Empowering our Community

FY2022
Annual Report

"It is a **transformational time** in our industry, with decarbonisation, decentralisation and digitisation fundamentally changing our business, and **we intend to be instrumental** in enabling the transition in South Canterbury."

Warren McNabb, Chair of Alpine Energy Limited Board

Contents

This report reviews Alpine Energy's financial and operational performance for the year ended 31 March 2022.
The financial statements have been prepared in accordance with the appropriate accounting standards and have been independently audited by PwC.
Care has been taken to ensure all information in this report is accurate, including internal support and confirmation processes and Board endorsement.

Performance snapshot

Our cultural diversity

55% New Zealand
45% other

50/50
Our Board consists of a 50/50 gender split

33,411
Customer connections

$192,000
Granted in sponsorships

10
New roles created

24
Number of wellness events our people attended

$68M
Revenue

836 GW
Hours of electricity delivered on our network

$9M
Equity growth

144MW
Network maximum demand

$178M
Net assets

$22M
Capital expenditure on our network*

$29M
EBITDA

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

Our performance and financial results

	FY20	FY21	FY22	SCI FY22
Financial				
Revenue ($M)	91.308	81.235	68.403	85.100
- Electricity delivery revenue	78.684	59.621	52.891	54.104
- Other	12.624	21.614	15.512	30.996
Operating expenses ($M)	62.215	58.018	53.588	67.13
Operating surplus before tax ($M)	29.093	23.217	14.814	16.44
Net operating surplus after tax ($M)	21.637	17.757	8.824	12.76
Rate of return on average shareholders' funds	14.70%	11.09%	5.10%	7.27%
Fully imputed dividends ($)	$0.24	$0.06	$0.06	$0.06
Earnings per share (cents per share)	52.35	42.97	21.35	30.89
Capital additions	13.808	24.049	18.101	19.900
- Network	7.797	22.535	15.132	17.100
- Other	6.011	1.514	2.969	2.800
Alpine Energy parent covenants:				
- Interest cover (target> 3.0 times)	9.02	6.48	5.50	4.53
- Shareholder funds to total assets (target > 45%)	49%	54%	57%	59%
Business Safety*				
Number of fatalities or injuries causing permanent disability to workers	0	0	0	0
Lost Time Injury Frequency Rate (LTIFR) per 200,000 hours worked	0	0	0.66	0.71
Number of Lost Time Injuries	0	0	1	0
Total Record Injury Frequency Rate (TRIFR) per 200,000 hours worked	0.95	0	0.66	0.71
Number of Total Recordable Injuries	1	0	1	1
Public Safety*				
Number of serious injury events (excluding third party contact e.g. car vs. pole) involving members of the public	0	0	0	0
Network Reliability (these values represent the assessed values under the Default Price-Quality Determination)*				
SAIDI - planned assessed	**	87.55	78.39	N/A
SAIDI - unplanned assessed	**	77.48	89.32	N/A
SAIFI - planned assessed	**	0.26	0.24	N/A
SAIFI - unplanned assessed	**	0.635	0.711	N/A

* Alpine parent metrics only.

** The 2021 - 2025 Regulatory Period commenced on 1 April 2020 and therefore the FY20 reliability measures will not be comparable to FY21 and FY22 because of the change in the normalisation methodology from DPP 2 to DPP 3.

Message from our Chair

Warren McNabb

Heading into my second year as the Chair of Alpine Energy Group Limited (AEL), I knew we faced a challenging period, but little did I know how much change would be heralded for our business and the energy sector in a 12-month period. All while the continued impact of COVID-19 and the war in the Ukraine has challenged global economies, contributing to escalating inflation, rapid rises in commodity and supply chain costs, and a global talent shortage. I am proud of how the AEL team has responded to the challenges that 2022 presented and the work that has started to ensure that we can enable a future driven by decarbonisation, decentralisation and digitisation.

Climate change and decarbonisation impacting our network

The decarbonisation of energy in industry, transport, and agriculture are central tenants in the Government's Emissions Reduction Plan. With agriculture, manufacturing, heat processing, and transport at the heart of South Canterbury's economy, our work is at the forefront of delivering this national plan. To ensure that we are well positioned to enable the electrification of the South Canterbury region, we commissioned DETA consultants this year to fully understand the extent of heat processing in our region and the opportunity for electrification.

Our infrastructure needs to not only accommodate greater electrification but also to be more resilient to the impacts of climate change. We know that extreme weather events and higher average temperatures increase the risks to transmission and distribution infrastructure. This is particularly important to us, as climate change is predicted to lead to increased wind speeds across the east coast of the South Island, posing an increased risk to our overhead lines. Looking to the future, both decarbonisation and climate resilience will form major parts of our asset management and investment plans.

We are also taking the first steps to understand and address our organisational climate-related risks and opportunities, and our broader sustainability responsibilities. This report includes our first voluntary climate-related disclosures and highlights our commitment to developing a Sustainability Strategy in the coming year.

A need for more flexibility through increased decentralisation

We know that people are seeking greater flexibility and control over how they manage their own energy needs. Over the past year, we have received an increase in the number of applications for small and larger scale distributed generation. To put this into perspective, we currently have 571 distributed generation connections on our network, totalling 2.8MW. During the year in review, we received applications for the connection of medium and large-scale renewable energy generating systems to our networks totalling over 130MW. Our current peak demand across our network is only 10MW more at 140MW.

New generation brings further challenges and opportunities as we look to manage distributed generation across our network. It is also a pertinent reminder that our consumers' needs must always remain at the heart of our business planning.

Changing regulatory environment

It has also been a very busy year for government policy and regulation development, and this will continue into 2023 as the Commerce Commission reviews the Input Methodologies and Information Disclosures to prepare for DPP 4. With decarbonisation, decentralisation and digitisation radically reforming the future of energy, regulators are working to ensure that the regulations that govern our sector are fit for purpose and enable, rather than hinder, these changes. We are making a concerted effort to increase our engagement with these regulators and are working closely with our peers to ensure our local voice, and perspective, is represented in these decision-making processes.

Our strategy to enable the changes

During 2022, we reviewed our business strategy. This was a collaborative project delivered by our Board and Executive Leadership Team and is essential to ensuring that our strategic direction embodies and supports the transformational change required in response to external drivers. We looked at the energy and electricity industry through a national and local lens and identified key trends that will impact our business in the short, medium, and long term.

We recognise that to effectively respond and adapt to the rapidly evolving world of energy, we need to be agile. We need to work smarter. And so, we are working with our people to build organisational capabilities, harness digital technology to achieve efficiencies, and engaging closely with our stakeholders, customers, and communities to understand their needs, concerns, and aspirations. Identifying smarter ways of working and reducing costs where possible, will enable us to invest more to meet our future goals.

Acknowledging our shareholders

I would like to thank our shareholders, Timaru District Holdings Limited, MacKenzie District Council, Waimate District Council and the Line Trust South Canterbury for their continued trust and support and for providing a positive challenge to our strategic direction. This year, shareholders will receive a final dividend which will be paid on 31 July 2022, taking the full-year fully imputed dividend to 6.00 cents per share.

Welcome to our new board member

We welcomed Melissa Clark-Reynolds to the Board in 2021. Melissa is best known as a foresight practitioner and professional director, with over 25 years' experience as an entrepreneur and strategist. She has been CEO of a number of technology companies and is an active board member for several organisations. In recent years Melissa has studied at MIT, Cambridge University and Stanford University twice, as well as the Institute for the Future in Silicon Valley.

Melissa's appointment has brought additional skills and diversity to our Board table.

> "With agriculture, manufacturing, heat processing, and transport at the heart of South Canterbury's economy, our work is at the forefront of delivering this national plan."

Executive Team changes

Post balance date, Andrew Tombs announced his decision to step down as CEO in October 2022, after 13 years with the company. During Andrew's tenure, the South Canterbury region saw unprecedented growth, and under his leadership, AEL delivered major capital projects to enable the growth in the region. He also led the AEL team through the challenges the COVID-19 pandemic presented and ensured that the network continued to operate safely and reliably.

On behalf of the Board, I would like to thank Andrew for his strong contribution to the business and leading during a period of sustained improvement in network reliability and resilience.

The Board is currently undergoing a recruitment process for Andrew's replacement.

Getting ready for what is next

Despite the challenges of the last year, it has also been an exciting year for us. The future holds significant opportunities, and I would like to thank the Alpine Energy, NETcon and Infratec staff for their resilience and flexibility, and my fellow directors for their support and efforts over the past year. We are strongly positioned to enable decarbonisation and decentralisation, and to continue to deliver strong results in our future.

Ngā mihi
Warren McNabb

Chief Executive report

Andrew Tombs

This year introduced significant challenges which were incredibly well weathered by our people. Constantly evolving responses from the government to the COVID-19 pandemic meant that we needed to be agile while, most importantly, keeping our people safe and maintaining our ability to respond in the event of a network emergency so our community could stay connected. We have now returned to the office and value the very important human connection we have as a business.

On behalf of the Executive, I would like to sincerely thank all our employees, and their families, for their commitment and grit shown during this time. We are incredibly grateful.

Our performance

Our total assessed System Average Interruption Duration Index (SAIDI) was 167.71 minutes for the year and our total assessed System Average Interruption Frequency Index (SAIFI) was 0.955. These were both below the regulatory limits set by the Commerce Commission and we were compliant with the network reliability standards.

Our financial results for the year ended 31 March 2022, showed reduced Group revenue and profit after tax, while our balance sheet strengthened during the year due to a solid underlying performance and favourable impact of interest rate swap value. This led to key performance metrics, related to financial position, generally exceeding Statement of Corporate Intent (SCI) targets for the year, while those metrics related to the annual profit, did not meet the SCI targets.

The operating surplus of $9 million was $4 million below our SCI target, primarily driven by:

- Reduced revenue within Infratec due to the inability to progress projects as COVID-19 prohibited travel to the Pacific Islands.
- Significant and consistent spring and summer rainfall across South Canterbury resulting in lower levels of irrigation required, leading to reduced network revenue.
- Lower overhead costs mitigated the reduced revenues, driven by timing of expenditure and increased loss of constraint credits received from Transpower.

At $15 million, our network capital additions were $2 million lower than our SCI target, with adverse supply chain and summer weather conditions contributing to this reduction. Increased levels of inventory are being held to ensure a smooth delivery of our capital expenditure programme going forward.

Our people and capabilities

This was another challenging year for our team with COVID-19 lockdowns impacting our ways of working. Despite this, our team has been extremely resilient and agile and continued to deliver on our critical projects throughout the year. With these challenges, have come opportunities for greater collaboration and we've seen our teams continue to perform highly and live our values of safety, accountability, integrity and respect, on a daily basis.

We have also had to reimagine how we will work in the future, ensuring we retain our talented people. The ongoing impacts of COVID-19 has however placed a great deal of pressure on the labour market with skill shortages across all industries. In the face of this challenge, we have still been very successful in recruiting for several roles during the year and have attracted top talent from around South Canterbury, the rest of the country, and abroad.

Looking ahead at the growth and changes expected on our network and the ways we do business, it has also been necessary for us to think about what capabilities we need to build within our teams and from the ground up. We created 10 new roles within our team to build this capacity and will create 14 new roles over the next 18 months.

Our investment in digitisation

We recognise that responding to these changes needs an accelerated digital adoption and technology change approach. We need to rethink how we work and understand the new services we need to provide. This will require a change to our current business model, particularly how we gather, process and share data. It will inform our asset management decisions, support future investment, and build our engagement with our communities. We need to dynamically balance energy supply and demand in our region. This balance needs to consider the rapidly changing customer energy usage patterns and the introduction of new sources and types of energy.

Inherent to an investment in technology is the increased risks this poses for our business. Balancing the risk in our investment involves a deliberate focus on cybersecurity which we have successfully done this year through an industry partnership with Vector Technology Services. This partnership has provided us access to Vector's resources and expertise across a range of cyber security capabilities which are critical to a smaller organisation in times of ever-growing global threats.

As part of our strategy, we will continue to focus on our investment in technology to optimise our business.

Empowering our future

I would like to thank the Board for their support in the development of our business strategy this year. The successful roll-out of our strategy will be instrumental in responding to the changing future of our business and ensuring that we continue to empower our communities, whilst managing the change.

"We need to dynamically balance energy supply and demand in our region."

Closing remarks

I am immensely proud of how far we have come over the last decade, and for how far we have progressed to respond to the exciting challenges and opportunities that lie ahead. October 2022 marks the end of my tenure with this great company, and it has been an absolute privilege serving our communities and working alongside an amazing team of talented people, and a diverse and dedicated Board. AEL continues to accrue value for its shareholders and deliver safe, reliable energy to our customers.

Ngā mihi
Andrew Tombs

“Our customers **look to the future** role of Alpine Energy to deliver safe, consistent and reliable energy by focusing on **customer intimacy,** and collaborating with primary customers, to proactively upgrade the network and support New Zealand to meet its **sustainability goals.**”

Our strategy

Traditionally our core purpose has been to deliver electricity to South Canterbury. Over the last 18 months, our industry has seen radical change in our sector and the government's climate change goals. Our strategy has been developed to respond to these changes.

In developing our strategic objectives and initiatives, we identified key trends and changes that will impact our business in the short, medium and long term, whilst not losing focus of the fact that our customer needs to remain at the centre of our business. Our goal remains to deliver secure, reliable, but now also sustainable energy, that enables our customers and communities to make informed energy choices.

Our key strategic influences

- Decarbonisation
- Digital disruption
- Decentralisation
- Stable regulatory environment
- Extreme weather events
- Electrification

Our objectives

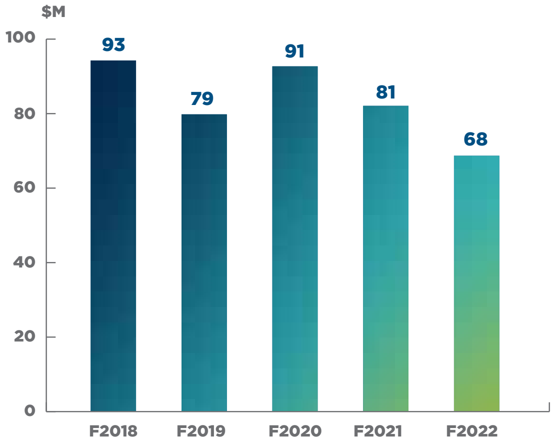
We have data and technology at the heart of our business for greater operational efficiency and responsiveness	We deliver exceptional customer experiences enabling our customers to make informed and preferred energy choices	We respond effectively to decarbonisation and electrification needs amongst our customers to support NZ to carbon zero	We want to get the basics right and shed inefficiencies to enable us to invest in adjacent markets

Our key results

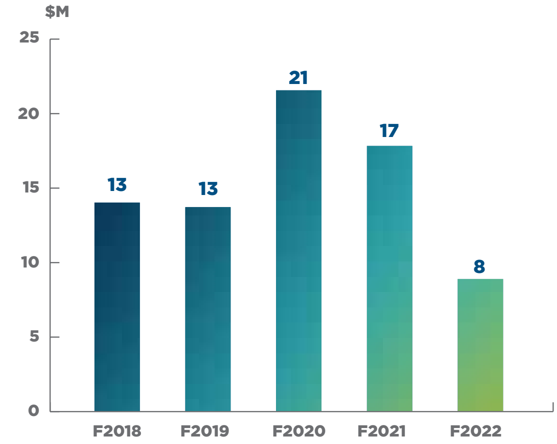
Automation of distribution and outage management to optimise the performance of the distribution network by December 2024	Customer satisfaction score of **80%** achieved across each of our key customer segments by December 2023	100% of new decarbonisation load growth[2] and distributed generation applications accommodated on our network to 2035, through cost effective investment decisions	All non-regulated investments deliver ROI **>8%** by March 2023
80% of recurring business processes transformed from manual to automated, delivering key data insights by March 2024	Move from middle to upper quartile of EA pricing scorecard by September 2024		**Deliver $1M** per annum sustainable operational cost savings by March 2024
Cyber security score (VCSS[1]) from 1 to 3 by December 2022			

[1] Voluntary Cyber Score
[2] Excluding Grid Exit Point (GXP) upgrades

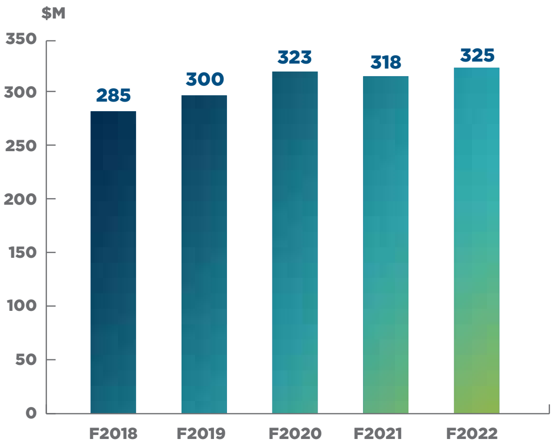
Our results



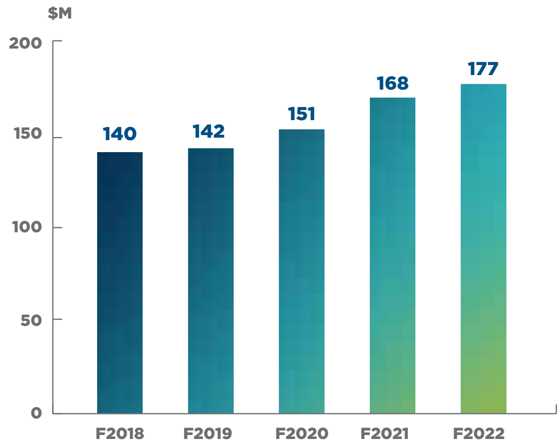
Total group revenue



Operating profit after tax



Total assets



Total shareholders' funds

Our financial performance for the year, reflected the continued drive to keep our costs within budget, offsetting the lower lines revenue received, due to a significantly wet spring and summer. The volumes were the lowest we have seen in the last seven years. Under the DPP3 regime we can recover this $7M shortfall in FY24.

