LINETRUST SOUTH CANTERBURY

INDEX TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2009

MARTIN WAKEFIELD AUDIT

LINETRUST SOUTH CANTERBURY

TRUST DIRECTORY
FOR THE YEAR ENDED 31 AUGUST 2009

BANKERS:	Westpac
AUDITORS:	Martin Wakefield
TRUSTEES:	Grant Eames (Chairman) Janya Lobb Ross Carrick Charles Vincent Murray Spence
SECRETARY:	Tom Simpson

TRUST APPOINTED DIRECTORS:

- ALPINE ENERGY LTD	Murray Cleverly Rick Ramsay

Chairman's Report
For the Year Ended 31 August 2009

I have much pleasure in presenting LineTrust South Canterbury's 16th Annual Report.

Where has the year gone! There have been a good number of meetings this year with very full agendas. We have initiated a report from our Directors to be presented at our meetings and we feel this has been beneficial to both the Trustees and the Directors. We have also met with the other shareholders of Alpine Energy and the company and these have been worthwhile meetings.

LineTrust South Canterbury made submissions to Transpower in support of Alpine Energy's plans for the security of electricity supply in South Canterbury. A presentation from Transpower in Oamaru highlighted the supply problems and sought our support for obtaining the Electricity Commissions approval of the development.

We continue to be involved with energy saving projects. The Healthy Homes project continues. It was great to celebrate earlier in the year the completion of 1,000 homes. The benefits of this project are significant. Thanks again to EnergySmart who manage this project for us. Government initiatives on home insulation have had no impact on our project. Government subsidy is for houses up to the year 2000; we have kept ours to pre 1978 and have asked participants to contribute $300.

Eco-Smart Home Project is where LineTrust South Canterbury pays $100 towards the cost of a home energy assessment and the home owner can then purchase energy saving measures at a discounted rate. Thanks to EnergyMad for the management of this project and their very detailed report on its success. We continue to look for new projects and some interesting ventures are in the making. We continually push the idea that South Canterbury is a great place to carry out pilot projects.

Attendance at the two conferences of the Electricity Trusts of New Zealand is of great benefit to the attending Trustees in gaining knowledge of what is happening in the Electricity industry throughout the country. Conference also keeps us up to date on new technology, the pros and cons, and what other Trusts are doing.

Finances for the Trust are in good health despite the lower interest rates. The Government altering the tax rates has meant that the Trust has tax to pay of $176,000 for the first time. The Trust is pleased to announce that it will distribute $2,876,000 this year, up $300,000 on last year.

The recent Trust election has resulted in us losing Trustee Charles Vincent. I would publicly like to thank Charles for his time and the considerable effort he put into the duties as Trustee. Charles was responsible for the Eco-Smart Homes Project and also put together the newsletter published in the High Country Herald during the year. We welcome Alan Annett to the Trust.

My thanks to all Trustees for their participation during the year. To Tom Simpson and the Team at McFarlane Hornsey Simpson Ltd for your courteous and willing way in which you manage the affairs of the Trust.

Grant Eames
Chairman

LINETRUST SOUTH CANTERBURY

HIGHLIGHTS
FOR THE YEARS ENDED 31 AUGUST

	2009	2008	2007	2006	2005
Income	4,032,400	3,689,634	3,739,171	2,922,311	2,799,107
Expenses	110,882	121,385	168,341	112,299	114,512
Net Income	3,921,518	3,568,249	3,570,830	2,810,012	2,684,595
Annual Distribution		2,519,593	3,213,747	2,529,011	2,416,136

Allocation of $2,519,593

Load Group	Winter kWh	Allocate by	Fixed	Demand
Low Fixed Charge (Domestic Concession)		Fixed Amount	$ 45.70	
Under 8 kVA (Small Domestic)		Fixed Amount	$ 45.70	
Under 15 kVA (Standard Domestic)		Fixed Amount	$ 45.70	
3 x 60 A (Small Commercial)		Fixed Amount	$ 146.05	
Over 15 kVA Assessed & Nameplate		Demand Factor		$ 4.90
TOU 400 V	$ 0.0040	Demand Factor + winter kWh		$ 6.15
TOU 400 V Remote	$ 0.0040	Demand Factor + winter kWh		$ 5.30
TOU 11 kV < 3000kW	$ 0.0040	Demand Factor + winter kWh		$ 2.85
TOU 11 kV < 3000kW Remote	$ 0.0040	Demand Factor + winter kWh		$ 5.45

