Alpine Energy Annual Report 2015 - 2016

Earning from operations after tax were

$17.05 MILLION

2.1%

higher than the level achieved in the previous year

Chairman's Review

Alpine Group has delivered a strong result in the wake of continued network growth throughout South Canterbury. Results were ahead of budget with surplus after tax up 2.1% to $17.05 million from $16.69 million the previous year. Alpine's balance sheet remains strong and shareholder value continues to accrue satisfactorily.

Growth is expected to remain positive over coming years as we continue to pursue our vision as an integrated energy delivery solutions provider in strengthening our core distribution business along with securing opportunities through continued leadership in utilising new technologies and establishing commercial partnerships.

The largest growth across our network is expected from Waimate, Mackenzie, and Temuka regions. Waimate area alone on the back of developments at Oceania, Studholme, and Hunter Downs will necessitate the need for a new 220kV grid exit point with Transpower. After several years in the making progress is already well underway with Transpower with high level planning nearing completion.

Underpinning everything we do is our strong emphasis on health and safety; and this will continue under the new Worksafe legislation introduced from 1 April 2016. During the year we continued our health and safety campaigns, reaching through to staff and also their families, as well as to our contractors, subcontractors, our consumers, our schools, stakeholders and the general public.

We have long considered the electricity industry to be a safe industry, however we are very mindful that there are a lot of hazards and inherent risks which must be identified and systematically managed. The Board thank management and staff for their continued commitment to put health and safety first.

Four major event days during the year saw our reliability of supply exceed our targets with the year ending 1.13 SAIDI minutes over our regulatory threshold. This was a disappointing outcome given the extraordinary effort afforded over recent years to improve reliability, including the acquisition of mobile generators and substations. We will continue to work with both the regulator and consumers to ensure a prudent balance between reliability and investment meets satisfactory levels of performance.

New technologies have featured prominently in media over the last 12 months, far more so than in previous years. We have agreed to the allocation of funds to trial a handful of technologies including leading the way with New Zealand's first Grid Tied battery storage unit, close-to-the-load off-grid wind generation, and Electric Vehicle rapid charging stations.

Within the Alpine Group Infratec continue to secure their presence in the South Pacific with renewable energy projects as well as partnering with EMC of Perth, Australia to deliver turnkey renewable energy solutions to existing and potential clients.

We continue progress of replacing aged analogue and digital type meters, which have reached the end of their useful life, with advanced metering assets. The overall project is behind schedule nationwide, however once complete our investment will for the first time in our company's history have real time, around the clock, access to power quality data of our low voltage network. Over time we expect to use this network data to significantly improve decision making in terms of network opex and network capex.

It is very pleasing to see the Group grow from strength to strength. Special thanks are extended to my fellow directors for their overall support and diligent contribution, and in particular on helping to set the strategic journey for the Group. Special thanks also to management and staff for their role in converting the Group's strategy into tangible outcomes.

S.R. Thompson
Chairman

Chief Executive's Review

I am very pleased to report another solid year for Alpine Group. Despite the challenges of four major event days throughout the year we managed to complete our budgeted network capex projects and additional third party new connection projects, and the majority of our budgeted network opex work.

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The top five areas of network capex spend throughout the year included:

- $3.81 million, New connections and subdivisions
- $2.03 million, Overhead line refurbishment and renewal
- $1.35 million, Waihao Downs feeder
- $0.92 million, Pareoa sub-transmission line reconductoring
- $0.52 million, Replacement Ring Main Units (RMUs)

Total Network capex spend was $14.47 million against a budget of $13.67 million.

Delivered energy across the network was 1.51% up on previous year at 818.17 GWh. Peak load of 134.4MW occurred in December 2015 which was a month earlier than the previous year's peak load of 125.7MW (January 2015).

Installation Control Points (ICPs), a measure of the number of connections to our network, increased by 0.83% to 31,936 from 31,672 the year before.

During the year we embarked on uplift in technical capability as we aligned our engineering resource functions to meet regulatory requirements of ISO 55,000 as well as knowledge and understanding of new technologies. By year end all but one senior management role had been filled.

Concurrent to building our technical capability we also continued our investment in new business support applications. Completed by year end and under budget was our new billing system AXOS and we also embarked on a new Asset Management, Finance and Payroll system.

Our pledge to 'zero harm' was dented slightly by a small number of potential serious harm incidents. Although our safety culture, as a measure of staff engagement, reporting levels, and proactive participation remains assessed as very high, we continually challenge ourselves to ensure health and safety is always our highest priority in everything we do. We are finding our critique and questioning moving away from processes and procedures which are very prescriptive and robust, to more of understanding the psyche of human behavior. From a 'Health' perspective we've increased the level of health initiatives to include family of staff in some activities, mole mapping, suicide prevention, and general health awareness.

As with previous years we contributed widely to the community through support of specific projects such as the Waimate Community Complex, and through personal development scholarships, and business and sporting sponsorship.

Our Alliance with NETcon continues to provide the expected benefits of working closer together to ensure price, quality, and productivity are competitive and fit for purpose. In addition to the Alliance work NETcon priced competitively for third party work and assisted Alpine with the roll-out of advanced metering infrastructure.

New technologies are at fever pitch in media worldwide and from own assessment we foresee potential benefits from their use in specific applications across our network. We will continue to evaluate new and emerging technologies as part of our AMP (Asset Management Plan), continued business improvement, and commercial opportunities.

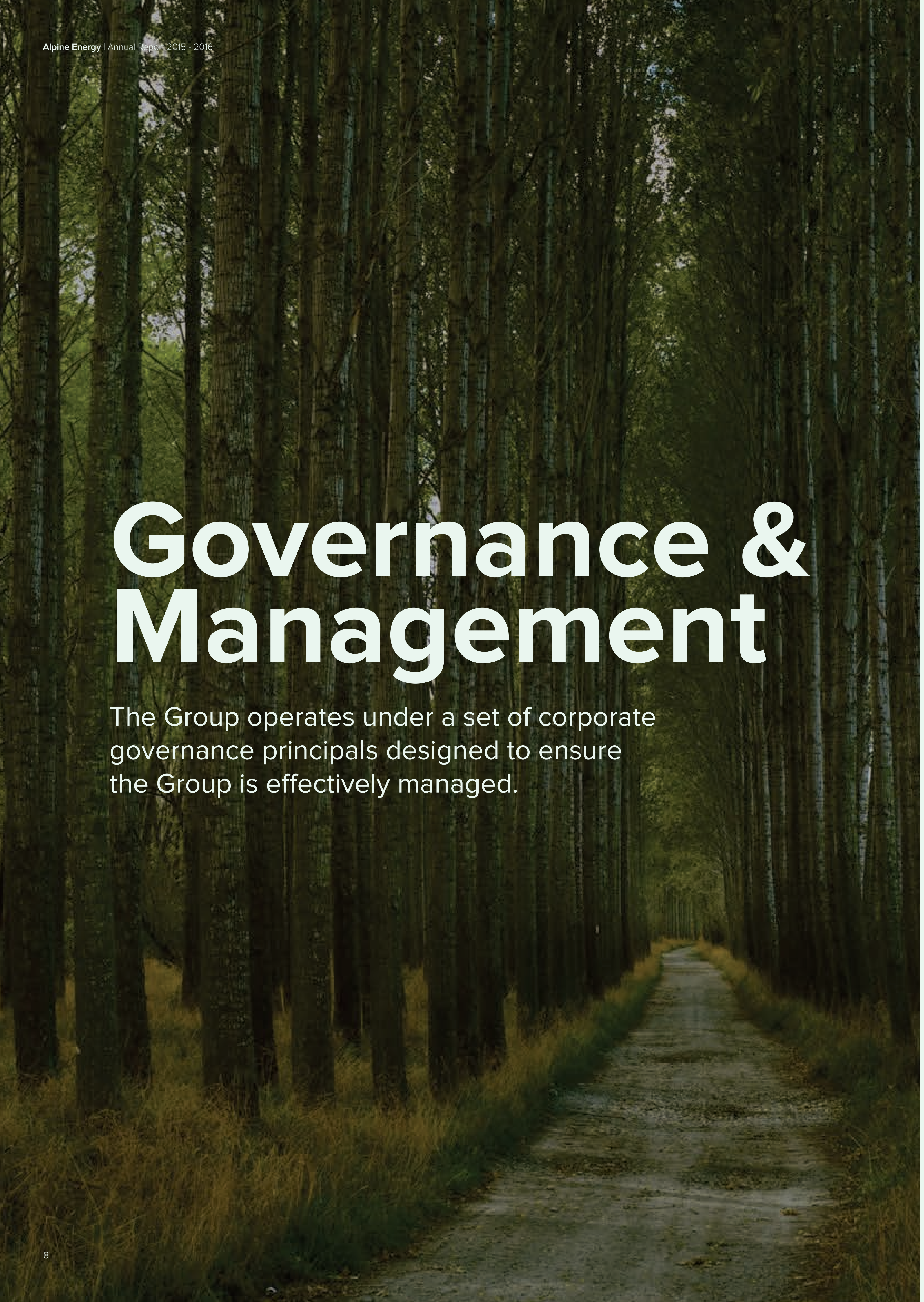
We currently have on trial:

