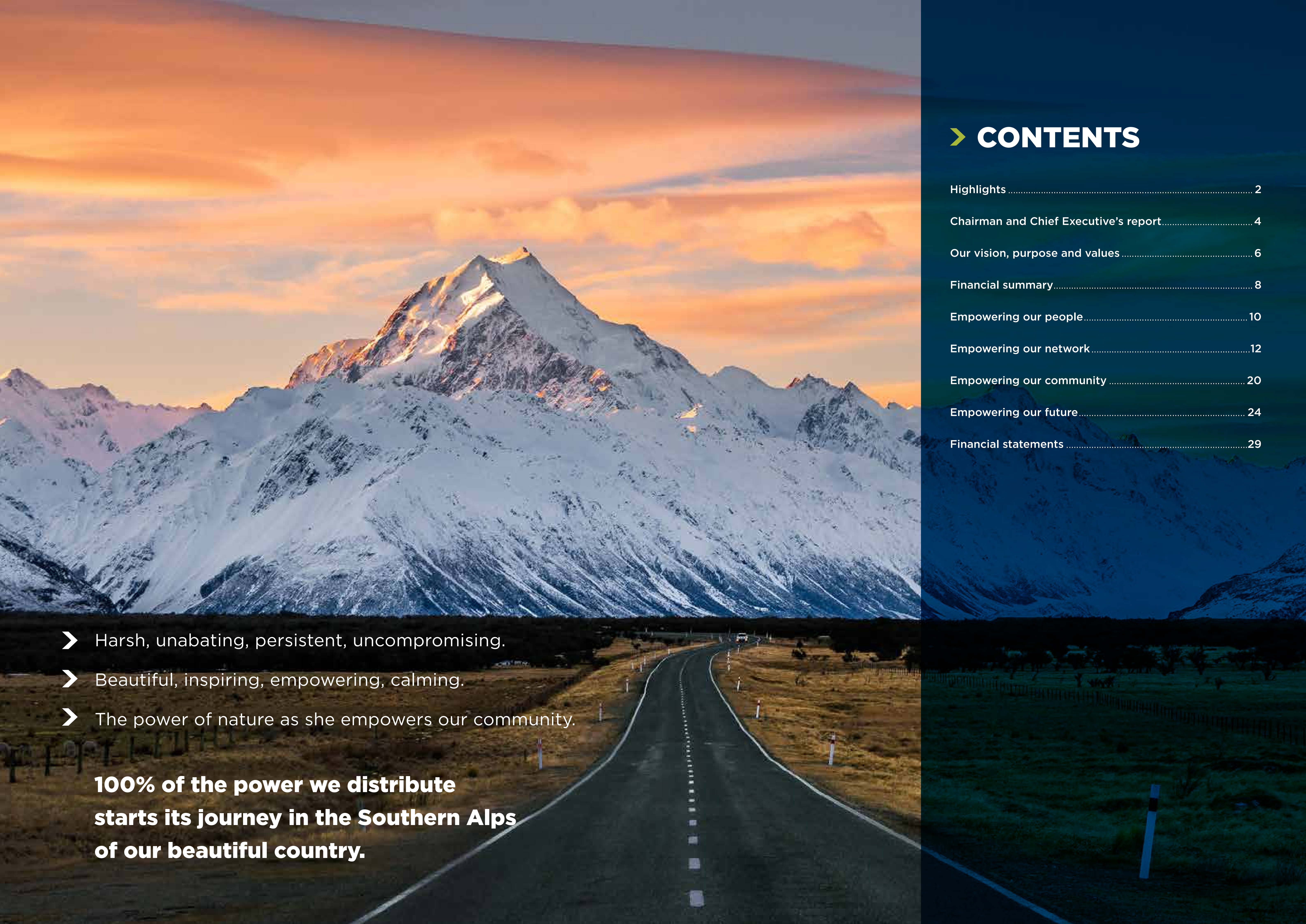
ANNUAL REPORT
2019/20

Alpine ENERGY



CONTENTS

- Harsh, unabating, persistent, uncompromising.
- Beautiful, inspiring, empowering, calming.
- The power of nature as she empowers our community.

100% of the power we distribute starts its journey in the Southern Alps of our beautiful country.

FINANCIAL

$91.31m ↑ $11.66m

Revenue

$33.7m ↑ $8.16m

Earnings before interest and tax

$21.63m ↑ $7.89m

Profit after tax

$9.92m same as 2019

Fully imputed dividend

$16.8m ↓ $5.91m

Group capital expenditure

$85m ↓ $15m

Borrowings

NETWORK

33,446

Customer connections

841

Gigawatt hours of electricity delivered

140MW

Network maximum demand

594km

of distribution & LV cables

3,294km

of distribution & LV overhead lines

46,000

wood & concrete poles, connecting

29

zone substations

25

power transformers

16

switchboards across our network

365

ring main units

934

ground mounted transformers

4,971

pole mounted transformers

CHAIRMAN'S REPORT

STEPHEN THOMPSON
CHAIRMAN

It has been a momentous year for the Alpine Group, posting the highest profit in its history.

The last five years have seen a trend of improved profitability, driven through irrigation and dairy industry growth. This five-year period delivered $392 million in revenue and achieved our goal of placing the Group in a strong, stable financial position. This strong financial base enables us to face the challenges of the Default Price Path 3 period with confidence. The last five years have produced an aggregate profit after tax of more than $80 million with $49 million being returned to shareholders through dividends and sponsorships into the community. It was a strong investment phase for the Group, investing $134 million in the network over the period. The 2020 financial year, on the back of the record profit, allowed for the repayment of $15 million of term debt, exceeding expectations.

An independent benchmarking exercise of comparable EDBs in New Zealand, demonstrated that we continue to be a market leader performing in the upper quartile for most criteria. Whilst continuing to grow shareholder value, our main focus remains on safe and reliable supply of electricity to support growth in the region.

We strive to exceed the expectations of our region for a resilient, cost effective and sustainable supply of electricity to enable and support the aspirations of our community. This year, as indicated in our asset management plan, we also increased spend on vegetation management. This has had direct benefits on the quality of our network, as demonstrated by this being the fourth year in a row that we have not exceeded our reliability of supply thresholds. NETcon was an important part of this success and delivered against all the key areas of its plans. This, despite challenges faced with lower planned spends from Alpine, resulted in a profitable return to the group for the year. Last year we welcomed John Greenwood to the helm of NETcon. Sadly, health reasons resulted in John and his family returning to Australia. We welcome Pete Theron as the new CEO of NETcon, commencing in September 2020. Pete brings significant experience in contracting services and we look forward to his contribution.

Infratec has been successful in being awarded $26 million in new contracts in the Pacific for the coming year, with its brand now being well recognised in the region. At a local level, the solar market has recently reached grid parity and is reflecting signs of expected growth. The group's strategic hedge on investing in Infratec is likely to position it very well in the coming years. In addition, the subsidiary was recognised with two prestigious awards, confirming its industry standing, namely:

- Best Grid Connected Project, Sustainable Energy Association of New Zealand (SEANZ), for the Nauru 1.15MW Solar Farm.
- National Energy Globe Award, for the Cook Islands Southern Group project.

The Commerce Commission released its final decision on the Default Price Quality Path (DPP3), applicable to electricity distribution networks for the period 1 April 2020 to 31 March 2025 in November 2019. The decision has set Alpine Energy a Maximum Allowable Revenue (MAR) of $42.65 million for the regulatory year starting 1 April 2020. This is a revenue reduction of $15 million relative to the year to 31 March 2020. The most significant driver of this is the change in the weighted average cost of capital (WACC) between DPP2 and DPP3. This change has principally been driven by changes in the risk-free rate of return which decreased by 2.49%.

In March, in response to the future reduction in revenue, the board reconsidered its dividend policy. As a result, it is proposed to reduce the dividend to 6 cents per share with effect from the 2021 financial year. This will allow the Group to flat line debt over the next five years whilst still delivering a return to our shareholders.

Looking ahead our strategy is strongly shaped by the regulatory environment for the next five years, which, together with the pending impact of Covid-19 on the world economy, will require discipline in managing the financial framework of the Group. This means balancing our capital and operational expenditure within the regulatory regime, maximising the returns on our non-regulated assets, whilst providing the forecast reduction in distributions to shareholders and keeping debt within our target range. The robust results ending 2020, have created a position of strength to enter this next phase as we continue to execute on our strategic objectives.

It has been a pleasure being a part of the Alpine Energy Group and its accomplishments in my time initially as a Director and for the last eight years as Chairman. I have no doubt the new board will ensure Alpine Energy remains one of the best performing energy distribution companies in New Zealand. I would like to take this opportunity to thank the diverse team of dedicated employees, very well led by our CEO, for their perseverance and professionalism, my fellow Board of Directors for their thoughtful guidance, and our shareholders, for their trust and support. I look forward to the future as Alpine continues to grow a business focused on investing for the long-term interest of its community.

Stephen Thompson

CEO'S REPORT

ANDREW TOMBS
CEO

- EBITDA rose 24.2% to $33.7 million.
- Our Electricity business has 33,446 connected customers and invested $16.8 million to support growth and renewal of our network assets.
- $15 million reduction in debt.

The higher EBITDA translated into higher NPAT (+$7.89 million). The Group delivered a healthy total return to shareholders with total dividends paid during the year amounting to 24 cents per share. Overall, the Group's performance finished well. Strong positive revenue fluctuations combined with a realignment of operating costs to business requirements, including a refresh of our strategy and values, has led to a positive outcome for the year.

Underpinning the Group's performance is our continued commitment to wellness and safety. They remain under close scrutiny by the board with specific focus on safety and on improving safety performance. Operational safety remained strong with a renewed responsibility to ensure the value of safety is integrated into daily life. The wellness of all staff become even more paramount as the Covid-19 pandemic impacted all New Zealand lives. Our primary concern was our staff and their families, as we mobilised to work from home, committed to keeping the distribution of power to the region. We would like to take this opportunity to thank all at Alpine for the commitment, agility and creativity demonstrated during the Covid-19 lockdown. Our experienced management team continued to demonstrate this agility, taking all the necessary measures to keep our business running without interruption, while still protecting the health and safety of our employees and our contractors.

Operational performance activity on the Alpine network continues to focus on network reliability and safety. The total capital investment in 2019-20 was $16.8 million and a further $6.4 million was spent on maintenance. Significant investments we have made in building our network resilience include:

- 23 km section of overhead line near Waimate have has undergone an extensive refurbishment, ensuring continued supply.
- Replacement of the Balmoral Substation with new Old Man Range Substation, providing a safer operating environment with few interruptions to customers.
- Refurbishment of 6km of overhead line along State Highway 8 increasing the reliability of supply into Pleasant Point.
- Successful replacement of the ripple injection plant in Timaru which had reached end of life, ensuring continued supply to 28,300 consumers in this area.

In addition to maintaining our network, we continue to look the future, embracing the role that new technologies will play in the future. Our network currently supports 6 Alpine owned electric vehicle rapid charges in the region, as well as photovoltaic cells and batteries, through our subsidiary Infratec, remain a continued focus. Infratec's results were behind budget for the year, with revenues tracking behind expectations due to delays in executing and awarding contracts. The resultant EBIT was lower than planned, however the business has recently been awarded significant contracts, which were expected to drive profitability into the current financial year. The effects of Covid-19 and border restrictions have been notable, with the team unable to travel to commence delivery on projects. Whilst customers remain committed to projects and their fruition, the true impact of the pandemic is yet unknown but remains closely monitored. The subsidiary remains committed in continuing to operate a successful business, despite the uncertain environment it is currently operating in.

Our Fibre Division rolled out fibre to the Waimate region, enabling wireless internet service providers the opportunity to empower the community with connectivity. We continue to assess fibre opportunities where there is an alignment to our business strategy.

I would like to thank the entire team at Alpine for their considerable efforts and contribution as we advance towards a new era. Our refreshed senior management team has provided new energy and leadership across the business, too. Of course, none of this would be possible without the continued support of our stakeholders.

Andrew Tombs

> OUR VISION

Empowering our Community

We're community owned and proud of it, working with our community for our community in all we do.