MARTIN WAKEFIELD AUDIT

LINETRUST SOUTH CANTERBURY

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 AUGUST 2009

	NOTE		2009	2008
INCOME				
Dividends Received				
Alpine Energy Ltd - Ordinary	1	3,150,848		2,680,889
Alpine Energy Ltd - Special	1	702,576		768,701
			3,853,424	3,449,590
Interest Received				
Westpac	2	1,082		2,488
ANZ Bank	2	177,894		237,556
			178,976	240,044
TOTAL GROSS INCOME			4,032,400	3,689,634
Trustees Remuneration		57,192		54,520
Trustees Reimbursements		10,281		11,290
ACC Levy		219		349
Accountancy		7,594		6,806
Advertising		3,537		4,853
Audit Fees		1,688		1,688
Bank Charges		81		96
Conference & Seminar Expenses		6,625		4,713
Consultancy Fees		-		9,000
Distribution Costs		5,252		6,351
Energy Trusts of New Zealand		1,519		1,519
Meeting Expenses		459		387
Printing Postage & Stationery		795		853
Secretarial Costs		9,338		11,419
Subscriptions		842		649
Sundry Expenses		174		1,621
Telephone & Tolls		27		68
Insurance	7	5,259		5,203
TOTAL EXPENSES			110,882	121,385
NET PROFIT			3,921,518	3,568,249

MARTIN WAKEFIELD AUDIT

LINETRUST SOUTH CANTERBURY

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2009

	NOTE		2009	2008
Opening Balance			39,245,700	36,074,100
Revaluation of Investment	3	1,200,800		3,171,600
			1,200,800	3,171,600
			40,446,500	39,245,700
CLOSING BALANCE			40,446,500	39,245,700

MARTIN WAKEFIELD AUDIT

LINETRUST SOUTH CANTERBURY

TRUSTEES INCOME STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2009

	NOTE		2009	2008
Opening Balance			4,210,052	4,037,236
Tax Refund Due	5	-		26,622
Profit For Year		3,921,518		3,568,249
			3,921,518	3,594,871
			8,131,570	7,632,107
Distribution to Consumers		2,516,814		3,197,540
Household Efficient Lighting Project		1,053		1,648
Healthy Homes Project		432,636		92,631
SCDHB Healthy Homes Funding		(45,000)		(33,750)
Ecoheater Project		3,931		147,111
EcoSmartHome Project		88,875		16,875
Canterbury Warm Homes Project		56,250		-
Tax to Pay	5	176,974		-
			3,231,533	3,422,055
CLOSING BALANCE			4,900,037	4,210,052

LINETRUST SOUTH CANTERBURY

STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2009

	NOTE		2009	2008
CURRENT ASSETS				
Westpac		8,003		7,315
ANZ ADIS		25,989		20,210
ANZ : Term Deposit		2,316,639		1,747,449
ANZ : Term Deposit		1,280,000		-
ANZ : Term Deposit		1,300,000		-
ANZ : Term Deposit		-		2,300,493
ANZ : Term Deposit		72,480		34,062
Cosy Homes Trust		100,000		100,000
Tax Refund Due		-		26,624
			5,103,111	4,236,153
INVESTMENTS				
Alpine Energy Ltd Shares	3	40,420,400		39,219,600
			40,420,400	39,219,600
TOTAL ASSETS			45,523,511	43,455,753

MARTIN WAKEFIELD AUDIT

LINETRUST SOUTH CANTERBURY

STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2009

	NOTE		2009	2008
CURRENT LIABILITIES				
Tax To Pay	5	176,975		
			176,975	-
TRUSTEES INCOME ACCOUNT				
As Scheduled		4,900,037		4,210,052
			4,900,037	4,210,052
EQUITY				
As Per Statement		40,446,500		39,245,700
			40,446,500	39,245,700
TOTAL LIABILITIES AND EQUITY			45,523,512	43,455,752