- Grid tied battery storage unit
- Nissan Leaf Electric Vehicle
- Electric vehicle rapid charging stations
- Photovoltaic arrays (one with storage), and
- Off grid micro scale wind turbine

Of particular satisfaction during the year was the utilisation of our new mobile generation and mobile substation. During one of the major weather events in the year we were able to connect our mobile substation at Fairlie substation and 'power-up' the town while repairs were made to parts of the main network damaged in the storm. Without the mobile units power would have remained off until repairs were complete. We were also able to provide back up to Tekapo during scheduled maintenance on Transpower assets.

In conclusion we were satisfied with the solid performance of the Group and are well placed to attend to the challenges ahead of us.

A.G. Tombs
Chief Executive



Governance & Management

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

The Board of Directors

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

The Board is appointed by shareholders to oversee the management of the company and is responsible for all corporate governance matters. The Board endeavours to ensure that the activities undertaken are carried out in the best interests of all shareholders, while respecting the rights of other stakeholders. The Board met 10 times during the year.

Operation of the Board - Responsibilities

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

Audit & Risk Committee

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

Stephen Thompson
Chairman

Andrew Tombs
Chief Executive

Alister France
Director

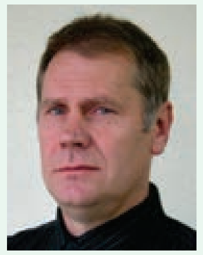
Warren Bell
Director

Michael Boorer
Group Manager - Corporate Services

Sara Carter
General Manager - Commercial & Regulatory

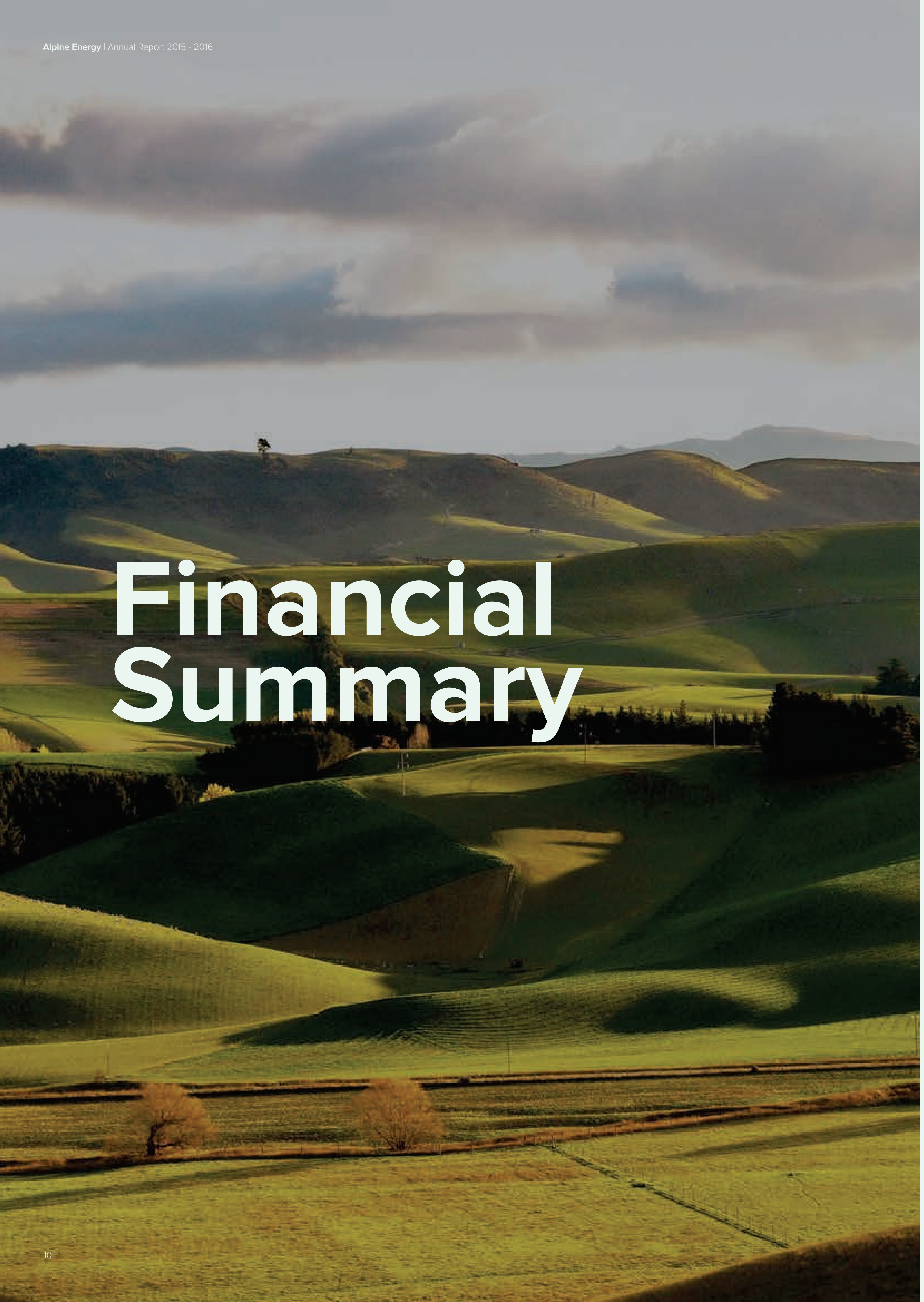
Warren Larsen
Director

Rick Ramsay
Director



Willem Rawlins
General Manager - Network

Stephen Small
General Manager - Safety and Risk



Financial Summary

Trend Statement for the Group

	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Financial Performance					
Operating Revenue	63,851	63,749	53,590	46,035	39,555
Associate Entities' Earnings	439	159	(37)	124	138
Operating Surplus before Tax	23,622	22,153	15,396	15,424	12,847
Taxation	(6,568)	(5,461)	(4,071)	(4,518)	(3,496)
Net Surplus	17,054	16,692	11,325	10,906	9,351
Shareholder Distribution	8,472	7,976	7,563	7,563	7,563
Financial Position					
Current Assets	7,978	9,420	6,893	3,827	3,500
Non-Current Assets	213,314	192,642	183,092	161,272	152,480
Total Assets	221,292	202,062	189,985	165,099	155,980
Liabilities	90,241	78,566	73,894	53,466	47,543
Net Assets	131,051	123,496	116,092	111,633	108,437
Share Capital	41,328	41,328	41,328	41,328	41,328
Retained Earnings & Reserves	89,723	82,168	74,764	70,305	67,109
Equity	131,051	123,496	116,092	111,633	108,437
Financial Ratios					
Net Surplus to Average Shareholders Equity	13.4%	13.9%	9.9%	9.9%	8.7%
Tangible Assets per Share	$5.34	$4.89	$4.58	$3.99	$3.79
Earnings per Share (cents)	41.3	40.4	27.4	26.4	22.6
Dividend per Share (cents)	20.5	19.3	18.3	18.3	18.3
Statistics					
SAIDI (System Average Interruption Duration Index)	155	140	275	148	162
SAIFI (System Average Interruption Frequency Index)	1.18	1.16	2.00	1.30	1.26

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

Directors' Report

Alpine Energy and its subsidiaries delivered another solid financial result for its shareholders.

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General Disclosures

Principal Activities
The principal activity of Alpine Energy Limited (the Company) is ownership of its electricity distribution network. The Group, comprising Alpine Energy Limited and its subsidiaries (NETcon Limited Group and Timaru Electricity Limited) and associated entities (Rockgas Timaru Limited and On Metering Limited) also undertakes asset management and contract services. Alpine also has 12.5% shareholding in SmartCo Limited and further 6.25% through its associated entity On Metering Limited.

Review of Operations
Group Operating Revenue of $63.85 million was achieved for the year, 0.16% greater than the previous year.

The Group Operating Surplus before tax for the year was $23.622 million, 6.63% more than the previous year.

Review of Financial Performance
The financial statements presented have been prepared in accordance with the Accounting Policies forming part of these Financial Statements.

Results for the year ended 31 March 2016	Group 2016 $'000	Group 2015 $'000
Profit before income tax	23,622	22,153
Income Tax	(6,568)	(5,461)
Net Surplus after Income Tax attributable to the Shareholders	17,054	16,692

Share Capital

Total issued and paid up capital as at the 31st March 2016 was 41,328,017 Ordinary Fully Paid Shares. There have been no movements in share capital during the year.

Dividends

Interim dividends, each of 4.10 cents per share, were paid in September and December 2015 and March 2016.