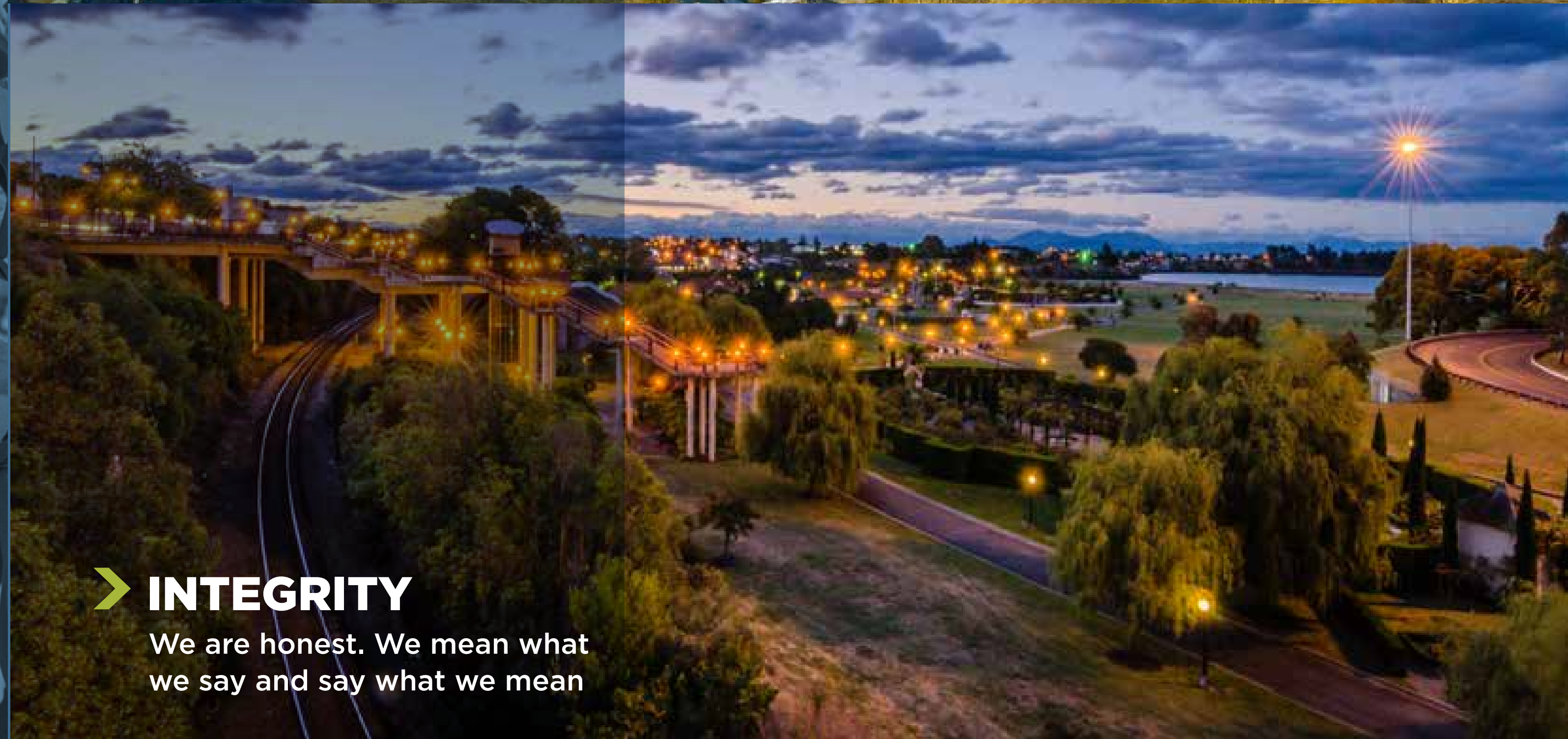
> OUR PURPOSE

Infrastructure providing secure reliable electricity supply in South Canterbury

We're a community owned and operated business which owns and operates the electricity distribution network in South Canterbury. The network connects over 33,000 customers throughout the region.

> ACCOUNTABILITY

We accept responsibility



> INTEGRITY

We are honest. We mean what we say and say what we mean

> SAFETY

We value health and safety always

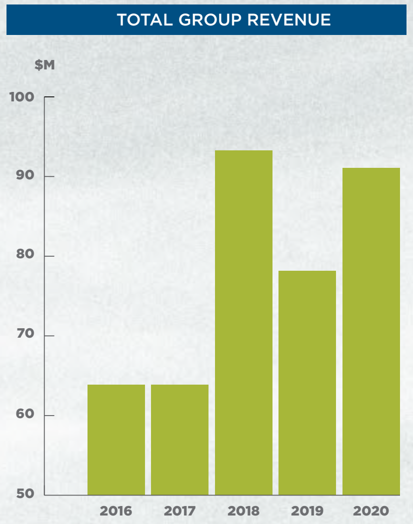
Always built on a foundation of respect

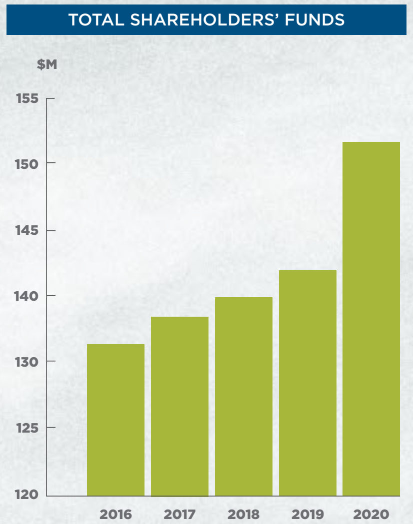
FINANCIAL SUMMARY

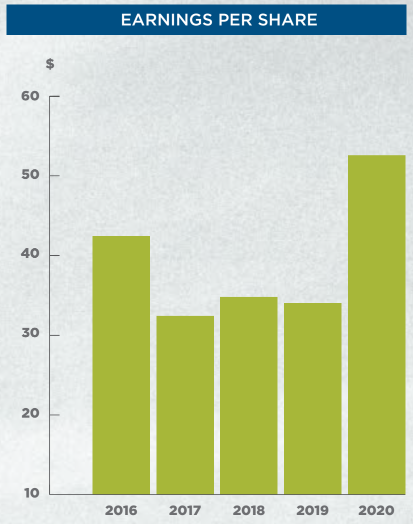
TREND STATEMENT FOR THE GROUP

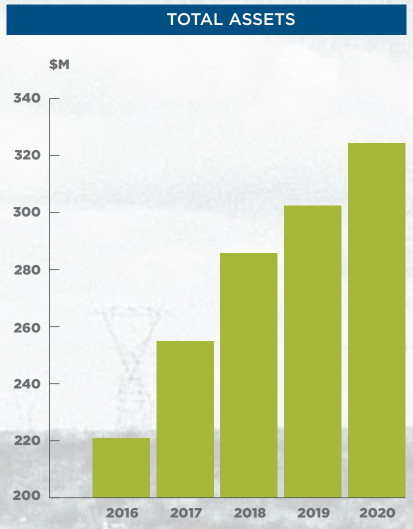
	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Financial Performance					
Operating Revenue	91,308	79,651	93,323	63,655	63,851
Associate Entities' Earnings	226	114	(25)	11	439
Operating Profit before Tax	29,093	19,465	19,362	18,677	23,622
Taxation	(7,456)	(5,715)	(5,390)	(5,233)	(6,568)
Net Surplus	21,637	13,750	13,972	13,444	17,054
Shareholder Distribution	9,918	9,918	9,918	9,299	8,472
Financial Position					
Current Assets	24,584	17,878	18,955	17,795	8,226
Non-Current Assets	299,027	277,927	266,577	237,053	213,314
Total Assets	323,611	295,805	285,532	254,848	221,540
Total Liabilities	171,670	153,264	145,241	118,479	90,489
Net Assets	151,941	142,541	140,291	136,369	131,051
Share Capital	41,328	41,328	41,328	41,328	41,328
Retained Earnings and Reserves	110,613	101,213	98,963	95,041	89,723
Equity	151,941	142,541	140,291	136,369	131,051
Financial Ratios					
Net Surplus to Average Shareholders Equity	14.7%	9.7%	10.1%	10.1%	13.4%
Tangible Assets per Share	$7.25	$7.09	$6.79	$6.07	$5.34
Earnings per Share (cents)	52.4	33.3	33.8	32.5	41.3
Dividend per Share (cents)	24.0	24.0	24.0	22.5	20.5
Statistics					
SAIDI (System Average Interruption Duration Index)	122	137	115	133	155
SAIFI (System Average Interruption Frequency Index)	0.84	0.99	0.99	1.07	1.18

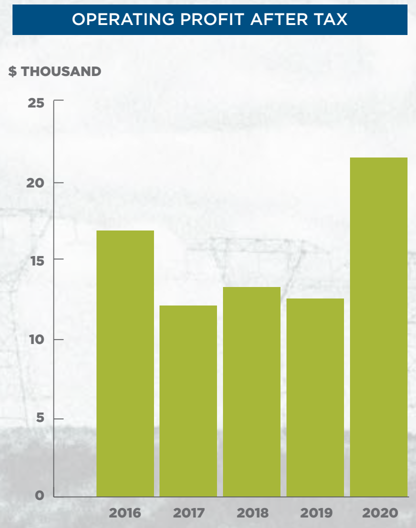
FINANCIAL PERFORMANCE

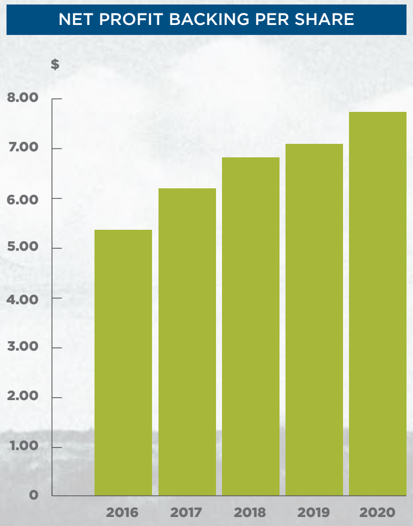












2020 was a year of strong financial performance and growth in our key performance metrics with year-over-year increases in Operating Profit after Tax, Earnings per Share, resultant Total Assets and Net Cashflow from Operations.

Our financial stability and performance empower our community through our ownership structure, and we are pleased to have delivered a strong planned financial result for the year. Our $21 million profit facilitated continued investment in our network with asset growth increasing by 9% over the previous period as we exited 2019 with nearly $254 million in total assets.

We are pleased that the Group has been able to deliver a formidable 57.4% increase in earnings per share, outperforming expectations, and our SCI target. This facilitated a $15 million repayment in borrowings, $9.9 million in dividends to our shareholders and $0.4 million to the community in the form of sponsorships.

Empowering our **people**

SAFETY IMPROVEMENT CULTURE AT ALPINE

The journey so far

Our team has worked exceptionally hard in the last year to refresh our health and safety culture as we settled into a new building and introduced lean principals into our management systems. Increasing our methods of communication with our teams through this new way of working has been at the core of the focus on health and safety within our business.

Our key aim, through introduction of our daily meeting system and work highlighting safety as our number one value, has been to ensure exceptional health and safety performance and continuous improvement in this area. We recognise that our teams have adapted to this way of working and continue to contribute to building our values daily.

The current focus

We are working with all team members to focus on an ongoing commitment to build and improve our safety systems. Due to the importance of sustaining the safety culture as part of our strategy we are building our safety value into our normal programmes of work.

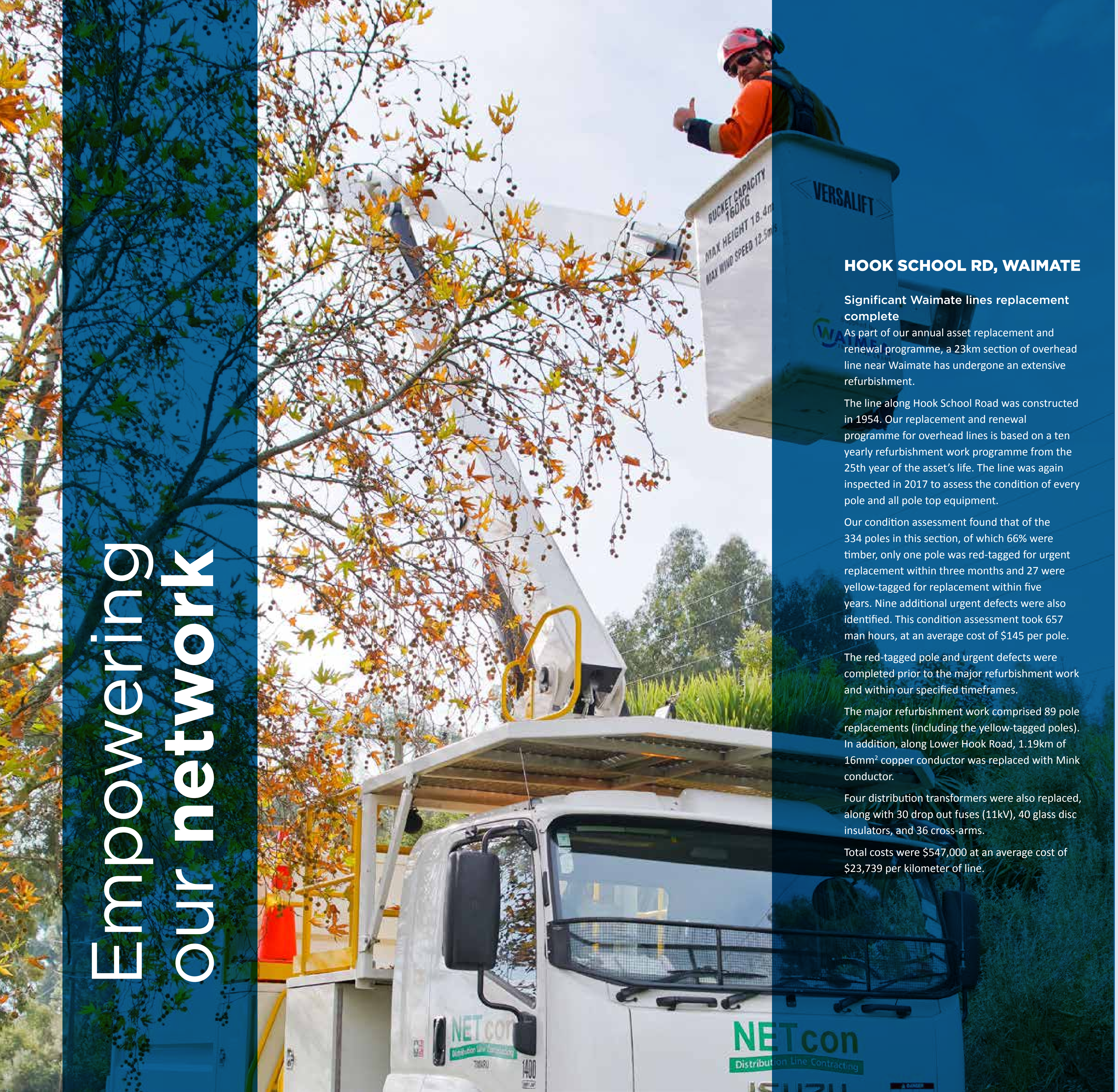
A full training review that has happened this year has had a health and safety focus and continues to build our teams whilst encouraging them to speak up when they notice any risks or hazards and be a part of making improvements to drive a reduction in harm. Leaders are being developed to ensure a focus in this area and visible commitment through their safety improvement boards as part of the lean programme across Alpine.

