LineTrust.
South Canterbury

FINANCIAL STATEMENTS

2019

LineTrust South Canterbury

Contents of Financial Statements

For the Year Ended 31 August 2019

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As at 31 August 2019

Nature of Business	Consumer Trust owning 40% of Alpine Energy Ltd
Trust Formation Date	24 June 2002
Trustees	Grant Eames (Chairman) Joy Paterson Peter Binns Karen McCrostie Hugh Perry
Beneficiaries	South Canterbury Power Consumers Heathy Homes Project EcoSmart Homes Project Aoraki Foundation Ecobulb Project
Secretary	Ford Simpson Ltd
Trust Appointed Directors	Rick Ramsay Jessie Chan-Dorman
Registered Office	Ford Simpson Ltd Chartered Accountants 18 Woollcombe Street Timaru 7910
Accountants	Ford Simpson Ltd Chartered Accountants 18 Woollcombe Street Timaru 7910
Auditor	Martin Wakefield Chartered Accountants
Bankers	BNZ

CHAIRMANS REPORT FOR LINETRUST SOUTH CANTERBURY 2019

Wow what a busy year it has been. When Timaru District Holdings decided they would like to sell their shares in Alpine Energy the pressure was really on as we only had a certain time span under the Shareholders Agreement as to whether we could purchase the shares. LineTrust wished for the shares to be held locally and a large amount of work was done to ensure that we could somehow retain the shareholding locally. The numerous meetings held between shareholders and with professional advisors was very time consuming. We all know the result that the Council decided not to sell. We must thank the Consumers for the support shown to the Trust during this time.

In the current reporting year, we have had the Trustee Elections and we welcome Joy Paterson and Hugh Perry to the Trust. We were all thrown in the deep end with TDHL's announcement to sell shares.

The Trust has upgraded the website, logo and email system to provide a better communication channel. We have re-organised our banking system. Further work has been done on the Trust Deed and we still wait for the Trustees Act to go through Parliament.

This year is the year we appoint a Director to Alpine. Alister France indicated to us that he would not be seeking re-election to the Alpine Board. The Trust engaged the services of Sheffield Employment Consultants. Sheffield's work resulted in 62 applicants for the position and it was then we shortened the list to 20 and finally interviewing four persons. The Trust was pleased to announce that we had appointed Jessie Chan-Dorman to the Alpine Board. Jessie is a young lady with considerable governance experience and has received many awards particularly relating to the Agriculture Industry. We thank Alister very much for his years on the Alpine Board and also for the years of Chairmanship of the Trust. It is thanks to Alister that the Trust exists today.

There has been a number of meetings involving all the shareholders. The purpose of these meetings is to look at the Shareholders Agreement, Statement of Corporate Intent and the reporting by Alpine. It is hoped that the shareholders can give the Alpine Board a consensus view in order to work together for the benefit of the company.

The Trust continues to support the Healthy Homes Project. This year we celebrated fifteen years of involvement with the project. Over this period LineTrust contributed over $3.5m and the Energy Efficiency Conservation Authority will have committed $7.0m. Thanks to EnergySmart whom we have worked with over the 15 years. I particularly would like to pass our sincere thanks to Rowena McClintock who has been the ambassador for this Project from its inception and her passion has been the driver for its success.

The finances of the Trust have taken a big hit this year. Consultancy fees being the main contributor to the reduced amount available for distribution. In the one financial year we incurred costs of the Trustee election, remuneration review, and the appointment of a Director in addition to the cost of the possibility of a share sale.

The Scholarship offered by the Trust did not attract any applicants this past year owing possibly to timing and conditions of the scholarship.

The year ahead will have its challenges with the Government's Electricity Price Review and the new Default Price Pathway calculations which will have a significant effect on Alpines financial outcomes.

My sincere thanks to all Trustees. It has been a tough year and you have risen to the challenges superbly. I must thank Ant Ford and Steph Fraser who have had a large increase in workload for the Trust. The Trust thanks Rick Ramsay, Alister France, and Jessie Chan-Dorman for their contribution to the Alpine Board.

