

LINETRUST SOUTH CANTERBURY

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LINETRUST SOUTH CANTERBURY

TRUST DIRECTORY
FOR THE YEAR ENDED 31 AUGUST 2007

BANKERS: Westpac

AUDITORS: Martin Wakefield

TRUSTEES: Rick Ramsay (Chairman)
Janya Lobb
Ross Carrick
Grant Eames
Charles Vincent

SECRETARY: Tom Simpson

TRUST APPOINTED DIRECTORS:

- ALPINE ENERGY LTD Murray Cleverly
Ollie Turner



Chairman's Report

For the Year ended 31 August 2007

I have much pleasure in presenting the LineTrust South Canterbury 14th Annual Report.

This has been another busy year for the Trust with two major energy saving projects in progress - the continuation of the South Canterbury Healthy Homes Project, and the South Canterbury Heat Pump Project - and the winding up of the Household Efficient Lighting Project.

These projects reflect the Trusts intention of promoting Energy Efficiency in South Canterbury and engaging in projects which will bring other Government Agency funding into the area for the benefit of consumers.

The South Canterbury Healthy Homes Project is a collaborative approach with other agencies to upgrade the insulation in some 825 pre 1977 houses in South Canterbury over three years.

A contract with EnergySmart Ltd was entered into in June 2005 to deliver the project and a Steering Committee was established with representation from the Trust being Mr Grant Eames (Chairman) and Mr David Ives. When Mr Ives died unexpectedly in January 2007, his place on the committee was taken up by replacement Trustee Mr Ross Carrick.

The committee includes representatives of social and welfare agencies, Work and Income, The South Canterbury Energy Efficiency Trust, the District Health Board plus the major contributors.

The cost of this project for the Trust was estimated at \$952,200 (\$317,400 each year for three years) with the Energy Efficiency Conservation Authority (EECA) contributing \$450,000, the District Health Board \$90,000 and Contact Energy \$75,000.

It is estimated that 13,550 homes in South Canterbury have been constructed before 1977 when insulation was not required under the building code, and the average age of houses refitted is 60 years.

A total of 746 houses have now been completed up until 31 August 2007 and of these, 636 have been in the Timaru District, 19 in Mackenzie and 91 in Waimate. A total of 464 were refitted this year.

Since the commencement of Healthy Homes, installed ceiling insulation has totalled 63,847sqm; underfloor insulation 53,631sqm; polythene ground cover 10,526 sqm; hot water cylinder wraps 271; draught excluders on external doors 829 and Energy efficient lamps 2,938.

The project has expended \$435,610 this year with \$369,633 coming from Trust funds. The District Health Board made an additional grant to the project of \$28,125 during the year.

The Trust, along with EnergySmart has put this project forward for the Energy Efficiency and Conservation Authority (EECA) Energywise awards in 2007. Regardless of the outcome, the best reward has been the appreciation passed on to the Trust by many of those whose homes have been retrofitted by this project.

The other major project undertaken was the Heat Pump project with EnergyMad, Canterbury Regional Council, and local retailers.



Estimated to cost almost \$590,000 the project contained a “core” segment aimed at installing some 250 4kw heaters with funding from Environment Canterbury, 500 funded by the LineTrust, and a further 500 larger units funded by the Trust by way of a rebate voucher, to be obtained through local retailers who agreed to become part of the scheme.

The objective of this project was to reduce further the peak load on the network, save power for South Canterbury consumers and promote the installation of high quality units to reduce the effect of harmonics and load factor on the Alpine Energy network.

A steering committee established to operate this project was chaired by Janya Lobb and the late David Ives representing LineTrust South Canterbury, and representatives from EnergyMad (Wal Lettink), Ecan and local retailers. Trust Chairman Rick Ramsay was ex-officio.

This project was much more complex than those previously undertaken by the Trust, and is again an example of working with other groups and organizations, and bringing money into South Canterbury to the benefit of our consumers.

Up until 31 August 2007, the Core Project achieved 199 units installed and 101 units installed through the Environment Canterbury Unit. This was less than envisaged, and the Trust agreed to put the unallocated “core project” funds into further rebates offered through approved retailers who had registered to participate in the scheme.