Our leadership team have a performance target built around the number of visits they make to sites to carry out health and safety engagements. These are encouraged at all levels of the organisation and all new team members are taken out to visit a site as they come on board.

The next steps

Alpine have a continued commitment to improving our health and safety culture across the business. Input from team members is encouraged and we continue to highlight safety as our number one value. The safety knowledge that we build within Alpine is used to support our contractors out in the field and drive a true PCBU relationship.

Empowering our **network**



HOOK SCHOOL RD, WAIMATE

Significant Waimate lines replacement complete

As part of our annual asset replacement and renewal programme, a 23km section of overhead line near Waimate has undergone an extensive refurbishment.

The line along Hook School Road was constructed in 1954. Our replacement and renewal programme for overhead lines is based on a ten yearly refurbishment work programme from the 25th year of the asset's life. The line was again inspected in 2017 to assess the condition of every pole and all pole top equipment.

Our condition assessment found that of the 334 poles in this section, of which 66% were timber, only one pole was red-tagged for urgent replacement within three months and 27 were yellow-tagged for replacement within five years. Nine additional urgent defects were also identified. This condition assessment took 657 man hours, at an average cost of $145 per pole.

The red-tagged pole and urgent defects were completed prior to the major refurbishment work and within our specified timeframes.

The major refurbishment work comprised 89 pole replacements (including the yellow-tagged poles). In addition, along Lower Hook Road, 1.19km of $16mm^2$ copper conductor was replaced with Mink conductor.

Four distribution transformers were also replaced, along with 30 drop out fuses (11kV), 40 glass disc insulators, and 36 cross-arms.

Total costs were $547,000 at an average cost of $23,739 per kilometer of line.

INSIGHT

The NETcon team talks safety, skills and working in bubbles

1. What are the strengths and skills that contributed effectively in this project?

This project was scoped and designed by Alpine Energy, and constructed by NETcon. The planning of the job is delivered by our skilled team leaders and foreman and executed by our experienced and highly trained line mechanics.

All staff that contribute to the successful completion of this type of project need to come together seamlessly to ensure everything goes to plan and there are limited outages that cause inconvenience to customers.

2. What was the biggest achievement that was celebrated?

NETcon are proud of their safety record and always celebrate the safe completion of a job like this.

Our linesmen understand the nature of the hazards they face every day and take our workplace safety measures seriously so they can keep themselves and those around them safe.

3. Did you have any challenges, if so how did you overcome them and what did you take away from them?

Large scale, complex jobs like this one often present significant challenges including access to properties, particularly farms, weather and terrain. Most of what we do can be planned for, however, our crews need to be skilled and agile enough to adapt to changing conditions.

An example is the current restrictions we faced with Covid-19 and being able to successfully complete such a large project whilst working in bubbles and observing the additional health and safety measures in place.

OLD MAN RANGE SUBSTATION

New substation increases reliability for customers

The Balmoral Substation supplies the Simons Pass area in the Mackenzie Basin. In the spirit of empowering our community, we have been exploring options to provide residents and farmers with a more reliable and secure supply of electricity. This culminated in the replacement of the existing Balmoral substation, which was at the end of its practical life, with a new green field substation.

The new substation was constructed 500 metres from the existing substation towards Simons Pass. The new substation was named after a range of hills close by – 'Old Man Range' Substation.

The new site allowed more design options to be considered, providing a safer operating environment and fewer potential interruptions to consumers. Specific consideration was given to the substation lighting to preserve the Dark Sky Reserve in the Mackenzie country.

The project was successfully completed by our service provider NETcon with the commissioning of a 1.5 MVA pad mount transformer. The new substation allows room for expansion and further development between Tekapo and Twizel.

Balmoral Substation was subsequently de-commissioned, and all equipment removed apart from a structure which was put to good use and re-purposed to allow for a mobile generator connection.

RANGITATA FLOOD

Rangitata flood causes extensive damage to assets

On 7th December 2019 the South Canterbury community woke up to the prospect of a rapidly rising water flow of the Rangitata River that would eventually cause widespread damage to their properties along the floodplain, including major roads and bridges. Our assets were not spared by this significant event.

On the previous evening, Alpine Energy and NETcon teams had to deal with the lightning storm that caused widespread power interruptions to residents between the Rangitata River and Lake Tekapo area. The lightning storm continued through to the early hours of 8th December.

During the flooding, the situation worsened by Transpower's 220 kV tower collapsing and the lines falling and bringing down Alpine Energy's 11 kV assets along Arundel Rangitata Road. Loss of communications due to the damage to Spark's fibre cable resulted in us having to rely on our radio communication.

With the rising floodwater, we were unable to safely access our assets in the flooded area, which meant restoration of power was severely impacted. We had to rely on helicopter surveys to inspect our overhead assets, assess the damage and monitor water levels.

We worked very closely with the local civil defence emergency management team to ensure we provided the latest outage report to the wider utility lifelines group, as well as relying on their information to allow us to make access and repair decisions.

When the floodwater receded enough to allow us safe access to our assets, we were able to assess the extent of the damage and formulate a repair plan. The most significant damage were two leaning poles, one transformer submerged under water as well as a washed out and exposed underground cable.

The repairs took multiple days to complete. This included undergrounding a portion of our network directly under Transpower's 220 kV line that collapsed, to allow them easy access to make repairs later in the year. The lightning storm and the flooding caused interruptions to just over 1000 customers. In the end, power was restored safely without undue risk to our service providers, and network resilience was enhanced.

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TIMARU RIPPLE PLANT

Timaru Ripple Plant complete amid challenges

We continuously strive to enhance the service and quality of our network. Timaru is the heart of our network, with a population of approximately 28,300 residents living in the area.

We own and operate equipment on the Timaru substation land including a ripple injection plant. The plant is used to control hot water and streetlight loads that are fed from the Timaru, Pleasant Point and Pareora Substations. We control these loads as a contractual agreement with our retailers.

The Timaru Ripple Plant was at the end of its useful life and the final design was a containerised solution with this container being significantly smaller than the old ripple building, reducing visual impact.

The ripple plant was scheduled to be installed and commissioned during March 2020 on site by our service provider NETcon with the support of an overseas engineer from the supplier. The rapid global spread of the COVID-19 virus put a halt to the Europe-based engineer travelling to New Zealand and this risked the project delivery schedule. The power of technology, coupled with carefully considered plans, allowed us to have the engineer accessible by remotely dialling into the ripple plant controller via our SCADA system. Commissioning was successfully completed in March 2020, without a delay.

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SYSTEM RELIABILITY

System performs well despite weather challenges

For the financial year 2019/20, our network performed well against the regulatory quality standards set by the Commerce Commission. Our total outages duration measure was 7.6% below, and our total outage frequency measure was 28% below the targets set by the Commission.

Adverse weather such as strong wind and heavy snow was the major contributor (28%) to our unplanned outages measure.

The single largest outage event for the year was a truck crashing into a power pole near the Temuka town centre on 16th December 2019. This single event accounted for almost 64% of the monthly allowable target. This included an emergency outage a couple of days later to carry out final repairs.

The lightning storm and the subsequent Rangitata flooding in December 2019 contributed just under 19% of our annual outage duration target.

PLEASANT POINT HIGHWAY

Pleasant Point overhead lines refurbished

The recent refurbishment of overhead lines to Pleasant Point has increased the reliability of the power supply for those living within the small South Canterbury community.

Located about 20km inland from Timaru, and with a population of approximately 1,300, Pleasant Point is a service centre for surrounding farms and a drawcard for tourists and railway enthusiasts who visit the historic steam train at the Pleasant Point Museum and Railway.

We refurbished 6km of overhead lines along State Highway 8 as part of our planned replacement and renewal programme.

Continuing to care for our environment.

UNWIN HUT SUBSTATION UPGRADE

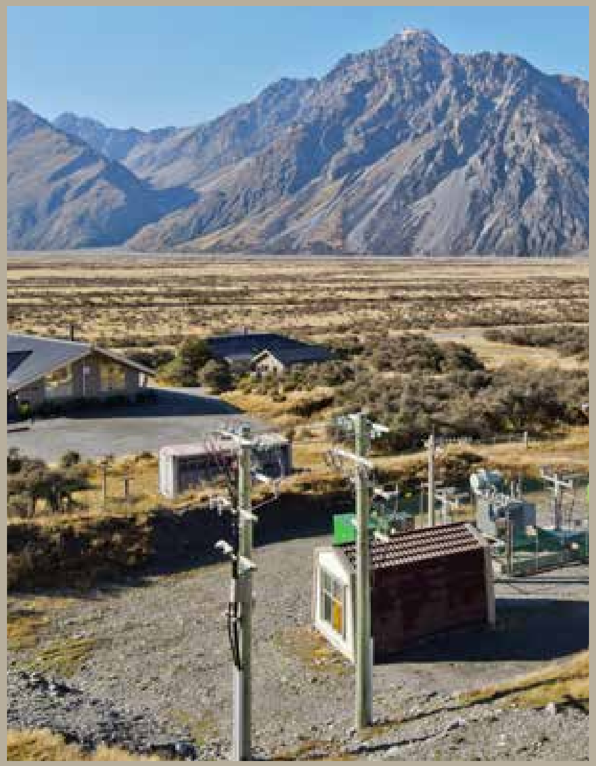
Unwin Hut upgrade reduces risk to wildlife

Empowering our Community is our long-term commitment to ensure our communities, people and environment are safe and valued. Our environment is a major consideration in all our projects. Unwin Hut Substation (UHT) supplies tourist-centric loads at Mount Cook National Park area; it provides a total of 83 consumer connections in the Mount Cook Village.

With this refurbishment, the ageing 33 kV and 11 kV oil-filled switchgear, which can pose a fire risk that would cause prolonged outages, were replaced.

Department of Conservation (DOC) representatives had informed us that there have been multiple birds with fatal electrical injuries found at the Unwin Hut Substation site. The scope of the project included the installation of suitable insulating covers on exposed live equipment to minimise the risk to birdlife.

At Alpine we are committed to a sustainable future and continue to work on projects with a long-term focus. The work we do here at Alpine impacts one of the most beautiful natural regions of New Zealand, including the Dark Sky Reserve of Tekapo. We continuously think of our environmental footprint, in line with our values at the beginning of every project we carry out.



Empowering **our community**

Alpine Energy is proud to be Empowering our Community and building strong relationships through continued Sponsorship.

We are proud to sponsor a huge range of personal endeavours, activities and events throughout the region which help make a difference in our community. Over the last five years, we have given over $2.5 million to the South Canterbury community through our sponsorship and personal development programmes. The allocation of funding helps local clubs, groups, organisations and trusts with progress plans, promotion and enjoyment of our region as well as giving locals a helping hand with their personal endeavours. Our sponsorship advisory committee considers a range of applications across sporting, cultural and community areas of personal development.

Over $2.5m granted in South Canterbury over the past 5 years.


