ANNUAL REPORT
2016 - 2017

Alpine ENERGY

CONTENTS

CHAIRMAN'S REVIEW

Chairman's Review

The Alpine Group has delivered a satisfactory result considering the impact of prolonged wet weather. Unfavourable weather was the main contributing factor in group revenues reducing by $3.8 million during the October 2016 to 31 March 2017 period.

Despite savings from expenses, surplus after tax was down 21% to $13.4 million from $17 million the previous year which was a record year. After tax surplus was also impacted by the timing of recognising gross profit on significant Infratec Limited projects due for completion in the 2018 financial year. Despite the softer year Alpine's balance sheet remains strong and shareholder value continues to accrue satisfactorily.

Infratec Limited, a subsidiary company within the Alpine Group, secured donor funded renewable energy projects in the Cook Islands, Indonesia and Kiribati along with delivering smaller projects in New Zealand. Infratec has developed a strong pipeline of committed projects and opportunities.

South Canterbury's growth expectation remains buoyant on the back of larger scale opportunities still to be realised; such as the Hunter Downs Water scheme, additional on-farm activities, commercial/industrial growth, and sub-division expansion to cater for an influx over the years of additional people to service South Canterbury's growing economy.

As expected, health and safety is the most important aspect of everything we do. It underpins the very essence of our existence and continues to help mould the way in which we operate, engage, and evolve as one of the region's most trusted businesses. We have also invested in the area of staff health and wellness within the business along with the underlying themes of what drives certain behaviour.

The identification of critical risks and controls for these risks, and insights into the business we undertake are proving valuable contributors in our quest for continuous improvement and zero harm. We continue our journey of reaching through to various stakeholders including staff, their families, contractors, subcontractors, our consumers, schools, regulators, shareholders and the general public.

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

It is pleasing to note that we reached year-end without exceeding our reliability of supply regulatory thresholds; making two out of the last three years that we have achieved this. This is important as it demonstrates the 'fitness' of our infrastructure assets and the service we provide to maintain these at an acceptable level. Investments over the recent years in large scale mobile generation and mobile substation equipment, along with maintaining clear vegetation corridors, improved maintenance standards, and systematic condition assessment programs have all contributed to better business outcomes.

Emerging and cost effective technologies continue to feature as the main disruptor of the future electricity market. While the technology is not new, the cost effectiveness and timing in which it becomes more attractive to invest as a viable solution to our business is arguably close approaching. Infratec Limited continues to provide us with valuable insights into the economics and applications of these technologies and we also place greater emphasis on new technologies as part of our asset management planning.

Our roll out of advanced metering stock to replace aged and end of life assets is now nearing its final stage. We expect to complete the metering replacement programme by 31 March 2018. During the reporting period we were able to ensure our legacy metering stock while aging were still compliant. Through our investment in SmartCo we are seeking to move from predominately a meter deployment activity to one of securing greater network infrastructure benefits.

The Alpine Group continues to grow and it is satisfying that year-on-year we make improvement after improvement. To my fellow directors I thank you for the support and contribution you provide in setting and endorsing strategic direction from which further shareholder value is created. Special thanks also to management and staff for your commitment not only to the success of this business but also to the contribution afforded in creating value for our communities.

Stephen (Steve) Thompson

"The Alpine Group continues to grow and it is satisfying that year-on-year we make improvement after improvement."

Chief Executive's Review

I am very pleased to report another good year for the Alpine Group, despite the challenges of a prolonged period of wet weather and its impact on group surplus and completion of network capex. Wet weather impacted our 'variable lines revenue' which ended the year significantly down on budget. The wet conditions also stopped us in our tracks, literally, on completing our last major network project for the financial year.

If progress had continued unhampered by the wet weather we would have completed the year 'on-budget' against our network capex spend; and we would have also achieved a year-end surplus favourable against budget. This highlights the large variance we can experience between what might be considered a dry year versus a very wet year.

Network opex finished the year on budget.

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

- $4.04 million, overhead line refurbishment and renewal
- $3.21 million, 33 kV underground cable project Timaru to Seadown
- $2.38 million, new connections and subdivisions
- $0.85 million, Albury substation upgrade
- $0.77 million, overhead to underground conversions
- $0.42 million, Lysaghts Road reconductoring

Total network capex spend was $16.63 million against a budget of $18.57 million.

Delivered energy across the network at 777.25 GWh was down 5% on the previous year at 818.17 GWh. This was mostly attributable to less electricity load being consumed by irrigation.

Our group renewable energy business, Infratec Limited has worked closely with Alpine network personnel to identify 'non-network' and 'innovations to defer investment' options as outlined in Sections 5.5.1 and 5.5.2 of the Asset Management Plan.

Continuing our journey of investment in new business support applications we implemented our new ERP system 'Technology One' as well as migration to our new telephone and messaging system 'Mitel'. Technology One modules being used include asset management, finance and payroll. The Mitel system replaced our old PABX system and workstation handsets with softphones and headsets via our computer desktops. We also rolled out a new ESRI ArcGIS system.

With a myriad of inherent risks throughout the business we again placed strong emphasis on health and safety. As a measure of staff engagement health and safety features highly as areas of acute attention in the business. During the year we explored further the workings of the human brain and why it is as humans that we sometimes act the way we act and how this could in some cases lead to exposure to higher levels of risk. Our work in this space will continue in the new financial year.

As with previous years, we contributed widely to the community through personal development scholarships, and organisational and facilities sponsorships.

Our Alliance with NETcon continues to mature and our recently formed Alliance Management Team have tasked themselves to provide an uplift in service and results. Key to the ongoing success of the Alliance will be the attainment of KPIs and an efficient throughput and delivery of work for Alpine. Engagement will be further enhanced as we prepare to transition from the numerous locations across our Washdyke site of portacoms, houses, buildings, to a purpose-built building to house us all. Construction of the new site is well underway. We expect to move in by April 2018.

Commentary and interest on new technologies and 'disruption' remained at fever pitch this year. Interest has also extended to services beyond the meter where information and data are likely to play a clearer role in a consumer's choice for services. Our focus remains on utilising the technology and disruption to arrive at better business outcomes for Alpine and to create value and benefit to our shareholders and stakeholders as a whole.

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

Andrew Tombs

> ***"As with previous years, we contributed widely to the community through personal development scholarships, and organisational and facilities sponsorships."***

GOVERNANCE & MANAGEMENT

The Board of Directors

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

The board is the governing body of Alpine Energy Limited. It has five directors and meets 10 times a year.