COVID-19 significantly impacted Infratec's projects in the Pacific, which were delayed due to travel restrictions. The projects were hibernated to effectively contain overheads. NETcon exceeded budget off the back of a strong capital programme of work delivered on our network.

EBITDA

We recorded Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) of $29 million. Group net profit after tax was $8.8 million. The decrease from the previous period was driven by the decrease in lines revenue following the final recovery of the previous period's pass-through costs, the lower volumes, and the hibernation of the Infratec projects. This was offset by savings in overhead costs due to timing on expenditure and higher loss of constraints credits received from Transpower.

Capital expenditure

Cash paid for capital expenditure was $22.4M, $3.6M higher than the previous year. This reflects the ongoing investment in our network to support infrastructure growth and ensure we deliver on all planned capital work, including work that was delayed in the previous year due to COVID-19 lockdowns. We continue to see growth in customer connections, requiring further investment as we move towards supporting New Zealand's target of net zero.

Balance Sheet

We continue to maintain a strong balance sheet. We closed the year with our gearing at 25%, significantly lower than the regulatory benchmark of 42%. Shareholders' funds grew by $9.2M to $178M at year end.

2022
in review

Safety of our people and our communities

Safety is one of our most important values and directs everything we do.

Our response to COVID-19

We have continued to align our policies and processes with our actions to protect the health and safety of our employees, and to ensure the continuity of our operations. We needed to be adaptable, responding to evolving directives from the government and the Ministry of Health (MoH), community transmission numbers in the South Canterbury and Canterbury regions, and importantly, feedback from our employees.

This has involved:

- Developing, reviewing, and updating our COVID-19 response plans to ensure compliance and alignment with the Government's changing response frameworks.
- Adopting learnings from the previous year's lockdown to ensure a smooth and successful transition into a Level 4 lockdown in 2021.
- Implementing 'working from home' and control room protocols as we entered Level 4 lockdown, and again in January 2022 due to concerns of community transmission of Omicron in the region.
- Distributing approved MoH authorisation letters to our employees and contractors so they could undertake essential Lifeline Utility services with Level 4 lockdown movement restrictions.
- Registering with the Ministry of Business, Innovation and Employment (MBIE) as a critical service, to enable staff to participate in the close contact exemption scheme.
- Introducing and regularly reviewing a Vaccination Policy and Visitor and Rapid Antigen testing protocols.

Our Safety and Risk (S&R), and People and Culture (P&C) teams have worked closely together to promote and support the wellbeing of staff with several initiatives, especially during our 'working from home' period. This collaboration has provided a basis for future workstreams so we can engage with staff on the full scope of health and safety, both within, and outside the workplace.

Safety training

Due to the different requirements for the COVID-19 levels and traffic light systems, and the necessary implementation of our own organisational lockdowns, our ability to deliver safety training was considerably reduced. In many cases, external training providers were not able to deliver face-to-face courses. Fortunately, when windows of opportunity presented themselves, we were able to place new and existing employees on safety training courses at short notice.

Across the Group, a total of 177 of our people were trained through the delivery of 39 safety training courses during the year.

Annual refresher safety training for approved vegetation contractors has been completed, as required by the Electricity (Hazard from Trees) Regulations 2003.

Safety conversations and observations

Safety conversations are undertaken by the Board and the Executive Leadership Team (ELT) from a governance perspective, with site safety observations completed by employees from a site or task specific perspective. The aim of both is to provide confidence that, across all levels of the organisation, people will not be harmed – physically or mentally – because of our operations and activities. During 2022, we conducted 213 safety conversations and reported 134 safety observations across the Group.

During the year we restricted site visits to Project Managers and our Safety and Risk team, as necessary. This enabled us to continue to ensure contractors are meeting legislative health and safety requirements, while reducing exposure to, and transmission of, COVID-19.

Under the Electricity Safety Regulations, we are required to be assessed annually by an external independent body for conformance against New Zealand Standard (NZS) 7901 – safety management systems for public safety. This standard requires us to have a public safety management system (PSMS) that operates to safeguard people and property from safety-related risks arising from the presence or operation of our assets. We were assessed by Telarc in August 2021 who found our PSMS to be effectively implemented, in accordance with NZS 7901, and we retained our registration.

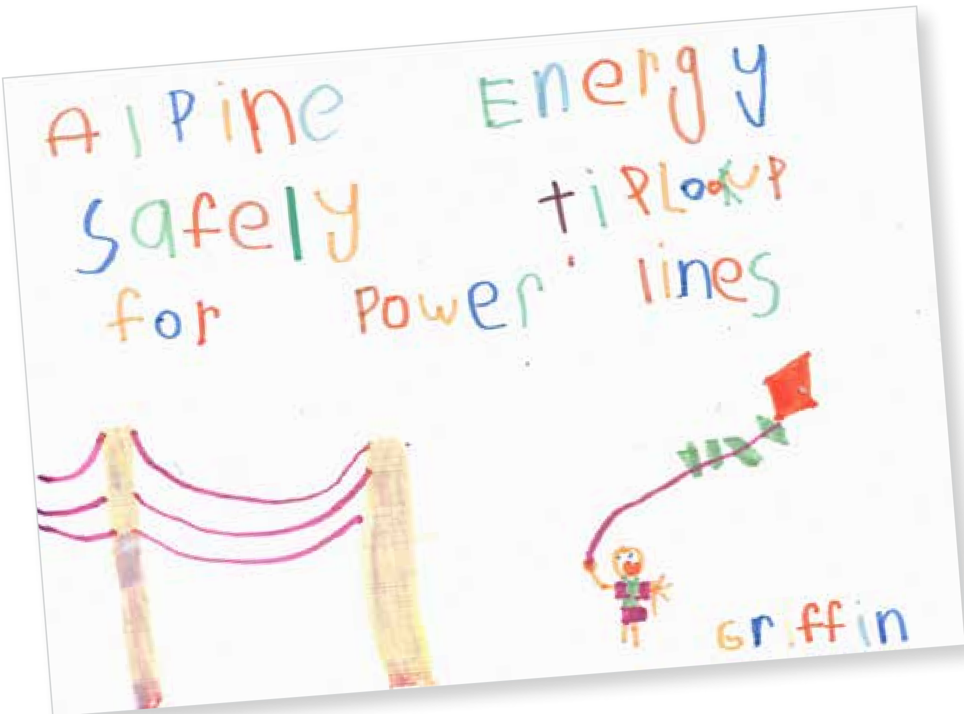
Public safety awareness campaigns

With the formation of our Communications and Marketing department in March 2021, our public safety awareness campaigns have grown significantly. The focus was on our key safety education pillars of Irrigation, Harvesting, Vegetation, Overhead Lines, Kids, and Outages.

Supporting the public awareness campaigns was industry engagement by our Safety & Risk Department. This involved discussions with civil contractors and scaffolding companies, and several local farmers, on the various permits we have in place to protect the safety of themselves, their employees, and the public. These included:

- Close Approach campaigns to educate businesses on the minimum safe distances when constructing or working close to overhead lines on commercial, residential or farm sites or when undertaking tree trimming.
- Before-U-Dig discussions to increase awareness on excavating near underground cables.
- Over-height load awareness to provide guidance on transporting high loads, such as houses, through South Canterbury townships.

We supported South Canterbury Children's Days' first ever virtual event with an online safety education video and competition which drew 72 entries. Our video was shared 21 times, reached 8,874 people, and was viewed over 2,300 times.



"Thank you so much, Griffin is very excited that you would like to frame his winning picture."

Steina Lam, Griffin's mother

Our network

Delivering safe, reliable electricity on our network has remained a priority for us.

The safety and reliability of our network is a high priority for us and is reflected in our compliance with the reliability targets for System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) set by the Commerce Commission.

Safety is considered throughout the lifecycle of our network assets starting at the planning and design stages through our Safety in Design process. This is where we identify any potential safety aspects in the construction, operating, maintenance, and disestablishment of a particular asset. The design engineers use this process to ensure that all staff, contractors, and the public will be safe around the asset over its lifetime.

We have had a significant increase in demand growth over the last year, particularly related to urban development and subdivisions in Timaru, Tekapo and Twizel. In the Washdyke industrial area, demand growth associated with decarbonisation of process heat has been, and is projected to continue to be, a catalyst in demand growth. This has led to accelerating planned network upgrades in this area to meet customers' expectations and prepare our network to enable significant load growth. Timaru Port also continues to grow particularly with the announcement of the Scott Base Redevelopment which will be based there. We have also seen a rise in industrial new connections and industrial existing loads, especially in Washdyke. Farming, dairy, and irrigation continued to grow in the last financial year as well as new retail connections.

Our main challenge in this area has been enabling new demand within timeframes acceptable to consumers. Where significant network augmentation is required, we have been challenged by supply chain constraints, as experienced in most parts of the economy, and in most countries, as a result of COVID-19. These constraints have also resulted in significant price increases for network equipment sourced internationally and other commodities, particularly metals used in manufacturing network equipment. We have been agile and will continue to monitor our supply chains closely to ensure that we can deliver planned work on our network.

Despite the many challenges we have faced, this has been one of our biggest years yet with enormous effort being put into the delivery of a number of significant projects across our region.

We recognise that turning off power to our customers to carry out work safely is necessary but that it can also be disruptive to our community. To help combat this, we have looked to minimise power interruptions by enlisting multiple contractors, where possible, to help us maximise the work delivered during the planned outages.

This year, we established a Network Programme and Delivery team enabling us to have a customer-focused view of the programme of work for the year. This team optimises our works programme and assesses potential delivery constraints by considering seasonal timing to meet customer preferences, avoiding multiple planned outages, resource constraints, and professional engineering judgement. Working closely with the Asset Management Team, this new team has strengthened community relations, planned power outages for major upgrades with the community in mind and bundled multiple jobs into larger work packages through the use of multiple contractors, to speed up project time frames. The benefits achieved were per-unit cost reductions and fewer outages and traffic disruptions, leading to improved customer service, customer engagement and better forward planning.

"Despite the many challenges we have faced, this has been one of our biggest years yet with enormous effort being put into the delivery of a number of significant projects across our region."

Key projects

We have invested in the permanence, resilience, and reliability of our network. We are proud to outline some key project highlights from the year in review.

Tekapo zone substation and Lakeside Drive feeder upgrade

The Tekapo region saw two upgrades this year. In December 2021, we upgraded the Tekapo zone substation with a 9/15MVA power transformer and then in February 2022, we completed the installation of a new 11kV cable from the Tekapo substation to Lakeside Drive. Combined, these two projects help meet the growing electricity needs of the community.

North Mole cable upgrade

Our partnership with PrimePort Timaru enabled the replacement of aged 11kV cable assets, which were located under the timber wharf structure, with larger cables from Marine Parade through to the container terminal to Unwin Street. The installation methodology used allowed the container terminal to continue operation throughout the construction of this work. It also included several remotely operable high voltage (HV) switching devices. This upgrade delivers on the port's current needs on the network as well as the North Mole area into the future.

Grasmere to Marine Parade cable upgrade

To cater for the growth expected in Timaru, we reinforced the network to the Marine Parade and Timaru Port. Upgrades included two new 11kV circuits from Grasmere Street to Marine Parade. The route length was 1.6km, but because multiple circuits of large 630mm^2 single core cables were used, the total length of cable installed was 9.6km. This upgrade will not only service the future development in the industrial areas but also that of Caroline Bay.

Underground substation upgrades

During the year, we undertook an extensive risk assessment of all our underground substations in Timaru. The outcome was that due to aging equipment and health and safety requirements, all underground substations were to be decommissioned and relocated to above ground. This work would be carried out over multiple years with a target of completing three relocations per year. We successfully accomplished the relocation process of four underground substations, installing modern and safe equipment across Timaru.

Pages Road cable and ring main unit upgrade

Two fully automated ring main units, combined with a 600m 11kV underground cable upgrade, has enabled remote switching and back feed options in the event of a fault in the Pages Road area. The fully automated ring main units (RMU's) improve fault response time as it automatically notifies our controller, and a fault can be restored remotely without a call out needed. It also improves safety of the operator as a faults man is not required to be on-site. We simultaneously took the opportunity to install ducting for future developments.

Geraldine overhead lines upgrade

We undertook a project to upgrade and replace 18 poles and overhead line hardware that were nearing end of service life. Executing the project over six stages, while striving to minimise overall disruptions, resulted in improved security and reliability of supply to 168 customers and 27 businesses.

Cannington Road overhead lines upgrade

To meet the reliability and growth needs of the Hunters Hills area west of Timaru, we undertook this project replacing a total of 222 poles and 322 crossarms. We also upgraded our overhead conductors from 16mm copper to mink conductors which is more durable, reliable, and resistant to environmental factors meaning fewer outages for our customers. By scheduling rolling outages of two or three to a given area each week over a 10-week period, as well as scheduling weeks with no outages, impact to the community was greatly minimised. Despite uncharacteristically poor weather over the summer, lost time due to rain days was made up during alternative outages and utilising live line works to ensure that the project was successfully completed on time.

Ostler Road overhead lines upgrade, Twizel

We performed planned upgrades, maintenance and replacement of poles and overhead line hardware in Ostler Road, Twizel. This included 12 pole replacements using live line techniques which saw the duration of the power outages reduced from three days to only one. This project upgraded the network for 133 customers, a high percentage being businesses, and a transformer upgrade increased available capacity to seven customers.

Our regulatory compliance

As a regulated business we ensure that we comply with the reporting and other requirements set by the Commerce Commission.

As a regulated business we need to comply with the Information Disclosure and Default Price-quality Path (DPP) set by the Commerce Commission.