Alpine
ENERGY
SOUTH CANTERBURY








Ellis-lea

Alpine
ENERGY

AORAKI
the Southern trust
Alpine Energy Limited
SPORTS AWARDS 2019

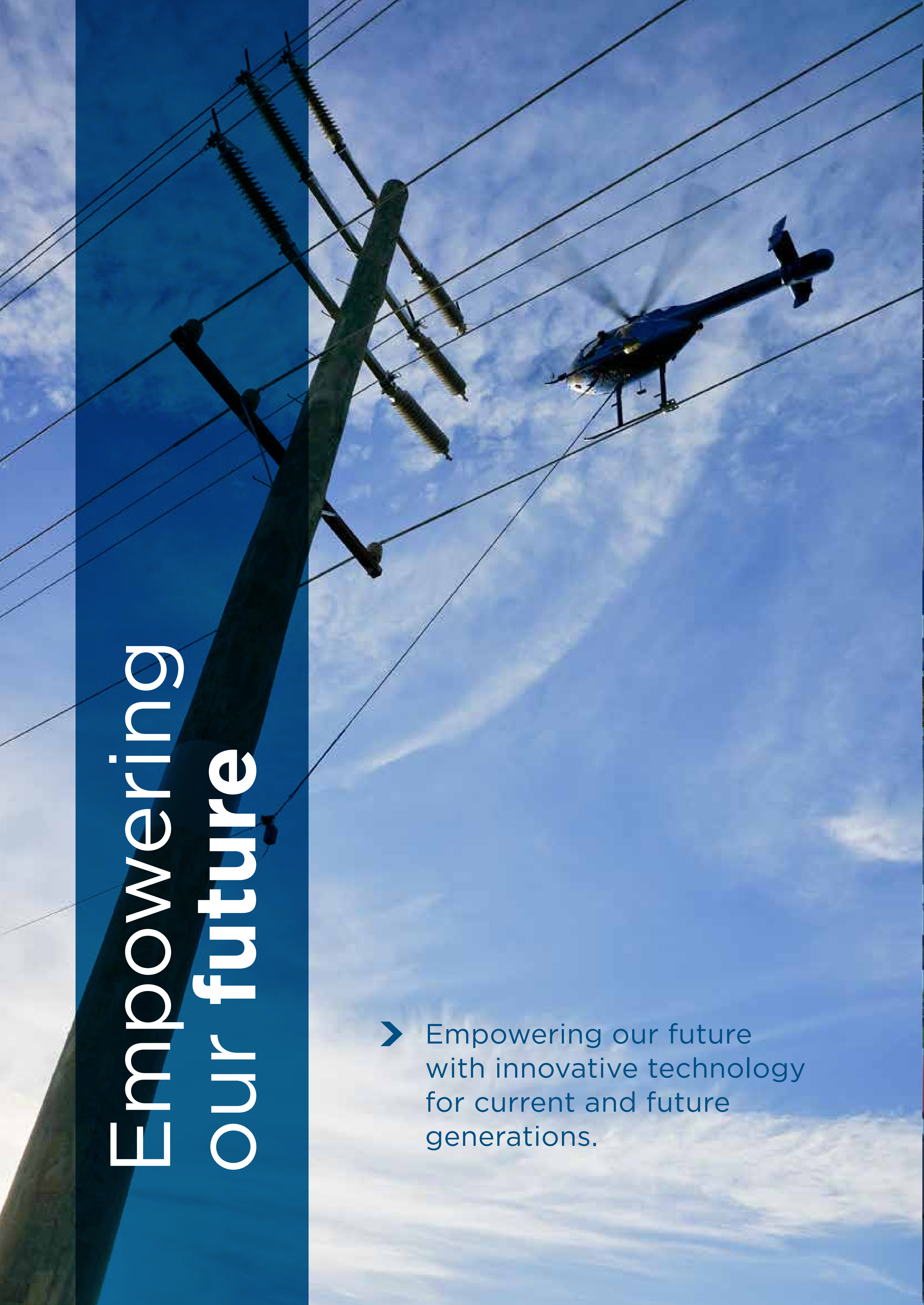
the Southern trust
AORAKI


Castrol
XFORCE
BGW
TRI-ACE




EARTH
& FIRE



Empowering **our future**

> Empowering our future with innovative technology for current and future generations.

ENVIRONMENT

Empowering low carbon emissions

FUTURE

Empowering our future

TRANSITIONS

Empowering the great energy transition

INFRATEC

From niche start-up to significant contender in the South Pacific

From small beginnings in 2012, Infratec has now evolved into one of the most respected and recognisable renewable energy companies in the South Pacific, built on a brand of high local engagement resulting in high impact. In 2020, Infratec will be delivering renewable energy projects across 15 sites in five countries, namely Tonga (7), the Solomon Islands (4), Tuvalu (1), New Zealand (2) and Indonesia (1). Our team has grown to 26-strong, cobbled together from 12 countries, with our continued mission to create positive impacts for communities, businesses, and the planet. How do we do this? By delivering innovative renewable energy projects in localities that deliver the highest impacts, typically in remote island communities. We are proud of the impact that our projects have had, creating jobs, displacing diesel, and carbon emissions. Our future looks positive as solar in New Zealand has recently reached grid parity and the market is showing initial signs of taking off. Our view is that the New Zealand electricity requires around 3GW of solar PV, or $3.3 billion by 2030. We are well positioned to play a leading role in the emerging market, bringing our experience from the fragile island grids back to New Zealand.

Our North West Pacific project

This project was one of the more challenging projects we have undertaken, spanning five sites over the four countries of Nauru, Federated States of Micronesia, Republic of Marshall Islands and Palau. The $7.3 million contract was delivered through a joint venture partnership with Sunergise International. Each country depends on unreliable and costly diesel-powered electricity. The project delivered a step change with the installation of PV and battery storage systems across five sites in the four countries. During the project we employed ~50 local people, thereby maximising economic impact in the local communities. The project is projected to save 778,000 litres of diesel fuel per year, equivalent to 2000 tonnes of CO_2 (or 35ha of rainforest) on an annual basis. In Nauru, due to the fact that fresh water is scarce, the PV array was constructed with a pilot water catchment system on 100m2 of the array. The water catchment system includes 25,000L of storage and will be used to provide water for module cleaning but also serves as an emergency source of water for the island. Testing on the water collected has shown it to be potable and based on the success of the pilot system, we have been asked to develop a plan for expanding the water collection system. Infratec has enabled a step change increase in access to reliable and affordable electricity In Kayangel, Palau, in particular the project reduced the atoll's reliance on diesel generators, saving the community approximately $1000 per person per year.

INFRATEC HIGHLIGHTS

2020 Tonga **$15m**
Tonga **$7.5m**
NZ, **$0.4m**
NZ, **$0.2m**

2019 Best Grid Connected Project, Sustainable Energy Association of New Zealand (SEANZ)

2019 National Energy Globe Award

2019 Tuvalu, **$0.7m**
Tuvalu, **$8.4m**
NZ, **$0.6m**
Solomon Islands, **$9.4m**

2018 Best Community Project at the SEANZ

2018 Finalist for Inspiring Preference for New Zealand Award at the New Zealand International Business Awards

2018 North West Pacific (Marshall Islands, Nauru, Fed. State of Micronesia, Palau), **$7.2m**
Cook Islands, **$4m**
Indonesia, **$10m**

2017 Tonga, **$0.2m**

2016 Champion Canterbury Business Award

2016 Cook Islands, **$12m**

2015 Kiribati, **$8.0m**

2014 Cook Islands, **$3.5m**
Tuvalu, **$0.8m**

2013 Nauru **$2m**

2012 Afghanistan, **$3.3m**

500
local jobs created in Pacifica

9000 tonnes
carbon saved per year, equivalent to 150 hectares of rainforest

3.3 million
million litres of diesel offset per year

$100 million
project portfolio

8.5MW
installed solar PV generation

28MWh
battery energy storage systems

85km
MV/LV distribution systems

FINANCIAL STATEMENTS

DIRECTORS' REPORT
31 March 2020

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 2020.

Principal activities

Alpine Energy Limited (the Company) is the owner of its electricity distribution network. The Group, compromising Alpine Energy Limited and its subsidiaries and associated entities, undertakes asset management and 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 five members. The Board is appointed by shareholders to oversee the management of the company and is responsible for all corporate governance matters. The Board endeavours to ensure that the activities undertaken are carried out in the best interests of all shareholders, while respecting the right of other stakeholders. The Board met twelve 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

Mr S.R. Thompson (Chairman)
Mr R.D. Ramsay
Mr A.J. France (to 25 July 2019)
Mr W.B. McNabb
Mr D.M. Elder
Ms J.R. Chan (from 25 July 2019)

Subsidiaries

Mr S.R. Thompson
Mr R.D. Ramsay
Mr W.B. McNabb (Chairman)
Mr D.M. Elder
Mr S.B.King
Mr H.L.Martyn (Chairman)
Ms B.L.Elliston
Mr J.M.G.Hay

Associates

Mr A. J. France (Chairman) (to 30 August 2019)
Mr R.D. Ramsay (to 30 August 2019)
Mr A.G.Tombs

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 $91.308 million was achieved for the year, 15% greater than the previous year.

The group operating surplus before tax for the year was $29.093 million, 49% more than the previous year.

	2020 000's $	2019 000's $
Profit before Income Tax	**29,093**	19,465
Taxation	**(7,456)**	(5,715)
Net surplus attributable to shareholders	**21,637**	13,750

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 relating to FY2020 represent 61% (2019: 93%) of the total comprehensive income for the Group, excluding customer contributions.

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 2020 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 2020 represents 15% 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 Committee

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

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:

2020	Parent	Subsid-iaries	Joint Venture	
Directors	$	$	$	$
Mr S.R. Thompson	**86,700**	**18,360**	**-**	**105,060**
Mr R.D. Ramsay	**51,061**	**18,360**	**375**	**69,796**
Mr A.J. France	**15,980**	**-**	**705**	**16,685**
Mr W.B. McNabb	**50,021**	**32,700**	**-**	**82,721**
Ms J.R. Chan	**31,960**	**-**	**-**	**31,960**
Mr D.M. Elder	**49,501**	**19,890**	**-**	**69,391**
Mr H.L. Martyn	**-**	**61,200**	**-**	**61,200**
Mrs B.L. Elliston	**-**	**35,700**	**-**	**35,700**
Mr J.M.G Hay	**-**	**35,700**	**-**	**35,700**
Mr S.B. King	**-**	**35,700**	**-**	**35,700**
	285,223	**257,610**	**1,080**	**543,913**

Employee Remuneration

Remuneration Range	Number of Employees
$100,000 - $109,000	11
$110,000 - $119,999	15
$120,000 - $129,999	22
$130,000 - $139,999	15
$140,000 - $149,999	6
$150,000 - $159,999	6
$160,000 - $169,000	3
$170,000 - $179,000	2
$180,000 - $189,999	2
$200,000 - $209,999	1
$220,000 - $229,999	1
$260,000 - $269,999	1
$340,000 - $349,999	1
$410,000 - $419,999	1

Auditors

In accordance with Section 45 of the Energy Companies Act 1992, the Auditor General is responsible for the audit of Alpine Energy Limited. In accordance with Section 29 of the Public Finance Act 1977, the Auditor General has contracted the audit of Alpine Energy Limited to Nathan Wylie, using the staff and resources of PwC. The audit fee for the group for FY2020 is $150,000. (2019: $188,000).

