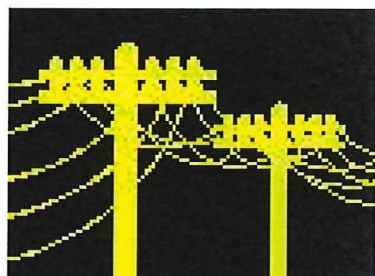


LINETRUST SOUTH CANTERBURY



FINANCIAL STATEMENTS

2015

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For the Year Ended 31 August 2015

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Directory

As at 31 August 2015

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

Chairman's Report for LineTrust South Canterbury 2015.

It gives me great pleasure to present the 22nd Annual Report for LineTrust South Canterbury.

It has been a very busy year with a number of meetings involving Alpine Energy Ltd. Alpine Energy are communicating with the shareholders on a more frequent basis. As the Alpine Board takes the company forward we also have joint shareholders meetings so as to give feedback to Alpine Energy a consensus of the shareholders. This year we were escorted around the Alpine Energy premises at Washdyke to view the facilities and look at future requirements for the company.

The Three Year Ownership Review of the Linetrust South Canterbury share of Alpine Energy was carried out again this year. It was adopted that the status quo remain. The Trustees responsibilities imposed by the Deed of Trust, and the three yearly election process for the trustees ensures they remain accountable to all consumers and the needs of the community at large. LineTrust South Canterbury is a strong and influential shareholder able to negotiate equally with the District Council shareholders.

The statement of Corporate Intent of Alpine Energy was reviewed by the Trustees and a recommendation was made that the dividend not be increased and those funds be used to reduce debt.

Our Directors Alister France and Rick Ramsay have represented the Trust extremely well and we thank them for their efforts. Rick and Alister have both attended our meetings and given very good presentations and conveyed the Trusts point of view very ably.

The annual financial accounts show us in a sound financial position. We have endeavoured to keep expenses under control. Whilst some expenses are down others have increased but overall expenses have trended down this year. The low interest rates have meant a decrease in interest revenue.

The Healthy Homes project continues to perform well. This past year we celebrated 3,000 homes being insulated. A plaque was presented to the 3,000th home owner from EnergySmart and a certificate of achievement from the Energy Efficiency Consumer Authority (EECA). This past year we have achieved insulation of 404 homes. The South Canterbury District Health Board has continued to support the programme which is most appreciated. My sincere thanks to James Gallagher of Terra Lana and the EnergySmart team for the work they have put into the project in order for us to get the best bang for our buck and the best deal for the consumers.

Promotion of LineTrust South Canterbury has been in the form of a quarterly newsletter in the Courier newspaper and the use of the website. Every two years is the Home Show and again in partnership with Energy Smart an interesting stand was manned at the show for the three days. This created a lot of interest among the public on getting their houses insulated and the chance to win a prize.

The Electricity Trusts of New Zealand (ETNZ) conferences have been well attended by Trustees and continue to offer good information. The conferences have moved around the country, more in an effort to show Trustees the different projects being undertaken in the host's area. This year we visited Oamaru and Wellington. The benefits of the conference are well received by all attendees. A vote is taken each year to ascertain if we should reduce to one conference per year, but owing to the changes in the industry, particularly for solar energy and electric cars and how this will affect our lines companies, every trust supports the status quo. Each conference programme has a training session for Trustees and the last session was an excellent practical exercise.

We continue to look for projects that may be of benefit to the consumer. Currently we are running a pilot program with LED lighting. The savings in electricity for consumers we believe is with LED lighting. Although the capital cost is high, the payback period can be quite short. Results of the pilot are not yet available.

My thanks to my fellow Trustees Janya, Murray, Alan and Peter for their support and the work they do on behalf of the Trust. My thanks to the staff of Ford Simpson Ltd, Alpine Energy Ltd and fellow shareholders. It has been great to work with you all.



Grant Eames
Chairman

Statement of Distributions

For the Year Ended 31 August 2015

	2015	2014	2013
	\$	\$	\$
Net Profit per Financial Statements	6,123,871	4,768,445	4,257,689
Less Profit from Associate	6,152,000	4,808,400	4,303,600
Plus Income Tax	19,975	14,089	11,914
Plus Dividend Received - Alpine Energy Limited	3,190,523	3,025,211	3,025,211
Net Income Available for Distribution	<u>3,182,369</u>	<u>2,999,345</u>	<u>2,991,214</u>
Distribution to Beneficiaries	<u><u>2,864,132</u></u>	<u><u>2,699,411</u></u>	<u><u>2,692,093</u></u>
Percentage Distributed	90%	90%	90%

