory requirements of the Commerce Act 1986, tax compliance services for an associate of the Group and other assurance services. Other than the audit and these assignments, we have no relationship with or interests in the Company or any of its subsidiaries.

Nathan Wylie
PricewaterhouseCoopers
On behalf of the Auditor-General
Christchurch, New Zealand

NETWORK OWNERSHIP

NETWORK OWNERSHIP IN SOUTH CANTERBURY

LineTrust South Canterbury	Timaru District Council	Waimate District Council	Mackenzie District Council
40%	**47.5%**	**7.54%**	**4.96%**

THE COMMUNITY OWNS 100% OF ALPINE ENERGY

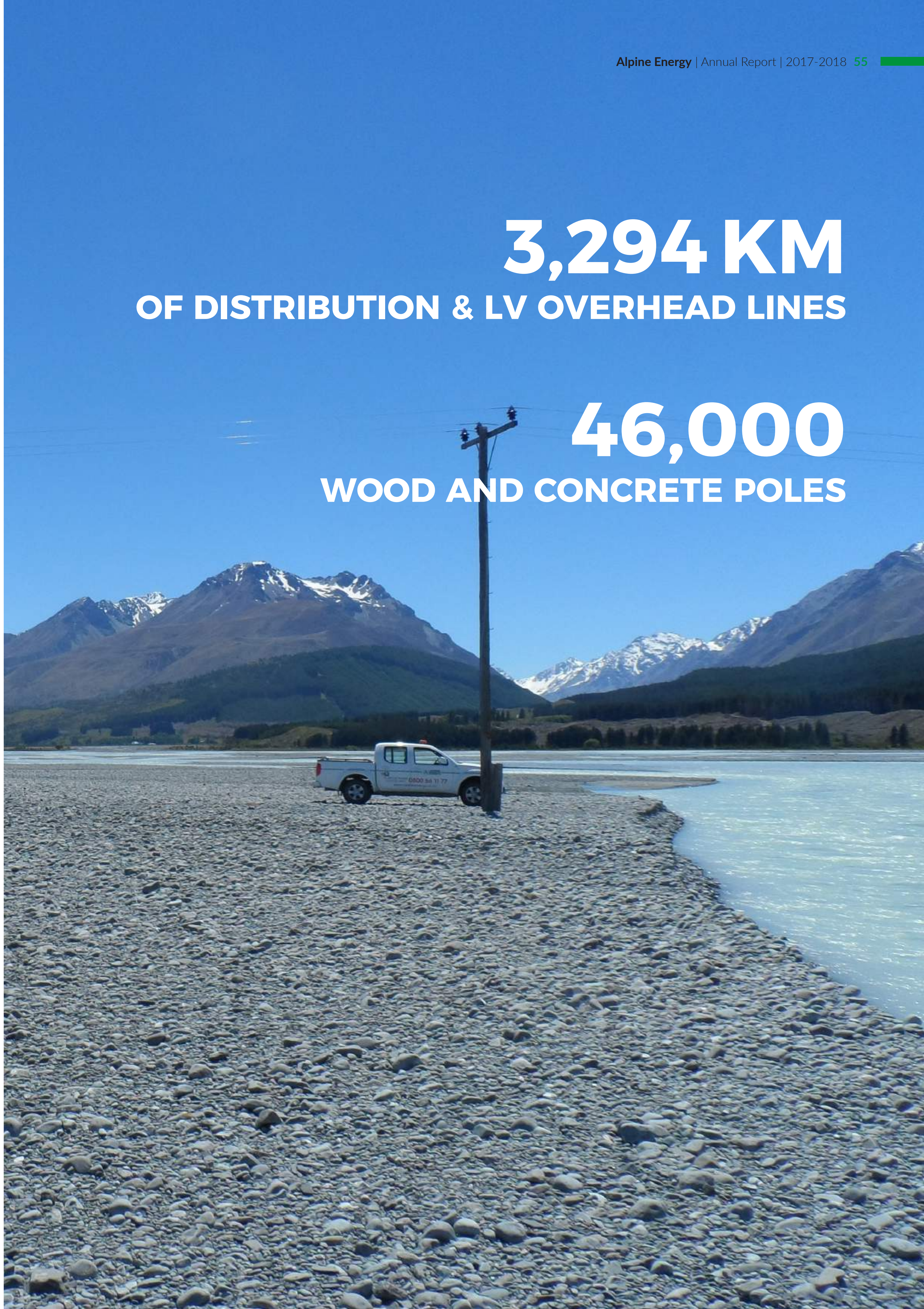
Alpine ENERGY

100% SOUTH CANTERBURY OWNED

ALPINE ENERGY HAS OWNERSHIP IN THE FOLLOWING

SmartCo	Rockgas Timaru Ltd	NETcon Ltd	On Metering	Timaru Electricity Ltd
14.29%	**50%**	**100%**	**50%**	**100%**

Infratec Ltd	Infratec Renewables Rarotonga Ltd
100%	**100%**



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