Annual Report FY2023

"As we move closer to 2050, and the national **net zero emissions target**, the role of the **electricity sector** in Aotearoa New Zealand's future **becomes more critical**."

Warren McNabb, Chair of Alpine Energy Limited Board

Contents

This report reviews Alpine Energy’s financial and operational performance for the year ended 31 March 2023.

The financial statements have been prepared in accordance with the appropriate accounting standards and have been independently audited by PwC, as appointed by the OAG.

Care has been taken to ensure all information in this report is accurate, including internal support and confirmation processes and Board endorsement.

Performance snapshot

$56.7M
Network lines revenue (FY22: $53.0 million)

$7.9M
Customer revenue for AEL (record for the company) (FY22: $3.7 million)

$14.9M
Equity growth (FY22: $9.1 million)

$26.0M
Capital expenditure on our network* (FY22: $21.0 million)

$37.0M
EBITDA (FY22: $29.0 million)

812GWh
Hours of electricity delivered on our network (FY22: 836GWh)

142MW
Network maximum demand (FY22: 135MW)

115
New distributed generation connections (FY22: 56)

329
New connections completed (FY22: 324)

83%
Customers are satisfied with the reliability of our electricity supply

$198,792
Granted to community projects and personal development grants

50%
Customers surveyed would consider purchasing an EV in the next 5 years

23
Nationalities represented across the Group

179
People employed across South Canterbury (full time equivalents)

Note: financial results are the consolidated results for the Alpine Energy Limited Group whilst statistics represent Alpine Energy Limited (parent) only.
*Represents cash paid.

01. Messages from our Chair and Chief Executive Officer

Message from our Chair

Warren McNabb

Decarbonisation, electrification, and climate change

As we move closer to 2050, and the national net zero emission target, the role of the electricity sector in Aotearoa New Zealand's future becomes more critical. Analysis by experts including the Boston Consulting Group, ongoing government policy support and investment, and customer preferences are all sending a clear signal - Aotearoa New Zealand's energy future is electric. This was evident across South Canterbury this year, with Alpine Energy experiencing a sustained uplift in customer enquiries for process heat decarbonisation, and both large-scale, and residential distributed generation installations. The delivery of our first large-scale decarbonisation project - WoolWorks New Zealand - and a confirmed application for a large solar farm installation this year are examples of how our customer enquiry pipeline is transitioning to committed projects.

The devastation caused by severe weather events across the North Island this year has also emphasised that in delivering an electric future, our distribution networks must be resilient to the impacts of our changing climate. Our thoughts remain with our electricity sector colleagues, the communities and families affected by these events.

Preparing for, and responding to, the combination of decarbonisation, network resilience, and growth drivers cannot be done with an incremental, business as usual, approach. The work we have carried out across the Group this year, detailed in this report, reflects our recognition of this. Our strategy, our planning, and our operations must align to meet the challenges of rapid change and seize opportunities to support our customers who are choosing a more sustainable future.

Our regulatory settings must also align with this change in approach, and incentivise investment that will deliver a resilient, low-carbon economy. As the Commerce Commission resets the Default Price-Quality Path (DPP) Regulations over the next 18 months, we must ensure that our local context is understood, and the interests of our stakeholders are clearly articulated. Our effective engagement in this process is crucial to securing the uplift in revenue needed to deliver on commitments to our customers and communities.

Our evolving strategy

As a Board we reflected on the Group's strategy once more this year to ensure we have a strong focus on how we will deliver decarbonisation, electrification and building a future-proof network, while keeping the lights on for all our customers and communities. We will continue to refine this in 2023/24 as we gain deeper insights into risks and opportunities. While our strategy must remain agile, our vision of empowering our community, and our purpose of delivering secure, reliable energy for today while innovating for the future remain relevant and unchanged.

Acknowledging our shareholders

I would like to thank our shareholders, Timaru District Holdings Limited, MacKenzie District Council, Waimate District Council and LineTrust South Canterbury for their continued trust and support in the Board and the Executive Leadership Team. We are proud to partner with our shareholders in delivering the critical infrastructure and services that support the wellbeing, growth, and sustainability of the South Canterbury region.

This year's final dividend was paid on 31 July 2023, taking the full-year fully imputed dividend to 6.00 cents per share.

Changes at the board table

This year we said farewell to Board members, Jessie Chan and Don Elder. Don joined the Board in December 2017 and was the Chair of the Board's People, Performance and Culture Committee. Jessie joined the Board in July 2019 and was the Chair of the Board's Sponsorship Committee. Both Don and Jessie were members of the Board's Health and Safety Committee. I want to thank them for their commitment to Alpine Energy and their valuable contributions to the Board over the years. We wish them all the best in their future endeavours.

We also welcomed three new Board members in July 2022.

Karen Coutts brings a unique combination of in-depth expertise in the value-add opportunities for New Zealand of Māori economic development, and maximising socio-economic inclusion.

Kevin Winders has had direct and indirect involvement with New Zealand's infrastructure and electricity sector for a number of years and, as the Chief Executive of the Port of Otago, brings commercial expertise and a wealth of knowledge of health and safety best-practice.

Rebecca Keoghan is an experienced director with considerable expertise across multiple business structures, local government, crown entities and has specialist skillsets in risk management, culture change and stakeholder relationships.

Their appointments bring additional skills, expertise, and diversity to the Board table.

Executive Leadership Team changes

We were pleased when Caroline Ovenstone accepted the role as Chief Executive Officer in November 2022. She has been with Alpine Energy since June 2019 as the Chief Financial Officer, Caroline brings a wealth of experience in leading businesses through periods of significant change, and we could not ask for a better fit for the Alpine Energy team at this transformational time in our industry. I would like to thank Caroline for her service as the Chief Financial Officer and wish her all the best for leading the team forward as the Chief Executive Officer.

The Executive Leadership Team also welcomed Matthew Ireland to the team this year as the Chief Digital Officer. This is a much-needed strategic role for Alpine Energy as the industry continues to digitise, with data and technology becomes increasingly important.

Looking ahead

I look forward to continuing to work with my fellow Board members and the Executive Leadership Team as we refine our strategy to ensure that we continue to deliver exceptional results for our customers, shareholders, and communities.

Ngā mihi nui,
Warren McNabb

Chief Executive Officer report

Caroline Ovenstone

Decarbonisation, electrification, and new technologies are rapidly transforming our energy landscape. South Canterbury, as a regional economy, is very much a part of this transformation. In supporting this transformation, it has been a year of achievements and change for Alpine Energy.

With customers actively pursuing emissions reduction, business growth, and transport electrification opportunities, we have seen a significant increase in the size and complexity of connection requests. This has fuelled changes across our business as we grow and build the new capabilities to adapt to meet the evolving energy needs in our region.

Business and network delivery

As with many businesses in Aotearoa New Zealand, we were impacted by the high inflation, rise in material and labour costs and continued supply chain disruptions. It is a testament to all our teams that network delivery and financial performance across the year was strong.

Our commitment to delivering exceptional customer experiences has been central to our activities this year. We achieved significant milestones in our works programme, including the WoolWorks New Zealand decarbonisation project, and the connection of the new Timaru Showgrounds complex. Reliability improvement work remains paramount with large maintenance and inspection projects completed across the region. These achievements have grown and strengthened our network, showcasing our ability to deliver on time, and to meet customer expectations.

We have seen a significant increase in the number and capacity of distributed generation installations on our network. Installed capacity of distributed generation on our network now surpasses 3MW. This is a clear indication of evolving customer energy choices across our region.

Our financial performance in the past year was strong. We achieved a network lines revenue of $56.7 million, while our customer contribution and connection fees revenue for Alpine Energy reached $7.9 million, the highest in our history. Additionally, our equity grew by $14.9 million, increasing our shareholders' investment value to $193 million. With $26.0 million invested in network capital expenditure, we enhanced infrastructure capacity. Our EBITDA was $37.0 million, continuing our sustainable earnings. These strong results underline our financial stability and dedication to delivering reliable electricity services while positioning ourselves for future success. They also position us well to continue providing electricity infrastructure and services for the long-term benefit of our community.

We are pleased to report that we have again achieved compliance with the quality standards and price-path set by the Commerce Commission.

> While decarbonisation and new technologies are changing the future of electricity, for the majority of our customers, the provision of a safe, reliable electricity supply, is of greatest importance.

Future focus and foundational change

To prepare for the ongoing transformation in the energy sector, we have taken important steps to position ourselves for success. Our asset management strategy is the foundation of our network's success. To deliver on this strategy we developed a new Asset Management Plan (AMP). This plan recognises that historical network data is no longer sufficient to make informed decisions about our future investments. Our AMP signals a significant step-change in our forecast network and non-network expenditure over the next ten years. The investment required to enable growth, decarbonisation, electrification, and improve our climate change resilience goes beyond just physical assets, and includes:

- Investment in capabilities
- Investment in the right systems and processes to support this step-change
- Increased advocacy to ensure that future regulatory and pricing frameworks provide appropriate and equitable revenue settings to deliver our investment plans

So, while our future investment programme reflects the significant growth expected in our region, and across our Group, it is just the beginning of our response to the evolving electricity system, forming part of our larger sustainable approach.

Part of this journey is our continued work to address network resilience. In light of the devastating severe weather events witnessed across the North Island earlier this year, we acknowledge the increasing risk these events pose to our network and our communities. We will undertake a data-driven programme in the 2023/24 to identify and mitigate network risks. This initiative will strengthen our resilience to immediate and long-term risks.

The new capabilities needed to deliver on our Group strategy and AMP have led to the development of a new executive structure, with key new positions focusing on customer and strategy, digital enablement and people and safety, to lead the changes required in our business. We look forward to these positions hitting the ground running in the coming months.

Collaboration is vital

This year we have actively engaged with our customers and key stakeholders. This is a key focus of a new customer-centric approach to communication, planning and partnership at Alpine Energy. An excellent example of this collaboration was the successful Regional Energy Transition Accelerator (RETA) workshop. We hosted industry leaders and stakeholders at Alpine House to discuss the challenges and opportunities in our region presented by the transition from high-emissions process heat to electrification.

Building on this engagement, we kicked off our South Canterbury Energy Strategy, which aims to support the decarbonisation goals of our customers and contribute to national zero-carbon targets.

We have also actively engaged with regulatory bodies including the Commerce Commission (ComCom) and Electricity Authority (EA), as well as other Electricity Distribution Businesses (EDBs), recognising the importance of industry-wide collaboration in driving positive change and ensuring a sustainable future for our sector. We participated in several Electricity Network Aotearoa (ENA) initiatives to facilitate this regulatory engagement. This year, amongst others, we participated in the demand and investment drivers' assessment to support AMP development and the sector's preparation for the next pricing regime, and the first stages of the Information Disclosures review. Ongoing collaboration with the electricity sector, and our stakeholders will be vital to our effective advocacy in this process.

People

The past year has seen significant changes in how we work, largely influenced by the ongoing impacts of the COVID-19 pandemic. We have embraced new ways of working, leveraging digital technologies and remote collaboration tools to ensure business continuity and efficiency. Additionally, we have strongly emphasised employee wellbeing, recognising that our people are our most valuable asset. We have implemented comprehensive wellbeing initiatives to support our staff and foster a positive and inclusive work environment.

Honouring our commitment to the safety of our employees, customers, and communities, we developed a safety roadmap to identify and drive improvements across our business and activities.

Conclusion

This past year has been transformational for Alpine Energy as we adapt to the changing energy landscape. Our commitment to collaboration, customer-centricity, and strategic planning has fuelled our success and positioned us well for future growth. As we navigate the decarbonisation journey and address the challenges of extreme weather events, we remain dedicated to connecting customers, providing safe and reliable electricity, and contributing to a sustainable energy future.

Thank you to our customers, stakeholders and shareholders for your ongoing support. I would like to thank the Executive Leadership Team for their continued commitment to our journey and to every individual in the Alpine Energy Group whānau for their support over the past year. We have an exciting era ahead and we look forward to facing it together.

Ngā mihi nui,
Caroline Ovenstone

South Canterbury Energy Strategy

In March 2023 we began developing a South Canterbury Energy Strategy. The purpose of this strategy is to identify significant energy issues across South Canterbury over the next thirty years, and to identify options to manage these issues in the best interest of our communities. This strategy will place our customers' and communities' future energy needs at the centre of our long-term planning.

This strategy recognises that the energy landscape varies across the different regions of Aotearoa New Zealand. As the RETA study[1] shows, characteristics unique to South Canterbury, including available energy resources, infrastructure and industry, and a diverse local economy, presents both challenges and opportunities. By developing a regional energy strategy, we can leverage our strengths and resources more effectively. This will ensure an efficient and sustainable energy system, tailored to the specific needs of our communities. It will allow for better coordination and collaboration among key stakeholders. We intend to bring together hapu, local government, industry players, communities, and energy providers to align our efforts and work towards common goals.

Our first project involved creating a zone substation dashboard, which provides insights into our network's current and projected load characteristics. This information helps us anticipate electrification trends in South Canterbury and identify areas of load growth. We will utilise the findings to conduct scenario analysis and inform our asset management and network development decision-making processes.

Additionally, we are engaging with our large customers to understand their coal conversion strategies. Through these conversations we aim to gain insights into their plans, enabling us to respond effectively. To facilitate engagement, we are planning a roadshow in 2023/24.

Our Washdyke Roadmap, part of our Energy Strategy, will support dynamic adaptive planning for this critical area of our network. As network trigger points are neared, or customers make decarbonisation or growth decisions in coming years, our Roadmap will support engagement and transparent decision-making for us and our stakeholders.

The South Canterbury Energy Strategy is aimed at empowering our community and Aotearoa New Zealand to reaching net zero carbon emissions by 2050. Together, we are working towards creating a sustainable future.

> "As custodian of critical infrastructure assets, we have a social responsibility to make the right decisions not only for today, but for future generations."
>
> Caroline Ovenstone

[1] https://www.eeca.govt.nz/co-funding/regional-decarbonisation/mid-south-canterbury-regional-energy-transition-accelerator/

02. Decarbonising and electrifying

“We **respond effectively** to the **decarbonisation** and **electrification** needs of our customers to **support** Aotearoa New Zealand to a **zero-carbon future**.”

Our role in enabling zero carbon goals and the electrification of our economy gained traction this year with the completion of our first major industrial decarbonisation project and the installation of two new electric vehicle (EV) hyperchargers in South Canterbury.

We have seen our pipeline of customer enquiries for decarbonisation and electrification projects such as these convert to committed projects. With ongoing government commitment through the Government Investment in Decarbonising Industry (GIDI) fund, we expect this trend to continue. As a result, our 2023 AMP includes a step-change in our investment plans over the next ten years. Our Energy Strategy, supported by ongoing data analysis and customer engagement, will ensure we remain agile to changing customer needs.

Customer decarbonisation

This year the Energy Efficiency and Conservation Authority (EECA) undertook a RETA programme for Mid-South Canterbury, the second of its kind in New Zealand. 26 industrial sites within our region have been identified by the programme, currently using non-renewable fuel for heat generation, with installed capacity exceeding 500kW. The electrification of these sites could increase our total network peak demand by between 33% and 66%, depending on the energy transition scenario that plays out.

The study also estimated that 75% of the region's 540,000 tonnes of annual process heat emissions have marginal abatement costs below $116 a tonne. Based on an expectation that carbon prices will follow the Climate Change Commission's Demonstration Pathway, these emissions reduction projects would be economic before 2025. While uncertainty remains for specific conversion timelines, we now have greater clarity over the macro-economic factors that will drive customer decisions and have factored these into our system growth and asset management planning.

Some of the network upgrades required to enable process heat users' electrification decisions will be relatively simple, allowing us to negotiate directly with customers. However, the interconnected nature of our network results in situations where the decision of one process heat user impacts our options and decisions and those of Transpower, and a wider group of customers and stakeholders. The RETA programme has reiterated that careful coordination of these decisions will increase the chance of benefits being maximised across our network. Our Washdyke Roadmap, initiated as part of our Energy Strategy responds directly to this need for coordinated planning.

> "We must commit to doing more, faster, to meet what is the biggest challenge of our time. For the public good first and foremost, but also, to help businesses and regions across New Zealand get ahead of the curve and thrive in a low emissions economy."
>
> Nikki Sutherland, Group Manager Business, EECA

WoolWorks

As a Group, Alpine Energy and NETcon delivered our first major industrial decarbonisation project. Located in Washydyke, WoolWorks New Zealand is the world's largest wool scouring company by volume, handling 76% of New Zealand's wool, and washing over 100 million kilograms of wool annually across its three sites. As part of its sustainable business model, WoolWorks has committed to a 46% reduction in CO2 emissions across its business by 2030 (from a 2019 baseline). With co-funding from the GIDI fund, this decarbonisation project will see WoolWorks reach its emissions reduction target by 2024.

This project involved the replacement of WoolWorks coal-fired boiler with an 8.5MW electrode boiler and an industrial heat pump, which is expected to reduce over 11,000 tonnes of carbon dioxide emissions annually. To enable this conversion, we installed a new 11kV cable circuit, running 1.2km from our Washdyke switching station to its site, as well as supporting infrastructure.