Allocation of \$2,699,411

Load Group	Allocate by	Amount
Low Fixed Charge (Domestic Concession)	Fixed Amount	\$ 44.86
Under 8 kVA (Small Domestic)	Fixed Amount	\$ 44.86
Under 15 kVA (Standard Domestic)	Fixed Amount	\$ 44.86
3 x 60 A (Small Commercial)	Fixed Amount	\$ 143.85
Over 15 kVA Assessed & Nameplate	Demand Factor	\$ 4.77
TOU 400 V	Demand Factor + winter kWh	\$ 9.93
TOU 11 kV	Demand Factor + winter kWh	\$ 9.79

Distributions are made in the year subsequent to earnings.

Statement of Financial Performance

For the Year Ended 31 August 2015

	Note	2015 \$	2014 \$
Operating Income			
Interest Received - Westpac Bank		514	501
Interest Received - BNZ		137,473	145,224
Total Operating Income		137,987	145,725
Less Expenses			
Accountancy Fees		13,380	18,026
ACC Levies		149	141
Advertising		5,102	5,262
Audit Fee		3,645	3,565
Bank Fees & Charges		128	119
Conference & Seminar Expenses		2,303	1,665
Consultancy Fees		-	12,075
Distribution Costs		5,951	12,546
Energy Trusts of New Zealand		7,994	8,050
Insurance	9	5,980	7,482
Legal Fees - Deductible		98	545
Meeting Expenses		717	451
Printing, Postage & Stationery		-	1,017
Secretarial Costs		21,000	19,360
Subscriptions		174	-
Three Year Review Costs		2,507	-
Trustees Remuneration		72,160	72,880
Trustees Reimbursements		4,853	8,407
Total Expenses		146,141	171,591
(Deficit) Surplus before Income Tax		(8,154)	(25,866)
Income Tax Expense	4	19,975	14,089
(Deficit) Surplus after Income Tax		(28,129)	(39,955)
Equity Accounted Surplus in Alpine Energy Ltd	8	6,152,000	4,808,400
Net Surplus		6,123,871	4,768,445

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



Statement of Movements in Equity

For the Year Ended 31 August 2015

	2015	2014
	\$	\$
Revenues		
Net Surplus	6,123,871	4,768,445
Total Revenues	<u>6,123,871</u>	<u>4,768,445</u>
Contributions and Distributions		
Distribution to Consumer Projects	(243,326)	(287,741)
Distribution to Consumers	(2,869,081)	(2,852,672)
Total Distributions	<u>(3,112,407)</u>	<u>(3,140,413)</u>
Trust Capital Movements		
Movement in Equity Accounted Reserve in Alpine Energy Ltd	8 (165,189)	411
Total Trust Capital Movements	<u>(165,189)</u>	<u>411</u>
Trust Funds at the Beginning of the Year	47,553,187	45,924,744
Trust Funds at the End of the Year	<u><u>50,399,462</u></u>	<u><u>47,553,187</u></u>


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




Statement of Financial Position

As at 31 August 2015

	Note	2015 \$	2014 \$
Current Assets			
Westpac Bank		5,866	18,944
BNZ - On Call		38,234	68,206
Income Tax Receivable	4	44,087	52,253
BNZ - Short Term Deposit		4,003,398	3,902,195
Cosy Homes Trust		100,000	100,000
Total Current Assets		4,191,585	4,141,598
Non Current Assets			
Investment in Alpine Energy Ltd	8	46,207,877	43,411,589
Net Assets		50,399,462	47,553,187
Trust Funds			
Trust Capital		38,478,133	38,643,322
Retained Profits		11,921,329	8,909,865
Total Trust Funds		50,399,462	47,553,187


 _____ Trustee
 Grant Eames (Chairman)

Date 29/10/15


 _____ Trustee
 Murray Spence

Date 28/10/15

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



Statement of Cash Flows

For the Year Ended 31 August 2015

	Note	2015 \$	2014 \$
Cash Flows from Operating Activities			
Cash was provided from:			
Dividends Received		3,190,523	3,025,211
Interest Received		137,987	145,725
		3,328,510	3,170,936
Cash was disbursed to:			
Other Operating Expenses		146,141	171,591
Tax Paid		210,707	192,332
		356,848	363,923
Net Cash Flows from Operating Activities		2,971,662	2,807,013
Cash Flows from Investing Activities			
Cash was provided from:			
Withdrawal of Investments		-	158,343
		-	158,343
Cash was disbursed to:			
Purchase of Investments		71,231	-
		71,231	-
Net Cash Flows from Investing Activities		(71,231)	158,343
Cash Flows from Financing Activities			
Cash was disbursed to:			
Distribution to Consumers		2,670,183	2,665,213
Healthy Homes Project		243,326	287,741
		2,913,509	2,952,954
Net Cash Flows from Financing Activities		(2,913,509)	(2,952,954)
Net Decrease in Cash Held		(13,078)	12,402
Cash at the Beginning of the Year		18,944	6,542
Cash at the End of the Year		5,866	18,944