DIRECTORS' INTERESTS IN CONTRACTS

Mr S.R. Thompson	Abbey Field Construction Limited	Shareholder
	Airtime New Zealand Limited	Shareholder
	Anreca Investments Limited	Shareholder
	Aurora Energy Limited	Chairman
	Best View Limited	Director
	Best View Limited	Shareholder
	Cairnmuir Road Winery Limited	Director
	Cairnmuir Road Winery Limited	Shareholder
	Cerise Orchard Limited	Shareholder
	Deloitte Limited	Consultant
	F.S. Investments Limited	Director
	Integrated Contract Solutions Limited	Director
	Keano's Trustee Company Limited	Director
	Kingsgate Properties Limited	Shareholder
	McKenzie Architects Limited	Shareholder
	Millenium Solutions Limited	Director
	NETcon Limited	Director
	OB Horn Company Limited	Shareholder
	Owhiro River Limited	Shareholder
	Passmore Consulting Services Limited	Director
	Passmore Consulting Services Limited	Shareholder
	Prospectus Nominees	Director
	Prospectus Nominees	Shareholder
	Renaissance Holdings (NZ) Limited	Shareholder
	Richard E Shackleton Architects Limited	Shareholder
	Ripponvale Irrigation Company Limited	Shareholder
	Sarita Holdings Limited	Director
	Timaru Electricity Limited	Chairman
	Thompson Bloodstock Limited	Chairman
	Thompson Bloodstock Limited	Shareholder
	Wanaka Bay Limited	Director
	Whangamata Water 2 Limited	Shareholder
	Whitestone Contracting Limited	Director
Mr D.M. Elder	Aoraki Services Limited	Director
	Aoraki Services Limited	Shareholder
	Aoraki Partners Holdings Limited	Director
	Aoraki Partners Holdings Limited	Shareholder
	Aoraki Holdings (No 2) Limited	Director
	Aoraki Holdings (No 2) Limited	Shareholder
	Bras D'Or Investments Limited	Director
	Bras D'Or Investments Limited	Shareholder
	Bras D'Or Services Limited	Director
	Bras D'Or Services Limited	Shareholder
	Canterbury Seismic Instruments Limited	Director
	Canterbury Seismic Instruments Limited	Shareholder
	Family Help Trust	Chairman
	Family Help Trust	Trustee
	Infratec Limited	Director
	Infratec Renewables (Rarotonga) Limited	Director
	Lyttelton Port Company Limited	Director
	The Loft	Trustee
Mr R.D. Ramsay	NETcon Limited	Director
	Pukaki Airport Board	Member
	Salmon Smolt New Zealand Limited	Alternate Director
	Tourism Waitaki	Director
Mr W.B. McNabb	Boyce Investments Limited	Director
	Boyce Investments Limited	Shareholder
	Cattleman's Bluff Limited	Director
	Cattleman's Bluff Limited	Shareholder
	Energy3 Limited	Director
	Energy3 Limited	Shareholder
	FMG NZ Limited	Director
	Gosling Creek Limited	Director
	Gosling Creek Limited	Shareholder
	Infratec Limited	Chairman
	Infratec Renewables (Rarotonga) Limited	Chairman
	Independent Electricity Generators Association	Chairman
	Lancewood Forest Limited	Director
	Lancewood Forest Limited	Shareholder
	Lulworth Wind Farm Limited	Director
	McCormick Capital Corporation Limited	Director
	Pistol Vineyard Investments Limited	Director
	Strathy House Limited	Director
	The Bluffs Vineyard Company Limited	Director
	The Bluffs Vineyard Company Limited	Shareholder
	Wekopa Investments Limited	Director
	Weld Cone Wind Farm Limited	Director
	Westlock Holdings Limited	Director
	Widegate Investments Limited	Director
Mr S.B.King	Ara Foundation	Deputy Chairman
	Fulton Hogan	Shareholder
	NETcon Limited	Director
	South Canterbury Chamber of Commerce	Board Member
Mr H.L.Martyn	City Care Limited	Consultant
	Nelmac Limited	Director
	NETcon Limited	Chairman
	New Zealand Rugby League	Director
	Richmond Group Limited	Shareholder
	Sumner Lifeboat Institute	Chairman

	TC Groundworks Limited	Consultant
	Waimakariri Irrigation Limited	Director
	WD Boyes and Sons Limited	Advisor
Mr J.M.G. Hay	Infratec Limited	Director
	Infratec Renewables (Rarotonga) Limited	Director
	New South Wales Government (Energy, Climate change & Sustainability)	Deputy Secretary
	Waitarere Advisory Pty Limited	Director
	Waitarere Advisory Pty Limited	Shareholder
	Winjam Advisory Limited	Director
	Winjam Advisory Limited	Shareholder
	Waitarere Trust	Trustee
Ms J.R. Chan	Ashburton Trading Society	Director
	Ashburton Trading Society	Shareholder
	ATS Fuel Limited	Director
	Balance Agri - Nutrients Limited	Shareholder
	Bio - Protection Research Centre	Board Member
	Dorman Partnership Limited	Director
	Dorman Partnership Limited	Shareholder
	Farmlands Cooperative Society Limited	Shareholder
	Fonterra Limited	Shareholder
	Livestock Improvement Corporation	Shareholder
	Ngai Tahu Farming Limited	Director
	Pro Active N.Z. Limited	Director
	Ravensdown Limited	Shareholder
	Riverstone Farming Limted	Director
	Riverstone Farming Limited	Shareholder
	Ruralco Limited	Chair
Ms B.L. Elliston	Counties Power Limited	Director
	Easy PV (Aust) Pty Limited	Director
	Easy Warm Limited	Director
	Elliston Power Consultants Limited	Director
	Hot PV Limited	Director
	Infratec Limited	Director
	Infratec Renewables (Rarotonga) Limited	Director
	NO 1 Solar Leasing Company Limited	Director
	New Zealand & Pacific Solar and Storage Council Incorporated	Board member
	Solar Power and Renewables Company Limited	Chair
	The Solar Hot Water Company Limited	Chair
	Timeless By Design Limited	Director
Mr A.G. Tombs	ENA Board	Director
	On Metering Limited	Director
	SC Chamber of Commerce	Vice President
	Smart Co Limited	Director

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

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 executive officers.

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

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

Director: .... Director: ....

Dated this 30th day of June 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 000's $	2019 000's $
Revenue - trading	5	**91,308**	79,651
Expenses	6		
Transmission		**(15,428)**	(15,322)
Depreciation, amortisation and loss on disposal		**(13,249)**	(11,437)
Impairment		**-**	(851)
Contract services		**(7,093)**	(8,530)
Employee benefits		**(18,093)**	(14,538)
Other Operating Expenses		**(3,722)**	(3,408)
Total Expenses		**(57,585)**	(54,086)
Operating Surplus		**33,723**	25,565
Finance Costs	5.2	**(5,044)**	(6,274)
Finance Income	5.1	**188**	60
Gain on disposal of joint arrangement	15	**828**	-
Share of net profits/(loss) of equity accounted joint ventures	15	**(602)**	114
Profit before income tax		**29,093**	19,465
Income tax expense	7	**(7,456)**	(5,715)
Profit from operations		**21,637**	13,750
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Revaluation changes for property, plant and equipment	13	**(429)**	1,164
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	28	**(1,890)**	(303)
Other comprehensive income for the year, net of tax		**(2,319)**	861
Total comprehensive income for the year		**19,318**	14,611

The accompanying notes form part of these financial statements.

ALPINE ENERGY ANNUAL REPORT 2019/20

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	2020 000's $	2019 000's $
Assets			
Current Assets			
Cash and cash equivalents	8	**1,275**	1,782
Trade and other receivables	9	**14,096**	11,692
Inventories	10	**3,827**	4,032
Loans and advances	11	**5,198**	-
Work in progress	12	**188**	372
Total Current Assets		**24,584**	17,878
Non Current Assets			
Property, plant and equipment	13	**273,824**	269,043
Investment in joint ventures	15	**1,065**	(6)
Loans and advances	11	**215**	6,190
Deferred tax assets	19	**8,932**	4,965
Intangible assets	16	**2,755**	2,700
Right-of-use assets	17	**12,236**	-
Total Non Current Assets		**299,027**	282,892
Total Assets		**323,611**	300,770
Liabilities			
Current Liabilities			
Trade and other payables	18	**8,532**	8,729
Derivative instruments	28	**-**	14
Current tax liabilities	19	**4,583**	1,478
Contract liabilities	20	**7,072**	1,843
Lease liabilities	17	**1,215**	-
Employee benefits	21	**1,845**	1,836
Dividend payable	22	**3,967**	3,967
Total Current Liabilities		**27,214**	17,867
Non Current Liabilities			
Borrowings	23	**85,000**	100,000
Deferred tax liabilities	19	**37,223**	32,286
Contract liabilities	20	**2,501**	2,799
Lease liabilities	17	**11,277**	-
Derivative instruments in designated hedge accounting relationships	28	**8,455**	5,278
Total Non Current Liabilities		**144,456**	140,363
Total Liabilities		**171,670**	158,230
Net Assets		**151,941**	142,540
Equity			
Issued capital	24	**41,328**	41,328
Reserves		**(400)**	1,919
Retained earnings		**111,013**	99,293
Total equity attributable to equity holders of the Company		**151,941**	142,540
Total Equity		**151,941**	142,540

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

2020	Note	Ordinary Shares	Asset Realisation Reserve	Foreign Currency Translation Reserve	Hedging Reserve	Retained Earnings	Total
		000's $	000's $	000's $	000's $	000's $	000's $
Balance at 1 April 2019		**41,328**	**4,220**	**-**	**(2,301)**	**99,294**	**142,541**
Profit attributable to members of the parent entity		**-**	**-**	**-**	**-**	**21,637**	**21,637**
Total other comprehensive income for the year		**-**	**(429)**	**75**	**(1,965)**	**-**	**(2,319)**
Transactions with owners in their capacity as owners Dividends paid or provided for	22	**-**	**-**	**-**	**-**	**(9,918)**	**(9,918)**
Balance at 31 March 2020		**41,328**	**3,791**	**75**	**(4,266)**	**111,013**	**151,941**

The accompanying notes form part of these financial statements.

2019	Note	Ordinary Shares	Asset Realisation Reserve	Foreign Currency Translation Reserve	Hedging Reserve	Retained Earnings	Total
		000's $	000's $	000's $	000's $	000's $	000's $
Balance at 1 April 2018		41,328	3,056	-	(1,998)	97,904	140,290
Change in accounting policy to reflect the retrospective adjustments - adoption of NZ IFRS 15		-	-	-	-	(2,443)	(2,443)
Balance at 1 April 2018 restated		41,328	3,056	-	(1,998)	95,461	137,847
Profit attributable to members of the parent entity		-	-	-	-	13,750	13,750
Total other comprehensive income for the year		-	1,164	-	(303)	-	861
Transactions with owners in their capacity as owners Dividends paid or provided for	22	-	-	-	-	(9,918)	(9,918)
Balance at 31 March 2019		41,328	4,220	-	(2,301)	99,293	142,540

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 000's $	2019 000's $
Cash flows from operating activities:			
Receipts from customers		**92,748**	80,339
Payments to suppliers and employees		**(43,008)**	(42,511)
Interest received		**188**	60
Interest paid		**(4,493)**	(4,129)
Income taxes paid		**(2,659)**	(1,338)
Net GST paid		**(1,006)**	(472)
Net cash provided by/(used in) operating activities	32	**41,770**	31,949
Cash flows from investing activities:			
Proceeds from sale of plant and equipment		**185**	4
Proceeds from sale of investment		**1,100**	263
Dividends received		**100**	150
Purchase of property, plant and equipment		**(16,854)**	(22,761)
Purchase of intangible assets		**(487)**	(421)
Other investment expenditure		**22**	-
Loans to related parties - proceeds from repayments		**250**	500
Net cash provided by/(used in) investing activities		**(15,684)**	(22,265)
Cash flows from financing activities:			
Drawdowns from / (repayment of) borrowings		**(15,000)**	1,000
Dividends paid by parent entity		**(9,918)**	(9,918)
Payment of lease liabilities		**(1,675)**	-
Net cash provided by/(used in) financing activities		**(26,593)**	(8,918)
Net increase/(decrease) in cash and cash equivalents held		**(507)**	766
Cash and cash equivalents at beginning of year		**1,782**	1,016
Cash and cash equivalents at end of financial year	8	**1,275**	1,782

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2020

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 2020.

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, 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

Leases Adoption of IFRS 16

The Group has applied NZ IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

NZ IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of NZ IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of NZ IFRS 16 for the Group is 1 April 2019.

The Group has adopted NZ IFRS 16 Leases using the modified retrospective (cumulative catch up) method from 1 April 2019 and therefore the comparative information for the year ended 31 March 2019 has not been restated and has been prepared in accordance with NZ IAS 17 and IFRIC 4.

Impact of the new definition of a lease

The impact of adopting NZ IFRS 16 is described below:

The Group as a lessee

The Group has made use of the practical expedient available on transition to NZ IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with NZ IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. NZ IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in NZ IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in NZ IFRS 16 to all lease contracts entered into or changed on or after 1 April 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first time application of NZ IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in NZ IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

Former operating leases

NZ IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying NZ IFRS 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8 (b) (ii)
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under NZ IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under NZ IFRS 16, right-of-use assets are tested for impairment in accordance with NZ IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as printers, tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by NZ IFRS 16. This expense is presented within 'other expenses' in profit or loss.

PRACTICAL EXPEDIENTS USED ON TRANSITION

NZ IFRS 16 includes a number of practical expedients which can be used on transition, the Group has used the following expedients:

- lease liabilities have been discounted using the Group's incremental borrowing rate at 1 April 2019;
- a single discount rate was applied to all leases with similar characteristics;
- excluded leases with an expiry date prior to 31 March 2020 from the statement of financial position and lease expenses for these leases have been recorded on a straight-line basis over the remaining term;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
- for leases which were classified as finance leases under IAS17, the carrying amount of the right-of-use asset and the lease liability at 1 April 2019 are the same value as the leased asset and liability on 31 March 2019.

FINANCIAL STATEMENT IMPACT OF ADOPTION OF NZ IFRS 16

The Group has recognised right-of-use assets of $14M and lease liabilities of $14M at 1 April 2019, for leases previously classified as operating leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 April 2019 was 4.41%.