To account for the forecast growth at Washdyke, and increase security of supply in the area, we took the opportunity to include two additional 11kV cable circuits as part of the WoolWorks connection project. These new circuits extend from our Washdyke switching station to the south end of Meadows Road, significantly enhancing the capacity for future load growth, and improving network reliability for existing connections.

> "WoolWorks has positioned its business to meet the market needs now, and this is a significant advantage for New Zealand suppliers of woollen product who embrace a sustainable value chain. We see this achievement as an investment in the future that will lead to positive benefits for the New Zealand farmer as our wool exporters will be able to market the wool differently."

Nigel Hales, Company President, WoolWorks

Distributed generation

In 2022/23 we saw the number and capacity of distributed generation (DG) installations on our network almost double compared to the previous five-year average, increasing the total DG on our network to over 3MW.

2019-2022 DG connections (average)	**60**
2022/23 DG connections	**115**
2019-2022 capacity of DG installed (average)	**0.36MW**
2022/23 capacity of DG installed	**0.84MW**

Enquiries for large-scale distributed generation have also continued, with one applicant submitting a final application to connect to our network. This will be a significant project that will be delivered over the coming years. Combined with an increase in the complexity across other customer connection and alteration projects, it has been another incredibly busy year for our connections and service delivery teams.

Electric vehicles

We have delivered three significant additions to the regional public EV charging network. Working with EECA to upgrade the public EV charger in Twizel to a 150kW hypercharger, relocating the existing 50kW charger to Aoraki/Mount Cook Village. We also installed a new 150kW hypercharger in Orari on State Highway 1. There are now eight public EV chargers connected across our network and there is continued growth in enquiries for both public and commercial charging connections.

Our latest customer survey, carried out in October 2022, reveals that 50% of those surveyed are likely to purchase an EV within the next five years (6% 1-2 years, 44% 2-5 years). Just 8% of respondents indicated they were never likely to purchase an EV. This is a significant change from our previous survey where nearly 50% indicated they would never purchase an EV, and less than 10% indicated they would purchase an EV within the next five years.

Actual EV uptake remains low across South Canterbury compared to more metropolitan regions, with 445 EVs registered to owners in South Canterbury. However, our survey results, paired with national EV fleet and market trends, and the continuation of government subsidies provide a clear indication of significant future growth in EVs.

The change and increase in activity on our low voltage (LV) network through new electric loads such as EV charging and distributed generation connections (solar photovoltaic (PV)), means that maintaining power quality across our network is getting more complex. To improve our visibility of power quality issues, we have committed to developing an LV strategy. We will increase our capability to harness smart meter data so we can actively monitor and respond to power quality issues.

03. Delivering exceptional customer experiences

“We will deliver **exceptional** customer **experiences** enabling our customers to make **informed energy choices**.”

Our customers' needs and expectations are changing rapidly. We are seeing this in the diversity and complexity of customer enquires we receive. We have adapted our approach to capture, and better reflect, the diversity of our customers and their needs in our planning, decision-making and service delivery.

This has included closer and more frequent engagement with key customers and stakeholders and redesigning our customer satisfaction survey to capture views on our quality of service across all our activities. This year we have also prioritised communicating our challenges, opportunities and plans with our customers in a more accessible way. This has meant less industry jargon and more customer-focused communications.

Works programme summary

While decarbonisation and new technologies are changing the future of electricity, for the majority of our customers, the provision of a safe, reliable electricity supply, is of greatest importance. Our annual network works programme is designed to balance preparing for the future while maintaining a resilient network, keeping the lights, heating, and appliances on for households and businesses across South Canterbury.

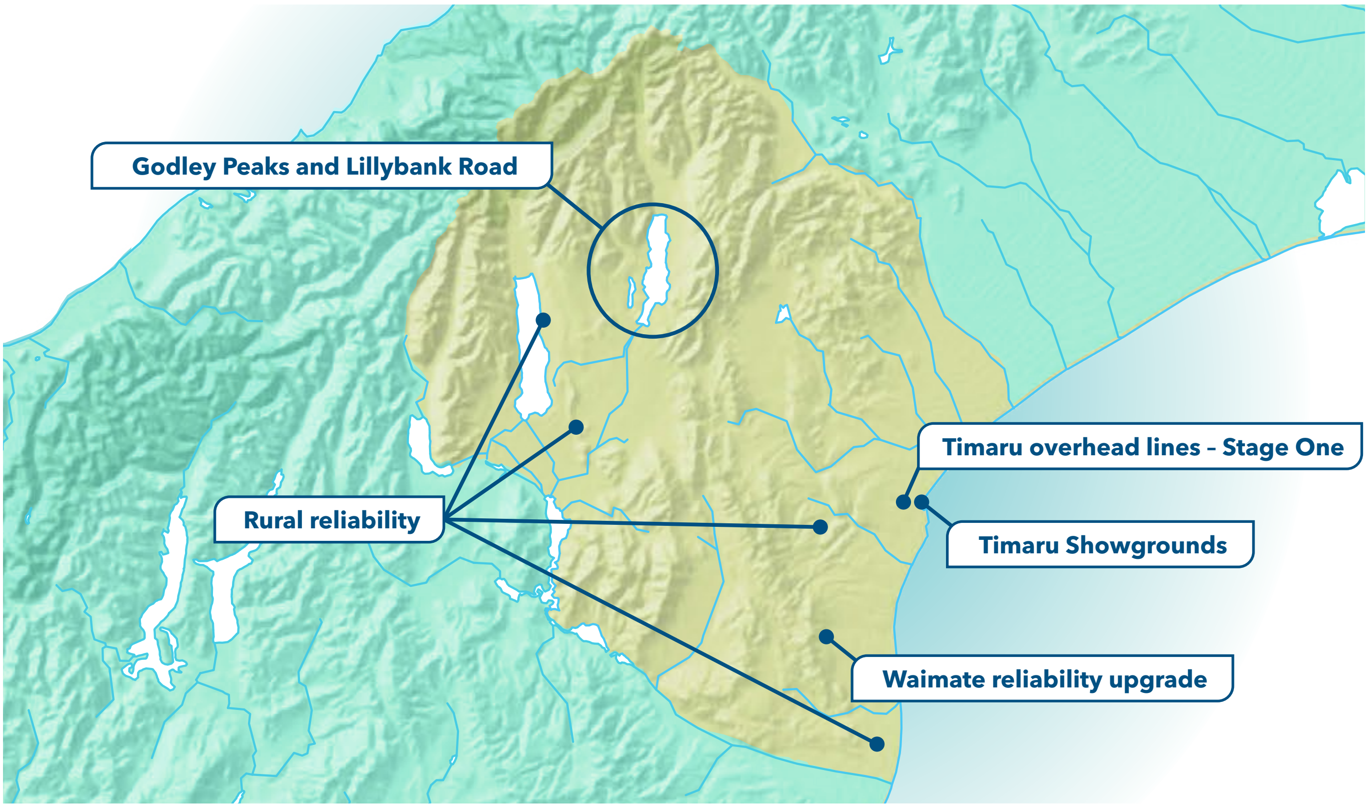
This year we spent a total of $26 million on network capital expenditure, with asset replacement and renewal remaining our largest investment. Our network operating expenditure was $5.5 million with routine and corrective maintenance and inspections making up most of this expenditure.

Waimate reliability upgrade

We invested $970,000 in our Waimate urban network, upgrading and installing new 11kV switching equipment. We introduced a new system that allows remote operation from our control room. In the event of a fault, these upgrades will significantly reduce the length of outages, ensuring we continue to provide a safe and reliable electricity supply to the Waimate community.

Timaru overhead lines – stage one

503 power poles in urban Timaru have been inspected and maintained this year in the first stage of a major four-stage overhead lines programme. From these inspections, 81 poles and 225 cross arms have been replaced, improving the safety and reliability of the Timaru network. We engaged closely with commercial businesses, community services and residential customers to minimise disruptions during these critical upgrades. Road user and pedestrian safety was a top priority for this project. Stage two is well underway and will be completed next year.



Timaru showgrounds

In February we completed our largest customer-initiated project in recent years – the connection of the Timaru Showgrounds complex to our network. This major 11kV underground distribution project included the supply and installation of:

- nearly 10km of 11kV cable from the Old North Road substation to the Evans Street site
- two on-site transformers
- LV equipment and additional 11kV cabling to futureproof the site for further development

With a total cost of $2.2 million (shared between us and the developer), this project has enabled significant commercial growth in the Timaru economy.

Godley Peaks and Lillybank Road

Our Tekapo network received significant investment through refurbishment of the Godley Peaks and Lillybank Road lines to improve reliability and meet forecast demand growth in the area. We replaced and maintained 109 poles and 172 cross arms. Despite the sometimes harsh conditions of the Mackenzie Basin, our NETcon team delivered this project on time, achieving the goal of minimal planned outages for customers.

Rural reliability

Rural communities and businesses are an essential part of South Canterbury's social and economic landscape. Improving reliability in rural parts of our network is therefore just as important to us as keeping the town lights on. This year we have invested significantly in maintaining and strengthening rural assets including:

- replacing 16 softwood poles at Morven, improving the safety and resilience of this line
- refurbishing the Craigmore Valley Road line to improve reliability in the Maungati area
- upgrading the conductor configuration on a portion of the Simons Pass line and installed bird diverters to reduce the impact of bird strike in this region
- carried out maintenance on over 80 poles feeding Braemar Station and Tasman Downs – ensuring a resilient lifeline to these high-country stations

Customer satisfaction

Our redesigned customer satisfaction survey collected the views of 342 customers across our region, assessing perceptions of reliability, outages and notifications, pricing, communications, and the uptake of EVs and solar PV.

The survey revealed that areas with the largest proportion of satisfied customers are:

Delivering a safe electricity supply	**83%** satisfied
Providing a reliable electricity supply	**81%** satisfied
The attitude of staff	**78%** satisfied
How helpful staff are	**77%** satisfied
Minimising the number of outages	**75%**

This reflects well on our ongoing efforts to maintain a safe and reliable network and our strategic goal of delivering exceptional customer experiences.

Areas with the largest proportion of dissatisfied customers are:

- How well we communicate about the things we are doing (20% dissatisfied)
- How we deal with customer issues in a timely manner (19% dissatisfied)
- Lines charges are good value for money (18% dissatisfied)
- How well we keep customers informed about electricity supply matters (18% dissatisfied)
- How well we communicate about keeping safe around electricity (17% dissatisfied)

These responses reinforce what we know about increasing customer expectations for real-time information about network outages and planned work, as well as greater expectations for more proactive communications across all our business activities.

This year we had two customer queries and three complaints that were directed to the Utilities Disputes Limited. All these cases were resolved within the required timeframes.

	Complaints	Queries
Alpine Energy	**3**	**2**
Energy Sector	**4490**	**9669**

***Utilities Disputes Limited**

Pricing review

Alpine Energy's 2022/23 customer satisfaction survey revealed that our customers are not necessarily seeking cheaper lines charges, but they do want a greater transparency over how charges are set, and how we invest this money. In reviewing our pricing methodology this year, we have shifted to a more cost-reflective pricing to provide greater customer equity and transparency in our charges. This aligns with our customer feedback and direction from the EA, our pricing regulator.

In tandem with the pricing review, our "Knowledge is Power" media campaign aimed at improving our customers' understanding of their power bills and our portion of it. As we develop our pricing roadmap next year, customer engagement and education will be a key priority. This will help all our customers make better informed decisions about their electricity options.

04. Getting the basics right

“We want to get the basics right and shed inefficiencies. Alpine Energy’s **future** will be **built** on a **strong foundation** of **operational excellence**”

Across our Group, the basics are all about keeping our people, our contractors, and our communities safe and well; supporting our communities; and keeping the lights on. To deliver on our strategic goal of getting these basics right we have reviewed our processes and identified improvement opportunities.

The establishment of our Alpine Energy Project Management Office this year has been critical to the success. Through mapping safety and core value chain processes, we have delivered efficiency gains, and safety improvements across our activities.

Our Safety Roadmap

This year we developed a Safety Roadmap. It highlighted our critical safety risks, opportunities for safety improvements, and the processes we need to implement to deliver on our commitment of a safe working environment and network. We have also developed a Health and Safety Improvement Plan, which will guide our works programme next year.

We have progressed work to mature our critical risk management including:

- Advanced driver training completed by over 80% of our people
- Completed a psycho-social survey to identify risk to our peoples' wellbeing, and continued to develop our Wellness Ambassador programme
- Asbestos survey carried out on all our properties and remedial works planned
- Critical risk training workshops for our teams, field service providers, and other contractors working on or around our network

Continuing to foster a positive culture of Health and Safety we have refreshed the Alpine Energy Health and Safety Committee, carrying out elections for representatives across our diverse team. With training completed, our Committee will be fully functioning early next year. Building strong relationships with NETcon and neighbouring EDBs has been identified as a priority for the Committee. This will help grow high-quality health and safety representation and knowledge within our industry at a regional level.

Our public safety initiatives have continued this year, with advertising campaigns targeting safety near electricity lines and cables. The establishment of our Contractor Forums has significantly improved our safety engagement with businesses who frequently work on or near our network. We have continued to get out and about in the community, waving the banner for electrical safety at Kirwee Agricultural Field Days, Mackenzie College and other community events across South Canterbury.

Our safety performance results

Alpine Energy Group Business safety	FY23	FY23
	Actual	Target
Number of fatalities or injuries causing permanent disability to workers	0	0
Lost time injury frequency rate (LTIFR) per 200,000 hours worked	1.28	0.71
Number of lost time injuries	6	<2
Total record injury frequency rate (TRIFR) per 200,000 hours worked	1.92	0.71
Number of total recordable injuries	15	<4
Public Safety		
Number of serious injury events (excluding third party contact e.g. car vs. pole) involving members of the public	0	0

Although we increased our focus on the health and safety of our people across the Group, we reported adverse safety measures as the year closed out. With large projects having to be completed in short timeframes this year, fatigue became a real risk impacting the performance of our crews.

The foundational work we have achieved with our Safety Roadmap this year will support the roll out of our Safety Assurance Programme, our Contractor Management Framework and improved safety governance and reporting in 2023/24.

Our people

As with safety, the wellbeing and development of our people has remained a crucial focus this year. The Omicron outbreak in early-2022 meant that, to protect our people and our operations, we spent six weeks of the year working from home. We built on the learnings for the previous COVID-19 disrupted years. The roll-out of Rapid Antigen Testing, our COVID protocols, and the dedication of the whole Alpine Energy Group, meant that our people and our core operations were well protected.

Our Alpine Energy Wellness Ambassador Programme and Engagement Team, made up of representatives from across the business, have provided targeted support and engagement activities throughout the year. Initiatives undertaken this year, including providing our people mole-maps and influenza vaccinations, support wellbeing across our business as well as boosting our employee value proposition.

An Internal Engagement Lead role was established to embed this engagement into our ways of working.

Recognising the toll taken by two very disruptive years, and the pressure of new challenges across our business, our communities, and our sector, we undertook a psycho-social survey. This has given us a clear and quantifiable picture of our psycho-social hazards within our workplace. Working closely with our Wellness Ambassadors, we are developing a programme to minimise these hazards, and improve the wellbeing of our people.

Diversity continues to be one of our greatest strengths. Across our Group, we have more than 23 nationalities represented, and are proud of the gender diversity across our governance and leadership teams.

AEL Board:
4 female directors,
3 male directors

AEL Executive Leadership Team:
2 female executives,
2 male executives

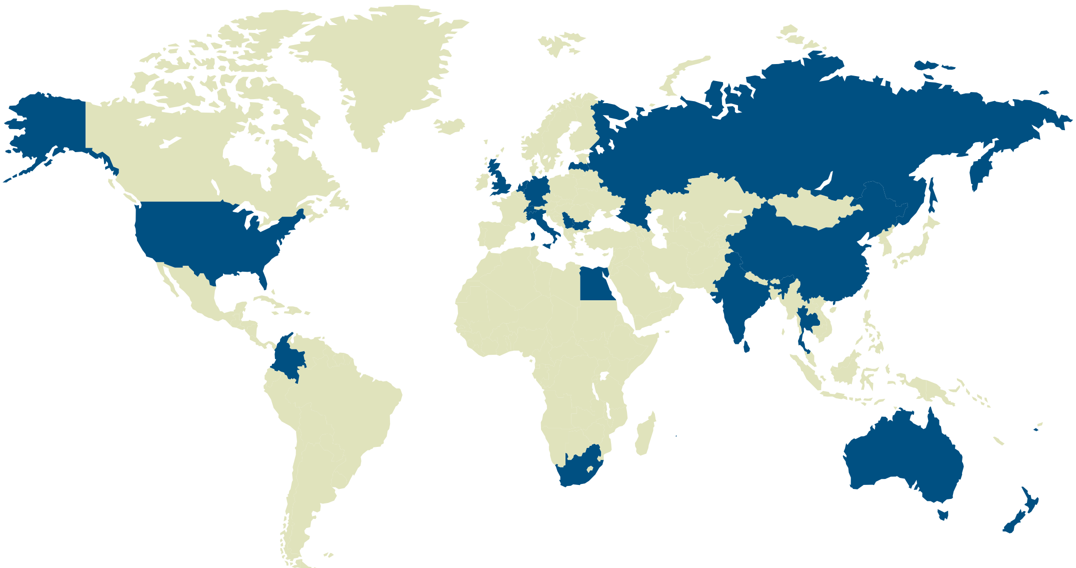
AEL Team:
34 females,
56 males

NETcon Board:
1 female director,
3 male directors

NETcon Executive Leadership Team:
2 female executives,
3 male executives

NETcon Team:
14 females,
75 males

Where our people are from



We will continue work to celebrate and increase diversity.

