Alpine Energy

ANNUAL REPORT
2018 // 2019

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CHAIRMAN'S REVIEW

Alpine Energy has finished the year with another satisfactory outcome similar to our 2017/18 results for both Group and Parent. On a comparative basis the Group result is almost $3 million ahead of last year.

However, our reported result was affected by two non-cash items that required adjustment for financial reporting purposes. One is the result of the requirement to mark interest rate swap contracts to market and the other an impairment to the value of our recently completed Alpine House. These items are expected to reverse in future accounting periods.

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

The year brought with it several interesting headlines which put Alpine front and centre on a number of matters. These included:

- Opening of Alpine House by the Hon Dr Megan Woods Minister of Energy and Resources
- The Government's Electricity Price Review
- Commerce Commission: A discussion paper on a draft Default Price Path 3 (for period 1 April 2020 to 31 March 2025); a warning letter from the Commerce Commission; and 'Related Party Transaction' rules.
- NETcon Limited's restructuring realignment of resource and services
- Building on the success of Infratec Limited
- Timaru District Holding Limited's proposed sale of shares in Alpine Energy
- New accounting standards and the impact of these on our statutory accounts

The opening of Alpine House had been a project spanning close to 5 years. Gone, finally, are the various portable buildings, two operational houses and several meeting spaces, making way for Alpine House, a purpose-built office space which houses Alpine Energy staff and several Infratec staff. The building project, which came in at half what the original estimates were, has become a popular gathering place for a number of entities such as the NZ Blood Service who have run two successful blood donor initiatives; and combined emergency services to launch their charity initiative 'Alps 2 Ocean' bike ride.

The Government's Electricity Price Review panel has tabled a number of options they are considering prior to making a final recommendation to Government in the second quarter of 2019. A number of the options considered relate to aspects of the electricity distributor value chain. In general, Alpine is supportive of the majority of the options put forward as we see that these have the potential to return benefits to our communities over time.

The Commerce Commission's draft decision for regulatory reset period 1 April 2020 to 31 March 2025, (DPP3), has been released for consultation. The draft DPP3 includes a considerable drop in the weighted average cost of capital (WACC) from 7.19% used throughout DPP2 to 5.13%. This, along with a revenue 'cap' proposed by the Commerce Commission, will have a material effect on the revenue Alpine is able to recover through its pricing. A final decision on DPP3 is expected from the Commerce Commission near the end of November 2019.

Infratec Limited, a subsidiary company within the Alpine Group, continues to grow having successfully extended its reach into South Pacific and New Zealand markets. There is a real sense that the electricity industry is close approaching a tipping point of change, driven primarily from the continued improvement in cost, design, and output of renewable energy solutions such as solar arrays and batteries. Over the last few years, these opportunities have been heavily weighted to projects from the South Pacific where incumbent energy supply is produced by diesel generators. What is evident now is a ground swell of applications being considered throughout New Zealand where traditionally the viability would have been questionable.

NETcon were fortunate to secure John Greenwood as its new CEO in January 2019. John brings with him considerable experience in managing contracting businesses. NETcon are advancing well in preparation of more regulatory scrutiny around related party transaction and competition in carrying out its service obligations to Alpine Energy. In addition to providing services to Alpine, NETcon also provides services to other customers.

Health and safety again retains its place as the highest priority for the Alpine Group. Understanding critical risks are important, as is finding the means to mitigate, monitor and control these. During the year we undertook a review of the maturity of our health and safety systems. While it is pleasing to report that we found ourselves at the 'mature' end on the maturity curve, we cannot rest on our laurels. Participation

CHAIRMAN'S REVIEW

from the workforce was evident throughout the Group with health and safety related matters being discussed and 'participated-in' across the businesses. The board acknowledges the effort of management and staff for their commitment to the safety and wellbeing of all.

South Canterbury's growth is expected to remain positive. It may even accelerate faster on the back of a highly anticipated future electrification of New Zealand Inc. as a response to emission-free targets and climate change initiatives. We are currently planning our response to developments in this space.

It is pleasing to note for the third year in a row we have reached year-end without exceeding our reliability of supply regulatory thresholds. As reported last year, this is important as it confirms the underlying good condition of our assets and services. We continue to support the need to invest prudently in our network supplying electricity to our communities.

The Alpine Group is well placed to face the constant challenges and opportunities afforded by the disruption the energy sector is experiencing. I wish to acknowledge the contribution of Director Alister France who after three terms on the Board has confirmed that he is not seeking re-election. As a 'local' director Alister has been invaluable in representing the Board on many occasions throughout the region.

To my fellow directors, I thank you for the support and contribution you provide in setting and endorsing strategic direction and for the many hours afforded over and above sitting Board meetings. Thanks also to CEO Andrew, management and staff for your commitment in diligently attending to the many challenges of running a regulated business for the long term benefit of South Canterbury.

Stephen Thompson

CHIEF EXECUTIVE'S REVIEW

I am very pleased to report another good year for the Alpine Group. Not only were we able to substantively complete all key maintenance works but we were also able to complete additional capital expenditure work.

Growth remains positive across our network as evidenced by the annual throughput of energy delivered, along with the unprecedented level of capital contributions driven mostly off the back of extensive subdivision projects in Tekapo and Twizel, as well as commercial developments across our network.

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

- $ 1.48 million, projects addressing reliability, safety and the environment
- $ 1.57 million, projects to address system growth
- $ 2.85 million, relocating existing O/H lines through under-grounding
- $ 4.66 million, projects to replace and renew existing assets
- $ 6.67 million, new connections and subdivisions

The total network capex spend was $ 17.6 million against a budget of $ 15 million.
Delivered energy across the network at 809.08 GWh was marginally up on the previous year of 806.85 GWh.

Contributions to our communities increased this year with close to $0.45 million returned widely to the community through personal development scholarships, organisational and facilities sponsorships, and well-being initiatives.

Health and safety will always feature as our main priority and we used the year to reflect on ways to greatly improve effectiveness and maturity. It was particularly pleasing to see the positive interaction from worker participation and the great ideas that arose through these forums.

Through our Health and Safety Committee, we also recognized a number of individuals throughout the year who were seen to contribute above and beyond that what was expected.

Our safety day included a presentation from the author of the book 'Tragedy at Pike River Mine' and all staff across the Alpine Group received copies of the book to take home. Also included was a presentation from Quentin Hix legal on the importance of preparing for unexpected events such as the passing of a loved one.

As at 1 April 2019, we transitioned from an Alliancing engagement model with NETcon to a more traditional contestable model. We expect this to mature over pursuing years as NETcon beds in the remaining elements of a new structure introduced during 2018, along with Alpine realigning its activities in response to what's expected over time as greater scrutiny of related party transactions.

Year two into our significant business system investment of Technology One we will be looking at establishing regular user group discussions with other New Zealand based Technology One users. This initiative is expected to assist all users on the lessons learned by others, collaboratively develop improvement through economies of scale, and carry more weight than operating in isolation from others.
The key with all our business system investments will be to remain current yet nimble through an ever-changing business environment and new expectations of ever-growing consumer voice.

We expected to see greater penetration of solar installations throughout our network given the fever pitch interest in distributed generation leading into FY19. We are aware that strong interest exists and we our-self are turning more of our asset planning activity to consider grid scale distributed generation. We also maintain a close watching brief on international trends in costs, quality, output, safety by design, and whole-of-life outturn.

During the year we commenced another Alpine Data Networks fibre build with work commencing on running fibre from our backhaul fibre network near state highway 1 to Waimate township and onwards to a data centre located on Whitehorse Hill. We expect the data centre to be commissioned during the second quarter of FY20.
While interest remains strong in fibre builds we are only pursuing those builds where a cornerstone tenant is present.

It is hard to escape the continued interest from regulatory bodies in Electricity Distribution Businesses such as Alpine Energy. There were times throughout the year where it felt like 'regulatory fatigue' would set-in grinding all other activity to a halt. It shouldn't be underestimated the costs imposed on the business in response to these interests. We remain hopeful that over time the benefits expected from regulatory 'reach' will find their way to consumers, shareholders, and greater stakeholders.

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

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

Andrew Tombs

GOVERNANCE & MANAGEMENT

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 eight times a year.

Stephen Thompson
Chairman

Alister France
Director

Rick Ramsay
Director

Don Elder
Director

Warren McNabb
Director

EXECUTIVE MANAGEMENT TEAM

Andrew Tombs
Chief Executive

Michael Boorer
Group Manager - Corporate Services

Sara Carter
General Manager - Commercial & Regulatory

Stephen Small
Group Manager - Safety & Risk

Willem Rawlins
General Manager - Network

FINANCIAL SUMMARY

TREND STATEMENT FOR THE GROUP

	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
FINANCIAL PERFORMANCE					
Operating Revenue	79,651	93,323	63,655	63,851	63,749
Associate Entities' Earnings	114	(25)	11	439	159
Operating Profit before Tax	19,465	19,362	18,677	23,622	22,153
Taxation	(5,715)	(5,390)	(5,233)	(6,568)	(5,461)
Net Surplus	13,750	13,972	13,444	17,054	16,692
Shareholder Distribution	9,918	9,918	9,299	8,472	7,976
FINANCIAL POSITION					
Current Assets	17,878	18,955	17,795	8,226	9,420
Non-Current Assets	277,927	266,577	237,053	213,314	192,642
Total Assets	295,805	285,532	254,848	221,540	202,062
Total Liabilities	153,264	145,241	118,479	90,489	78,566
Net Assets	142,541	140,291	136,369	131,051	123,496
Share Capital	41,328	41,328	41,328	41,328	41,328
Retained Earnings and Reserves	101,213	98,963	95,041	89,723	82,168
Equity	142,541	140,291	136,369	131,051	123,496
FINANCIAL RATIOS					
Net Surplus to Average Shareholders Equity	9.7%	10.1%	10.1%	13.4%	13.9%
Tangible Assets per Share	$7.09	$6.79	$6.07	$5.34	$4.89
Earnings per Share (cents)	33.3	33.8	32.5	41.3	40.4
Dividend per Share (cents)	24.0	24.0	22.5	20.5	19.3
STATISTICS					
SAIDI (System Average Interruption Duration Index)	137	115	133	155	140
SAIFI (System Average Interruption Frequency Index)	0.99	0.99	1.07	1.18	1.16

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

DIRECTORS' REPORT

GENERAL DISCLOSURES

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

Group operating revenue of $79.65 million was achieved for the year, 14.65% less than the previous year.