	000's $
Operating lease commitments at 31 March 2019 financial statements	652
Restated operating lease commitments as at 31 March 2019	17,346
Total	17,998
Discounted using the incremental borrowing rate at 1 April 2019	14,520
Less:	
Leases for low-value and short term assets	(926)
Lease liabilities recognised at 1 April 2019	13,594

This includes Transpower net investments contracts previously not accounted for as operating leases.

THE GROUP AS A LESSOR

For the arrangements where the Group is a lessor, there are no significant accounting policy changes on adoption of IFRS 16.

The Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

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 14 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.

Joint arrangements

Alpine Energy Limited Group 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 as 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 equals 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.

3.2. REVENUE AND OTHER INCOME

Revenue from contracts with customers

The core principle of 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.

None of the 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.

Pricing is determined in line with the requirements of the Commerce Commission and the Electricity Distribution Services Default Price Path. Pricing includes a transmission and distribution charge relating to the operation of the network. Alpine Energy allocates distribution costs to load groupings based on each load group's demand as the main cost driver. Network transmission costs are recovered from each load group on this same basis. Annual changes in prices are variable revenue and with 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 determined to be an up-front fee which 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.

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.

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.

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.

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.

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. 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.

Construction work in progress is included in trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income / revenue in the statement of financial position.

3.5. 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.

3.6. GOODS AND SERVICES TAX (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from Inland Revenue.

Receivables and payables are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

3.7. 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 rebates and 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.

3.8. 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 to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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.

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.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Property, plant and equipment, excluding freehold 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	1.08% - 60.00%
Meters and Relays	1.00% - 10.20%
Plant and Equipment	0.70% - 66.67%
Fibre	4.00% - 21.00%
Buildings	1.09% - 33.33%

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. 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 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 instruments which are held within a business model whose objective is achieved by both collecting contractual cash flows and having the intention to sell the debt instruments before maturity. The contractual terms of the debt securities give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

Other gains or losses are recognised in OCI.

On derecognition, gains and losses accumulated in OCI are reclassified to 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 significant 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 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 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 / liabilities 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.

3.10. 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.

3.11. INTANGIBLES

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 between two and 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.

3.12. 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.

3.13. LEASES

For comparative year:

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

For current year:

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.

3.14. 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.

3.15. 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.

3.16. 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.

3.17. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Group has adopted all standards which became effective for the first time at 31 March 2020. Refer to Note 3. for details of the changes due to standards adopted.

3.18. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by The Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3.19. 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.

3.20. 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.

3.21. 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.

3.22. 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.

3.23. DIVIDEND DISTRIBUTION

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

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.

Impairment of 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.

Fair value of financial instruments

The Group has certain financial assets and liabilities which are measured at fair value. Where fair value has not 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.

Receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

Customer contributions / upfront costs

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).

Taxes

Deferred tax assets

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset based on budgets, current and future expected economic conditions.

Cash flow hedge accounting

The Group enters into various types of hedging or forward contracts for the buying and selling of currencies and commodities. The contracts generally fall within the scope of IFRS 9 and therefore are marked to market at each reporting date. Where appropriate, these contracts are accounted for as cash flow hedges, which to the extent the hedges are effective, results in the change in value of the derivative being deferred in the hedging reserve. In order to achieve and maintain cash flow hedge accounting, it is necessary for the Group to determine at inception and on an ongoing basis, whether a forecast transaction is highly probable and whether the hedge is effective. This requires both subjective and objective measures of determination.

Classification of joint arrangements

Alpine Energy Limited Group has joint arrangements which are structured through an incorporated entity. Alpine Energy Limited Group and the other parties to the arrangements have rights to the net assets of the incorporated entity based on the agreement in place and therefore based on facts and circumstances, the joint arrangements have been classified as a joint venture and therefore equity accounting has been applied.

Covid-19

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of Covid-19. On 25 March 2020 New Zealand went into a stage 4 lockdown requiring all non-essential businesses whose employees cannot work from home to close for a four week period (extended by a further 5 days to 27 April 2020). Alpine Energy Limited is considered an essential business and was able to operate during the stage 4 lockdown with essential services and maintenance being performed. The Company continues to operate during lockdown stages 3 and 2. Management and the board have considered the impact of Covid-19 on relevant balances and disclosures in the financial statements. As the Company is an essential service and has continued to operate there is no material impact on the financial statements.

5. REVENUE AND OTHER INCOME

Revenue from continuing operations

	2020 000's $	2019 000's $
Over time recognition		
- Network lines revenue	**78,684**	66,275
- Contracts with customers	**6,060**	6,210
- Connection fees	**3,120**	3,948
	87,864	76,433
Revenue from other source		
- Meter revenue	**2,352**	1,972
- Fibre revenue	**777**	763
- Rental income	**209**	411
- Other trading revenue	**106**	72
	3,444	3,218
Total Revenue	**91,308**	79,651

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		
- New Zealand	**87,585**	73,168
- Pacific Islands	**2,290**	3,265
- Asia	**1,433**	-
Revenue from contracts with customers	**91,308**	76,433

5.1. Finance income

	2020 000's $	2019 000's $
Interest income		
Call account	**59**	10
Use of Money Interest	**12**	50
Other interest	**117**	-
Total finance income	**188**	60

5.2. Finance expenses

	2020 000's $	2019 000's $
Finance Costs:		
Current borrowings	**3,920**	3,256
Amortisation of held to maturity liabilities	**235**	933
Interest on obligations under leases	**573**	-
Fair value movement of interest rate swaps that do not meet hedge accounting criteria	**316**	2,085
Total finance expenses	**5,044**	6,274

6. EXPENSES

The result for the year includes the following specific expenses:

Audit fee	**158**	188
Q3 review work	**63**	-
2019 under-accrued audit fee	**125**	-
Auditor's other services		
Regulatory compliance engagement	8	-
Information disclosure audit	113	54
DPP compliance statement audit	34	40
New accounting standards workshop	-	11
Regulatory advice and benchmarking	49	15
	550	308
Directors' fees	544	475
Net loss on disposal of property, plant and equipment	419	549
Donations	15	13
Community sponsorships	345	471
Bad debts	154	(67)

7. INCOME TAX EXPENSE

	2020 000's $	2019 000's $
(a). The major components of the tax expense comprise:		
Current tax expense		
Local income tax - current period	**6,469**	6,358
Deferred tax expense		
Origination and reversal of temporary differences	**1,510**	-
Recognition of previously unrecognised tax losses	**(523)**	(643)
Income tax expense for continuing operations	**7,456**	5,715
(b). Reconciliation of income tax to accounting profit:		
Profit	**29,093**	19,465
Tax at 28%	**8,146**	5,450
Add tax effect of:		
- Non assessable income	**(337)**	(58)
- Non deductible expenses	**295**	450
- Prior period adjustments	**85**	(127)
- Reinstatement of tax depreciation on buildings	**(782)**	-
- Other	**49**	-
	7,456	5,715
Less tax effect of:		
Income tax expense	**7,456**	5,715

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

	2020			2019		
	Before-tax Amount	**Tax (Expense) Benefit**	**Net-of-tax Amount**	Before-tax Amount	Tax (Expense) Benefit	Net-of-tax Amount
	000's $	**000's $**	**000's $**	000's $	000's $	000's $
Gain on land and buildings revaluation	-	-	-	1,259	(95)	1,164
Loss on Interest rate swap	**(2,625)**	**735**	**(1,890)**	(420)	117	(303)
	(2,625)	**735**	**(1,890)**	839	22	861

(d). Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity.

	2020 000's $	2019 000's $
Net deferred tax	-	(95)

(e). Imputation credit account balances

Parent	**4,943**	2,005
Subsidiaries	**1,828**	1,712
	6,771	3,717

8. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	**715**	332
Deposits at call	**560**	1,450
	1,275	1,782

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

	000's	000's
EUR	**-**	112
USD	**200**	1
NZD	**1,075**	1,669
	1,275	1,782

9. TRADE AND OTHER RECEIVABLES

		2020 000's $	2019 000's $
Trade receivables		**12,781**	7,748
Provision for impairment	9.1	**(147)**	-
Due by Shareholders' District Councils	31	**310**	40
Due by Other Related Parties	31	**443**	381
Due by Joint Arrangements	31	**18**	2,308
Prepayments		**640**	401
Other receivables		**51**	814
Total current trade and other receivables		**14,096**	11,692
The carrying amount of the Group receivables is denominated in the following currencies:			
EUR		**-**	279
AUD		**587**	10,198
USD		**1,353**	-
NZD		**11,740**	-
Total current trade and other receivables		**13,680**	10,477

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.

9.1. IMPAIRMENT OF RECEIVABLES

The Group applies the simplified approach to providing for expected credit losses prescribed by 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 2020 is determined as follows, the expected credit losses incorporate forward looking information.

31 March 2020	Current	< 30 days overdue	< 90 days overdue	> 90 days overdue	Total
Gross carrying amount ($)	**11,380**	**657**	**666**	**977**	**13,680**
ECL provision	**-**	**-**	**-**	**(147)**	**(147)**
Neither past due nor impaired	**11,380**	**-**	**-**	**-**	**11,380**
Past due and not impaired	**-**	**657**	**666**	**830**	**2,153**
31 March 2019	**Current**	**< 30 days overdue**	**< 90 days overdue**	**> 90 days overdue**	**Total**
Gross carrying amount ($)	8,602	397	190	1,288	10,477
Neither past due nor impaired	8,602	397	190	1,288	10,477

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

	2020 000's $	2019 000's $
Additional impairment loss recognised	**301**	-
Amounts written off as uncollectible		
Bad debts	**(154)**	67
Unused amounts reversed	**-**	(67)
Balance at end of the year	**147**	-

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 - years past due, whichever occurs first.

9.2. COLLATERAL HELD AS SECURITY

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

10. INVENTORIES

	2020 000's $	2019 000's $
Network inventory	**3,425**	3,048
Smart meters	**402**	984
	3,827	4,032

11. LOANS AND ADVANCES

		2020 000's $	2019 000's $
NON CURRENT			
On Metering Limited	15	**-**	5,975
SmartCo Limited		**215**	215
		215	6,190

The above loans are unsecured, interest free and repayable on demand.

		2020	2019
CURRENT			
NETcon Clay Energy Joint Venture		**238**	-
Sunfra Joint Venture		**1,303**	-
On Metering Limited	15	**3,657**	-
		5,198	-

The NETcon Clay and On Metering Limited loans are interest free. The Sunfra loan bears interest at 5%. All these loans are unsecured and repayable on demand.

12. WORK IN PROGRESS

	2020 000's $	2019 000's $
Construction work in progress	**188**	372

13. 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 2020						
Opening net book amount	**222,277**	**20,735**	**6,926**	**14,995**	**4,110**	**269,043**
Additions	**7,799**	**76**	**1,221**	**4,227**	**-**	**13,323**
Change in capital work in progress	**3,502**	**-**	**-**	**-**	**-**	**3,502**
Disposals	**(388)**	**-**	**(125)**	**-**	**-**	**(513)**
Depreciation charge	**(6,861)**	**(497)**	**(2,073)**	**(1,527)**	**(144)**	**(11,102)**
Revaluation	**-**	**(429)**	**-**	**-**	**-**	**(429)**
Balance at the end of the year	**226,329**	**19,885**	**5,949**	**17,695**	**3,966**	**273,824**

	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 2019						
Opening net book amount	212,175	20,567	6,935	11,945	4,129	255,751
Additions	24,647	651	1,330	4,217	163	31,008
Change in capital WIP	(8,252)	-	-	-	-	(8,252)
Disposals	(424)	(161)	(67)	-	-	(652)
Depreciation charge	(5,869)	(730)	(1,272)	(1,167)	(182)	(9,220)
Revaluation	-	1,259	-	-	-	1,259
Impairment	-	(851)	-	-	-	(851)
Balance at the end of the year	222,277	20,735	6,926	14,995	4,110	269,043

ALPINE ENERGY ANNUAL REPORT 2019/20

REVALUATION OF LAND AND BUILDINGS

An independent valuation of the Group's land and buildings was performed by Gary Sellars, a registered valuer of Colliers International Valuation (ChCh) Limited, to determine the fair value of the land and buildings as at 31 March 2020. The revaluation movement net of applicable deferred income taxes of -$0.429M (2019: $1.164M) was applied to other comprehensive income and is included in "Revaluation Reserves" in equity. In the prior year Alpine House was impaired by $0.851M. Please note the fair value carrying amounts of land and buildings in Note 28.

The fair value of these land and buildings was determined based on income capitalisation approach based on market income and an appropriate yield of income for 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 valuation contains specific reference to valuation uncertainty due to the pandemic referred to in Note 4. Market activity is being impacted and there is a major reduction in liquidity in property markets. This illiquidity implies a time delay in establishing transactional evidence to demonstrate actual pricing and certainty around values. As detailed in Note 4, the company is an essential service which has continued to operate and as such there is no material impact on the financials.