As we navigate the changes within our business and our sector, it is important that our people know what is expected of them, both what to do, and how to do it. Alpine Energy's Executive Leadership and People and Capability Teams have collaborated this year to develop our Enlight Framework. To be rolled out in 2023, this framework will ensure we continue to deliver on core services and strategic objectives through an assessment of individual and collective performance, values alignment, and leadership standards. It will provide our people with a consistent, fair and transparent process to assess their contributions and impacts and foster an environment where continuous growth and development is recognised. NETcon also implemented a new Human Resources Information System – Te Mahi – to support development across all teams.

Earlier this year, Alpine Energy's Executive Leadership Team completed a Principles of Māori Governance course, presented by the Institute of Directors. The course highlighted the importance of celebrating the cultural diversity of Aotearoa New Zealand, while acknowledging the unique position of Māori as Tangata Whenua, and Te Tiriti o Waitangi as a foundational and living document within our country.

We are committed to deepening our organisational understanding of Te Tiriti; endorsing and respecting cultural values, knowledge and diversity; and embedding principles of manaakitanga and kaitiakitanga within Alpine Energy and across our activities and engagements.

Supporting our community

Through our Alpine Energy sponsorship programme we invest in the wellbeing of our communities. Over the past year we ran two funding rounds. In total, we distributed $198,792 to 35 community events and projects and 20 personal development grants.

This year our Sponsorship Committee introduced a decision-making matrix to ensure our sponsorship aligns with our values and strategic goals, as well as providing holistic and lasting community benefits.

We are proud to have provided funding for projects including:

- The Tekapo Trails Society's multi-purpose trail alongside Lake Tekapo
- South Canterbury Hospice's Caroline Bay Rock n' Hop
- The Westpac Rescue Helicopter

Our annual sponsorship evening was another successful and humbling event, showcasing the importance of community partnerships, the role of volunteers in our community, and the value of a community wellbeing lens across all our activities.

We are also incredibly proud of the voluntary work of our people this year. Partnering with community organisations and charities, our people have actively contributed to fundraising for the Family Works Christmas Angels project, South Canterbury Hospice, and the Cyclone Gabrielle Relief Fund and other charities and local initiatives.

"The generous funding Tekapo Trails received from Alpine Energy meant we could meet the costs of our multi-purpose trail along the eastern shores of Lake Tekapo. It has already proven to be extremely popular. As a voluntary organisation we rely on grants and donations therefore we were so appreciative to receive your support."

TJ McConchie, Tekapo Trails Society

"The Caroline Bay Rock and Hop has become an ingrained and iconic part of the events calendar in South Canterbury and is a major fundraiser for Hospice South Canterbury. Alpine Energy has been a supporter of the event from day one, Friday 17th March 2017. Seven years on, their support allows Hospice South Canterbury to continue bringing this event to the people of our region. The impact on our local economy during the weekend of the event is huge and benefits us all. Thank you, Alpine Energy!"

Kim Rogers, Hospice South Canterbury.

"It is so good to have Alpine Energy on board as a sponsor of the Westpac Rescue Helicopter, it makes all the difference having support from an organisation that choose to support their community in this way. We thank Alpine Energy for helping fund lifesaving missions."

Christine Prince – Canterbury West Coast Air Rescue Trust

Our regulatory compliance

As a regulated business we ensure that we comply with the reporting and other requirements set by the Commerce Commission. Compliance with these regulations is crucial as they are key drivers of our network reliability measures and impact the revenue we can earn from our regulated business through lines revenue.

We are pleased that, for the third year in a row, we are compliant with the quality standards and price path set in the DPP. Our consistent achievement is testament to the sustained efforts of our operational teams and contractors.

	2023 (Actual)	2023 (Target)
SAIDI[2] – planned assessed	69.36	54.99
SAIDI – unplanned assessed	92.94	91.88
SAIFI[3] – planned assessed	0.32	0.70
SAIFI – unplanned assessed	0.83	1.20

While we were compliant with our regulatory quality limits set in the DPP, we did not meet our SAIDI targets for the year. Our planned SAIDI was higher than target in part due to our significant urban Timaru overhead lines maintenance programme carried out this year.

Our unplanned SAIDI was also higher due to third party incidents, equipment defects and adverse weather events.

Core value chain optimisation programme

A focus for this year has been gaining visibility of inefficient processes within our end-to-end value chain and identifying the opportunities to improve these. The goal of this programme is to simplify our internal processes, removing unnecessary pain points for our teams, our contractors, and our customers.

A five-month project was undertaken to understand the end-to-end value chain and provide an objective and independent view of what is working well and what needs change. The project identified:

- 42 recommended interventions
- Five proposed workflow changes
- Seven of the 42 interventions require major technology shifts

[2] System Average Interruption Duration Index
[3] System Average Interruption Frequency Index

The review of our pole inspection process is the poster child for this programme. Our Project Management Office and overhead lines team collaborated to identify efficiencies and streamline what was previously a resource-intensive process for our teams, and our contractors. As a result, NETcon was able to increase their monthly pole inspections from 300 to over 500. This is hugely valuable as the more poles we can inspect, the greater visibility we have over the safety and reliability of our network.

Given the success of this intervention we look forward to rolling out further efficiency projects. This will ensure that, as we gear up to deliver larger work programmes, our planning and our delivery is built on a strong foundation of operational excellence and efficiency.

"The introduction of our new pole inspection process has been a game changer. It's greatly reduced the amount of time required to prepare and issue the inspections, and is a smooth, no stress process now. The ability to issue multiple inspection areas in advance is a huge benefit, not only for us, but also our contractors by providing them with a clear picture of what's coming up."

Rachael Moore – Engineering Support Officer

Over the next year this programme will assess other critical processes including:

- The pricing and connection processes for low-value connections - to deliver internal efficiency, equity and cost savings for our customers.
- Defect logging process – to improve visibility of all network defects, enabling prioritisation and response processes to support improved safety and quality outcomes.
- Vegetation management processes – to streamline our engagements with tree owners and contractors, supporting better work scheduling and in-field efficiencies.

Our engagement and advocacy

This year we have lifted our engagement and advocacy activities. Advocating for regulatory, legislative and policy settings that recognise the unique scope and scale of our region's electricity needs is crucial to our role supporting national decarbonisation and climate resilience goals. Throughout the year we have engaged proactively with regulators (the Commerce Commission and the Electricity Authority), central government agencies, and with local councils to increase shared understanding of our position, our challenges, and opportunities.

As we head into the fourth reset of the Default Price-Quality Path Determination (DPP4) over the next 18 months, we will ensure that our customer and stakeholder views are reflected in our engagements with the Commerce Commission. Our engagement in this process is crucial to secure the regulated revenue we need to fund the investment step-change our AMP forecasts over the next ten years.

This year we have also lifted our engagement across our business and with our stakeholders on sector-wide issues. Our Energy Strategy Roadshow next year will be an important continuation of this process.

Our sustainability journey

We recognise that sustainability is central to what we do across our operations. We have a responsibility to cut our emissions, reduce waste, and limit our environmental impact while ensuring that we have a positive impact on our community and have appropriate governance structures in place to monitor our performance.

This year we continued the development of our Sustainability Strategy conducting a sustainability materiality assessment to understand our stakeholders' perspectives on where we can and should be focusing our sustainability efforts. The issues of greatest importance to stakeholders were:

- Health, Safety and Wellbeing
- Customer satisfaction
- Risk Management
- Sustainable Asset Management Planning
- Business Ethics and Strategic Governance
- Climate Change Resilience
- Stakeholder Partnerships
- Data and Digitisation Modernisation[4]

These are important foundations leading into the development of the Alpine Energy Sustainability Strategy.

NETcon is proud to have made progress in this area, developing Environmental, Social and Governance goals and establishing a baseline for carbon emission reporting.

Over the next year our focus will be on ensuring that we are sufficiently resourced to deliver the Sustainability Strategy, with clear priorities, metrics and goals across our Group.

[4] All scoring over 8 on an issues importance scale of 1-10

05. Data and technology

"We use **data** and **technology** to make **informed decisions** and for **greater** operational **efficiency** and **responsiveness**."

To meet the changing needs of our customers, and to deliver efficient and cost-effective operations across our network and business support units, we are evolving the way we work.

Increasingly, technology solutions and opportunities are the most effective way to utilise information to improve our planning, decision-making, and achieve efficiencies across network and business support operations. Our foundational data and technology initiatives have progressed well this year. We have delivered key projects and undertaken pilot projects in targeted areas of the business.

Data for planning and decision-making

Extreme weather events in early 2023 have highlighted the growing importance of network resilience across Aotearoa New Zealand's electricity industry. The more we know about the condition of our assets, their vulnerabilities to extreme weather, and the likely impacts of a changing climate, the better we can prepare and respond.

Two data-led initiatives launched this year will be instrumental in our future planning and decision-making.

Risk-based pole assessment

Using data science methodologies, we have developed a risk-based profile for all poles on our network. This profile assesses the cumulative risk of fire, wind, rain, pole material, voltage, and time since the last inspection. The findings have informed our asset management planning and future works programmes. In tandem with our core value chain optimisation programme for pole inspections, we are already seeing significant benefits across our pole maintenance and replacement programme, including more accurate forecasting and prioritisation, and reduced administrative burden for our teams and our contractors.

NIWA partnership

We have partnered with the National Institute of Water & Atmospheric Research Limited (NIWA) to gain access to fifty years of historical climate and weather data, as well as high resolution and modelled weather forecast data and climate change data.

This data will support the strengthening of our network to the impacts of climate-related weather events and enable us to forecast network impacts of extreme weather events more effectively. This will help us to prepare accordingly for these events, including improved outage alerting for our customers and communities.

Ongoing cyber security programme of work

Our Cyber Security Strategy has now been in place for over two years. At the core of this strategy are sound enterprise architecture practices; informed and trained employees; and an adherence to critical infrastructure industry frameworks.

In the last 12 months we have made significant progress, including the initial implementation stages of a managed Security Operations Centre, and developing frameworks for dedicated cyber security training and readiness exercises.

We will continue to invest in this area to ensure the resilience of our network for our customers.

Management dashboard development

This year we have invested in custom-designed management dashboards to capture key operational and business reporting needs. Dashboards for our operations, safety, and business support teams will be fully functional early next year and will support executive and governance oversight of business-critical functions and elevate our shareholder reporting. In 2023/24 we plan to expand the scope of the dashboards, prioritising customer connections, capitalisation processes, asset maintenance and network defects.

ICP lifecycle management and billing system replacement solution

We are in the final procurement stages for a replacement solution for our existing Installation Control Point (ICP) database. Running on aged equipment, and with no upgrade capability, our existing systems pose a risk to critical data sets. We have taken the opportunity to integrate our new ICP database with a modern billing system which will result in significant efficiencies for monthly billing processes.

Future-proofing our business across all our technology investments is critical, and this project is one example of how we are ensuring this. We recognise that in the near future our pricing and billing processes will need to accommodate future demand response technology and two-way energy flows, with our customers both consuming and generating electricity. Our chosen solution will be operational in 2023/24.

06. Investments

“Our **investments** are **key** to our Group’s **financial** and **operational** **performance**. As we reflect on a tough economic environment this year, we are **pleased** that our **subsidiaries** have been **resilient** and **steadfast**, amidst the uncertain times and supply chain issues.”

Our investments

Our investments are key to our Group's financial and operational performance. As we reflect on another year impacted by the COVID-19 pandemic, we are pleased that our subsidiaries have been resilient and steadfast, amidst the uncertain times and supply chain issues.

NETcon

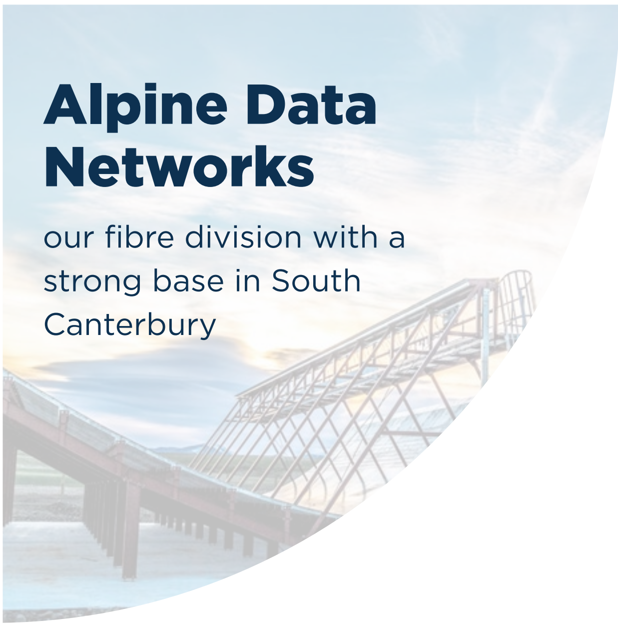
a wholly owned subsidiary of Alpine Energy and the main contractor on our Network

Infratec

a wholly owned subsidiary that delivers network projects in the Pacific

Metering

SmartCo and On Metering deliver advanced metering technology and operational services to customers



Alpine Data Networks

our fibre division with a strong base in South Canterbury

NETcon rising to the challenge

NETcon faced significant challenges during the past year, particularly relating to supply chain disruptions and the continued rise of inflation. The shortages of raw materials, shipping delays, and logistical bottlenecks impacted operations, resulting in increased costs, delays, and difficulties in meeting customer requirements.

The talent shortage across our businesses, and especially within our Power Services Limited business, further exacerbated the challenges. Filling vacant roles across the NETcon Group became a struggle, hindering our ability to effectively grow our revenue, particularly in relation to recent acquisitions.

We welcomed High Country Electrical into the NETcon Group, which expanded our capabilities in the electrical sector. This acquisition will provide new opportunities and synergies for our business moving forward. We also increased our leadership capability with the establishment of the Operations Manager role.

Health and safety performance continued to be a priority for NETcon, leading to further improvements in results. The website redevelopment project also progressed significantly this year.

NETcon Group

$4.724M
Gross profit
(FY22: $5.5 million)

$21.040M
Revenue
(FY22: $18.7 million)

$466,000
Loss after tax
(FY22: $546K profit after tax)

-10.07%
ROC employed
(FY22: 9.15%)

-6.80%
Net profit after tax ratio
(FY22: 7.46%)

> The year was tough, but we feel that we have made many improvements that have set us up for a much-improved 2023/24.
>
> Pete Theron, NETcon CEO

Infratec

Improving wellbeing outcomes in Tonga and the Solomon Islands

Infratec delivered the first phase of a project to design, procure and build five solar PV-battery storage power plants on outer islands of the Kingdom of Tonga. Two of the five plants and network distribution systems were completed in 2023 on the islands Eua & Vava'u.

In the Solomon Islands, the build of four solar-diesel hybrid power plants on the outer islands of Malaita, Makira, Choiseul and Western Province were completed this year. Reaching over 1000 households, these plants will provide most of the electricity on each island, using a total of 820kW of solar panels and 3.2MWh of batteries with diesel backup generators.

These projects provide sustainable, affordable, and reliable electricity to homes, businesses, schools, and community facilities on the islands, the majority of which previously had no electricity supply. With these new electricity supplies come improved social, economic, health and educational outcomes for these communities; schools have greater access to communication services; health services have improved lighting and vaccine storage facilities; small businesses and households can explore further economic opportunities, and the projects themselves provided employment opportunities during the construction stages.

NZMATES

The New Zealand Maluku Access to Renewable Energy Support (NZMATES) programme continued this year, delivered by Infratec and Yayasan Mercy Corps Indonesia. The project includes technical assistance for renewable energy projects and capacity building activities to build and support the renewable energy sector in Indonesia's Maluku Province.

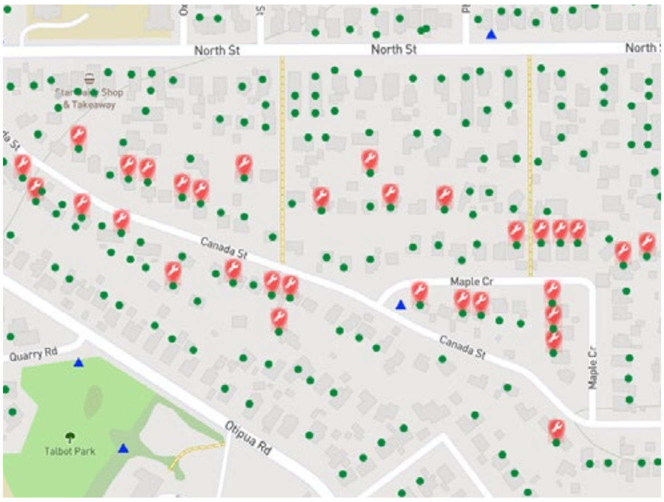
$8.1M
Revenue
(FY22: $6.5 million)

$2.0M
Profit after tax
(FY22: $768k)

Key work programmes this year have included:

- Technical and socio-economic assessments of broken solar mini grids on remote islands and recommendations for refurbishment.
- Design and implementation of a solar and storage mini grid on a small island.
- Development and implementation of solar training laboratory at Pattimura University in Ambon.
- Training and mentoring on renewable energy projects for industry engineers, technicians, planners, decision makers and teachers and students in Maluku.