Grant Eames
Chair

Statement of Distributions

For the Year Ended 31 August 2019

	2019 $	2018 $	2017 $
Total Comprehensive Income	4,603,604	5,237,508	5,487,229
Less Equity Accounted Surplus from Associate	5,500,000	5,588,800	5,377,600
Less Other Comprehensive Income in Associate	(632,510)	(300,478)	138,498
Plus Income Tax	(49,471)	(25,027)	(14,219)
Plus Dividend Received - Alpine Energy Limited	3,967,490	3,967,490	3,719,522
Less Movement in Accrued Interest	857	1,075	4,455
Net Income Available for Distribution	3,653,276	3,890,574	3,671,979
Available to Distribute to Beneficiaries	3,287,948	3,501,516	3,304,781
Percentage Distributed	90%	90%	90%

Allocation of $3,501,516

Load Group	Allocate by	Amount
Under 15 kVA (Standard Domestic)	Fixed Amount	$ 60.00
3 x 60 A (Small Commercial)	Fixed Amount	$ 201.82
Over 15 kVA Assessed & Nameplate	Demand Factor	Individually determined based on capacity
TOU 400 V	Demand Factor + winter kWh	Individually determined based on line charges
TOU 11 kV	Demand Factor + winter kWh	Individually determined based on line charges

Distributions are made in the year subsequent to earnings.

Statement of Comprehensive Income

For the Year Ended 31 August 2019

	Note	2019 $	2018 $
Operating Revenue			
Interest Received - Westpac Bank		91	94
Interest Received - BNZ		124,029	122,241
Total Operating Revenue		**124,120**	**122,335**
Less Expenses			
Accountancy Fees	15	15,400	13,920
ACC Levies		93	87
Advertising		11,652	8,756
Audit Fee	2	3,795	3,795
Bank Fees & Charges		201	195
Conference & Seminar Expenses		4,918	2,830
Consultancy Fees		27,393	-
Consultancy Fees - AEL		163,445	-
Dividend Distribution Costs		11,065	10,299
Ecobulb Distribution Costs		-	24,585
Election Expenses		45,174	2,378
Energy Trusts of New Zealand		10,879	7,994
Insurance	12	7,619	7,068
Legal Fees		624	5,989
Meeting Expenses		-	540
Printing, Postage & Stationery		230	-
Secretarial Costs	15	31,003	24,893
Subscriptions		197	191
Three Year Review Costs		-	499
Trustees Remuneration		89,081	72,339
Trustees Reimbursements		14,708	11,818
Total Expenses		**437,477**	**198,176**
Operating Surplus		**(313,357)**	**(75,841)**
Equity Accounted Surplus in Alpine Energy Ltd	11	5,500,000	5,588,800
(Deficit) Surplus before Income Tax		**5,186,643**	**5,512,959**
Income Tax Expense	3	(49,471)	(25,027)
(Deficit) Surplus after Income Tax		**5,236,114**	**5,537,986**
Other Comprehensive Income in Alpine Energy Ltd			
Items that will not be reclassified to Profit or Loss			
Other Comprehensive Income in Revaluation Associate Alpine Energy Ltd		(976,910)	(247,678)
Gain/(Loss) on Revaluation of Land and Buildings		465,600	57,600
Items that may be subsequently reclassified to Profit or Loss			
Gain/(Loss) on Interest Rate Swap		(121,200)	(110,400)
Total Comprehensive Income for the Year, Net of Tax		**4,603,604**	**5,237,508**