Compliance with these regulations is crucial as they are key drivers of our network reliability measures and impacts the revenue we can earn from our regulated business or lines revenue.

In 2022, we complied with all the requirements as highlighted below.

Compliance with the Default Price Quality Path

We complied with the price path, with actual lines revenue not exceeding the allowable lines revenue for 2022. Our reliability measures (SAIDI and SAIFI) were also well within the limits set by the Commerce Commission.

Compliance with the Information Disclosures

We have complied with all the requirements, completing the following within the regulatory timeframes:

- Asset Management Plan
- Information Disclosure Schedules, including related party disclosures

Network reliability measures	Actual 2022 result	Limit
Planned SAIDI assessed value	78.39	824.87*
Planned SAIFI assessed value	0.244	3.493*
Unplanned SAIDI assessed value	89.32	124.71
Unplanned SAIFI assessed value	0.711	1.197

*Five year limit under DPP 3.

Our data and technology

Continued investment in our digital services is essential as high-quality data and technology are at the heart of our business operations and are central to our engagement with our customers and communities.

Our Digital Strategy has identified key opportunities and initiatives to uplift and establish our technology foundations and move us to becoming a digitally fluent organisation. In advancing this strategy this year, we have defined digital principles that we seek to follow and implemented a fit-for-purpose digital governance framework. We have also sharpened our focus on cyber security, developing a cyber security roadmap with prioritised steps and forming an industry partnership with Vector Technology Services. This partnership has provided us access to Vector's resources and expertise across a range of cyber security capabilities which are critical to a smaller organisation in times of ever-growing global threats.

Partnering with industry leaders and peers, we will work to ensure that we keep customer data secure in an ever-changing cyber security landscape.

Alongside these strategic work programmes, our Digital Services team delivered several key projects during 2022 to enable our people to work more collaboratively and efficiently:

- Company-wide migration to Microsoft 365 applications and tools, changing the way we work, collaborate, share data and documents, to make our teams more efficient and enable enhanced service for internal and external stakeholders.
- Launch of a new Alpine Energy Intranet site – The Grid – providing employees with easy access to organisation-wide communications, key policy and procedure documents and templates.

"The Grid has provided us with a single source of truth for all our shared communications, media and key documentations. It is informative, easy to use and encourages teams to share their stories and successes. I am excited to see what comes next in The Grid's development journey!"

Bishoy Mikhail, Planning Engineer (Special Projects)

Protecting the **health and safety** of our people, and the continuity of our operations is always our **top priority.**

Our people

We are committed to work practices, operations and outcomes that support our staff and the wider community. Our people form the backbone of our network and are vital to help us ensure that we can keep the lights on in South Canterbury.

With tightening labour markets and restricted immigration over the past year, retaining and developing talent has been crucial to ensure we have the capacity and capability across the business to continue to deliver high quality services for our customers and communities. Our ongoing work to foster a wellbeing culture, and to celebrate diversity across AEL, was central to our success. The development of an organisational leadership programme this year will also stand us in good stead, with significant workforce challenges predicted to continue as the energy sector gears up to respond to decarbonisation, decentralisation and digitisation.

Wellbeing

The past year has continued to challenge our teams as we weathered another year of COVID-19 interruptions. Despite the added pressures of adapting to different lockdown and traffic light settings, our teams continued living our values and working together to keep themselves and our communities safe. Our expanded technology capabilities have enabled our people to adapt effortlessly to hybrid working arrangements.

Our people's health and wellbeing are paramount to us.

We have had several interventions this year in the wellness space at Alpine:

- We introduced our Wellness Ambassadors – an initiative from our internal Safety and Culture Forum. It consists of 12 ambassadors who are trained to work with our team and provide the right referral or resources to help them address any issues both inside and outside of work.
- Multiple initiatives to keep our people connected and engaged during COVID-19 'work from home' protocols, including virtual coffee buddies and bi-weekly virtual breakouts.
- All our people went through wellness training this year, delivered by an experienced external service provider. Wellness has also been added to our onboarding processes to ensure new employees are aware of the importance of wellness to us.
- Vaccination clinics have been held at Alpine House and team members have been encouraged to attend at any time during their working day. This included Covid-19 and flu vaccinations.

- Our team was provided free of charge access to external counsellors for work or personal issues, when needed. Where people needed extra support, they were able to reach out to our P&C team or call our Employee Assistance Programme (EAP) number.
- An international body language expert presented to our team to assist with the new dynamic of working from home and engaging with others only online. This has been immensely helpful for building relationships and better connections in a virtual space, not only with internal colleagues but also with our external stakeholders and customers.

NETcon followed a similar programme with the following events being held:

- The administration team attended a wellbeing workshop focusing on being adaptable, resilient, powerful and general wellbeing. A "My Everyday Wellbeing App" has been made available for both staff and their families to support the wellbeing of our people.
- A social media page was set up for staff and their families to provide real-time updates during the lockdown periods and to support staff engagement during periods of remote working.

Diversity and inclusion

We pride ourselves in the fact that we have a diverse team and that everyone in our team has a voice.

We have multinational teams across our group, with representation from 19 countries in AEL and representation from 8 countries in NETcon.

Whilst we still have some work to do on gender diversity, we are proud to report the progress made in this area by increasing our female representation in our AEL Board, ELT and overall AEL team:

- our Board is split 50/50 female to male
- the ELT has a 2 – 4 spilt, female to male, therefore 33% female representations
- our team is split 36%:64% female to male.

Our NETcon team is split 15%:85% female to male overall, with a 1-2 split in the management team.

We will continue to promote diversity and inclusion in our teams as we value our people's individuality and want to ensure that our people can bring their "whole selves" to work.

Our key engagements at AEL to promote inclusivity in the past year were:

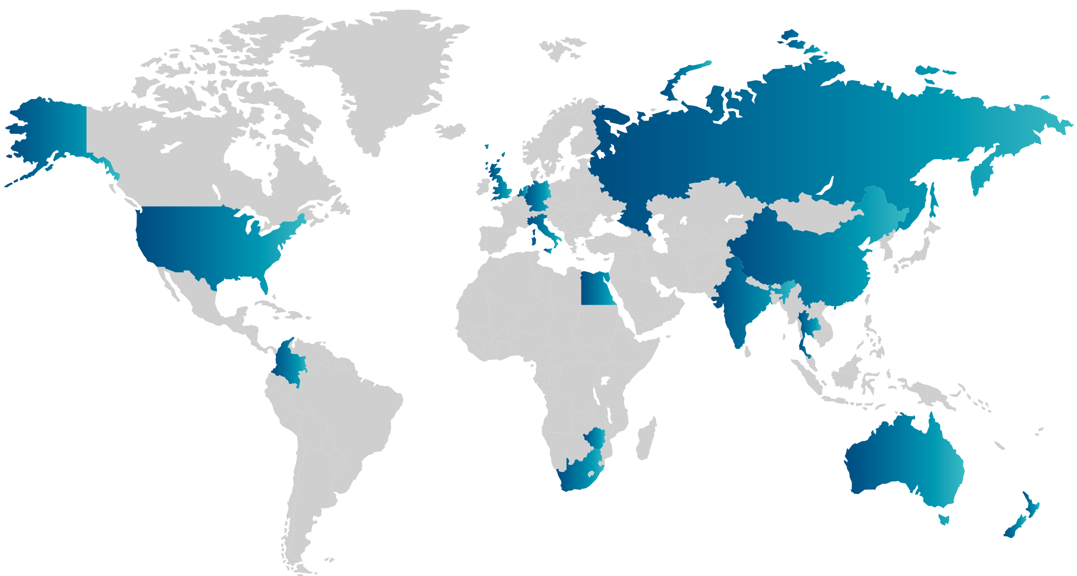
- We celebrated International Women's Day with a company-wide lunchbox session.
- We had Māori language training for Māori Language Week arranged with support of the local polytechnic.
- We recognised national charity events including Jeans Day, Pink Ribbon Breakfast, Daffodil Day and MOvember, raising both awareness and funds for these important causes.
- Over Christmas, we encouraged hams to be purchased through our local community groups and we continued to support Christmas Angels where we donated gifts to families in need in our community through Presbyterian Support, South Canterbury.

Leadership development

As an investment into our leaders and future leaders at Alpine, we enlisted an organisational psychologist to deliver a comprehensive six-month programme in leadership development. The objective of the training was to initiate a leadership development programme with our values at its core, to strengthen our business's leadership capability, to facilitate cross-business interactions, and a common leadership language. NETcon conducted a similar programme across their leadership teams.

26 leaders including the ELT participated in this programme. Training for new leaders and refresher courses are planned for the new financial year.

Where our people are from



Our communities

Empowering our community is our vision and multiple community initiatives during this year have ensured we've stayed connected to the communities we serve.

Community support

Throughout the year, we continued to be a committed and willing community empowerment sponsor. Despite the uncertainty and restrictions around COVID-19, we were proud to empower our community by sharing grants totalling $192,000 with 22 individual development requests and 35 organisational funding events, projects, and facility infrastructure initiatives. Most of these initiatives had local charities and social development as their ultimate beneficiaries, providing support to those who needed it most in our community.

Our Sponsorship and Personal Grants Programme introduced two annual application rounds this year, one in March/April and the other in October/November. In addition to this new initiative, we committed to 20 four-year rolling sponsorship contracts across a range of disciplines and across the South Canterbury region, with eight of these contracts including full naming rights for Alpine Energy. The biannual application openings, rolling contracts and naming rights have proven to be successful in fulfilling our objectives to increase awareness and employee engagement, and allow for more effective use of time, money, and resources, while allowing both parties to plan.

Public Awareness Campaigns

Awareness communication increased in the past year, with more information being shared about our project upgrades and sponsorships. A combination of advertising mediums has been used to communicate our messages including radio, print and digital.

During the year we have had 43,951 online social engagements, our professionally produced radio advertisements aired 7,330 times across the most popular radio stations in South Canterbury and we continued with our ongoing public awareness and education campaigns in newspapers in our region.

> "It was a pleasure, thanks to Alpine Energy's support, to be able to run two EPro8 challenge events in Timaru. 14 South Canterbury schools took part this year, where they completed a variety of science and engineering-based challenges."
>
> Kelvin Thiele, Manager EPro8 Challenge

NETcon lights up Timaru

Our NETcon team helped light up Timaru by hanging Christmas lights in the main street of Timaru for the festive season and all the lights for the Light up the Night 2021 event.

Annual Sponsorship Awards

In July, we hosted our first Annual Sponsorship Awards at Alpine House. We invited all 2021 successful sponsorship and personal grant applicants to an evening of celebration to formally acknowledge our commitment and to collaborate as one community. Alongside the media, over 100 people attended, with each individual, or group, taking to the stage to be presented with their sponsorship acknowledgment certificate and saying a few words. It was inspiring to hear the voices of our community and about the varied causes we sponsor. The evening was a tremendous success and really brought home our vision of 'empowering our community.' This event will be incorporated into our annual planning making it a key event in our community.

> "It was a privilege to come along and join all the other amazing charities that Alpine Energy support. You and the Sponsorship Advisory Board should take a pat on the back for the diversity of charities supported and the work they are able to do with that support. You are truly empowering our community."

South Canterbury Hospice Rock & Hop

Our environment

We are committed to minimising environmental harm and preventing pollution in performing our core activities.

Our commitment extends to beyond merely looking inward to minimise our environmental harm and prevent pollution, we also recognise that we have a key role in enabling South Canterbury's transition to zero-carbon, by adapting our business, and supporting our communities to adapt to the physical impacts of climate change.

Through all our business activities, our community funding programmes, and our engagement and partnerships with stakeholders, we have, and will continue to look for ways to reduce environmental harm, prepare for the impacts of climate change and zero-carbon, and support environmentally sustainable projects.

During this year we:

- Signed up to Toitū Envirocare's emanage platform to start collecting information to measure our Scope 1 – 3 organisational emissions.
- Commissioned carbon reduction and sustainability experts DETA Consulting to develop a Decarbonisation Foundation and Strategy Framework, focusing on the decarbonisation of the industrial processing in our region.
- Provided a $17,500 sponsorship to the Sustainable South Canterbury Trust Eco Centre's stage 2 development to assist with upgrading their transformer. This will help the Eco Centre install solar panels and EV chargers to further realise their goals of providing education and to demonstrate solutions of more sustainable living in South Canterbury.
- Used a grant from the Government's Low Emission Vehicles Fund to install two hyper 150kW rapid charging stations at the Orari Station Road - State Highway 1 juncture, and at Twizel. We have also planned for the installation of a rapid 50kW at Mount Cook Village. These will be fully operational in the coming year, taking our network of public charging stations to nine across the region and four charging stations at Alpine House for fleet use.
- Are enabling the electrification of a large industrial consumer on our network. The project will result in 10MW being provided to the consumer to run their plant with electricity instead of coal. This project will be completed in the next financial year.

Alpine and NETcon helping to future proof the new South Canterbury Eco-Centre

The former Highfield Tennis Pavilion is being given an extended new lease of life to become an Eco-Centre to help demonstrate ideas and educate on solutions for sustainability.

As part of future proofing the site, the Trust approached us regarding appropriate power supply infrastructure to enable capacity for increasing demand in EV charging and other developments for the site.

The Eco-Centre will become a community facility as the go-to place for sustainability in South Canterbury. A learning centre for school children, a place for businesses to display and promote their sustainable products, a meeting place for businesses, community groups and organisations, local and central government departments, as well as being a physical link for all in the community. A key focus for the Trust will be the promotion and uptake of the United Nations Sustainable Development Goals to the wider community.

Our changing business

The energy sector is in a period of unprecedented change which provides opportunities for us to innovate and shape what the future of our business will look like. What we are doing today will no longer be enough tomorrow. The three trends of decarbonisation, digitisation and decentralisation are each presenting new challenges we need to plan for and manage.

We need to be agile and ready to enable the significant increase in electricity required for South Canterbury, and New Zealand, to meet decarbonisation goals. We also must manage the increasing demand for connection of distributed generation to our network. All while maintaining a reliable and secure network and enabling business and household growth in the region.

The challenge is to ensure all of this happens in a sustainable way. We must ensure that our commitment to enabling decarbonisation is grounded in the context of our core purpose - that a reliable and secure supply of renewable and sustainable energy is affordable for consumers in the long term.

Our consumers and customers are also changing. With more distributed generation connecting to our network, our consumers are turning into 'prosumers' - capable of producing and selling electricity on their own. Today's customers seek to be citizens of this new electric world. Whether it is through tracking the output of their rooftop solar panels, following repair progress after an outage event, or even setting up their own neighbourhood-level micro-grids, they are demanding more from us than ever before.

The changing energy landscape will not only impact the way we manage our network, but also how we run our business. New technologies will be required to enable the digitisation of our grid, the capabilities of our team need to evolve, and our team needs to grow to meet these challenges effectively.