A fully imputed final dividend of $3.389 million will be paid on 31th July 2016 to all shareholders on the company's register at the close of business on the 22nd July 2016. This dividend is included in the dividends for the year of $8.472 million, and has been provided for.

Solvency certificates were completed in support of the interim dividend declarations on 24th September and 26th November 2015 and 25th February 2016, and the final dividend solvency certificate will be submitted to Directors for approval on the 28th July 2016.

The interim and final dividends relating to 2015/16 represent 52.86% of the Total Comprehensive Income for the Group, excluding customer contributions.

Return on shareholders' equity and state of affairs

The Group net surplus after income tax attributable to the shareholders for the year ended 31st March 2016 represents 13.40% return on average total shareholders equity.

The Directors are of the opinion that the state of affairs of the company is satisfactory.

Directors

Parent
Mr S.R. Thompson (Chairman), Mr R.D. Ramsay, Mr W.A. Larsen, Mr A.J. France, Mr W.J. Bell.

Subsidiaries
Mr S.R. Thompson (Chairman), Mr R.D. Ramsay, Mr W.A. Larsen, Mr A.J. France, Mr W.J. Bell, Mr M.F. Boorer

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

Directors Interests in Contracts

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

Mr S. R. Thompson

Name of Company/Entity	Interest
Abbey Field Construction Ltd	Shareholder
Andgra Limited	Shareholder
Aspiring Guides Ltd	Shareholder
Best View Limited	Director
Best View Limited	Shareholder
Cairnmuir Road Winery Ltd	Director
Cairnmuir Road Winery Ltd	Shareholder
Canterbury Aluminium Ltd	Director
EAL Investments Ltd	Shareholder
Ellisons Aluminium Ltd	Director
Ellisons Aluminium Central Ltd	Director
F.S. Investments Ltd	Director
Infratec Ltd	Director
Infratec Renewables (Rarotonga) Ltd	Director
Integrated Contract Solutions Ltd	Director
Keano's Trustee Company Ltd	Director
Kingsgate Properties Limited	Shareholder
McKenzie Architects Limited	Shareholder
Millenium Solutions Ltd	Director
NETcon Limited	Chairman
OB Horn Company Ltd	Shareholder
Owhiro River Limited	Director
Passmore Consulting Services Ltd	Director
Passmore Consulting Services Ltd	Shareholder
Richard E Shackleton Architects Ltd	Shareholder
Ripponvale Irrigation Company Limited	Shareholder
Southern Aluminium Joinery Ltd	Director
Timaru Electricity Ltd	Chairman
Thompson Bloodstock Ltd	Chairman
Thompson Bloodstock Ltd	Shareholder
Wanaka Bay Ltd	Director
Westminster Resources Ltd	Director
Whitestone Contracting Limited	Director

Mr R. D. Ramsay

Name of Company/Entity	Interest
Infratec Ltd	Director
Infratec Renewables (Rarotonga) Ltd	Director
NETcon Limited	Director
Pukaki Airport Board	Member
Rockgas Timaru Ltd	Director
Salmon Smolt New Zealand Ltd	Director

Mr A. J. France

Name of Company/Entity	Interest
Geraldine Bus Services Trust	Chairman
Geraldine Licensing Trust	Trustee
Holbrook Trust	Director
Infratec Ltd	Director
Infratec Renewables (Rarotonga) Ltd	Director
NETcon Limited	Director
Rockgas Timaru Ltd	Director
The Juicy Tree Co Ltd	Director

Mr W. A. Larsen

Name of Company/Entity	Interest
Centreport Limited	Chairman
Centreport Properties Limited	Director
Centreport Property Management Limited	Director
Bostock Group Ltd	Director
Harbour Quays Property Ltd	Director
Larsen Consultancy Services Ltd	Principal
NETcon Limited	Director
NZAEL Limited	Chairman
Zespri Remuneration Committee	Member

Mr W. J. Bell

Name of Company/Entity	Interest
C.H.C. Properties Ltd	Director
Cyprus Enterprises Limited	Director
Glassons Ltd	Director
Glassons Australia Ltd	Director
Hallensteins (Australia) Ltd	Director
Hallenstein Bros Ltd	Director
Hallenstein Glasson Holdings Ltd	Director
Hallenstein Properties Ltd	Director
Meadow Mushrooms Group of Companies	Director
Meadow Mushrooms Ltd	Director
NETcon Limited	Director
Poraka Limited	Director
Poraka Limited	Shareholder
Retail 161 Ltd	Director
Retail 161 (Australia) Ltd	Director
Ryman Healthcare	Director
Sabina Ltd	Director
Selwyn District Council - Rolleston Industrial Park Committee	Member
St Georges Hospital	Chairman
Warren Bell Ltd	Director

Mr A. G. Tombs

Name of Company/Entity	Interest
New Zealand and Pacific Solar Council	Director
SC Chamber of Commerce	Vice President
Smart Co Ltd	Director

Mr M. F. Boorer

Name of Company/Entity	Interest
Rockgas Timaru Ltd	Alternative Director
Timaru Electricity Ltd	Director
On Metering Ltd	Director
Smart Co Ltd	Director
South Canterbury District Health Board	Member

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

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Indemnification and Insurance of Officers and Directors

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

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

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

Donations

Donations paid during the year totalled $19,958 (2014/2015 $17,630).