Stephen Thompson
Chairman

Alister France
Director

Rick Ramsay
Director

Warren Bell
Director

Warren McNabb
Director

Andrew Tombs
Chief Executive

Michael Boorer
Group Manager - Corporate Services

Sara Carter
General Manager - Commercial & Regulatory

Willem Rawlins
General Manager - Network

Stephen Small
General Manager - Safety & Risk

Responsibilities

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

FINANCIAL SUMMARY

Trend Statement for the Group

	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
FINANCIAL PERFORMANCE					
Operating Revenue	63,655	63,851	63,749	53,590	46,035
Associate Entities' Earnings	11	439	159	(37)	124
Operating Surplus before Tax	18,677	23,622	22,153	15,396	15,424
Taxation	(5,233)	(6,568)	(5,461)	(4,071)	(4,518)
Net Surplus	13,444	17,054	16,692	11,325	10,906
Shareholder Distribution	9,299	8,472	7,976	7,563	7,563
FINANCIAL POSITION					
Current Assets	17,795	8,226	9,420	6,893	3,827
Non-Current Assets	237,053	213,314	192,642	183,092	161,272
Total Assets	254,848	221,540	202,062	189,985	165,099
Liabilities	118,479	90,489	78,566	73,894	53,466
Net Assets	136,369	131,051	123,496	116,092	111,633
Share Capital	41,328	41,328	41,328	41,328	41,328
Retained Earnings and Reserves	95,041	89,723	82,168	74,764	70,305
Equity	136,369	131,051	123,496	116,092	111,633
FINANCIAL RATIOS					
Net Surplus to Average Shareholders Equity	10.1%	13.4%	13.9%	9.9%	9.9%
Tangible Assets per Share	$6.07	$5.34	$4.89	$4.58	$3.99
Earnings per Share (cents)	32.5	41.3	40.4	27.4	26.4
Dividend per Share (cents)	22.5	20.5	19.3	18.3	18.3
STATISTICS					
SAIDI (System Average Interruption Duration Index)	133	155	140	275	148
SAIFI (System Average Interruption Frequency Index)	1.07	1.18	1.16	2.00	1.30

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

Directors' Report

General Disclosures

Principal Activities

The principal activity of Alpine Energy Limited (the company) is ownership of its electricity distribution network. The group, comprising Alpine Energy and its subsidiaries (NETcon Limited and its subsidiaries, 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 $63.65 million was achieved for the year, 0.31% lower than the previous year.

The group operating surplus before tax for the year was $18.68 million, 21% less 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 2017

	2017	2016
	$'000	$'000
Profit before Income Tax	18,677	23,622
Income Tax	(5,233)	(6,568)
Net Surplus after Income Tax attributable to the Shareholders	**13,444**	**17,054**

Share Capital

Total issued and paid up capital as at 31 March 2017 was 41,328,017 ordinary fully paid shares. There have been no movements in share capital during the year.

Dividends

Interim dividends, each of 4.50 cents per share, were paid in September and December 2016 and March 2017.

A fully imputed final dividend of $3.7 million will be paid on 31 July 2017 to all shareholders on the company's register at the close of business on 21 July 2017. This dividend is included in the dividends for the year of $9.3 million, and has been provided for.

Solvency certificates were completed in support of the interim dividend declarations on 22 September and 24 November 2016 and 23 February 2017, and the final dividend solvency certificate was submitted to directors for approval on 25 May 2017.

The interim and final dividends relating to 2016/17 represent 80.14% 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 31 March 2017 represents 10.5% return on average total shareholders equity.

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

Corporate Governance

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

Board of Directors

The board is the governing body of Alpine Energy Limited and currently has five members. The board is appointed by shareholders to oversee the management of the company and is responsible for all corporate governance matters. The board endeavours to ensure that the activities undertaken are carried out in the best interests of all shareholders, while respecting the rights of other stakeholders. The board met 10 times during the year.

Operation of the Board

Responsibilities

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

Audit and Risk Committee

The Audit and Risk Committee, comprising three directors (Steve Thompson, Warren Bell and Warren McNabb), 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 Bell.

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.

Directors

Parent

Mr S.R. Thompson (Chairman), Mr R.D. Ramsay, Mr W.A. Larsen (to 28 July 2016), Mr A.J. France, Mr W.J. Bell, Mr R.J. Smith (from 28 July 2016 to 11 October 2016), Mr W.B. McNabb (from 11 October 2016)

Subsidiaries

Mr S.R. Thompson (Chairman), Mr R.D. Ramsay, Mr W.A. Larsen (to 28 July 2016), Mr A.J. France, Mr W.J. Bell, Mr M.F. Boorer, Mr R.J. Smith (from 28 July 2016 to 11 October 2016), Mr W.B. McNabb (from 11 October 2016)

Associates

Mr A.J. France (Chairman) (from 22 February 2017), Mr R.D. Ramsay, Mr A.G. Tombs, Mr M.F. Boorer

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 $23,800 (2015/16 $19,958).

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' REPORT

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

Directors Interests in Contracts

Mr S. R. Thompson

Name of Company/Entity	Interest
Abbey Field Construction Ltd	Shareholder
Andgra Limited	Shareholder
Aspiring Guides Ltd	Shareholder
Aurora Energy Ltd	Chairman
Cairnmuir Road Winery Ltd	Director
Cairnmuir Road Winery Ltd	Shareholder
Canterbury Aluminium Ltd	Director
Delta Utilities Services Ltd	Chairman
F.S. Investments Ltd	Director
Infratec Ltd	Chairman
Infratec Renewables (Rarotonga) Ltd	Chairman
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	Shareholder
Passmore Consulting Services Ltd	Director
Passmore Consulting Services Ltd	Shareholder
Richard E Shackleton Architects Ltd	Shareholder
Ripponvale Irrigation Company Limited	Shareholder
Sarita Holdings 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
HB Australia Pty Ltd	Director
Infratec Ltd	Director
Infratec Renewables (Rarotonga) Ltd	Director
Meadow Mushrooms Group of Companies	Director
Meadow Mushrooms Ltd	Director
NET Limited	Director
Poraka Limited	Director
Poraka Limited	Shareholder
Retail 161 Ltd	Director
Retail 161 (Australia) Ltd	Director
Ryman Healthcare Ltd	Director
Sabina Ltd	Director
Selwyn District Council–	
Rolleston Industrial Park Committee	Member
St Georges Hospital	Chairman
Warren Bell Ltd	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	Trustee
Infratec Ltd	Director
Infratec Renewables (Rarotonga) Ltd	Director
NETcon Limited	Director
Rockgas Timaru Ltd	Chairman
The Juicy Tree Co Ltd	Director

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

Mr W. B. McNabb

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

Mr A. G. Tombs

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

Mr M. F. Boorer

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

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

Directors Remuneration

	Parent	Subsidiaries	Joint Venture	Total
S.R. Thompson	84,378	-		84,378
R.D. Ramsay	46,772	-	1,500	48,272
W.A. Larsen	16,416	-		16,416
A.J. France	44,772	-	1,830	46,602
W.J. Bell	46,772	-		46,772
R.J. Smith	7,462			7,462
W.B. McNabb	21,062			21,062
Total	**267,634**	**-**	**3,330**	**270,964**

Mr Boorer and Mr Tombs did not receive any remuneration directly related to the position of director of a subsidiary company that they held for a period during the year.