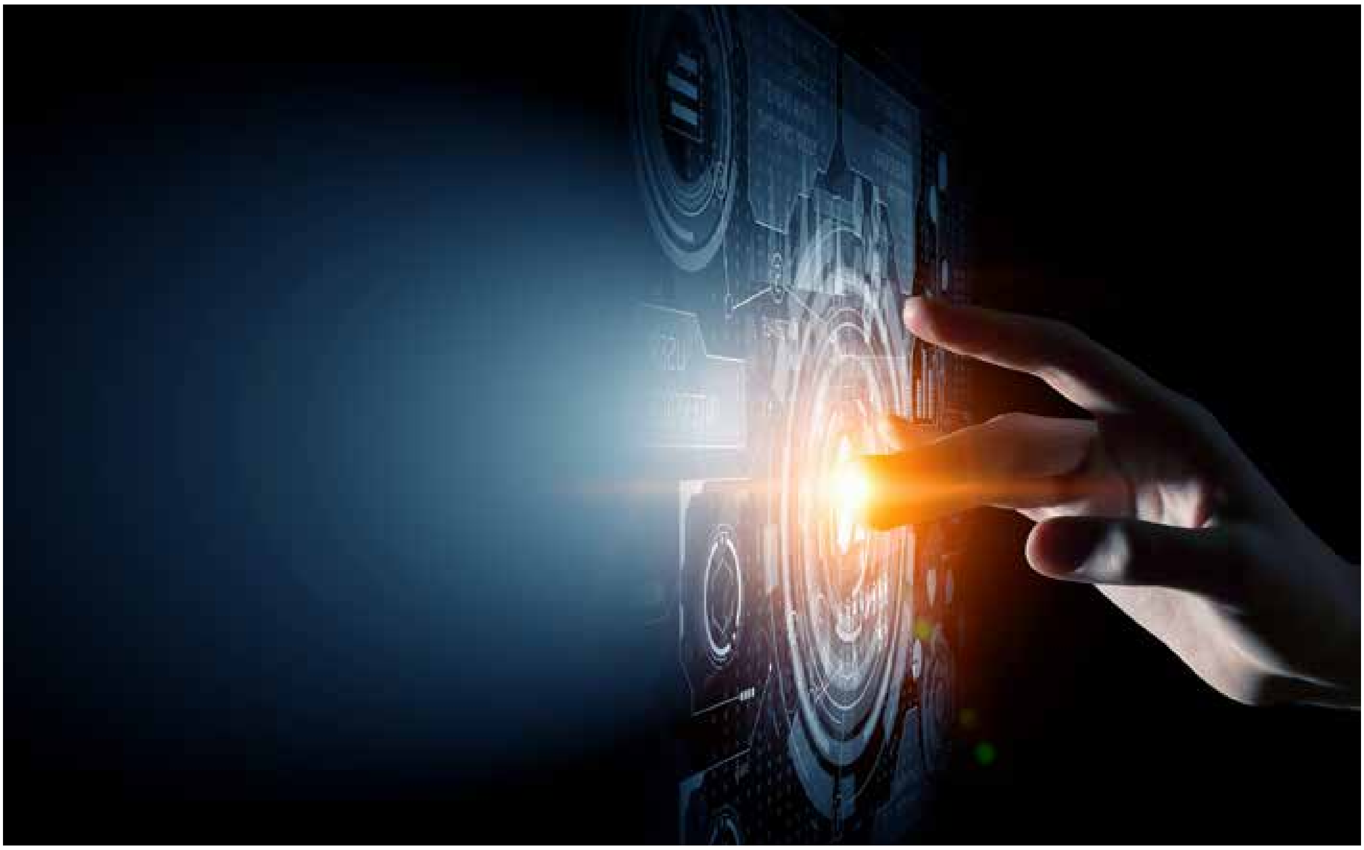
All of these are overlayed by new and changing regulatory responsibilities and an increased focus on the importance of sustainability – climate, social and governance. We need to engage in a more deliberative way with our regulators and peers to ensure our interests, and the interests of our sector, are represented in decision-making processes.

Decarbonisation and decentralisation

In accordance with advice from the Climate Change Commission, the government has set a carbon net-zero goal by 2050. This national direction is changing how New Zealanders live and work.

Decarbonisation is a key driver of transformational change across all industries. We recognize that this change needs enabling, and the electricity industry is at the heart of this. The opportunities for us are significant. In line with national trends, we have seen a notable increase in the number of large-scale process heat decarbonisation projects in our region.

To facilitate the large-scale process heat decarbonisation projects, the Government has made a series of climate-related announcements, including a strengthened Emissions Trading Scheme, a $70 million Government Investment to Decarbonise Industry fund, and the banning of new low and medium temperature coal-fired boilers.



Distributed generation also provides increasing challenges and opportunities for us. We have already started to see this materialise in South Canterbury with a notable increase in enquiries and applications received for distributed generation connections. Enabling distributed generation on our network will require both the adoption of technologies for demand response, and innovative business and pricing models. As further policy direction is provided by the Government on the future of energy, we will continue to look for ways to facilitate the connection of distributed generation across our network, while providing an equitable pricing framework for all consumers.

Other government announcements, including the Clean Car Discount which became available in July 2021 will continue into the foreseeable future. The uptake of electrical vehicles (EV's) in South Canterbury leads to increased demand on our network. This is something we have been preparing for and will continue to do so.

The future of energy is changing, and we must rise to the challenge of:

- Greater complexities in balancing supply with demand every second to ensure the quality and reliability of supply.
- Greater peaks and troughs in demand, for example, from the mass uptake of electricity vehicles, small-and large-scale solar generation and process heat conversion (decarbonisation through electrification).
- Two-way flows of power, rather than just the traditional one-way, creating new safety and technical issues.

We are also directly impacted by the extreme weather events which is one of the effects of the climate change we are facing.

Digitisation

We recognise that embedding digital as a way of working will provide value to our people and our customers and optimise our core processes and workflows as we face the challenges of the future.

Technology and data need to be at the heart of every part of our business. A traditional business model where information technology (IT) computing is separate from the operational technology (OT) of wires, substations, transformers, and other field equipment will no longer be sufficient. IT and OT will be forced to converge.

Our aim is to enable key business processes, have data and technology central to our business and establish digital as a way of working. Digital Services will support the primary business focus on identifying and improving our key processes using automation and optimisation where it provides value. A workable data framework and strategy will identify the core information required by the business. The value to the organisation that the data generated will provide and embed analysis, data, and reasoning into our decision-making processes. We understand that a digital strategy is more likely to succeed if an environment is created to help the ambitions and abilities of an organisation to work digitally. To do this we will continue to build our in-house digital capability and use the right tools and training to uplift the digital skills of our entire organisation. We will leverage our established partnerships with industry peers and our digital partners.

People and capabilities

The right skillsets and capabilities are required to enable decarbonisation, decentralisation, and digitisation into the future.

We need to increase our skillsets, capabilities, and capacity to position our teams to effectively enable decarbonisation, decentralisation, and digitisation. To attract and retain top talent, we need to think differently about how we recruit and what we do to retain our talented workforce. We have a critical part to play to increase visibility of the opportunities in our business, especially for the younger workforce, to attract and retain the right people.

We will be creating 14 new roles over the next 18 months to increase our internal capacity. We have created several new roles that will be specifically data-focused to help us better understand our network demand and customer needs. We also know that our ways of working have changed after the COVID-19 pandemic and that we need to offer our people options to better suit their personal circumstances. We are actively working on a program to introduce several benefits to our employees to ensure that we recognise the changing needs of our people and retain our talent to deliver our customers' needs.

> "What we are doing today will no longer be enough tomorrow. The three trends of decarbonisation, digitisation and decentralisation are each presenting new challenges we need to plan for and manage."

Sustainability

Sustainability is more than just addressing climate change and for us, this includes our social impact and how we govern what we do.

We have begun the development of a Sustainability Strategy, which will be embedded within our overall business strategy. We recognise that sustainability is central to what we do across our operation, and we have a responsibility to cut our emissions, reduce waste, and limit our environmental and community impact, whilst ensuring that we have appropriate governance structures in place to monitor our performance.

As part of the development of this Strategy, we will also be focusing on building relationships with local iwi, Ngāi Tahu, and mana whenua, Te Rūnanga o Arowhenua and Te Rūnanga o Waihao.

Iwi are key partners in our community, and our assets are located on, or cross over, land owned or of significance to local iwi. We therefore have a responsibility to work closely with local rūnanga as we deliver our business activities. We also want to ensure that we are empowering mana whenua's aspirations across our region. To do so effectively, and respectfully, we need to build our cultural competency within the organisation to develop meaningful and enduring relationships.

Our sustainability journey also extends to how we disclose climate-related risks and opportunities. As a company, we want to be transparent with our stakeholders and consumers and so have committed to full voluntary disclosures under the framework set by the international Task Force on Climate-related Financing Disclosures (TCFD) by 2024. The Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1) will be based on the recommendations of the TCFD and the Bill establishing this framework is expected to pass in late 2022, following public consultation in July 2022.

We will consider NZ CS 1 as part of our full disclosures in the next financial year to ensure that we align with the national disclosure standard as well.

Keeping in step with these reporting frameworks, our primary focus will be on climate-related disclosures for the next year. As the Standard setters evolve to include metrics and targets for the social and governance aspects, we will incorporate those into our disclosure framework. We will however continue to report on our people and community involvement.

Our climate disclosure roadmap

	TCFD Recommendation	FY 2021 - 22	FY 2022 - 23	FY 2023 - 24
GOVERNANCE Sustainability Governance Framework to be developed and approved by the Board	Describe the Board's oversight of climate-related risks and opportunities	Put sustainability on the board agenda	Describe management's role and board oversight of climate-related risks and opportunities	Review management's role and board oversight of climate-related risks and opportunities
	Describe management's role in assessing and managing climate-related risks and opportunities	Appointed a GM Regulatory and Sustainability to establish a sustainability team		
STRATEGY Sustainability Strategy to be developed and approved by the Board	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Climate related risks and opportunities were discussed as part of our company-wide strategy	Detailed assessment of climate related physical, transitional and liability risks and approval of these by the Board	
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning		Perform initial impact analysis of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Report on the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario			Develop a range of scenarios to assess the resilience of our sustainability strategy
RISK MANAGEMENT Integrate climate change into our enterprise risk management	Describe the organisation's processes for identifying and assessing climate-related risks	Climate change added to our strategic risk register	Formally document the approach to identifying, assessing, and managing climate related risks	Incorporate climate-change adaptation into our enterprise risk management framework
	Describe the organisation's processes for managing climate-related risks			
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management			
METRICS AND TARGETS Metrics and targets to be set and approved by the Board	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Started collecting data to develop baseline for GHG emission disclosures	Develop, through industry reference, the metrics to be used to assess climate related risks and opportunities	Undertake assurance over climate related reporting and obtain climate related certification
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks		Finalise baseline for emission reporting for the Alpine Group	
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets			

Changes in regulations

The regulatory landscape for the energy sector is changing rapidly, and the regulations governing our business is no exception to this. The changing regulations and policies impact how we manage our network and plan for the future.

Decarbonisation, decentralisation, and digitisation, combined with the impacts of climate change and sustainability requirements, are impacting the way in which the Regulators – the Commerce Commission and the Electricity Authority – are approaching changes in the regulations. The current regulations were last reviewed more than six years ago and need to change to allow regulated businesses, like us, to enable decarbonisation, decentralisation, and digitisation, whilst ensuring a return on investment for our shareholders.

We support changes to regulations and policies to enable us to better manage and plan for the future of our network, whilst ensuring transparency in our reporting. Whilst many of the changes and recommendations align with our views of the changing energy sector, it also brings on challenges and opportunities we must consider as we plan for the future of our network.

We are making a concerted effort to increase our engagement with these regulatory changes and are working closely with our peers to ensure our local voice and perspective is represented in these decision-making processes. We are well represented on sector working groups to also support our engagement and advocacy work in this space. We will continue to keep shareholders and stakeholders well informed of all significant regulatory changes impacting our business position.

“To **empower** a new **energy future,** we need to start **today.**”

Our investments

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

NETcon

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

Infratec

a wholly owned subsidiary that delivers network projects in the Pacific

Metering

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

Alpine Data Networks

our fibre division with a strong base in South Canterbury

NETcon

As for many other New Zealand businesses, this year has provided some serious challenges against the backdrop of the COVID-19 pandemic. Our NETcon people reacted quickly to changing operational requirements which were implemented to keep our team safe, and this enabled them to continue to deliver the critical services to maintain the Alpine Energy network. NETcon focused on the health and wellbeing of the team while dealing with the COVID-19 impact and experienced a huge improvement in their health and safety performance. NETcon also achieved excellent progress on the system optimisation and alignment project which will continue for next year as part of the strategic plan. Operationally, NETcon managed to deliver all elements of the Alpine Energy annual maintenance plan it was allocated.

NETcon Board of Directors:

Hugh Martyn (Chair)

Stephen King

Rick Ramsay

Gregory Visser

$5.5M
Gross Profit

$18.7M
Revenue

$546K
Profit after Tax

$1.5M
Capex

9.15%
ROC Employed

7.46%
NPAT/Shareholders Funds

"As for many other New Zealand businesses, this year has provided some serious challenges against the backdrop of the COVID-19 pandemic, but our staff reacted quickly to continue to deliver the critical services to maintain the Alpine Energy network."

Pete Theron, CEO NETcon

Infratec

COVID-19 has continued to restrict activities needed to finalise the offshore projects. Despite this significant challenge, Infratec completed its contract in Tonga for the installation of cables and ancillary equipment at the Popua Power Station for a 7.2 MW / 5.3 MWh grid connected battery as well as at The Villa for a grid connected 6 MW / 18 MWh battery. Site works also commenced at Vava'u and 'Eua in Tonga, with both sites escaping damage from the eruption of Hunga Tonga–Hunga Ha'apai.

Main materials have been delivered to Tuvalu enabling site works to commence once commercial travel resumes and the client has secured an alternative site for the photovoltaic (PV) array.

New Zealand-Maluku Access to Renewable Energy Support (NZMATES), based in Ambon Indonesia, has resumed site activities as local Covid-19 restrictions have eased. The NZMATES program is funded by the Ministry of Foreign Affairs and Trade (MFAT) and provides support to increase the use of renewable energy in Maluku province.

Metering

Smart metering plays a crucial role in our distribution value chain. The availability of metering data on our low-voltage (LV) network helps us understand what is happening on our network by:

- Identifying where areas of overloading or underutilisation are.
- Prioritising remediation work with increased certainty because we know where the worst areas of supply are located.
- Overloading can be minimised by monitoring of voltage levels and taking corrective action to address it before a protection-device initiated outage, or asset failure.
- Allowing us to proactively manage customer outages.

With the development and increasing rates of new technologies such as solar and electric vehicles, voltage profiles on our LV feeders are likely to be affected. We are tightly regulated to deliver voltages to consumers within an acceptable range to ensure compatibility with consumer loads connected to the network. Meters can assist in this area.

Our investment in SmartCo is currently undergoing significant changes in adapting to deliver to these requirements. We need to be agile in our ability to develop network scenarios that will inform strategic network planning into the future, driving high efficiency and effective investment. Balancing the supply and demand will require data at its centre and we intend to leverage our investments in metering to meet this requirement.

Alpine Data Networks

Alpine Data Networks backhaul fibre networks in Tekapo, and between Rangitata and Glenavy. This has once again had 100% uptime for the 2021/2022 financial year, with no reported outages or faults experienced by any of the customers on the network.

The Naseby to Clyde or Alexandra fibre network did experience a brief outage during the year due to a contractor striking the fibre cable but this was repaired quickly, restoring connectivity to the customers on the fibre network and reducing the uptime to a little over 99% for the year. This was well above the telecommunications industry standards for uptime on fibre networks and well beyond the contracted customers' expectations.

Our last Annual Report featured the Leolabs Kiwi Space radar. This featured in global news in November 2021 as the first in the world to track a Russian missile launch, with the only connection to the world that this radar has, proudly supported by Alpine's Fibre Network.

We continue to connect new customers in the Naseby, Clyde, Alexandra fibre network.

Infratec in Tonga

Infratec completed its contract in Tonga for the installation of cables and ancillary equipment at the Popua Power Station for a 7.2 MW / 5.3 MWh grid connected battery as well as at The Villa for a grid connected 6MW / 18MWh battery.

Our Directors and Executive Leadership Team

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

Our Board

Our shareholders appoint the directors to govern and direct our business. Our Board of Directors are committed to implementing sound and transparent corporate governance principles that strengthen accountability, oversight, and alignment with our key stakeholders. The Board is collectively responsible for the effective oversight of the company and its businesses. It determines the company's strategic direction and objectives, business plan, viability, and governance structure to help achieve long-term success and deliver sustainable shareholder value.

The Board recognises the importance of the appropriate mix of skills and experience of directors on the Board. The Board is very engaged, highly independent, and diverse by gender.

