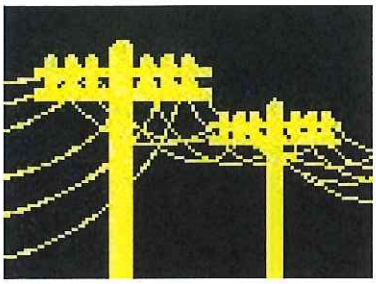
LINETRUST SOUTH CANTERBURY



FINANCIAL STATEMENTS

2012

LineTrust South Canterbury

Contents of Financial Statements

For the Year Ended 31 August 2012

LineTrust South Canterbury

Directory

As at 31 August 2012

Nature of Business	Consumer Trust owning 40% of Alpine Energy Ltd
Trust Formation Date	24 June 2002
Trustees	Grant Eames (Chairman) Janya Lobb Ross Carrick Murray Spence Allan Annett
Beneficiaries	South Canterbury Power Consumers
Auditors	Martin Wakefield
Secretary	Tom Simpson
Trust Appointed Directors	Rick Ramsay Alister France
Accountants	Noone Ford Simpson Ltd Chartered Accountants Second Floor 18 Woollcombe Street Timaru
Bankers	Westpac

Chairman's Report

For the Year Ended 31 August 2012

It gives me great pleasure to present the 19th Annual Report for LineTrust South Canterbury

As you are all aware, Trust elections have taken place in the last two months and today we welcome Peter Binns to the Trust. Peter has filled the vacancy left by Ross Carrick who did not seek re-election. My thanks go to the other candidates for putting their names forward for election.

The Healthy Homes Project absorbed a lot of time in the first half of the year. As mentioned in my last annual report, Energy Smart Ltd went into liquidation. We have had a number of meetings with the liquidators and the new owners of Energy Smart in order to establish where we were situated at the time of the liquidation and going forward with the new owners.

Added to this was a number of other service providers wishing to take on Healthy Homes Projects for us which also involved a number of meetings and looking at their proposals.

The outcome of this is that Energy Smart continues with this project with the new owners Terra Lana and I believe gives us very good service. We are also now getting a superior product installed. The feedback from the Healthy Homes Project is always very positive and with great outcomes.

Financially, the Trust is maintaining its position. Income this year is down slightly due to lower interest rates. We have kept expenses under control by saving in many areas, but with inflation expenses are up by $2,000. The Trust donated $20,000.00 to the MRI Scanner appeal from the surplus of the annual distribution.

Alpine Energy Ltd has maintained the same dividend and in the Statement of Corporate Intent this should remain so whilst they undertake the major asset upgrade. Alpine Energy has kept the shareholders informed as to what is happening in the company and we thank them for this.

Our two directors on the Alpine Board Rick Ramsay and Alister France have attended all our meetings to give a report and also give the Trustees the opportunity to exchange ideas.

The Trust continues to look for new projects but do find it difficult to find ones that are beneficial to the majority of consumers. We are currently looking into two projects and hope that something will come from one of them.

During this year we have updated our website. There is a lot of information on it for the public to read, just as there is for the Trustees and each time I read it there is something that needs updating.

In addition to the website we have produced a newsletter which is published in the free newspaper.

Trustees attend two Electricity Trusts of New Zealand conferences a year. We find these very informative about the Electricity industry but this also gives an insight into the problems facing the line companies. How different things are now from a few years ago when there was a shortage of electricity generation to today where supply exceeds demand!

My thanks go to all Trustees for their support during the year and also to the Staff of Noone Ford Simpson Ltd for their services.

Grant Eames
Chairman

Highlights

For the Years Ended 31 August

	2012	2011	2010	2009	2008
Operating Income	3,191,827	3,232,859	3,272,634	4,032,400	3,689,634
Expenses	142,227	140,582	168,643	110,882	121,385
Surplus before Income Tax	3,049,600	3,092,277	3,103,991	3,921,518	3,568,249
Annual Dividend Distribution		2,725,493	2,897,048	2,897,048	2,519,593

Allocation of $2,725,493

Load Group	Allocate by	Fixed	Demand
Low Fixed Charge (Domestic Concession)	Fixed Amount	$ 48.60	
Under 8 kVA (Small Domestic)	Fixed Amount	$ 48.60	
Under 15 kVA (Standard Domestic)	Fixed Amount	$ 48.60	
3 x 60 A (Small Commercial)	Fixed Amount	$ 155.58	
Over 15 kVA Assessed & Nameplate	Demand Factor		$ 5.04
TOU 400 V	Demand Factor + winter kWh		$ 10.87
TOU 11 kV	Demand Factor + winter kWh		$ 9.82