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

Employee Remuneration

Details of remuneration ranges for employees of the group are:

Remuneration Range	Number of Employees
$100,000-$109,999	9
$110,000-$119,999	7
$120,000-$129,999	11
$130,000-$139,999	8
$140,000-$149,999	7
$150,000-$159,999	3
$160,000-$169,999	2
$180,000-$189,999	1
$190,000-$199,999	2
$200,000-$209,999	1
$260,000-$269,999	2
$360,000-$369,999	1

Auditors

In accordance with Section 45 of the Energy Companies Act 1992, the Auditor-General is responsible for the audit of Alpine Energy Limited. In accordance with Section 29 of the Public Finance Act 1977, the Auditor-General has contracted the audit of Alpine Energy Limited to Nathan Wylie, using the staff and resources of PricewaterhouseCoopers. The audit fee for the Group for 2016/17 is $94,500 (2015/16 $86,000).

S.R. Thompson
Chairman
30 May 2017

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 group at 31 March 2017 and their financial performance and cash flows for the year ended on that date.

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

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

The directors consider they have taken adequate steps to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors have pleasure in presenting the financial statements of Alpine Energy Group for the year ended 31 March 2017.

For and on behalf of the directors,

S.R. Thompson
Chairman

A.J. France
Director

POWERFUL PROJECTS - & - **GREAT** STORIES

GREAT STORIES

NETcon lineman Luke Thornley wins Connexis ITO distribution trainee of the year award

When the power goes out while you are trying to cook dinner or make a cup of coffee, one of the people you can thank for getting it back up and running is Timaru man Luke Thornley.

Thornley, a lineman for NETcon, is pretty good at his job – he won a Connexis Distribution Trainee of the Year award.

Connexis is the infrastructure industry training organisation.

The trainee excellence awards celebrate the best and brightest trainees working in the electricity supply and telecommunications industries and those who have made a significant contribution to the industry through their enthusiasm and commitment to industry training.

Thornley, formerly an IT worker for Alpine Energy, has been with NETcon for two years.

He'd been involved in block training courses and due to his excellent performance in those he was put forward for the trainee of the year award.

Thornley's nomination went before a panel of judges who spoke to his trainers and work mentors before deciding he was a worthy recipient.

As well as being on NETcon's leadership team representing workers and on the health and safety committee, he is also a union delegate and highly respected by his peers.

Thornley said he enjoys the job because it requires a high level of safety and "makes you think actively about the job".

The award is really a credit to the people he works with, he said.

"They have shown me a lot of stuff. A lot of the guys have been there 25 years doing it and showing me ways of doing stuff. There are people throughout the South Island who have helped me."

Courtesy of Timaru Herald

Infratec wins champion Canterbury business award

Infratec was recognised as one of the leading enterprises in Canterbury with its work in the renewable energy, high voltage networks and alternative fuels fields in New Zealand and overseas.

The subsidiary of NETcon, Alpine Energy's service company, won the Champion Global Operator small enterprise category in the Champion Canterbury Business Award.

Infratec's first overseas project was installing solar power in Afghanistan. It also works in the South Pacific and has contracts in Kiribati and the Cook Islands.

Champion Canterbury director Leeann Watson said the company's innovative products, passionate people and challenging markets put it ahead of others in its category.

In the Pacific Islands Infratec has been converting diesel produced electricity to solar power, reducing noise pollution, CO2 emissions and cost of power.

The projects engage local people, providing them with work and developing skills within the communities that last beyond the project completion.

Infratec is also looking at opportunities to work with eco-tourism businesses to get power to huts where there are no power lines.

General Manager Bids and Business Development Luke van Zeller accepts the award on behalf of the organisation.

GREAT STORIES

Ancient moa bones discovery

It is not every day you go to work and discover ancient moa bones, but that is exactly what happened to a crew of linemen installing power to a South Canterbury farm.

Just moments into creating the post hole they unearthed moa bones. Realising what they had uncovered, the contract team stopped work and contacted us immediately.

It was an unusual phone call for one of our staff to take - being informed bones have been discovered at a work site is definitely not an everyday occurrence.

About 50 moa bones were carefully removed from the site and transferred to the South Canterbury Museum in Timaru and under the care of Natural History Director, Philip Howe.

What we know of the bones is that they are from two individuals, one being a large bush female, and it is likely that they got stuck in swamp land.

A sample from the bones was sent to the United States for analysis which will provide valuable information about the birds.

Empowering our community

We are proud to be able to support local projects, events and facilities that help make a difference in our community.

Over the last five years we supported the South Canterbury community to the value of $1.6 million through our general sponsorship commitment and the personal development fund.

The allocation of funding helps local clubs, groups, organisations and trusts with contributions for a better community that can be enjoyed by all.

Over the years thousands of South Cantabrians have seen their personal development goals boosted through a grant of up to $1000.

Infratec Limited

Infratec Limited has undergone a substantial evolution in the reporting year through securing a series of contracts and the addition of a number of key staff.

The Infratec team crystallised a concerted business development effort with design and construct contracts in the South Pacific and in New Zealand and advisory engagements in Indonesia and New Zealand. It has had advisory engagements in the South Pacific while completing the second year of a Capability Building contract in Afghanistan.

Along with these arrangements, Infratec has been engaged by clients to undertake distribution network maintenance work in Canterbury and Otago.

New office block

This year we started our new purpose-built office building in Washdyke, bringing together about 180 Alpine Energy, NETcon and Infratec staff.

The 3000 square metre, two-level building, is not just another office block. We are exploring options to incorporate modern environmental and building innovations such as solar power, battery storage and harvesting rainwater

When completed early 2018, our operations will be housed in one building, removing the need for multiple buildings and portacoms across the Washdyke site from which staff currently work from.

The new building will be conducive to establishing a positive work environment better reflecting our values and improved customer service.

"The new building will be conducive to establishing a positive work environment better reflecting our values and improved customer service."

POWERFUL PROJECTS

Photo: Infratec/NETcon CEO Steve McCoy and Alpine Energy CEO Andrew Tombs look over the battery storage.

Battery storage trial

We have started trialling a grid connected commercial battery energy storage system to better understand new and emerging technologies and the role they play in our country's future.

The purpose of the five-year trial of the technology is to get more information about the impact of demand response, load shifting and alternative tariff structures from the perspective of a distribution lines company.

The trial is being managed by one of our subsidiary companies, Infratec, a company well recognised for its leadership in research, development and deployment of new technologies within the energy sector.