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

	Parent	Subsidiaries	Joint Venture	Total
S.R. Thompson	83,784	-		83,784
R.D. Ramsay	44,342	-	1,875	46,217
W.A. Larsen	48,776	-		48,776
A.J. France	44,342	-	1,875	46,217
W.J. Bell	44,342	-		44,342
	265,586	**-**	**3,750**	**269,336**

Mr Boorer did not receive any remuneration directly related to the position of Director of a Subsidiary Company that he held for a period during the year.

No Director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit, (other than a benefit included in the total emoluments received or due and receivable by Directors shown in the financial statements) other than those due in the ordinary course of business.

Employee Remuneration

Details of remuneration ranges for employees of the Group are:

Remuneration Range	Number of Employees
$100,000-$109,999	12
$110,000-$119,999	8
$120,000-$129,999	6
$130,000-$139,999	9
$140,000-$149,999	6
$150,000-$159,999	1
$160,000-$169,999	2
$170,000-$179,999	4
$200,000-$209,999	1
$210,000-$219,999	1
$250,000-$259,999	1
$340,000-$349,999	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 Mark Bramley, using the staff and resources of PricewaterhouseCoopers. The audit fee for the Group for 2015/16 is $109,061 (2014/15 $88,648).

S.R. Thompson
Chairman
8 June 2016

A. J. France
Director

Directors Responsibility Statement

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group at 31 March 2016 and their financial performance and cash flows for the year ended on that date.

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

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider they have taken adequate steps to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities.

The Directors have pleasure in presenting the financial statements of Alpine Energy Limited and Group for the year ended 31 March 2016.

For and on behalf of the Directors.

S.R. Thompson
Chairman

A. J. France
Director

Financial Statements

Statement of Comprehensive Income for the year ended 31 March 2016

		Group	
	Note	2016 $'000	2015 $'000
Revenue	5	63,851	63,749
Expenses	6		
Transmission		14,770	13,733
Depreciation Amortisation and Loss on Disposal		6,922	6,624
Contract Services		6,546	7,741
Employee Benefits		9,998	9,756
Interest	7	2,313	2,300
Other		119	1,601
		40,668	**41,755**
Operating Surplus		23,183	21,994
Share of Profit from Joint Ventures/Associates	10	439	159
Profit Before Income Tax		**23,622**	**22,153**
Taxation	11	6,568	5,461
Profit From Operations		**17,054**	**16,692**
Other Comprehensive Income for the Year			
Items that will not be reclassified to profit or loss			
Gain/(Loss) on Revaluation of Land And Buildings	12	233	(89)
		233	(89)
Items that may be subsequently reclassified to profit or loss			
(Loss) on Interest Rate Swap		(1,260)	(1,223)
		(1,260)	(1,223)
Total Comprehensive Income for the Year		**16,027**	**15,380**

Statement of Changes in Equity for the year ended 31 March 2016

	Contributed Equity $'000	Revaluation Reserve $'000	Hedge Earnings $'000	Retained Earnings $'000	Total Equity $'000
GROUP					
Balance as at 1 April 2014	41,328	2,295	62	72,408	116,092
Comprehensive Income					
Profit from Operations	-	-	-	16,692	16,692
Other Comprehensive Income /(Loss)	-	(89)	(1,223)	-	(1,312)
	-	**(89)**	**(1,223)**	**16,692**	**15,380**
Transactions with Owners					
Dividends	-	-	-	(7,976)	(7,976)
BALANCE AT 31 MARCH 2015	**41,328**	**2,206**	**(1,161)**	**81,124**	**123,496**
GROUP					
Balance as at 1 April 2015	41,328	2,206	(1,161)	81,124	123,496
Comprehensive Income					
Profit from Operations	-		-	17,054	17,054
Other Comprehensive Income /(Loss)	-	233	(1,260)	-	(1,027)
	-	233	(1,260)	17,054	16,027
Transactions with Owners					
Dividends	-	-	-	(8,472)	(8,472)
BALANCE AT 31 MARCH 2016	**41,328**	**2,439**	**(2,421)**	**89,706**	**131,051**

Balance Sheet as at 31 March 2016

	Note	Group 2016 $'000	2015 $'000
Equity			
Share Capital	17	41,328	41,328
Reserves		17	1,044
Retained Earnings	18	89,706	81,124
Total Shareholders Equity		**131,051**	**123,496**
Current Assets			
Cash and Cash Equivalents	16	691	630
Trade and Other Receivables	15	2,756	3,436
Inventories	9	4,527	5,307
Work In Progress		4	47
Total Current Assets		**7,978**	**9,420**
Current Liabilities			
Trade and Other Payables	19	7,719	7,457
Employee Entitlements		1,467	1,419
Dividends Payable		3,389	3,191
Tax Payable		(248)	(33)
Total Current Liabilities		**12,327**	**12,034**
Net Working Capital		**(4,349)**	**(2,614)**
Non Current Assets			
Investments in Subsidiaries	8	-	-
Investments Accounted for Using the Equity Method	10	244	115
Property, Plant and Equipment	12	207,791	189,654
Intangible Assets	13	458	366
Related Party Loan	26	4,690	2,507
Investment		131	-
Total Non-Current Assets		**213,314**	**192,642**
Non Current Liabilities			
Net Deferred Tax	21	22,142	19,589
Derivatives	14	3,362	1,613
Loans	20	52,410	45,330
Total Non-Current Liabilities		**77,914**	**66,532**
Net Assets		**131,051**	**123,496**

Statement of Cash Flows for the year ended 31 March 2016

		Group	
	Note	2016 $'000	2015 $'000
Cash Flows From Operating Activities			
Cash was provided from:			
Receipts from customers		65,266	60,559
		65,266	60,559
Cash was applied to:			
Payments to suppliers		(31,600)	(32,524)
Income Tax Paid		(3,785)	(3,453)
Net GST Paid		123	254
Interest Paid		(2,313)	(2,300)
		(37,575)	(38,023)
Net Cash Inflow From Operating Activities	22	**27,691**	**22,536**
Cash Flows From Investing Activities			
Cash was provided from:			
Proceeds from sale of fixed assets		102	96
Dividends Received		100	100
Cash was applied to:			
Purchase of Property, Plant and Equipment		(25,390)	(15,934)
Investment in Associated Entities		(1,248)	(14)
Net Cash Outflow From Investing Activities		**(26,436)**	**(15,752)**
Cash Flows From Financing Activities			
Cash was provided from:			
Loan from Bank		7,080	1,001
Cash was applied to:			
Dividend Paid		(8,274)	(7,810)
Cash Outflow From Financing Activities		**(1,194)**	**(6,809)**
Net Increase/(Decrease) In Cash Held		**61**	**(25)**
Add opening cash brought forward		630	655
Cash and Cash Equivalents at End of the Year		**691**	**630**