Statement of Financial Performance

For the Year Ended 31 August 2012

	Note	2012 $	2011 $
Operating Income			
Dividends Received - Alpine Energy Ltd - Ordinary		3,025,211	3,025,211
Interest Received - Westpac Bank		397	84,586
Interest Received - ANZ Bank		-	9,602
Interest Received - BNZ		166,219	113,460
Total Operating Income		**3,191,827**	**3,232,859**
Less Expenses			
Accountancy Fees		10,954	9,964
ACC Levies		140	178
Advertising		6,999	3,470
Audit Fee		3,450	2,012
Bank Fees & Charges		81	68
Conference & Seminar Expenses		3,478	3,448
Consultancy Fees		483	4,715
Distribution Costs		10,547	10,252
Energy Trusts of New Zealand		8,085	8,085
Insurance	7	5,802	5,660
Interest		7,481	-
Meeting Expenses		440	565
Printing, Postage & Stationery		1,030	928
Secretarial Costs		10,258	12,654
Subscriptions		399	344
Three Year Review Costs		-	3,048
Trustees Remuneration		66,760	67,080
Trustees Reimbursements		5,840	8,111
Total Expenses		**142,227**	**140,582**
Surplus before Income Tax		**3,049,600**	**3,092,277**
Income Tax Expense	2	27,532	67,150
Surplus available for Distribution		**3,022,068**	**3,025,127**
Equity Accounted Surplus in Alpine Energy Ltd	6	715,200	474,400
Net Surplus		**3,737,268**	**3,499,527**

These financial statements are to be read in conjunction with the accompanying Notes. These statements have been audited.

CHARTERED ACCOUNTANTS

MARTIN WAKEFIELD AUDIT

Statement of Movements in Equity

For the Year Ended 31 August 2012

	Note	2012 $	2011 $
Revenue			
Net Surplus		3,737,268	3,499,527
Equity Accounted Prior Period Adjustment in Alpine Energy Ltd	6	-	42,800
Total Revenue and Revaluations		**3,737,268**	**3,542,327**
Contributions and Distributions			
Distributions			
Distribution to Consumer Projects		(261,610)	(273,914)
Distribution to Consumers		(2,884,012)	(2,925,410)
Total Distributions		**(3,145,622)**	**(3,199,324)**
Trust Capital Movements			
Movement in Equity Accounted Reserve in Alpine Energy Ltd	6	62,000	(103,600)
Total Trust Capital Movements		**62,000**	**(103,600)**
Trust Funds at the Beginning of the Year		47,210,249	46,970,846
Trust Funds at the End of the Year		**47,863,895**	**47,210,249**

These financial statements are to be read in conjunction with the accompanying Notes. These statements have been audited.

CHARTERED ACCOUNTANTS

MARTIN WAKEFIELD AUDIT

LineTrust South Canterbury

Noone Ford Simpson Ltd
Chartered Accountants

Statement of Financial Position

As at 31 August 2012

	Note	2012 $	2011 $
Current Assets			
Westpac Bank		5,893	3,377
BNZ - On Call		94,995	42,126
Income Tax Receivable	2	70,427	-
BNZ - Term Deposit		4,217,780	4,534,296
Cosy Homes Trust		100,000	100,000
Total Current Assets		4,489,095	4,679,799
Non Current Assets			
Investment in Alpine Energy Ltd	6	43,374,800	42,597,600
Total Assets		**47,863,895**	**47,277,399**
Current Liabilities			
Income Tax Payable	2	-	67,150
Total Liabilities		**-**	**67,150**
Net Assets		**47,863,895**	**47,210,249**
Trust Funds			
Trust Capital		42,168,500	42,106,500
Retained Profits		5,695,395	5,103,749
Total Trust Funds		**47,863,895**	**47,210,249**

[signature] Trustee   Date 21-11-12

Grant Eames (Chairman)

These financial statements are to be read in conjunction with the accompanying Notes. These statements have been audited.