The “core project” with its mailouts and advertising raised the profile of heat pumps as an energy efficient heating appliance and further uptake of the Rebate Scheme was achieved with little additional Trust promotion. The retailers carried out their own promotion and the Timaru District Council kindly took over the administration for the remainder of the rebate scheme.

The Trust spent \$319,886 up until 31 August on this scheme with 598 rebates being paid out during this period. The Rebate scheme continues into the 2007-08 financial year.

As with previous projects, a proportion of the project was dedicated to monitoring and measurement to look at the “real life” performance of the heat pumps and to see what use was made of other forms of heating (such as log fires) where both were available to use during cold weather.

Results of this should be available later in 2007.

A small amount of expenditure (\$7911) was incurred on the HELP (Lighting Project) which was completed in the 2007 financial year.

The Trust has discussed at length its continued involvement in Energy Efficiency projects and during the year obtained a legal opinion as to whether it was required to distribute 90 percent of the dividends received from Alpine Energy (as set out in the Trust Deed) or whether it could distribute the dividend in other ways including Energy Efficiency Projects which would benefit consumers.

The outcome of this opinion is that the Trust is able to use projects such as the Energy Efficiency Projects as a means of returning the dividend to consumers and could use its discretion on what percentage of the dividend this might be. However, the Trust did need to be careful that it did not favour one group of consumers above another.

There is considerable Government support for Electricity Trusts to lead energy efficiency projects as they are the agency closest linked to the electricity consumer.

In the 2006-07 year, the Trust returned \$2,539,877 back to its consumers.



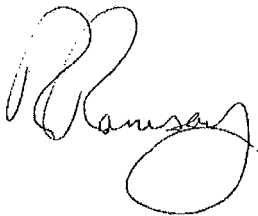
During the year Alpine Director Murray Cleverley's term expired and the Trust commenced its appointment process which includes an independent assessment. Two candidates applied including Mr Cleverley and he was re-appointed to the Alpine Energy Board for a further three year term.

It is with great sadness I noted earlier the unexpected death of Trustee Mr David Ives of Geraldine in January 2007. Mr Ives was a dedicated Trustee who made a major contribution to the Energy Efficiency projects and was a great advocate for the area he represented.

The Trust took advice and decided to appoint the next highest polling candidate in the Trust Elections and welcomed Mr Charles Vincent to the Trust.

I thank all Trustees for their imagination and determination to be pro-active for the consumers that we represent in South Canterbury. Trustees have continued to attend the conferences operated by the Electricity Trusts of New Zealand to better understand the Electricity industry and to seek out initiatives which could be of benefit in South Canterbury.

I also express the Trust's appreciation to Mr Tom Simpson, Andrew Mann and other staff of McFarlane Hornsey Simpson Ltd for their secretarial services. Their workload has also increased with the projects the Trust has been undertaking and we appreciate their efficiency and positive attitude.



R D Ramsay
Chairman



LINETRUST SOUTH CANTERBURY

HIGHLIGHTS FOR THE YEARS ENDED 31 AUGUST

	2007	2006	2005	2004	2003
Income	3,739,171	2,922,311	2,799,107	2,787,846	3,103,936
Expenses	168,341	112,299	114,512	112,477	134,621
Net Income	3,570,830	2,810,012	2,684,595	2,675,369	2,969,315
Annual Distribution	3,213,747	2,529,011	2,416,136	2,675,369	2,969,315

Allocation of \$2,529,011

Load Group	Winter kWh	Allocate by	Fixed	Demand
Low Fixed Charge (Domestic Concession)		Fixed Amount	\$ 48.00	
Under 8 kVA (Small Domestic)		Fixed Amount	\$ 48.00	
Under 15 kVA (Standard Domestic)		Fixed Amount	\$ 48.00	
3 x 60 A (Small Commercial)		Fixed Amount	\$ 150.00	
Over 15 kVA Assessed & Nameplate		Demand Factor		\$ 4.90
TOU 400 V	\$ 0.0045	Demand Factor + winter kWh		\$ 7.10
TOU 400 V Remote	\$ 0.0045	Demand Factor + winter kWh		\$ 6.85
TOU 11 kV < 3000kW	\$ 0.0045	Demand Factor + winter kWh		\$ 5.65
TOU 11 kV < 3000kW Remote	\$ 0.0045	Demand Factor + winter kWh		\$ 5.20