At 143 kWh the energy storage system can supply up to 20 average sized homes for one hour during peak periods and over two hours during off peak periods.

The project not only delivers efficiencies to our core business but it also provides us with the chance to grow our internal capability in new technologies and to prepare to support emerging technologies by utilising battery storage technology.

> ***"At 143 kWh the energy storage system can supply up to 20 average sized homes for one hour during peak periods and over two hours during off peak periods."***

It is anticipated other versions of the battery will be produced which can be used by heavy power users to store power generated by other means such as solar panels or wind turbines.

The battery was supplied by Australian company, EMC.

Minister of Energy and Resources launches project

The significance that the battery energy storage project brings to the energy sector was acknowledged by Minister of Energy and Resources, Hon Simon Bridges, at the official launch of the project.

The Minister, joined by Timaru Mayor Damon Odey and local MP Hon Jo Goodhew, was keen to learn more about this five-year trial and the potential this type of technology has for the future.

In February we started trialling a grid connected battery energy storage system to help us better understand new and emerging technologies.

The project is being managed by Infratec, a subsidiary company of NETcon Limited and part of the Alpine Energy Group.

Not only will the project deliver efficiencies to Alpine Energy's core business, it gives us the chance to grow our internal capability in new technologies and to prepare to support emerging technologies by using battery storage technology.

The energy storage battery is in a 20-foot fully fire proof shipping container and is re-locatable to allow for use on low voltage sites throughout the network.

Design and construction of the battery storage system was completed by Australian company Energy Made Clean Ltd (EMC), who specialise in designing and building commercial and utility scale renewable energy projects across Australasia.

GREAT STORIES

Going pink for a good cause

Last year we joined thousands of New Zealanders across the country and hosted our own Pink Ribbon Breakfast.

The combined Alpine and NETcon event raised an impressive $1058 with about 70 staff, mainly men, participating in the event.

While the colour of choice for the morning was more high-vis orange than pretty pink, it didn't stop us from getting behind this important fundraiser and giving generously to the cause.

The money went to the New Zealand Breast Cancer Foundation where it was used for breast cancer research.

> ***"The combined Alpine and NETcon event raised an impressive $1058 with about 70 staff, mainly men, participating in the event."***

Fibre

Ultra-fast broadband is not something commonly associated with an energy company but delivering wholesale fibre optic cable services to retailers is a growing enterprise for Alpine Energy.

For more than five years we've been involved in owning and managing fibre optic networks throughout South Canterbury and this year, as a result of customer demand, we're looking to expand the existing fibre network.

The expansion will provide both diversity and increased capacity as the current network is almost fully utilised and has been experiencing significant customer interest for additional capacity in the region.

Our fibre network, leased to a range of telecommunications operators and internet service providers, is an essential network link that connects homes, businesses and people in the southern regions of New Zealand to the rest of the world.

Our involvement with fibre optic networking began during the first round of the Government's ultrafast broadband initiative in 2009.

From that initial work, we're now delivering wholesale fibre optic cable services - a business model that is identical to our energy business.

As part of this approach, we formed a joint venture with the University of Canterbury, in Tekapo, connecting the Mount John observatory to the Chorus exchange via the town's central business district through a jointly owned fibre optic cable.

EV charging stations

We were delighted to be able to open South Canterbury's first public electric vehicle (EV) fast-charging stations in Timaru and Waimate and are planning to install more in other locations around the region during 2017 – 18.

Strategically located, our chargers provide electric vehicle users with a convenient and fast means to charge their car.

The two charging stations were part of a nationwide roll out to help elevate the dreaded "range anxiety" often talked about with electric vehicles.

Our continued partnership with Charge Net, the operator of a nationwide electric vehicle charging network, will see us exploring future opportunities to install further EV fast-charging stations in South Canterbury.

Electric vehicle drivers can access the fast charger network via a RFID card, which drivers tap against the charging unit to activate it, or via a smartphone app.

Opening up the first EV fast charging station in Timaru.

Washdyke cable project provides vital infrastructure

A project to improve the electrical infrastructure and provide for industrial expansion and economic growth is underway in Washdyke, Timaru.

NETcon, on behalf of Alpine Energy, laid four new high voltage underground cable circuits from the Transpower Timaru Substation on Old North Road to Alpine's site on Seadown Road.

The new infrastructure provides consumers in the general Washdyke industrial and outlying areas with a substantial increase in available capacity, improved reliability and security of supply for the next 15-20 years.

The project was a significant investment in South Canterbury's future and provides vital infrastructure for the continued economic development of the region.

Over the last few years there have been changes in the wider Washdyke area with more land development and with that comes more demand for electricity.

POWERFUL PROJECTS

Waihao Downs irrigation scheme

The Waihao Downs Irrigation Scheme is one of the many rural based projects we have been involved with during the 2016/17 year.

The growth in the farming sector and demand for irrigation saw the opening of the Waihao Downs Irrigation Scheme, located about 60km south of Timaru as part of an extension to the Morven Glenavy Ikawai Irrigation scheme.

In order to supply sufficient electricity to the pumps which would push water to 32 irrigators across 3500 ha of farms signed up to the scheme, a dedicated extension of the network had to be constructed. This was done by Alpine's contracting arm NETcon. It was completed within an eight week timeframe and under budget.

The extension required about 120 new poles to be installed and wired over a length of 8kms and also included an upgrade to the Bells Pond Substation.

We understand reliable irrigation plays a vital role in the region's economic and social wellbeing. Those behind the success of the scheme have been commended for their tenacity, leadership and drive in pushing this project through in challenging times.

The next irrigation project currently being worked through with stakeholders is Hunter Downs Irrigation which will provide a reliable water supply for farms and communities between Waimate and Timaru.

The two schemes are essential to the electrical connectivity in the rural sector through supporting increasing power demand for on farm activity.

"We understand reliable irrigation plays a vital role in the region's economic and social wellbeing."