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

MARTIN WAKEFIELD AUDIT CHARTERED ACCOUNTANTS

Statement of Changes in Equity

For the Year Ended 31 August 2019

	Contributed Capital $	Revaluation Reserve $	Hedge Reserve $	Retained Profits $	Total $
Balance as at 1 September 2017	**16,531,207**	**635,819**	**(688,800)**	**38,976,702**	**55,454,928**
Profit from Operations				5,537,986	5,537,986
Other Comprehensive Income/(Loss)		(190,078)	(110,400)		(300,478)
Total Income		(190,078)	(110,400)	5,537,986	5,237,508
Distributions					
Distribution to Consumer Projects				(463,996)	(463,996)
Distribution to Consumers				(3,236,701)	(3,236,701)
Total Distributions				**(3,700,697)**	**(3,700,697)**
Balance as at 31 August 2018	**16,531,207**	**445,741**	**(799,200)**	**40,813,991**	**56,991,739**
Balance as at 1 September 2018	**16,531,207**	**445,741**	**(799,200)**	**40,813,991**	**56,991,739**
Profit from Operations				5,236,114	5,236,114
Other Comprehensive Income/(Loss)		(511,310)	(121,200)		(632,510)
Total Income		(511,310)	(121,200)	5,236,114	4,603,604
Distributions					
Distribution to Consumer Projects				(248,444)	(248,444)
Distribution to Consumers				(3,693,746)	(3,693,746)
Total Distributions				**(3,942,190)**	**(3,942,190)**
Balance as at 31 August 2019	**16,531,207**	**(65,569)**	**(920,400)**	**42,107,915**	**57,653,153**

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 2019

	Note	2019 $	2018 $
Current Assets			
Cash and Cash Equivalents	5	16,572	74,669
Accrued Income	5	48,747	47,889
Income Tax Receivable	3	84,169	61,760
Prepayments		5,170	2,665
Stock on Hand		12,201	35,472
BNZ - Short Term Deposit		4,206,712	4,440,179
Total Current Assets		**4,373,571**	**4,662,634**
Non-Current Assets			
Investment in Alpine Energy Ltd	11	53,048,910	52,148,910
The Cosy Homes (South Canterbury) Charitable Trust	4	100,000	100,000
Future Income Tax Benefit	10	145,602	96,131
Total Non-Current Assets		**53,294,512**	**52,345,041**
Total Assets		**57,668,083**	**57,007,675**
Current Liabilities			
Sundry Creditors	5	14,930	15,936
Total Liabilities		**14,930**	**15,936**
Net Assets		**57,653,153**	**56,991,739**
Trust Funds			
Reserves		(985,969)	(353,459)
Trust Capital		16531207	16,531,207
Retained Profits		42,107,915	40,813,991
Total Trust Funds		**57,653,153**	**56,991,739**

_______________ Trustee Date 17-11-2019
Grant Eames (Chairman)

_______________ Trustee Date 15/11/2019
Joy Paterson

MARTIN WAKEFIELD AUDIT

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

CHARTERED ACCOUNTANTS

Statement of Cash Flows

For the Year Ended 31 August 2019

	Note	2019 $	2018 $
Cash Flows from Operating Activities			
Cash was provided from:			
Dividends Received		3,691,971	3,967,490
Interest Received		123,263	121,260
Tax Refund		61,760	49,930
		3,876,994	**4,138,680**
Cash was disbursed to:			
Other Operating Expenses		443,044	206,020
Tax Paid		36,979	311,898
		480,023	**517,918**
Net Cash Flows from Operating Activities		**3,396,971**	**3,620,762**
Cash Flows from Investing Activities			
Cash was provided from:			
Withdrawal of Investments		233,466	-
		233,466	**-**
Cash was disbursed to:			
Purchase of Investments		-	109,876
		-	**109,876**
Net Cash Flows from Investing Activities		**233,466**	**(109,876)**
Cash Flows from Financing Activities			
Cash was provided from:			
ECCA Contribution to Ecobulb Project		-	16,500
Ecobulb Sales		23,271	-
		23,271	**16,500**
Cash was disbursed to:			
Distribution to Consumers		3,465,416	2,993,540
Healthy Homes Project		246,389	245,792
Ecobulb Project		-	281,000
		3,711,805	**3,520,332**
Net Cash Flows from Financing Activities		**(3,688,534)**	**(3,503,832)**
Net Decrease in Cash Held		(58,097)	7,054
Cash at the Beginning of the Year		74,669	67,615
Cash at the End of the Year		**16,572**	**74,669**