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



Statement of Cash Flows (continued)

For the Year Ended 31 August 2015

	Note	2015 \$	2014 \$
Reconciliation of Profit after Tax with Net Cashflow from Operations			
Profit (loss) after tax		(28,129)	(39,955)
Add (less) non cash items:			
Equity Consolidation of Alpine Energy Ltd		3,190,523	3,025,211
Taxation Refunded (Paid)		(210,707)	(192,333)
Provision for Taxation		19,975	14,089
		<u>2,999,791</u>	<u>2,846,967</u>
Net Cash from Operating Activities		<u><u>2,971,662</u></u>	<u><u>2,807,013</u></u>

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



Notes to and forming part of the Financial Statements

For the Year Ended 31 August 2015

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.

Distribution Policy

The Trust distributes to beneficiaries a minimum of 90% of net profit, calculated on the basis of cash received. The equity accounted share of the Trust's profits in Alpine Energy Limited have not been received by the Trust in cash, and therefore are not available for distribution. A statement of distributions is included in these financial statements showing the reconciliation between the net profit per the statement of financial performance, and the net profit available for distribution to beneficiaries.

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 a historical cost basis are followed by the trust, unless otherwise stated in the Specific Accounting Policies.

The information is presented in New Zealand dollars. All values are rounded to the nearest \$.

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 Recognition

Dividend and interest income are recognised in the statement of financial performance when received.

(b) Expenses

Expenses have been classified by their function to the business.

(c) Income Tax

Income tax is accounted for using the taxes payable method. 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

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



Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 August 2015

Investment in Associate

Alpine Energy Limited is an associated company. LineTrust South Canterbury has a 40% shareholding. This associate has been reflected in the financial statements on an equity basis, which shows the Trust's share of net profits in the Statement of Financial Performance, and its share of post acquisition increases or decreases in net assets in the Statement of Financial Position. Dividends received from Alpine Energy Limited, are eliminated from the statement of financial performance with this method of presentation.

Other Investments

Investments with registered banks or other entities are recorded at their book value at balance date, exclusive of any interest accrued to balance date.

(e) Goods and Services Taxation (GST)

Revenues and expenses have been recognised in the financial statements inclusive of GST. The trust 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.

(g) Critical Judgements in Applying Accounting Policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 31 August 2015: No critical Judgements have been made this year.

(h) Use of Estimates, Judgements, and Assumptions

No material change in accounting estimates have been made this year.

2	Revenue	2015	2014
		\$	\$
	Other Income		
	Interest Received - Westpac Bank	514	501
	Interest Received - BNZ	137,473	145,224
	Total Other Income	<u>137,987</u>	<u>145,725</u>
	Total Revenue	<u><u>137,987</u></u>	<u><u>145,725</u></u>

3	Auditor's Remuneration	2015	2014
		\$	\$
	The auditor of LineTrust South Canterbury is Martin Wakefield		
	Audit Fee	3,646	3,565
		<u>3,646</u>	<u>3,565</u>



Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 August 2015

4 Tax Reconciliation	2015	2014
	\$	\$
Surplus before Income Tax	(8,154)	(25,866)
Dividends Received - Alpine Energy Ltd	3,190,523	3,025,211
Permanent Differences		
Imputation Credits	1,240,759	1,176,471
Taxable Income	4,423,128	4,175,816
Less:		
Taxable Distribution from Current Year Income	2,864,132	2,699,411
ICA Credits Allocated to Beneficiaries	1,113,829	1,049,771
Trustees' Taxable Income	445,167	426,634
Tax Expense at 33%	146,905	140,789
Imputation Credits	(126,930)	(126,700)
Tax Expense	19,975	14,089

5 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.

6 Consumer Projects	2015	2014
	\$	\$
Healthy Homes Project	243,326	287,741
Total Consumer Projects	243,326	287,741

7 Imputation Credits	2015	2014
	\$	\$
Imputation Credits Received	1,240,759	1,176,471
Applied to Consumer Distribution	(1,113,829)	(1,049,771)
Applied to Tax Expense	(126,930)	(126,700)
Total Imputation Credits	-	-

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



Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 August 2015

8 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 2015 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 balance date. It is impractical for Alpine Energy Ltd to provide information to 31 August 2015.