LINETRUST SOUTH CANTERBURY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 AUGUST 2007

	NOTE	2007	2006
INCOME			
Dividends Received			
Alpine Energy Ltd - Ordinary	1	2,727,649	2,727,649
Alpine Energy Ltd - Special	1	826,560	-
		3,554,209	2,727,649
Interest Received			
Westpac	2	2,421	3,935
ANZ Bank	2	182,541	190,727
		184,962	194,662
TOTAL GROSS INCOME		3,739,171	2,922,311
Trustees Remuneration		50,940	46,460
Trustees Reimbursements		9,323	9,517
Accountancy		6,469	5,906
Advertising		2,355	9,976
Audit Fees		1,688	1,125
Bank Charges		146	99
Conference & Seminar Expenses		8,549	10,674
Consultancy Fees		17,061	-
Distribution Costs		5,635	6,588
Election Expenses		46,456	-
Energy Trusts of New Zealand		1,519	1,519
Interest : Westpac		18	-
Meeting Expenses		529	665
Printing Postage & Stationery		856	808
Secretarial Costs		9,900	10,519
Subscriptions		867	405
Sundry Expenses		500	68
Telephone & Tolls		113	95
Insurance	7	5,417	7,875
TOTAL EXPENSES		168,341	112,299
NET PROFIT		3,570,830	2,810,012



LINETRUST SOUTH CANTERBURY

STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2007

	NOTE	2007	2006
Opening Balance		36,952,500	35,961,300
Revaluation of Investment	3	<u>(878,400)</u>	<u>991,200</u>
		(878,400)	991,200
		<u>36,074,100</u>	<u>36,952,500</u>
CLOSING BALANCE		<u>36,074,100</u>	<u>36,952,500</u>



LINETRUST SOUTH CANTERBURY

TRUSTEES INCOME STATEMENT FOR THE YEAR ENDED 31 AUGUST 2007

	NOTE	2007	2006
Opening Balance		3,701,289	3,619,897
Tax Refund Due	5	68,401	49,890
Profit For Year		3,570,830	2,810,012
		<u>3,639,231</u>	<u>2,859,902</u>
		7,340,520	6,479,799
Distribution to Consumers		2,539,877	2,420,928
Household Efficient Lighting Project		7,911	1,891
Healthy Homes Project		435,610	344,173
Ecoheater Project		319,886	11,518
		<u>3,303,284</u>	<u>2,778,510</u>
CLOSING BALANCE		<u>4,037,236</u>	<u>3,701,289</u>



LINETRUST SOUTH CANTERBURY

STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2007

	NOTE	2007	2006
CURRENT ASSETS			
Westpac		10,027	9,423
ANZ : Term Deposit		111,378	1,080,000
ANZ : Term Deposit		333,952	-
ANZ : Term Deposit		-	395,889
ANZ : Term Deposit		-	541,524
ANZ : Term Deposit		850,755	-
ANZ : Term Deposit		1,608,823	1,594,409
ANZ : Term Deposit		1,080,000	-
ANZ : Term Deposit (SCDHB)		-	56,254
Tax Refund Due	5	68,402	49,890
		<hr/>	<hr/>
		4,063,337	3,727,389
INVESTMENTS			
Alpine Energy Ltd Shares	3	36,048,000	36,926,400
		<hr/>	<hr/>
		36,048,000	36,926,400
TOTAL ASSETS			
		<hr/>	<hr/>
		40,111,337	40,653,789
		<hr/>	<hr/>

LINETRUST SOUTH CANTERBURY

STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2007

	NOTE	2007	2006
CURRENT LIABILITIES			
		-	-
TRUSTEES INCOME ACCOUNT			
As Scheduled	4,037,236		3,701,289
		4,037,236	3,701,289
EQUITY			
As Per Statement	36,074,100		36,952,500
		36,074,100	36,952,500
TOTAL LIABILITIES AND EQUITY		40,111,336	40,653,789

LINETRUST SOUTH CANTERBURY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 AUGUST 2007