MARTIN WAKEFIELD AUDIT

LINETRUST SOUTH CANTERBURY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2009

		2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Was Provided From:			
Dividends Received	3,853,424		3,449,591
Interest Received	178,976		240,044
Tax Refund	26,622		68,401
		4,059,022	3,758,036
Cash Was Applied To:			
Other Operating Expenses	110,882		121,386
		110,882	121,386
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES		3,948,140	3,636,650
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Was Applied To:			
Purchase of Investments	892,894		117,306
Cosy Homes Trust	-		100,000
		892,894	217,306
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES		(892,894)	(217,306)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Was Provided From:			
SCHDB Healthy Homes Funding	45,000		33,750
		45,000	33,750
Cash Was Applied To:			
Distribution to Consumers	2,516,814		3,197,540
Household Efficient Lighting Project	1,053		1,648
Healthy Homes Project	432,636		92,631
Ecoheater Project	3,931		147,111
EcoSmartHome Project	88,875		16,875
Canterbury Warm Homes Project	56,250		-
		3,099,559	3,455,805
NET CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES		(3,054,559)	(3,422,055)
NET INCREASE (DECREASE) IN CASH HELD		687	(2,711)
Opening Bank Balance		7,315	10,027
CLOSING BANK BALANCE		8,002	7,316

MARTIN WAKEFIELD AUDIT

LINETRUST SOUTH CANTERBURY

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 AUGUST 2009

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

Accounts Receivable

Accounts receivable are stated at expected realisable value.

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.

MARTIN WAKEFIELD AUDIT

1. DIVIDENDS RECEIVED

	2009	2008
Gross Dividend	$5,504,892	$5,148,643
Imputation Credit	$1,651,468	$1,652,292
Resident Withholding Tax	$nil	$46,760
Net Dividend Received	**$3,853,424**	**$3,449,591**

2. INTEREST RECEIVED

	2009	2008
Gross Interest	$194,862	$338,223
Resident Withholding Tax	$15,886	$98,179
Net Interest Received	**$178,976**	**$240,044**

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 2009 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

	2009	2008
Net Profit as Reported	$3,921,518	$3,568,249
Increase (decrease) in Accounts Payable	$nil	$nil
Decrease (increase) in Accounts Receivable	$nil	$nil
Taxation Refunded (Paid)	$26,622	$68,401
Net Cash Flows from Operating Activities	**$3,948,140**	**$3,636,650**

MARTIN WAKEFIELD AUDIT

LINETRUST SOUTH CANTERBURY

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2009

5. TAXATION

	2009	2008
Profit as per Accounts	\$3,921,518	\$3,568,249
Gross Up Interest and Dividends	\$1,667,354	\$1,797,231
Loss Brought Forward From Last Year	\$nil	\$nil
Taxable Income	\$5,588,872	\$5,365,480
Tax on Income at 33c	\$1,844,328	\$1,770,608
Application of Imputation Credits	\$1,651,468	\$1,652,292
Resident Withholding Tax	\$15,886	\$144,938
Taxation Payable (Refundable)	\$176,974	\$(26,622)
Imputation Credits		
Imputation Credits attached to Dividends Received	\$1,651,468	\$1,652,292
Used for Tax on Income	\$1,651,468	\$1,652,292
Balance	\$nil	\$nil
Converts to loss carried forward against future income	\$nil	\$nil

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 \$370,000 for the period ending March 2010. This includes \$85,000 via S C District Health Board. The Trust is also committed to the EcoSmartHomes Project. The total value of expenditure committed is \$365,625 over an 18 month period.

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.

MARTIN WAKEFIELD AUDIT

ALPINE ENERGY LIMITED

2009 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 2009 to 31 March 2010 and the two succeeding financial years.

(a) The Objectives of the Company

■ **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.