FINANCIAL STATEMENTS

Statement of Comprehensive Income for the year ended 31 March 2017

	NOTE	GROUP 2017 $'000	GROUP 2016 $'000
Revenue	5	63,655	63,851
Expenses	6		
Transmission		15,433	14,770
Depreciation Amortisation and Loss on Disposal		8,194	6,922
Contract Services		5,746	6,546
Employee Benefits		11,769	9,998
Interest	7	2,444	2,313
Other		1,403	119
		44,989	**40,668**
Operating Surplus		18,666	23,183
Share of Profit from Joint Ventures/Associates	10	11	439
Profit Before Income Tax		**18,677**	**23,622**
Taxation	11	5,233	6,568
Profit From Operations		**13,444**	**17,054**
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	474	233
		474	233
Items that may be subsequently reclassified to Profit or Loss			
Gain/(Loss) on Interest Rate Swap		699	(1,260)
		699	(1,260)
Total Comprehensive Income for the Year		**14,617**	**16,027**

FINANCIAL STATEMENTS

Statement of Changes in Equity for the year ended 31 March 2017

	Contributed Equity $'000	Revaluation Reserve $'000	Hedge Reserve $'000	Retained Earnings $'000	Total Equity $'000
GROUP					
Balance as at 1 April 2015	41,328	2,205	(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**	**2,438**	**(2,421)**	**89,706**	**131,051**
GROUP					
Balance as at 1 April 2016	41,328	2,438	(2,421)	89,706	131,051
Comprehensive Income					
Profit from Operations	-	-	-	13,444	13,444
Other Comprehensive Income / (Loss)	-	474	699	-	1,173
	-	474	699	13,444	14,617
Transactions with Owners					
Dividends	-	-	-	(9,299)	(9,299)
BALANCE AT 31 MARCH 2017	**41,328**	**2,912**	**(1,722)**	**93,851**	**136,369**

Balance Sheet as at 31 March 2017

	NOTE	GROUP 2017 $'000	GROUP 2016 $'000
Equity			
Share Capital	17	41,328	41,328
Reserves		1,190	17
Retained Earnings	18	93,851	89,706
Total Shareholders Equity		**136,369**	**131,051**
Current Assets			
Cash and Cash Equivalents	16	4,370	691
Trade and Other Receivables	15	2,936	2,756
Inventories	9	5,904	4,527
Work In Progress		3,601	4
Tax Receivable		984	248
Total Current Assets		**17,795**	**8,226**
Current Liabilities			
Trade and Other Payables	19	11,029	7,719
Employee Entitlements		1,706	1,467
Deferred Revenue		5,590	-
Dividends Payable		3,720	3,389
Total Current Liabilities		**22,045**	**12,575**
Net Working Capital		**(4,250)**	**(4,349)**
Non-Current Assets			
Investments in Subsidiaries	8	-	-
Investments Accounted for Using the Equity Method	10	155	244
Property, Plant and Equipment	12	226,746	207,791
Intangible Assets	13	4,049	458
Related Party Loan	26	5,840	4,690
Investment		263	131
Total Non-Current Assets		**237,053**	**213,314**
Non-Current Liabilities			
Deferred Tax	21	24,403	22,142
Derivatives	14	2,391	3,362
Loans	20	69,640	52,410
Total Non-Current Liabilities		**96,434**	**77,914**
Net Assets		**136,369**	**131,051**

FINANCIAL STATEMENTS

Statement of Cash Flows for the year ended 31 March 2017

	NOTE	GROUP 2017 $'000	GROUP 2016 $'000
Cash Flows From Operating Activities			
Cash was provided from:			
Receipts from Customers		67,708	65,266
Interest Received		-	-
		67,708	**65,266**
Cash was applied to:			
Payments to Suppliers		(34,521)	(31,600)
Income Tax Paid		(4,015)	(3,785)
Net GST Paid		408	123
Interest Paid		(2,444)	(2,313)
		(40,572)	(37,575)
Net Cash Inflow From Operating Activities	**22**	**27,136**	**27,691**
Cash Flows From Investing Activities			
Cash was provided from:			
Proceeds from Sale of Fixed Assets		321	102
Dividends Received		100	100
Cash was applied to:			
Purchase of Property, Plant and Equipment		(30,587)	(25,390)
Investment in Associated Entities		(1,553)	(1,248)
Net Cash Outflow From Investing Activities		**(31,719)**	**(26,436)**
Cash Flows From Financing Activities			
Cash was provided from:			
Loan from Bank		17,230	7,080
Cash was applied to:			
Dividend Paid		(8,968)	(8,274)
Cash Outflow From Financing Activities		**8,262**	**(1,194)**
Net Increase/(Decrease) In Cash Held		3,679	61
Add opening cash brought forward		691	630
Cash and Cash Equivalents at End of the Year		**4,370**	**691**

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 30 May 2017.

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 2017, 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.

NOTES TO THE FINANCIAL STATEMENTS

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 ventures 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.

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-

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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 Board.

2.24 Construction contracts

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

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

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

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

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

2.25 Goods and services tax (GST)

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

3 Financial Risk Management

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

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

(ii) Cash flow and fair value interest rate risk

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

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

Hedging profile

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

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

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

(b) Credit risk

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

NOTES TO THE FINANCIAL STATEMENTS

forecasts of the Group's liquidity requirements on the basis of expected cash flow. The Board of Directors approves all new borrowing facilities.

	2017	2016
	$'000	$'000
External Funding Arrangements		
Overdraft facility - BNZ	500	5,000
Long Term Funding		
Maturing greater than 12 months		
Flexible Credit Facility (ANZ)	35,000	35,000
Money Market Line (ANZ)	34,640	17,410

(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.

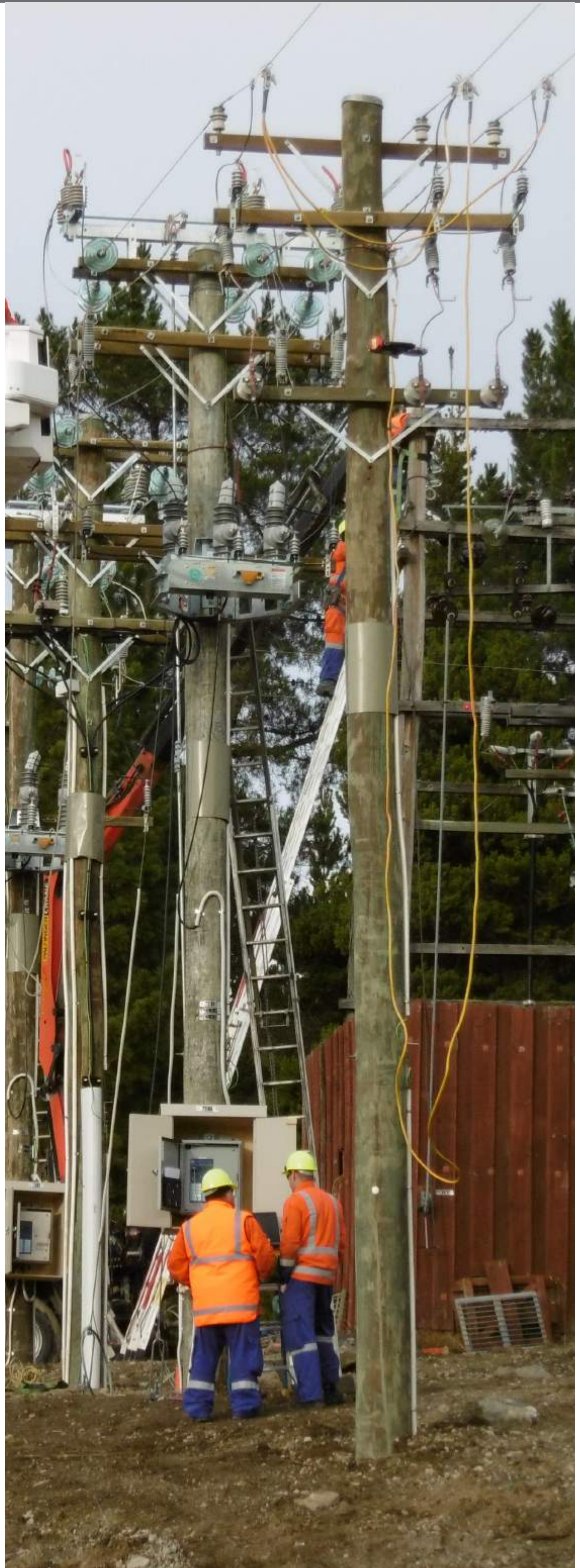
(e) Capital risk management

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 2017, the Group's strategy, which was unchanged from 2016, 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.