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Was Provided From:		
Dividends Received	3,554,210	2,727,649
Interest Received	184,962	196,770
Tax Refund	49,890	37,829
	<u>3,789,062</u>	<u>2,962,248</u>
Cash Was Applied To:		
Other Operating Expenses	168,342	112,267
	<u>168,342</u>	<u>112,267</u>
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	3,620,720	2,849,981
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Was Applied To:		
Purchase of Investments	316,831	71,766
	<u>316,831</u>	<u>71,766</u>
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES	(316,831)	(71,766)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Was Applied To:		
Distribution to Consumers	2,539,877	2,420,928
Household Efficient Lighting Project	7,911	1,891
Healthy Homes Project	435,610	344,173
Ecoheater Project	319,886	11,518
	<u>3,303,284</u>	<u>2,778,510</u>
NET CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES	(3,303,284)	(2,778,510)
NET INCREASE (DECREASE) IN CASH HELD	605	(295)
Opening Bank Balance	9,423	9,718
CLOSING BANK BALANCE	<u>10,028</u>	<u>9,423</u>

LINETRUST SOUTH CANTERBURY

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 AUGUST 2007

1. GENERAL ACCOUNTING POLICIES

Reporting Entity

The reporting entity is a trust. The financial statements are general purpose financial statements which have been prepared according to generally accepted accounting practice. The entity is entitled to use differential reporting exemptions because it is not publicly accountable, and because of its size. Other than preparing the financial statements inclusive of GST, the entity has taken advantage of all differential reporting exemptions.

The LineTrust South Canterbury was constituted under a Trust Deed dated 24 June 2002.

Measurement Base

The measurement base adopted is that of historical cost, unless otherwise stated in a particular accounting policy.

2. PARTICULAR ACCOUNTING POLICIES

Investments

Investments have been brought to account at current value and dividend and interest income is recognised in the statement of financial performance when received.

Goods and Services Tax

This trust is not registered for GST purposes. The accounts have all been prepared inclusive of GST.

3. CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

LINETRUST SOUTH CANTERBURY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2007

1. DIVIDENDS RECEIVED

	2007	2006
Gross Dividend	\$5,304,790	\$4,071,118
Imputation Credit	\$1,750,581	\$1,343,469
Net Dividend Received	\$3,554,209	\$2,727,649

2. INTEREST RECEIVED

	2007	2006
Gross Interest	\$260,548	\$244,552
Resident Withholding Tax	\$75,586	\$49,890
Net Interest Received	\$184,962	\$194,662

3. INVESTMENTS

Alpine Energy Ltd Shares

16,531,207 fully paid Ordinary \$1.00 Shares in Alpine Energy Ltd vested in the Trust in terms of The Energy Companies (Alpine Energy Ltd) Vesting Order 1993. These have been valued at 40% of total shareholders funds as shown in the 2007 Alpine Energy Ltd Annual Report.

An Independent Valuation as at 30 June 2006 under N Z Equivalents to International Financial Reporting Standards has indicated a valuation of \$2.86 per share or \$47,279,252 for the Trust's 40% shareholding in Alpine Energy Ltd.

4. RECONCILIATION OF NET PROFIT WITH CASH FLOWS FROM OPERATING ACTIVITIES

	2007	2006
Net Profit as Reported	\$3,570,830	\$2,810,012
Increase (decrease) in Accounts Payable	\$nil	\$nil
Decrease (increase) in Accounts Receivable	\$nil	\$2,140
Taxation Refunded (Paid)	\$49,890	\$37,829
Net Cash Flows from Operating Activities	\$3,620,720	\$2,849,981

LINETRUST SOUTH CANTERBURY

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2007

5. TAXATION

	2007	2006
Profit as per Accounts	\$3,570,830	\$2,810,012
Gross Up Interest and Dividends	\$1,826,167	\$1,339,359
Loss Brought Forward From Last Year	\$(70,434)	\$(202,687)
Taxable Income	\$5,326,562	\$4,000,684
Tax on Income at 33c	\$1,757,765	\$1,320,226
Application of Imputation Credits	\$1,750,581	\$1,343,469
Resident Withholding Tax	\$75,585	\$49,890
Taxation Payable (Refundable)	\$(68,401)	\$(49,890)

IMPUTATION CREDITS

Imputation Credits attached to Dividends Received	\$1,750,581	\$1,343,469
Used for Tax on Income	\$1,750,581	\$1,320,226
Balance	\$nil	\$23,243
Converts to loss carried forward against future income	\$nil	\$70,434

6. CONTINGENT LIABILITIES, CAPITAL EXPENDITURE

There are no contingent liabilities.