NZMATES focuses on supporting and developing the capacity of local stakeholders to ensure outcomes endure long after projects are implemented. This requires a strong community engagement focus to bring tangible benefits to all.



SmartCo

Smart metering plays a crucial role in our distribution value chain. We are tightly regulated to deliver voltages within an acceptable range to ensure compatibility with consumer loads connected to our network. With new technologies such as residential solar PV panels and electric vehicles chargers, voltage profiles on our LV feeders will be increasingly affected. The availability of metering data on our LV network provides visibility over this part of our network.

Our investment, SmartCo, has developed a suite of mapping and reporting tools to enhance the use of smart meter data. This enables users, including our network operations, planning and asset management teams to see near real-time information on ICPs with smart meter technology.

The SmartCo mapping tool provides visual presentation of all ICPs with a SmartCo meter installed, and all our transformers. It shows individual ICP and transformer characteristics, including over- or under-voltage, high impedance, or natural faults, and is also used to monitor outages in near real-time by showing affected and restored ICPs.

SmartCo also produces reports used by our teams for demand profiling, monitoring electricity exporting (through residential solar panels), and load monitoring for transformers. SmartCo is currently working on urban LV congestion reports to assess the capacity on our network, to help with informed decision-making on future solar applications.

We are in the advantageous position to have access to this data (where some other EDBs current do not) and will be using it more and more in our planning, decision-making, and pricing going forward.

Alpine Data Networks

With backhaul fibre networks from Rangitata to Glenavy, and Tekapo and Nasby to Clyde, Alpine Data Networks had 100% uptime this year, with no reported outages or faults experienced on the network. This is well above the telecommunications industry standards for uptime on fibre networks. Paired with this high-level of customer service, Alpine Data Networks processed an increased number of BeforeUDig requests from contractors, essential work to ensure the network's integrity and reliability.

Our Waimate data centre, located at the White Horse Monument, received a major facelift this year. Working with local Waimate artist – Billy Scott - we were thrilled to contribute to the redevelopment of this iconic site, spearheaded by community group Waimate2gether. Surrounded by native plantings, Billy's mural will, over time, blend seamlessly with the surrounding environment.

We are currently processing requests for new and modified customer connections to the Rangitata to Glenavy network, and the Nasby to Clyde network. These connections are expected to be completed next year.

07. Governance and leadership

“We are **committed** to building an **environment** of **trust, transparency**, and **accountability** necessary for fostering long-term **investment**, **reliability**, **financial stability**, and **business integrity**.”

Our Board

Diversity of perspective is important to our Board. Our Shareholders appoint Board members with a range of skills and experience.

Warren McNabb

Warren has extensive experience in law, infrastructure, and utility investment banking in New Zealand and Canada. Since returning to New Zealand, he divides his time between renewable energy development (as a partner in a distributed wind farm development), carbon farming in both native and exotic forestry, governance roles across energy and infrastructure companies, and private capital investment across start-up, private equity, and debt markets. Warren is Chair of the Board. He is based in Blenheim and joined the Board in 2016.

Rick Ramsay

Rick is an experienced director in the electricity sector and a range of other innovative businesses, with a career spanning more than 18 years. He has a focus on health and safety across the electricity industry. Rick has a journalism background, having held positions with several newspapers and has significant local government experience including being Deputy Mayor of the Mackenzie District Council between 1992 and 2001. In voluntary roles, Rick has supported the development community and tourist attractions in the Mackenzie District. Rick is the Chair of the Board's Health and Safety Committee and the Board's Sponsorship Committee. He is based in Twizel and joined the Board in July 2008.

Linda Robertson

Linda is a professional independent company director with over 20 years' governance experience, combined with 30 years' senior management experience, having worked in both the banking and energy sectors in New Zealand. Linda has a governance background encompassing large national companies and has held board positions for council controlled, government owned, listed, co-operative, charitable and private companies and currently holds several other directorships. Linda is currently Chair of the Board's Audit and Risk Committee. She is based in Queenstown and joined the Board in August 2020.

Melissa Clark-Reynolds

Melissa became a futurist and professional director after 25 years' experience as a technology entrepreneur and CEO of a number of technology companies. Melissa works with companies to understand the future and become resilient while shaping the kind of world they want. She has a particular focus in sustainable business models and decarbonisation. Melissa received the ONZM for Services to Technology in 2015. Melissa is currently the Chair of the Board's People, Performance and Culture Committee. She is based in Wellington and joined the Board in July 2021.

Rebecca Keoghan

Rebecca is an experienced director and chair with considerable expertise across multiple business structures, from local government and crown entities, through to private, family, and cooperative companies. She has previous senior executive experience in state owned enterprises, start-up joint ventures, and large private companies. Rebecca has wide governance experience with knowledge and networks across a variety of industries and has specialist skillsets in risk management, culture change, and stakeholder relationships. She is based in Westport and joined the Board in July 2022.

Kevin Winders

Kevin has spent a lot of time in South Canterbury over his executive and governance career and has a good knowledge of the region and its key industries. Kevin has had firsthand experience with Pyne Gould Guinness, Silver Fern Farms (Pareora), Fonterra, New Zealand Merino Company and Timaru Port. Experienced within New Zealand's infrastructure and electricity sectors, Kevin was Chief Operating Officer of United Electricity when they were sold to United, where, for two years, he worked on moving retail businesses across from lines companies throughout New Zealand to Contact Energy's retail arm. Kevin is based in Twizel and joined the Board in July 2022.

Karen Coutts

Karen is a passionate thought leader and advisor, she brings extensive governance experience gained from working across the public, not for profit, and private sectors. With her in-depth expertise, Karen brings a unique combination of skills, most recently in value-add opportunities for New Zealand of Māori economic development, and maximising socio-economic inclusion. Karen aspires to a sustainable, long-term future both socially and economically for New Zealand, underpinned by Māori and whānau success. She is committed to best practice governance. She is based in Wellington and joined the Board in July 2022.

Our Executive Leadership Team

Caroline Ovenstone was appointed Chief Executive Officer in November 2022. She has the delegated authority from the Board to govern the operational matters within the company. Caroline is supported by an Executive Leadership Team of three members, with three vacancies to be filled.

Caroline Ovenstone

Chief Executive Officer

Marisca MacKenzie

Chief Regulatory Officer and Acting Chief Financial Officer

Damien Whiffen

Chief Assets & Operations Officer

Matthew Ireland

Chief Digital Officer

08. Audited financial statements

Contents

For the year ended 31 March 2023

Directors' report

31 March 2023

The Directors present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the financial year ended 31 March 2023.

Principal activities

Alpine Energy Limited (the Company) owns and operates the electricity distribution network that provides South Cantabrians with power. The Group, comprising Alpine Energy Limited, its subsidiaries and associated entities, undertakes asset management and electrical contract services.

There were no significant changes in the nature of the Group's principal activities during the financial year.

Information on Directors

The Board is the governing body of Alpine Energy Limited and currently has seven 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.

The names of each person who has been a Director during the year and to the date of this report are:

Parent

Warren McNabb (Chair)
Rick Ramsay
Don Elder (resigned 30 June 2022)
Jessie Chan (resigned 28 July 2022)
Linda Robertson
Melissa Clark-Reynolds
Rebecca Keoghan (appointed 01 July 2022)
Karen Coutts (appointed 28 July 2022)
Kevin Winders (appointed 28 July 2022)

Subsidiaries

NETcon Limited

Hugh Martyn (Chair)
Rick Ramsay (resigned 01 August 2022)
Stephen King
Gregory Visser
Linda Robertson (appointed 01 August 2022)

Infratec Limited and Infratec Renewables (Rarotonga) Limited

Warren McNabb (Chair)
Don Elder (resigned 30 June 2022)
Caroline Ovenstone

Power Services 2022 Limited

Hugh Martyn (Chair)
Pieter Theron

Joint ventures

On Metering Limited

Andrew Tombs (resigned 07 October 2022)
Marisca Mackenzie (appointed 10 October 2022)
Andrew Stanton (appointed 01 December 2022)
Oliver Kearney (resigned 01 December 2022)

Associates

SmartCo Limited

Garth Dibley
Jason Franklin
Oliver Kearney
James Quinn
Kavinesh Singh
Andrew Tombs (resigned 07 October 2022)
Caroline Ovenstone (appointed 29 September 2022)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Operating results

Group operating revenue of $80.346 million was achieved for the year, 18% higher than the previous year.

The Group profit before income tax for the year was $19.550 million, 54% more than the previous year.

The consolidated profit from operations of the Group amounted to $14.703 million (2022: $8.729 million)

	2023 000's $	2022 (restated) 000's $
Profit before income tax	**19,550**	12,683
Income tax expense	**(4,847)**	(3,954)
Profit from operations	**14,703**	8,729

Dividends paid or recommended

Dividends paid or recommended during or since the end of the financial year are as detailed in the notes.

- Solvency certificates were completed in support of the interim dividend declarations.
- The interim and final dividends represent 14% (2022: 21%) of the total comprehensive income for the Group.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the year.

Share capital

Total issued and paid up share capital as at 31 March 2023 was 41,328,017 ordinary fully paid shares. There have been no movements in share capital during the year.

Return on Shareholders' equity and state of affairs

The Group net surplus after income tax attributable to the Shareholders for the year ended 31 March 2023 represents 9% (2022: 5%) 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 principles designed to ensure the Group is effectively managed.

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 Board Committee

The Audit and Risk Board Committee, comprising of three Directors (Linda Robertson, Warren McNabb and Karen Coutts), assists the Board in their responsibilities for risk management, financial reporting, access to appropriate sources of external funding and appropriate treasury functions (including currency hedging), tax planning, regulatory compliance; and provides a formal forum for free and open communication between the Board, the Company's external auditors and Management. This Committee is chaired by Linda Robertson.

Health and Safety Board Committee

The Health and Safety Board Committee, comprising of three Directors (Rick Ramsay, Rebecca Keoghan and Kevin Winders), assists the Board in their responsibilities for health and safety. This Committee is chaired by Rick Ramsay.

People Performance and Culture Board Committee

The People Performance and Culture Board Committee, comprising of three Directors (Melissa Clark-Reynolds, Warren McNabb and Linda Robertson), assists the Board in fulfilling its responsibilities in matters related to the remuneration and performance of Alpine staff and supporting a positive culture. This Committee is chaired by Melissa Clark-Reynolds.

Sponsorship Board Committee

The Sponsorship Board Committee, comprising of three Directors (Rick Ramsay, Karen Coutts and Kevin Winders), discharges the Board's responsibilities for distributing the sponsorship budget, in a manner that is transparent, at levels that are fair and equitable throughout the South Canterbury community. This Committee is chaired by Rick Ramsay.

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 and benefits from the Company

No payments or benefits of a pecuniary value were received by any officers of the Company during the financial year.

The following table of benefits and payment details, in respect to the financial year, the components of Directors' remuneration for each Director of the Group:

2023	Parent $	NETcon Limited $	Infratec Limited $	**Total $**
Directors				
Warren McNabb	94,380	-	29,462	**123,842**
Rick Ramsay	57,677	6,212	-	**63,889**
Don Elder	12,500	-	7,764	**20,264**
Jessie Chan	16,667	-	-	**16,667**
Linda Robertson	57,677	13,331	-	**71,008**
Melissa Clark Reynolds	52,433	-	-	**52,433**
Rebecca Keoghan	39,933	-	-	**39,933**
Karen Coutts	35,767	-	-	**35,767**
Kevin Winders	35,767	-	-	**35,767**
Hugh Martyn	-	67,110	-	**67,110**
Stephen King	-	38,004	-	**38,004**
Gregory Visser	-	38,004	-	**38,004**
	402,801	**162,661**	**37,226**	**602,688**

Employee remuneration

Remuneration range		Number of Employees
$100,000	$109,999	13
$110,000	$119,999	16
$120,000	$129,999	12
$130,000	$139,999	6
$140,000	$149,999	10
$150,000	$159,999	17
$160,000	$169,999	6
$170,000	$179,999	5
$180,000	$189,999	2
$190,000	$199,999	1
$210,000	$219,999	1
$220,000	$229,999	1
$240,000	$249,999	1
$330,000	$339,999	1
$370,000	$379,999	1
$380,000	$389,999	1
$610,000	$619,999 *	1

*In the current year the previous Chief Executive Officer resigned. This includes all payments made as part of his retirement package.

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 Elizabeth Adriana (Adri) Smit, using the staff and resources of PwC. The audit fee for the Group for the year ended 31 March 2023 is $202,000 (2022: $160,000).

Directors', CEO and CFO disclosure of interests as at 31 March 2023

Name of Company/Entity	Interest
Warren McNabb	
Boyce Investments Limited	Director
Boyce Investments Limited	Shareholder
Energy3 Limited	Director
Energy3 Limited	Shareholder
Infratec Limited	Director
Infratec Renewables (Rarotonga) Limited	Director
Independent Electricity Generators Association	Chair
Lancewood Forest Limited	Director
Lancewood Forest Limited	Shareholder
Lulworth Wind Farm Limited	Director
Pistol Vineyard Investments Limited	Director
PMNZ Marina Holdings Limited	Director
Port Marlborough New Zealand Limited	Chair
The Bluffs Vineyard Company Limited	Director
The Bluffs Vineyard Company Limited	Shareholder
Waikawa Marina Trustee Limited	Director
Weld Cone Wind Farm Limited	Director
Rick Ramsay	
Mackenzie District CI Economic Development Board	Member
Salmon Smolt New Zealand Ltd	Alternate Director
Tourism Waitaki Limited	Director
Mount Cook Alpine Salmon	Employee
Mount Cook Alpine Salmon	Shareholder
Melissa Clark-Reynolds	
Daffodil Enterprises Limited	Director
Future Bees Trust	Trustee
Iron Duke Limited	Advisory Board Member
Lean Meats Limited	Director
NZ Centre for the Future Limited	Director
NZ Centre for the Future Limited	Shareholder
Purple Dragon Limited	Director
Purple Dragon Limited	Shareholder
VentureBio Limited	Deputy Chair
Karen Coutts	
Environmental Protection Authority	HSNO Committee Member
Financial Advice Code Committee	Board Member
Life Unlimited	Chair
New Zealand Parole Board	Member
Ngai Tahu	Member
Otago Polytechnic	Director
Regional Skills Leadership Group	MBIE Iwi Co Chair
Resource Management Act	Member
Te Runanga o Moeraki	Member
Te Runanga o Waihao	Member
Teaching Council	Board Member
Transparency International NZ	Board Member
Stephen King	
Fulton Hogan	Shareholder
NETcon Limited	Director
Gregory Visser	
Akuo Energy New Zealand Limited	Director
NETcon Limited	Director
Visser Solutions Limited	Director
Visser Solutions Limited	Shareholder

Marisca MacKenzie	
On Metering Limited	Chair
Road Traffic Accident Trauma Chairtable Trust Trading as National Road Trauma Centre	Trustee
Linda Robertson	
Aquaheat Facility Services Limited	Director
Aquaheat Fire New Zealand Limited	Director
Aquaheat New Zealand Limited	Director
Caldwell and Levesque Limited	Director
Central Lakes Direct Limited	Director
Central Lakes Trust	Chair
Central Otago District Council, Audit and Risk Committee	Chair
Coollogic Refrigeration Limited	Director
Crown Irrigation Investments Limited	Chair
Horizon Energy Distribution Limited	Director
Horizon Energy Group Limited	Director
Horizon Energy Limited	Director
Horizon Services Limited	Director
Invercargill City Holdings Limited	Director
Invercargill City Property Limited	Director
Kordia Group Limited	Director
NETcon Limited	Director
New Zealand Local Government Funding Agency Limited	Director
Office of the Auditor-General and Audit New Zealand, Audit and Risk Committee	Member
RML Consulting Limited	Shareholder
RML Consulting Limited	Director
Southland Building Society	Board Advisor
Te Tai Ohanga - The Treasury, Capital Markets Advisory Committee	Member
Te Tai Ohanga - The Treasury, Risk and Audit Committee	Member
Rebecca Keoghan	
Fire and Emergency NZ	Chair
Glen Elgin Trust	Trustee
Glenfiddich Family Trust	Trustee
Gravity Dance Studio	Director
Keoghan Farm Limited	Director
Tai Poutini Polytechnic	Chair
Timaru District Holdings Limited	Deputy Chair
Kevin Winders	
Port Otago Limited	Chief Executive
NZ Cruise Association	Board Member
Caroline Ovenstone	
Craighead Diocesan School Board of Proprietors	Vice Chair
Infratec Limited	Director
Infratec Renewables (Rarotonga) Limited	Director
Laser Grafix Limited	Director
SmartCo Limited	Director
Hugh Martyn	
City Care Limited	Consultant
Nelmac Limited	Director
NETcon Limited	Chair
New Zealand Rugby League	Director
Power Services 2022 Limited	Chair
Richmond Group Limited	Shareholder
Sumner Lifeboat Institute	Chair
TC Groundworks Limited	Consultant
Waimakariri Irrigation Limited	Director
WD Boyes and Sons Limited	Advisor
Pieter Theron	
Power Services 2022 Limited	Director

Indemnification and insurance of Directors and Officers

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 a criminal liability for breach of Section 131 of the Companies Act 1993.