	GROUP	
	2017	2016
	$'000	$'000
Tangible Assets	250,798	220,834
Total Equity	136,369	131,050
Shareholders Equity to Total Assets	**54.4%**	**59.3%**
EBIT	21,121	25,936
Interest Cost	2,444	2,313
Interest Cover	**9:1**	**11:1**

(Shareholders' Investment/Total Tangible Assets) x 100 ≥ 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) 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.

NOTES TO THE FINANCIAL STATEMENTS

5 Revenue

	GROUP 2017 $'000	2016 $'000
Network Lines Revenue	53,839	52,194
Meter Revenue	1,810	2,104
Contracting Revenue	3,378	2,576
Interest	8	1
Customer Contributions	3,013	5,831
Sundry	1,607	1,145
	63,655	**63,851**

6 Expenses

	GROUP 2017 $'000	2016 $'000
Audit Fee	95	86
Auditor's Other Services		
- Non-assurance services	15	-
- Information Disclosure Audit	31	31
- DPP Compliance Statement	29	19
	170	**136**
Directors' Fees	271	269
Bad Debts Written Off	127	19
Donations	24	20
Rent	96	56
Interest Expense	2,444	2,313
	2,962	**2,677**
Depreciation of Property, Plant and Equipment		
Network Reticulation System	5,071	4,665
Meters and Relays	828	569
Land and Buildings	51	52
Fibre	144	146
Plant and Equipment	1,330	1,270
Total Depreciation of Property, Plant and Equipment	**7,424**	**6,702**
Amortisation	295	140
Loss on Disposal of Property, Plant and Equipment	475	80
Total Depreciation, Amortisation and Impairment	**8,194**	**6,922**

7 Finance Income and Costs

	GROUP 2017 $'000	2016 $'000
Interest Expense:		
Bank Borrowings	2,444	2,313
Finance Costs	2,444	2,313
Finance Income:		
Interest Income on Short-Term Bank Deposits	(8)	(1)
Finance Income	**(8)**	**(1)**
Net Finance Costs	**2,436**	**2,312**

8 Investment in Subsidiaries

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

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

9 Inventory

Inventory on hand	GROUP 2017 $'000	2016 $'000
Smart Meters	4,294	3,156
Stock	1,610	1,371
Closing Balance	**5,904**	**4,527**

NOTES TO THE FINANCIAL STATEMENTS

10 Investments Accounted for Using the Equity Method

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

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

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

The Bamyan project was concluded and wound up in the year ended 31 March 2016. As such there is no profit or loss to account for in the current period.

Rockgas Timaru Limited	**2017**	**2016**
	$'000	**$'000**
Assets	847	768
Liabilities	301	277
Revenues	2,468	2,358
Profit	254	258
Opening Balance	249	220
Share of Profit/(Loss)	127	129
Dividends Received	(100)	(100)
Closing Balance	**276**	**249**
Represented as:		
Shares	5	5
Retained Earnings	271	244
	276	**249**

On Metering Limited	**2017**	**2016**
	$'000	**$'000**
Assets	11,603	8,861
Liabilities	11,842	8,872
(Loss)	(232)	(10)
Opening Balance	(5)	(105)
Share of Profit/(Loss)	(116)	100
Closing Balance	**(121)**	**(5)**
Represented as:		
Retained Earnings	(121)	(5)
	(121)	(5)

Bamyan Renewable Energy Partnership	**2017**	**2016**
	$'000	**$'000**
Opening Balance	-	
Share of Profit/(Loss)	-	210
Closing Balance	**-**	**210**
Total Share of Profit from Joint Ventures/Associates	**11**	**439**
Rockgas Timaru Limited	276	249
On Metering Limited	(121)	(5)
Bamyan Renewable Energy Partnership	-	-
Total Investment in Joint Ventures/Associates	**155**	**244**

11 Income Tax Expense

	GROUP	
	2017	**2016**
	$'000	**$'000**
Operating Surplus Before Income Tax	18,677	23,622
Taxation @ 28 Cents	5,230	6,614
Movement in Income Tax Due to:		
Non-Deferred Tax Differences		
Non-Assessable Income	(122)	(76)
Non-Deductible Expenses	137	60
Prior Period Adjustments	(12)	(30)
Tax Expense for Period	**5,233**	**6,568**
Made up of:		
Income Tax Liability in Respect of Current Year	3,447	3,794
Prior Period Current Tax Adjustment	(169)	(178)
Prior Period Deferred Tax Adjustment	157	148
Deferred Taxation	1,798	2,804
	5,233	**6,568**
The tax (charge)/credit relating to components of other comprehensive income is as follows:		
Gain/(Loss) on Revaluation of Land and Buildings Before Tax	508	323
The Tax (Charge)/Credit on Revaluation of Land and Buildings	(34)	(90)
Gain/(Loss) on Revaluation of Land and Buildings After Tax	**474**	**232**
Gain/(Loss) on Interest Rate Swap Before Tax	971	(1,749)
The Tax (Charge)/Credit on Interest Rate Swap (including Prior Period Adjustment)	(272)	489
Gain/(Loss) on Interest Rate Swap After Tax	**699**	**(1,260)**
Imputation Credit Account Group and Parent		
Opening Balance	2,827	2,519
Prior Period Adjustment		
Income Tax Paid/Payable	3,216	5,211
Income Tax Refunded/Refundable	(72)	(1,580)
Imputation Credits Received	39	39
Imputation Credits Allocated and to be Allocated to Dividends	(3,482)	(3,362)
CLOSING BALANCE	**2,528**	**2,827**