The Trust is committed to the completion of Healthy Homes Project. The total value of expenditure committed is \$317,400 per annum for three years ending March 2008, then a further \$110,380 for one year ending March 2009.

7. TRUSTEES INSURANCE

During the financial period the Trust paid premiums in respect of Trustees and Officers Liability insurance.

8. RESETTLEMENT OF TRUST

There was a resettlement of the Trust on the 24th of June 2002 where the Trust changed its name from South Canterbury Power Trust to LineTrust South Canterbury.

9. TRUSTEES STATEMENT

The Trustees confirm they have complied with their obligations under the operating guidelines for LineTrust South Canterbury.

ALPINE ENERGY LIMITED

2007 STATEMENT OF CORPORATE INTENT

Alpine Energy Limited (the "Company") is an energy company (as that term is defined in the Energy Companies Act 1992). The Company's growth opportunities have been developed according to the Electricity Industry Reform Act 1998. This statement of corporate intent sets out the overall intentions and objectives for the Company for the trading period of 1 April 2007 to 31 March 2008 and the two succeeding financial years.

(a) **The Objectives of the Company**

n **Mission**

To ensure continuing commercial success by:

- Providing safe, efficient, reliable and cost-effective energy delivery that promotes efficient and sustainable energy use.
- Encouraging the use of and utilising water resources to support the production and consumption of electricity.
- Providing asset management services.

n **Business Plan Goals**

- **Shareholders**

To pursue business policies which will maximise the value of the company in the medium and long term.

- **Customers**

To provide customers with the safe, efficient, economic and reliable delivery of energy and services.

- **Efficient Use Of Resources**

To promote energy efficiency and effective utilisation of resources under our management.

- **Human Resources**

To be regarded as a fair and reasonable employer in our region and a company for whom staff are proud to work.

- **Public and Social Responsibility**

To be a law abiding and responsible company.

(b) Nature and Scope of Activities to be Undertaken

The Company's business will primarily be that of quality energy delivery, water resource utilisation, and infrastructure asset ownership and management.

The Company, through an associate company, NetCon Limited, is also involved in contracting activities which support and develop the Business.

Consistent with its objectives the Company will pursue activities designed to ensure the efficient utilisation of its capital assets and human resources.

Opportunities for investment in activities consistent with its Mission, will be investigated by the Company.

The Company will consult with its shareholders on any proposed investment in activities other than the safe, efficient, reliable and cost effective delivery of energy.

(c) Proprietorship Ratio

The ratio of shareholders' funds to total assets will be maintained at not less than 50 percent.

Total assets will comprise all the recorded tangible assets of the Company at their value as defined in the Company's statement of accounting policies.

Consolidated shareholders' funds of the Company will comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves.

(d) Accounting Policies

The Company's accounting policies will comply with the legal requirements of the Companies Act 1993 and be consistent with generally accepted accounting principles. Financial statements will conform to the Financial Reporting Standards as required by the Financial Reporting Act 1993.

The Company's electricity distribution network has been maintained to a sustainable standard while being depreciated in the financial accounts.

Details of the current accounting policies and their application are contained in Appendix A.

(e) **Financial Performance Targets**

The Company has developed financial performance targets to be used to instigate productivity improvements in each of the main business units and these will comprise specific measurable standards monitored for each unit. The following performance measures have been established for the Group:

	2007/08	2008/09	2009/10
(i) The ratio of net profit after tax to shareholders funds:	7.5%	7.5%	7.5%
Note: A ratio in the range of 7% to 8% is acceptable.			
(ii) Net Tangible Assets per Share:	\$2.15	\$2.18	\$2.22
(iii) Earnings per Share:	19.5 cents	19.5 cents	19.5 cents
(iv) Ordinary Dividend per Share:	16.5 cents	16.5 cents	16.5 cents
(iv) Special Dividend per Share:	4.65 cents		