MARTIN WAKEFIELD AUDIT

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

CHARTERED ACCOUNTANTS

Statement of Cash Flows (continued)

For the Year Ended 31 August 2019

	Note	2019 $	2018 $
Reconciliation of Profit after Tax with Net Cashflow from Operations			
Profit (loss) after tax		5,236,114	5,537,986
Add (less) non cash items:			
Equity Accounted Surplus in Alpine Energy Ltd		(5,500,000)	(5,588,800)
Increase (decrease) in Accounts Payable		(3,061)	(7,844)
Decrease (increase) in Accrued Interest		(857)	(1,075)
Decrease (increase) in Prepayments		(2,505)	-
Equity Consolidation of Alpine Energy Ltd		3,967,490	3,967,490
Taxation Refunded (Paid)		(250,739)	(261,968)
Provision for Taxation		(49,471)	(25,027)
		(1,839,144)	**(1,917,225)**
Net Cash from Operating Activities		**3,396,970**	**3,620,761**

1 Statement of Accounting Policies

Reporting Entity

LineTrust South Canterbury is a Consumer Electricity Trust.

The Trust was formed subject to the 4 June 2002 High Court decision. It's financial reports are prepared in accordance with the Electricity Industry Act 2010 s99.

The Trust is domiciled in New Zealand.

The Trust was established to hold 40% of the shares in Alpine Energy Limited. The principal activity of the Trust is to invest in accordance with the terms of the Trust Deed for the long term good of their beneficiaries.

The object of the Trust is to hold shares in Alpine Energy Limited on behalf of the consumers, exercising the rights attached to ownership and distribute to consumers the benefits of ownership including any dividends received by the Trust, and to carry out future ownership reviews involving public consultation.

These financial statements have been authorised for issue by the Trustees on the date the statement of financial position was signed. There is no power to amend the financial statements after issue.

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

These financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013.

The financial statements 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 appropriate for profit-oriented entities as set out in the External Reporting Board Standard A1: Accounting Standards Framework

LineTrust South Canterbury is designated as a for profit oriented entity for financial reporting purposes as the Trustees believe the Trust does not meet the definition of a public benefit entity.

LineTrust South Canterbury is eligible to apply Tier 2 For-Profit accounting standards (NZ IFRS RDR For-Profit Accounting standards) (New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime) on the basis that it does not have public accountability and is not a large for-profit public sector entity. The trust has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

The accounting principles recognised as appropriate for the measurement and reporting of the Statement of Profit or Loss and Other Comprehensive Income 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 $.

MARTIN WAKEFIELD AUDIT

Going Concern

The adoption of the going concern assumption is appropriate. The Trustees have considered the working capital requirements for the 2020 financial year and are satisfied that revenues to the date of signing these financial statements are sufficient.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position have been applied:

(a) Expenses

Expenses have been classified by their function to the business.

(b) Inventories

Inventories are consumable items and comprise of ecobulbs. Inventories are recognised at lower of cost and net realisable value, determined on a first-in first-out basis.

(c) Income Tax

The income tax expense charged to the Statement of Profit or Loss and Other Comprehensive Income recognises the current year's provision adjusted for timing and permanent differences between taxable and accounting income. Deferred tax is calculated using the comprehensive basis under the liability method and future tax benefits are not recognised unless realisation of the asset is virtually certain.

(d) Investments

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)

Revenue and expenses have been recognised in the financial statements inclusive of GST. This entity is not GST registered.

(f) Cash and cash equivalents

Cash and cash equivalents comprise of cash in banks,with original maturities of 90 days or less.

(g) Sundry Creditors

Sundry creditors and other accounts payable are recognised when the Trust becomes obliged to make future payments resulting from the purchase of goods and services. Sundry creditors are recognised at fair value (being cost).