The group operating profit before income tax for the year was $19.47 million, 0.53% more than the previous year.

REVIEW OF FINANCIAL PERFORMANCE

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

Results For The Year Ended 31 March 2019

	2019 $'000	2018 $'000
Profit before Income Tax	19,465	19,362
Taxation	(5,715)	(5,390)
Net Surplus after Income Tax attributable to the Shareholders	**13,750**	**13,972**

SHARE CAPITAL

Total issued and paid up capital as at the 31st March 2019 was 41,328,017 ordinary fully paid shares. There have been no movements in share capital during the year.

DIVIDENDS

Interim dividends, each of 4.80 cents per share, were paid in September, December 2018 and March 2019.

A fully imputed final dividend of $3.967 million will be paid on 31st July 2019 to all shareholders on the company's register at the close of business on the 19th July 2019. This dividend is included in the dividends for the year of $9.918 million, and has been provided for.

Solvency certificates were completed in support of the interim dividend declarations on 27th September and 22nd November 2018 and 27th February 2019, and the final dividend solvency certificate will be submitted to Directors for approval on the 25th July 2019.

The interim and final dividends relating to FY2019 represent 93.01% of the total comprehensive income for the Group, excluding customer contributions.

RETURN ON SHAREHOLDERS' EQUITY & STATE OF AFFAIRS

The Group net surplus after income tax attributable to the shareholders for the year ended 31st March 2019 represents 9.72% 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 eight times during the year.

OPERATION OF THE BOARD

Responsibilities

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

Audit and Risk Committee

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

DIRECTORS

Parent

Mr S.R. Thompson (Chairman), Mr R.D. Ramsay, Mr A.J. France
Mr W.B. McNabb, Mr D.M. Elder

Subsidiaries

Mr S.R. Thompson, Mr R.D. Ramsay, Mr A.J. France
Mr M.F. Boorer (to 01 March 2019), Mr W.B. McNabb (Chairman), Mr D.M. Elder, Mr S.B King (from 01 October 2018), Mr H.L Martyn (Chairman from 01 October 2018), Ms B.L Elliston (from 01 April 2018), Mr J.M.G Hay (from 01 April 2018)

Associates

Mr A.J. France (Chairman), Mr R.D. Ramsay, Mr A.G. Tombs
Mr M.F. Boorer (to 01 March 2019)

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' REPORT

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

DIRECTORS' INTERESTS IN CONTRACTS

Director	Entity	Interest
Mr S. R. Thompson	Abbey Field Construction Limited	Shareholder
	Airtime New Zealand Limited	Shareholder
	Anreca Investments Limited	Shareholder
	Aurora Energy Limited	Chairman
	Best View Limited	Director
	Best View Limited	Shareholder
	Cairnmuir Road Winery Limited	Director
	Cairnmuir Road Winery Limited	Shareholder
	Cerise Orchard Limited	Shareholder
	Deloitte Limited	Consultant
	F.S. Investments Limited	Director
	Integrated Contract Solutions Limited	Director
	Keano's Trustee Company Limited	Director
	Kingsgate Properties Limited	Shareholder
	McKenzie Architects Limited	Shareholder
	Millenium Solutions Limited	Director
	NETcon Limited	Director
	OB Horn Company Limited	Shareholder
	Owhiro River Limited	Shareholder
	Passmore Consulting Services Limited	Director
	Passmore Consulting Services Limited	Shareholder
	Prospectus Nominees	Director
	Prospectus Nominees	Shareholder
	Renaissance Holdings (NZ) Limited	Shareholder
	Richard E Shackleton Architects Limited	Shareholder
	Ripponvale Irrigation Company Limited	Shareholder
	Sarita Holdings Limited	Director
	Timaru Electricity Limited	Chairman
	Thompson Bloodstock Limited	Chairman
	Thompson Bloodstock Limited	Shareholder
	Wanaka Bay Limited	Director
	Whangamata Water 2 Limited	Shareholder
	Whitestone Contracting Limited	Director
Mr R. D. Ramsay	NETcon Limited	Director
	Pukaki Airport Board	Member
	Rockgas Timaru Limited	Director
	Salmon Smolt New Zealand Limited	Alternate Director
	Tourism Waitaki	Director
Mr A. J. France	Geraldine Community Vehicle Trust	Trustee
	Geraldine Licensing Trust	Trustee
	Holbrook Trust	Trustee
	Rockgas Timaru Limited	Chairman
	The Juicy Tree Co Limited	Director
Mr D. M. Elder	Aoraki Services Limited	Director
	Aoraki Services Limited	Shareholder
	Aoraki Partners Holdings Limited	Director
	Aoraki Partners Holdings Limited	Shareholder
	Aoraki Holdings (No 2) Limited	Director
	Aoraki Holdings (No 2) Limited	Shareholder
	Bras D'Or Investments Limited	Director
	Bras D'Or Investments Limited	Shareholder
	Bras D'Or Services Limited	Director
	Bras D'Or Services Limited	Shareholder
	Canterbury Seismic Instruments Limited	Director
	Canterbury Seismic Instruments Limited	Shareholder
	Family Help Trust	Chairman
	Infratec Limited	Director
	Infratec Renewables (Rarotonga) Limited	Director
	Lyttelton Port Company Limited	Director
	The Loft	Trustee
Mr W. B. McNabb	Awatere Vineyard Services Limited	Director
	Boyce Investments Limited	Director
	Boyce Investments Limited	Shareholder
	Cattleman's Bluff Limited	Director
	Cattleman's Bluff Limited	Shareholder
	Delta Lake Limited	Director
	Delta Lake Limited	Shareholder
	Energy3 Limited	Director
	Energy3 Limited	Shareholder
	FMG NZ Limited	Director
	Gosling Creek Limited	Director
	Gosling Creek Limited	Shareholder
	Infratec Limited	Chairman
	Infratec Renewables (Rarotonga) Limited	Chairman
	Independent Electricity Generators Association	Chairman
	Lancewood Forest Limited	Director
	Lancewood Forest Limited	Shareholder
	Lulworth Wind Farm Limited	Director
	Matagouri Investments Limited 2018	Director
	Matagouri Investments Limited 2018	Shareholder
	McCormick Capital Corporation Limited	Director
	Pioneer Energy Limited	Director
	Pistol Vineyard Investments Limited	Director
	Strathy House Limited	Director
	The Bluffs Vineyard Company Limited	Director
	The Bluffs Vineyard Company Limited	Shareholder
	Wekopa Investments Limited	Director
	Weld Cone Wind Farm Limited	Director
	Westlock Holdings Limited	Director
	Widegate Investments Limited	Director
Mr S. B. King	Ara Foundation	Deputy Chairman
	Fulton Hogan	Shareholder
	NETcon Limited	Director
Mr H. L. Martyn	City Care Limited	Consultant
	Nelmac Limited	Director
	NETcon Limited	Chairman
	New Zealand Rugby League	Director
	Richmond Group Limited	Shareholder
	Sumner Lifeboat Institute	Management Committee Member
	TC Groundworks Limited	Consultant
	Waimakariri Irrigation Limited	Director
	WD Boyes and Sons Limited	Advisor
Mr J. M. G. Hay	Infratec Limited	Director
	Infratec Renewables (Rarotonga) Limited	Director
	Waitarere Advisory Pty Limited	Director
	Waitarere Advisory Pty Limited	Shareholder
	Winjam Advisory Limited	Director
	Winjam Advisory Limited	Shareholder
	Waitarere Trust	Trustee
Ms B. L. Elliston	Australian Solar Council	Director
	Counties Power Limited	Director
	Easy PV (Aust) Pty Limited	Director
	Easy Warm Limited	Director
	Elliston Power Consultants Limited	Director
	Hot PV Limited	Director
	Infratec Limited	Director
	Infratec Renewables (Rarotonga) Limited	Director
	NO 1 Solar Leasing Company Limited	Director
	New Zealand & Pacific Solar and Storage Council Incorporated	Board member
	Solar Power and Renewables Company Limited	Director
	The Solar Hot Water Company Limited	Director
	Timeless By Design Limited	Director
Mr A. G. Tombs	ENA Board	Director
	New Zealand and Pacific Solar Council	Director
	On Metering Limited	Director
	SC Chamber of Commerce	Vice President
	Smart Co Limited	Director

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' REPORT

INDEMNIFICATION & INSURANCE OF OFFICERS & DIRECTORS

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

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

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

DONATIONS

Donations paid during the year totalled $12,719 (FY2018 $25,080).

USE OF COMPANY INFORMATION

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

DIRECTORS' REMUNERATION AND BENEFITS FROM THE COMPANY

	Parent	Subsidiaries	Joint Venture	Total
S.R. Thompson	86,490	14,280	-	100,770
R.D. Ramsay	50,283	12,240	1,875	64,398
A.J. France	47,182	3,060	3,525	53,767
W.B. McNabb	50,283	23,460	-	73,743
D.M. Elder	47,182	15,300	-	62,482
S.B. King	-	17,850	-	17,850
H.L. Martyn	-	30,600	-	30,600
B.L. Elliston	-	35,467	-	35,467
J.M.G. Hay	-	35,467	-	35,467
	281,420	**187,724**	**5,400**	**474,544**

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

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

EMPLOYEE REMUNERATION

Details of remuneration ranges for employees of the Group are:

Remuneration Range	Number of Employees
$100,000-$109,999	15
$110,000-$119,999	17
$120,000-$129,999	13
$130,000-$139,999	7
$140,000-$149,999	10
$150,000-$159,999	7
$160,000-$169,999	2
$170,000-$179,999	1
$190,000-$199,999	2
$210,000-$219,999	2
$370,000-$379,999	1
$440,000-$449,999	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 FY2019 is $188,000 (FY2018 $139,000).

S.R Thompson, Chairman *W. B. McNabb, Director*
28 June 2019

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 2019 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 2019.

For and on behalf of the Directors,

S.R Thompson, Chairman *W. B. McNabb, Director*

YOUR NETWORK

The Alpine network has an integral role in the economic development in South Canterbury. Over the last decade, we have experienced a major investment and growth phase in the region mainly due to dairy conversion, irrigation schemes and dairy processing.

Over the last two years, electricity growth has moved from dairying to urban development with numerous subdivision projects in Tekapo and Twizel. In Timaru the main area of growth over the same period has been in the light industrial/commercial sectors.

Despite developments in new technologies, with a major focus on solar and battery storage, the network will continue to be the main source of getting electricity to you, our consumer.