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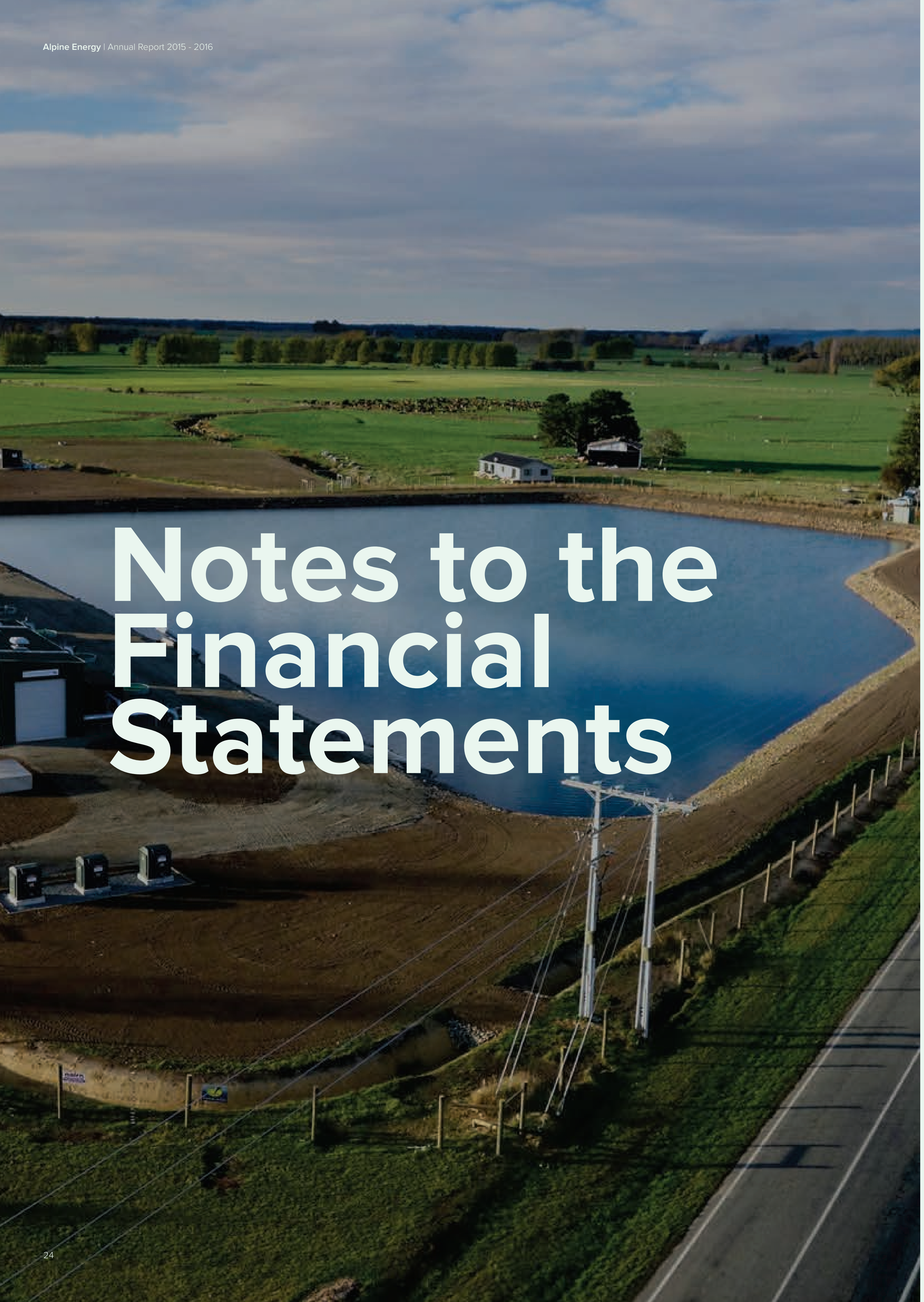

Notes to the Financial Statements

1. General Information

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

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 31 Meadows Road, Washdyke, Timaru.

These consolidated financial statements have been approved for issue by the Board of Directors on 8 June 2016.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

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

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

Entities reporting

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

Statutory base

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

2.1.1 Changes in accounting policies and disclosures

(a) New standards not yet adopted by the Group

The Group only adopts new accounting standards once they have been issued and are effective.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2016, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

NZIFRS 15: Revenue from contracts with customers (Effective date: periods beginning on or after 1 January 2018)

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

This standard may significantly impact the Group where long term or construction revenue contracts are entered into.

NZ IFRS 9: Financial Instruments (Effective date: periods beginning on or after 1 January 2018)

NZ IFRS 9, 'Financial instruments', was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. This standard is effective for reporting periods beginning on or after 1 January 2018. The Group is yet to assess NZ IFRS 9's full impact.

NZ IFRS 16: Leases (Effective date: periods beginning on or after 1 January 2019)

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting for leases under NZ IFRS 16 is almost the same as NZ IAS 17. However, because the guidance on the definition of a lease has been updated (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers.

The Group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

2.2 Consolidation
(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the purchase method to account for business combinations. The consideration transferred for an acquisition of a subsidiary is measured as the fair value of assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Acquisition-related costs are expensed as incurred.

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

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

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

(b) Joint Arrangements

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

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

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

2.3 Foreign currency translation
(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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

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

Reticulation system	1.00% - 36.00%
Meters and Relays	2.00% - 50.00 %
Plant and Equipment	1.00% - 94.40%

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Capital work in progress is not depreciated until commissioned.

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

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

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

2.5 Intangible assets

(a) Computer software

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

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

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

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

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

(b) Easements

Assets sited on easements will normally be renewed at the end of their economic life in the same location that they are currently housed.

On this basis the easement itself has an infinite life. Easements are recorded at cost and are tested annually for any sign of impairment and whenever there is an indicator of impairment.

2.6 Impairment of non-financial assets

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

2.7 Financial assets

2.7.1 Classification

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

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

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

(b) Loans and receivables

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

(c) Held to maturity investments

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

(d) Available for sale financial assets

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

2.7.2 Recognition and measurement

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

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

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

2.9 Impairment of financial assets
(a) Assets carried at amortised cost

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

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

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

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

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

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

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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

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

Trade payables are recognised at fair value.

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

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

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

2.15 Borrowing costs
General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

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

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

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

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

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

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

2.17 Employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for employee entitlements is carried at the present value of the estimated future cash flows.

The Group has no post-employment schemes.

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

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

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

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

(a) Network Lines Charges

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

(b) Sales of goods

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

(c) Sales of services

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

(d) Construction contracting

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

(e) Rental income

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

(f) Customer Contributions

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

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

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

2.22 Leases
(a) Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) Group is the lessor

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

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

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

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

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

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

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

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

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3. Financial Risk Management

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

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

(ii) Cash flow and fair value interest rate risk

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

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

Hedging profile

Period	Minimum Cover	Maximum Cover
0 – 1 year	25%	75%
1 – 3 years	25%	75%
3 – 5 years	25%	75%

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

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

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. General financial reserves of the Group may be invested with any bank registered under New Zealand law, or in government or local government stock, or with financial institutions holding a formal credit rating by Standard and Poors or Moody's of an "A" or better, or financial institutions that provide well supported first ranking security. Funds will be invested only for periods of time which reflect the projected cash flow requirements of the Group. The maximum investment in any one financial institution shall not exceed a sum equivalent to 5% of the Group's total assets, as disclosed in the statement of financial position published in the preceding annual report of the Group. Credit risk associated with trade receivables is limited through retailer invoicing for line and metering charges rather than individual consumer invoicing for line and metering charges. Credit is also limited with trade receivables by the requirement of a 50% upfront payment of the customer contribution for new connections before work is started.