MARTIN WAKEFIELD AUDIT

CHARTERED ACCOUNTANTS

(h) Revenue Recognition - Exchange Transactions

Interest revenue on cash and cash equivalents and investments is recognised in the income statement as it accrues, using the effective interest rate method.

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

(i) Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year. A number of new and revised standards became effective for annual accounting periods beginning on or after the 1 September 2018. The nature and effect of these changes are noted below.

(i) Annual Improvements to NZ IFRS 2014-2016 Cycle

(ii) NZ IAS 7 Statement of Cash Flows: Disclosure Initiative

(iii) NZ IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

(j) Significant Judgements, Estimates and Assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions about the recognition and measurement of assets, liabilities and income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

(i) Significant Judgements in Applying Accounting Policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 31 August 2019: No critical judgements have been made this year.

(ii) Key Sources of Estimation Uncertainty

The preparaton of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There are no significant sources of estimation uncertainty.

2 Auditor's Remuneration

	2019	2018
	$	$
The auditor of LineTrust South Canterbury is Martin Wakefield		
Audit Fee	3,795	3,795
	3,795	**3,795**

MARTIN WAKEFIELD AUDIT

CHARTERED ACCOUNTANTS

3 Tax Reconciliation

	2019	2018
	$	$
Surplus before Income Tax	5,186,643	5,512,959
Net Dividends Received - Alpine Energy Ltd	3,967,490	3,967,490
Accrued Interest	(857)	(1,075)
Permanent Differences		
Consultancy Fees - AEL	163,444	-
Equity Accounted Surplus in Alpine Energy	(5,500,000)	(5,588,800)
Imputation Credits	1,542,913	1,542,913
Total Permanent Differences	**(3,793,643)**	**(4,045,887)**
Taxable Income	**5,359,633**	**5,433,487**
Less:		
Distribution from Current Year Income	3,287,948	3,501,516
ICA Credits Allocated to Beneficiaries	1,278,647	1,361,701
Trustees' Taxable Income	**793,038**	**570,270**
Tax Expense at 33%	261,703	188,189
Imputation Credits	(261,703)	(181,212)
Tax Expense	**(0)**	**6,977**
Tax Expense Comprises		
Current Tax Expense per Taxes Payable	-	6,977
Deferred Income Tax	(49,471)	(32,004)
Total Tax Expense Recognised in Profit	**(49,471)**	**(25,027)**

The Trust is required to account for income tax on a deferred tax basis.

4 Non-Current Receivables

	2019	2018
	$	$
The Cosy Homes (South Canterbury) Charitable Trust	100,000	100,000
Total Non-Current Receivables	**100,000**	**100,000**

The LineTrust South Canterbury advanced The Cosy Homes (South Canterbury) Charitable Trust $100,000 per the loan agreement dated 30 May 2008, to be invested so as to maintain the capital sum with the income arising therefrom being used for energy efficiency purposes in residences of clients of designated charitable agencies operating in South Canterbury. In the event of the Trust ceasing its work, the advance will be repaid to the LineTrust.

5 Financial Instruments

(a) **Loans and Receivables**

Trade Receivables, trade payables are disclosed at their carrying value. The carrying value of these assets and liabilities are equivalent to, or approximate their fair value.

MARTIN WAKEFIELD AUDIT

CHARTERED ACCOUNTANTS

Loans and Receivables	2019	2018
	$	$
Cash and Cash Equivalents	16,572	74,669
Receivables	132,916	109,649
Term Deposits	4,206,712	4,440,179
Loans	100,000	100,000
	4,456,200	**4,724,497**

Financial Liabilities measured at amortised cost	2019	2018
	$	$
Payables	14,930	15,936
	14,930	**15,936**

6 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.