With anticipated uptake in EVs, based on projected reduction in costs over the next decade, our network will play a key role in providing the mechanism through which this uptake is facilitated.

There will be an increased focus on our low voltage network and an associated requirement to be able to control charging of EVs similar to current hot water cylinder control systems.

We also recognise network reliability as an important measure of empowering our community and we strive to minimise the impact of planned maintenance work, as well as expediently restore power after unplanned outages while ensuring the safety of the public, our contractors and staff.

UNPLANNED OUTAGES

Cable strikes, geese, car crashes and weather events have contributed to the unusually high number of unplanned power outages experienced over the last 12 months.

Thousands of households and local businesses faced power disruptions as a result of incidents on the electricity network beyond our control. For example, during Labour Weekend a fencing contractor inadvertently hit an underground cable causing a widespread outage.

Geese flying into powerlines created issues on the network, as did drivers crashing their vehicles into power poles, taking out the power in a number of areas on several occasions.

Weather events such as strong winds and trees falling onto power lines feature significantly in our outage records. Seventeen unplanned outages were caused by vehicle accidents during the 18/19 year.

Keeping us on task and ensuring reliability of supply is the Commerce Commission and its quality standards. This year we were below the Commerce Commission's threshold for what is an acceptable length of unplanned outage time.

Work has been undertaken to reduce the external factors contributing to unplanned outages. For example bird diverters have been installed, an awareness campaign to check for cables before excavating has been developed and implemented and our Asset Management Plan continues to ensure a reliable network with a replacement programme.

CULTURE OF EXCELLENCE

The Alpine Energy Group supports a culture of excellence among its people, demonstrated by the number of award-winning employees and projects.

Executive Assistant Nyia Strachan won Employee of the Year at the South Canterbury Chamber of Commerce Business Excellence Awards followed up that success taking out New Zealand's Executive Assistant of the year.

NETcon's trainee Connie Irvine was named trainee of the year in the Line Mechanic Safety Award 2018 Connetics Excellence Awards. Connie was joined by colleague, Kev Piere, who picked up the HV Termination Award and the NETcon team which won the Electrical Theory Award at the annual event.

The quality of our projects, events and programmes were also highlighted this year.

Infratec took out the best community project at the SEANZ awards.

Our mobile blood drive with the NZ Blood Service was a national finalist, our health and safety in action programme was a Deloitte Energy Excellence Awards finalist and Infratec was again in the national spotlight as a contender at the prestigious New Zealand Trade and Enterprise awards for inspiring New Zealand preference.

Connie Irvine receiving her Trainee of the Year award in the 2018 Connetics Excellence Awards.


Nyia Strachan standing with both the Employee of the Year and New Zealand's Executive Assistant of the Year awards.

DELOITTE ENERGY FINALIST

ALPINE ENERGY CELEBRATES SUCCESS AT NATIONAL ENERGY AWARDS

We were honoured to be one of four finalists in the health and safety initiative of the year category at the annual Deloitte Energy Excellence Awards.

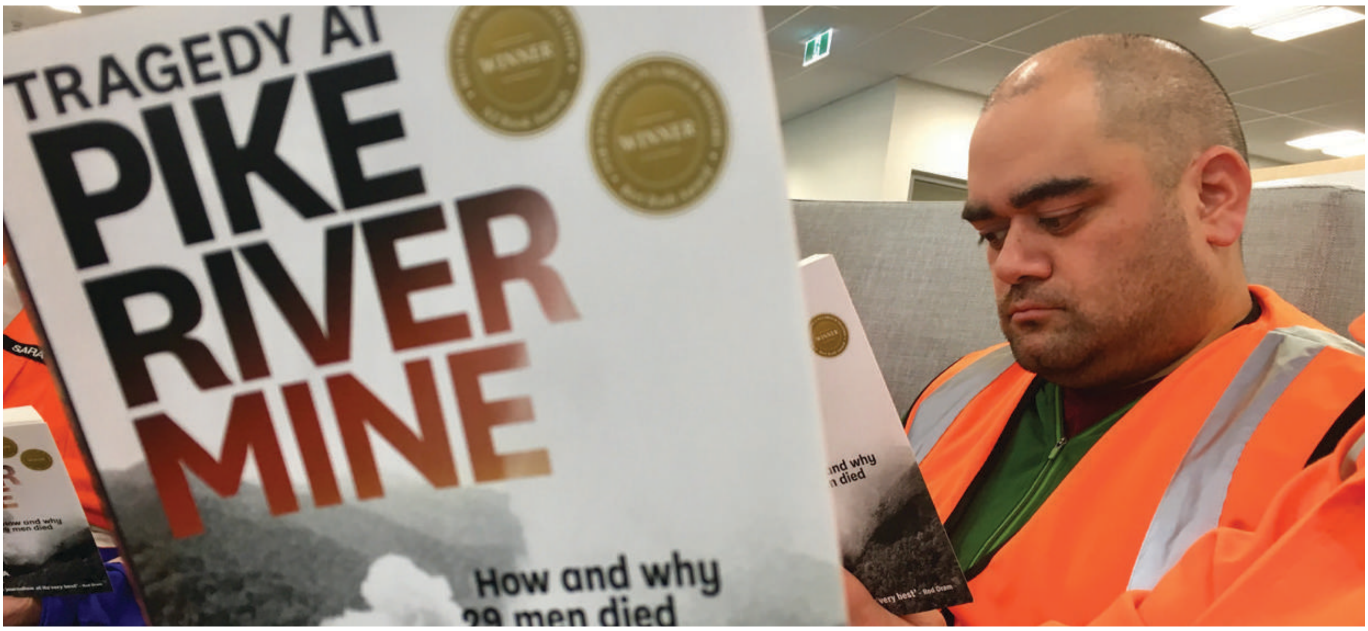
Our health and safety in action programme was recognised among our peers in the energy sector at a national level, reaffirming our expertise and dynamic approach to health, safety and wellbeing.
The programme, which runs in addition to the organisation's practical onsite health and safety activities, reinforces personal safety in the context of the wider world.

The initiatives are a credit to our forward-thinking health and safety committees and the support they receive from staff.

The programme highlights the importance of bringing health and wellbeing into safety systems at both an individual and corporate level. The blood drives held at Alpine House are an extension of a series of initiatives to reach and include staff from all departments across the Alpine Group in health and safety - not just those who work in the field.

The health and safety in action programme also saw staff address mental health in the workplace with a leading mental health advocate, examine the Pike River Mine disaster with the book's author, plant trees and walk around the world 1.3 times for fitness.

Our programme reinforces the importance of incorporating health and wellbeing into process driven, safety systems and policies.

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COMMUNITY OUTREACH

COMMUNITY - OWNED, COMMUNITY FOCUSSED

Empowering our community has seen us support many locals in their personal endeavours, helped develop community facilities and champion local events.

We've rolled up our sleeves and saved lives through blood donation, protected native species, hosted events at Alpine House, and raised awareness about the career paths in the electricity sector with secondary school students.

Our community outreach philosophy extends throughout the Alpine Group with Infratec, our award-winning renewable energy company, carrying out first-aid training in project locations. Its people-focussed approach saw the company pick up a SEANZ's award for the best community energy project delivered in NZ and the South Pacific.

The successful inaugural mobile blood drive held at Alpine House was a national finalist, our health and safety programme with its strong community outcomes was a finalist in the prestigious Deloitte Energy Excellence Awards and our support of the Geraldine Arts and Plants Festival celebrated 21 years of continuous sponsorship.

We fostered interest in the arts by supporting the attendance of more than 100 students at the South Canterbury Drama League's production of the Beauty and the Beast musical.

The MENZ Shed was a new benefactor of our sponsorship allocation, leading to the establishment of an ongoing partnership through the repurposing of cable reels.

We also got involved with the South Canterbury Chamber of Commerce's youth membership category for future leaders and entrepreneurs by sponsoring membership for the region's Young Enterprise Students.

As well as supporting raising stars to reach their full potential, we have also contributed to the hosting of nationally recognised events which bring thousands of people into our region such as the Rock and Hop.

It has been our pleasure to be able to give back to the South Canterbury community.

COMMUNITY OUTREACH

A & P SHOW

We took our public safety message about keeping away from powerlines, tree management and vegetation requirements to the Temuka and Geraldine A&P Show.
People who visited our site were encouraged to enter a competition to guess the height of the NETcon bucket truck. It was from the ground to the top of the bucket. More than 100 people took the opportunity enter. The winning entry was 16.5m.

ROCK AND HOP

More than 250 people lined up and were able to share their personalised Rock and Hop memento thanks to our continued sponsorship of this event. We again teamed up with our friends from Quikpix to create a green screen experience for people at the Caroline Bay Gala Day, part of the Rock and Hop weekend.

The Rock and Hop event is a fundraising weekend organised by Hospice South Canterbury. It is a show for all cars, caravans and motorbikes from modern to vintage, from classic to muscle, from Japanese to English.

All proceeds from the $5 personalised photos purchase went to Hospice. As well as a direct fundraiser, the photos are another way the organisation can promote future Rock and Hop events. Our support of this event is just one of many local events we get involved with. Each year, through our sponsorship programme, we donate nearly half a million dollars to the South Canterbury community.

NETCON HELPING ENDANGERED BATS

NETcon was one of the organisations which joined forces to help protect a small colony of endangered native long tail bats in South Canterbury. The organisation helped fit aluminium bands around tree trunks that the bats roost in to stop predators like stoats, rats and possums from climbing the trees and decimating the small population of about 80 currently nesting in Raincliff Forest. Most bats are dependent on old-aged native trees as they provide the correct conditions for breeding. However, bats in South Canterbury have adapted to using species such as willows, poplars, macrocapa and pines. NETcon was able to help place the bands on the bat nesting trees. In this joint venture we focussed on how our companies could find a solution to the problem of predator's killing our native bats. Our aim was to use the tools, skills and resources at our fingertips. We successfully achieved this with no direct expenditure.
Working with likeminded companies and pooling our available resources means more conversations are taking place regarding making a positive difference in our community & doing so in a sustainable way.

ALPINE HOUSE OPENING

NEW BUILDING OFFICIALLY OPENED

Our new building was officially opened by Energy and Resources Minister Dr Megan Woods on 17 August, marking the completion of the first building of its kind in Timaru.

Named Alpine House, the facility has been designed and purpose-built as a functional and flexible space to meet the requirements of our region and its increasing energy demands.