During the 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 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 entity) incurred in their position as Director or Officer unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

Signed in accordance with a resolution of the Board of Directors:

Director .... Director ....

Dated this .....30th..... day of .....June..... 2023

Statement of profit or loss and other comprehensive income

For the year ended 31 March 2023

	Note	2023 000's $	2022 (restated)* 000's $
Revenue and other income	6	**80,346**	68,208
Expenses	7		
Transmission costs		**(10,294)**	(10,629)
Depreciation, amortisation and loss on disposal		**(14,078)**	(14,623)
Reversal of impairment loss	15	**656**	-
Contract services		**(10,674)**	(13,089)
Employee benefits		**(14,899)**	(13,093)
Other operating expenses		**(7,895)**	(2,092)
Total expenses		**(57,184)**	(53,526)
Operating surplus		**23,162**	14,682
Finance costs	6.2	**(4,300)**	(2,186)
Finance income	6.1	**24**	141
Share of net profits of equity-accounted joint ventures	18	**664**	46
Profit before income tax		**19,550**	12,683
Income tax expense	8	**(4,847)**	(3,954)
Profit from operations		**14,703**	8,729
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss, unless sold			
Revaluation of property, plant and equipment	15	**1,454**	-
Items that will be reclassified to profit or loss when specific conditions are met			
Fair value movements on the effective portion of cash flow hedges	31	**1,238**	2,887
Other comprehensive income for the year, net of tax		**2,692**	2,887
Total comprehensive income for the year		**17,395**	11,616

The accompanying notes form part of these financial statements.
*The comparative information has been restated. Refer to Note 5

Statement of financial position

As at 31 March 2023

	Note	31 March 2023 000's $	31 March 2022 (restated)* 000's $	1 April 2021 (restated)* 000's $
Assets				
Current Assets				
Cash and cash equivalents	9	968	1,303	397
Trade and other receivables	10	10,852	8,027	9,916
Inventories	11	7,242	6,207	3,604
Derivative instruments in designated hedge accounting relationships	31	273	10	-
Loans and advances	12	-	4,876	4,024
Current tax receivable	22	-	499	171
Construction work in progress	13	1,211	74	274
Assets held for sale	14	1,260	1,260	-
Total Current Assets		**21,806**	22,256	18,386
Non-Current Assets				
Property, plant and equipment	15	306,541	288,910	278,483
Investment property	16	2,230	1,282	1,286
Investment in joint ventures	18	1,406	1,159	1,114
Derivative instruments in designated hedge accounting relationships	31	1,799	582	-
Loans and advances	12	2,947	215	215
Intangible assets	19	1,913	2,270	2,692
Right-of-use assets	20	7,290	8,285	9,286
Total Non-Current Assets		**324,126**	302,703	293,076
Total Assets		**345,932**	324,959	311,462
Liabilities				
Current Liabilities				
Trade and other payables	21	10,043	11,232	11,691
Current tax payable	22	1,356	-	-
Contract liabilities	23	1,997	3,723	3,127
Lease liabilities	20	1,104	1,030	973
Employee benefits	24	1,895	1,786	1,665
Derivative instruments in designated hedge accounting relationships	31	-	104	-
Dividend payable	25	992	992	992
Total Current Liabilities		**17,387**	18,867	18,448
Non-Current Liabilities				
Borrowings	26	88,195	81,400	74,800
Deferred tax liabilities	22	38,139	35,501	31,764
Contract liabilities	23	2,237	2,592	2,946
Lease liabilities	20	6,798	7,771	8,752
Derivative instruments in designated hedge accounting relationships	31	77	643	5,702
Total Non-Current Liabilities		**135,446**	127,907	123,964
Total Liabilities		**152,833**	146,774	142,412
Net Assets		**193,099**	178,185	169,050
Equity				
Issued capital	27	41,328	41,328	41,328
Reserves		7,220	4,528	1,641
Retained earnings		144,551	132,329	126,081
Total equity attributable to equity holders of the Company		**193,099**	178,185	169,050
Total Equity		**193,099**	178,185	169,050

The accompanying notes form part of these financial statements.
*The comparative information has been restated. Refer to Note 5

Statement of changes in equity

For the year ended 31 March 2023

2023

	Note	Ordinary Shares 000's $	Asset Revaluation Reserve 000's $	Foreign Currency Translation Reserve 000's $	Hedging Reserve 000's $	Retained Earnings 000's $	Total 000's $
Balance at 1 April 2022 restated		**41,328**	**4,269**	**(69)**	**328**	**132,329**	**178,185**
Profit attributable to members of the parent entity		**-**	**-**	**-**	**-**	**14,703**	**14,703**
Total other comprehensive income for the year		**-**	**1,454**	**242**	**996**	**-**	**2,692**
Transactions with owners in their capacity as owners							
Dividends paid or provided for	**25**	**-**	**-**	**-**	**-**	**(2,481)**	**(2,481)**
Balance at 31 March 2023		**41,328**	**5,723**	**173**	**1,324**	**144,551**	**193,099**

2022

	Note	Ordinary Shares 000's $	Asset Revaluation Reserve 000's $	Foreign Currency Translation Reserve 000's $	Hedging Reserve 000's $	Retained Earnings 000's $	Total 000's $
Balance at 1 April 2021		41,328	3,446	(113)	(2,515)	126,289	168,435
Restatement		-	823	-	-	(208)	615
Balance at 1 April 2021 restated		41,328	4,269	(113)	(2,515)	126,081	169,050
Profit attributable to member of the parent entity		-	-	-	-	8,729	8,729
Total other comprehensive income for the year		-	-	44	2,843	-	2,887
Transactions with owners in their capacity as owners							
Dividends paid or provided for	25	-	-	-	-	(2,481)	(2,481)
Balance at 31 March 2022		41,328	4,269	(69)	328	132,329	178,185

The accompanying notes form part of these financial statements.

Statement of cash flows

For the year ended 31 March 2023

	Note	2023 000's $	2022 (restated) 000's $
Cash flows from operating activities:			
Receipts from customers		**74,650**	70,153
Payments to suppliers and employees		**(44,394)**	(41,099)
Interest received		**24**	141
Interest paid		**(4,730)**	(3,724)
Income taxes paid		**(835)**	(1,667)
Net GST (paid)/received		**(350)**	175
Net cash provided by operating activities	35	**24,365**	23,979
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(29,209)**	(22,464)
Purchase of intangible assets		**(474)**	(1,872)
Other investment		**2,135**	(1,101)
Purchase Power Services 2022 Limited		**-**	(517)
Loans to related parties - proceeds from repayments		**425**	250
Net cash used in investing activities		**(27,123)**	(25,704)
Cash flows from financing activities:			
Drawdowns from borrowings		**6,795**	6,600
Dividends paid by parent entity		**(2,481)**	(2,481)
Payment of lease liabilities		**(1,441)**	(1,452)
Net cash provided by financing activities		**2,873**	2,667
Effect of exchange rate changes		**(450)**	(36)
Net (decrease)/increase in cash and cash equivalents held		**(335)**	906
Cash and cash equivalents at beginning of year		**1,303**	397
Cash and cash equivalents at end of financial year	9	**968**	1,303

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2023

1. General information

The financial report covers Alpine Energy Limited and its controlled entities ('the Group'). Alpine Energy Limited is a limited liability company, incorporated and domiciled in New Zealand.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in New Zealand dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 30 June 2023.

Comparatives are consistent with prior years, unless otherwise stated.

2. Basis of preparation

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.

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 for-profit 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, investment property, and financial assets and financial liabilities at fair value through profit or loss. The preparation of financial statements in conformity with NZ 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.

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

3. Change in Accounting Policy

There have been no changes to accounting policies.

Summary of significant accounting policies

3.1. Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a March financial year end.

A list of controlled entities is contained in Note 17 to the financial statements.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent 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 to direct the relevant activities of the entity.

The results of subsidiaries acquired or disposed during the year are included in the statement of profit or loss and other comprehensive income (OCI) from the effective date of the transaction.

Joint arrangements

Alpine Energy Limited has determined that it has only joint ventures.

Joint ventures are those joint arrangements which provide the venturer with right to the net assets of the arrangements. Interests in joint ventures are accounted for using the equity method. Under this method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the venturer's share of losses of a joint venture equal or exceeds its interest in the joint venture, the venturer discontinues recognising its share of further losses.

The venturer's share in the joint ventures gains or losses arising from transactions between a venturer and its joint venture are eliminated.

Adjustments are made to the joint ventures' accounting policies where they are different from those of the venturer for the purpose of the consolidated financial statements.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under NZ IFRS 3 are recognised at their fair value at the acquisition date.

3.2. Revenue and other income

Revenue from contracts with customers

The core principle of NZ IFRS 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

- Identify the contract with the customer
- Identify the performance obligations
- Determine the transaction price
- Allocate the transaction price to the performance obligations
- Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

No material revenue streams of the Group have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Group are:

Network lines services

The Group provides network lines services to customers allowing connection to the wider distribution network. Such services are recognised as performance obligations satisfied over time as the customers simultaneously receive and consume the benefits of the service. Revenue is recognised as the service is being provided.

Network lines revenue is determined in line with the requirements of Part 4 of the Commerce Act 1986 and the Default Price Quality Path. Pricing includes a transmission, distribution and pass-through component reflecting the operation of the network. Alpine Energy allocates distribution and transmission costs to load groupings. Prices are reviewed annually and adjustments to revenue recognised on a prospective basis.

Payment is due in respect of the network lines service in the month following the service being provided. A receivable is recognised by the Group reflecting the amount owing for services provided.

A time-based output method is used in measuring revenue which reflects Alpine Energy's performance towards complete satisfaction of the underlying performance obligation of providing network lines services for a contracted period of time.

For large direct use customers where an up-front contribution has been paid in relation to a dedicated commissioned asset, this is considered to be "prepaid network lines services revenue" for which a contract liability is recognised on a straight-line basis over the estimated useful life of the dedicated commission network asset.

Contracting revenue

Contracting revenue relates to income derived from the design and construction of network infrastructure in New Zealand and the wider Pacific Region. Contracts entered into may be for one or several interlinked pieces of infrastructure.

Such design and construction works are recognised as a single performance obligation satisfied over time using the percentage of completion method. At balance date an assessment is made of the percentage of completed and costs associated with the work performed to date relative to the total forecast cost to complete. At the point at which a contract is expected to be loss making, losses would be recognised immediately in profit or loss.

Warranties relating to design and construction work cannot generally be purchased separately and serve as an assurance that the construction work comply with agreed specifications. Accordingly warranty consideration are assessed in line with NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Pricing is determined with reference to the time and materials associated with a specific construction contract and is based on the level of activity required for completion. Payment is due in respect of the design and construction works on a percentage completion basis over the contract term. A receivable is recognised by the Group when a contractual milestone is met. If the revenue recognised by the Group exceeds the payments, a contract (work in progress) asset is recognised. If payments exceed the revenue recognised, a contract (work in progress) liability is recognised.

Revenue in relation to variations, such as a change in scope of the contract, are only included in the transaction price when it is approved by both parties to the contract, the variation is enforceable, and the amount becomes highly probable.

Capital contributions

Customer contributions - standard network connection

Customer contribution revenue relates to contributions received from customers (other than delivery service customers who are directly contracted) towards the cost of new connections and network extensions. Pricing is fixed and contributions are paid in advance (100% for works under $15,000, 50% for works over $15,000) for new connections. Capital contributions are recognised as revenue at the point in time of livening the connection to the network. The customer's supply of electricity is contracted separately, interposed through a retailer, and is therefore not considered to impact the assessment of the customer or performance obligations of the connection contracts.

Customer contributions - non-standard network connection

The group also receives capital contributions from customers towards the relocation of existing assets and the construction of assets specific to that customer. Revenue is recognised over time.

Connection fees

The Group provides electrical connection services to customers to support and provide a connection to the wider distribution network. Such contracts are not considered to have an enforceable right to payment for the performance completed until the connection is complete, and recognised as a single performance obligation at a point in time when the electrical connection work is complete.

Pricing is determined with reference to the time and materials associated with a specific contract for electrical work and is based on the level of activity required to enable a connection. Payment is generally based on a 50% deposit and the remainder due at the completion of the connection. A trade receivable is recognised by the Group reflecting the amount owing for services provided.

Meter revenue

Meter revenue for rental of meters is recognised over the period of the rental agreements.

Fibre revenue

Fibre revenue for the lease of the fibre network is recognised over the period of the lease.

Rental income

Investment property revenue is recognised on a straight-line basis over a period of the lease term so as to reflect a constant periodic rate of return on the net investment.

Other income

Other income is recognised on an accruals basis when the Group is entitled to it.

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.

Dividend income

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

Government grants

Government grants are recognised in the statement of profit or loss and other comprehensive income within other income when the Group is entitled to these.

Statement of financial position balances relating to revenue recognition

Contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or the before payment is due, the Group presents the contract as a contract asset, unless the Group's rights to that amount of consideration are unconditional, in which case the Group recognises a receivable.

When an amount of consideration is received from a customer prior to the entity transferring a good or service to the customer, the Group presents the contract as a contract liability.

Construction work in progress

Construction work in progress is the gross unbilled amount expected to be collected from customers for work performed to date.

Construction work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred revenue in the statement of financial position.

3.3. Income Tax

Current income tax expense

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax assets and liabilities

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

3.4. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3.5. Goods and services tax (GST)

The income statement 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 trade receivables and payables, which include GST invoiced.

3.6. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the weighted average costs basis and is net of any discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

3.7. Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Assets classified as held for sale are not amortised or depreciated.

Assets classified as held for sale and any associated liabilities are presented separately in the statement of financial position.

3.8. Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Land and buildings

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 (at least every 3 years) 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.

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 recognised in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the profit or loss.

Land is not depreciated.

Property, plant and equipment (excluding land and buildings)

Plant and equipment are measured using the cost model. 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.

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 profit or loss during the financial period in which they are incurred.

Depreciation

Property, plant and equipment, excluding land, is depreciated on a straight-line basis over the assets useful life to the Group, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Reticulation system	0.00% - 28.00%
Meters and relays	2.20% - 10.20%
Plant and equipment	1.30% - 50.00%
Fibre	3.00% - 5.50%
Buildings	1.00% - 10.50%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

3.9. Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Fair value is based on valuations performed by registered and qualified independent valuers, less subsequent depreciation. Valuations are performed with sufficient regularity (at least every 3 years) 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 value amount of the asset, and the net amount is restated to the revalued amount of the asset.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Rental income from investment property is recognised as other income over the term of the lease.

3.10. Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Group classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL
- fair value through other comprehensive income - debt investments (FVOCI - debt)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise loans and advances, trade and other receivables, and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Debt instruments

The Group has debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss (refer to hedging accounting policy for derivatives designated as hedging instruments).

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost
- debt investments measured at FVOCI

When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in NZ IFRS 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in expenses. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in NZ IFRS 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade payables, bank and other loans and lease liabilities.

Hedge accounting

The Group chooses to apply hedge accounting for certain derivatives held which meet the following criteria:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge;
- the hedge relationship meets all of the hedge effectiveness requirements including that an economic relationship exists between the hedged item and the hedging instrument, credit risk does not dominate the fair value changes; and
- the hedge ratio is designated based on actual quantities of the hedged item and hedging instrument.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI - hedge reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item from the inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in OCI.

The Group uses these contracts to lock in the cash flows associated with the cost of non-financial assets and the income / expenses relating to foreign currency transactions.

If a highly probable forecast transaction results in the recognition of a non-monetary asset or where a cash flow hedge of a hedged forecast transaction for a non-financial asset / liability becomes a firm commitments to which fair value hedge accounting is applied, the cumulative loss / gain is added to / subtracted from the cost of the asset acquired (basis adjustment).

In other cases, the cumulative gain or loss recognised in the hedge reserve is reclassified to profit or loss at the same time as the hedged item affects profit or loss.

If a forecast transaction is no longer considered highly probable but the forecast transaction is still expected to occur, the cumulative gain or loss recognised in other comprehensive income to date is recognised in profit or loss as per above. Subsequent changes in the fair value of the derivative are recognised in profit or loss. If the Group closes out its position before the transaction takes place, the cumulative gain or loss is recognised as above if the transaction is expected to take place. If, the hedged transaction is no longer expected to occur then the cumulative gain or loss in the hedge reserve is reclassified to profit or loss immediately.

Fair value hedges

Where derivatives are used to hedge exposure to fair value movements (for example interest rate swaps), then the hedged item is remeasured to take into account the gain or loss attributable to the hedged risk with the gains or losses arising recognised in profit or loss.