The full board met six times during the past year. Due to COVID-19 restrictions, four of these were via an on-line platform and two were in person. Our Board approved ten new or revised policies this year including:

- COVID-19 Vaccination Policy
- Health and Safety Policy Statement
- Public Safety Management Policy
- Risk Management Policy
- Code of Professional Conduct
- Delegated Level of Authority
- Anti-fraud and Corruption Policy
- Sensitive Expenditure Policy
- Tax Policy
- Treasury Policy

50% 50%

100%

non-executive directors, including all subcommittees

Meet our Board

Diversity of perspective is important to our Board. Alpine Energy recruits Board members with a range of skills and experience.

Warren McNabb

Warren has extensive experience in law and infrastructure and utility investment banking in New Zealand and Canada. Since returning to New Zealand, he divides his time between renewable energy development (as a partner in a distributed wind farm developer), carbon farming in both native and exotic forestry, governance roles across energy and infrastructure companies and private capital investment across the start-up, private equity, and debt markets. He currently chairs the Independent Electricity Generators Association and is a director of Port Marlborough New Zealand Limited and Infratec Limited. Warren is a member of the Board's Audit and Risk Committee. He is based in Blenheim and joined the Board in 2016.

Rick Ramsay

Rick Ramsay has been a Director of AEL and NETcon since 2008 and is Chair of the Board's Safety and Wellness Committee. He was also a Director of the Alpine Contact Energy Rockgas Joint Venture (2010-2019) and Infratec Ltd (2012-2017). He was formerly a Chair and member of Line Trust South Canterbury (2002-2008) and an executive member of the Electricity Trusts of New Zealand (2002-2008). He holds several other directorships and had served as a Mack member of the Board's Safety and Risk Committee.

Jessie Chan

Jessie has a management and governance career spanning more than 20 years across a range of sectors including not-for-profit, central, and local government, co-operatives, and commercial business. Jessie was recognised in 2022 for services to dairy and agriculture with a Member of the New Zealand Order of Merit. She received the 2014 Canterbury Institute of Directors Aspiring Director Award and the 2017 Fonterra Dairy Woman of the Year Award. She is currently the Chair of the Board's Sponsorship Committee and a member of the Board's Safety and Risk Committee. Jessie is based in Rakaia and joined the Board in July 2019.

Meet our Board

Linda Robertson

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

Don Elder

Don has over 30 years' experience as an independent Director, Chair, Chief Executive Officer (CEO) and senior executive including in the energy and infrastructure sectors. His background gives him a good understanding of key drivers of our operations and business. Don is currently Chair of the Board's People, Performance and Culture Committee and of Infratec Limited. He is also a member of the Board's Health and Safety and Audit and Risk Committees. He is based in Christchurch and joined the Board in December 2017.

Melissa Clark-Reynolds

Melissa is best known as a foresight practitioner and professional director, with over 25 years' experience as an entrepreneur and strategist. She has been CEO of a number of technology companies and is an active board member for several organisations, including AEL and Atkins Ranch. She is co-chair of BirthrightNZ and deputy chair of Venture Bio. She was previously deputy chair of Radio NZ, Chair of Little Yellow Bird, a member of the Ministry for Primary Industries Primary Growth Partnership's Independent Advisory Panel, and the first independent director of Beef + Lamb New Zealand. In 2015 she was named Officer of the New Zealand Order of Merit (ONZM) in recognition for her services to technology. Melissa is a member of the Board's People, Performance and Culture Committee. She is based in Wellington and joined the Board in July 2021.

Our board committees

The Board has four subcommittees. The subcommittees report to the Board.

Alpine Energy Limited Board

Audit and Risk Committee

The Audit and Risk Committee, comprising of three directors, review our financial statements and announcements. It also liaises with the external auditors and reviews internal controls which are relevant to financial reporting and related matters.

Health and Safety Committee

The Board Health and Safety Committee, comprising of three directors, assists the Board to provide leadership and policy in discharging its health and safety responsibilities.

People, Performance and Culture Committee

The People, Performance and Culture Committee, comprising of three directors, to oversee the people, performance, remuneration and culture related policies, frameworks, and practices.

Sponsorship Committee

The Sponsorship Committee, comprising of two directors, manages the applications and distribution of a sponsorship fund to our community.

Our Board's overarching governance objectives

The Board adheres to the board charter which sets out the board and committees' responsibilities and how they are to be achieved. The Board maintains a rolling annual work-plan which is agreed upon at the start of each year.

Our Executive Leadership Team

The CEO has the delegated authority from the Board to govern certain operational and other matters within the company. The CEO is supported by an ELT of five members.

Andrew Tombs

Chief Executive Officer

Caroline Ovenstone

Chief Financial Officer

Willem Rawlins

GM Asset Management

Damien Whiffen

GM Service Delivery

John Creagh

GM Safety & Business Risk

Marisca MacKenzie

GM Regulatory & Sustainability

Financial Statements

Directors' Report

31 March 2022

The Directors present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the financial year ended 31 March 2022.

Principal activities

Alpine Energy Limited (the Company) is the owner of its electricity distribution network. The Group, comprising Alpine Energy Limited, its subsidiaries and associated entities, undertakes asset management and contract services.

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

Information on directors

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

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

Parent

Mr W.B. McNabb (Chair)
Mr R.D. Ramsay
Mr D.M. Elder
Ms J.R. Chan
Ms L.M. Robertson
Ms M.J. Clark-Reynolds (appointed 29 July 2021)

Subsidiaries

NETcon Limited

Mr H.L. Martyn (Chair)
Mr R.D. Ramsay
Mr S.B. King
Mr G. Visser (appointed 01 October 2021)

Infratec Limited and Infratec Renewables (Rarotonga) Limited

Mr D.M. Elder (Chair)
Mr W.B. McNabb
Mrs C.A.E. Ovenstone

Power Services 2022 Limited

Mr H.L. Martyn (Chair) (appointed 17 December 2021)
Mr P.H. Theron (appointed 17 December 2021)

Joint ventures

On Metering Limited

Mr A.G. Tombs

Associates

SmartCo Limited

Mr A.G. Tombs

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

Operating results

Group operating revenue of $ 68.402 million was achieved for the year, 16% lower than the previous year.

The Group operating surplus before tax for the year was $12.815 million, 45% less than the previous year.

	2022 000's $	2021 000's $
Profit before income tax	**12,815**	23,217
Income tax expense	**(3,991)**	(5,460)
Profit from operations	**8,824**	17,757

Dividends paid or recommended

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

- Solvency certificates were completed in support of the interim dividend declarations.
- The interim and final dividends relating to FY2022 represent 30% (2021: 16%) of the total comprehensive income for the Group, excluding customer contributions.

Significant changes in state of affairs

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

Share capital

Total issued and paid up share capital as at 31 March 2022 was 41,328,017 ordinary fully paid shares. There have been no movements in share capital during the year.

Return on shareholders' equity and state of affairs

The Group net surplus after income tax attributable to the Shareholders for the year ended 31 March 2022 represents 5% (2021: 11%) return on average total Shareholders' equity.

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

Corporate governance

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

Operation of the Board

Responsibilities

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

Audit and Risk Board Committee

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

Health and Safety Board Committee

The Health and Safety Board Committee, comprising three Directors (Mr R.D. Ramsay, Mr D.M. Elder and Ms J.R. Chan), assists the Board in their responsibilities for health and safety. This Committee is chaired by Mr R.D. Ramsay.

People Performance and Culture Board Committee

The People Performance and Culture Board Committee, comprising three Directors (Mr D.M. Elder, Mr W.B. McNabb and Ms M.J. Clark-Reynolds), assist the Board in fulfilling its responsibilities in matters related to the remuneration and performance of Alpine staff and supporting a positive culture. This Committee is chaired by Mr D.M. Elder.

Sponsorship Board Committee

The Sponsorship Board Committee, comprising two Directors (Ms J.R. Chan and Mr R.D. Ramsay), discharges the Board's responsibilities for distributing the sponsorship budget, in a manner that is transparent, at levels that are fair and equitable throughout the South Canterbury community. This Committee is chaired by Ms J.R. Chan.

Use of Company information

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

Directors' remuneration and benefits from the Company

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

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

2022	Parent $	NETcon Limited $	Infratec Limited $	**Total $**
Directors				
Mr W.B. McNabb	89,332	-	18,636	**107,968**
Mr R.D. Ramsay	53,943	18,636	-	**72,579**
Mr D.M. Elder	49,553	-	31,056	**80,609**
Ms J.R. Chan	49,553	-	-	**49,553**
Ms L.M. Robertson	53,943	-	-	**53,943**
Ms M.J. Clark-Reynolds	33,333	-	-	**33,333**
Mr H.L. Martyn	-	63,372	-	**63,372**
Mr S.B. King	-	36,240	-	**36,240**
Mr G. Visser	-	18,120	-	**18,120**
	329,657	**136,368**	**49,692**	**515,717**

Employee remuneration

Remuneration range	Number of Employees
$100,000 - $109,999	15
$110,000 - $119,999	14
$120,000 - $129,999	9
$130,000 - $139,999	10
$140,000 - $149,999	9
$150,000 - $159,999	7
$160,000 - $169,999	3
$170,000 - $179,999	4
$180,000 - $189,999	1
$190,000 - $199,999	1
$200,000 - $209,999	1
$210,000 - $219,999	1
$240,000 - $249,999	1
$310,000 - $319,999	2
$390,000 - $399,999	1

Auditors

In accordance with Section 45 of the Energy Companies Act 1992, the Auditor-General is responsible for the audit of Alpine Energy Limited. In accordance with Section 29 of the Public Finance Act 1977, the Auditor-General has contracted the audit of Alpine Energy Limited to Nathan Wylie, using the staff and resources of PwC. The audit fee for the Group for FY2022 is $160,000. (2021: $201,000).

Directors', CEO and CFO disclosure of interests as at 16 June 2022

Name of Company/Entity	Interest
Mr W. B. McNabb	
Boyce Investments Limited	Director
Boyce Investments Limited	Shareholder
Energy3 Limited	Director
Energy3 Limited	Shareholder
Infratec Limited	Director
Infratec Renewables (Rarotonga) Limited	Director
Independent Electricity Generators Association	Chair
Lancewood Forest Limited	Director
Lancewood Forest Limited	Shareholder
Lulworth Wind Farm Limited	Director
Pistol Vineyard Investments Limited	Director
PMNZ Marina Holdings Limited	Director
Port Marlborough New Zealand Limited	Director
The Bluffs Vineyard Company Limited	Director
The Bluffs Vineyard Company Limited	Shareholder
Waikawa Marina Trustee Limited	Director
Weld Cone Wind Farm Limited	Director
Mr R.D. Ramsay	
NETcon Limited	Director
Mackenzie District CI Economic Development Board	Member
Salmon Smolt New Zealand Limited	Alternate Director
Tourism Waitaki	Director
Mount Cook Alpine Salmon	Employee
Mount Cook Alpine Salmon	Shareholder
Ms J.R. Chan	
Ashburton Trading Society Limited	Chair
Ashburton Trading Society Limited	Shareholder
ATS Fuel Limited	Director
Ballance Agri-Nutrients Limited	Shareholder
Bio-Protection Research Centre	Board Member
Dorman Partnership Limited	Director
Dorman Partnership Limited	Shareholder
Farmlands Cooperative Society Limited	Shareholder
Fonterra Limited	Shareholder
Livestock Improvement Corporation	Shareholder
Meat the Need	Trustee
Ngai Tahu Farming Limited	Director
Pro Active N.Z. Limited	Director
Ravensdown Limited	Shareholder
Riverstone Farming Limited	Director
Riverstone Farming Limited	Shareholder
Ruralco Limited	Chair
Ms M.J. Clark-Reynolds	
Lean Meats Limited	Director
Daffodil Enterprises Limited	Director
Flux Federation Limited	Advisory Board Member
Future Bees Trust	Trustee
Iron Duke Limited	Advisory Board Member
NZ Centre for the Future Limited	Director
NZ Centre for the Future Limited	Shareholder
Purple Dragon Limited	Director
Purple Dragon Limited	Shareholder
Birthright New Zealand	Co-Chair
VentureBio Limited	Deputy Chair
Mr A.G. Tombs	
ENA Board	Director
On Metering Limited	Director
SC Chamber of Commerce	Vice President
SmartCo Limited	Director
Mr. G. Visser	
NETcon Limited	Director
Visser Solutions Limited	Director
Visser Solutions Limited	Shareholder

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 Clinical Network, Alliance Leadership Team	Chair
Canterbury Covid Vaccination Programme Governance Group	Chair
Canterbury Seismic Instruments Limited	Director
Canterbury Seismic Instruments Limited	Shareholder
Family Help Trust	Chair
Family Help Trust	Trustee
Infratec Limited	Chair
Infratec Renewables (Rarotonga) Limited	Chair
Lyttelton Port Company Limited	Director
Pioneer Energy Limited	Director
The Loft	Trustee
Ms L.M. Robertson	
Central Lakes Direct Limited	Director
Central Lakes Trust	Chair
Central Otago District Council, Audit and Risk Committee	Chair
Crown Irrigation Investments Limited	Chair
Dunedin City Holdings Limited	Director
Dunedin City Treasury Limited	Director
Dunedin Railways Limited	Director
Dunedin Stadium Property Limited	Director
Kiwi Wealth Management Limited	Director
Kiwi Wealth Investments General Partnership Limited	Director
Kiwi Investment Management Limited	Director
Kiwi Wealth Limited	Director
New Zealand Local Government Funding Agency	Director
Office of the Auditor General and Audit New Zealand, Audit and Risk Committee	Member
Portfolio Custodial Nominees Limited	Director
RML Consulting Limited	Shareholder
RML Consulting Limited	Director
The Treasury, Capital Markets Advisory Committee	Member
The Treasury, Risk and Audit Committee	Member
Mr S.B. King	
Fulton Hogan Limited	Shareholder
NETcon Limited	Director
South Canterbury Chamber of Commerce	Board Member
Mr H.L. Martyn	
City Care Limited	Consultant
Nelmac Limited	Director
NETcon Limited	Chair
New Zealand Rugby League	Director
Power Services 2022 Limited	Chair
Richmond Group Limited	Shareholder
Sumner Lifeboat Institute	Chair
TC Groundworks Limited	Consultant
Waimakariri Irrigation Limited	Director
WD Boyes and Sons Limited	Advisor
Mrs. C.A.E. Ovenstone	
Craighead Diocesan School Board of Proprietors	Vice Chair
Infratec Limited	Director
Infratec Renewables (Rarotonga) Limited	Director
Laser Grafix Limited	Director
Mr P.H. Theron	
Power Services 2022 Limited	Director

Indemnification and insurance of Directors and Officers

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

During the year the Company paid insurance premiums in respect of Directors' and Officers' liability insurance. The policies do not specify the premium for individual Directors and Officers.