The building, designed to meet seismic and energy efficiency requirements, signifies a modern way of delivering energy solutions to our customers. It also brings to an end staff working across a multi-property site.

During the build, we and Thompsons Construction and Engineering, engaged eight exclusively Timaru and Mid-Canterbury sub-contractors, ensuring significant economic benefit to the region in the form of employment and local product.

The use of local expertise and purchasing of office equipment and furniture from local retailers reinforced our ethos of contributing to our community.

Eco-friendly, sustainable New Zealand sourced building materials were also used throughout the building project.
As part of the local Pathways Programme to introduce the next generation to design and trade, 120 Timaru youth visited the build site during construction to learn about future career opportunities in these industries.

Days after staff moved in; a blood drive was held in Alpine House, inviting staff and workers from the wider Washdyke industrial area, who would have otherwise travelled into Timaru's central business district, to donate lifesaving blood.

Alpine Energy's Chief Executive, Andrew Tombs and Energy and Resources Minister Dr Megan Woods officially opening Alpine House.

ALPINE HOUSE COMMUNITY ASSET

A GREAT PLACE FOR FACILITATION, EDUCATION AND INNOVATION

Since Alpine House was officially opened in 2018, we have hosted a number of community groups and organisations in the building to assist with their activities.

In August we held another successful blood drive with the New Zealand Blood Service where we saved about 159 lives with the collection of 53 blood units. It was fantastic to see so many people prepared to roll up their sleeves and give life-saving blood.
Just before the Christmas break we welcomed members of the South Canterbury Electric Vehicle Owners group where they heard from chief executive Andrew Tombs about the EV network in South Canterbury and what the future might hold.

Life Education Mid and South Canterbury brought its Harold Club to Alpine House with members of the club getting a tour of the building and learning how, as an electricity company, we contribute to the community.

Secondary school students are frequent visitors to Alpine House thanks to a series of career days organised by Ara and Aoraki Development to showcase the breadth and diversity of jobs available in industries including the energy sector.

We were delighted to be part of the South Canterbury emergency services charity bike ride. The team's target was to raise $15,000. They exceeded this with more than $25,000 being donated thanks to the generosity of public and local business, of which we were one. Holding the ride launch at Alpine House was a good fit with NETcon staff regularly attending car crashes alongside emergency services. Last year our teams attended 17 car vs pole incidents that caused power outages.

The South Canterbury Chamber of Commerce hosted their Business After Five networking event in our staff café with over 80 people from the region's business community attending.
Our boardroom is the venue for regular shareholder meetings where representatives from our four shareholders get together to guide the community's investment in Alpine Energy.

INFRATEC

ENDING 40 YEARS OF DARKNESS FOR RESIDENTS

A renewable energy project on a remote island in the Republic of Kiribati has ended 40 years of darkness for its residents.
A HV network, two power stations and a 150kW solar PV system and 66 street lights were installed by Infratec on Kiritimati Island located in the Republic of Kiribati.

The project brought to an end darkness on the island's streets following the last street light being switched off in 1978.
The EU Development Fund and New Zealand Ministry of Foreign Affairs and Trade financially supported the Kiritimati Island Renewable Energy Project. The project included building two new power stations, 30km of high voltage network and a 150kW solar photovoltaic plant.
The project broke ground in April 2017 and was completed in April 2018.

Kiritimati Island has four main population centres which were being supplied power by an ageing diesel generator and distribution network. What the project achieved was a centralised power system and a more efficient transmission system. This gave the residents a more reliable, efficient and safe electricity supply.

The system, built to Australian and New Zealand standards, can be expanded and developed further as the population grows.
As well as being more reliable than the old generators, the system also reduces dependence on expensive imported diesel.
For our staff, it was not just another project. It was life-changing for them as well as the people they helped. Working street lights was an example of this. The first night the lights were on, people were eating dinner outside under the lights.
Where possible, we employed local people in a semi-skilled capacity, such as labouring roles or leasing guest houses for international staff accommodation.

INFRATEC

FROM SOUTH CANTERBURY TO THE COOK ISLANDS

Residents living on a group of islands in the South Pacific are benefiting from less diesel and a more reliable and resilient electricity supply thanks to Infratec, one of our subsidiary companies.

Infratec delivered mini-grids on four islands within the Southern Group of the Cook Islands which are now supplying nearly all the electricity requirements of each island. Before the installation, the islands' electricity was supplied solely by diesel generators.

As well as reducing diesel consumption by about 360,000 litres annually the systems are designed to withstand cyclonic events. This means the islands can operate during national disasters and maintain essential services to hospitals, water facilities and emergency shelters. To ensure effective project delivery in the remote locations, a community partnership approach was used which provided employment and training opportunities throughout project delivery and into the operations and maintenance phase of the asset.

Infratec also worked in conjunction with the Cook Islands Red Cross - to train locals and the island paramedics and nurses in first-aid. The training was delivered by Infratec staff and was designed to increase the capacity of local people to provide early help in case of emergencies. Infratec also provided first-aid kits to paramedics and to each household on the islands.

The solar systems were installed on Atiu, Mangaia, Mauke and Mitiaro islands.

From left to right: Brendan Winitana, SEANZ Chairman; Rogier Simons, Powersmart; Clayton McNae, McNae Electrical; David Reid, Reid Technology; Ben Stanton, PowerGenius; Simon MacKenzie, Vector; Keisha Noronho, Fronius; René Kuys, Sunergise Group; Micah Sherman, Infratec.

INFRATEC

TRANSFORMING AUCKLAND'S DRINKING WATER

A crucial Auckland water reservoir is being powered by solar thanks to subsidiary company, Infratec Limited.

Auckland City Council organisation Watercare contracted Infratec to install close to 400 solar panels and a utility-scale battery transforming how drinking water is pumped and stored from sources at Ardmore and Waikato.

The project, which saw about 140 kW of solar PV capacity and a 220 kWh battery installed on the roof of the reservoir building, was the largest system the company had installed in New Zealand.
Infratec has been delivering mini-grids and reducing the reliance on diesel in the South Pacific, Afghanistan and Indonesia.
The system not only reduces Watercare's operating costs, but improves service reliability by generating and storing power for more than half of Auckland's daily treated-water requirements.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	NOTE	2019 $'000	2018 $'000
Revenue	5	79,651	93,323
Expenses	6		
Transmission		15,322	16,508
Depreciation, Amortisation and Loss on Disposal	12	11,437	10,077
Impairment	12	851	-
Contract Services		8,530	28,364
Employee Benefits		14,538	12,591
Other		3,408	3,080
Total Expenses		54,086	70,620
Operating Surplus		25,565	22,703
Finance Costs	7	6,214	3,316
Share of Profit/(Loss) from Joint Ventures/Associates	10	114	(25)
Profit Before Income Tax		19,465	19,362
Taxation	11	5,715	5,390
Profit From Operations		13,750	13,972
Other Comprehensive Income for the Year			
Items that will not be reclassified to Profit or Loss			
Gain on Revaluation of Land and Buildings (net of tax)	12	1,164	144
		1,164	144
Items that may be subsequently reclassified to Profit or Loss			
(Loss) on Interest Rate Swap (net of tax)	14	(303)	(276)
		(303)	(276)
Total Comprehensive Income for the Year		14,611	13,840

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Note	Contributed Equity $'000	Revaluation Reserve $'000	Hedge Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 April 2017		41,328	2,912	(1,722)	93,851	136,369
Comprehensive Income			-			
Profit from Operations		-		-	13,972	13,972
Other Comprehensive Income /(Loss)		-	144	(276)	-	(132)
		-	144	(276)	13,972	13,840
Transactions with Owners						
Dividends	18	-	-	-	(9,918)	(9,918)
BALANCE AT 31 MARCH 2018		41,328	3,056	(1,998)	97,905	140,291
Balance at 1 April 2018		41,328	3,056	(1,998)	97,905	140,291
Impact of Adopting NZ IFRS 15 at 1 April 2018	2	-	-	-	(2,443)	(2,443)
Adjusted Balance at 1 April 2018		41,328	3,056	(1,998)	95,462	137,848
Comprehensive Income						
Profit from Operations		-	-	-	13,750	13,750
Other Comprehensive Income /(Loss)		-	1,164	(303)	-	861
		-	1,164	(303)	13,750	14,611
Transactions with Owners						
Dividends	18	-	-	-	(9,918)	(9,918)
BALANCE AT 31 MARCH 2019		41,328	4,220	(2,301)	99,294	142,541

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	NOTE	2019 $'000	2018 $'000
Equity			
Share Capital	17	41,328	41,328
Reserves		1,919	1,058
Retained Earnings	18	99,294	97,905
Total Shareholders Equity		142,541	140,291
Current Assets			
Cash and Cash Equivalents	16	1,782	1,016
Trade and Other Receivables	15	11,692	10,207
Inventories	9	4,032	5,100
Tax Receivable		-	955
Work In Progress		372	1,677
Total Current Assets		17,878	18,955
Current Liabilities			
Trade and Other Payables	19	8,729	8,666
Derivative Financial Liabilities	14	14	423
Employee Entitlements		1,836	1,753
Contract Liabilities	2,5	1,843	2,311
Tax Payable		1,478	-
Dividends Payable		3,967	3,967
Total Current Liabilities		17,867	17,120
Net Working Capital		11	1,835
Non-Current Assets			
Investments Accounted for Using the Equity Method	10	(6)	30
Property, Plant and Equipment	12	269,043	255,751
Intangible Assets	13	2,700	3,843
Related Party Loan	26	6,190	6,690
Investment - Hunter Downs Irrigation Scheme		-	263
Total Non-Current Assets		277,927	266,577
Non-Current Liabilities			
Deferred Tax	21	27,320	26,347
Contract Liabilities	2,5	2,799	-
Derivative Financial Liabilities	14	5,278	2,774
Loans	20	100,000	99,000
Total Non-Current Liabilities		135,397	128,121
Net Assets		142,541	140,291

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	NOTE	2019 $'000	2018 $'000
Cash Flows From Operating Activities			
Cash was provided from:			
Receipts from Customers		80,339	85,660
Interest Received		60	-
		80,399	85,660
Cash was applied to:			
Payments to Suppliers and Employees		(42,511)	(61,325)
Income Tax Paid		(1,338)	(3,366)
Net GST Paid		(472)	(1,201)
Interest Paid		(4,129)	(3,331)
		(48,450)	(69,223)
Net Cash Inflow From Operating Activities	22	31,949	16,437
Cash Flows From Investing Activities			
Cash was provided from:			
Proceeds from Sale of Fixed Assets		4	46
Dividends Received		150	100
Investment in Associated Entities		763	-
Cash was applied to:			
Purchase of Property, Plant and Equipment		(22,761)	(37,796)
Purchase of Intangible Assets		(421)	(980)
Investment in Associated Entities		-	(850)
Net Cash Outflow From Investing Activities		(22,265)	(39,480)
Cash Flows From Financing Activities			
Cash was provided from:			
Loan from Bank		1,000	29,360
Cash was applied to:			
Dividend Paid		(9,918)	(9,671)
Cash Inflow From Financing Activities		(8,918)	19,689
Net (Decrease)/Increase In Cash Held		766	(3,354)
Add opening cash brought forward		1,016	4,370
Cash and Cash Equivalents at End of the Year		1,782	1,016

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 28 June 2019.