7 Consumer Projects

	2019	2018
	$	$
Healthy Homes Project	248,444	234,968
Total Consumer Projects	**248,444**	**234,968**

8 Imputation Credits

	2019	2018
	$	$
Imputation Credits Received	1,542,913	1,542,913
Applied to Consumer Distribution	(1,278,647)	(1,361,701)
Applied to Tax Expense	(261,703)	(181,212)
Converted to Loss	(2,563)	-
Total Imputation Credits	-	-

9 Dividends Received from Alpine Energy Ltd

	2019	2018
	$	$
Gross Dividend 30 September	1,102,080	1,102,080
Gross Dividend 31 December	1,102,080	1,102,080
Gross Dividend 31 March	1,102,080	1,102,080
Gross Dividend 31 July	2,204,161	2,204,161
Total Dividends Received from Alpine Energy Ltd	**5,510,401**	**5,510,401**

10 Future Income Tax Benefit

	2019	2018
	$	$
Opening Balance	96,131	64,127
Movement in Deferred Income Tax	49,471	32,004
Total Future Income Tax Benefit	**145,602**	**96,131**

11 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 2019 Alpine Energy Ltd Annual Report, in accordance with NZ IAS 28: Investments in Associates and Joint Ventures using the equity method. The only exemption is that Alpine Energy has a 31 March balance date. It is impractical for Alpine Energy Limited to provide information to 31 August 2019. Any management accounts to that date may be unreliable for financial reporting purposes due to the inclusion or omission of audited accounting estimates and fair value items. Therefore the Trustees consider that the audited financial statements of Alpine Energy Limited to 31 March present the most reliable form of information, from which dividends received by this Trust correspond to dividends distributed to consumers.

Management has concluded that the financial statements present fairly the entity's financial position, financial performance and cashflows, allowing for the NZIAS 28 departure.

The financial statements comply with NZ IFRS except that it has departed from the requirement of NZ IAS 28 para 34, that there be no more than a three month interval between the LTSC and AEL to achieve fair presentation. NZ IAS 28 para 34 would require that LTSC obtain and adjust the management accounts of AEL to GAAP standard for equity consolidation, it is impractical to provide the information in GAAP format and have it audited to the year ended 31 August. Consolidation of the management accounts to 31 August would lead to multiple departures from GAAP standards and be misleading to the readers, therefore the treatment adopted is to equity consolidate the audited financial statements of AEL to 31 March 2019. This treatment is consistent for both the current year and comparative period.

It is not possible to quantify the departure from NZ IAS 28 para 34 on a line by line basis.

An Independent Valuation as at 31 March 2019 under the N Z Equivalents to International Financial Reporting Standards has indicated a valuation of $4.70 per share or $77,639,200 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 and On Metering Ltd) also undertake asset management and contracting services.

12 Trustee Insurance

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

13 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.

MARTIN WAKEFIELD AUDIT

14 Guidelines for access to information from Beneficiaries

The Trust received no requests for information under the Guidelines for the year ended 31 August 2019.

15 Related Parties

Ford Simpson Ltd is Secretary of the LineTrust South Canterbury and also prepares the Financial Statements for the Trust. All transactions between LineTrust South Canterbury and Ford Simpson Ltd have been conducted on a commercial basis. Charges between the parties are for services provided as part of the normal operating activities of the Trust, and as such have been incorporated into the operating costs of the Trust as stated below;

Accountancy Fees $15,400 (2018:$13,920)
Secretarial Costs $31,002 (2018:$24,892)
Consultancy Fees - AEL $19,964 (2018:$Nil)

At balance date, accounts payable includes $2,760 of secretarial costs.

Ford Simpson holds the following balances in BNZ Trust Accounts at balance date;

BNZ On Call $13,311 (2018:$67,769)
BNZ Term Deposits $4,206,712 (2018:$4,440,179)

Trust distributions are paid to Trustees at the same rates as all other beneficiaries.

16 Capital Commitments

The Trust committed $280,000 to the Healthy Homes Project in 2019.