NOTES TO THE FINANCIAL STATEMENTS

12 Property, Plant and Equipment

	Network Reticulation System $'000	Meters & Relays $'000	Land & Buildings $'000	Fibre $'000	Plant & Equipment $'000	Total $'000
GROUP						
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**
Year Ended 31 March 2017						
Opening Net Book Amount	186,081	4,868	7,401	2,841	6,600	**207,791**
Revaluation	-	-	508	-	-	**508**
Additions	16,253	4,840	3,303	420	1,849	**26,665**
Disposals	(306)	-	(484)	-	(4)	**(795)**
Depreciation Charge	(5,071)	(828)	(51)	(144)	(1,330)	**(7,424)**
Closing Net Book Amount	**196,957**	**8,880**	**10,677**	**3,117**	**7,115**	**226,746**
At 31 March 2017						
Cost	250,090	14,507	10,813	4,031	17,238	**296,679**
Accumulated Depreciation	(53,133)	(5,627)	(136)	(914)	(10,123)	**(69,933)**
Net Book Amount	**196,957**	**8,880**	**10,677**	**3,117**	**7,115**	**226,746**

	2017 $'000	2016 $'000
Included in the closing Net Book Value is Capital Work in Progress	**16,984**	**9,038**

Revaluation of Land & 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 2017 and 2016. 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 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**
Year Ended 31 March 2017			
Opening Net Book Amount	58	400	**458**
Additions	-	3,885	**3,885**
Disposals	-	-	**-**
Amortisation	(1)	(293)	**(294)**
Closing Net Book Amount	**57**	**3,992**	**4,049**
At 31 March 2017			
Cost	99	5,140	**5,239**
Accumulated Amortisation	(42)	(1,148)	**(1,190)**
Net Book Amount	**57**	**3,992**	**4,049**

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).

NOTES TO THE FINANCIAL STATEMENTS

14 Financial Instruments (continued)

GROUP Assets as per Balance Sheet	Derivatives used For Hedging $'000	Loans and Receivables $'000	Total $'000
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 Swaps	-	-	**-**
	-	**8,136**	**8,136**
As at 31 March 2017			
Related Party Loan	-	5,840	**5,840**
Receivables	-	2,936	**2,936**
Cash and Cash Equivalents	-	4,370	**4,370**
Interest Rate Swaps	-	-	**-**
	-	**13,146**	**13,146**
Liabilities as per Balance Sheet			
At 31 March 2016			
Trade and Other Payables	-	(7,719)	**(7,719)**
Interest Rate Swaps	(3,362)	-	**(3,362)**
Long Term Borrowings	-	(52,410)	**(52,410)**
	(3,362)	**(60,129)**	**(63,491)**
At 31 March 2017			
Trade and Other Payables	-	(11,029)	**(11,029)**
Interest Rate Swaps	(2,391)	-	**(2,391)**
Long Term Borrowings	-	(69,640)	**(69,640)**
	(2,391)	**(80,669)**	**(83,060)**

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 2017 $'000	2016 $'000
The balance of Accounts Receivable comprises:		
Trade Receivables	2,294	2,430
Provision for Doubtful Debts	(75)	(2)
Prepayments	235	147
Accruals	104	61
Due by Other Related Parties	204	57
Due by Joint Arrangements	10	9
Due by Shareholders District Councils	164	54
Balance at End of the Year	**2,936**	**2,756**
Trade Receivables less than 90 days old	2,285	2,462
Trade Receivables greater than 90 days old	385	90
	2,670	**2,552**
Trade Receivables which are neither past due nor impaired	2,008	2,102
Trade Receivables which are past due and not impaired	662	450
	2,670	**2,552**

NOTES TO THE FINANCIAL STATEMENTS

16 Cash and Cash Equivalents

	GROUP	
	2017	2016
	$'000	$'000
Cash at bank and in hand	4,370	691
Short-term bank deposits	-	-
Cash and cash equivalents (excluding bank overdrafts)	**4,370**	**691**
Cash and cash equivalents include the following for the purposes of the statement of cash flows:		
Cash and cash equivalents	4,370	691
Cash and cash equivalents	**4,370**	**691**

17 Share Capital

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

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

There were no changes to shareholdings during the year.

18 Retained Earnings

	GROUP
	$'000
At 1 April 2015	81,124
Profit for the year	17,054
Dividends paid	(8,472)
At 31 March 2016	**89,706**
At 1 April 2016	89,706
Profit for the year	13,444
Dividends paid	(9,299)
At 31 March 2017	**93,851**

19 Trade and Other Payables

	GROUP	
	2017	2016
	$'000	$'000
The balance of Accounts Payable comprises:		
Trade Payables	5,398	4,257
Balance Date Accruals	4,740	2,601
Capital Contributions in Advance	790	803
Due by Associated Entities	97	47
Due by Shareholders District Councils	4	11
Balance at End of the Year	**11,029**	**7,719**

20 Loans

The Group has a loan facility with the ANZ Bank to draw down a maximum of $75,000,000 (2016:$65,000,000). 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.

	2017	2016
	$'000	$'000
Flexible Credit Facility	35,000	35,000
Money Market Line	34,640	17,410
Total	**69,640**	**52,410**

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 $346,400 (2016: $174,100) in the interest expense for the year. The covenants governing the loan have not been breached during the year.

	2017	2016
	$'000	$'000
Bank Overdraft	-	-
The Group has the following undrawn borrowing facilities:		
Floating rate:		
Expiring within one year	-	-
Expiring beyond one year	5,360	12,590
Fixed rate:		
Expiring within one year	-	-
Total	**5,360**	**12,590**

NOTES TO THE FINANCIAL STATEMENTS

21 Deferred Income Tax

The gross movement on the Deferred Income Tax Account is as follows:	2017 $'000	2016 $'000
At 1 April	(22,142)	(19,589)
Tax (Charge)/Credit Relating to Components of Comprehensive Income	(1,955)	(2,949)
Tax (Charge)/Credit directly to Equity	(306)	396
As at 31 March	**(24,403)**	**(22,142)**

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 2015	(21,013)	(21,013)
Charged/(Credited) to the Statement of Comprehensive Income	(3,719)	(3,719)
At 31 March 2016	**(24,732)**	**(24,732)**
Charged/(Credited) to the Statement of Comprehensive Income	(2,459)	(2,459)
At 31 March 2017	**(27,191)**	**(27,191)**

Deferred Tax Assets	Provisions $'000	Total $'000
At 1 April 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**
Charged/(Credited) to the Statement of Comprehensive Income	504	504
Charged/(Credited) to the Statement of Changes in Equity	(306)	(306)
At 31 March 2017	**2,788**	**2,788**