Financial Projections

	\$M	\$M	\$M
Revenue	32.8	33.5	34.3
Operating Expenses	<u>19.7</u>	<u>20.5</u>	<u>21.0</u>
Operating Surplus before Tax	13.1	13.0	13.3
Income Tax	<u>5.1</u>	<u>5.0</u>	<u>5.1</u>
Operating Surplus after Tax	8.0	8.0	8.2
Associated Entities	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Net Surplus	8.1	8.1	8.3
Shareholders' Funds	89.4	90.7	92.1
Current Assets	7.7	6.6	5.6
Non-current Assets	<u>107.8</u>	<u>111.7</u>	<u>115.5</u>
Total Assets	115.5	118.3	121.1
Current Liabilities	5.2	5.3	5.3
Non-current Liabilities	<u>20.9</u>	<u>22.3</u>	<u>23.7</u>
Total Liabilities	26.1	27.6	29.0
Net Assets	89.4	90.7	92.1
Capital Expenditure	10.3	9.6	9.3

(f) Operating Performance Targets

The Company has developed annual operating performance targets to show how its quality of service to customers and consumers is focussed. Apart from the consequences of extreme weather events, Alpine Energy seeks to be in the top quartile of New Zealand line companies and its annual operating targets below are based on this criteria.

- (i) Electricity Line Losses < 6% per year
- (ii) Average Interruption Duration (SAIDI) < 90 minutes of interruption p.a.
- (iii) Average Interruption Frequency (SAIFI) < 1.5 interruptions per customer

(g) Dividend Distribution Policy

The Company will, subject to a solvency certificate being signed by Directors, distribute to its Shareholders either a dividend of 16.5 cents per share or not less than 90% of consolidated tax paid profit, excluding customer capital contributions, whichever is the greater.

The Board of Directors of the Company will include within its report on the operations of the Company (prepared after the end of each financial year) a statement recommending the maximum amount of dividend (if any) payable by the Company in respect of its equity securities.

Quarterly interim dividends will be paid out on 30 September, 31 December, 31 March and the final dividend on 31 July subject to completion of the Annual General Meeting.

(h) Information to be Provided to Shareholders

The Company will provide information which complies with the requirements of the Companies Act 1993, the Energy Companies Act 1992, and the Financial Reporting Act 1993. The following information will be available.

Half yearly reports will be delivered to the Company's shareholders within 2 months after the end of each reporting period. These reports will comprise:

- (i) a report from the directors covering the operations for the half year period, including significant activities of the Company in regard to its associate company investments; and
- (ii) financial statements, including a statement of financial position and a statement of profit and loss.

Annual reports will be delivered to the Company's shareholders within three months of the end of each financial year and will comprise:

- (i) a report from the directors covering the operations for the year, including significant activities of the Company in regard to its associate company investments;

- (ii) audited consolidated financial statements for the financial year in respect of the Company and its subsidiaries (if any);
- (iii) auditors' report on the financial statements and the performance targets (together with other measures by which performance of the Company has been judged in relation to the Company's objectives).

The Company's audited consolidated financial statements will comprise the following:

- * Statement of financial performance
- * Statement of financial position
- * Statement of cash flows
- * Statement of movements of equity
- * Details of all transactions entered into during the financial year by the Company or any of its subsidiaries and certain other bodies
- * Such other statements as may be necessary to fairly reflect the financial position of the Company and its subsidiaries (if any), the resources available to it or them and the financial results of the operations.

Information for disclosure for the separated line and energy businesses prepared for the purposes of the Electricity (Information Disclosure) Regulations 1994 will be delivered to the Company's shareholders within three weeks of the information being published in the New Zealand Gazette.

Draft statements of corporate intent will be delivered to the Company's shareholders within one month of the end of each financial year.

Shareholders may request further information or reports from the Directors, and the Company shall supply this information to all Shareholders in such manner as shall from time to time be agreed between the Company and Shareholders.

(i) **Procedures for Acquisition of Interests in Other Companies or Organisations**

As a general policy, any proposed investment by the Company in other companies or organisations will be required to meet the weighted average cost of capital (WACC) of the investments being considered, which shall reflect the market cost of debt and the market cost of equity.

All investment proposals will be considered by the Company's Board of Directors and in respect of any acquisition which has a value greater than 5% of the value of the total assets of the Company, as disclosed in the statement of financial position published in the preceding annual report of the Company, recommendations will be made for shareholders approval.