(c) Liquidity risk

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

Liquidity risk	**Group**	
	2016 $'000	**2015 $'000**
External funding arrangements		
Overdraft facility - BNZ	5,000	500
Long Term funding		
Maturing greater than 12 months		
Flexible Credit Facility (ANZ)	35,000	30,000
Money Market Line (ANZ)	17,410	15,330

(d) Fair value estimation

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

(e) Capital risk management

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

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

During 2016, the Group's strategy, which was unchanged from 2015, was to maintain the Shareholders Equity to Total Asset ratio to be greater than 50%.

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

Capital risk management	**Group**	
	2016 $'000	**2015 $'000**
Tangible Assets	220,834	202,063
Total Equity	131,050	123,496
Shareholders Equity to Total Assets	**59.3%**	**61.1%**
EBIT	25,936	24,454
Interest Cost	2,313	2,300
Interest Cover	**11:1**	**11:1**

(Shareholder Investment/Total Tangible Assets) x100 ≥ 50.00%

EBIT/Interest Costs ≥ 3.0

4. Critical Accounting Estimates and Judgements

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

4.1 Critical accounting estimates and assumptions

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

(a) Meters

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

(b) Property, plant and equipment

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

4.2 Critical judgements in applying the entity's accounting policies

(a) Bamyan Renewable Energy Project Partnership

In the current year the final profit of $209,000 has been recognised as the Groups share in the Partnership.

(b) Joint arrangements

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

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

5. Revenue

	Group	
	2016 $'000	**2015 $'000**
Network Lines Revenue	52,194	51,134
Meter Revenue	2,104	1,902
Contracting Revenue	2,576	6,225
Interest	1	2
Customer Contributions	5,831	3,470
Sundry	1,145	1,016
	63,851	**63,749**

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6. Expenses

	Group	
	2016 $'000	**2015 $'000**
Audit Fee	98	89
Auditor's Other Services		
- Non-assurance services	-	40
- Information Disclosure Audit	31	29
- Threshold Compliance Audit	19	34
	148	**192**
Directors Fees	269	260
Bad Debts Written Off	19	87
Donations	20	17
Rent	56	56
Interest Expense	2,313	2,300
Depreciation of Property, Plant and Equipment		
Network Reticulation System	4,665	4,333
Meters and Relays	569	735
Land and Buildings	52	52
Fibre	146	147
Plant and Equipment	1,270	1,019
Total Depreciation	**6,702**	**6,286**
Amortisation	140	138
Loss on Disposal of Property, Plant and Equipment	80	200
Total Depreciation, Amortisation and Impairment	**6,922**	**6,624**

7. Finance Income and Costs

	Group	
	2016 $'000	**2015 $'000**
Interest expense:		
- Bank borrowings	2,313	2,300
Finance Costs	**2,313**	**2,300**
Finance income:		
- Interest income on short-term bank deposits	1	2
Finance income	**1**	**2**
Net Finance Costs	**2,313**	**2,298**

8. Investment in Subsidiaries

Subsidiary	Interest	Balance Date	Principal Activity
Timaru Electricity Limited	100%	31 March	Non-trading
NETcon Limited	100%	31 March	Lines construction and maintenance

9. Inventory

	Group	
Inventory on hand	**2016 $'000**	**2015 $'000**
Smart meters	3,156	4,127
Stock	1,371	1,180
Closing Balance	**4,527**	**5,307**

10. Investments Accounted for using the Equity Method

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

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

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

Infratec Ltd, a wholly-owned subsidiary of NETcon Limited, has a 30% share of a partnership with SESI International (2011) Limited to construct a solar power project in Bamyan City in Afghanistan.

The project is being funded by the New Zealand Government through the Ministry of Foreign Affairs and Trade. The partnership is accounted for as an associate investment. $209,723 of profit has been recognised within the partnership in the current year (2015: nil).

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10. Investments Accounted for using the Equity Method (continued)

Rockgas Timaru Limited	**2016 $'000**	**2015 $'000**
Assets	768	660
Liabilities	277	226
Revenues	2,358	2,225
Profit	258	233
Opening Balance	220	204
Share of Profit	129	116
Dividends Received	(100)	(100)
Closing Balance	**249**	**220**
Represented as:		
Shares	5	5
Retained Earnings	24	215
	249	**220**

On Metering Limited	**2016 $'000**	**2015 $'000**
Assets	8,861	4,473
Liabilities	8,872	4,683
(Loss)	(10)	(211)
Opening Balance	(105)	(148)
Share of Profit	100	43
Closing Balance	**(5)**	**(105)**
Represented as:		
Retained Earnings	(5)	(105)
	(5)	**(105)**

Bamyan Renewable Energy Partnership	**2016 $'000**	**2015 $'000**
Opening Balance	-	-
Share of Profit	210	-
Closing Balance	**210**	**-**
Total Share of Profit from Joint Ventures/Associates	**439**	**159**

11. Income Tax Expense

	Group	
	2016 $'000	**2015 $'000**
Operating Surplus Before Income Tax	23,622	22,153
Taxation @ 28 Cents	6,614	6,203
Movement in Income Tax Due to:		
Permanent Tax Differences		
Non Assessable Income	(76)	(54)
Non Deductible Expenses	60	37
Prior Period Adjustments	(30)	(725)
Tax Expense for Period	**6,568**	**5,461**
Made up of:		
Income Tax Liability in Respect of Current Year	3,794	4,376
Prior Period Current Tax Adjustment	(178)	(398)
Prior Period Deferred Tax Adjustment	148	(327)
Deferred Taxation	2,804	1,810
	6,568	**5,461**
The tax (charge)/credit relating to components of other comprehensive income is as follows:		
Gain/(Loss) on Revaluation of Land And Buildings Before Tax	323	(124)
The tax (charge)/credit on Revaluation of Land And Buildings	(90)	37
Gain/(Loss) on Revaluation of Land And Buildings After Tax	**232**	**(87)**
Gain/(Loss) on Interest Rate Swap Before Tax	(1,749)	(1,675)
The tax (charge)/credit on Interest Rate Swap (including Prior Period Adjustment)	489	452
Gain/(Loss) on Interest Rate Swap After Tax*	**(1,260)**	**(1,223)**
Imputation Credit Account Group and Parent		
Opening Balance	2,519	1,603
Prior Period Adjustment		
Income Tax Paid/Payable	5,211	4,137
Income Tax Refunded/Refundable	(1,580)	(154)
Imputation Credits Received	39	35
Imputation Credits Allocated and to be Allocated to Dividends	(3,362)	(3,102)
CLOSING BALANCE	**2,827**	**2,519**

* Unrealised Market to Market Loss

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12. Property, Plant and Equipment