17 Contingent Liabilities

The Trusts share of its contingent liabilities of its associated company Alpine Energy Limited, at a 40% shareholding as at 31 March 2019 are as follows:-

$2,270,800,000 in the form of performance and import guarantees to cover ongoing project work (2018 NZD$3,642,590)

MARTIN WAKE AUDIT

CHARTERED ACCOUNTANTS

ALPINE ENERGY LTD

STATEMENT OF CORPORATE INTENT

2018/21

6 May 2018

ALPINE ENERGY LIMITED

2018/21 STATEMENT OF CORPORATE INTENT

Alpine Energy Limited (the "Company") is an electricity distribution company. This statement of corporate intent sets out the overall intentions and objectives for the Company for the trading period of 1 April 2018 to 31 March 2019 and the two succeeding financial years.

1. The Objectives of the Company

1.1 Mission

Empowering our Community...

Empowering our community has a number of contexts which are relevant to our purpose, examples of which, not exhaustive, are shown below.

Empowering our community… :

- By helping South Canterbury prosper, through safe, reliable, secure infrastructure
- Through the return and accrual of value in yield and investment for our shareholders
- By helping our businesses achieve better business outcomes
- Through the enduring relationships and interactions we have, helping make South Canterbury the place to live
- By helping grow our future Olympians and community stars (scholarship and sponsorship)

1.2 Our values

Our Values are:

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

1.3 Business Goals

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

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

- **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.

- **Diversity and Growth**
  To leverage capability, expertise, and know-how into new business opportunities and evolving technologies.

1.4 Nature and scope of activities to be undertaken

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

The Company, through its subsidiary companies, NETcon Limited and Infratec Limited, are also involved in 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 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.

Regarding the above mentioned value, the Company will not proceed on any projects other than the safe, efficient, reliable and cost effective sale and delivery of energy (renewable and historical) and data (e.g. backhaul fibre), and will not proceed without the approval of a majority of shareholders.

1.5 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.

1.6 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.

1.7 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. It should be noted the reduction in revenue in 2020/21 is a reflection of the estimated impact of the next five year reset period.

	2018/19	2019/20	2020/21
(i) Ratio of Shareholders funds to total assets	0.52:1.00	0.57:1.00	0.59:1.00
(ii) Rate of return on shareholders funds:	14.54%	14.29%	11.85%
(iii) Net Tangible Assets per share $	7.41	7.39	7.54
(iv) Earnings per share (cents per share)	54.08	57.69	51.46
(v) Ordinary Dividend per share (cents per share)	24.00	24.00	24.00
Financial Projections	**$M**	**$M**	**$M**
Revenue	109.2	115.0	111.0
Operating Expenses	79.2	83.0	82.5
Operating Surplus Before Tax	**30.0**	**32.2**	**28.5**
Net Operating Surplus After Tax	**22.3**	**23.8**	**21.3**
Shareholder Funds	**159.9**	**173.8**	**185.1**
Current assets	27.7	24.6	23.3
Non-current Assets	278.5	280.8	288.2
Total Assets	**306.2**	**305.3**	**311.5**
Current Liabilities	17.8	16.4	16.5
Non-current liabilities	128.4	115.1	109.9
Total Liabilities	**146.3**	**131.4**	**126.4**
Net assets	**159.9**	**173.8**	**185.1**
Customer Capital Contributions	**2.0**	**2.0**	**2.0**
Capital Expenditure	**25.3**	**14.6**	**19.4**
- Asset Management Plan (Network)	15.0	12.3	18.0
- Other	10.3	2.3	1.4
Interest Cover - Parent (not to be less than 3.0 times)	**7.88**	**8.76**	**8.32**
Interest Cover - Group	**8.47**	**9.44**	**9.10**
Shareholder Funds to total assets (Parent) to be 50% or greater	**52%**	**56%**	**58%**
Shareholder Funds to total assets (Group)	**52%**	**57%**	**59%**

1.8 Operating Performance Targets

The Company has developed annual operating performance targets to show how its quality of service to customers and consumers is focused. 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) interruption p.a. with a cap of 154.15	< 132.81 minutes of
(iii)	Average Interruption Frequency (SAIFI) customer with a cap of 1.5071	< 1.2973 interruptions per

1.9 Dividend Distribution Policy

The Company will, subject to a solvency certificate being signed by Directors, distribute to its Shareholders in cash a total of 24.0 cents per share in 2018/19 and the following two years. .