The gain or loss on the hedging instrument is measured at fair value through profit or loss.

3.11. Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

3.12. Intangibles

Goodwill

Goodwill arising on the acquisition of a subsidiary is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred over the net fair value of the identifiable net assets recognised.

Goodwill is not amortised but is reviewed for impairment at least annually. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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.

Software

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of five years.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.13. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.14. Leases

At inception of a contract, the Group assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

3.15. 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 employee entitlements 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.

3.16. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of Management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the statement of profit or loss and other comprehensive income.

3.17. Foreign currency transactions and balances

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

3.18. Trade receivables

Trade receivables are amounts due from customers for items 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.

3.19. 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.

3.20. 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 initially recognised at fair value and subsequently measured at amortised cost.

3.21. 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 profit or loss 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.

3.22. 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.

4. Critical accounting estimates and judgments

The Directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

4.1. Depreciation of useful lives of network 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.

4.2. Fair value of derivatives - interest rate swaps mark to market revaluation

The Group has certain financial assets and liabilities which are measured at fair value. Where fair value has not been able to be determined based on quoted price, a valuation model has been used. The inputs to these models are observable, where possible, however these techniques involve significant estimates and therefore fair value of the instruments could be affected by changes in these assumptions and inputs.

4.3. Customer contributions revenue and deferred revenue

In the absence of a contractual minimum period, the up-front contribution in respect of prepaid network lines services revenue paid by large direct use customers at the time of asset commissioning is recognised on a straight-line basis over the estimated useful life of the dedicated commissioned network assets (generally 45-50 years).

4.4. Valuation of investment property and land & buildings

An independent registered valuer is engaged to value investment property and land & buildings every three years. Refer to Note 30 for valuation assumptions and sensitivity analysis.

5. Prior period errors

5.1. Property, plant and equipment and investment property

Land and buildings which are held by the Group to earn rental income or for capital appreciation (as opposed to being owner occupied) have historically incorrectly been classified and accounted for as property, plant and equipment in accordance with NZ IAS 16 instead of investment property in accordance with NZ IAS 40. The following table summarises the impact of the prior period error on the financial statements of the Group, including correction of the closing revaluation reserve to ensure the OCI movement relates to land and buildings assets only.

Statement of financial position as at

	31/03/2022	01/04/2021
	000's	000's
	$	$
Decrease in property, plant and equipment	(1,282)	(1,286)
Increase in investment property	1,282	1,286
Increase in reserves	823	823
Decrease in retained earnings	(823)	(823)

5.2. Recognition and disclosure of revenue from contracts with customers

In accordance with the accounting policies disclosed in Note 3.2, customer contribution revenue for non-standard connections are recognised over time. The treatment of customer contribution revenue has historically been incorrect, recognising the revenue at a point in time instead of over time. This erroneous treatment of the revenue impacts the revenue recognition, deferred revenue and classification of the costs associated with the revenue being recognised. The following table summarises the impact of the prior period error on the financial statements of the Group. A classification error in relation to customer contribution revenue and connection fees which impacts prior periods have also been identified and corrected. Connection fees and customer contribution revenue for the parent company have historically been disclosed as a single line item in the note to the financial statements, Note 6 (PY: Note 5). In accordance with NZ IFRS 15 - Revenue from contracts with customers the disclosure shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The timing of customer contribution revenue and connection fees are distinctly different, being over time and at a point in time respectively (refer to Note 3.2 for the accounting policies) and should therefore have been disclosed separately. These corrections also impacted the deferred revenue included in current contract liabilities and disclosed separately in Note 23 work in progress and contract services costs.

Statement of profit or loss and other comprehensive income for the year ended

	31/03/2022	31/03/2021
	000's	000's
	$	$
(Decrease) / increase in revenue and other income	(194)	1,060
(Decrease) / increase in contract services costs	(62)	205
(Decrease) / increase in tax expense	(37)	239
(Decrease) / increase in profit	(95)	616

Statement of financial position as at

	31/03/2022 000's $	01/04/2021 000's $
Increase / (decrease) in PPE work in progress	62	(205)
Increase / (decrease) in contract liabilities (current liabilities)	194	(1,060)
(Decrease) / increase in deferred tax liabilities	(37)	239
(Decrease) / increase in retained earnings	(95)	616

The table below shows the impact of the correction of the prior period error on the disclosures in the notes to the financial statements.

For the year ended

	31/03/2022 000's $	31/03/2021 000's $
Increase in customer contribution revenue	2,567	3,884
Decrease in connection fees	(2,761)	(2,824)

6. Revenue and other income

Revenue from continuing operations

	2023 000's $	2022 (restated) 000's $
(a) Revenue from contracts with customers		
Network lines revenue	**56,702**	52,891
Contracting revenue	**11,076**	8,055
Customer contribution revenue	**6,562**	3,001
Connection fees	**1,343**	670
Total revenue from contracts with customers	**75,683**	64,617
(b) Revenue from other sources		
Meter revenue	**2,521**	2,459
Fibre revenue	**819**	774
Rental income	**236**	220
Other trading revenue	**134**	137
Revaluation gain on investment property	**952**	-
Dividend received	**1**	1
Total revenue from other source	**4,663**	3,591
Total revenue and other income	**80,346**	68,208

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers has been disaggregated into geographic locations and the following table shows this breakdown:

Revenue from contracts with customers by geographic location	2023 000's $	2022 (restated) 000's $
New Zealand	67,549	58,245
Pacific Islands	6,728	5,411
Asia	1,406	961
Revenue from contracts with customers	**75,683**	64,617

6.1. Finance income

Interest income	2023 000's $	2022 000's $
Use of money interest	7	11
Other interest	17	130
Total finance income	**24**	141

6.2. Finance costs

Finance costs	2023 000's $	2022 000's $
Current borrowings	4,356	3,347
Amortisation of held to maturity liabilities	167	167
Interest on obligations under leases	374	377
Fair value movement of interest rate swaps that do not meet hedge accounting criteria	(597)	(1,705)
Total finance costs	**4,300**	2,186

7. Expenses

The result for the year includes the following specific expenses:

	2023 000's $	2022 000's $
Audit fee	202	157
Under-accual of audit fees	30	-
Auditor's other services	2	30
Other assurance engagements	177	173
	411	360
Bad debts	25	102
Community sponsorships	210	192
Directors' fees	603	516
Donations	13	12
Net loss on disposal of property, plant and equipment	851	1,050

8. Income tax expense

(a) The major components of the tax expense comprise:

	2023 000's $	2022 (restated) 000's $
Current tax expense		
Local income tax - current period	2,684	1,343
Prior year adjustment	67	-
Deferred tax expense		
Origination and reversal of temporary differences	2,338	2,611
Prior year adjustment	(242)	-
Income tax expense for continuing operations	4,847	3,954

(b) Reconciliation of income tax to accounting profit:

	2023 000's $	2022 (restated) 000's $
Profit	19,550	12,683
Tax at 28%	5,474	3,551
Add tax effect of:		
Non assessable income	(379)	-
Non-deductible expenses	(73)	22
Prior period adjustments	(175)	381
	4,847	3,954
Less tax effect of:		
Income tax expense	4,847	3,954

(c) Income tax relating to each component of other comprehensive income:

	2023			2022		
	Before -tax Amount 000's $	Tax (Expense) Benefit 000's $	Net-of -tax Amount 000's $	Before -tax Amount 000's $	Tax (Expense) Benefit 000's $	Net-of -tax Amount 000's $
Gain on land and buildings revaluation	1,525	(71)	1,454	-	-	-
Gain/(loss) on derivatives	1,719	(481)	1,238	4,010	(1,123)	2,887
	3,244	(552)	2,692	4,010	(1,123)	2,887

(d) Imputation credit account balances

	2023 000's $	2022 000's $
Parent	5,711	5,985
Subsidiaries	2,674	2,148
	8,385	8,133

9. Cash and cash equivalents

	2023 000's $	2022 000's $
Cash at bank and in hand	**968**	1,303
	968	1,303

The carrying amounts of the Group's cash is denominated in the following currencies:

USD	**761**	1,111
NZD	**207**	141
AUD	**-**	51
	968	1,303

10. Trade and other receivables

	Note	2023 000's $	2022 000's $
Trade receivables		**9,134**	6,755
ECL provision	**10.1**	**(179)**	(176)
Due by Shareholders' District Councils	**34**	**64**	87
Due by Other Related Parties	**34**	**465**	451
Due by Joint Arrangements	**34**	**27**	12
Prepayments		**997**	756
Other receivables		**344**	142
Total current trade and other receivables		**10,852**	8,027
The carrying amount of the Group receivables is denominated in the following currencies:			
AUD		**-**	21
USD		**-**	132
NZD		**9,511**	6,976
Total current trade receivables		**9,511**	7,129

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

10.1. Impairment of receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 March 2023 is determined as follows, the expected credit losses incorporate forward looking information.

31 March 2023	**Current**	**< 30 days overdue**	**< 90 days overdue**	**> 90 days overdue**	**Total**
Gross carrying amount ($'000)	**7,675**	**523**	**23**	**1,469**	**9,690**
ECL provision	**(122)**	**(3)**	**(3)**	**(51)**	**(179)**
Neither past due nor impaired	**7,553**	**-**	**-**	**-**	**7,553**
Past due and not impaired	**-**	**520**	**20**	**1,418**	**1,958**

31 March 2022	Current	< 30 days overdue	< 90 days overdue	> 90 days overdue	Total
Gross carrying amount ($'000)	6,383	127	315	480	7,305
ECL provision	(13)	(5)	-	(158)	(176)
Neither past due nor impaired	6,370	-	-	-	6,370
Past due and not impaired	-	122	315	322	759

Reconciliation of changes in the provision for impairment of receivables is as follows:

	2023	2022
	000's	000's
	$	$
Balance at beginning of the year	**176**	77
Additional impairment loss recognised	**178**	265
Amounts written off as uncollectible		
Bad debts	**(23)**	(3)
Unused amounts reversed	**(152)**	(163)
Balance at end of the year	**179**	176

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or when the trade receivables are over two years past due, whichever occurs first.

10.2. Collateral held as security

The Group does not hold any collateral over any receivables balances.

11. Inventories

	2023 000's $	2022 000's $
Network inventory	6,668	5,477
Smart meters	574	730
	7,242	6,207

12. Loans and advances

	Note	2023 000's $	2022 000's $
Non-Current			
On Metering Limited	18	2,732	-
SmartCo Limited		215	215
		2,947	215

The above loans are unsecured, interest free and repayable on demand. An agreement has been signed with On Metering Limited confirming that Alpine will not exercise any right to require repayment of any portion of the remaining Shareholder Advance (including any principal or interest component) on or before 31 July 2024.

	Note	2023 000's $	2022 000's $
Current			
NETcon Clay Energy Joint Venture		-	1,665
Sunfra Joint Venture		-	54
On Metering Limited	18	-	3,157
		-	4,876

The above loans are unsecured and repayable on demand.

13. Construction work in progress

	2023 000's $	2022 000's $
Construction work in progress	1,211	74

14. Assets held for sale

	2023 000's $	2022 000's $
Assets held for sale		
Investment property	1,260	1,260

The vacant land portfolio held was assessed for viability in terms of either sale or development. Following this, negotiations were entered into selling vacant land situated in Washdyke, with a Sale & Purchase Agreement signed in September 2021. At reporting date, this agreement is a single clause from being unconditional. The agreed sale price of $1.5 million is in excess of the carrying amount disclosed above.

15. Property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Network reticulation system 000's $	Land and buildings 000's $	Plant and equipment 000's $	Meters and relays 000's $	Fibre 000's $	Total 000's $
Year ended 31 March 2023						
Opening net book amount	**246,662**	**16,342**	**7,001**	**13,655**	**5,250**	**288,910**
Asset classification transfer	**600**	**(1,216)**	**682**	**(66)**	**-**	**-**
Additions	**24,219**	**101**	**2,351**	**460**	**-**	**27,131**
Change in capital work in progress	**895**	**17**	**160**	**(20)**	**-**	**1,052**
Disposals	**(802)**	**(75)**	**(222)**	**(12)**	**(26)**	**(1,137)**
Depreciation charge	**(7,573)**	**(390)**	**(1,603)**	**(1,744)**	**(286)**	**(11,596)**
Impairment reversal	**-**	**656**	**-**	**-**	**-**	**656**
Revaluation	**-**	**1,525**	**-**	**-**	**-**	**1,525**
Balance at the end of the year	**264,001**	**16,960**	**8,369**	**12,273**	**4,938**	**306,541**

	Network reticulation system 000's $	Land and buildings 000's $	Plant and equipment 000's $	Meters and relays 000's $	Fibre 000's $	Total 000's $
Year ended 31 March 2022 (restated)						
Opening net book amount	234,986	19,394	5,916	14,232	5,446	279,974
Effect of prior period error	-	(1,286)	-	-	-	(1,286)
Asset held for sale	-	(1,260)	-	-	-	(1,260)
Asset classification transfer	(1,168)	26	1,366	656	6	886
Additions	15,132	237	351	452	57	16,229
Change in capital work in progress	5,723	(47)	303	28	-	6,007
Disposals	(800)	(261)	299	-	-	(762)
Depreciation charge	(7,211)	(461)	(1,234)	(1,713)	(259)	(10,878)
Balance at the end of the year	246,662	16,342	7,001	13,655	5,250	288,910

Revaluation of land and buildings

An independent valuation of the Group's land and buildings is performed by a registered valuer every three years, to determine the fair value of the land and buildings as at the end of the financial year. The revaluation movement net of applicable deferred income taxes is applied to other comprehensive income and is included in "Revaluation Reserves" in equity. Note the fair value carrying amounts of land and buildings in Note 31.

The fair value of land and buildings was determined based on income capitalisation approach based on market income and an appropriate yield of income for each that particular property. In deriving the valuation, all assumptions are based, where possible, on market based evidence and transactions for similar properties, locations and quality of lease. They are categorised as Level 3 of the fair value hierarchy as unobservable inputs (as described in NZ IFRS 13). The valuations were prepared by an independent and qualified registered valuer.

The most recent independent valuation to determine the fair value of the Group's land and buildings was performed as at 31 March 2023. This resulted in a revaluation increase of $1.513 million during the year ended 31 March 2023, and was applied to other comprehensive income and is included in "Revaluation Reserves" in equity. As part of the revaluation $655,919 of impairment that related to Alpine House that was previously recognised in the Statement of Profit and Loss during the year ended 31 March 2019 was reversed (2022: nil). The Directors have assessed the current carrying value as appropriate.

Carrying value of property, plant and equipment

	Network reticulation system 000's $	Land and buildings 000's $	Plant and equipment 000's $	Meters and relays 000's $	Fibre 000's $	Total 000's $
At 31 March 2023						
Cost	**372,708**	**20,217**	**23,816**	**27,255**	**7,164**	**451,160**
Accumulated depreciation	**(108,707)**	**(3,257)**	**(15,447)**	**(14,982)**	**(2,226)**	**(144,619)**
Net book amount	**264,001**	**16,960**	**8,369**	**12,273**	**4,938**	**306,541**
At 31 March 2022 (restated)						
Cost	349,166	19,423	21,109	27,125	7,194	424,017
Accumulated depreciation	(102,504)	(3,081)	(14,108)	(13,470)	(1,944)	(135,107)
Net book amount	246,662	16,342	7,001	13,655	5,250	288,910

Capital work in progress

Included in the closing Net book amount is Capital Work in Progress

	2023 **000's** **$**	2022 (restated) 000's $
Work in Progress	**14,025**	12,808

Historical cost

If land and buildings were stated at historical cost, amounts would be as follows:

	2023 **000's** **$**	2022 (restated) 000's $
Deemed cost - land	**408**	408
Deemed cost - building	**15,520**	16,895
Accumulated depreciation	**(3,258)**	(3,081)
Net book value	**12,670**	14,222

16. Investment property

Reconciliation of carrying amount

	2023 **000's** **$**	2022 (restated) 000's $
Balance at 1 April	**1,282**	1,286
Depreciation	**(4)**	(4)
Revaluation	**952**	-
Balance at 31 March	**2,230**	1,282

An independent valuation of the Group's investment property is performed by a registered valuer every three years, to determine the fair value of the investment property as at the end of the financial year. The revaluation movement is applied to the Statement of Profit or Loss. Note the fair value carrying amounts of investment property in Note 31.

Fair value of investment property was determined on a market comparable approach that reflects recent transaction prices for similar properties and making adjustments for differences between them. In deriving the valuation, all assumptions are based, where possible, on market based evidence and transactions for similar properties, locations and quality of lease. They are categorised as Level 3 of the fair value hierarchy as unobservable inputs (as described in NZ IFRS 13). The valuations were prepared by an independent and qualified registered valuer.

The most recent independent valuation to determine the fair value of the Group's investment property was performed as at 31 March 2023. This resulted in a revaluation movement of +$952,000 during the year ended 31 March 2023, and was applied to the Statement of Profit or Loss. The Directors have assessed the current carrying value as appropriate.