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 for-profit entities. The consolidated financial statements also comply with International Financial Reporting Standards ('IFRS').

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

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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.

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) Application of NZ IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has adopted NZ IFRS 15 Revenue from Contracts with Customers effective from 1 April 2018, using the cumulative retrospective approach. The cumulative effect from adoption is recognised as an adjustment to the opening balance of retained earnings at the date of transition which is 1 April 2018.

The Group's accounting policies for its key revenue streams are disclosed below. The standard has required more extensive disclosures on the Group's revenue transactions and related policies.

NZ IFRS 15 provides guiding principles on when, how and how much revenue to recognise in an entity's financial statements in any given reporting period. The standard and its subsequent amendment replace all existing NZ IFRS guidance for revenue recognition. The application and adoption of NZ IFRS 15 to the Group's revenue streams has impacted the timing of recognition associated with 'customer contributions' from large direct use customers that were previously recognised as revenue up-front in the year of receipt/asset commissioning. Under NZ IFRS 15, these are considered to be up-front fees, effectively a prepayment of future network lines revenue. A contract liability is raised on the balance sheet at the time of receipt and the revenue is recognised as network lines revenue over the term of the contract, or in the absence of a contract end date the useful life of the underlying dedicated asset associated with the direct use customer (generally 45-50 years). The cumulative effect of $2.443 million from initially adopting NZ IFRS 15 is adjusted against opening retained earnings (refer below for further detail).

The Group recognises revenue from the following major sources:
- Network lines services
- Contracting revenue
- Connection fees

On adoption of NZ IFRS 15, the Group has revised its accounting policies for revenue recognition, these are included at Note 2.20.

In line with the requirements of the standard with regards to the transition option adopted, the Group has not restated the comparable information presented, which continues to be reported under previous revenue standards, NZ IAS 11 and NZ IAS 18.

The table below shows the adjustment amounts for items in the Statement of Comprehensive Income and Balance Sheet affected by the application of NZ IFRS 15 for the current year:

Opening Balance Sheet on Transition	Note	NZ IAS 18	Adjustment	NZ IFRS 15
		1-Apr-18	1-Apr-18	1-Apr-18
		$'000	$'000	$'000
Contract Liability Current	(1)	-	298	298
Contract Liability Non-Current	(1)	-	3,097	3,097
Retained Earnings	(2)	97,905	(2,443)	95,462
Deferred Tax Liability		26,347	(950)	25,397

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2019		NZ IAS 18	Adjustment	NZ IFRS 15
		31-Mar-19	31-Mar-19	31-Mar-19
		$'000	$'000	$'000
Revenue	(3)	79,353	298	79,651
Contract Liability Current	(4)	-	298	298
Contract Liability Non-Current	(4)	-	2,799	2,799
Retained Earnings	(5)	101,524	(2,230)	99,294
Deferred Tax Liability		27,926	(867)	27,320

(1) Amounts previously recognised as 'customer contributions' from large direct use customers at the time of receipt /asset commissioning are considered to be prepayments of future network lines revenue under NZ IFRS 15, and are recognised as revenue on a straight line basis over the contracted term or expected useful life of the dedicated asset. Under the previous recognition policy, no amounts were deferred. This has resulted in the recognition of a contract liability to reflect this change in accounting treatment.

(2) Applying the cumulative retrospective approach the above mentioned change in revenue recognition and resulting deferred tax impact has directly impacted the opening retained earnings position.

(3) Amount reflects the recognition of revenue associated with the contract liability discussed at (1) above. The amount reflects the current year release of prepaid distribution network lines revenue for large direct use customers.

(4) Decrease in Contract Liability Non-Current reflects the recognition of the current year portion of prepaid distribution network lines revenue, discussed at (1) above. No new "prepaid revenue" amounts were received in the current year. The treatment of amounts previously recognised as revenue relating to up-front payment on dedicated commissioned assets from direct use customers has changed under NZ IFRS 15. These amounts are paid up-front with revenue recognised over the dedicated assets expected useful life on a straight line basis. Based on the previous recognition method, no amounts were deferred. This has resulted in the recognition of a contract liability to reflect this change in accounting treatment.

(5) Amount reflects the revenue and income tax impact recognised as discussed in (4) above.

Alpine Energy Limited has applied the following practical expedients available in NZ IFRS 15.

- As allowed by NZ IFRS 15.63 Alpine Energy Limited has not adjusted consideration for the effects of deposits in relation to connection fees from small customers where the transfer of the service is deemed to occur in significantly less than one year.
- As allowed by NZ IFRS 15:C5(c) and NZ IFRS 15:C7A, contracts that have been modified prior to the beginning of the earliest period presented (1 April 2018) have not been retrospectively restated; instead the aggregate effect of all the modifications that occurred before that date are reflected.

(b) Application of NZ IFRS 9 Financial Instruments

In the current year, the Group has adopted *NZ IFRS 9 Financial Instruments* effective from 1 April 2018. As permitted by the transitional provisions of NZ IFRS 9, the Group elected not to restate comparative figures. Additionally, the Group adopted consequential amendments to *NZ IFRS 7 Financial Instruments*: Disclosures that were applied to the disclosures for the year ended 31 March 2019.

NZ IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and rules for hedge accounting. Details of these new requirements as well as their impact on the financial statements are described below.

(i) Classification and measurement of financial assets
Under NZ IFRS 9, all the financial assets are measured at amortised cost, fair value through profit or loss or fair value through OCI on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks. No change of classification in relation to derivatives. Further details are disclosed in note 2.7.1(d).

Apart from Derivatives financial instruments, the Group's financial assets include cash and cash equivalents, trade and other receivables, related party loans and other debtors. These financial assets are continued to be measured at amortised cost as they meet the conditions under NZ IFRS 9.

(ii) Impairment of financial assets
The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL'). It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under NZ IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts.

The introduction of new impairment model has an impact on the Group's trade and other receivables, related party loans and other debtors. For trade and other receivables and contract assets, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. Based on the assessment undertaken, no material adjustment was required on transition.

(iii) Hedge accounting
The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

NOTES TO THE FINANCIAL STATEMENTS

In accordance with NZ IFRS 9's transitional provisions for hedge accounting, the Group has applied the NZ IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 April 2018. The Group's qualifying hedging relationships in place as at 1 April 2018 also qualify for hedge accounting in accordance with NZ IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 April 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under NZ IFRS 9's effectiveness assessment requirements. The Group has also not designated any hedging relationships under NZ IFRS 9 that would not have met the qualifying hedge accounting criteria under NZ IAS 39.

Apart from the enhanced disclosure requirements, the application of the NZ IFRS 9 hedge accounting requirements has had no other impact on the results and financial position of the Group for the current and/or prior years. Please refer to note 3 for detailed disclosures regarding the Group's risk management activities.

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

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

NZ IFRS 16: Leases – effective 1 April 2019

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

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $652k, see note 24. However, the Group has not yet assessed what other adjustments, if any, are necessary due to the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

2.2 Consolidation

(a) Subsidiaries

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

The Group applies the acquisition 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

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

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

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 'Revenue'.

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.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the profit or loss.

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

- Reticulation system 1.00% - 36.00%
- Meters and Relays 2.00% - 50.00 %
- Plant and Equipment 1.00% - 67.00%
- Fibre 4.00% - 21.00%
- Buildings 2.00% - 33.33%

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 "Depreciation, Amortisation and Loss on Disposal" 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.

NOTES TO THE FINANCIAL STATEMENTS

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

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

2.7.1 Classification

Policies applied in prior year

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

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

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

(b) Loans and receivables

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

(c) Held to maturity investments

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

(d) Available for sale financial assets

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

(e) Derivative financial instruments and hedge accounting

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

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

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. The Group designates certain derivatives as hedges of the change of fair value of recognised assets and liabilities. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

Policies applied in current year

(f) Amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(g) Fair value through other comprehensive income

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(h) Fair value through profit or loss

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Derivative financial instruments and hedge accounting

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

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

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group designates certain derivatives as hedging instruments in respect of interest rate risk in fair value hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

2.7.2 Recognition and measurement

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

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 "Finance Costs" 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.

The Group documents its assessment, both at inception and on an on-going basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI being, trade and other receivables, and other debtors. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group assesses on a forward-looking basis the ECLs associated with its related party loans. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The ECLs for loans to related parties are based on the assumption that repayment of the loan is demanded at the reporting date and consider whether the borrower would have sufficient available liquid assets to cover the full outstanding balance of the loan if payment was demanded immediately by the Group.

The Group always recognises lifetime ECL for trade and other receivables and other debtors. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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

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

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

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 profit or loss over the period of the borrowings using the effective interest method.

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

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

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 profit or loss, 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, associates 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 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash at bank and other short term deposits held at call with financial institutions.

2.18 Employee entitlements

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

The Group has no post-employment schemes.

2.19 Provisions

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

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

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

2.20 Revenue recognition

(a) Network Lines Services

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

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

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

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

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

(b) Contracting Revenue

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

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

Warranties relating to design and construction work cannot generally be purchased separately and serve as an assurance that the construction work comply with agreed specifications. Accordingly warranty consideration are assessed in line with NZ IAS 37 Provisions, Contingent Liabilities and Contingent assets.

Pricing is determined with reference to the time and materials associated with a specific construction contract and is based on the level of activity required for completion. Payment is due in respect of the design and construction works on a percentage completion basis over the contract term. A receivable is recognised by the Group when a contractual milestone is met. If the revenue recognised by the Group exceeds the payments, a contract (work in progress) asset is recognised. If payments exceed the revenue recognised, a contract (work in progress) liability is recognised.