Carrying value of Property, plant and equipment

	Network reticulation system	Land and buildings	Plant and Equipment	Meters and relays	Fibre	Total
	000's $	000's $	000's $	000's $	000's $	000's $
At 31 March 2020				-		
Cost	297,764	21,294	20,905	26,800	5,359	372,122
Accumulated depreciation	(71,435)	(1,409)	(14,956)	(9,105)	(1,393)	(98,298)
Net book amount	226,329	19,885	5,949	17,695	3,966	273,824

	Network reticulation system	Land and buildings	Plant and Equipment	Meters and relays	Fibre	Total
	000's $	000's $	000's $	000's $	000's $	000's $
At 31 March 2019						
Cost	286,852	21,647	19,809	22,573	5,359	356,240
Accumulated depreciation	(64,575)	(912)	(12,883)	(7,578)	(1,249)	(87,197)
Net book amount	222,277	20,735	6,926	14,995	4,110	269,043

WORK IN PROGRESS

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

	2020 000's $	2019 000's $
Capital Work in Progress	**11,510**	8,008
Historical Cost		
If land and buildings were stated at historical cost, amounts would be as follows:		
Deemed cost - land	**77**	77
Deemed cost - building	**17,966**	17,890
Accumulated depreciation	**(1,913)**	(1,420)
Net book value	**16,130**	16,547

14. INTERESTS IN SUBSIDIARIES
14.1. COMPOSITION OF THE GROUP

	Principal place of business / Country of Incorporation	Percentage Owned (%)*	Percentage Owned (%)*
		2020	2019
Subsidiaries:			
Timaru Electricity Limited	New Zealand	**100**	100
NETcon	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.

15. INTERESTS IN JOINT ARRANGEMENTS

	Type of joint arrangement	Principal place of business / Country of Incorporation	Percentage Owned (%)*	Percentage Owned (%)*
Joint arrangements:			2020	2019
Rockgas Timaru Limited	Sale of LPG gas	New Zealand	-	50
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	New Zealand and Pacific Islands	**50**	50

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

ROCKGAS TIMARU LIMITED

Rockgas Timaru Limited is a joint venture to sell LPG in the Timaru area. Rockgas Timaru Limited was owned by Alpine Energy Limited (50%) and Rockgas Limited (50%) (a subsidiary of Contact Energy Limited) and was formed on 29 March 1994. On 30 August 2019, Alpine Energy Limited sold its 50% share to Rockgas Limited for $1.100M. The net gain of $0.828M has been reflected in profit in the current year.

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. During the year $4.100M of shareholder advances in On Metering was capitalised through the issue of 50 new A shares to Network Tasman Limited and 50 B shares to Alpine Energy Limited. In addition, the indebtedness owed by On Metering Limited to both parties was amended to interest free, repayable upon demand loans.

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%).

SUNFRA JOINT VENTURE

Sunfra Joint Venture is an unincorporated joint venture to carry out the completion, maintenance and operation of renewable energy project primarily in New Zealand and the Pacific Islands. It is owned by Infratec Limited (50%) and Sunergise International Limited (50%).

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.

2020 Name of Joint Venture	Rockgas Timaru Limited	On Metering Limited	NETcon Clay Energy Joint Venture	Sunfra Joint Venture
Dividends received from the joint venture	100	-	-	-
Summarised statement of financial position				
Cash and cash equivalents	-	383	-	-
Other current assets	-	434	916	1,504
Non current assets	-	9,823	-	-
Current financial liabilities (excluding trade and other payables and provisions)	-	(8,334)	(1,389)	(1,303)
Other current liabilities	-	(288)	-	(45)
Net assets		**2,018**	**(473)**	**156**
Summarised statement of profit or loss and other comprehensive income				
Revenue	1,365	2,060	413	3,736
Depreciation and amortisation	(35)	(1,225)	-	-
Finance costs	(1)	(356)	-	-
Income tax expense / (income)	-	(28)	-	-
Profit / (loss) from continuing operations	194	(497)	-	(246)
Total comprehensive income	**194**	**(497)**	**-**	**(246)**

2019 Name of Joint Venture	Rockgas Timaru Limited	On Metering Limited	NETcon Clay Energy Joint Venture	Sunfra Joint Venture
Dividends received from the joint venture	150	-	-	-
Summarised statement of financial position				
Cash and cash equivalents	217	476	-	-
Other current assets	248	360	-	2,433
Non current assets	443	10,346	-	-
Current financial liabilities (excluding trade and other payables and provisions)	(114)	-	-	(2,031)
Other current liabilities	(244)	(99)	-	-
Non current financial liabilities (excluding trade and other payables and provisions)	-	(12,050)	-	-
Net assets	**550**	**(967)**	**-**	**402**
Summarised statement of profit or loss and other comprehensive income				
Revenue	2,796	1,956	-	4,261
Depreciation and amortisation	35	1,296	-	-
Profit / (loss) from continuing operations	248	(194)	-	402
Total comprehensive income	**248**	**(194)**	**-**	**402**

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

	2020 000's $	2019 000's $
Rockgas Timaru Limited		
Group's share of 50% of net assets	276	305
Share of profit	97	124
Prior year adjustment	-	(3)
Dividends received	(100)	(150)
Sale of shares	(273)	-
Carrying amount	-	276
On Metering Limited		
Group's share of 50% of net assets	(483)	(275)
Prior year adjustment	(327)	(111)
Share of loss	(248)	(97)
Capitalisation of loan account	2,067	-
Carrying amount	1,009	(483)
Sunfra Joint Venture		
Group's share of 50% of net assets	201	-
Share of profit	(145)	201
Carrying amount	56	201
Rockgas Timaru Limited	-	276
On Metering Limited	1,009	(483)
Sunfra Joint Venture	56	201
	1,065	(6)
Loans and advances - Joint Ventures		
NETcon Clay Energy Joint Venture	238	-
Sunfra Joint Venture	1,303	-
	1,541	-

The loan to NETcon/Clay Joint Venture is unsecured, interest free and repayable on demand.

The loan to Sunfra Joint Venture is unsecured, bears interest at 5% per annum and is repayable on demand.

16. INTANGIBLE ASSETS

	2020 000's $	2019 000's $
Computer software		
Opening net book amount	2,645	3,787
Additions	487	421
Amortisation	(431)	(1,563)
Net carrying value	2,701	2,645
At 31 March		
Cost	7,022	6,541
Accumulated amortisation	(4,321)	(3,896)
Net carrying value	2,701	2,645
Easements		
Opening net book amount	55	56
Amortisation	(1)	(1)
Net carrying value	54	55
At 31 March		
Cost	99	99
Accumulated amortisation	(45)	(44)
Net carrying value	54	55
Total Intangible assets	2,755	2,700

17. LEASES

The Group has applied IFRS 16 using the modified retrospective (cumulative catch up) method and therefore the comparative information has not been restated and continues to be reported under NZIAS17 and related Interpretations.

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 IFRS 16 to leases of intangible assets.

Information relating to the leases in place and associated balances and transactions is provided on the following two pages.

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. The adoption of 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
9. Studholme 11kV Switchgear

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.

Right-of-use assets

	Buildings	Plant and Equipment	Network Reticulation Assets	Total
	000's $	000's $	000's $	000's $
Year ended 31 March 2020				
Additions to right-of-use assets	436	148	13,010	13,594
Depreciation charge	(91)	(37)	(1,230)	(1,358)
Balance at end of year	345	111	11,780	12,236

Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year	1 - 5 years	> 5 years	Total undiscounted lease liabilities	Lease liabilities included in this Statement Of Financial Position
2020	000's $	000's $	000's $	000's $	000's $
Lease liabilities	1,734	6,308	7,348	15,390	12,492

	2020 000's $
Current	1,215
Non current	11,277
	12,492

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:

	2020 000's $
Depreciation - right-of-use - property, plant and equipment	**1,358**
Interest on obligations under finance leases	**573**
Variable lease payments not included in the measurement of lease liabilities	**421**
	2,352

Statement of Cash Flows

Total cash outflow for leases	**1,675**

18. TRADE AND OTHER PAYABLES

	Note	2020 000's $	2019 000's $
CURRENT			
Trade payables		**4,523**	4,113
GST payable		**677**	642
Deferred revenue		**857**	914
Payroll accruals		**864**	290
Accruals		**1,550**	2,818
Due to related entities		**61**	(48)
		8,532	8,729

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.

19.TAX ASSETS AND LIABILITIES

19.1.CURRENT TAX LIABILITY

	2020 000's $	2019 000's $
Income tax payable	4,583	1,478

19.2. DEFERRED TAX ASSETS

	Note	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	New IFRS adoption	Closing Balance
	000's $	000's $	000's $	000's $	000's $	000's $	000's $
Deferred tax assets							
Provisions		**3,695**	**300**	**20**	**-**	**950**	**4,965**
Balance at 31 March 2019		3,695	300	20	-	950	4,965
Provisions		**4,965**	**(164)**	**735**	**-**	**-**	**5,536**
Leases		**-**	**3,396**	**-**	**-**	**-**	**3,396**
Balance at 31 March 2020		**4,965**	**3,232**	**735**	**-**	**-**	**8,932**

19.3. DEFERRED TAX LIABILITIES

Deferred tax liabilities Property, plant and equipment	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Exchange Differences	Closing Balance
	000's $	000's $	000's $	000's $	000's $	000's $
- tax allowance	**30,045**	**2,241**	**-**	**-**	**-**	**32,286**
Balance at 31 March 2019	30,045	2,241	-	-	-	32,286
Property, plant and equipment						
-tax allowance	**32,286**	**1,612**	**-**	**-**	**-**	**33,898**
Leases	**-**	**3,325**	**-**	**-**	**-**	**3,325**
Balance at 31 March 2020	**32,286**	**4,937**	**-**	**-**	**-**	**37,223**

20. CONTRACT BALANCES

CONTRACT ASSETS AND LIABILITIES

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

	2020 000's $	2019 000's $
CURRENT		
Deferred revenue	**6,774**	1,545
Capital contributions	**298**	298
Total current contract liabilities	**7,072**	1,843
NON CURRENT		
Capital contributions	**2,501**	2,799

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

Reconciliation of contract liabilities

The following table shows the value of revenue recognised in 2020 that relates to contract liabilities recognised at 2019 and the value of revenue recognised that relates to performance obligations that were also satisfied in the prior year.

Revenue recognised that was included in the contract liability balance at the beginning of the year.

Deferred revenue	**1,545**	2,311
Revenue recognised from performance obligations satisfied in previous years		
Capital contribution projects	**298**	298
	298	298

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.

	2020 000's $	2019 000's $
Contracting deferred revenue	**6,774**	1,545
Contracting capital contributions	**2,799**	3,097
	9,573	4,642

Management expects that the following percentage of the transaction price allocated to the unsatisfied performance obligations as of 2020 will be recognised as revenue during the next reporting period:

- Capital Contributions 10.63% (2019: 10.65%). The remaining 89% is expected to be recognised as revenue on an amortised basis at $0.298M per annum.

- Deferred revenue 100% (2019: 100%)

21. EMPLOYEE BENEFITS

Current liabilities		
Long service leave	**141**	134
Provision for Holiday Pay	**1,704**	1,702
	1,845	1,836

22. DIVIDENDS

	2020 000's $	2019 000's $
The following dividends were declared and paid:		
Interim ordinary dividend of 4.80 (2019: 4.80) cents per share were paid in September, December and March.	5,951	5,951
Final imputed ordinary dividend (pertaining to prior year) of 9.60 (2018: 9.60) cents per share	3,967	3,967
Total	9,918	9,918

Gross ordinary dividends of 33.33 (2019: 33.33) cents per share were declared during the year, with 24.00 (2019: 24.00) 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 2020 fully imputed ordinary dividend of 9.60 (2019: 9.60) cents per share to be paid 31 July 2020	3,967	3,967

The proposed final dividend for 2020 is in accordance with the dividend distribution policy in the Statement of Corporate Intent. This is to be paid on 31 July 2020 subject to completion of the Annual General Meeting.

23. BORROWINGS

Non Current		
Secured liabilities: Bank loans	85,000	100,000
Total non current borrowings	85,000	100,000
Total borrowings	85,000	100,000

The termination date of the facility is 31 August 2021. The loan is subject to a negative pledge.

The Group has entered into the following interest rate swaps borrowed against the Flexible Credit Facility:

Effective date	Amount 000's $	Maturity date
14 October 2015	7,000	20 December 2021
20 December 2017	12,000	20 December 2027
20 September 2018	12,000	20 September 2028
21 December 2015	7,000	20 December 2025
20 June 2019	12,000	20 June 2024
20 December 2015	7,000	20 December 2023
	57,000	

The interest rate applied to borrowings against the Flexible Credit Facility is linked to the Reserve Bank of New Zealand Official Cash Rate. A movement of 1% in this rate would result in a movement of $0.850M (2019: $1.000M) in the interest expense for the year. The covenants governing the loan have not been breached during the year.

Preliminary discussions have taken place regarding the renewal of the facility, and indications present a favourable view of the current facility being renewed.