17. Interests in subsidiaries

17.1. Composition of the Group

Subsidiaries:	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2023	Percentage Owned (%)* 2022
Timaru Electricity Limited	New Zealand	100	100
NETcon Limited	New Zealand	100	100
Power Services 2022 Limited	New Zealand	100	100
Infratec Limited	New Zealand	100	100
Infratec Renewables (Rarotonga) Limited	New Zealand	100	100

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

Acquisition of Power Services 2022 Limited

(a) Description

In the prior year, NETcon Limited acquired an electrical contracting business specialising in power distribution related work in the Nelson area. A new company, Power Services 2022 Limited was formed to conduct these business activities. This acquisition builds diversification into NETcon's current business. The goodwill of $297,500 arising from the acquisition consists largely of the expected future profitability from revenue streams and expertise gained. None of the goodwill recognised is expected to be deductible for income tax.

(b) Details of acquisition

	2022 000's $
Consideration paid	517

The assets recognised as a result of the acquisiation are as follows:

	2022 000's $
Property, plant and equipment	100
Goodwill	298
Inventories	113
Work in progress	6
Total assets	517

(c) Identifiable net assets

The fair value of the tangible assets acquired as part of the business combination amounted to $219,829. No liabilities were purchased as part of this acquisition, these remained all with the vendor.

18. Interests in joint arrangements

	Type of joint arrangement	Principal place of business / Country of Incorporation	Percentage Owned (%)*	Percentage Owned (%)*
Joint arrangements:			2023	2022
On Metering Limited	Electricity meter leasing	New Zealand	50	50
NETcon Clay Energy Joint Venture	Renewable energy contracting	New Zealand and Pacific Islands	-	50
Sunfra Joint Venture	Renewable energy contracting	Pacific Islands	-	50

*The percentage of ownership interest held is equivalent to the percentage voting rights for all joint arrangements.

On Metering Limited

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

NETcon Clay Energy Joint Venture

NETcon Clay Energy Joint Venture is an unincorporated joint venture for the purpose of the design, supply, installation, construction, commissioning and provision for operational and maintenance support for a renewable energy project in the Solomon Islands. The joint venture is owned by NETcon Limited (50%) and Clay Energy (50%). NETcon Clay Energy Joint Venture was terminated in July 2022 due to the project's completion.

Sunfra Joint Venture

Sunfra Joint Venture is an unincorporated joint venture to carry out the completion, maintenance and operation of renewable energy projects in the Pacific Islands. It is owned by Infratec Limited (50%) and Sunergise International Limited (50%). Sunfra Joint Venture was terminated in September 2022 due to the projects' completion.

Joint Ventures

All joint ventures have the same year end as the parent entity.

There are no significant restrictions on the ability of joint ventures to transfer funds to the Group in the form of cash dividends or to repay loans or advances made by the entity.

Material joint ventures

The following information is provided for joint ventures that are material to the Group and is the amount per the joint venture financial statements, adjusted for fair value adjustments at acquisition date and differences in accounting policies, rather than the Group's share.

2023 Name of Joint Venture	On Metering Limited 000's $	NETcon Clay Energy Joint Venture 000's $	Sunfra Joint Venture 000's $
Summarised statement of financial position			
Cash and cash equivalents	**575**	-	-
Other current assets	**456**	-	-
Non-current assets	**8,274**	-	-
Current financial liabilities (excluding trade and other payables and provisions)	**(364)**	-	-
Other current liabilities	**(6,129)**	-	-
Net assets	**2,812**	-	-

2023 Name of Joint Venture	On Metering Limited 000's $	NETcon Clay Energy Joint Venture 000's $	Sunfra Joint Venture 000's $
Summarised statement of profit or loss and other comprehensive income			
Revenue	**2,346**	-	-
Depreciation and amortisation	**(1,009)**	-	-
Profit / (loss) from continuing operations	**352**	-	-
Profit or loss from discontinued operations	-	**809**	**(39)**
Prior year adjustment	**204**	-	-
Total comprehensive income	**556**	**809**	**(39)**

2022 Name of Joint Venture	On Metering Limited 000's $	NETcon Clay Energy Joint Venture 000's $	Sunfra Joint Venture 000's $
Summarised statement of financial position			
Cash and cash equivalents	272	82	136
Other current assets	407	2,002	22
Non-current assets	8,832	214	-
Current financial liabilities (excluding trade and other payables and provisions)	(194)	(2,083)	(95)
Other current liabilities	(7,061)	-	-
Net assets	2,256	215	63
Summarised statement of profit or loss and other comprehensive income			
Revenue	2,188	208	-
Depreciation and amortisation	(1,076)	-	-
Profit from continuing operations	92	-	-
Total comprehensive income	92	-	-

Reconciliation of carrying amount of interest in joint venture to summarised financial information for joint ventures accounted for using the equity method:

	2023 000's $	2022 000's $
On Metering Limited		
Group's share of 50% of net assets	**1,127**	1,082
Prior year adjustment	**103**	-
Share of profit	**176**	45
Carrying amount	**1,406**	1,127
NETcon Clay Energy Joint Venture		
Share of profit/(loss)	**404**	-
JV equity distribution	**(404)**	-
Carrying amount	**-**	-
Sunfra Joint Venture		
Group's share of 50% of net assets	**32**	32
Share of profit/(loss)	**(12)**	-
JV equity distribution	**(20)**	-
Carrying amount	**-**	32

	2023 000's $	2022 000's $
On Metering Limited	**1,406**	1,127
Sunfra Joint Venture	**-**	32
Carrying amount	**1,406**	1,159

Loans and advances - Joint Ventures

	2023 000's $	2022 000's $
NETcon Clay Energy Joint Venture	**-**	1,665
Sunfra Joint Venture	**-**	54
On Metering Limited	**2,732**	3,157
	2,732	4,876

19. Intangible assets

	2023 000's $	2022 000's $
Computer software		
Opening net book amount	**1,850**	2,580
Asset classification transfer	**-**	(896)
Additions	**424**	1,561
Change in capital work in progress	**(223)**	217
Disposals	**-**	(119)
Amortisation	**(608)**	(1,493)
Net carrying value	**1,443**	1,850
At 31 March		
Cost	**8,424**	8,223
Accumulated amortisation	**(6,981)**	(6,373)
Net carrying value	**1,443**	1,850
Easements		
Opening net book amount	**122**	112
Additions	**10**	12
Impairment	**-**	(2)
Net carrying value	**132**	122
At 31 March		
Cost	**190**	180
Accumulated impairment	**(58)**	(58)
Net carrying value	**132**	122
Goodwill		
Opening net book amount	**298**	-
Additions	**40**	298
Net carrying value	**338**	298
At 31 March		
Cost	**338**	298
Accumulated impairment	**-**	-
Net carrying value	**338**	298
Total intangible assets	**1,913**	2,270

20. Leases

The Group as a lessee

The Group has leases over a range of assets including land and buildings, network grid assets and vehicles.

The Group has chosen not to apply NZ IFRS 16 to leases of intangible assets.

Information relating to the leases in place and associated balances and transactions are provided below.

Terms and conditions of leases

The leases from Transpower consist of New Investment Agreements, whereby Transpower invests in necessary upgrades to the network and recovers the cost of the investment over a period. NZ IFRS 16 has resulted in these transactions being deemed a lease by nature. The Group deems the Transpower assets as one portfolio of assets, comprising the following contracts:

1. Bells Pond Line and Grid Connection
2. Temuka Additional 33kV Feeders
3. Temuka Substation: Additional Feeder TMK1292
4. Temuka Substation: T1 and T2 Transformer Upgrading
5. Timaru 11 kV Switchboard Upgrade and Additional Feeders
6. Timaru 11 kV Supply Transformer Upgrade
7. Timaru Natural Earthing Resistors
8. Bells Pond T1 Connection

No contracts have been identified as part of the transition assessment that may have a non lease component. The plant being leased is of a very specific and highly dependent nature, on this basis each of the new investment arrangement agreements have been deemed to have a single lease component, with no further separation necessary.

Some Transpower leases contain variable payment terms that are linked to Transpower's Weighted Average Cost of Capital (WACC), as determined by the Commerce Commission, while other leases contain variable payment terms that are linked to Transpower's applicable risk free rate. Transpower's WACC changes every Regulatory Control Period (RCP), with the current RCP3 period covering five years from 1 April 2020 to 31 March 2025, while Transpower annually reviews the applicable risk-free rate.

Right-of-use assets

	Buildings	Plant and Equipment	Network Reticulation Assets	Total
	000's $	000's $	000's $	000's $
Year ended 31 March 2023				
Balance at beginning of year	**82**	**34**	**8,169**	**8,285**
Additions to right-of-use assets	**-**	**114**	**-**	**114**
Variable payment remeasurement	**-**	**-**	**46**	**46**
Depreciation charge	**(52)**	**(39)**	**(1,064)**	**(1,155)**
Balance at end of year	**30**	**109**	**7,151**	**7,290**
Year ended 31 March 2022				
Balance at beginning of year	-	37	9,249	9,286
Additions to right-of-use assets	82	84	-	166
Variable payment remeasurement	-	-	(15)	(15)
Depreciation charge	-	(87)	(1,065)	(1,152)
Balance at end of year	82	34	8,169	8,285

Lease liabilities

	2023 000's $	2022 000's $
Current	**1,104**	1,030
Non-current	**6,798**	7,771
	7,902	8,801

Statement of profit or loss and other comprehensive income

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases where the Group is a lessee are shown below:

	2023 000's $	2022 000's $
Depreciation	**1,162**	1,152
Interest on obligations under finance leases	**374**	377
Variable lease payments not included in the measurement of lease liabilities	**77**	94
	1,613	1,623

Statement of cash flows

	2023 000's $	2022 000's $
Total cash outflow for leases	**1,441**	1,452

21. Trade and other payables

	2023 000's $	2022 000's $
Current		
Trade payables	**5,770**	4,471
GST payable	**133**	284
Payroll accruals	**256**	294
Accruals	**3,728**	6,011
Due to related entities	**156**	172
	10,043	11,232

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

22. Tax assets and liabilities

	2023 000's $	2022 000's $
Current tax liabilities/(asset)	**1,356**	(499)

22.1. Current tax liability (Asset)

	2023 000's $	2022 000's $
Opening balance	**(499)**	(171)
Tax expenses	**4,847**	3,954
Provisional tax paid	**(896)**	(1,667)
Deferred tax	**(2,163)**	(2,615)
Prior year adjustment	**67**	-
Current tax liabilities/(asset)	**1,356**	(499)

22.2. Deferred tax

Deferred tax	**Opening Balance 000's $**	**Charged to Income 000's $**	**Charged directly to Equity 000's $**	**Closing Balance 000's $**
Provisions and others	4,382	(741)	(1,126)	2,515
Leases	(27)	172	-	145
Tax allowance	(36,118)	(2,043)	-	(38,161)
Balance at 31 March 2022 (restated)	(31,763)	(2,612)	(1,126)	(35,501)
Provisions and others	**2,515**	**(1,396)**	**(482)**	**637**
Leases	**145**	**26**	**-**	**171**
Tax allowance	**(38,161)**	**(726)**	**(60)**	**(38,947)**
Balance at 31 March 2023	**(35,501)**	**(2,096)**	**(542)**	**(38,139)**

23. Contract balances

Contract assets and liabilities

The Group has recognised the following contract assets and liabilities from contracts with customers:

	2023 000's $	2022 (restated) 000's $
Current		
Deferred revenue	**1,699**	3,425
Capital contributions	**298**	298
Total current contract liabilities	**1,997**	3,723
Non-current		
Capital contributions	**2,237**	2,592

Reconciliation of contract liabilities

Contract liabilities comprise payments received from customers in excess of services rendered.

The following table shows the value of revenue recognised in 2023 that relates to contract liabilities recognised at 2022 and the value of revenue recognised that relates to performance obligations that were also satisfied in the prior year.

	2023 000's $	2022 000's $
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Deferred revenue	**3,020**	3,583
Revenue recognised from performance obligations satisfied in previous years		
Capital contribution projects	**298**	298
Total	**3,318**	3,881

Unsatisfied performance obligations

The following table shows the aggregate amount of the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations resulting from Customer Capital contribution projects.

	2023 000's $	2022 (restated) 000's $
Contracting deferred revenue	**1,699**	3,425
Contracting capital contributions	**2,535**	2,890
	4,234	6,315

Management expects that the following percentage of the transaction price allocated to the unsatisfied performance obligations as of 2023 will be recognised as revenue during the next reporting period:

- Capital Contributions 18.51% (2022: 15.62%). The remaining 81.49% is expected to be recognised as revenue on an amortised basis at $0.298 million per annum.
- Deferred revenue 93% (2022: 92%)

24. Employee benefits

	2023 000's $	2022 000's $
Current liabilities		
Long service leave	**388**	378
Provision for Holiday Pay	**1,507**	1,408
	1,895	1,786

25. Dividends

	2023 000's $	2022 000's $
The following dividends were declared and paid:		
Interim ordinary dividend of 1.20 (2022: 1.20) cents per share were paid in September, December and March	**1,489**	1,489
Final imputed ordinary dividend (pertaining to prior year) of 2.40 (2022: 2.40) cents per share	**992**	992
Total	**2,481**	2,481

Gross ordinary dividends of 8.33 (2022: 8.33) cents per share were declared during the year, with 6.00 (2022: 6.00) cents per share paid net of imputation credits. Imputed dividends declared or paid during the year were imputed at the tax rate of 28%.

Proposed final 2023 fully imputed ordinary dividend of 2.40 (2022: 2.40) cents per share to be paid 31 July 2023	**992**	992

The proposed final dividend for 2023 is in accordance with the dividend distribution policy in the Statement of Corporate Intent. This is to be paid on 31 July 2023 subject to Board approval.

26. Borrowings

	2023 000's $	2022 000's $
Non-Current		
Liabilities:		
Bank loans	**88,195**	81,400
Total non-current borrowings	**88,195**	81,400

The termination date of the facility is 31 August 2024. The loan is subject to a negative pledge.

Refer to Note 35 for full details on the Group's total available borrowing facilities.

The Group has entered into the following interest rate swaps:

Effective date	**Amount 000's $**	Maturity date
20 December 2015	7,000	20 December 2023
20 June 2019	12,000	20 June 2024
21 December 2015	7,000	20 December 2025
20 December 2017	12,000	20 December 2027
20 September 2018	12,000	20 September 2028
	50,000	

The interest rate applied to borrowings against the Flexible Credit Facility is linked to the 90-day bank bill rate. A movement of 1% in this rate would result in a movement of $0.882 million (2022: $0.814 million) in the interest expense for the year. The covenants governing the loan have not been breached during the year.

27. Issued capital

	2023 000's $	2022 000's $
Ordinary shares	**41,328**	41,328

Ordinary shares

There are no unpaid or uncalled shares. All shares rank equally for voting rights and dividend distributions. The Company does not have authorised capital or par value in respect of its shares.

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.

Capital management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity net of debt.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. These include maintaining a diversified debt portfolio, the ability to adjust the size and timing of dividends paid to shareholders and the issue of new shares.

The Board monitors a range of financial metrics including return on capital employed and gearing ratios. A key objective of the Company's capital risk management is to maintain compliance with the covenants attached to the Company's borrowing facility agreement. Throughout the year, the Company has complied with these covenants.

28. Capital and leasing commitments

Operating leases

	2023 000's $	2022 000's $
Not later than one year	**22**	21
Between one year and five years	**26**	50
	48	71

Contracted commitments

	2023 000's $	2022 000's $
Contracted commitments for:		
Capital	**8,755**	5,502

29. Lessor commitments

The Group leases out its investment property under commercial leases. These non-cancellable leases have terms between3 and 10 years. All leases include an option for the Group to increase rent to current market rental on an annual basis.

The future minimum lease payments under non-cancellable leases are:

	2023 000's $	2022 000's $
Lease of fibre network		
Not later than one year	**849**	806
Between one and five years	**4,037**	3,887
Later than five years	**5,420**	5,824
Rentals from building lease agreements		
Not later than one year	**136**	186
Between one and five years	**139**	149
Later than five years	**133**	151

30. Financial risk management

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Group is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

Financial instruments used

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Bank overdraft
- Interest rate swaps
- Trade and other payables
- Lease liabilities
- Floating rate bank loans
- Forward currency contracts

Objectives, policies and processes

The Audit and Risk Committee have overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day financial risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Audit and Risk Committee has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Audit and Risk Committee receives reports at each meeting which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below:

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group monitors monthly rolling forecasts of the Group's liquidity requirements on the basis of expected cash flow. The Board of Directors approves all new borrowing facilities. Refer Note 26 for borrowing facility details.

Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

	Less than 1 year 000's $	**Between 1 and 2 years 000's $**	**Between 2 and 5 years 000's $**	**Over 5 years 000's $**
As at 31 March 2023				
Trade and other payables	**9,654**	**-**	**-**	**-**
Loans	**3,079**	**88,634**	**1,135**	**588**
Lease liability	**1,429**	**1,282**	**3,728**	**2,783**
Interest rate swaps	**-**	**-**	**77**	**-**
Foreign currency forward contracts	**-**	**-**	**-**	**-**
	14,162	**89,916**	**4,940**	**3,371**

	Less than 1 year 000's $	Between 1 and 2 years 000's $	Between 2 and 5 years 000's $	Over 5 years 000's $
As at 31 March 2022				
Trade and other payables	10,654	-	-	-
Loans	1,039	81,817	1,008	1,188
Lease liability	1,397	1,401	3,681	3,995
Interest rate swaps	-	186	457	-
Foreign currency forward contracts	104	-	-	-
	13,194	83,404	5,146	5,183

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Trade receivables and contract assets

Trade receivables consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Credit risk associated with trade and other receivables is limited 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 and milestone claims. Credit risk associated with related party loans is low due to the saleable assets held by the related party.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the NZD functional currency of the Group.

Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in USD, EUR and AUD.

To mitigate the Group's exposure to foreign currency risk, non-New Zealand Dollar cash flows are monitored and forward exchange contracts are entered into in accordance with the Group’s risk management policies. The policy is to hedge 100% of forecast foreign currency cash flows.

Generally, the Group’s risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

Forward exchange contracts are mainly entered into for significant long term foreign currency exposures that are not expected to be offset by other currency transactions.

In order to monitor the effectiveness of this policy, the Board receives a monthly report showing the settlement date of transactions denominated in non-New Zealand Dollar currencies and expected cash reserves in that currency.

2023	USD 000's $	AUD 000's $
Nominal amounts		
Financial liabilities	**1,589**	-
Short-term exposure	**1,589**	-
2022		
Nominal amounts		
Financial liabilities	3,330	917
Short-term exposure	3,330	917

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

Interest rate risk

The Group is exposed to interest rate risk as funds are borrowed at floating and fixed rates.

The Group's main interest risk arises from long-term borrowings with floating rates, which expose the Group to cash flow interest rate risk. The Group policy is to maintain the following hedging profile:

Period	Minimum Cover %	Maximum Cover %
Years 1 and 2	30	90
Years 3, 4 and 5	20	70
Years 6 and 7	0	40

Actual cover at year end	2023 %	2022 %
Years 1 and 2	**57**	61
Years 3, 4 and 5	**35**	52
Years 6 and 7	**14**	29

The swap contracts require settlement of net interest receivable or payable every 90 days. The settlement dates concide with the dates on which interest is payable on the underlying debt.

31. Fair value measurement

The Group measures the following assets and liabilities at fair value on a recurring basis:

- Financial assets
  - Derivatives
  - Other financial assets
- Financial liabilities
  - Derivatives
  - Other financial liabilities

Fair value hierarchy

NZ IFRS 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the Group:

31 March 2023	**Level 1 000's $**	**Level 2 000's $**	**Level 3 000's $**	**Total 000's $**
Recurring fair value measurements				
Land and buildings	**-**	**-**	**16,960**	**16,960**
Investment property	**-**	**-**	**2,230**	**2,230**
Financial assets				
Interest rate swaps	**-**	**1,830**	**-**	**1,830**
Foreign currency forward contracts	**-**	**242**	**-**	**242**
Financial liabilities				
Interest rate swaps	**-**	**77**	**-**	**77**
Foreign currency forward contracts	**-**	**-**	**-**	**-**

31 March 2022	Level 1 000's $	Level 2 000's $	Level 3 000's $	Total 000's $
Recurring fair value measurements				
Land and buildings	-	-	16,342	16,342
Investment property	-	-	1,282	1,282
Financial assets				
Interest rate swaps	-	582	-	582
Foreign currency forward contracts	-	10	-	10
Financial liabilities				
Interest rate swaps	-	643	-	643
Foreign currency forward contracts	-	104	-	104

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

Level 2 measurements

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined 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 inputs required to fair value an instrument are observable, the instrument is included in Level 2.

The table below shows the financial assets/liabilities by category for the Group:

As at 31 March 2023	**Derivatives used for hedging 000's $**	**Derivatives used for trading 000's $**	**Measured at amortised cost 000's $**	**Total 000's $**
Financial assets				
Loans and advances	-	-	2,947	2,947
Trade and other receivables	-	-	10,852	10,852
Cash and cash equivalents	-	-	968	968
Interest rate swaps	1,799	31	-	1,830
Foreign currency forward contracts	242	-	-	242
	2,041	31	14,767	16,839

As at 31 March 2023	**Derivatives used for hedging 000's $**	**Derivatives used for trading 000's $**	**Measured at amortised cost 000's $**	**Total 000's $**
Financial liabilities				
Trade and other payables	-	-	9,654	9,654
Interest rate swaps	-	77	-	77
Dividend payable	-	-	992	992
Long-term borrowings	-	-	88,195	88,195
Foreign currency forward contracts	-	-	-	-
	-	77	98,841	98,918

31 March 2022	Derivatives used for hedging 000's $	Derivatives used for trading 000's $	Measured at amortised cost 000's $	Total 000's $
Financial assets				
Loans and advances	-	-	5,091	5,091
Trade and other receivables	-	-	8,027	8,027
Cash and cash equivalents	-	-	1,303	1,303
Interest rate swaps	582	-	-	582
Foreign currency forward contracts	10	-	-	10
	592	-	14,421	15,013
Financial liabilities				
Trade and other payables	-	-	10,654	10,654
Interest rate swaps	-	643	-	643
Dividend payable	-	-	992	992
Long-term borrowings	-	-	81,400	81,400
Foreign currency forward contracts	104	-	-	104
	104	643	93,046	93,793

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 and 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.

Level 3 measurements

Land and buildings

Unobservable inputs and sensitivities

	Carrying amount (at fair value) 2023	Carrying amount (at fair value) 2022 (restated)	**Key unobservable inputs**	**Expected range of input 2023**	Expected range of input 2022
	000's $	000's $		**%**	%
Land and buildings (Income capitalisation method)	**16,960**	16,342	Capitalisation rate	**7.00**	7.25 - 9.00

The carrying amounts above are sensitive to the inputs used in the income capitalisation valuation model. A sensitivity analysis around key inputs is given in the table below. The numbers used below are based on the last valuation in FY2023 (2022: FY2020).

	Change in capitalisation rate					
		2023			2022 (restated)	
	-0.25%	**0%**	**+0.25%**	-0.25%	0%	+0.25%
	000's $	**000's $**	**000's $**	000's $	000's $	000's $
Land and buildings	**17,599**	**16,960**	**16,367**	16,989	16,470	15,983

Investment property

	2023	2022 (restated)
	000's $	000's $
Carrying amount at fair value	**2,230**	1,282

The fair value of the investment property was determined based on the market comparable approach that reflects recent transaction prices for similar properties and making adjustments for differences between them.

The fair value of investment property as at 31 March 2023 was based on the latest valuations performed in 2023. The fair value of investment property for the 2022 year was based on the previous valuations performed in the 2019 year.

Derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments.

	2023 000's $	2022 000's $
Cash flow hedge reserve		
Balance at beginning of year	**259**	(2,628)
Total gains or losses for the year recognised in other comprehensive income	**1,719**	4,010
Deferred tax	**(481)**	(1,123)
Balance at end of year	**1,497**	259

There were no reclassifications from the cash flow hedge reserve to profit or loss during the period. The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instruments match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. The current year reflected -$0.43M (2022: $1.538M) in finance costs due to the ineffectiveness of blended interest rate swaps.

Transfers between levels of the hierarchy

There were no transfers between levels of the fair value hierarchy.

Highest and best use

The current use of each asset measured at fair value is considered to be its highest and best use.

32. Contingencies

Contingent liabilities

The Group had the following contingent liabilities at the end of the reporting period:

$0.73 million (2022: $4.09 million) in the form of performance and import guarantees to cover ongoing project work.

33. Key management personnel remuneration

Key Management personnel remuneration included within employee expenses for the year is shown below:

	2023 000's $	2022 000's $
Short-term employee benefits - 13 employees (FY 2022: 10 employees)	**3,018**	2,175

34. Related parties

The Group's main related parties are as follows:

Key Management personnel - refer to Note 33.

Joint arrangements - refer to Note 18.

Subsidiaries - refer to Note 17.

Other related parties include close family members of key Management personnel and entities that are controlled or significantly influenced by those key Management personnel or their close family members.

Transactions with related parties

The following transactions occurred with related parties:

	Purchases 000's $	Sales 000's $	Owed to the Company 000's $	Owed by the Company 000's $
FY2023				
Joint venture				
SmartCo Limited	**999**	**2,854**	**680**	**156**
On Metering Limited	**-**	**108**	**2,759**	**-**
Shareholders				
Mackenzie District Council	**32**	**249**	**1**	**-**
Timaru District Council	**201**	**532**	**62**	**8**
Waimate District Council	**29**	**16**	**-**	**1**

	Purchases 000's $	Sales 000's $	Owed to the Company 000's $	Owed by the Company 000's $
FY2022				
Joint venture				
SmartCo Limited	905	2,779	667	172
On Metering Limited	-	87	3,169	-
Sunfra Joint Venture	-	-	54	-
NETcon Clay Joint Venture	-	-	1,665	-
Shareholders				
Mackenzie District Council	30	397	1	-
Timaru District Council	170	742	82	1
Waimate District Council	29	150	5	-

35. Cash flow information

Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2023 000's $	2022 (restated) 000's $
Profit for the year	14,703	8,729
Interest rate swap movements	(430)	(1,536)
Non-cash flows in profit:		
- depreciation	14,078	14,623
- IFRS 16 lease impact	374	377
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(3,958)	2,093
- increase in share of JV profit	(664)	(46)
- increase in inventories	(1,035)	(2,483)
- decrease in contract liabilities	(355)	(355)
- (decrease)/increase in deferred revenue	(1,726)	595
- decrease in trade and other payables	(631)	(303)
- increase/(decrease) in income taxes payable	2,058	(328)
- increase in deferred tax liability	2,154	2,613
Cashflows from operations	24,568	23,979

Changes in liabilities arising from financing activities

	2023 000's $	Cash flows 000's $	2022 000's $
Long-term borrowings	88,195	6,795	81,400
Short-term borrowings	(968)	335	(1,303)
Total liabilities from financing activities	87,227	7,130	80,097

	2022 000's $	Cash flows 000's $	2021 000's $
Long-term borrowings	81,400	6,600	74,800
Short-term borrowings	(1,303)	(906)	(397)
Total liabilities from financing activities	80,097	5,694	74,403

Borrowing facilities

The following facilities were available at the end of the reporting period:

	2023 000's $	2022 000's $
Total facilities		
Flexible Credit Facility (ANZ)	**110,000**	110,000
Performance SBLC/Guarantee/Bond Facility (ANZ)	**3,000**	6,700
Commercial Flexible Facility (ANZ)	**5,000**	5,000
Financial Guarantee Facility (ANZ)	**1,000**	2,250
Guarantee Facility (BNZ)	**437**	437
	119,437	124,387
Used at reporting date		
Flexible Credit Facility (ANZ)	**88,195**	81,400
Performance SBLC/Guarantee/Bond Facility (ANZ)	**732**	4,094
Guarantee Facility (BNZ)	**437**	437
	89,364	85,931
Unused at reporting date		
Flexible Credit Facility (ANZ)	**21,805**	28,600
Performance SBLC/Guarantee/Bond Facility (ANZ)	**2,268**	2,606
Commercial Flexible Facility (ANZ)	**5,000**	5,000
Financial Guarantee Facility (ANZ)	**1,000**	2,250
Guarantee Facility (BNZ)	**-**	-
	30,073	38,456

36. Events occurring after the reporting date

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.

37. Statutory Information

The registered office & principal place of business of the Company is:

Alpine Energy Limited
24 Elginshire Street
Timaru 7910

Statement of performance

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

Financial

	FY23 Actual	FY23 Target	FY22 Actual	FY22 Target
Revenue ($M)	80.35	73.16	68.40	85.09
- Electricity delivery revenue	56.70	57.40	52.89	61.51
- Other	23.65	15.76	15.51	23.58
Operating expenses ($M)	57.18	59.87	53.59	67.13
Operating surplus before tax ($M)	19.55	10.85	12.81	16.44
Net operating surplus after tax ($M)	14.50	9.07	8.82	12.76
Rate of return on shareholders' funds (%)	7.52	4.74	5.10	7.27
Fully imputed dividends ($)	0.06	0.06	0.06	0.06
Earnings per share (cents per share)	35.08	21.94	21.40	30.89
Capital expenditure ($M)	27.97	25.93	23.09	19.90
- Network	26.01	22.51	21.00	17.10
- Other	1.96	3.43	1.38	2.80
Alpine Energy parent covenants:				
- Interest cover (target> 4.0 times (FY22 > 3 times))	7.86	6.72	10.94	4.53
- Shareholder funds to total assets (target > 45%)	56.32	61.00	57.00	59.00

Business Safety

Number of fatalities or injuries causing permanent disability to workers	0	0	0	N/a
Lost Time Injury Frequency Rate (LTIFR) per 200,000 hours worked	1.28	0.71	0.71	N/a
Number of Lost Time Injuries	6	<2	1	N/a
Total Record Injury Frequency Rate (TRIFR) per 200,000 hours worked	1.92	0.71	0.71	N/a
Number of Total Recordable Injuries	15	<4	1	N/a

Public Safety

Number of serious injury events (excluding third party contact e.g. car vs. pole) involving members of the public	0	0	0	N/a

Network Reliability (these are regulated limits)

SAIDI - planned	69.36	54.99	78.39	55.00
SAIDI - unplanned	92.94	91.88	82.32	91.90
SAIFI - planned	0.32	0.70	0.24	0.70
SAIFI - unplanned	0.83	1.20	0.74	1.20

In addition to the targets above, we are passionate about enabling those who are seeking to reduce their carbon footprint through more efficient use of low carbon energy sources. In line with our aspiration to enable 70% of South Canterbury's process heat and transportation energy by 2030 through electricity, measured our progress against this target as well as our network investment spend in enabling this transition. The results for the year ended are shown below.

	MW
Transportation Energy	
70% electrification target by 2030	21
Delivered as at 31 March 2023	0.3
Process Heat >500kW	
70% electrification target	70
Delivered as at 31 March 2023	9.6

	000's $
Network Investment for Decarbonisation (planned)	
Client initiated work - target	1,392
Client initiated work - actual as at 31 March 2023	2,819

The performance against the approved sustainability target for the year ended 31 March 2023 are set out below:

	Target	FY23 delivery
Environment	Develop action plan to reduce scope 1 – 3 greenhouse gas emissions by 2023	The action plan has not yet been developed.
	No non-compliance with the Resource Management Act during any financial year	Target met - no non-compliance with the Resource Management Act.
Governance	Incorporate limited voluntary TCFD disclosure in the 2022 Annual Report and develop a clear roadmap to have full voluntary TCFD disclosures included in the 2024 Annual Report	We incorporated limited disclosure in the 2022 Annual Report and will develop the roadmap in conjunction with the ESG Strategy.
	Approve an ESG Strategy by December 2022	The materiality assessment underpinning the strategy has been completed. The development of ESG Strategy has been put on hold due to conflicting priorities and resource constraints.
	Incorporate sustainability reporting into all Board and Board sub-committee standing agendas by December 2022	Not fully embedded in all agendas, but included as standard updates in the Board Agenda.
Social	Invest at least $200,000 in community events and projects on an annual basis	In total, we distributed $198,792 to 35 community events and projects and 20 personal development grants.

Directors' declaration

The Directors of the Company declare that:

1. the financial statements and notes for the year ended 31 March 2023 are in accordance with the Financial Reporting Act 2013 and:

    a. comply with Accounting Standards, which, as stated in basis of preparation Note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position and performance of the consolidated Group.

This declaration is made in accordance with a resolution of the Board of Directors

Director .... Director ....

Dated 30 June 2023

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ALPINE ENERGY LIMITED'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2023

The Auditor-General is the auditor of Alpine Energy Limited and its controlled entities (collectively referred to as 'the Group'). The Auditor-General has appointed me, Elizabeth Adriana (Adri) Smit, 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

We have audited:

- the financial statements of the Group on pages 54 to 101, that comprise the statement of financial position as at 31 March 2023, the statement of profit or loss and other 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 as included in the statement of performance of the Group on pages 102 to 103.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2023; 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; and
- 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 2023.

Our audit was completed on 30 June 2023. 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, we comment on other 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.

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.

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T: +64 3 374 3000, www.pwc.co.nz

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 the Board of Directors intends to liquidate the Group or to cease operations, or has 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.

For the budget/target information reported in the financial statements and performance information, our procedures were limited to checking that the information agreed to the Group's statement of corporate intent.

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.
- 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 accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.

- 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 and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated 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.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 6, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information, and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board.

For the year ended 31 March 2023 and subsequently, a Director of the Company is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the member of the Auditor-General's Audit and Risk Committee has no involvement in, or influence over, the audit of the Company.

In addition to the audit we have carried out engagements in the areas of compliance with the Electricity Distribution (Information Disclosure) Determination 2012 and Electricity Distribution Services Default Price-Quality Path Determination 2020, and provided a benchmark publication, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Group.

Elizabeth Adriana (Adri) Smit
On behalf of the Auditor-General

PricewaterhouseCoopers

30 June 2023
Christchurch, New Zealand

“Our **achievements** have grown and **strengthened our network**, showcasing our **ability** to deliver **on time**, and to **meet** customer **expectations**.”

Caroline Ovenstone, Chief Executive Officer

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