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

(c) Connection fees

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

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

As a practical expedient in line with NZ IFRS 15.63, Alpine Energy has not adjusted the promised amount of consideration for any deposit received in respect of electrical contact works for a significant financing component. This is due to the period between when Alpine transfers the electrical work to the customer and when the customer pays for the electrical work being less than one year.

2.21 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.

2.22 Dividend income

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

2.23 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 statement of comprehensive income 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) includes meter revenue and is recognised on a straight-line basis over the lease term.

2.24 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.

2.25 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 objective 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. The carrying amount of foreign currency is reported under note 15 and 16.

(ii) 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. The main source of

hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. Another source of hedge ineffectiveness is expected to arise due to the hypothetical derivative that represents the hedged item for the hedged risk having a different fixed rate from that of the hedge instrument. No other sources of ineffectiveness emerged from these hedging relationships.

(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 and other receivables is limited through retailer invoicing for line and metering charges rather than individual consumer invoicing for line and metering charges. Credit is also limited with trade receivables by the requirement of a 50% upfront payment of the customer contribution for new connections before work is started and milestone claims. Credit risk associated with related party loans is low due to the saleable assets held by the related party.

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

	2019 $'000	2018 $'000
External funding arrangements Short-term funding		
Overdraft facility - BNZ	500	500
Long-term funding Maturing greater than 12 months		
Commercial Flexible Facility (ANZ)	5,000	-
Flexible Credit Facility (ANZ)	100,000	40,000
Money Market Line (ANZ)	-	59,000

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
At 31 March 2019				
Trade and Other Payables	8,729	-	-	-
Loans	-	104,143	-	-
Interest Rate Swaps	102	-	1,435	3,741
Foreign Currency Forward Contracts	14	-	-	-
At 31 March 2018				
Trade and Other Payables	8,665	1	-	-
Loans	-	102,967	-	-
Interest Rate Swaps	-	186	444	2,144
Foreign Currency Forward Contracts	423	-	-	-

(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 2019, the Group's strategy was to maintain the Shareholders Equity to Total Asset ratio to be greater than 45% (2018:50%).

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

NOTES TO THE FINANCIAL STATEMENTS

	2019 $'000	2018 $'000
Tangible Assets	299,257	283,823
Total Equity	146,360	141,712
Shareholders Equity to Total Assets	**49%**	**50%**
EBIT	29,533	25,309
Interest Cost	5,623	3,331
Interest Cover	**5:1**	**8:1**

(Shareholders' Investment/Total Tangible Assets) x 100 ≥ 45%

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) Customer Contributions /Upfront Costs

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

(b) Property, plant and equipment

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

(c) Related Party Loan

Based on the 10 year forecast for On Metering Limited, regular loan repayments have been made starting in FY19. Based on this it is our view that this loan will be repaid over the life of the project.

4.2 Critical judgements in applying the entity's accounting policies

(a) Joint arrangements

Alpine Energy has three joint arrangements – Rockgas Timaru Limited, Sunfra Joint Venture 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 provide the Group and the parties to the agreements with rights to the net assets of the of the arrangements. Therefore, these arrangements are classified as joint ventures.

5. REVENUE

	2019	2018
Over Time Recognition	$'000	$'000
Network Lines Revenue	66,275	60,425
Contracting Revenue	6,210	25,260
Point in Time Recognition		
Connection Fees	3,948	3,943
Total Revenue from Contracts with Customers	**76,433**	**89,628**
Meter Revenue	1,972	1,674
Fibre Revenue	763	664
	79,168	91,966
Other Income		
Insurance Proceeds	-	1,000
Sundry	483	357
Total Revenue	**79,651**	**93,322**
Revenue from Contracts with Customers by Geographic Location		
- New Zealand	73,168	64,974
- Pacific Island	3,265	24,654
	76,433	89,628

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

NOTES TO THE FINANCIAL STATEMENTS

	2019 $'000	2018 $'000
Contract Liability - Capital Contribution		
Opening Balance	3,395	3,692
Amount of transaction price received for unsatisfied performance obligations	-	-
Revenue recognised from performance obligations satisfied	(298)	(298)
Closing Balance	3,097	3,395

(1) At 31 March 2019, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) is $3.10m, of which 10.65% will be recognized as revenue during the next report period. Of the remaining 89.35%, $0.298m will be recognized in the 2020 financial year and $0.298m in the 2021 financial year. (2018: as permitted under the transitional provisions in NZ IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 March 2018 is not disclosed).

(2) There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

(3) $0.298m of revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period.

Contract Liability - Contracting Deferred Revenue		
Opening Balance	2,311	6,380
Amount of transaction price received for unsatisfied performance obligations	3,372	5,464
Revenue recognised from performance obligations satisfied	(4,138)	(9,533)
Closing Balance	1,545	2,311

(1) At 31 March 2019, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) is $3.10m which will be recognised in the next 12 months. At balance date, $1.545m has been received. (2018: as permitted under the transitional provisions in NZ IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 March 2018 is not disclosed.)

(2) There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.
(3) $2.311m of revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period.

Total Contract Liabilities		
Current	1,843	2,311
Non-Current	2,799	3,395
	4,642	5,706

6. EXPENSES

	2019 $'000	2018 $'000
Audit Fee	188	139
Auditor's Other Services		
- Tax Compliance	-	2
- Information Disclosure Audit	54	33
- DPP Compliance Statement Audit	40	33
- New Accounting Standards Workshop	11	-
- DPP Agreed upon Procedures	15	-
	308	207
Directors' Fees	475	274
Bad Debts Written Off	2	5
Donations	13	25
Rent	108	136
Costs Associated with Insurance Claim	-	2,593
	598	3,033

7. NET FINANCE COSTS

	2019 $'000	2018 $'000
Finance Costs:		
- Bank Borrowings	4,186	3,331
- Fair Value Movement of Interest Rate Swaps that do not meet hedge accounting criteria (refer note 14)	2,085	-
Finance Costs	6,271	3,331
- Finance Income:		
- Interest Income on Short-Term Bank Deposits	(57)	(15)
Finance income	(57)	(15)
Net Finance Costs	6,214	3,316

NOTES TO THE FINANCIAL STATEMENTS

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
Infratec Limited	100%	31 March	Renewable Energy Contracting
Infratec Renewables (Rarotonga) Limited	100%	31 March	Renewable Energy Contracting

9. INVENTORY

Inventory on hand	2019 $'000	2018 $'000
Smart Meters	953	2,084
Contracting Inventory	3,079	3,016
Total Inventory	4,032	5,100

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
Sunfra Joint Venture	50%	31 March	Renewable Energy Contracting

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.

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

Rockgas Timaru Limited	2019 $'000	2018 $'000
Assets	909	963
Liabilities	358	360
Revenues	2,796	2,625
Profit	248	257
Opening Balance	305	276
Share of Profit	124	129
Prior Year Adjustment	(3)	-
Dividends Received	(150)	(100)
Closing Balance	276	305
Represented as:		
Shares	5	5
Retained Earnings	271	300
	276	305

On Metering Limited	2019 $'000	2018 $'000
Assets	11,182	12,445
Liabilities	12,149	12,995
(Loss)	(194)	(226)
Opening Balance	(275)	(121)
Prior Year Adjustment	(111)	(41)
Share of Loss	(97)	(113)
Closing Balance	(483)	(275)
Represented as:		
Retained Earnings	(483)	(275)
	(483)	(275)

The Group considers the total 'net investment' in On Metering when it applies equity accounting to On Metering. The $5.975m recoverable is deemed to form part of the total investment in On Metering. On this basis, the overall value is $5.492m (2018 $6.200m).

Sunfra Joint Venture	2019 $'000	2018 $'000
Assets	2,433	-
Liabilities	2,031	-
Revenues	4,261	-
Profit	402	-
Opening Balance	-	-
Share of Profit	201	-
Closing Balance	201	-
Represented as:		
Retained Earnings	201	-
Total Share of Profit from Joint Ventures	114	(25)
Rockgas Timaru Limited	276	305
On Metering Limited	(483)	(275)
Sunfra Joint Venture	201	-
Total Investment in Joint Ventures	(6)	30

NOTES TO THE FINANCIAL STATEMENTS

11. INCOME TAX EXPENSE

	2019 $'000	2018 $'000
Profit Before Income Tax	19,465	19,362
Taxation @ 28%	5,450	5,421
Movement in Income Tax Due to:		
Non Deferred Tax Differences		
Non Assessable Income	(58)	(4)
Non Deductible Expenses	450	(27)
Prior Period Adjustments	(127)	-
Tax Expense for Period	5,715	5,390
Made up of:		
Income Tax Liability in Respect of Current Year	4,713	3,948
Prior Period Current Tax Adjustment	(941)	(553)
Prior Period Deferred Tax Adjustment	814	552
Deferred Taxation	1,129	1,443
	5,715	5,390
The tax (charge)/credit relating to components of other comprehensive income is as follows:		
Gain/(Loss) on Revaluation of Land And Buildings Before Tax	1,259	200
The tax (charge)/credit on Revaluation of Land And Buildings	(95)	(56)
Gain/(Loss) on Revaluation of Land And Buildings After Tax	1,164	144
Gain/(Loss) on Interest Rate Swap Before Tax	(420)	(383)
The tax (charge)/credit on Interest Rate Swap (including Prior Period Adjustment)	117	107
Gain/(Loss) on Interest Rate Swap After Tax	(303)	(276)
Imputation Credit Account Balance		
Parent Company	2,005	1,810
Subsidiaries	1,712	1,742
CLOSING BALANCE	3,717	3,552

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

	Network Reticulation System	Meters and Relays	Land and Buildings	Fibre	Plant and Equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year Ended 31 March 2018						
Opening Net Book Amount	196,957	8,880	10,677	3,117	7,115	**226,746**
Revaluation	-	-	200	-	-	**200**
Additions	22,361	3,849	9,736	1,165	1,354	**38,465**
Change in Capital WIP	(724)	-	-	-	-	**(724)**
Disposals	(845)	-	-	-	(46)	**(891)**
Depreciation Charge	(5,574)	(784)	(46)	(153)	(1,488)	**(8,045)**
Closing Net Book Amount	212,175	11,945	20,567	4,129	6,935	**255,751**
At 31 March 2018						
Cost	270,882	18,356	20,749	5,196	18,546	**333,728**
Accumulated Depreciation	(58,707)	(6,411)	(182)	(1,067)	(11,611)	**(77,977)**
Net Book Amount	212,175	11,945	20,567	4,129	6,935	**255,751**
Year Ended 31 March 2019						
Opening Net Book Amount	212,175	11,945	20,567	4,129	6,935	**255,751**
Revaluation	-	-	1,259	-	-	**1,259**
Additions	24,647	4,217	651	163	1,330	**31,008**
Change in Capital WIP	(8,252)	-	-	-	-	**(8,252)**
Impairment	-	-	(851)	-	-	**(851)**
Disposals	(424)	-	(161)	-	(67)	**(652)**
Depreciation Charge	(5,869)	(1,167)	(730)	(182)	(1,272)	**(9,220)**
Closing Net Book Amount	222,277	14,995	20,735	4,110	6,926	**269,043**
At 31 March 2019						
Cost	286,852	22,573	21,647	5,359	19,809	**356,240**
Accumulated Depreciation	(64,575)	(7,578)	(912)	(1,249)	(12,883)	**(87,197)**
Net Book Amount	222,277	14,995	20,735	4,110	6,926	**269,043**

	2019	2018
	$'000	$'000
Included in the closing Net Book Value is Capital Work in Progress	**8,008**	**16,260**

Revaluation of Land and Buildings

An independent valuation of the Group's land and buildings was performed by Gary Sellars, a registered valuer of Colliers International Valuation (ChCh) Limited, to determine the fair value of the land and buildings as at 31 March 2019. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is included in ' Revaluation Reserves' in equity. In the year Alpine House was impaired by $851,000 (2018: Nil).