■ **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 a subsidiary 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:

	2009/10	2010/11	2011/12
(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:	$2.50	$2.55	$2.60
(iii) Earnings per Share:	24.0 cents	24.0 cents	24.0 cents
(iv) Ordinary Dividend per Share:	18.3 cents	18.3 cents	18.3 cents

Financial Projections	$M	$M	$M
Revenue	35.2	36.6	38.7
Operating Expenses	22.7	24.2	26.3
Operating Surplus before Tax	12.5	12.4	12.4
Income Tax	3.2	3.2	3.2
Net Operating Surplus after Tax	**9.3**	**9.2**	**9.2**
Shareholders' Funds	**104.3**	**106.6**	**108.8**
Current Assets	2.2	2.4	2.4
Non-current Assets	124.4	141.2	157.7
Total Assets	126.6	143.6	160.1
Current Liabilities	7.1	7.0	7.1
Non-current Liabilities	15.2	30.0	44.2
Total Liabilities	22.3	37.0	51.3
Net Assets	**104.3**	**106.6**	**108.8**
Customer Capital Contributions	**1.6**	**1.6**	**1.6**
Capital Expenditure	**15.4**	**22.4**	**22.6**

(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 the target dividend shown under Section (e) (iv), 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) <u>Procedures for Acquisition of Interests in Other Companies or Organisations</u>

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.

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 subsidiaries 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 are prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Functional and presentation currency

The Company's and Group's financial statements are presented in New Zealand dollars, which is the Company's and Group's functional and presentation currency.

Historical cost convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies below.

(b) Critical accounting estimates and judgements in applying the entity's accounting policies

The preparation of financial statements in conformity with NZ IFRS requires management to make certain critical accounting estimates and judgements that affect the application of policies and reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and judgements form the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying judgments are regularly reviewed. Any changes to estimates are recognised in the period if the change affects that period, or in future periods if the change also affects future periods.

(c) 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.

Inter-company 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 will be 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 will be changed where necessary to ensure consistency with the policies adopted by the Group.

Associates are accounted for at cost in the Parent financial statements.

(d) 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
Assets constructed for which a government grant is received are recorded net of the grant. 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.

(e) Capital and operating expenditure
Capital expenditure relates to expenditure incurred in the creation of a new asset and expenditure incurred on existing reticulation system assets to the extent the system is enhanced.
Operating expenditure is that expenditure incurred in maintaining and operating the property, plant and equipment and investment properties of Alpine Energy Limited.

(f) Taxation
Income tax expense in relation to the profit or loss for the period comprises current tax and deferred tax.
Current tax is the amount of income tax payable on the taxable profit from the current year, plus any adjustments to income tax payable in respect of the prior year. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.
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.

(g) 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.

(h) 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.

(i) 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).

(j) 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.

(k) 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.

(l) 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.

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.

(m) Investment properties
The initial cost of investment properties is the value of the consideration given to acquire the assets plus the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. Investment properties are revalued annually, using the fair value approach, by an independent registered valuer who has a working knowledge of the location and category of the investment property. Fair value gains and losses and recognised in the Income Statement.

(n) 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.

(o) Non-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.

(p) 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.
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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

(w) New standards and interpretations not yet adopted
The Company only adopts new accounting standards once they have been issued and are effective.

MARTIN WAKEFIELD
TIMARU, NZ
CHARTERED ACCOUNTANTS

AUDIT REPORT

To the Trustees of Linetrust South Canterbury:

We have audited the financial report on pages 5 to 13. The financial report provides information about the past financial performance of the Trust and its financial position as at 31 August 2009. The information is stated in accordance with the accounting policies set out on page 11.

Trustees Responsibilities
The Trustees 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 2009 and of the results of operations for the 12 months ended 31 August 2009.

Auditors' Responsibilities
It is our responsibility to express an independent opinion on the financial report presented by the Trustees 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 Trustees 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 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 13.

  - complies with generally accepted accounting practice;
  - gives a true and fair view of the financial position of the Trust as at 31 August 2009 and the results of its operations for the 12 months ended on that date.

Our audit was completed on 12 November 2009 and our unqualified opinion is expressed as at that date.

Auditors Mart Wakefield.

Address (city): TIMARU