	Network Reticulation System $'000	Meters and Relays $'000	Land and Buildings $'000	Fibre $'000	Plant and Equipment $'000	Total $'000
GROUP						
Year Ended 31 March 2015						
Opening Net Book Amount	165,546	1,481	6,262	3,134	4,146	**180,569**
Revaluation	-	-	(124)	-	-	**(124)**
Additions	12,115	3	329	-	3,339	**15,786**
Disposals	(232)	-	-	-	(64)	**(296)**
Depreciation Charge	(4,333)	(735)	(52)	(147)	(1,014)	**(6,281)**
Closing Net Book Amount	**173,096**	**749**	**6,415**	**2,987**	**6,407**	**189,654**
At 31 March 2015						
Cost	216,493	4,979	6,448	3,611	13,930	**245,461**
Accumulated Depreciation	(43,397)	(4,230)	(33)	(624)	(7,523)	**(55,807)**
Net Book Amount	**173,096**	**749**	**6,415**	**2,987**	**6,407**	**189,654**
Year Ended 31 March 2016						
Opening Net Book Amount	173,096	749	6,415	2,987	6,407	**189,654**
Revaluation	-	-	322		-	**322**
Additions	17,737	4,688	716	-	1,557	**24,698**
Disposals	(87)	-	-	-	(94)	**(181)**
Depreciation Charge	(4,665)	(569)	(52)	(146)	(1,270)	**(6,702)**
Closing Net Book Amount	**186,081**	**4,868**	**7,401**	**2,841**	**6,600**	**207,791**
At 31 March 2016						
Cost	234,143	9,667	7,486	3,611	15,393	**270,300**
Accumulated Depreciation	(48,062)	(4,799)	(85)	(770)	(8,793)	**(62,509)**
Net Book Amount	**186,081**	**4,868**	**7,401**	**2,841**	**6,600**	**207,791**

	2015 $'000	2016 $'000
Included in the closing Net Book Value is Capital Work in Progress	7,411	9,038

Revaluation of Land and Buildings
An independent valuation of the Group's land and buildings was performed by G. A. Morton, an independent registered, public valuer, to determine the fair value of the land and buildings as at 31 March 2016 and 2015. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is included in 'Revaluation Reserves' in equity.

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

13. Intangible Assets

Group	Easements	Computer Software	Total
Year Ended 31 March 2015			
Opening Net Book Amount	60	132	192
Additions	-	312	312
Disposals	-	-	-
Amortisation	(1)	(137)	(138)
Closing Net Book Amount	**59**	**307**	**366**
At 31 March 2015			
Cost	99	1,023	1,122
Accumulated Amortisation	(40)	(716)	(756)
Net Book Amount	**59**	**307**	**366**
Year Ended 31 March 2016			
Opening Net Book Amount	59	307	366
Additions	-	232	232
Disposals	-	-	-
Amortisation	(1)	(139)	(140)
Closing Net Book Amount	**58**	**400**	**458**
At 31 March 2016			
Cost	99	1,255	1,354
Accumulated Amortisation	(41)	(855)	(896)
Net Book Amount	**58**	**400**	**458**

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14. Financial Instruments

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

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

Group	Derivatives used For Hedging	Loans and Receivables	Total
As at 31 March 2015			
Related Party Loan	-	2,507	2,507
Receivables	-	3,436	3,436
Cash and Cash Equivalents	-	630	630
Interest Rate Swap	-	-	-
	-	**6,573**	**6,573**
As at 31 March 2016			
Related Party Loan	-	4,690	4,690
Receivables	-	2,755	2,755
Cash and Cash Equivalents	-	691	691
Interest Rate Swap	-	-	-
	-	**8,136**	**8,136**
As at 31 March 2015			
Trade and Other Payables	-	(7,457)	(7,457)
Interest Rate Swap	(1,613)	-	(1,613)
Long Term Borrowings	-	(45,330)	(45,330)
	(1,613)	**(52,787)**	**(54,400)**
At 31 March 2016			
Trade and Other Payables	-	(7,719)	(7,719)
Interest Rate Swap	(3,362)	-	(3,362)
Long Term Borrowings	-	(52,410)	(52,410)
	(3,362)	**(60,129)**	**(63,491)**

14. Financial Instruments (continued)

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

(a) Financial instruments in level 2

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

Specific valuation techniques used to value financial instruments include:

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

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.

15. Trade and Other Receivables

	Group	
	2016 $'000	**2015 $'000**
The balance of Accounts Receivable comprises:		
Trade Receivables	2,430	3,220
Provision for Doubtful Debts	(2)	(25)
Prepayments	147	7
Accruals	61	(205)
Due by Other Related Parties	57	366
Due by Joint Arrangements	9	8
Due by Shareholders District Councils	54	72
Derivative Financial Statements	-	(8)
Balance at End of the Year	**2,756**	**3,436**
Trade receivables less than 90 days old	2,462	2,795
Trade receivables greater than 90 days old	90	864
	2,552	**3,659**
Trade receivables which are neither past due nor impaired	2,102	2,525
Trade receivables which are past due and not impaired	450	1,134
	2,552	**3,659**

16. Cash and Cash Equivalents

	Group	
	2016 $'000	**2015 $'000**
Cash at bank and in hand	691	630
Short-term bank deposits	-	-
Cash and cash equivalents (excluding bank overdrafts)	**691**	**630**
Cash and cash equivalents include the following for the purposes of the statement of cash flows:		
Cash and cash equivalents	691	630
Cash and cash equivalents	**691**	**630**

17. Share Capital

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

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

There were no changes to shareholdings during the year.

18. Retained Earnings

	Group
	$'000
At 1 April 2015	72,408
Profit for the year	16,692
Dividends paid	(7,976)
At 31 March 2015	**81,124**
At 1 April 2016	81,124
Profit for the year	17,054
Dividends paid	(8,472)
At 31 March 2016	**89,706**

19. Trade and Other Payables

	Group 2016 $'000	Group 2015 $'000
The balance of Accounts Payable comprises:		
Trade Payables	4,257	3,576
Balance Date Accruals	2,601	1,770
Capital Contributions in Advance	803	2,154
Due by Associated Entities	47	(46)
Due by Shareholders District Councils	11	4
Balance at End of the Year	**7,719**	**7,457**

20. Loans

The Group has a loan facility with the ANZ Bank to draw down a maximum of $65,000,000 (2015:$50,000,000). The loan facility is an interchangeable arrangement between a Flexible Credit Facility and a Money Market Line. At balance date the following amounts were drawn down.

	2016 $'000	2015 $'000
Flexible Credit Facility	35,000	30,000
Money Market Line	17,410	15,330
Total	**52,410**	**45,330**

The termination date of the total facility is 16 August 2018. The loan is subject to a negative pledge. Five $7 million interest rate swap transactions had been entered into, effective 21 December 2015, borrowed against the Flexible Credit Facility for a period of two years, four years, six years, eight years and ten years. The interest rate applied to borrowings against the Money Market Line facility is linked to the Reserve Bank of New Zealand Official Cash Rate. A movement of 1.0% in this rate would result in a movement of $174,100 (2015: $153,300) in the interest expense for the year. The covenants governing the loan have not been breached during the year.