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

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

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

Dated this ....16th.............. day of ....June.......... 2022

Statement of profit or loss and other comprehensive income

For the year ended 31 March 2022

	Note	**2022 000's $**	2021 000's $
Revenue - trading	5	**68,402**	81,235
Expenses	6		
Transmission		**(10,629)**	(10,360)
Depreciation, amortisation and loss on disposal		**(14,623)**	(13,998)
Contract services		**(13,151)**	(17,142)
Employee benefits		**(13,093)**	(15,901)
Other operating expenses		**(2,092)**	(1,503)
Total expenses		**(53,588)**	(58,904)
Operating surplus		**14,814**	22,331
Finance costs	5	**(2,186)**	(3,218)
Finance income	5	**141**	99
Gain on sale of Infratec operating assets	15	**-**	3,984
Share of net profits of equity-accounted joint ventures	16	**46**	21
Profit before income tax		**12,815**	23,217
Income tax expense	7	**(3,991)**	(5,460)
Profit from operations		**8,824**	17,757
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Revaluation changes for property, plant and equipment	14	**-**	(345)
Items that will be reclassified to profit or loss when specific conditions are met			
Fair value movements on the effective portion of cash flow hedges	29	**2,887**	1,563
Other comprehensive income for the year, net of tax		**2,887**	1,218
Total comprehensive income for the year		**11,711**	18,975

Statement of financial position

As at 31 March 2022

	Note	2022 000's $	2021 000's $
Assets			
Current Assets			
Cash and cash equivalents	8	**1,303**	397
Trade and other receivables	9	**8,027**	9,916
Inventories	10	**6,207**	3,604
Derivative instruments in designated hedge accounting relationships	29	**10**	-
Loans and advances	11	**4,876**	4,024
Current tax receivable	20	**499**	171
Work in progress	12	**74**	274
Assets held for sale	13	**1,260**	-
Total Current Assets		**22,256**	18,386
Non-Current Assets			
Property, plant and equipment	14	**290,336**	279,974
Investment in joint ventures	16	**1,159**	1,114
Derivative instruments in designated hedge accounting relationships	29	**582**	-
Loans and advances	11	**215**	215
Intangible assets	17	**2,270**	2,692
Right-of-use assets	18	**8,285**	9,286
Total Non-Current Assets		**302,847**	293,281
Total Assets		**325,103**	311,667
Liabilities			
Current Liabilities			
Trade and other payables	19	**11,232**	11,691
Contract liabilities	21	**4,589**	4,187
Lease liabilities	18	**1,030**	973
Employee benefits	22	**1,786**	1,665
Derivative instruments in designated hedge accounting relationships	29	**104**	-
Dividend payable	23	**992**	992
Total Current Liabilities		**19,733**	19,508
Non-Current Liabilities			
Borrowings	24	**81,400**	74,800
Deferred tax liabilities	20	**35,299**	31,524
Contract liabilities	21	**2,592**	2,946
Lease liabilities	18	**7,771**	8,752
Derivative instruments in designated hedge accounting relationships	29	**643**	5,702
Total Non-Current Liabilities		**127,705**	123,724
Total Liabilities		**147,438**	143,232
Net Assets		**177,665**	168,435
Equity			
Issued capital	25	**41,328**	41,328
Reserves		**3,705**	818
Retained earnings		**132,632**	126,289
Total equity attributable to equity holders of the Company		**177,665**	168,435
Total Equity		**177,665**	168,435

Statement of changes in equity

For the year ended 31 March 2022

2022	Note	Ordinary Shares 000's $	Asset Revaluation Reserve 000's $	Foreign Currency Translation Reserve 000's $	Hedging Reserve 000's $	Retained Earnings 000's $	Total 000's $
Balance at 1 April 2021		**41,328**	**3,446**	**(113)**	**(2,515)**	**126,289**	**168,435**
Profit attributable to member of the parent entity		**-**	**-**	**-**	**-**	**8,824**	**8,824**
Total other comprehensive income for the year		**-**	**-**	**44**	**2,843**	**-**	**2,887**
Transactions with owners in their capacity as owners							
Dividends paid or provided for	23	**-**	**-**	**-**	**-**	**(2,481)**	**(2,481)**
Balance at 31 March 2022		**41,328**	**3,446**	**(69)**	**328**	**132,632**	**177,665**

2021	Note	Ordinary Shares 000's $	Asset Revaluation Reserve 000's $	Foreign Currency Translation Reserve 000's $	Hedging Reserve 000's $	Retained Earnings 000's $	Total 000's $
Balance at 1 April 2020		41,328	3,791	75	(4,266)	111,013	151,941
Profit attributable to members of the parent entity		-	-	-	-	17,757	17,757
Total other comprehensive income for the year		-	(345)	(188)	1,751	-	1,218
Transactions with owners in their capacity as owners							
Dividends paid or provided for	23	-	-	-	-	(2,481)	(2,481)
Balance at 31 March 2021		41,328	3,446	(113)	(2,515)	126,289	168,435

The accompanying notes form part of these financial statements.

Statement of cash flows

For the year ended 31 March 2022

	Note	2022 000's $	2021 000's $
Cash flows from operating activities:			
Receipts from customers		**70,157**	82,241
Payments to suppliers and employees		**(41,199)**	(40,744)
Interest received		**141**	99
Interest paid		**(3,724)**	(3,966)
Income taxes paid		**(1,667)**	(7,421)
Net GST (paid)/received		**175**	208
Net cash provided by/(used in) operating activities	33	**23,883**	30,417
Cash flows from investing activities:			
Proceeds from sale of Infratec operating assets	15	**-**	3,907
Purchase of property, plant and equipment		**(22,404)**	(18,785)
Purchase of intangible assets		**(1,872)**	(273)
Other investment		**(1,101)**	974
Purchase Power Services 2022 Limited	15	**(517)**	-
Loans to related parties proceeds from repayments		**250**	250
Net cash provided by/(used in) investing activities		**(25,644)**	(13,927)
Cash flows from financing activities:			
Repayment of/(drawdowns from) borrowings		**6,600**	(10,200)
Dividends paid by parent entity		**(2,481)**	(5,457)
Payment of lease liabilities		**(1,452)**	(1,711)
Net cash provided by/(used in) financing activities		**2,667**	(17,368)
Net increase/(decrease) in cash and cash equivalents held		**906**	(878)
Cash and cash equivalents at beginning of year		**397**	**1,275**
Cash and cash equivalents at end of financial year	8	**1,303**	397

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2022

1. General information

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

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

The financial report was authorised for issue by the Directors on 16 June 2022.

Comparatives are consistent with prior years, unless otherwise stated.

2. Basis of preparation

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

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as applicable for for-profit entities. The consolidated financial statements also comply with International Financial Reporting Standards ('IFRS'). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and financial assets and financial liabilities at fair value through profit or loss. The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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

3. Change in Accounting Policy

There have been no changes to accounting policies for FY2022.

Summary of significant accounting policies

3.1. Basis for consolidation

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

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

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

A list of controlled entities is contained in Note 15 to the financial statements.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

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

Joint arrangements

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

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

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

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

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

Business combinations

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date.

3.2. Revenue and other income

Revenue from contracts with customers

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

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

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

None of the revenue streams of the Group have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Specific revenue streams

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

Network lines services

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

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

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

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

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

Contracting revenue

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

Such design and construction works are recognised as a single performance obligation satisfied over time using the percentage of completion method. At balance date an assessment is made of the percentage 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 considerations are assessed in line with NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Pricing is determined with reference to the time and materials associated with a specific construction contract and is based on the level of activity required for completion. Payment is due in respect of the design and construction works on a percentage completion basis over the contract term. A receivable is recognised by the Group when a contractual milestone is met. If the revenue recognised by the Group exceeds the payments, a contract (work in progress) asset is recognised. If payments exceed the revenue recognised, a contract (work in progress) liability is recognised.

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

Connection fees

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

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

Rental income

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

Other income

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

Interest income

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

Dividend income

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

Government grants

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

Statement of financial position balances relating to revenue recognition

Contract assets and liabilities

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

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

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

Construction work in progress

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

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

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

3.3. Income Tax

Current income tax expense

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

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

Deferred tax assets and liabilities

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

Deferred tax is not provided for the following:

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

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

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

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

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

3.4. Borrowing costs

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

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

3.5. Goods and services tax (GST)

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

Receivables and payables are stated inclusive of GST.

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

3.6. Inventories

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

3.7. Assets held for sale

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

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

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

3.8. Property, plant and equipment

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

Land and buildings

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity (at least every 3 years) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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

Land is not depreciated.

Non land property, plant and equipment

Plant and equipment are measured using the cost model. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation

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

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

Fixed asset class	Depreciation rate
Reticulation System	1.43% - 7.41%
Meters and Relays	2.22% - 6.67%
Plant and Equipment	2.22% - 10.00%
Fibre	2.50% - 5.00%
Buildings	1.00% - 10.87%

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

3.9. Financial instruments

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

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

Financial assets

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

Classification

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

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

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

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Debt instruments

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

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

Other gains or losses are recognised in OCI.

On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial assets through profit or loss

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

Trade receivables and contract assets

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

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

Other financial assets measured at amortised cost

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

Financial liabilities

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

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

Hedge accounting

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

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

Cash flow hedges

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

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

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

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

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

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

Fair value hedges

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

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

3.10. Impairment of non financial assets

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

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

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

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

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

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

3.11. Intangibles

Goodwill

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

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

Easements

Assets sited on easements will normally be renewed at the end of their economic life in the same location that they are currently housed. On this basis the easement itself has an infinite life. Easements are recorded at cost and are tested annually for any sign of impairment and whenever there is an indicator of impairment.

Software

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

Amortisation

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

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

3.12. Cash and cash equivalents

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

3.13. Leases

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

This involves an assessment of whether:

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

Lessee accounting

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

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

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

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

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

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

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

Exceptions to lease accounting

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

3.14. Employee benefits

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

The Group has no post-employment schemes.

3.15. Provisions

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

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

3.16. Foreign currency transactions and balances

Transaction and balances

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

At the end of the reporting period:

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

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

Group companies

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

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

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

3.17. Adoption of new and revised accounting standards

There have been no new accounting standards adopted this financial year.

3.18. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3.19. Trade receivables

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

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

3.20. Share capital

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

3.21. Trade payables

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

3.22. Borrowings

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

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

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

3.23. Dividend distribution

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

4. Critical accounting estimates and judgments

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

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

The significant estimates and judgements made have been described below.

4.1. Impairment of network property, plant and equipment

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

4.2. Fair value of financial instruments

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

4.3. Receivables

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

4.4. Customer contributions / up-front 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).

4.5. Taxes

Deferred tax assets

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

4.6. Cash flow hedge accounting

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

4.7. Classification of joint arrangements

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

5. Revenue and other income

Revenue from continuing operations

	2022 000's $	2021 000's $
(a) Revenue from contracts with customers		
Over time recognition		
Network lines revenue	**52,891**	59,621
Contracts with customers	**8,489**	12,863
Point in time recognition		
Connection fees	**3,431**	3,440
Total revenue from contracts with customers	**64,811**	75,924
(b) Revenue from other sources		
Meter revenue	**2,459**	2,565
Fibre revenue	**774**	783
Rental income	**220**	203
Other trading revenue	**137**	380
Foreign Exchange gains	**-**	455
Dividend received	**1**	12
COVID 19 wages subsidies	**-**	913
Total revenue from other source	**3,591**	5,311
Total revenue	**68,402**	81,235

Disaggregation of revenue from contracts with customers

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

Revenue from contracts with customers by geographic location

New Zealand	**58,439**	67,020
Pacific Islands	**5,411**	7,920
Asia	**961**	984
Revenue from contracts with customers	**64,811**	75,924

In the prior period the New Zealand Government imposed a Level 4 lockdown in April and May 2020, and subsequent Level 2 and 3 restriction periods during 2020. The Alpine Energy Limited Group initially had to adapt to the new operating procedures and this caused reduced operating effectiveness in early 2020. This caused NETcon and Infratec Limited to claim the following wage subsidies respectively: $608,745 and $304,616. The Alpine Energy Limited Group notes that the Electricity Distribution Industry is deemed an essential service and that further disruptions due to COVID 19 are not expected to have a significant change to the operations of this industry and Alpine Energy Limited Group.

5.1. Finance income

Interest income	2022 000's $	2021 000's $
Call account	**-**	4
Use of money interest	**11**	-
Other interest	**130**	95
Total finance income	**141**	99

5.2. Finance expenses

Finance costs	2022 000's $	2021 000's $
Current borrowings	**3,347**	3,443
Amortisation of held to maturity liabilities	**167**	238
Interest on obligations under leases	**377**	523
Fair value movement of interest rate swaps that do not meet hedge accounting criteria	**(1,705)**	(986)
Total finance expenses	**2,186**	3,218

6. Expenses

The result for the year includes the following specific expenses:

	2022 000's $	2021 000's $
Audit fee	**160**	201
(Over)/Under-accrual of audit fees	**(3)**	19
Auditor's other services	**30**	22
Audit of regulatory returns	**125**	130
DPP compliance statement audit	**48**	33
Other services	**-**	16
	360	421
Bad debts	**102**	6
Community sponsorships	**192**	200
Directors' fees	**516**	507
Donations	**12**	12
Net loss on disposal of property, plant and equipment	**1,050**	785

7. Income tax expense

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

	2022 000's $	2021 000's $
Current tax expense		
Local income tax - current period	**1,343**	3,229
Deferred tax expense		
Origination and reversal of temporary differences	**2,648**	2,383
Recognition of previously unrecognised tax losses	**-**	(152)
Income tax expense for continuing operations	**3,991**	5,460

(b) Reconciliation of income tax to accounting profit:

	2022 000's $	2021 000's $
Profit	12,815	23,217
Tax at 28%	3,588	6,500
Add tax effect of:		
Non assessable income	-	(1,218)
Non deductible expenses	22	217
Prior period adjustments	381	(39)
	3,991	5,460
Less tax effect of:		
Income tax expense	3,991	5,460

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

	2022			2021		
	Before -tax Amount 000's $	Tax (Expense) Benefit 000's $	Net-of -tax Amount 000's $	Before -tax Amount 000's $	Tax (Expense) Benefit 000's $	Net of -tax Amount 000's $
Gain/(loss) on interest rate swap	4,010	(1,123)	2,887	2,004	(561)	1,443
	4,010	(1,123)	2,887	2,004	(561)	1,443

(d) Imputation credit account balances

	2022 000's $	2021 000's $
Parent	5,985	4,845
Subsidiaries	2,148	2,087
	8,133	6,932

8. Cash and cash equivalents

	2022 000's $	2021 000's $
Cash at bank and in hand	1,303	397
	1,303	397

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

USD	1,111	1
NZD	141	385
AUD	51	11
	1,303	397

9. Trade and other receivables

	Note	2022 000's $	2021 000's $
Trade receivables		**6,755**	8,607
Provision for impairment	**9.1**	**(176)**	(77)
Due by Shareholders' District Councils	**32**	**87**	45
Due by Other Related Parties	**32**	**451**	5
Due by Joint Arrangements	**32**	**12**	443
Prepayments		**756**	566
Other receivables		**142**	327
Total current trade and other receivables		**8,027**	9,916
The carrying amount of the Group receivables is denominated in the following currencies:			
AUD		**21**	74
USD		**132**	-
NZD		**6,976**	8,949
Total current trade receivables		**7,129**	9,023

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

9.1. Impairment of receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 March 2022 is determined as follows, the expected credit losses incorporate forward looking information.

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

31 March 2021	Current	< 30 days overdue	< 90 days overdue	> 90 days overdue	Total
Gross carrying amount ($'000)	7,944	145	50	961	9,100
ECL provision (Provision for doubtful debts)	(55)	-	-	(22)	(77)
Neither past due nor impaired	7,889	-	-	-	7,889
Past due and not impaired	-	145	50	939	1,134

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

	2022 000's $	2021 000's $
Balance at beginning of the year	**77**	147
Additional impairment loss recognised	**265**	141
Amounts written off as uncollectible		
Bad debts	**(3)**	(64)
Unused amounts reversed	**(163)**	(147)
Balance at end of the year	**176**	77

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

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

9.2. Collateral held as security

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

10. Inventories

	2022 000's $	2021 000's $
Network inventory	**5,477**	3,093
Smart meters	**730**	511
	6,207	3,604

11. Loans and advances

	2022 000's $	2021 000's $
NON-CURRENT		
SmartCo Limited	**215**	215
	215	215

The above loan is unsecured, interest free and repayable on demand.

	Note	2022 000's $	2021 000's $
CURRENT			
NETcon Clay Energy Joint Venture		**1,665**	614
Sunfra Joint Venture		**54**	3
On Metering Limited	**16**	**3,157**	3,407
		4,876	4,024

The NETcon Clay Energy Joint Venture and On Metering Limited loans are interest free.
The Sunfra loan bears interest at 5%. All the above loans are unsecured and repayable on demand.