An Independent Valuation as at 31 March 2015 under the N Z Equivalents to International Financial Reporting Standards has indicated a valuation of \$8.71 per share or \$144,000,000 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.

9 Trustee Insurance

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

10 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.

11 Guidelines for access to information from Beneficiaries

The Trust received no requests for information under the Guidelines for the year ended 31 August 2015.

12 Contingent Liabilities

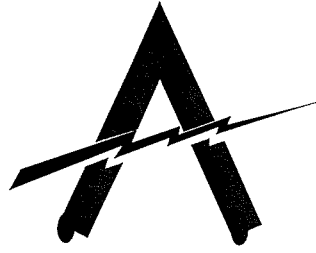
The Trusts share of its contingent liabilities of its associated company Alpine Energy Limited, at a 40% shareholding as at 31 March 2015 are as follows:-

(a) \$US 277,436 (2014:\$US 849,000) to cover a performance guarantee to cover the Solar Power Project in Bamyan City in Afganistan. The contingency is part offset by a \$US term deposit \$277,436 (2014:\$US 594,300) held by the BNZ Bank, in the event the performance guarantee is triggered.

13 Capital Commitments

The Trust is committed to the Healthy Homes Project. The total value of expenditure committed is \$240,000 for the period ending June 2015. (2014:\$250,000)





ALPINE ENERGY LTD

**STATEMENT OF
CORPORATE INTENT**

2015/18

Final 27 May 2015

ALPINE ENERGY LIMITED

2015 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 2015 to 31 March 2016 and the two succeeding financial years.

(a) The Objectives of the Company

Mission

To ensure commercial success by providing safe; reliable; and efficient energy delivery and infrastructure services.

Vision

Our vision is to develop, operate , and maintain integrated energy delivery solutions for the benefit of our community.

Our Values

Our Values are:

- Health and Safety Always
- Lawful conduct
- Respect, Integrity, and Honesty
- Professional Excellence
- Environmental Responsibility
- Contribute to the Community

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:

	2015/16	2016/17	2017/18
(i) Ratio of Shareholders funds to total assets	0.59:1.00	0.60:1.00	0.62:1.00
(ii) Rate of return on shareholders' funds:	11.95%	12.82%	14.45%
(iii) Tangible Assets per share	5.42	5.71	5.93
(iv) Earnings per share	38.40	42.38	51.16
(v) Ordinary Dividend per share	20.50	22.50	24.00
Financial Projections	\$M	\$M	\$M
Revenue	65.0	72.0	77.8
Operating Expenses	43.5	48.2	49.0
Operating Surplus Before Tax	21.5	23.8	28.8
Net Operating Surplus After Tax	15.9	17.5	21.1
Shareholder Funds	132.6	140.9	152.1
Current assets	7.9	8.1	8.2
Non-current Assets	216.0	228.1	236.8
Total Assets	223.9	236.2	245.0
Current Liabilities	13.5	13.7	14.1
Non-current liabilities	77.8	81.6	78.8
Total Liabilities	91.3	95.3	92.9
Net assets	132.6	140.9	152.1
Customer Capital Contributions	2.4	2.4	2.4
Capital Expenditure	24.2	20.6	18.1

(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 these criteria.

- (i) Electricity Line Losses < 6% per year
- (ii) Average Interruption Duration (SAIDI) < 163 minutes of interruption p.a.
- (iii) Average Interruption Frequency (SAIFI) < 1.58 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 20.5 cents per share in 2015/16, 22.5 cents in 2016/17 and 24.0 cents in 2017/18.

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 of 20% of the annual forecasted dividend will be paid out on 30 September, 31 December, and 31 March with a 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.

APPENDIX A

STATEMENT OF ACCOUNTING POLICIES

1 GENERAL INFORMATION

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

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 31 Meadows Road, Washdyke, Timaru.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as applicable for profit-oriented entities. The consolidated financial statements also comply with International Financial Reporting Standards ('IFRS').

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Entities reporting

The consolidated financial statements for the 'Group' are for the economic entity comprising Alpine Energy Limited, its subsidiaries and joint arrangements. 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 and an Energy Company under the Energy Companies Act 1992. The financial statements of the Group have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Energy Companies Act 1992, and the Companies Act 1993. In accordance with the Energy Companies Act 1992 because group financial statements are prepared and presented for Alpine Energy Limited and its subsidiaries, separate financial statements for Alpine Energy Limited are no longer required to be prepared and presented.