Bank Overdraft	-	-
The Group has the following undrawn borrowing facilities:		
Floating rate:		
Expiring within one year	-	-
Expiring beyond one year	12,590	4,670
Fixed rate:		
Expiring within one year	-	-
Total	**12,590**	**4,670**

21. Deferred Income Tax

The gross movement on the Deferred Income Tax Account is as follows:	Group 2016 $'000	Group 2015 $'000
At 1 April	(19,589)	(18,595)
Tax (charge)/credit Relating to Components of Comprehensive Income	(2,949)	(1,483)
Tax (charge)/credit directly to Equity	396	489
AS AT 31 MARCH	**(22,142)**	**(19,589)**

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

Deferred Tax Liabilities	**Accelerated Tax Depreciation $'000**	**Total $'000**
At 1 April 2014	(19,550)	(19,550)
Charged/(Credited) to the Statement of Comprehensive Income	(1,952)	(1,952)
Charged/(Credited) to the Statement of Changes in Equity	489	489
At 31 March 2015	**(21,013)**	**(21,013)**
Charged/(Credited) to the Statement of Comprehensive Income	(3,722)	(3,722)
At 31 March 2016	**(24,735)**	**(21,013)**

Deferred Tax Assets	**Provisions $'000**	**Total $'000**
At 1 April 2014	954	954
Charged/(Credited) to the Statement of Comprehensive Income	470	470
At 31 March 2015	**1,424**	**1,424**
Charged/(Credited) to the Statement of Comprehensive Income	770	770
Charged/(Credited) to the Statement of Changes in Equity	396	396
At 31 March 2016	**2,590**	**2,590**

22. Reconciliation of Operating Surplus with Cash Flows from Operating Activities

	Group	
	2016 $'000	**2015 $'000**
Operating Surplus After Income Tax	17,054	16,692
Add/(Deduct) Non Cash Items		
Depreciation and Amortisation	6,922	6,624
Increase in Deferred Tax Liability	2,554	994
Net Movement in Non Cash Items	**9,476**	**7,618**
Add/(Deduct) Movements in Working Capital Items		
(Increase)/Decrease in Accounts Receivable	725	1,221
(Increase)/Decrease in Inventories and Work in Progress	780	(4,359)
(Increase)/Decrease in Associated Entities Profit	(439)	(59)
Increase/(Decrease) in Creditors and Employee Entitlements	311	867
Increase/(Decrease) in Provision for Tax	(215)	556
Net Movement in Working Capital Items	**1,161**	**(1,774)**
Net Cash Flows From Operating Activities	**27,691**	**22,536**
In the statement of cash flows, proceeds from sale of PPE comprise:		
Net Book Amount	181	296
Profit/(loss) on Disposal of PPE	(80)	(200)
Proceeds from Disposal of PPE	**101**	**96**

23. Contingencies

The Group has a contingent liability as at 31 March 2016 of $76,810 to cover a performance guarantee to cover the solar power project in Funafuti in Tuvalu (2015 $US 693,591 to cover a performance guarantee to cover the solar power project in Bamyan City in Afghanistan).

24. Commitments

	2016 $'000	**2015 $'000**
(a) Capital Commitments	3,178	2,939
(b) Lease commitments as lessee:		
Within one year	152	150
Between one and five years	250	241
Over five years	-	-

The Group has other commitments totalling $1,591,626 per annum relating to new investment contracts with Transpower. The contracts generally have a term of 20 years, and the existing contracts have expiry dates ranging from 2017 until 2029.

25. Operating Leases

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

		2016 $'000	**2015 $'000**
Lease of fibre network	Within one year	523	540
	Between one and five years	2,558	2,570
	Over five years	6,991	7,502
Rentals from building lease agreements	Within one year	173	170
	Between one and five years	360	644
	Over five years	21	53

26. Related Parties

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

	Group	
	2016 $'000	2015 $'000
Revenues from Shareholder District Councils - Contracting Activities		
MacKenzie District Council	308	255
Timaru District Council	454	357
Waimate District Council	32	30
Payments to Shareholder Distrcit Councils - Rates		
MacKenzie District Council	16	16
Timaru District Council	90	79
Waimate District Council	12	11

Balances due from and to Shareholder District Councils are shown in note 15 and 19.

Parties Associated with Directors
The Group contracted with parties associated with certain directors of Alpine Energy Limited. These transactions involved consulting services and were at normal commercial rates.

	Group	
	2016 $'000	2015 $'000
Deloitte (S.R. Thompson)	421	207

Transactions with Joint Ventures
Transactions with joint ventures include:
Charges to Rockgas Timaru Limited for property rentals and financial services.

	Group	
	2016 $'000	2015 $'000
Revenues from Rockgas Timaru Limited	41	43

	Group	
	2016 $'000	2015 $'000
Revenues from On Metering	58	58

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

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Transactions with Other Related Parties	Group	
	2016 $'000	2015 $'000
Revenues from BREP	133	271
Payments to BREP	-	-

Balances due from and to other related parties are shown in notes 15 and 19.

Key Management Compensation	Group	
	2016 $'000	2015 $'000
Salaries	2,097	2,013

Loans to Related Parties	Group	
	2016 $'000	2015 $'000
Shareholder loan to NETcon Limited	-	-
Shareholder loan to On Metering Limited	4,475	2,375
Shareholder loan to SmartCo	215	132
Balance at end of year	**4,690**	**2,507**

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

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

Guarantees to Related Parties	Group	
	2016 $'000	2015 $'000
Alpine Energy Limited guarantee to NETcon Limited	2,948	2,948
NETcon Limited guarantee to Infratec Limited	125	125

27. Events after the Reporting Period

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

Performance Report

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

	Group	
	2016	**2015**
Financial Information		
Ratio of Net Surplus attributable to the Shareholders to Average Shareholders Equity:		
Target	12.0%	10.9%
Result	13.4%	13.9%
Tangible Assets per Share:		
Target	$5.42	$5.07
Result	$5.34	$4.89
Earnings per Share:		
Target	$0.384	$0.328
Result	$0.413	$0.404
Ratio of Shareholders' Equity to Total Assets:		
Minimum Target	59.0%	50.0%
Result	59.3%	61.1%

Average Interruption Duration (SAIDI) and Average Interruption Frequency (SAIFI)
The performance target relating to SAIDI and SAIFI reliability in the Statement of Corporate Intent was for the Company to not breach the reliability limits as set out in the Default Price Path Annual Compliance Statement. The audited Default Price Path Annual Compliance Statement for the year to 31 March 2016 shows that the Company has breached the SAIDI limit and met the SAIFI limit due to the significant weather events experienced during the year.

INDEPENDENT AUDITOR'S REPORT

**TO THE READERS OF
ALPINE ENERGY LIMITED GROUP'S
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
FOR THE YEAR ENDED 31 MARCH 2016**

The Auditor-General is the auditor of Alpine Energy Limited. The Auditor-General has appointed me, Mark Bramley, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements and the performance information of the Group consisting of Alpine Energy Limited and its subsidiaries and other controlled entities (collectively referred to as 'the Group'), on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 19 to 51, that comprise the balance sheet as at 31 March 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on page 53.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2016; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards, as defined in the Financial Reporting Act 2013.
- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2016.

Our audit was completed on 8 June 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

PricewaterhouseCoopers
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T: +64 3 374 3000, F: +64 3 374 3001, pwc.co.nz

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Group's financial statements and performance information 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the appropriateness of the performance information within the Group's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards, as defined in the Financial Reporting Act 2013, and generally accepted accounting practice, and for the preparation and fair presentation of performance information for the Group.

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

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting 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 2015, other regulatory requirements of the Commerce Act 1986 and tax compliance services for an associate of the Group. Other than the audit and these assignments, we have no relationship with or interests in the Company or any of its subsidiaries.

Mark Bramley
PricewaterhouseCoopers
On behalf of the Auditor-General
Christchurch, New Zealand

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