22 Reconciliation of Operating Surplus with Cash Flows From

Operating Activities	GROUP 2017 $'000	2016 $'000
Operating Surplus After Income Tax	13,444	17,054
Add/(Deduct) Non-Cash Items		
Depreciation and Amortisation	8,194	6,922
Increase in Deferred Tax Liability	2,261	2,554
Net Movement in Non Cash Items	**10,455**	**9,476**
Add/(Deduct) Movements in Working Capital Items		
(Increase)/Decrease in Accounts Receivable	(180)	725
(Increase)/Decrease in Inventories and Work in Progress	(4,976)	780
(Increase)/Decrease in Associated Entities Profit	(11)	(439)
Increase/(Decrease) in Creditors and Employee Entitlements	3,550	311
Increase/(Decrease) in Deferred Revenue	5,590	-
Increase/(Decrease) in Provision for Tax	(736)	(215)
Net Movement in Working Capital Items	**3,237**	**1,161**
Add (Deduct) Items Classified as Financing		
Net Cash Flows From Operating Activities	**27,136**	**27,691**
In the statement of cash flows, proceeds from sale of PPE comprise:		
Net Book Amount	795	181
Profit/(Loss) on Disposal of PPE	(474)	(80)
Proceeds from Disposal of PPE	**321**	**101**

NOTES TO THE FINANCIAL STATEMENTS

23 Contingencies

The Group has contingent liabilities as at 31 March 2017 of $8,627,480 in the form of performance and import guarantees to cover ongoing project work (2016 NZD 693,591)

24 Commitments

	GROUP	
	2017	2016
	$'000	$'000
(a) Capital commitments	5,538	3,178
(b) Lease commitments as lessee:		
Within one year	327	152
Between one and five years	414	250
Over five years	-	-

The group has other commitments totalling $1,762,409 per annum relating to new investment contracts with Transpower. The contracts generally have a term of 20 years, and 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:

		GROUP	
		2017	2016
		$'000	$'000
Lease of fibre network	Within one year	512	523
	Between one and five years	2,558	2,558
	Over five years	6,479	6,991
Rentals from building lease agreements	Within one year	177	173
	Between one and five years	207	360
	Over five years	-	21

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	
	2017	2016
	$'000	$'000
Revenues from Shareholder District Councils - Contracting Activities		
MacKenzie District Council	269	308
Timaru District Council	417	454
Waimate District Council	21	32
Payments to Shareholder Distrcit Councils - Rates		
MacKenzie District Council	16	16
Timaru District Council	79	90
Waimate District Council	13	12

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 normal commerical rates.

	GROUP	
	2017	2016
	$'000	$'000
Deloitte (S.R. Thompson)	-	421

Transactions with Joint Ventures

Transactions with joint ventures include:

Charges to Rockgas Timaru Limited for property rentals and financial services

	GROUP	
	2017	2016
	$'000	$'000
Revenues from Rockgas Timaru Limited	27	41

NOTES TO THE FINANCIAL STATEMENTS

26 Related Parties (continued)

	GROUP	
	2017	2016
	$'000	$'000
Revenues from On Metering	204	58
Balances due from and to joint ventures are shown in notes 15 and 19		

Transactions with Other Related Parties	GROUP	
	2017	2016
	$'000	$'000
Revenues from BREP	-	133
Balances due from and to joint ventures are shown in notes 15 and 19		

Key Management Compensation	GROUP	
	2017	2016
	$'000	$'000
Salaries	1,979	2,097

Loans to Related Parties	GROUP	
	2017	2016
	$'000	$'000
Shareholder loan to On Metering Limited	5,625	4,475
Shareholder loan to SmartCo	215	215
Balance at end of year	**5,840**	**4,690**

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	
	2017	2016
	$'000	$'000
Alpine Energy Limited guarantee to NETcon Limited	2,948	2,948
NETcon Limited guarantee to Infratec Limited	125	125

NOTES TO THE FINANCIAL STATEMENTS

27 Events After the Reporting Period

On the 6th May the ship carrying materials for our NETcon/Infratec Kiribati contract from Suva, Fiji sank. The value of materials lost were $2.6m (excluding GST). Our insurance will cover $1.0m of the loss. Infratec will be submitting a claim against Pacific Direct Line (PDL) for the $1.6m balance.

The impacts are:

1. Delay of construction commencement – 3 months.
2. Delay of practical completion and commissioning which triggers payment of 60% of contract value – 3 months from Dec 2017 to Mar 2018 (payment would be received the following month).
3. Infratec has requested an Extension of Time (EoT) of 120 days under Article 20 of the Contract which has been granted by the contract principal.

As this event was subsequent to 31 March 2017, this has been treated as a non-adjusting subsequent event and has no impact on the FY17 results.

PERFORMANCE REPORTS

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

Financial Information	**GROUP**	
	2017	**2016**
Ratio of Net Surplus attributable to the Shareholders to Average Shareholders Equity:		
Target	11.8%	12.0%
Result	10.1%	13.4%
Tangible Assets per Share:		
Target	$ 6.10	$ 5.42
Result	$ 6.07	$ 5.34
Earnings per Share:		
Target	$ 0.387	$ 0.384
Result	$ 0.325	$ 0.413
Ratio of Shareholders' Equity to Total Assets:		
Minimum Target	55.0%	59.0%
Result	54.4%	59.3%

The financial results for the Alpine Group were affected markedly by the unfavourable summer weather which resulted in line revenue being down $3.1m down on the budget.

This has had a negative impact on the various financial ratios.

Non Financial Information	**GROUP**	
	2017	**2016**
Average Interruption Duration (SAIDI)		
Maximum Target (Minutes per Duration)	154.16	154.16
Result (Normalised)	133.47	155.29
Average Interruption Frequency (SAIFI)		
Maximum Target (Interruptions per Customer)	1.51	1.51
Result (Normalised)	1.07	1.18

We experienced two major event days (MEDs) during the year. The first MED, of 0.164 SAIFI interruptions, was caused by tree debris being thrown into conductors during an extreme weather event on 8 December 2016. The second MED, of 10.44 SAIDI minutes and 1.26 SAIFI interruptions, was caused by a rat that climbed in behind the housing causing the transformer to trip on 27 March 2017.

Health and Safety Measures

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

INDEPENDENT AUDITOR'S REPORT

pwc

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ALPINE ENERGY LIMITED'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

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

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 25 to 55, that comprise the balance sheet as at 31 March 2017, 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 pages 56.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2017; 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 2017.

Our audit was completed on 30 May 2017. This is the date at which our opinion is expressed.

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

PricewaterhouseCoopers
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Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

pwc

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

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

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance;

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements and performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Independence

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

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

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

Network ownership in SOUTH CANTERBURY

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

THE COMMUNITY OWNS 100% OF ALPINE ENERGY

Alpine ENERGY

100%
South Canterbury Owned

ALPINE ENERGY HAS OWNERSHIP IN THE FOLLOWING

NETcon Ltd	Rockgas Timaru Ltd	On Metering	SmartCo	Timaru Electricity Ltd
100%	50%	50%	12.5%	100%

NETcon Ltd owns 100% of Infratec Ltd

Infratec Ltd owns 100% of Infratec Renewables Rarotonga Ltd

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