24. ISSUED CAPITAL

	2020 000's $	2019 000's $
41,328,017 (2019: 41,328,017) 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

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 and net debt.

There has been no change to capital risk management policies during the year.

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 debts. Throughout the year, the Company has complied with these covenants.

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25. CAPITAL AND LEASING COMMITMENTS

Operating Leases	2020 000's $	2019 000's $
- not later than one year	139	342
- between one year and five years	178	310
	317	652
Contracted Commitments		
Contracted commitments for:		
Capital	5,606	5,808
	5,606	5,808

26. LESSOR COMMITMENTS

The Group leases out its investment property (see note) under commercial leases. These non cancellable leases have terms between 3 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:		
Lease of fibre network		
- not later than one year	541	541
- between one and five years	2,706	2,706
- later than five years	5,232	5,773
Rentals from building lease agreements		
- not later than one year	195	195
- between one and five years	290	483

The following table presents the reconciliation between the gross investment in finance leases and present value of minimum lease payments at 31 March 2020.

27. 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 Board of Directors 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 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 Treasury 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 Board of Directors receives monthly reports 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 23 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

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the table may not equal the balances in the statement of financial position due to the effect of discounting.

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.

Interest rate risk

The Group is exposed to interest rate risk as funds are borrowed at floating and fixed rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group operates under the following policy which prescribes the proportion of fixed interest rate cover that it must hold in relation to its future borrowings. This proportion is calculated based on the actual fixed rate cover held and the forecast debt levels. The Group will have various interest rate financial instruments to manage exposure to fluctuations in interest rates. Any resulting differential to be paid or received on the instruments is recognized as a component of interest paid.

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

	Minimum Cover %	Maximum Cover %
Hedging Profile Period		
0 - 10 Years	**25**	75

The Board will determine the maximum and minimum percentages for each time period. Board approval is required for borrowings, together with a recommendation on the manner in which the interest rate risk is to be managed. The Group has no cash on deposit. Occasionally the Group also enters into fixed floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates in excess of the target. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. Another source of hedge ineffectiveness is expected to arise due to the hypothetical derivative that represents the hedged item for the hedged risk having a different fixed rate from that of the hedge instrument. No other sources of ineffectiveness emerged from these hedging relationships.

28. FAIR VALUE MEASUREMENT

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

- Land and buildings
- Financial assets
  - Other Financial Assets
- Financial liabilities
  - Bank Loans
  - 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 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	000's $	**000's $**	**000's $**	**000's $**
Recurring fair value measurements				
Land and buildings	**-**	**-**	**19,885**	**19,885**
Financial assets				
Financial liabilities				
Interest rate swaps	**-**	**(8,559)**	**-**	**(8,559)**
Foreign currency forward contracts	**-**	**104**	**-**	**104**

31 March 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	000's $	**000's $**	**000's $**	**000's $**
Recurring fair value measurements				
Land and Buildings	-	-	20,735	20,735
Financial assets				
Financial liabilities				
Interest rate swaps	-	(5,278)	-	(5,278)
Foreign currency forward contracts	-	(14)	-	(14)

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:

31 March 2020	Derivatives used for hedging	Derivatives used for trading	Measured at amortised cost	Total
	000's $	000's $	000's $	000's $
Financial assets				
Loans and advances	-	-	5,413	5,413
Trade and Other Receivables	-	-	14,096	14,096
Cash and Cash Equivalents	-	-	1,275	1,275
	-	-	20,784	20,784
Financial liabilities				
Trade and Other Payables	-	-	8,532	8,532
Interest Rate Swaps	8,559	-	-	8,559
Dividend Payable	-	-	3,967	3,967
Long Term Borrowings	-	-	85,000	85,000
Foreign Currency Forward Contracts	(104)	-	-	(104)
	8,455	-	97,499	105,954

31 March 2019	Derivatives used for hedging	Derivatives used for trading	Measured at amortised cost	Total
	000's $	000's $	000's $	000's $
Financial assets				
Loans and advances	-	-	6,190	6,190
Trade and Other Receivables	-	-	11,678	11,678
Cash and Cash Equivalents	-	-	1,782	1,782
	-	-	19,650	19,650
Financial liabilities				
Trade and Other Payables	-	-	8,729	8,729
Interest Rate Swaps	2,260	3,018	-	5,278
Dividend Payable	-	-	3,967	3,967
Long Term Borrowings	-	-	100,000	100,000
Foreign Currency Forward Contracts	-	14	-	14
	2,260	3,032	112,696	117,988

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.

Derivatives

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

Hedging reserves

	2020 000's $	2019 000's $
Cash flow hedge reserve		
Balance at beginning of year	(2,301)	(1,998)
Total gains or losses for the year		
Recognised in other comprehensive income	(2,860)	(2,505)
Deferred tax	801	701
Other movements		
Interest rate swaps in profit or loss - included in finance costs	235	2,085
Deferred tax	(66)	(584)
Balance at end of year	(4,191)	(2,301)

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.

Unobservable inputs and sensitivities

Asset / liability category	Carrying amount (at fair value)	Key unobservable inputs*	Expected range of inputs 2020	Expected rate of inputs 2019
	$'000			
Land and buildings - Alpine House	10,541	Discount rate	8.75%	8.65%
		Terminal yield	7.75%	7.65%
		Cap Rate	7.25%	7.15%
Other property	9,344	Discount rate	10.25%	10.00%
		Terminal yield	9.50%	9.00%
		Cap Rate	9.00%	8.50%

Land and buildings

The valuations above are sensitive to the inputs used in the valuation model. A sensitivity analysis around key inputs is given in the table below.

	Change in Discount Rate		
	-0.5% 000's $	0% 000's $	+0.5% 000's $
Change in Capitalisation Rate			
Alpine House			
-0.5%	11,705	11,311	10,935
0%	10,908	10,541	10,190
+0.5%	10,213	9,870	9,542
Other Property			
-0.5%	10,259	9,923	9,602
0%	9,660	9,344	9,041
+0.5%	9,125	8,826	8,540

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 $0.551M (2019: $2.085M) 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.

29. CONTINGENCIES

CONTINGENT LIABILITIES

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

$11.55M (2019: $5.68M) in the form of performance and import guarantees to cover ongoing project work.

30. KEY MANAGEMENT PERSONNEL REMUNERATION

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

	2020 000's $	2019 000's $
Short-term employee benefits	2,643	2,850

31. RELATED PARTIES

The Group's main related parties are as follows:

Key management personnel - refer to Note 30.

Joint arrangements - refer to Note 15.

Subsidiaries - refer to Note 14.

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

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Purchases	Sales	Owed to the company	Owed by the company
	000's $	000's $	000's $	000's $
Joint venture				
Rockgas Timaru Limited	42	56	-	-
SmartCo Limited	781	2,276	443	38
On Metering Limited	39	83	3,657	24
Sunfra Joint Venture	-	-	1,324	-
NETcon Clay Joint Venture	-	-	238	-
Shareholders				
Mackenzie District Council	25	42	-	-
Timaru District Council	98	444	310	1
Waimate District Council	24	20	-	-

32. 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:

	2020 000's $	2019 000's $
Profit for the year	21,637	13,750
Interest rate swap movements	551	2,085
Non cash flows in profit:		
- depreciation	13,249	12,288
- IFRS 16 lease impact	573	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(3,772)	(166)
- (increase)/decrease in other assets	(226)	(114)
- (increase)/decrease in inventories	201	1,068
- (increase)/decrease in contract assets	(298)	(298)
- increase/(decrease) in income in advance	5,229	1,019
- increase/(decrease) in trade and other payables	(189)	(2,063)
- increase/(decrease) in income taxes payable	2,845	2,694
- increase/(decrease) in deferred tax liability	1,970	1,686
Cashflows from operations	41,770	31,949

Changes in liabilities arising from financing activities

	2020 000's $	Cash flows 000's $	2019 000's $
Long term borrowings	85,000	(15,000)	100,000
Short-term borrowings	(1,275)	507	(1,782)
Total liabilities from financing activities	83,725	(14,493)	98,218
	2019 000's $	Cash flows 000's $	2018 000's $
Long term borrowings	100,000	1,000	99,000
Short-term borrowings	(1,782)	(766)	(1,016)
Total liabilities from financing activities	98,218	234	97,984

Borrowing facilities

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

	2020 000's $	2019 000's $
Total facilities		
Flexible Credit Facility (ANZ)	110,000	110,000
Performance SBLC/Guarantee/Bond Facility (ANZ)	12,000	-
Commercial Flexible Facility (ANZ)	5,000	-
Financial Guarantee Facility (ANZ)	2,250	-
Guarantee Facility (BNZ)	15,000	-
	144,250	110,000
Used at reporting date		
Flexible Credit Facility (ANZ)	85,000	100,000
Performance SBLC/Guarantee/Bond Facility (ANZ)	8,643	-
Guarantee Facility (BNZ)	2,837	5,676
	96,480	105,676
Unused at reporting date		
Flexible Credit Facility (ANZ)	25,000	10,000
Performance SBLC/Guarantee/Bond Facility (ANZ)	3,357	-
Commercial Flexible Facility (ANZ)	5,000	-
Financial Guarantee Facility (ANZ)	2,250	-
	35,607	10,000

33. EVENTS OCCURRING AFTER THE REPORTING DATE

Covid-19

Alpine Energy Limited is an essential service and post year end has continued to operate through Covid-19 lockdown stages 3 and 2 with essential services and maintenance being performed. Travel restrictions in place have meant that projects in relation to the wholly owned subsidiary Infratec Limited have been delayed. These projects are expected to commence when travel restrictions are lifted. In the interim period, planning work on these projects continues and cash flow is being actively managed. As at the date of signing the financial statements there has been no material impact on operations since 31 March 2020. Management and the directors of the company continue to monitor developments as they occur.

34. STATUTORY INFORMATION

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

Alpine Energy Limited Group
24 Elginshire Street
Timaru 7910

Performance Report

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

Financial Information	2020	2019
Ratio of Net Surplus attributable to the Shareholders to Average Shareholders Equity:		
Target	12.9%	14.5%
Result	14.7%	9.7%
Tangible Assets per Share		
Target	$7.52	$7.41
Result	$7.25	$7.09
Earnings per Share		
Target	$0.502	$0.541
Result	$0.524	$0.333
Ratio of Shareholders' Equity to Total Assets		
Minimum Target	52%	52%
Result	51%	49%

Non Financial Information	2020	2019
System Average Interruption Duration Index (SAIDI)		
Maximum Cap (Average Minutes per Interruption)	154.15	154.15
Target (Average Minutes per Interruption)	132.81	132.81
Result (Normalised)	121.80	136.77
System Average Interruption Frequency Index (SAIFI)		
Maximum Cap (Interruptions per Customer)	1.51	1.51
Target (Interruptions per Customer)	1.30	1.30
Result (Normalised)	0.84	0.99

SAIDI and SAIFI performance measures ascertain the reliability of the network. Where maximum caps for SAIDI and/or SAIFI are breached, there are financial penalties levied.

Alpine Energy Limited Group

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes for the year ended 31 March 2020 are in accordance with the Financial Reporting Act of 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;
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director:

Director:

Dated this 30th day of June 2020

pwc

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ALPINE ENERGY LIMITED'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2020

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

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 34 to 67, that comprise the statement of financial position as at 31 March 2020, 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 the summary of significant accounting policies and other explanatory information; and
- the performance information of the Group on page 68.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2020; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance New Zealand Equivalents to International Financial Reporting Standards, as defined in the Financial Reporting Act 2013; 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 2020.

Our audit was completed on 30 June 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to other matters. 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.

Emphasis of matter – Covid-19

Without modifying our opinion, we draw attention to Notes 4, 13 and 33 to the financial statements, which explains the impact of the Covid-19 pandemic on the Group. Alpine Energy Limited was considered a provider of essential services, and was able to operate during the lockdown period providing essential services and maintenance. The Board of Directors have considered the impact of Covid-19 on the Group and consider there to be no material impact on the Financial Statements.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance;
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 68, 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* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out assignments in the areas of compliance with the Electricity Distribution (Information Disclosure) Determination 2012, Electricity Distribution Services Default Price-Quality Path Determination 2012, other regulatory requirements of the Commerce Act 1986 and agreed upon procedures in relation to Default Price-Quality Path. Other than the audit and these assignments, we have no relationship with or interests in the Group.

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

NETWORK OWNERSHIP

NETWORK OWNERSHIP IN SOUTH CANTERBURY

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

THE COMMUNITY OWNS 100% OF ALPINE ENERGY

Alpine ENERGY

100% SOUTH CANTERBURY OWNED

ALPINE ENERGY HAS OWNERSHIP IN THE FOLLOWING

SmartCo	NETcon Ltd	On Metering	Timaru Electricity Ltd	Infratec Ltd	Infratec Renewables Rarotonga Ltd
14.29%	**100%**	**50%**	**100%**	**100%**	**100%**

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