(j) **Transaction Details**

The following information is disclosed in terms of Section 39(2)(i) of the Energy Companies Act 1992:-

- Contractual arrangements with the District Councils include:-
 - * Development, installation and maintenance of community lighting facilities.
 - * Road and Footpath Sealing:- re-sealing of cable trenches and restoration of footpaths etc after underground cabling and new subdivisions.
 - * Negotiation of a contribution towards the overhead line to underground conversion programme.

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

(k) **Further Matters**

The Company intends to investigate, consider and if appropriate, acquire interests in electricity lines related activities to the extent that such opportunities become available to the Company.

The maintenance and development of the total reticulation system of the Company will be a prime responsibility for the Company and shall be charged for on a fair and reasonable basis while acknowledging that some cross subsidisation among customers may occur.

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APPENDIX A

STATEMENT OF ACCOUNTING POLICIES

Financial statements will be prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They will comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit oriented entities.

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies will be consistently applied to all the periods presented, unless otherwise stated.

Entities reporting

The financial statements for the “Parent” are for Alpine Energy Limited as a separate legal entity.

The consolidated financial statements for the “Group” are for the economic entity comprising Alpine Energy Limited, and its subsidiary and associates.

The Company and Group are designated as profit oriented entities for financial reporting purposes.

Statutory base

Alpine Energy Limited is a company registered under the Companies Act 1993.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alpine Energy Limited and the results of all subsidiaries for the year. Alpine Energy Limited and its subsidiaries together are referred to in financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries which form part of the Group are consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets

acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally evidenced by holding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the Group by using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

(c) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods

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

(ii) Sales of services

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

(iii) Interest income

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

Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(iv) Construction contracting

Contract revenue and expenses related to individual construction contracts are recognised on completion of each contract.

(v) Rental income

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

(vi) Dividend income

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

(vii) Grants

Grants received are recognised in the Income Statement when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

(d) Taxation

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(e) Goods and Services Tax (GST)

The Income Statement is prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(f) Leases

(i) The Group is the lessee

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

(ii) The Group is the lessor

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

(g) Impairment of non financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life including goodwill, are not subject to amortization and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

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

(j) Investments and other financial assets

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

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

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(iii) Held to maturity investments

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

(iv) Available for sale financial assets

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

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in equity, except for foreign exchange movements on monetary assets, which are recognised in the income statement. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset of a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(k) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and impairment. 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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of property, plant and equipment is calculated using diminishing value income tax rates so as to expense the cost of the assets over their useful lives. The rates are as follows:

- Buildings 1% - 2.5%
- Plant and Equipment 7.5% - 50%
- Motor vehicles 15% - 26%
- Reticulation system 1.4% - 10%

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

Capital work in progress is not depreciated until commissioned.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(l) Current assets held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. On classification as 'Held for Sale', non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as 'Held for Sale' are included in the income statement.

(m) Intangible assets

Software costs

Software costs have a finite useful life. Software costs are capitalised and written off over the useful economic life of 2 to 5 years.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Borrowings

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

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

(p) 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.

(q) Provisions

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

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

(r) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for nonaccumulating 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.

(s) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

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



AUDIT REPORT

To the Readers of the financial report of the LineTrust South Canterbury:

We have audited the financial report on pages 5 to 14. The financial report provides information about the past financial performance of the Trust and its financial position as at 31 August 2007. The information is stated in accordance with the accounting policies set out on page 12.

Trust Board Responsibilities

The Trust Board are responsible for the preparation of a financial report which gives a true and fair view of the financial position of the Trust as at 31 August 2007 and of the results of operations for the 12 months ended 31 August 2007.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial report presented by the Trust Board and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- * the significant estimates and judgements made by the Trust Board in the preparation of the financial report, and
- * whether the accounting policies are appropriate to the Trust circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial report.

Other than in the normal course of business and in our capacity as auditors we have no relationship with or interest in the Trust.

Unqualified Opinion

We have obtained all the information and explanations we have required.
In our opinion:

- * proper accounting records have been kept by the Trust as far as appears from our examination of those records: and
- * the financial report on pages 5 to 14.
 - complies with generally accepted accounting practice;
 - gives a true and fair view of the financial position of the Trust as at 31 August 2007 and the results of its operations for the 12 months ended on that date.

Our audit was completed on 31 October 2007 and our unqualified opinion is expressed as at that date.

Auditors Martin Wakefield

Address (city): TIMARU