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.

1.10 Information to be provided to Shareholders

The Company will provide information which complies with all relevant statutes and regulation. 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.

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.

1.11 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.

1.12 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 Shareholders 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.

1.13 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.

The Company will seek to collaborate with the wider lines industry in seeking to improve consumer, community and workplace outcomes through developments such as:

- Tariff reform
- Technology recovery strategies
- Disaster recovery strategies
- Health and safety procedures

APPENDIX A

STATEMENT OF ACCOUNTING POLICIES

2. 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 until 31 March 2018. From 1 April 2018 the address of its registered office is 24 Elginshire Street, Washdyke, Timaru.

3. 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.

3.1 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 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 1992because 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.

3.1.1 Changes in accounting policies and disclosures

(a) *New standards not yet adopted by the Group*

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 2017, 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 2018)

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.

NZ IFRS 16: Leases (Effective date: periods beginning on or after 1 January 2019)

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting for leases under NZ IFRS 16 is almost the same as NZ IAS 17. However, because the guidance on the definition of a lease has been updated (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers.

The Group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

3.2 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.

3.3 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'.

3.4 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 1.00%- 36.00%
- Meters and Relays 2.00% - 50.00%

- Plant and Equipment 1.00%- 94.40%

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.

3.5 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.

3.6 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.

3.7 Financial assets

3.7.1 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.

3.7.2 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.

3.8 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.

3.9 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.

3.10 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).

3.11 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 classifies 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.

3.12 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.

3.13 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.

3.14 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.

3.15 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.

3.16 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.

3.17 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.

3.18 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.

3.19 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) Network lines charges
Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

(b) 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.

(c) 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.

(d) 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.

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

(f) Customer contributions
Contributions from customers in relation to the construction of new lines for the network and donated assets are accounted for as income when the asset is connected to the network.

3.20 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.

3.20.1 Dividend income

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

3.20.2 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.

3.20.3 Dividend distribution

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

3.20.4 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.

3.20.5 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 Members of Line Trust South Canterbury

Opinion

We have audited the financial statements of Line Trust South Canterbury on pages 6 to 17, which comprise the statement of financial position as at 31 August 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Line Trust South Canterbury as at 31 August 2019, and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Line Trust South Canterbury in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Restriction on Responsibility

This report is made solely to the Members, as a body, in accordance with the Electricity Industry Act 2010, Part 4 ss99-104 and the Financial Reporting Act 2013 s8. Our audit work has been undertaken so that we might state to the Members those matters 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 Members as a body, for our audit work, for this report, or for the opinions we have formed.

Other Information

The Trustees are responsible for the other information. The other information comprises the information in the Annual Report that accompanies the financial statements and the audit report.

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

Our responsibility is to read the other information on pages 2 to 5 and consider whether it is materially inconsistent with the financial statements our our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report upon that fact. We have nothing to report in this regard.

Trustees' Responsibility for the Financial Statements

The Trustees are responsible on behalf of the entity for the preparation and fair presentation of the financial statements in accordance with Tier 2 For-Profit, 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.

In preparing the financial statements, the Trustees are responsible on behalf of the entity for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at
www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/.

Emphasis of Matter

Emphasis of matter
We draw the reader's attention to note 11 of the financial statements. In the preparation of these financial statements the Trustees have authorised a departure from GAAP in order to obtain the most reliable information for the equity consolidation of the associated entity Alpine Energy Limited. Our audit report is not modified in regards to the is departure from NZIFRS RDR.

The engagement partner on the audit resulting in this independent auditor's report is Derily MacLean.
Signed:

Martin Wakefield

Timaru
21 November 2019