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

NOTES TO THE FINANCIAL STATEMENTS

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. The relationship of all these unobservable inputs to fair value is that the higher they are, the lower the fair value.

	Fair Value at			Range of Inputs	
Description	2019	2018	Unobservable Inputs	2019	2018
	$'000	$'000		%	%
Alpine House	10,943	12,452	Discount Rate	8.65	8.75
			Terminal Yield	7.65	7.75
			Cap Rate	7.15	7.25
Other Property	9,792	8,115	Discount Rate	10.00	10.00
			Terminal Yield	9.00	9.00
			Cap Rate	8.50	8.10

Land and Building -Historical Cost

	2019	2018
	$'000	$'000
Deemed Cost - Land	77	77
Deemed Cost - Building	17,890	17,760
Accumulated Depreciation - Building	(1,420)	(897)
Net Book Value	16,547	16,940

13. INTANGIBLE ASSETS

	Easements	Computer Software	Total
Year Ended 31 March 2018			
Opening Net Book Amount	57	3,992	**4,049**
Additions	-	981	**981**
Amortisation	(1)	(1,186)	**(1,187)**
Closing Net Book Amount	56	3,787	**3,843**
At 31 March 2018			
Cost	99	6,121	**6,220**
Accumulated Amortisation	(43)	(2,334)	**(2,377)**
Net Book Amount	56	3,787	**3,843**
Year Ended 31 March 2019			
Opening Net Book Amount	56	3,787	**3,843**
Additions	-	421	**421**
Amortisation	(1)	(1,562)	**(1,563)**
Closing Net Book Amount	55	2,646	**2,701**
At 31 March 2019			
Cost	99	6,541	**6,640**
Accumulated Amortisation	(44)	(3,896)	**(3,940)**
Net Book Amount	55	2,645	**2,700**

14. DERIVATIVE 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).

	Level 1	Level 2	Level 3	Fair value at 31 March 2019
	$'000	$'000	$'000	$'000
Financial Assets				
Interest Rate Swaps	-	-	-	-
Foreign Currency Forward Contracts	-	-	-	-
Financial Liabilities				
Interest Rate Swaps	-	(5,278)	-	(5,278)
Foreign Currency Forward Contracts	-	(14)	-	(14)
	-	(5,292)	-	(5,292)

	Level 1	Level 2	Level 3	Fair value at 31 March 2018
	$'000	$'000	$'000	$'000
Financial Assets				
Interest Rate Swaps	-	-	-	-
Foreign Currency Forward Contracts	-	-	-	-
Financial Liabilities				
Interest Rate Swaps	-	(2,774)	-	(2,774)
Foreign Currency Forward Contracts	-	(423)	-	(423)
	-	(3,197)	-	(3,197)

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.

Assets as per Balance Sheet	Derivatives used For Hedging	Derivatives held For Trading	Measured at Amortised Cost	Total
	$'000	$'000	$'000	$'000
At 31 March 2018				
Related Party Loan	-	-	6,690	6,690
Trade & Other Receivables	-	-	10,207	10,207
Cash and Cash Equivalents	-	-	1,016	1,016
Interest Rate Swaps	-	-	-	-
	-	-	17,913	17,913
At 31 March 2019				
Related Party Loan	-	-	6,190	6,190
Trade & Other Receivables	-	-	11,678	11,678
Cash and Cash Equivalents	-	-	1,782	1,782
Interest Rate Swaps	-	-	-	-
	-	-	19,650	19,650
Liabilities as per Balance Sheet				
At 31 March 2018				
Trade and Other Payables	-	-	(8,666)	(8,666)
Interest Rate Swaps	(2,774)	-	-	(2,774)
Long Term Borrowings	-	-	(99,000)	(99,000)
Dividend Payable			(3,967)	(3,967)
Foreign Currency Forward Contracts	-	(423)	-	(423)
	(2,774)	(423)	(111,633)	(114,830)

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2019				
Trade and Other Payables	-	-	(8,729)	(8,729)
Interest Rate Swaps	(2,260)	(3,018)	-	(5,278)
Long Term Borrowings	-	-	(100,000)	(100,000)
Dividend Payable			(3,967)	(3,967)
Foreign Currency Forward Contracts	-	(14)	-	(14)
	(2,260)	(3,032)	(112,696)	(117,988)

Specific valuation techniques used to value financial instruments include:

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

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

Cash flow hedge reserve

	2019 $'000	2018 $'000
Balance at 1 April	(1,998)	(1,722)
Gain/(loss) arising on changes in fair value of hedging instruments during the period	(2,505)	(383)
Income tax related to gains/(losses) recognised in other comprehensive income during the period	701	107
(Gain)/loss reclassified to profit or loss – Interest rate swaps that do not meet hedge accounting criteria	2,085	-
Income tax related to (gains)/losses transferred to profit or loss	(584)	-
Income tax related to amounts reclassified to profit or loss	-	-
Balance at 31 March	(2,301)	(1,998)

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss.

Following the blending of 3 swaps in 2015, the Group no longer met the hedge accounting criteria under NZ IAS 39. The Group decided to continue to apply hedge accounting in the periods that follow because the impact of continuing the accounting treatment did not lead to a material misstatement either within each year from 2015, or cumulatively from that date. As a result of an unfavourable movement in interest rates in the 2019 financial year, the difference in using hedge accounting versus not using hedge accounting has become materially significant and therefore the appropriate correction has been recognised in the current year.

Included in finance costs in the statement of comprehensive income is an amount of $2.1 million relating to the fair value movement of interest rate swaps that do not meet hedge accounting criteria. Historically, the Group applied hedge accounting and movements in their fair value were recorded in the Cash Flow Hedge Reserve. Of the $2.1 million, $0.7 million relates to the current year, $0.5 million related to 2018 and $0.9 million related to periods prior to 2018. This has also resulted in a decrease of $1.5 million in the cash flow hedge reserve (net of deferred tax).

Following the implementation of NZ IFRS 9 the Group has reassessed whether applying hedge accounting would be appropriate for these swaps and have concluded that the Group did not satisfy the hedging criteria for the blended swaps under NZ IAS 39 or NZ IFRS 9. The Group therefore decided to discontinue applying hedge accounting in the current year in order to ensure the Groups ongoing compliance with the accounting standards.

Because the impact of applying hedge accounting was immaterial in the prior periods, management and the Board has concluded that given the impact of the correction is limited to the balances described in this note, they believe that processing the correction in the current period is appropriate. Comparatives are therefore not restated.

NOTES TO THE FINANCIAL STATEMENTS

Cash flow hedges

Hedging instruments - outstanding receive floating pay fixed contracts

	Average contracted fixed interest rate		Notional principal value		Carrying amount of the hedging instrument assets/(liabilities)		Change in fair value used for calculating hedge ineffectiveness	
	2019	2018	2019	2018	2019	2018	2019	2018
	%	%	$'000	$'000	$'000	$'000	$'000	$'000
Less than 1 year	-	-	-	-	-	-	-	-
1 to 2 years	-	-	-	-	-	-	-	-
2 to 5 years	-	-	-	-	-	-	-	-
5 years +	3.25%	3.30%	24,000	12,000	(2,260)	(233)	-	-

Hedged items	Nominal amount of the hedged item assets/(liabilities)		Change in value used for calculating hedge ineffectiveness		Balance in cash flow hedge reserve for continuing hedges		Balance in cash flow hedge reserve arising from hedging relationships for which hedge accounting is no longer applied	
	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Floating rate borrowings	24,000	12,000	-	-	(2,260)	(233)	932	-

15. TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
The balance of Accounts Receivable comprises:		
Trade Receivables	7,748	9,624
Trade Receivables Due from Other Related Parties	381	146
Trade Receivables Due from Joint Arrangements	2,308	14
Trade Receivables Due from Shareholders District Councils	40	198
Allowance for Credit Losses	-	(75)
Prepayments	401	286
Unbilled Revenue	814	14
Balance at End of the Year	11,692	10,207

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

	2019	2018
	$'000	$'000
EUR	279	4,809
NZD	10,198	5,173
	10,477	9,982

(1) The Group always measure the loss allowance on amounts due from customers, related parties, joint arrangements, shareholders district councils and trade receivables at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the electrical distribution industry.
(2) There were no impairment losses recognised on any contract asset (Work in progress) in the reporting period (2018: nil).