CHARTERED ACCOUNTANTS

MARTIN WAKEFIELD AUDIT

Statement of Cash Flows

For the Year Ended 31 August 2012

	Note	2012 $	2011 $
Cash Flows from Operating Activities			
Cash was provided from:			
Dividends Received		3,025,211	3,025,211
Interest Received		166,616	207,648
Tax Refund		-	59,791
		3,191,827	**3,292,650**
Cash was disbursed to:			
Other Operating Expenses		142,226	140,582
Tax Paid		165,109	-
		307,335	**140,582**
Net Cash Flows from Operating Activities		**2,884,492**	**3,152,068**
Cash Flows from Investing Activities			
Cash was provided from:			
Withdrawal of Investments		263,646	-
		263,646	**-**
Cash was disbursed to:			
Purchase of Investments		-	1,122,573
		-	**1,122,573**
Net Cash Flows from Investing Activities		**263,646**	**(1,122,573)**
Cash Flows from Financing Activities			
Cash was disbursed to:			
Distribution to Consumers		2,884,012	2,925,411
Healthy Homes Project		241,610	262,664
EcoSmartHome Project		-	11,250
Aoraki Foundation		20,000	-
		3,145,622	**3,199,325**
Net Cash Flows from Financing Activities		**(3,145,622)**	**(3,199,325)**
Net Increase in Cash Held		2,516	(1,169,830)
Cash at the Beginning of the Year		3,377	1,173,207
Cash at the End of the Year		**5,893**	**3,377**

These financial statements are to be read in conjunction with the accompanying Notes. These statements have been audited.

LineTrust South Canterbury

Statement of Cash Flows (continued)

For the Year Ended 31 August 2012

	Note	2012 $	2011 $
Reconciliation of Profit after Tax with Net Cashflow from Operations			
Profit (loss) after tax		3,022,068	3,025,127
Add (less) non cash items:			
Taxation Refunded (Paid)		(165,109)	59,791
Provision for Taxation		27,532	67,150
		(137,577)	**126,941**
Net Cash from Operating Activities		**2,884,491**	**3,152,068**

These financial statements are to be read in conjunction with the accompanying Notes. These statements have been audited.

1 Statement of Accounting Policies

Reporting Entity

LineTrust South Canterbury is a Consumer Electricity Trust.

The financial statements of LineTrust South Canterbury are general purpose financial statements which have been prepared according to Generally Accepted Accounting Practice in New Zealand (NZ GAAP), except that the Trust does not accrue interest on term deposits. The entity is entitled to use differential reporting exemptions because it is not publicly accountable, and because of its size. It has taken advantage of all differential reporting exemptions, except it has prepared a statement of cash flows.

Statement of Compliance and Basis of Preparation

The accounting principles recognised as appropriate for the measurement and reporting of the Statement of Financial Performance and Statement of Financial Position on an historical cost basis are followed by the trust. The information is presented in New Zealand dollars.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of the Statement of Financial Performance and Statement of Financial Position have been applied:

(a) Revenue

Dividend and interest income are recognised in the statement of financial performance when received. Dividends are recognised net of imputation credits.

(b) Expenses

Expenses have been classified on their business function.

(c) Income Tax

The income tax expense recognised in the Statement of Financial Performance is the estimated income tax payable in the current year, adjusted for any differences between the estimated and actual income tax payable in prior years.

(d) Investments

Investments have been brought to account at current value. Investment in the associate is recognised at the book value of the associate.

(e) Goods and Services Taxation (GST)

The entity is not registered for GST.

(f) Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with those from previous financial statements.

2 Tax Reconciliation

	2012	2011
	$	$
Operating Surplus before Income Tax	3,049,600	3,092,277
Permanent Differences		
Imputation Credits	1,176,471	1,248,500
Taxable Income	**4,226,071**	**4,340,777**
Less:		
Taxable Distribution from Current Year Income	2,744,641	2,725,493
ICA Credits Allocated to Beneficiaries	1,067,360	1,168,070
Trustees' Taxable Income	**414,070**	**447,214**
Tax Expense at 33%	136,643	147,581
Imputation Credits	(109,111)	(80,431)
Tax Expense	**27,532**	**67,150**

3 Dividends

Under clause 5.2 of the trust deed, the Trust distributes at least ninety percent of the surplus available for distribution to consumers and consumer projects. Under clause 5.3 the distribution may be delayed to meet the Trust tax obligations.