12. Work in progress

	2022 000's $	2021 000's $
Construction work in progress	**74**	274

13. Assets held for sale

	2022 000's $	2021 000's $
Assets held for sale		
Investment property	**1,260**	-

The vacant land portfolio held was assessed for viability in terms of either sale or development. Following this, negotiations were entered into selling vacant land situated in Washdyke, with a Sale & Purchase Agreement signed in September 2021. At reporting date, this agreement is a single clause from being unconditional, with settlement expected in Q2 of FY2023. The agreed sales price of $1.5 million is in excess of the carrying amount disclosed above.

14. Property, plant and equipment

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

	Network reticulation system 000's $	Land and buildings 000's $	Plant and equipment 000's $	Meters and relays 000's $	Fibre 000's $	Total 000's $
Year ended 31 March 2022						
Opening net book amount	**234,986**	**19,394**	**5,916**	**14,232**	**5,446**	**279,974**
Asset held for sale	**-**	**(1,260)**	**-**	**-**	**-**	**(1,260)**
Asset classification transfer	**(1,168)**	**26**	**1,366**	**656**	**6**	**886**
Additions	**15,132**	**237**	**351**	**452**	**57**	**16,229**
Change in capital work in progress	**5,867**	**(47)**	**303**	**28**	**-**	**6,151**
Disposals	**(800)**	**(261)**	**299**	**-**	**-**	**(762)**
Depreciation charge	**(7,211)**	**(465)**	**(1,234)**	**(1,713)**	**(259)**	**(10,882)**
Revaluation	**-**	**-**	**-**	**-**	**-**	**-**
Balance at the end of the year	**246,806**	**17,624**	**7,001**	**13,655**	**5,250**	**290,336**

	Network reticulation system 000's $	Land and buildings 000's $	Plant and equipment 000's $	Meters and relays 000's $	Fibre 000's $	Total 000's $
Year ended 31 March 2021						
Opening net book amount	226,329	19,885	5,949	17,695	3,966	273,824
Asset classification transfer	(825)	587	710	(2,431)	1,723	(236)
Additions	22,535	-	507	577	158	23,777
Change in capital work in progress	(5,360)	79	399	-	-	(4,882)
Disposals	(701)	(118)	(211)	-	(169)	(1,199)
Depreciation charge	(6,992)	(694)	(1,438)	(1,609)	(232)	(10,965)
Revaluation	-	(345)	-	-	-	(345)
Balance at the end of the year	234,986	19,394	5,916	14,232	5,446	279,974

Revaluation of land and buildings

An independent valuation of the Group's land and buildings is performed by a registered valuer every three years, to determine the fair value of the land and buildings as at the end of the financial year. The revaluation movement net of applicable deferred income taxes is applied to other comprehensive income and is included in "Revaluation Reserves" in equity. Please note the fair value carrying amounts of land and buildings in Note 29.

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

The most recent independent valuation to determine the fair value of the Group's land and buildings was performed as at 31 March 2020. This resulted in revaluation movement of -$0.429M in FY2020, and was applied to other comprehensive income and is included in "Revaluation Reserves" in equity. The Directors have assessed the current carrying value as appropriate.

Carrying value of property, plant and equipment

	Network reticulation system 000's $	**Land and buildings 000's $**	**Plant and equipment 000's $**	**Meters and relays 000's $**	**Fibre 000's $**	**Total 000's $**
At 31 March 2022						
Cost	349,310	20,745	21,109	27,125	7,194	425,483
Accumulated depreciation	(102,504)	(3,121)	(14,108)	(13,470)	(1,944)	(135,147)
Net book amount	246,806	17,624	7,001	13,655	5,250	290,336
At 31 March 2021						
Cost	311,986	22,867	19,255	25,665	7,132	386,905
Accumulated depreciation	(77,000)	(3,473)	(13,339)	(11,433)	(1,686)	(106,931)
Net book amount	234,986	19,394	5,916	14,232	5,446	279,974

Closing values for both cost and accumulated depreciation have been updated to match the Fixed Asset Register. This adjustment relates to fully depreciated assets, with no impact on the net book amount.

Capital work in progress

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

	2022 000's $	2021 000's $
Work in Progress	**12,951**	6,800

Historical cost

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

	2022 000's $	2021 000's $
Deemed cost - land	**77**	77
Deemed cost - building	**18,376**	19,538
Accumulated depreciation	**(3,120)**	(3,977)
Net book value	**15,333**	15,638

15. Interests in subsidiaries

15.1. Composition of the group

Subsidiaries:	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2022	Percentage Owned (%)* 2021
Timaru Electricity Limited	New Zealand	**100**	100
NETcon Limited	New Zealand	**100**	100
Power Services 2022 Limited	New Zealand	**100**	-
Infratec Limited	New Zealand	**100**	100
Infratec Renewables (Rarotonga) Limited	New Zealand	**100**	100

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

Sale of the Infratec operating assets

(a) Description

In the prior year on 3 December 2020, the Group completed its sale of the New Zealand Infratec operating assets to WEL Networks Limited for cash consideration of $3.9M (net of cash sold). As a result, the Group recorded a gain in disposal of $4.0M ($3.9M net of income tax expenses) during the year. The revenue and operating results of the New Zealand operations of Infratec were not presented as discontinued operations in any financial year because they were immaterial to the Group as they represented less than 2% of trading revenue.

As part of the transaction, the employees of Infratec Limited were offered and accepted employment by the purchaser. Infratec Limited now has no employees. Infratec Limited remains party to a number of contracts under which it has ongoing obligations and will require continued access to qualified and experienced personnel to meet those obligations, including employees that have transferred to the WEL Group.

WEL and Alpine agreed that the WEL Group will provide secondees to Infratec Limited for the purpose of completing its remaining obligations under the contracts on terms and conditions set out in an agreed Secondment Services Agreement.

(b) Details of sale

	000's $
Consideration received	3,907
Carrying amount of assets/(liability) sold	(77)
Gain on sale	3,984
Income tax expense on gain	(118)
	3,866

The carrying values of assets and liabilities as at the date of sale (3 December 2020) were:

	000's $
Property, Plant and Equipment	113
Intellectual Property Rights	37
Other assets	(9)
Total assets	141
Employee benefit obligations	218
Total liabilities	218
Net carrying amount	(77)

Acquisition of Power Services 2022 Limited

(a) Description

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

(b) Details of acquisition

	2022 000's $
Consideration paid	**517**

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

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

(c) Identifiable net assets

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

(d) Power services 2022 limited contribution to the Group results

Power Services 2022 Limited recorded a profit before tax of $3,766 for the two months from 1 February 2022 to the reporting date. Revenue for the two months to 31 March 2022 was $231,497. If Power Services 2022 Limited had been acquired on 1 April 2021, revenue for 2022 would have been $1,000,000 as per our budget for a full year, and profit before tax for the year would have been $82,800.

16. Interests in joint arrangements

	Type of joint arrangement	Principal place of business / Country of Incorporation	Percentage Owned (%)*	Percentage Owned (%)*
Joint arrangements:			**2022**	2021
On Metering Limited	Electricity meter leasing	New Zealand	**50**	50
NETcon Clay Energy Joint Venture	Renewable energy contracting	New Zealand and Pacific Islands	**50**	50
Sunfra Joint Venture	Renewable energy contracting	Pacific Islands	**50**	50

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

On metering limited

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

NETcon clay energy joint venture

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

Sunfra joint venture

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

Joint ventures

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

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

Material joint ventures

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

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

2021 Name of Joint Venture	On Metering Limited 000's $	NETcon Clay Energy Joint Venture 000's $	Sunfra Joint Venture 000's $
Summarised statement of financial position			
Cash and cash equivalents	367	263	148
Other current assets	431	1,394	-
Non-Current assets	9,169	229	-
Current financial liabilities (excluding trade and other payables and provisions)	(242)	-	(85)
Other current liabilities	(7,561)	(1,657)	-
Net assets	2,164	229	63
Summarised statement of profit or loss and other comprehensive income			
Revenue	2,118	2,486	114
Depreciation and amortisation	(1,094)	-	(207)
Prior year adjustment	278	-	44
Income tax expense / (income)	(28)	-	(26)
Profit / (loss) from continuing operations	(133)	-	(93)
Total comprehensive income	117	-	(75)

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

	2022 000's $	2021 000's $
On Metering Limited		
Group's share of 50% of net assets	**1,082**	1,009
Prior year adjustment	**-**	139
Share of profit/(loss)	**45**	(66)
Carrying amount	**1,127**	1,082
Sunfra Joint Venture		
Group's share of 50% of net assets	**32**	56
Prior year adjustment	**-**	23
Share of profit/(loss)	**-**	(47)
Carrying amount	**32**	32
On Metering Limited	**1,127**	1,082
Sunfra Joint Venture	**32**	32
Carrying amount	**1,159**	1,114

Loans and advances - joint ventures

	2022 000's $	2021 000's $
NETcon Clay Energy Joint Venture	**1,665**	614
Sunfra Joint Venture	**54**	3
	1,719	617

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

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

17. Intangible assets

	2022 000's $	2021 000's $
Computer software		
Opening net book amount	**2,580**	2,701
Asset classification transfer	**(896)**	232
Additions	**1,561**	209
Change in Capital WIP	**217**	312
Disposals	**(119)**	(47)
Amortisation	**(1,493)**	(827)
Net carrying value	**1,850**	2,580
At 31 March		
Cost	**8,223**	9,482
Accumulated amortisation	**(6,373)**	(6,902)
Net carrying value	**1,850**	2,580
Easements		
Opening net book amount	**112**	54
Asset classification transfer	**-**	4
Additions	**12**	64
Impairment	**(2)**	(10)
Net carrying value	**122**	112
At 31 March		
Cost	**180**	168
Accumulated impairment	**(58)**	(56)
Net carrying value	**122**	112
Goodwill		
Opening net book amount	**-**	-
Additions	**298**	-
Net carrying value	**298**	-
At 31 March		
Cost	**298**	-
Accumulated impairment	**-**	-
Net carrying value	**298**	-
Total intangible assets	**2,270**	2,692

18. Leases

The group as a lessee

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

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

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

Terms and conditions of leases

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

1. Bells Pond Line and Grid Connection
2. Temuka Additional 33kV Feeders
3. Temuka Substation: Additional Feeder TMK1292
4. Temuka Substation: T1 and T2 Transformer Upgrading
5. Timaru 11kV Switchboard Upgrade and Additional Feeders
6. Timaru 11kV Supply Transformer Upgrade
7. Timaru Natural Earthing Resistors
8. Bells Pond T1 Connection
9. Studholme 11kV Switchgear (expired 2021)

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

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

Right-of-use assets

	Buildings 000's $	Plant and Equipment 000's $	Network Reticulation Assets 000's $	Total 000's $
Year ended 31 March 2022				
Balance at beginning of year	**-**	**37**	**9,249**	**9,286**
Additions to right-of-use assets	**82**	**84**	**-**	**166**
Variable payment remeasurement	**-**	**-**	**(15)**	**(15)**
Depreciation charge	**-**	**(87)**	**(1,065)**	**(1,152)**
Balance at end of year	**82**	**34**	**8,169**	**8,285**
Year ended 31 March 2021				
Balance at beginning of year	345	111	11,780	12,236
Disposal of right-of-use assets	(345)	-	-	(345)
Variable payment remeasurement	-	-	(1,303)	(1,303)
Depreciation charge	-	(74)	(1,228)	(1,302)
Balance at end of year	-	37	9,249	9,286

Lease liabilities

	2022 000's $	2021 000's $
Current	**1,030**	973
Non-Current	**7,771**	8,752
	8,801	9,725

Statement of profit or loss and other comprehensive income

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

	2022 000's $	2021 000's $
Depreciation - right-of-use - property, plant and equipment	**1,152**	1,302
Interest on obligations under finance leases	**377**	523
Variable lease payments not included in the measurement of lease liabilities	**94**	129
	1,623	1,954

Statement of cash flows

	2022 000's $	2021 000's $
Total cash outflow for leases	**1,452**	1,711

19. Trade and other payables

	2022 000's $	2021 000's $
Current		
Trade payables	**4,471**	4,284
GST payable	**284**	380
Payroll accruals	**294**	246
Accruals	**6,011**	6,781
Due to related entities	**172**	-
	11,232	11,691

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

20. Tax assets and liabilities

	2022 000's $	2021 000's $
Current tax	**499**	171

20.1. Current tax liability (Asset)

	2022 000's $	2021 000's $
Opening balance	**(171)**	4,583
Tax expenses	**3,991**	5,460
Provisional tax paid	**(1,667)**	(8,017)
Deferred tax	**(2,652)**	(2,197)
Current tax liabilities	**(499)**	(171)

20.2. Deferred tax assets

Deferred tax assets	**Opening Balance 000's $**	**Charged to Income 000's $**	**Charged directly to Equity 000's $**	**Closing Balance 000's $**
Provisions	5,536	(866)	(288)	4,382
Balance at 31 March 2021	5,536	(866)	(288)	4,382
Provisions	**4,382**	**(741)**	**(1,126)**	**2,515**
Leases	**(27)**	**172**	**-**	**145**
Balance at 31 March 2022	**4,355**	**(569)**	**(1,126)**	**2,660**

20.3. Deferred tax liabilities

	Opening Balance 000's $	**Charged to Income 000's $**	**Closing Balance 000's $**
Property, plant and equipment			
- tax allowance	33,898	1,981	35,879
Leases	(71)	98	27
Balance at 31 March 2021	33,827	2,079	35,906
Property, plant and equipment			
- tax allowance	**35,879**	**2,080**	**37,959**
Balance at 31 March 2022	**35,879**	**2,080**	**37,959**

21. Contract balances

Contract assets and liabilities

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

	2022 000's $	2021 000's $
CURRENT		
Deferred revenue	**4,291**	3,889
Capital contributions	**298**	298
Total current contract liabilities	**4,589**	4,187
NON-CURRENT		
Capital contributions	**2,592**	2,946

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

Reconciliation of contract liabilities

The following table shows the value of revenue recognised in 2022 that relates to contract liabilities recognised at 2021 and the value of revenue recognised that relates to performance obligations that were also satisfied in the prior year.

	2022 000's $	2021 000's $
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Deferred revenue	**3,583**	7,072
Revenue recognised from performance obligations satisfied in previous years		
Capital contribution projects	**298**	298
Total	**3,881**	7,370

Unsatisfied performance obligations

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

	2022 000's $	2021 000's $
Contracting deferred revenue	**4,292**	3,889
Contracting capital contributions	**2,889**	3,244
	7,181	7,133

Management expects that the following percentage of the transaction price allocated to the unsatisfied performance obligations as of 2022 will be recognised as revenue during the next reporting period:

- Capital Contributions 15.62% (2021: 13.51%). The remaining 84% is expected to be recognised as revenue on an amortised basis at $0.298M per annum.
- Deferred revenue 92% (2021: 100%)

22. Employee benefits

	2022 000's $	2021 000's $
Current liabilities		
Long service leave	**378**	379
Provision for Holiday Pay	**1,408**	1,286
	1,786	1,665

23. Dividends

	2022 000's $	2021 000's $
The following dividends were declared and paid:		
Interim ordinary dividends of 1.20 (2021: 1.20) cents per share were paid in September, December and March.	**1,489**	1,489
Final imputed ordinary dividend (pertaining to prior year) of 2.40 (2021: 2.40) cents per share	**992**	992
Total	**2,481**	2,481

Gross ordinary dividends of 8.33 (2021: 8.33) cents per share were declared during the year, with 6.00 (2021: 6.00) cents per share paid net of imputation credits. Imputed dividends declared or paid during the year were imputed at the tax rate of 28%.