NOTES TO THE FINANCIAL STATEMENTS

16. CASH AND CASH EQUIVALENTS

	2019 $'000	2018 $'000
Cash at bank and in hand	1,782	1,016
Cash and cash equivalents	1,782	1,016

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

	2019 $'000	2018 $'000
AUD	-	26
EUR	112	343
USD	1	1
NZD	1,669	646
	1,782	1,016

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

	$'000
At 1 April 2017	93,851
Profit for the year	13,972
Dividends declared - 24 cents per share	(9,918)
At 31 March 2018	97,905
Impact of adoption of NZ IFRS 15	(2,443)
Adjusted balance at 1 April 2018	95,462
At 1 April 2018	95,462
Profit for the year	13,750
Dividends declared - 24 cents per share	(9,918)
At 31 March 2019	99,294

19. TRADE AND OTHER PAYABLES

	2019 $'000	2018 $'000
The balance of Accounts Payable comprises:		
Trade Payables	4,015	6,072
Accruals	4,664	2,306
Due to Related Entities (Associates and Joint Ventures)	48	274
Due to Shareholders District Councils	2	14
Balance at End of the Year	8,729	8,666

20. BORROWINGS

The Group has a loan facility with the ANZ Bank to draw down a maximum of $115,000,000 (2018:$105,000,000). The loan facility is an interchangeable arrangement between a Flexible Credit Facility and a Commercial Flexible Facility. At balance date the following amounts were drawn down. All borrowings are in New Zealand Dollars.

	2019 $'000	2018 $'000
Flexible Credit Facility	100,000	40,000
Commercial Flexible Facility	-	-
Money Market Line	-	59,000
Total	100,000	99,000

The termination date of the total facility is 16 August 2020. The loan is subject to a negative pledge. Four $7 million and two $12 million interest rate swap transactions had been entered into, effective 20 December 2015, 20 December 2017 and 20 September 2018, borrowed against the Flexible Credit Facility for a period of four years, six years, eight years and ten years. The interest rate applied to borrowings against the Flexible Credit 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 $1,000,000 (2018: $590,000) in the interest expense for the year. The covenants governing the loan have not been breached during the year.

	2019 $'000	2018 $'000
Bank Overdraft	-	-
The Group has the following undrawn borrowing facilities:		
Floating rate:		
Expiring within one year	-	-
Expiring beyond one year	15,000	6,000
Fixed Rate: Expiring within one year	-	-
Total	15,000	6,000

The fair value is not materially different to the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

21. DEFERRED INCOME TAX

	2019	2018
The gross movement on the Deferred Income Tax Account is as follows:	$'000	$'000
At 1 April 2018	(26,347)	(24,403)
Adjustment from adoption of IFRS 15	950	-
Tax (charge)/credit Relating to Components of Comprehensive Income	(1,943)	(1,995)
Tax (charge)/credit directly to Equity	20	51
At 31 March 2019	(27,320)	(26,347)

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
At 1 April 2017	(27,191)
Charged/(Credited) to the Statement of Comprehensive Income	(2,854)
Charged/(Credited) to the Statement of Changes in Equity	-
At 31 March 2018	(30,045)
Charged/(Credited) to the Statement of Comprehensive Income	(2,241)
Charged/(Credited) to the Statement of Changes in Equity	-
At 31 March 2019	(32,286)

Deferred Tax Assets	Provisions $'000
At 1 April 2017	2,789
Charged/(Credited) to the Statement of Comprehensive Income	855
Charged/(Credited) to the Statement of Changes in Equity	51
At 31 March 2018	3,695
Adjustment from adoption of IFRS 15	950
Adjusted balance at 1 April 2018	4,645
Charged/(Credited) to the Statement of Comprehensive Income	300
Charged/(Credited) to the Statement of Changes in Equity	20
At 31 March 2019	4,965

22. RECONCILIATION OF CASH FLOWS

(a) Cash Flows from Operating Activities

	2019 $'000	2018 $'000
Operating Surplus After Income Tax	13,750	13,972
Add/(Deduct) Non Cash Items		
Depreciation and Amortisation	12,288	10,077
Increase in Deferred Tax Liability	1,685	2,052
Mark to Market on Interest Rate Swaps	2,085	-
Decrease in Contract Liability Current	(297)	-
Net Movement in Non Cash Items	15,761	12,129
Add/(Deduct) Movements in Working Capital Items		
(Increase)/Decrease in Accounts Receivable	(166)	(5,348)
(Increase)/Decrease in Inventories and Work in Progress	1,068	804
(Increase)/Decrease in JV Profit	(114)	25
Increase/(Decrease) in Creditors and Employee Entitlements	(2,063)	(1,895)
Increase/(Decrease) in Deferred Revenue	1,019	(3,279)
Increase/(Decrease) in Provision for Tax	2,694	29
Net Movement in Working Capital Items	2,438	(9,664)
Add (Deduct) Items Classified as Financing		
Dividends Received	-	-
Net Cash Flows From Operating Activities	31,949	16,437
In the statement of cash flows, proceeds from sale of PPE comprise:		
Net Book Amount	655	891
Profit/(Loss) on Disposal of PPE	(651)	(845)
Proceeds from Disposal of PPE	4	46

NOTES TO THE FINANCIAL STATEMENTS

(b) Net Debt Reconciliation

	2019 $'000	2018 $'000
Cash and Cash Equivalents	(1,782)	(1,016)
Borrowings - Repayable After One Year	100,000	99,000
Net Debt	98,218	97,984
Cash and Cash Equlvalents	(1,782)	(1,016)
Gross Debt - Variable Interest Rates	100,000	99,000
Net Debt	98,218	97,984

	Cash $'000	Borrow Due after 1 Year $'000	Total $'000
Net Debt at 31 March 2018	(1,016)	99,000	97,984
Cash Flows	(766)	1,000	234
Net Debt at 31 March 2019	(1,782)	100,000	98,218

23. CONTINGENCIES

The Group has contingent liabilities at 31 March 2019 of $5.677m in the form of performance and import guarantees to cover ongoing project work (2018 $9.106m)

24. COMMITMENTS

	2019 $'000	2018 $'000
(a) Capital commitments	5,808	6,547
(b) Lease commitments as lessee:		
Within one year	342	192
Between one and five years	310	320
Over five years	-	-

(c) Outstanding commitments on forward exchange contracts:

The Group has other commitments totalling $1.438m per annum relating to new investment contracts with Transpower.
The contracts generally have a term of 20 years, and the existing contracts have expiry dates ranging from 2019 until 2029.

25. OPERATING LEASES

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

		2019 $'000	2018 $'000
Lease of fibre network	Within one year	541	512
	Between one and five years	2,706	2,558
	Over five years	5,773	5,968
Rentals from building lease agreements	Within one year	195	102
	Between one and five years	483	89
	Over five years	-	-

26. RELATED PARTIES

Shareholders

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

	2019 $'000	2018 $'000
Revenues from Shareholder District Councils - Contracting Activities		
MacKenzie District Council	34	47
Timaru District Council	508	1,297
Waimate District Council	64	32
Payments to Shareholder District Councils - Rates		
MacKenzie District Council	22	17
Timaru District Council	112	86
Waimate District Council	22	19
Balances due from and to Shareholder District Councils are shown in note 15 and 19		

NOTES TO THE FINANCIAL STATEMENTS

Transactions with Related Parties

	2019 $'000	2018 $'000
Revenues from Rockgas Timaru Limited	65	47
Revenues from SmartCo	2,090	1,350
Revenues from On Metering	74	82
Revenues from Sunfra Joint Venture	201	-
Expenses to Rockgas Timaru Limited	-	-
Expenses to SmartCo	1,142	2,367
Expenses to On Metering	97	134
Expenses to Sunfra Joint Venture	-	-

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

Key Management Compensation

	2019 $'000	2018 $'000
Short term employee benefits	2,850	1,983

Loans to Related Parties

	2019 $'000	2018 $'000
Shareholder loan to On Metering Limited	5,975	6,475
Shareholder loan to SmartCo	215	215
Balance at end of year	6,190	6,690

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

There is no expected credit losses or bad debt expenses for related parties. At balance date the Group have assessed the balance for impairment and consider the carrying value recoverable.

Loan Repayment

	2019 $'000	2018 $'000
On Metering Limited	500	-

27. EVENTS AFTER THE REPORTING PERIOD

Prior to 31 March 2019, the Group's board of directors approved to convert $2m of the intercompany loan with Infratec Limited, to share capital. The formalities of this process were completed shortly after the year-end date.

PERFORMANCE REPORT

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2019

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

Financial Information

	2019	2018
Ratio of Net Surplus attributable to the Shareholders to Average Shareholders Equity:		
Target	14.5%	14.7%
Result	9.7%	10.1%
Tangible Assets per Share:		
Target	$7.41	$6.91
Result	$7.09	$6.79
Earnings per Share:		
Target	$0.541	$0.519
Result	$0.333	$0.338
Total Dividend per Share:		
Target		
Result		
Ratio of Shareholders' Equity to Total Assets:		
Minimum Target	52%	53%
Result	49%	50%

Non Financial Information

	2019	2018
Average Interruption Duration (SAIDI)		
Maximum Target (Minutes per Duration)	132.81	132.81
Result (Normalised)	136.77	115.29
Average Interruption Frequency (SAIFI)		
Maximum Target (Interruptions per Customer)	1.30	1.30
Result (Normalised)	0.99	0.99

Health and Safety Measures

Health and safety continues to be the most important aspect of what we do and why we do it. It is 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 prerequisite for membership is a pledge to Zero Harm. Within the reporing period, Alpine's Public Safety Management System was externally audited and we retained certification.

Our LTIFR and TRIFR rates remain below the industry median, and are continuing a favourable downward trend. 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.

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ALPINE ENERGY LIMITED'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2019

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

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 30 to 56, that comprise the balance sheet as at 31 March 2019, 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 statement of service performance of the Group on page 57.

In our opinion:

- the financial statements of the Group:
    - present fairly, in all material respects:
        - its financial position as at 31 March 2019; 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 2019.

Our audit was completed on 28 June 2019. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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.

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

AUDITOR’S REPORT

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

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

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

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

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

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

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

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

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

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

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

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

AUDITOR'S REPORT

- 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, International Financial Reporting Standards workshop and agreed upon procedures in relation to Default Price-Quality Path. Other than the audit and these assignments, we have no relationship with or interests in the Company or any of its subsidiaries.

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

PwC

NETWORK OWNERSHIP

NETWORK OWNERSHIP IN SOUTH CANTERBURY

LineTrust South Canterbury
40%

Timaru District Council
47.5%

Waimate District Council
7.54%

Mackenzie District Council
4.96%

THE COMMUNITY OWNS 100% OF ALPINE ENERGY

100% SOUTH CANTERBURY OWNED

ALPINE ENERGY HAS OWNERSHIP IN THE FOLLOWING

SmartCo
14.29%

Rockgas Timaru Ltd
50%

NETcon Ltd
100%

On Metering
50%

Timaru Electricity Ltd
100%

Infratec Ltd
100%

Infratec Renewables Rarotonga Ltd
100%


100
HBC

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