4 Consumer Projects

	2012	2011
	$	$
Healthy Homes Project	241,610	262,664
EcoSmartHomes	-	11,250
Aoraki Foundation	20,000	-
Total Consumer Projects	**261,610**	**273,914**

5 Imputation Credits

	2012	2011
	$	$
Imputation Credits Received	1,176,471	1,248,500
Applied to Consumer Distribution	(1,067,360)	(1,168,069)
Applied to Tax Expense	(109,111)	(80,431)
Total Imputation Credits	-	-

6 Investments in Associates

Alpine Energy Ltd
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 2012 Alpine Energy Ltd Annual Report, in accordance with FRS-38: Accounting for Investments in Associates using the equity method. The only exemption is that Alpine Energy has a 31 March 2012 balance date. It is impractical for Alpine Energy Ltd to provide information to 31 August 2012.

An Independent Valuation as at 31 March 2010 under the N Z Equivalents to International Financial Reporting Standards has indicated a valuation of $3.10 per share or $51,246,742 for the Trust's 40% shareholding in Alpine Energy Ltd.

The principal activity of Alpine Energy Ltd is the ownership of the electricity distribution network in South Canterbury. The Group, Alpine Energy Ltd and its subsidiaries (NetCon Ltd and Timaru Electricity Ltd) and associated entities (Rockgas Timaru Ltd) also undertake asset management and contracting services.

7 Trustee 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 Guidelines for access to information from Beneficiaries

The Trust received no requests for information under the Guidelines for the year ended 31 August 2012.

10 Contingent Liabilities

The Trust has no contingent liabilities as at 31 August 2012, (2011 Nil).

11 Capital Commitments

The Trust is committed to the Healthy Homes Project. The total value of expenditure committed is $250,000 for the period ending June 2013.

ALPINE ENERGY LTD

STATEMENT OF CORPORATE INTENT

2012/15

March 2012

ALPINE ENERGY LIMITED

2012 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 2012 to 31 March 2013 and the two succeeding financial years.

(a) The Objectives of the Company

v 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 natural resources to support the production and consumption of electricity.
- Providing asset management services.

v 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, and will not proceed without the approval of a majority of shareholders.

(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:

	2012/13	2013/14	2014/15
(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:	$2.79	$2.87	$2.96
(iii) Earnings per Share:	25.9 cents	26.4 cents	27.8 cents
(iv) Ordinary Dividend per Share:	18.3 cents	18.3 cents	18.3 cents

Financial Projections

	$M	$M	$M
Revenue	56.2	58.2	60.2
Operating Expenses	42.1	43.8	45.0
Operating Surplus before Tax	14.1	14.4	15.2
Income Tax	3.4	3.5	3.7
Net Operating Surplus after Tax	**10.7**	**10.9**	**11.5**
Shareholders' Funds	**115.3**	**118.7**	**122.6**
Current Assets	4.6	3.9	3.9
Non-current Assets	165.4	173.7	182.7
Total Assets	170.0	177.6	186.6
Current Liabilities	4.0	3.2	3.1
Non-current Liabilities	50.7	55.7	60.9
Total Liabilities	54.7	58.9	64.0
Net Assets	**115.3**	**118.7**	**122.6**
Customer Capital Contributions	**1.7**	**1.7**	**1.8**
Capital Expenditure	**18.1**	**14.9**	**15.9**

(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) < 180 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 in cash a total of 18.3 cents per share each year. Total cash amounts payable to individual Shareholders annually will be:

Timaru District Holdings Limited	$3,592,437.86
LineTrust South Canterbury	$3,025,210.88
Waimate District Council	$570,252.16
Mackenzie District Council	$375,126.21

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:

* Income Statement

* Balance Sheet

* Statement of cash flows

* Statement of changes in 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 one month before 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 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) Foreign currency
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in profit or loss.

(n) Inventories
Inventories are stated at the lower of average cost and net realisable value.

(o) Contract work in progress

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

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

(w) 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.

(x) 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.

(y) 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.

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

To the Members of LineTrust South Canterbury

Report on the Financial Statements
We have audited the financial statements of LineTrust South Canterbury on pages 6 to 13, which comprise the statement of financial position as at 31 August 2012, the statement of financial performance, statement of movements in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Trustees Responsibility for the Financial Statements
The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, LineTrust South Canterbury.

Opinion
In our opinion, the financial statements on pages 6 to 13 present fairly, in all material respects the financial position of LineTrust South Canterbury as at 31 August 2012 and its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.

Auditor: Martin Wakefield

Date: 28 November 2012

Address (city): **Canon Street, TIMARU**