Proposed final 2022 fully imputed ordinary dividend of 2.40 (2021: 2.40) cents per share to be paid 29 July 2022	**992**	992

The proposed final dividend for 2022 is in accordance with the dividend distribution policy in the Statement of Corporate Intent. This is to be paid on 29 July 2022 subject to Board approval.

24. Borrowings

	2022 000's $	2021 000's $
NON-CURRENT		
Liabilities:		
Bank loans	**81,400**	74,800

The termination date of the facility is 31 August 2023. The loan is subject to a negative pledge.

The Group has entered into the following interest rate swaps:

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

The interest rate applied to borrowings against the Flexible Credit Facility is linked to the 90-day bank bill rate. A movement of 1% in this rate would result in a movement of $0.814M (2021: $0.748M) in the interest expense for the year. The covenants governing the loan have not been breached during the year.

25. Issued capital

	2022 000's $	2021 000's $
Ordinary shares	**41,328**	41,328

Ordinary shares

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

The Company is owned as follows:

	No. of shares	%
Timaru District Holdings Limited	19,630,808	47.50
Waimate District Council	3,116,132	7.54
Mackenzie District Council	2,049,870	4.96
LineTrust South Canterbury	16,531,207	40.00

There were no changes to shareholdings during the year.

Capital management

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

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

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

26. Capital and leasing commitments

Operating leases

	2022 000's $	2021 000's $
Not later than one year	**21**	59
Between one year and five years	**50**	98
	71	157

Contracted commitments

Contracted commitments for:	**2022 000's $**	2021 000's $
Capital	**5,502**	3,828

27. Lessor commitments

The Group leases out its investment property under commercial leases. These non-cancellable leases have terms between 3 and 10 years. All leases include an option for the Group to increase rent to current market rental on an annual basis.

The future minimum lease payments under non cancellable leases are:

	2022 000's $	2021 000's $
Lease of fibre network		
Not later than one year	**806**	761
Between one and five years	**3,887**	3,732
Later than five years	**5,824**	6,202
Rentals from building lease agreements		
Not later than one year	**186**	179
Between one and five years	**149**	120
Later than five years	**151**	-

28. Financial risk management

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

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

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

Specific risks

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

Financial instruments used

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

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

Objectives, policies and processes

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

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

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

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

Mitigation strategies for specific risks faced are described below:

Liquidity risk

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

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group monitors monthly rolling forecasts of the Group's liquidity requirements on the basis of expected cash flow. The Board of Directors approves all new borrowing facilities. Refer Note 24 for borrowing facility details.

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

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

	Less than 1 year 000's $	**Between 1 and 2 years 000's $**	**Between 2 and 5 years 000's $**	**Over 5 years 000's $**
As at 31 March 2022				
Trade and other payables	**11,232**	**-**	**-**	**-**
Loans	**1,039**	**81,817**	**1,008**	**1,188**
Lease liability	**1,397**	**1,401**	**3,681**	**3,995**
Interest rate swaps	**-**	**186**	**457**	**-**
Foreign currency forward contracts	**104**	**-**	**-**	**-**
	13,772	**83,404**	**5,146**	**5,183**

	Less than 1 year 000's $	Between 1 and 2 years 000's $	Between 2 and 5 years 000's $	Over 5 years 000's $
As at 31 March 2021				
Trade and other payables	11,691	-	-	-
Loans	789	-	76,279	1,188
Lease liability	1,379	1,452	3,689	5,227
Interest rate swaps	201	-	2,614	2,730
Foreign currency forward contracts	157	-	-	-
	14,217	1,452	82,582	9,145

Credit risk

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

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

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

Trade receivables and contract assets

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

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

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

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

Market risk

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

(i) Foreign exchange risk

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

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

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

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

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

In order to monitor the effectiveness of this policy, the Audit and Risk Committee receives reports at every meeting showing the settlement date of transactions denominated in non New Zealand Dollar currencies and expected cash reserves in that currency.

2022	**USD 000's $**	**AUD 000's $**
Nominal amounts		
Financial liabilities	**3,330**	**917**
Short term exposure	**3,330**	**917**
2021		
Nominal amounts		
Financial liabilities	4,032	1,157
Short term exposure	4,032	1,157

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

Interest rate risk

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

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

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

Actual cover at year end:

Period	2022	2021
Years 1 and 2	**61%**	76%
Years 3, 4 and 5	**52%**	67%
Years 6 and 7	**29%**	32%

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

29. Fair value measurement

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

- Land and buildings
- Financial assets
  - Other Financial Assets
- Financial liabilities
  - Bank Loans
  - Derivatives
  - Other Financial Liabilities

Fair value hierarchy

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

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

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

Level 3 Unobservable inputs for the asset or liability.

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

31 March 2022	Level 1 000's $	Level 2 000's $	Level 3 000's $	Total 000's $
Recurring fair value measurements				
Land and buildings	**-**	**-**	**17,626**	**17,626**
Financial assets				
Interest rate swaps	**-**	**582**	**-**	**582**
Foreign currency forward contracts	**-**	**10**	**-**	**10**
Financial liabilities				
Interest rate swaps	**-**	**643**	**-**	**643**
Foreign currency forward contracts	**-**	**104**	**-**	**104**

31 March 2021	Level 1 000's $	Level 2 000's $	Level 3 000's $	Total 000's $
Recurring fair value measurements				
Land and buildings	-	-	19,394	19,394
Financial assets				
Financial liabilities				
Interest rate swaps	-	(5,546)	-	(5,546)
Foreign currency forward contracts	-	(157)	-	(157)

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

Level 2 measurements

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

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

As at 31 March 2022	**Derivatives used for hedging 000's $**	**Derivatives used for trading 000's $**	**Measured at amortised cost 000's $**	**Total 000's $**
Financial assets				
Loans and advances	-	-	5,091	5,091
Trade and other receivables	-	-	8,027	8,027
Cash and cash equivalents	-	-	1,303	1,303
Interest rate swap	582	-	-	582
Foreign currency forward contracts	10	-	-	10
	592	-	14,421	15,013
Financial liabilities				
Trade and other payables	-	-	11,232	11,232
Interest rate swaps	643	-	-	643
Dividend payable	-	-	992	992
Long-term borrowings	-	-	81,400	81,400
Foreign currency forward contracts	104	-	-	104
	747	-	93,624	94,371

31 March 2021	Derivatives used for hedging 000's $	Derivatives used for trading 000's $	Measured at amortised cost 000's $	Total 000's $
Financial assets				
Loans and advances	-	-	4,239	4,239
Trade and other receivables	-	-	9,916	9,916
Cash and cash equivalents	-	-	397	397
	-	-	14,552	14,552
Financial liabilities				
Trade and other payables	-	-	11,691	11,691
Interest rate swaps	5,546	-	-	5,546
Dividend payable	-	-	992	992
Long-term borrowings	-	-	74,800	74,800
Foreign currency forward contracts	-	157	-	157
	5,546	157	87,483	93,186

Level 2 measurements

Specific valuation techniques used to value financial instruments include:

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

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

Level 3 measurements

Land and buildings

Unobservable inputs and sensitivities

Asset / liability category	Carrying amount (at fair value) 2022 000's $	Carrying amount (at fair value) 2021 000's $	Key unobservable inputs*	Expected range of input 2022	Expected range of input 2021
Land and buildings - Alpine House	10,465	9,886	Discount rate	8.75%	8.75%
			Terminal yield	7.75%	7.75%
			Cap rate	7.25%	7.25%
Other property	7,159	9,508	Discount rate	10.25%	10.25%
			Terminal yield	9.50%	9.50%
			Cap rate	9.00%	9.00%

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

	Change in discount rate					
	2022			2021		
	-0.5% 000's $	**0% 000's $**	**+0.5% 000's $**	-0.5% 000's $	0% 000's $	+0.5% 000's $
Change in Capitalisation Rate						
Alpine House						
-0.5%	**11,705**	**11,311**	**10,935**	11,705	11,311	10,935
0%	**10,908**	**10,541**	**10,190**	10,908	10,541	10,190
+0.5%	**10,213**	**9,870**	**9,542**	10,213	9,870	9,542
Other Property						
-0.5%	**10,259**	**9,923**	**9,602**	10,259	9,923	9,602
0%	**9,660**	**9,344**	**9,041**	9,660	9,344	9,041
+0.5%	**8,076**	**8,826**	**8,540**	8,076	8,826	8,540

Derivatives

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

	2022 000's $	2021 000's $
Cash flow hedge reserve		
Balance at beginning of year	**(2,515)**	(4,266)
Total gains or losses for the year	**-**	-
Recognised in other comprehensive income	**3,948**	2,265
Deferred tax	**(1,105)**	(514)
Balance at end of year	**328**	(2,515)

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

Hedge ineffectiveness

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

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

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

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. The current year reflected $1.538M (2021: -$0.748M) in finance costs due to the ineffectiveness of blended interest rate swaps.

Transfers between levels of the hierarchy

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

Highest and best use

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

30. Contingencies

Contingent liabilities

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

$4.09M (2021: $7.11M) in the form of performance and import guarantees to cover ongoing project work.

31. Key management personnel remuneration

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

	2022 000's $	2021 000's $
Employee benefits - 10 employees (FY 2021: 16 employees)	**2,175**	3,019

32. Related parties

The group's main related parties are as follows:

Key Management personnel - refer to Note 31.

Joint arrangements - refer to Note 16.

Subsidiaries - refer to Note 15.

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

Transactions with related parties

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

The following transactions occurred with related parties:

	Purchases 000's $	Sales 000's $	Owed to the Company 000's $	Owed by the Company 000's $
FY2022				
Joint venture				
SmartCo Limited	**905**	**2,779**	**667**	**172**
On Metering Limited	**-**	**87**	**3,169**	**-**
Sunfra Joint Venture	**-**	**-**	**54**	**-**
NETcon Clay Joint Venture	**-**	**-**	**1,665**	**-**
Shareholders				
Mackenzie District Council	**30**	**397**	**1**	**-**
Timaru District Council	**170**	**742**	**82**	**1**
Waimate District Council	**29**	**150**	**5**	**-**
FY2021				
Joint venture				
SmartCo Limited	888	2,887	658	80
On Metering Limited	-	120	3,412	-
Sunfra Joint Venture	-	-	3	-
NETcon Clay Joint Venture	-	-	614	-
Shareholders				
Mackenzie District Council	33	15	2	1
Timaru District Council	157	1,873	35	1
Waimate District Council	29	80	8	-

33. Cash flow information

Reconciliation of result for the year to cashflows from operating activities

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

	2022 000's $	2021 000's $
Profit for the year	**8,824**	17,757
Interest rate swap movements	**(1,536)**	(748)
Non-cash flows in profit:		
- depreciation	**14,623**	13,998
- IFRS 16 lease impact	**377**	523
- gain on sale of Infratec operating assets	**-**	(3,984)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**2,093**	4,090
- (increase)/decrease in other assets	**(46)**	(21)
- (increase)/decrease in inventories	**(2,483)**	223
- increase/(decrease) in contract liabilities	**(355)**	445
- increase/(decrease) in income in advance	**401**	(2,885)
- increase/(decrease) in trade and other payables	**(339)**	2,980
- increase/(decrease) in income taxes payable	**(328)**	(4,754)
- increase/(decrease) in deferred tax liability	**2,652**	2,793
Cashflows from operations	**23,883**	30,417

Changes in liabilities arising from financing activities

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

	2021 000's $	**Cash flows 000's $**	**2020 000's $**
Long-term borrowings	74,800	(10,200)	85,000
Short-term borrowings	(397)	878	(1,275)
Total liabilities from financing activities	74,403	(9,322)	83,725

Borrowing facilities

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

	2022 000's $	2021 000's $
Total facilities		
Flexible Credit Facility (ANZ)	**110,000**	110,000
Performance SBLC/Guarantee/Bond Facility (ANZ)	**6,700**	12,000
Commercial Flexible Facility (ANZ)	**5,000**	5,000
Financial Guarantee Facility (ANZ)	**2,250**	2,250
Guarantee Facility (BNZ)	**437**	437
	124,387	129,687
Used at reporting date		
Flexible Credit Facility (ANZ)	**81,400**	74,800
Performance SBLC/Guarantee/Bond Facility (ANZ)	**4,094**	6,669
Guarantee Facility (BNZ)	**437**	437
	85,931	81,906
Unused at reporting date		
Flexible Credit Facility (ANZ)	**28,600**	35,200
Performance SBLC/Guarantee/Bond Facility (ANZ)	**2,606**	5,331
Commercial Flexible Facility (ANZ)	**5,000**	5,000
Financial Guarantee Facility (ANZ)	**2,250**	2,250
Guarantee Facility (BNZ)	**-**	-
	38,456	47,781

34. Events occurring after the reporting date

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

35. Statutory Information

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

Alpine Energy Limited
24 Elginshire Street
Timaru 7910

36. Performance report

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

Financial information

	2022	2021
Ratio of Net Surplus attributable to the Shareholders to Average Shareholders Equity		
Target	7.3%	7.3%
Result	▼ 5.1%	▲ 11.1%
Tangible Assets per Share		
Target	$7.07	$7.45
Result	▲ $7.60	▼ $7.25
Earnings per Share		
Target	$0.309	$0.288
Result	▼ $0.214	▲ $0.430
Ratio of Shareholders' Equity to Total Assets		
Target	59%	54%
Result	▼ 57%	▲ 56%

Non financial information

System Average Interruption Duration Index (SAIDI)	2022	2021
Planned SAIDI limit (5 years)	824.87	824.87
Planned SAIDI target	54.99	54.99
Result (Normalised)	▼ 78.39	▼ 87.55
Unplanned SAIDI limit	124.71	124.71
Unplanned SAIDI target	91.88	91.88
Result (Normalised)	▲ 89.32	▲ 77.48
System Average Interruption Frequency Index (SAIFI)		
Planned SAIFI limit (5 years)	3.49	3.49
Result (Normalised)	0.24	0.26
Unplanned SAIFI limit	1.20	1.20
Result (Normalised)	▲ 0.71	▲ 0.64

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

Safety and wellness measures

Safety and wellness continue to be our most important value at Alpine Energy. It is a core agenda item at each Board and Executive Leadership Team meeting and is supported by key information from all corners within Alpine Energy's businesses.

Alpine Energy is a member of the Business Leaders Health and Safety and Canterbury Operations Lifelines forums as well as the National Emergency Management Agency Lifeline Utilities group. Alpine Energy's Public Safety Management System is annually externally audited with certification remaining current.

Alpine Energy's LTIFR and TRIFR results remain well below the industry median, with critical risks and supporting mitigations continuing to be a key focus to ensure the safety of its workers. Alpine Energy promotes the four cornerstones of wellbeing - physical, spiritual, psychological and family health.

FY2022	LTIFR	TRIFR
Our Results	0.66	0.66
EEA Average 2019/2020 for Distribution	1.20	2.70

Directors' declaration

The Directors of the Company declare that:

1. the financial statements and notes for the year ended 31 March 2022 are in accordance with the Financial Reporting Act 2013 and:

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

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

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

Director .... Director ....

Dated 16 June 2022

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ALPINE ENERGY LIMITED'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2022

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

We have audited:

- the financial statements of the Group on pages 52 to 94, that comprise the statement of financial position as at 31 March 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on page 95.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2022; 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; and
- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2022.

Our audit was completed on 16 June 2022. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 51, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

For the year ended 31 March 2022 and subsequently, a Director of the Company is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the member of the Auditor-General's Audit and Risk Committee has no involvement in, or influence over, the audit of the Company.

In addition to the audit we have carried out engagements in the areas of compliance with the Electricity Distribution (Information Disclosure) Determination 2012, Electricity Distribution Services Default Price-Quality Path Determination 2020, and other regulatory requirements of the Commerce Act 1986, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Group.

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

"The energy sector is in a period of **unprecedented change** which provides opportunities for us to **innovate and shape** what the **future** of our business will look like."

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