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the group

The group has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The group is a Tier 1 entity as it is a large for-profit public sector entity. There was no impact on the current or prior year financial statements.

(b) New standards not yet adopted as per the prior year

The group only adopts new accounting standards once they have been issued and are effective.

A number of new standards and amendments to standards and interpretations are effective for annual

periods beginning after 1 April 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

NZIFRS 15: Revenue from contracts with customers (Effective date: periods beginning on or after 1 January 2017)

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

This standard may significantly impact the Group where long term or construction revenue contracts are entered into.

NZ IFRS 9: Financial Instruments (Effective date: periods beginning on or after 1 January 2018)

NZ IFRS 9, 'Financial instruments', was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. This standard is effective for reporting periods beginning on or after 1 January 2018. The Group is yet to assess NZ IFRS 9's full impact.

2.2 Consolidation

(a) Subsidiaries

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

The Group applies the purchase method to account for business combinations. The consideration transferred for an acquisition of a subsidiary is measured as the fair value of assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred and non-controlling interest is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Joint Arrangements

The Group has applied NZ IFRS 11 to all joint arrangements as of 1 April 2013. Under NZ IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the

contractual rights and obligations of each investor. Alpine Energy Limited has assessed the nature of its two joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

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

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. This has been applied from 1 April 2013.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in New Zealand dollars, which is the Group's functional and presentation currency.

(b) Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented within 'Other (losses)/gains-net'.

2.4 Property, plant and equipment

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the assets' original cost is transferred from 'other reserves' to 'retained earnings'.

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

•	Reticulation system	1.4% - 10.0%
•	Meters and Relays	6.67% - 15.0 %
•	Plant and Equipment	7.5% - 50.0%

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

Capital work in progress is not depreciated until commissioned.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other (losses)/gains – net" in the statement of comprehensive income.

When revalued assets are sold, the amounts included in revaluation reserves are transferred to retained earnings.

2.5 Intangible assets

(a) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets have a finite useful life and are amortised over their economic useful life of 2-5 years.

(b) Easements

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

2.6 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.7 Financial assets

2.7.1 Classification

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

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

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

(b) Loans and receivables

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

(c) Held to maturity investments

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

(d) Available for sale financial assets

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

2.7.2 Recognition and measurement

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

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "other (losses)/gains-net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events)

has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.10 Inventories

Inventories are stated at the lower of weighted average cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of work in progress comprises design costs, raw materials, direct labour, and other direct costs and related production overheads (based on normal operating capacity).

2.11 Trade receivables

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

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

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.

2.12 Share capital

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

2.13 Trade Payables

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

Trade payables are recognised at fair value.

2.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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.

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

2.15 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associated and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 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 non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for employee entitlements is carried at the present value of the estimated future cash flows.

The group has no post-employment schemes.

2.18 Provisions

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

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

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

2.19 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods supplied stated net of discounts, rebates and goods and services tax. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below.

(a) 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.

(b) Sales of services

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

(c) Construction contracting

Contract revenue and expenses related to individual construction contracts are recognised as a percentage of completion of each contract on a monthly basis.

(d) Rental income

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

2.20 Interest income

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

2.21 Dividend income

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

2.22 Leases

(a) Group is the lessee

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

(b) Group is the lessor

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

2.23 Dividend distribution

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

2.24 Construction contracts

A construction contract is defined by IAS 11, 'Construction contracts', as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of the contract costs incurred that are likely to be recoverable.

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

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

2.25 Goods and services tax (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.



INDEPENDENT AUDITOR'S REPORT

To the Beneficiaries and Trustees of LineTrust South Canterbury

Report on the Financial Statements

We have audited the financial statements of LineTrust South Canterbury on which comprise the statement of financial position as at 31 August 2015, and the statement of financial performance, statement of movements in equity and cash flow statement 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 they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 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 present fairly, in all material respects, the financial position of LineTrust South Canterbury as at 31 August 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand GAAP standards.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 2013, we report that:

- We have obtained all the information and explanations that we have required.
- In our opinion proper accounting records have been kept by LineTrust South Canterbury as far as appears from an examination of those records.

Restriction on Distribution or Use

Our audit work has been undertaken so that we might state to the shareholders and directors those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders and directors for our audit work, for this report or for the opinions we have formed.

Auditor: Martin Wakeheld

Date: 29/10/2015

Address (city): Canon Street, TIMARU